



Chartwell Technology Inc.

Interim Consolidated Financial Statements
For the three and nine months ended July 31, 2007

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Balance Sheets

| | July 31, 2007 (Unaudited) | October 31, 2006 |
|--|---------------------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 3,467,017 | \$ 1,626,617 |
| Short term investments | 10,594,489 | 11,147,309 |
| Accounts receivable | 4,976,379 | 5,670,997 |
| Deferred set-up expense | 18,050 | 99,133 |
| Prepaid expenses and deposits | 472,324 | 649,506 |
| Notes receivable | - | 280,300 |
| Future income tax asset (note 5) | 16,060 | 24,100 |
| Total current assets | 19,544,319 | 19,497,962 |
| Due from related parties (note 7) | 174,737 | 167,492 |
| Property and equipment | 2,216,998 | 1,415,590 |
| Intangible assets | 2,181,523 | 1,291,093 |
| Goodwill | 2,749,317 | 2,749,317 |
| Deferred software development costs | 3,168,858 | 3,385,388 |
| Deferred set-up expense | 62,717 | 37,693 |
| Notes receivable | - | 662,313 |
| Future income tax asset (note 5) | 909,550 | 229,739 |
| Prepaid expenses and deposits | 34,513 | 6,444 |
| | \$31,042,532 | \$29,443,031 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,452,984 | \$ 1,363,142 |
| Income taxes payable | 474,204 | 70,268 |
| Current portion of obligations under capital lease | - | 5,711 |
| Deferred revenue | 143,083 | 284,779 |
| Total current liabilities | 2,070,271 | 1,723,900 |
| Deferred revenue | 198,643 | 280,526 |
| Shareholders' equity: | | |
| Share capital (note 3) | 27,389,716 | 27,155,073 |
| Contributed surplus (note 4) | 1,793,174 | 1,698,924 |
| Deficit | (409,272) | (1,415,392) |
| Total shareholders' equity | 28,773,618 | 27,438,605 |
| | \$31,042,532 | \$29,443,031 |

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Income and Deficit
(unaudited)

| | Three Months ended July 31, | | Nine Months ended July 31, | |
|---|-----------------------------|-----------------------|----------------------------|-----------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenue: | | | | |
| Software license fees | \$ 5,019,220 | \$ 4,382,620 | \$ 15,642,603 | \$ 13,106,704 |
| Software set-up fees | 80,883 | 69,515 | 190,998 | 184,760 |
| Service fees | 48,816 | - | 101,363 | - |
| Interest and other | 121,077 | 210,702 | 395,058 | 568,661 |
| | 5,269,996 | 4,662,837 | 16,330,022 | 13,860,125 |
| Expenses: | | | | |
| Software development and support | 2,439,359 | 2,141,259 | 7,265,864 | 5,676,197 |
| Sales and marketing | 739,674 | 565,959 | 2,379,528 | 1,690,973 |
| General and administrative | 775,393 | 841,381 | 3,087,953 | 3,038,650 |
| Amortization of deferred software development costs | 247,830 | 58,829 | 703,636 | 176,487 |
| Stock-based compensation (reduction) | (149,084) | 89,070 | 123,309 | 484,058 |
| Depreciation and amortization | 200,844 | 114,105 | 502,807 | 308,669 |
| Amortization of intangible assets | 245,192 | 123,243 | 572,976 | 369,726 |
| Foreign currency loss (gain) | 236,975 | (68,563) | 262,518 | 108,178 |
| | 4,736,183 | 3,865,283 | 14,898,591 | 11,852,938 |
| Income before income taxes | 533,813 | 797,554 | 1,431,431 | 2,007,187 |
| Income taxes: | | | | |
| Current income tax expense | 225,579 | 154,039 | 1,097,082 | 568,437 |
| Future income tax expense (reduction) | (95,631) | 167,855 | (671,771) | 358,968 |
| | 129,948 | 321,894 | 425,311 | 927,405 |
| Net income | 403,865 | 475,660 | 1,006,120 | 1,079,782 |
| Deficit, beginning of period | (813,137) | (903,509) | (1,415,392) | (339,198) |
| Repurchase of common shares | - | (647,853) | - | (1,816,286) |
| Deficit, end of period | \$ (409,272) | \$ (1,075,702) | \$ (409,272) | \$ (1,075,702) |
| Net income per share: | | | | |
| Basic | \$ 0.02 | \$ 0.03 | \$ 0.05 | \$ 0.06 |
| Diluted | \$ 0.02 | \$ 0.03 | \$ 0.05 | \$ 0.06 |
| Weighted-average shares basic | 18,438,178 | 18,477,077 | 18,368,630 | 18,638,316 |
| Weighted-average shares diluted | 18,853,584 | 18,729,319 | 18,927,526 | 19,066,909 |

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Cash Flows
(unaudited)

| | Three Months ended July 31, | | Nine Months ended July 31, | |
|---|-----------------------------|--------------|----------------------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Funds from operations: | | | | |
| Net income | \$ 403,865 | \$ 475,660 | \$ 1,006,120 | \$ 1,079,782 |
| Unrealized foreign exchange losses | 104,155 | 10,894 | 80,191 | 10,894 |
| Depreciation and amortization | 200,844 | 114,105 | 502,807 | 308,669 |
| Amortization of deferred software development costs | 247,830 | 58,829 | 703,636 | 176,487 |
| Amortization of intangible assets | 245,192 | 123,243 | 572,976 | 369,726 |
| Stock-based compensation | (149,084) | 89,070 | 123,309 | 484,058 |
| Interest income capitalized | (2,451) | (2,451) | (7,245) | (7,044) |
| Fair value adjustment of notes receivable (note 2) | - | - | 97,668 | - |
| Future income tax expense (reduction) | (95,631) | 167,855 | (671,771) | 358,968 |
| | 954,720 | 1,037,205 | 2,407,691 | 2,781,540 |
| Change in non-cash working capital: | | | | |
| Accounts receivable | (923,704) | 696,221 | 614,427 | 488,330 |
| Deferred set-up expense | 6,490 | 31,545 | 56,059 | 58,673 |
| Prepaid expenses and deposits | 13,086 | (143,403) | 149,113 | (270,684) |
| Notes receivable | - | (30,547) | 254,106 | 3,305 |
| Deferred revenue | (45,189) | (288,995) | (223,579) | 57,374 |
| Accounts payable and accrued liabilities | 359,039 | 328,864 | 89,842 | 196,834 |
| Income tax payable | 225,579 | 154,039 | 403,936 | (1,421,285) |
| | (364,699) | 747,724 | 1,343,904 | (887,453) |
| | 590,021 | 1,784,929 | 3,751,595 | 1,894,087 |
| Financing: | | | | |
| Issue of shares for cash | 34,000 | 8,500 | 205,584 | 417,952 |
| Repurchase of shares for cash | - | (1,291,520) | - | (3,171,617) |
| Payment to Honeycomb Holdings Limited | - | - | - | (612,710) |
| Repayment of lease obligations | - | (4,158) | (5,711) | (10,867) |
| | 34,000 | (1,287,178) | 199,873 | (3,377,242) |
| Investments: | | | | |
| Redemption (purchase) of short term investments | (558,669) | 1,188,898 | 552,820 | 5,151,025 |
| Purchase of property and equipment | (265,635) | (198,060) | (702,944) | (639,849) |
| Business acquisition of Poker Community Management (note 2) | - | - | (1,473,838) | - |
| Deferred software development costs | (115,494) | (736,391) | (487,106) | (1,799,926) |
| | (939,798) | 254,447 | (2,111,068) | 2,711,250 |
| Increase (decrease) in cash | (315,777) | 752,198 | 1,840,400 | 1,228,095 |
| Cash, beginning of period | 3,782,794 | 4,377,147 | 1,626,617 | 3,901,250 |
| Cash, end of period | \$ 3,467,017 | \$ 5,129,345 | \$ 3,467,017 | \$ 5,129,345 |
| Supplemental cash flow information: | | | | |
| Interest received | \$ 108,637 | \$ 118,132 | \$ 344,626 | \$ 322,656 |
| Interest paid | 428 | 342 | 1,000 | 609 |
| Taxes paid | - | - | 693,145 | 1,989,722 |

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

For the nine months ended July 31, 2007

(unaudited)

1. Significant accounting policies:

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies that were used for the consolidated financial statements for the year ended October 31, 2006, except for the changes made to adopt to the new accounting standards as described in the following paragraph. These consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended October 31, 2006.

On November 1, 2006, the Company adopted the new CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Section 1530, "Comprehensive Income", and Section 3865, "Hedges" on a prospective basis.

Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristics based definition of a derivative financial instrument, provides criteria to be used when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished.

Section 1530 establishes standards for reporting comprehensive income. These standards require that an enterprise present comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other financial statements.

Section 3865 provides an alternative to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13, "Hedging Relationships", and on the hedging guidance in Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosure it requires.

The Company determined that it had no embedded derivatives that were required to be separated from the host contract, and that it had no "other comprehensive income or loss" transactions during the three and nine months ended July 31, 2007. The adoption of these new sections had no impact on net income.

The following new accounting standards will be adopted November 1, 2007: *Financial Instruments - Disclosures*, *Financial Instruments - Presentation* and *Capital Disclosures*. These standards will require the Company to provide additional disclosure relating to its financial instruments, including hedging instruments, and about its equity. It is not anticipated that the adoption of these new accounting standards will impact the amounts in the Company's financial statements as they primarily relate to disclosure.

2. Business acquisition:

Effective February 5, 2007, the Company acquired all of the assets of PokerNexus Community Management business from Elite Club Management N.V. (ECM) for US\$1,840,967 consisting of US\$1,255,729 of cash and US\$502,214 in cancelled payable to the Company from ECM. The note payable from ECM that was eliminated with the acquisition was valued at the fair market value at the time of the acquisition.

The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statement of income from the date of acquisition. The following table summarizes the preliminary estimated fair value of the assets acquired at the date of acquisition and is subject to change:

| | |
|---|--------------|
| Fair value of net assets acquired: | CAD |
| Capital assets | 601,271 |
| Customer contracts | 1,347,186 |
| Intellectual property | 116,220 |
| | \$ 2,064,677 |
| Consideration: | |
| Cash | \$ 1,473,838 |
| Elimination of Note Receivable from ECM | 590,839 |
| | \$ 2,064,677 |

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

For the nine months ended July 31, 2007

(unaudited)

3. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued & outstanding:

| | Number of Shares | Amount |
|--|-------------------------|---------------|
| Balance, October 31, 2006 | 18,682,855 | \$ 27,155,073 |
| Issued for cash on exercise of stock options | 147,334 | 205,584 |
| Transfer from contributed surplus on options exercised | - | 29,059 |
| Balance, July 31, 2007 | 18,830,189 | \$ 27,389,716 |

The weighted average number of shares outstanding for the quarter were 18,438,178 (2006 - 18,477,077). Diluted shares of 18,853,584 (2006 - 18,729,319) reflect the dilutive effect of the exercise of the outstanding options.

(c) Continuity of options:

| | Number | Weighted average exercise price |
|-------------------------------|---------------|--|
| Outstanding, October 31, 2006 | 1,722,068 | \$ 2.58 |
| Granted | 617,000 | 2.05 |
| Exercised | (147,334) | 1.40 |
| Forfeited | -679,000 | 3.12 |
| Outstanding, July 31, 2007 | 1,512,734 | \$ 2.23 |

4. Contributed surplus:

| | Amount |
|---|---------------|
| Balance, October 31, 2006 | \$ 1,698,924 |
| Stock-based compensation expense | 123,309 |
| Transferred to share capital on exercise of options | (29,059) |
| Balance, July 31, 2007 | \$ 1,793,174 |

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

For the nine months ended July 31, 2007

(unaudited)

5. Future income tax asset:

| | |
|------------------------------|------------|
| Balance, October 31, 2006 | \$ 253,839 |
| Current period tax reduction | 671,771 |
| Balance, July 31, 2007 | \$ 925,610 |

6. Segmented information:

The Company has aggregated its operating segments (North America and Europe) into one reporting segment as management has determined that the nature of the operations in each segment meets the aggregation criteria specified by Canadian standards. The Company's software set-up and license fees are from domestic and foreign entities and originate from the following areas of operations:

| Three months ended July 31, 2007 | North America | Europe | Total |
|----------------------------------|---------------|------------|---------------|
| Software set-up fees | - | 80,883 | 80,883 |
| Software license fees | 2,400 | 5,016,820 | 5,019,220 |
| Total assets | 17,679,391 | 13,363,140 | \$ 31,042,531 |

| Nine months ended July 31, 2007 | North America | Europe | Total |
|---------------------------------|---------------|------------|---------------|
| Software set-up fees | - | 190,998 | 190,998 |
| Software license fees | 7,588 | 15,635,015 | 15,642,603 |
| Total assets | 17,679,391 | 13,363,140 | \$ 31,042,531 |

| Three months ended July 31, 2006 | North America | Europe | Total |
|----------------------------------|---------------|------------|---------------|
| Software set-up fees | - | 69,515 | 69,515 |
| Software license fees | 18,274 | 4,364,346 | 4,382,620 |
| Total assets | 17,366,330 | 12,302,762 | \$ 29,669,092 |

| Nine months ended July 31, 2006 | North America | Europe | Total |
|---------------------------------|---------------|------------|---------------|
| Software set-up fees | - | 184,760 | 184,760 |
| Software license fees | 65,333 | 13,041,371 | 13,106,704 |
| Total assets | 17,366,330 | 12,302,762 | \$ 29,669,092 |

7. Related party transactions

For the three and nine months ended July 31, 2007, the Company incurred and paid consulting fees to certain directors and officers of the Company in the normal course of business of \$41,000 and \$154,000 as compared to \$41,000 and \$123,000 in the comparable period in 2006. In the three and nine months ended July 31, 2007, legal fees of \$312,000 were paid to certain directors and officers of the Company in the normal course of business as compared to \$69,000 and \$215,000 in the same comparable periods in 2006. These transactions were paid in Canadian dollars and recorded in general and administrative and sales and marketing expenses.

Amounts due from a related party of \$175,000 as of July 31, 2007 as compared to \$167,000 consist of amounts due from a certain Company officer who is also a director. The balance bears interest at 6%, is secured by 189,200 common shares of the Company and has no set terms of repayment.