



Chartwell Technology Inc.

Consolidated Interim Financial Statements
For the three months ended January 31, 2004

CHARTWELL TECHNOLOGY INC.

Consolidated Balance Sheets (unaudited)

	January 31, 2004 (unaudited)	October 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,725,046	\$ 3,465,120
Short term investments	3,243,203	1,712,890
Accounts receivable	1,639,121	1,991,725
Prepaid expenses	152,101	148,699
	<u>7,759,471</u>	<u>7,318,434</u>
Due from related parties	172,564	190,512
Capital assets	489,871	338,969
Deferred software development costs	530,948	530,948
Future Income tax asset	475,000	520,000
	<u>\$ 9,427,854</u>	<u>\$ 8,898,863</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 308,617	\$ 217,012
Current portion of obligations under capital lease	4,926	5,956
Deferred revenue	108,342	343,311
	<u>421,885</u>	<u>566,279</u>
Obligations under capital lease	2,159	3,031
Shareholders' equity:		
Share capital	14,925,083	14,809,723
Deficit	(5,921,273)	(6,480,170)
	<u>9,003,810</u>	<u>8,329,553</u>
	<u>\$ 9,427,854</u>	<u>\$ 8,898,863</u>

See accompanying notes to consolidated interim financial statements.

CHARTWELL TECHNOLOGY INC.

Consolidated Statements of Income and Deficit

(unaudited)

	Three months ended January 31,	
	2004	2003
Revenue:		
Software development fees	\$ 357,438	\$ 480,500
Software license fees	1,939,199	1,183,308
Interest and other	43,708	27,668
	<u>2,340,345</u>	<u>1,691,476</u>
Expenses:		
Software development and support	972,240	871,853
General and administrative	771,105	423,201
Depreciation and amortization	34,533	21,292
Amortization of deferred software development costs	-	27,517
	<u>1,777,878</u>	<u>1,343,863</u>
Income from operations	562,467	347,613
Foreign currency losses (gains)	(41,430)	-
	<u>603,897</u>	<u>347,613</u>
Net income before taxes		
Income taxes:		
Income tax expense	220,000	-
Future income tax recovery	(175,000)	-
	<u>45,000</u>	<u>-</u>
Net income	558,897	347,613
Deficit, beginning of period	(6,480,170)	(8,091,022)
	<u>\$ (5,921,273)</u>	<u>\$ (7,743,409)</u>
Net income per share basic & diluted	\$ 0.04	\$ 0.03

See accompanying notes to consolidated interim financial statements.

Weighted-average shares basic	13,669,842	13,487,301
Weighted-average shares diluted	14,651,116	13,487,301

CHARTWELL TECHNOLOGY INC.

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended January 31,	
	2004	2003
Cash provided by (used in):		
Operations:		
Funds from operations:		
Net income	\$ 558,897	\$ 347,613
Depreciation and amortization	34,533	21,292
Unrealized foreign exchange losses	(41,430)	-
Interest income capitalized	(2,052)	(1,941)
Amortization of deferred software development costs	-	27,517
Future income tax recovery	45,000	-
Deferred set-up costs	-	91,629
	594,948	486,110
Change in non-cash working capital:		
Accounts receivable	352,604	(540,813)
Due from related parties	20,000	-
Prepaid expenses	(3,402)	(35,375)
Deferred revenue	(234,969)	71,254
Accounts payable and accrued liabilities	91,605	(16,095)
	225,838	(521,029)
	820,786	(34,919)
Financing:		
Issue of shares	115,360	-
Repayment of lease obligations	(1,902)	(1,601)
	113,458	(1,601)
Investments:		
Purchase of short term investments	(1,530,313)	707,675
Purchase of capital assets	(185,435)	(30,924)
	(1,715,748)	676,751
Effect of foreign exchange rate changes on cash and cash equivalents		
	41,430	-
	41,430	-
Increase (decrease) in cash	(740,074)	640,231
Cash, beginning of period	3,465,120	1,704,267
Cash, end of period	\$ 2,725,046	\$ 2,344,498
Supplemental cash flow information:		
Cash interest received	\$ 41,656	\$ 25,727
Cash interest paid	298	597

See accompanying notes to consolidated interim financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Consolidated Interim Financial Statements
For the three months ended January 31, 2004
(unaudited)

These consolidated interim financial statements of Chartwell Technology Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. As the interim financial statements do not contain all of the disclosures required in annual financial statements, they should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2003.

1. Share capital:

As at January 31, 2004 and October 31, 2003 the Company had 16,095,701 and 15,987,701 common shares outstanding and 2,458,100 and 2,616,100 options to acquire common shares respectively. The weighted average number of shares outstanding for the quarter were 13,669,842. Diluted shares of 14,651,116 reflect the dilutive effect of the exercise of the options outstanding.

2. Segmented information:

The Company has aggregated its Canadian and Belize operating segments into one reporting segment as management has determined that the nature of the operations in each segment meets the aggregation criteria specified by the Canadian Institute of Chartered Accountants. The Company's software set-up and license fees are from domestic and foreign entities and originate from the following countries of operations:

2004	Three months ended January 31		
	Canada	Belize	Total
Software set-up fees	\$ -	\$ 357,438	\$ 357,438
Software license fees	\$ 56,791	\$ 1,882,408	\$ 1,939,199

2003	Canada	Belize	Total
	Software set-up fees	\$ -	\$ 480,500
Software license fees	\$ 54,638	\$ 1,128,670	\$ 1,183,308

3. Stock-based compensation

The Company has elected to follow an alternative method of accounting for stock options awarded to employees and recognize no compensation expense when stock options are granted. The Company has calculated the fair value of stock options granted to employees, directors, and officers using the Black Scholes option pricing model with a dividend yield of 0% and with the following weighted-average assumptions: Risk free interest rate-4%, Volatility-100%, Expected option life-5 years. Had compensation expense been determined based on the fair value of the employee stock option awards at the grant dates in accordance with the new recommendations, the Company's net income and earnings per share would have been changed to the following pro forma amounts:

	Three months ended January 31, 2004	
	As reported	Pro forma
Net income	\$ 558,897	\$ 505,355
Earnings per share basic & diluted	\$ 0.04	\$ 0.04