



Chartwell Technology Inc.

Interim Consolidated Financial Statements
For the three and six months ended April 30, 2008

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Balance Sheets

| | April 30, 2008 (Unaudited) | October 31, 2007 |
|---|----------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 3,413,750 | \$ 4,413,871 |
| Short term investments | 15,389,088 | 10,665,259 |
| Accounts receivable | 3,537,297 | 4,401,872 |
| Deferred set-up expense | 4,218 | 21,078 |
| Prepaid expenses and deposits (note 5) | 1,188,087 | 708,466 |
| Income tax receivable | 806,482 | 1,671,998 |
| Total current assets | 24,338,922 | 21,882,544 |
| Property and equipment | 2,402,855 | 2,254,939 |
| Intangible assets | 894,305 | 1,138,206 |
| Goodwill (note 2) | 3,106,177 | 2,749,317 |
| Deferred software development costs | 1,873,188 | 2,449,554 |
| Deferred set-up expense | 75,300 | 44,195 |
| Deposits | 13,805 | 27,610 |
| | \$ 32,704,552 | \$ 30,546,365 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,995,866 | \$ 1,804,188 |
| Unrealized loss on foreign exchange collar | 29,926 | - |
| Deferred revenue | 75,927 | 110,212 |
| Total current liabilities | 2,101,719 | 1,914,400 |
| Deferred revenue | 171,479 | 186,821 |
| Future income tax liability (note 8) | 580,396 | 642,934 |
| Shareholders' equity: | | |
| Share capital (note 6) | 26,961,082 | 27,400,217 |
| Contributed surplus (note 7) | 2,411,302 | 1,900,959 |
| Retained earnings (deficit) | 478,574 | (1,498,966) |
| Total shareholders' equity | 29,850,958 | 27,802,210 |
| | \$ 32,704,552 | \$ 30,546,365 |

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Income and Retained Earnings (Deficit)

(unaudited)

| | Three months ended April 30, | | Six months ended April 30, | |
|--|------------------------------|---------------------|----------------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenue: | | | | |
| Software license fees | \$ 6,459,327 | \$ 5,334,272 | \$ 12,041,454 | \$ 10,623,383 |
| Software set-up fees | 42,783 | 55,043 | 68,220 | 110,115 |
| Service fees | 340,484 | 52,547 | 399,784 | 52,547 |
| Interest and other | 141,829 | 120,362 | 250,226 | 273,981 |
| | 6,984,423 | 5,562,224 | 12,759,684 | 11,060,026 |
| Expenses: | | | | |
| Software development and support | 2,833,166 | 2,356,977 | 5,137,671 | 4,826,505 |
| Sales and marketing | 602,974 | 715,500 | 1,347,804 | 1,639,854 |
| General and administrative | 988,947 | 1,291,767 | 1,777,061 | 2,312,560 |
| Amortization of deferred software development costs | 288,183 | 284,260 | 576,366 | 455,806 |
| Stock-based compensation | 371,080 | 139,210 | 510,343 | 272,393 |
| Depreciation and amortization | 210,930 | 186,583 | 383,656 | 301,963 |
| Amortization of intangible assets | 121,950 | 204,542 | 243,901 | 327,784 |
| Foreign currency (gain) loss | (103,753) | 298,400 | (171,200) | 25,543 |
| | 5,313,477 | 5,477,239 | 9,805,602 | 10,162,408 |
| Income before income taxes | 1,670,946 | 84,985 | 2,954,082 | 897,618 |
| Income taxes: | | | | |
| Current income tax expense | 635,688 | 240,553 | 1,036,150 | 871,503 |
| Future income tax expense (reduction) | (15,146) | (263,148) | (62,538) | (576,140) |
| | 620,542 | (22,595) | 973,612 | 295,363 |
| Net income | 1,050,404 | 107,580 | 1,980,470 | 602,255 |
| Deficit, beginning of period | (568,900) | (920,717) | (1,498,966) | (1,415,392) |
| Repurchase of common shares under Normal Course Issuer Bid | (2,930) | - | (2,930) | - |
| Retained earnings (deficit) end of period | \$ 478,574 | \$ (813,137) | \$ 478,574 | \$ (813,137) |
| Net income per share: | | | | |
| Basic | \$ 0.05 | \$ 0.01 | \$ 0.10 | \$ 0.04 |
| Diluted | \$ 0.05 | \$ 0.01 | \$ 0.10 | \$ 0.04 |
| Weighted-average shares basic | 18,883,127 | 18,360,342 | 18,862,194 | 18,333,664 |
| Weighted-average shares diluted | 20,017,606 | 18,795,968 | 19,996,674 | 18,785,015 |

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Cash Flows
(unaudited)

| | Three months ended April 30, | | Six months ended April 30, | |
|--|------------------------------|--------------|----------------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Funds from operations: | | | | |
| Net income | \$ 1,050,404 | \$ 107,580 | \$ 1,980,470 | \$ 602,255 |
| Unrealized foreign exchange gains/losses | (40,490) | 62,983 | (64,904) | 39,020 |
| Depreciation and amortization | 210,930 | 186,583 | 383,656 | 301,963 |
| Amortization of deferred software development costs | 288,183 | 284,260 | 576,366 | 455,806 |
| Amortization of intangible assets | 121,950 | 204,542 | 243,901 | 327,784 |
| Stock-based compensation | 371,080 | 139,210 | 510,343 | 272,393 |
| Interest income capitalized | - | (2,370) | - | (4,794) |
| Fair value adjustment of notes receivable | - | 97,668 | - | 97,668 |
| Future income tax expense (reduction) | (15,146) | (263,148) | (62,538) | (576,140) |
| | 1,986,911 | 817,308 | 3,567,294 | 1,515,955 |
| Change in non-cash working capital: | | | | |
| Accounts receivable | 1,715,839 | 339,481 | 894,501 | 1,474,948 |
| Deferred set-up expense | (28,064) | 24,785 | (14,245) | 49,569 |
| Prepaid expenses and deposits | (615,237) | 6,551 | (465,816) | 136,027 |
| Notes receivable | - | 271,574 | - | 254,106 |
| Deferred revenue | (20,543) | (39,618) | (49,627) | (178,390) |
| Accounts payable and accrued liabilities | (98,474) | (283,357) | 191,678 | (269,002) |
| Income tax receivable (payable) | 635,689 | (381,783) | 865,516 | 178,357 |
| | 1,589,210 | (62,367) | 1,422,007 | 1,645,615 |
| | 3,576,121 | 754,941 | 4,989,301 | 3,161,570 |
| Financing: | | | | |
| Issue of shares for cash | 71,834 | 171,585 | 76,234 | 171,585 |
| Repurchase of shares for cash | (518,298) | - | (518,298) | - |
| Repayment of lease obligations | - | - | - | (5,711) |
| | (446,464) | 171,585 | (442,064) | 165,874 |
| Investments: | | | | |
| Redemption (purchase) of short term investments | (3,909,835) | 826,851 | (4,723,828) | 1,111,489 |
| Purchase of property and equipment | (222,014) | (30,808) | (375,085) | (437,309) |
| Business acquisition of ECM (note 2) | (551,350) | - | (551,350) | - |
| Holdback amount from acquisition (note 2) | 51,200 | - | 51,200 | - |
| Business acquisition of Poker Community Management | - | (1,473,838) | - | (1,473,838) |
| Deferred software development costs | - | (168,853) | - | (371,612) |
| | (4,631,999) | (846,648) | (5,599,063) | (1,171,270) |
| Effect of foreign exchange rate changes on cash and cash equivalents | 27,290 | - | 51,705 | - |
| Increase (decrease) in cash | (1,502,342) | 79,878 | (1,051,826) | 2,156,174 |
| Cash, beginning of period | 4,888,802 | 3,702,913 | 4,413,871 | 1,626,617 |
| Cash, end of period | \$ 3,413,750 | \$ 3,782,791 | \$ 3,413,750 | \$ 3,782,791 |
| Supplemental cash flow information: | | | | |
| Interest received | \$ 131,484 | \$ 114,603 | \$ 217,945 | \$ 241,955 |
| Interest paid | - | 147 | - | 572 |
| Taxes paid | - | 70,809 | - | 693,145 |

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements
For the six months ended April 30, 2008
(unaudited)

1. Significant accounting policies:

Basis of presentation

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, 2007 except as noted below. 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, 2007.

Capital disclosures and financial instruments - disclosures and presentation

On December 1, 2006, the Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments - Disclosures (Handbook Section 3862), and Financial Instruments - Presentation (Handbook Section 3863). These new standards became effective for the Company on October 1, 2007.

Capital disclosures

Handbook Section 1535 specifies the disclosure of (i) an entities objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the Handbook section in note 3 to these interim financial statements.

Financial instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4 to these interim financial statements.

Future accounting change

Handbook Section 3031, Inventories, relates to the new accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The new standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008, and will be effective for the Company's annual and interim financial statements for the periods beginning on and after November 1, 2008.

As the Company has no inventory, this section is not expected to have any impact on its consolidated financial statements.

With the Canadian Accounting Standards Board's recent announcement that January 1, 2011 as the date International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, the Company has been carefully evaluating its own implementation plan and assessing the impact the numerous accounting changes will have on the organization. As the final implementation date approaches, the Company will continue to monitor developments.

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2. Business acquisition:

Effective February 1, 2008, the Company acquired all of the shares of Elite Club Management N.V. (ECM) for US\$500,000 cash consideration on closing plus a holdback of US\$50,000. The holdback is expected to be paid in the third quarter of 2008, subject to no claims under the representations and warranties of the agreement.

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 |
|------------------------------------|------------|
| Working capital | \$ 35,344 |
| Capital assets | 156,487 |
| Goodwill | 356,860 |
| Total purchase price consideration | \$ 548,691 |

3. Capital management:

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining sufficient level of funds, in order to support and further expand upon the Company's current product base. Management defines capital as the Company's cash, short term investments and shareholders' equity.

The Company manages its capital structure and makes adjustments to it, based on the level of funds required to manage its operations. In order to achieve these objectives, the Company invests its excess capital in highly liquid financial instruments. The Board does not establish quantitative return on capital criteria for management, but rather promotes sustainable operation goals. The Company is not subject to any externally imposed capital requirements.

4. Financial risk factors:

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to software license fees receivable. The Company has a concentration of credit risk with five customers accounting for 61% of its accounts receivable.

(a) Accounts Receivable

The Company manages its credit risk associated with accounts receivable by maintaining reserves for potential credit losses. The Company does not have any material accounts receivable balances greater than 90 days outstanding. As a result, the Company believes that its accounts receivable represent a low credit risk.

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4. Financial risk factors (continued):

Liquidity risk

The Company has sufficient funds (October 31, 2008 - \$4,413,871 and April 30, 2008 - \$3,413,750) to settle current liabilities. The Company has no long term debt.

Market risk

(a) Interest rate risk

The Company has significant cash balances and short term investments and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates, guaranteed investment certificates and bankers' acceptances. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company is exposed to foreign currency fluctuations as the majority of the Company's revenues are received in UK Pounds Sterling and Euros while the majority of the Company's expenses are incurred in Canadian dollars. The Company has mitigated some of this exchange risk by entering into foreign exchange collars.

As of April 30, 2008, the Company had partial economic hedges with collars that have a strike price range of Euros to Canadian dollars between 1.4400 to 1.6200. The estimated fair value of the foreign exchange collars has been determined based on the amount the Company would receive or pay to terminate the contracts as at April 30, 2008. The amount the Company would pay to terminate the foreign exchange collar as at April 30, 2008 would be approximately \$30,000.

The net unrealised loss on the foreign currency collar has been recorded in the statement of income and retained earnings (deficit).

At April 30, 2008, the Company's gross balance sheet exposure to foreign currency risk was substantially as follows:

| <i>In Canadian Dollar equivalent</i> | GBP | EURO | USD | SGD | Total |
|--|-------------|-------------|------------|------------|--------------|
| Cash and cash equivalent | 1,072,755 | 106,580 | 246,975 | 46,963 | \$1,473,273 |
| Accounts receivable and other | 1,420,561 | 2,641,625 | 127,510 | - | \$4,189,696 |
| Accounts payable and other accrued liabilities | (49,394) | (278,102) | (171,243) | - | \$ (498,739) |
| Net balance sheet exposure | \$2,443,922 | 2,470,103 | 203,242 | 46,963 | \$5,164,230 |

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4. Financial risk factors (continued):

Quantification of risk exposure: foreign currency risk

The Company's revenue denomination in foreign currencies was as follows:

| <i>In Canadian Dollar equivalent</i> | GBP | EURO | USD | Total |
|--------------------------------------|------------|-------------|------------|--------------|
| Revenue | | | | |
| Three months ended April 30, 2008 | 2,558,864 | 3,900,686 | 67,737 | \$ 6,527,287 |
| Six months ended April 30, 2008 | 5,017,860 | 6,986,055 | 202,467 | \$12,206,382 |
| Three months ended April 30, 2007 | 1,419,123 | 2,367,703 | 1,668,765 | \$ 5,455,591 |
| Six months ended April 30, 2007 | 2,670,584 | 4,259,353 | 3,877,287 | \$10,807,224 |

Sensitivity analysis

The Company has designated its cash and short term investments as held-for-trading, which are measured at fair value. As of April 30, 2008, the carrying amount of the financial instruments equals fair market value.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

Software license revenue would be impacted by changes in the exchange rates between the Canadian dollar and either the Euro or the UK Pound Sterling. A 1% change in the Euro to the Canadian dollar exchange rate would change software license revenue by \$78,000 and a 1% change in the UK Pound Sterling to the Canadian dollar exchange rate would change software license revenue by \$48,000.

Similarly, accounts receivable, before taking into consideration the effect of foreign exchange collar, would be impacted by changes in the exchange rates between the the Canadian dollar and either the Euro or UK Pound Sterling. A 1% change in the Euro to the Canadian dollar exchange rate would impact net income by \$24,000 and a 1% change in the UK Pound Sterling to the Canadian dollar exchange rate would change net income by \$12,000.

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5. Prepaid expenses and deposits:

Prepaid expenses include an amount of \$632,000 remitted in settlement of a foreign exchange collar in advance of the expiry date, which was shortly after quarter end.

6. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued and outstanding:

| | Number of Shares | Amount |
|--|------------------|---------------|
| Balance, October 31, 2007 | 18,840,689 | \$ 27,400,217 |
| Issued for cash on exercise of stock options | 76,234 | 76,234 |
| Cancelled on Normal Course Issuer Bid (d) | (354,400) | (515,369) |
| Balance, April 30, 2008 | 18,562,523 | \$ 26,961,082 |

The weighted average number of shares outstanding for the quarter were 18,862,194 (2007 - 18,333,664). Diluted shares of 19,996,674 (2007 - 18,785,015) reflect the dilutive effect of the exercise of the outstanding options.

(c) Continuity of options:

| | Number | Weighted average exercise price |
|-------------------------------|-----------|---------------------------------|
| Outstanding, October 31, 2007 | 2,240,734 | \$ 1.97 |
| Granted | 62,500 | 1.44 |
| Exercised | (76,234) | 1.00 |
| Forfeited | (46,000) | 2.04 |
| Outstanding, April 30, 2008 | 2,181,000 | \$ 1.99 |

(d) Normal Course Issuer Bid:

A Normal Course Issuer Bid was filed with the Toronto Stock Exchange on January 25, 2008, whereby the Company is permitted to purchase and cancel up to 1,725,000 of its common shares prior to January 31, 2009. Through the first two quarters of 2008, 354,400 shares were repurchased, resulting in \$515,369 being recorded as a reduction to share capital and \$2,930 as a reduction to retained earnings. In 2007 there were no shares repurchased.

7. Contributed surplus:

| | |
|----------------------------------|--------------|
| Balance, October 31, 2007 | \$ 1,900,959 |
| Stock-based compensation expense | 510,343 |
| Balance, April 30, 2008 | \$ 2,411,302 |

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

For the six months ended April 30, 2008

(unaudited)

8. Future income tax liability:

| | |
|------------------------------|------------|
| Balance, October 31, 2007 | \$ 642,934 |
| Current period tax reduction | (62,538) |
| Balance, April 30, 2008 | \$ 580,396 |

9. Segmented information:

The Company has one operating segment as management has determined that the nature of the operations meet the aggregation criteria specified by Canadian standards. The Company's software license fees, set-up fees, service fees and total assets are from domestic and foreign entities and originate from the following areas of operations:

| Three months ended April 30, 2008 | Asia | North America | Europe | Total |
|-----------------------------------|---------|---------------|------------|---------------|
| Software license fees | 769,835 | 20,367 | 5,669,125 | 6,459,327 |
| Software set-up fees | - | - | 42,783 | 42,783 |
| Service fees | 310,522 | - | 29,962 | 340,484 |
| Total assets | 939,341 | 2,912,631 | 28,852,580 | \$ 32,704,552 |

| Six months ended April 30, 2008 | Asia | North America | Europe | Total |
|---------------------------------|---------|---------------|------------|---------------|
| Software license fees | 769,834 | 51,500 | 11,220,120 | 12,041,454 |
| Software set-up fees | - | - | 68,220 | 68,220 |
| Service fees | 310,522 | - | 89,262 | 399,784 |
| Total assets | 939,341 | 2,912,631 | 28,852,580 | \$ 32,704,552 |

| Three months ended April 30, 2007 | Asia | North America | Europe | Total |
|-----------------------------------|------|---------------|------------|---------------|
| Software license fees | - | 2,576 | 5,331,696 | 5,334,272 |
| Software set-up fees | - | - | 55,043 | 55,043 |
| Service fees | - | - | 52,547 | 52,547 |
| Total assets | - | 16,438,993 | 13,775,525 | \$ 30,214,518 |

| Six months ended April 30, 2007 | Asia | North America | Europe | Total |
|---------------------------------|------|---------------|------------|---------------|
| Software license fees | - | 5,188 | 10,618,195 | 10,623,383 |
| Software set-up fees | - | - | 110,115 | 110,115 |
| Service fees | - | - | 52,547 | 52,547 |
| Total assets | - | 16,438,993 | 13,775,525 | \$ 30,214,518 |

10. Related party transactions:

For the three and six months ended April 30, 2008, the Company incurred legal fees to a certain director of the Company in the normal course of business of \$41,000 and \$42,000 as compared to \$146,000 in each of the comparable periods of 2007. The Company incurred sales and marketing consultancy fees to a certain director and officer of \$31,000 and \$62,000 as compared to the same amounts in the respective periods of 2007. In addition, general and administrative consulting fees of \$10,000 and \$21,000 to a certain director and officer as compared to \$25,000 and \$51,000 to a certain director and officer as well as a former officer in the respective periods in 2007. These transactions were measured at the exchange amount which approximate fair value and are recorded in software development, sales and marketing, and general administrative expenses. As at April 30, 2008, \$43,000 is reflected in accounts payable and accrued liabilities, while all other amounts have been paid.