



CHARTWELL TECHNOLOGY INC.

**Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three and six months ended April 30, 2009 and 2008.**

June 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with Chartwell Technology Inc.'s ("Chartwell" or the "Company") audited consolidated financial statements and the accompanying notes for the year ended October 31, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Additional information relating to the Company is available on SEDAR at www.sedar.com under Chartwell Technology Inc. and on the Company's website at www.chartwelltechnology.com.

Special Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements which reflect Management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities.

Certain statements contained in this report about the Company's future plans and intentions, results, levels of activity, performance or achievements or other future events, including statements related to the Company's plans to launch new products such as the Linked Progressive Jackpots and Bingo community, plans to expand hosting, network administration including the Games Distribution System and casino management services, plans to attain an Alderney Gambling License, future financial results from new customers, competition, evolution of the regulatory framework for on-line gambling, and any statements that contain words such as "anticipate", "may", "will", "should", "could", "expect", "plan", "intend", "believe", "estimate", or "potential" or similar words constitute forward-looking statements.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements.

With respect to the aforementioned forward looking statements, the Company has made assumptions regarding the planned schedule of software development, testing and integration, the receipt of appropriate regulatory licenses (where required) in a timely manner, and the receipt of cooperation from contractual counterparties where their assistance is required.

Factors which could cause results or events to differ from current expectations include, among other things: the impact of government legislation; the impact of price competition; the ability of the Company to retain and attract qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with current and prospective major customers; general industry and market conditions and growth rates; currency rate fluctuations and the impact of consolidation in the on-line gaming industry. Chartwell disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities legislation. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

Past performance has been considered in drawing conclusions with respect to forward-looking statements contained in this MD&A.

Non-GAAP Financial Measures

EBITDA is defined as earnings that include the benefit of government assistance, before interest, taxes, depreciation and amortization. EBITDA is not a recognized measure under Canadian generally accepted accounting principles. Management believes however that EBITDA is a useful supplementary measure as it provides an indication of the results of Chartwell's business operations without regard to how these activities were financed or how these results were taxed. Chartwell's method of calculating EBITDA may differ from that of other companies, and accordingly, EBITDA may not be directly comparable to measures used by other companies.

OVERVIEW

Chartwell develops, markets, licenses, implements and supports gaming applications and entertainment content for the internet and remote platforms. Chartwell's JAVA and Flash based software products and games are designed for deployment in gaming, entertainment and promotional applications.

Business Plan

The Company's business plan and objectives through fiscal 2009 are to increase our market share in our traditional internet Casino market with a continued emphasis on the European market; endeavour to license our software to the larger European operators; launch our Linked Progressive Jackpot (LPJ); launch a Bingo community, investigate new markets including Asia and serve more clients in hosting, network administration and managed services.

Overall we intend to expand the range of products and services we provide through in-house development, outsourced development, acquisitions, and licensing content from other game developers and brand owners. In order to grow and remain a leading software provider in a competitive market, we must continue to offer an expanding variety of new and innovative products and services that enhance the gaming experience in order to help our customers attract, and retain players.

Business Model

The majority of Chartwell's revenue is in the form of software license fees, most of which are contingent upon customer usage and are recognized on an accrual basis as earned over the life of the contract. The Company's contractual agreements with licensees provide for the provision of graphics, web design, software implementation services, licensing of the software and provision of software upgrades over the fixed term of the contract. Licensees pay an ongoing fee for the licensing and support of the Company's software under a software licensing agreement, which typically has a two to five year term. The license fee is calculated as a percentage of each licensee's level of activity.

Software set-up fee revenue and the related costs for the initial design, construction and implementation of the gaming software are recognized ratably over the initial term of the contract.

Service revenue is generated from a variety of activities including custom software development, network administration, hosting and managed services. Software development fees are fees that the Company charges for custom software development and are recognized on a percentage of completion basis. The Company provides network administration services for fixed monthly rates and these fees are reported along with service fees on an accrual basis during the period of service. The Company includes hosting and managed services revenue in its consolidated service revenue. Hosting fees are fixed monthly fees and are recorded in service revenue on an accrual basis. Managed services are offered to software licensees whereby the Company provides varying levels of management support services which may include end user customer support activities and or consulting on player acquisition and retention strategies. The managed services fees are based on the participants' level of activity and are recognized on an accrual basis.

Expenses are classified into eight categories, namely: software development and support; sales and marketing; general and administrative; amortization of deferred software development costs; stock-based compensation expense; depreciation and amortization; amortization of intangible assets; and foreign currency gains or losses. Software development and support consists of personnel and related costs associated with the design and development of new products, first level support for managed services customers of the Poker community, second level support for both Casino and Poker products, hosting costs for the Poker, Bingo and LPJ communities paid to hosting providers, customer implementation and quality assurance. Sales and marketing expenses consist of personnel and related costs associated with the Company's sales, marketing and business development activities. General and administrative expenses include the costs of all administrative, financial and information technology (IT) support personnel, investor relations and professional fees relating to our public company listing. Stock-based compensation expense consists of the estimated fair value of options granted to Directors, employees and consultants. Depreciation and amortization charges are based on the estimated useful life of the respective assets and include the amortization of deferred software development costs and intangible assets. The Company operates internationally with all of its revenue derived from non-Canadian licensees. Under the Company's licensing

agreements, the majority of the Company's revenue is received in UK Pounds Sterling and Euros. Consequently, the Company is exposed to currency fluctuations, which result in foreign currency gains or losses, which are reported in that expense category.

HIGHLIGHTS

Total revenue for the three and six months ended April 30, 2009 was \$4.6 and \$9.2 million respectively, compared to \$7.0 and \$12.8 million for the same periods a year earlier. A net loss of \$600,000 and \$1.3 million was incurred in the three and six months ended April 30, 2009, as compared to net income of \$1.1 million and \$2.0 million in the three and six months ended April 30, 2008. This net loss translated into a loss per share of \$0.03 and \$0.07 for the three and six months ended April 30, 2009 as compared to earnings per share of \$0.05 and \$0.10 both basic and diluted for the comparable periods in the prior year.

Total expenses before income taxes for the second quarter ended April 30, 2009 were comparable to total expenses before income taxes of the same period of 2008, as an increase in software development and support expense was offset by a reduction in stock based compensation. In the six months ended April 30, 2009, the total expenses before income taxes has increased by 10.8%, as higher software development and support expense and a foreign currency loss was only partially offset by lower stock based compensation. The largest cost driver was the strategic focus on increasing the amount and quality of Casino games that we produce as well as the breadth of services that we offer to licensees.

The decline in Casino revenue initially experienced in the first quarter of 2009 carried through to the second quarter. In the second quarter, Chartwell signed two new licensees, one of which the Company believes will make a significant contribution to revenue late in this fiscal year. In addition, the Company renewed, for multi-year contracts, two of its largest and longest standing clients, bwin and Eurobet.

The liquidity in the Poker community has declined in the second quarter. The reduced liquidity in the quarter results in reduced license fees as well as reduced service fees from the managed services business. The Company is currently reviewing strategic alternatives for the Poker product.

The operational focus for the second quarter of 2009 was on the following major priorities: 1) development on the most aggressive product road map in the Company's history with over 20 games and numerous new features; 2) completion of the Alderney Gambling License and system configuration, and; 3) deployment of the Company's major Casino 7.0 release and its powerful new Game Distribution System (GDS).

The development team completed three new slot games as well as made enhancements to three existing and popular table games in the second quarter.

The Company expects to complete the requirements to attain the Alderney Gambling License in the third quarter of 2009. Once complete, the Company will be able to release new products such as the LPJ as well as host clients on the GDS.

The Company upgraded several clients on 7.0 and will continue to deploy in the third quarter of 2009.

Chartwell maintains a strong balance sheet. At April 30, 2009 the Company had cash and short-term investments of \$19.9 million, working capital (defined as current assets less current liabilities) of \$23.0 million and no debt.

SUMMARY OF FINANCIAL RESULTS

Comparative Quarterly Operating Results (in thousands, except share data)

The following table sets out selected unaudited financial information of the Company on a consolidated basis for the last eight quarters.

	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Revenue								
Software license fees	\$4,254	\$4,300	\$4,659	\$5,695	\$6,459	\$5,582	\$4,651	\$5,019
Software set-up fees	42	21	59	19	43	25	45	81
Service fees	201	224	295	276	340	29	74	61
Interest and other	89	83	117	151	142	139	122	109
	<u>4,586</u>	<u>4,628</u>	<u>5,129</u>	<u>6,141</u>	<u>6,984</u>	<u>5,775</u>	<u>4,892</u>	<u>5,270</u>
Expenses								
Software development and support	3,119	2,805	2,697	3,084	2,833	2,305	2,182	2,439
Sales and marketing	663	745	720	573	603	745	663	740
General and administrative	894	1,080	908	874	989	788	1,124	775
Amortization of deferred software development costs	247	247	289	288	288	288	238	248
Impairment of deferred software development costs	-	-	-	-	-	-	543	-
Stock-based compensation	76	110	(44)	144	371	139	108	(149)
Depreciation and amortization	212	212	240	215	211	173	224	201
Amortization of intangible assets	122	122	122	122	122	122	171	245
Impairment of intangible assets	-	-	-	-	-	-	872	-
Foreign currency loss (gain)	(20)	230	(70)	(5)	(104)	(67)	439	237
	<u>5,313</u>	<u>5,551</u>	<u>4,862</u>	<u>5,295</u>	<u>5,313</u>	<u>4,492</u>	<u>6,564</u>	<u>4,736</u>
Net income (loss) before taxes	(727)	(923)	268	846	1,671	1,283	(1,672)	534
Income tax expense (recovery)	(127)	(255)	36	265	621	353	(578)	130
	<u>(854)</u>	<u>(1,178)</u>	<u>304</u>	<u>1,111</u>	<u>2,292</u>	<u>1,636</u>	<u>(2,250)</u>	<u>664</u>
Net income (Loss)	<u>(\$600)</u>	<u>(\$668)</u>	<u>\$232</u>	<u>\$581</u>	<u>\$1,050</u>	<u>\$930</u>	<u>(\$1,094)</u>	<u>\$404</u>
Basic earnings per share	(\$0.03)	(\$0.04)	\$0.01	\$0.04	\$0.05	\$0.05	(\$0.07)	\$0.03
Diluted earnings per share	(\$0.03)	(\$0.04)	\$0.02	\$0.03	\$0.05	\$0.05	(\$0.07)	\$0.03

QUARTERLY RESULTS

FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2009 COMPARED TO THE THREE AND SIX MONTHS ENDED APRIL 30, 2008.

REVENUE

In the three and six months ended April 30, 2009, total revenue decreased by 34.3% and 27.8% to \$4.6 million and \$9.2 million compared to \$7.0 million and \$12.8 million in the same periods of 2008. The decrease in total revenue in both periods is attributable mainly to a decrease in software license fees revenue.

Software license fees decreased by 34.2% and 29.0% to \$4.3 million and \$8.6 million in the three and six months ending April 30, 2009 over the comparable periods in 2008. License revenue from the Casino product decreased by 29.5% and 24.6%, while licensing from our Poker product decreased by 67.7% and 61.5% in the three and six months ended April 30, 2009 compared to the same period in 2008. Poker represented 5.6% and 6.0% in the three and six months ended April 30, 2009, as compared to 12.2% and 12.0% in the same periods in 2008. The decrease in casino software license revenue is due to the expiry of two single term software licenses – one which occurred late in 2008 and another early in 2009 and increased competition experienced at existing clients. Poker revenue has declined due to reduced liquidity from existing clients in the Poker community.

Software set-up fees decreased by 1.1% and 7.3% to \$42,000 and \$63,000 from \$43,000 and \$68,000 for the three and six months ended April 30, 2009 and 2008, respectively. The reduction in setup fees is the result of the initial contract term for several customers maturing, and the deferred revenue and costs having now been fully recognized in revenue.

Service fee revenue includes the managed services revenue from the ECM acquisition that was completed early in the second quarter of 2008. For the three and six months ended April 30, 2009, managed services revenue added \$173,000 and \$369,000 in comparison to \$274,000 in the second quarter of 2008. The decline in comparing the second quarter of 2009 of \$173,000 as compared to \$274,000 in the second quarter of 2008 is the result of overall reduced liquidity in the poker community as substantially all of the revenue from managed services is dependent on the activity in the Poker community.

Interest and other income decreased by 37.0% to \$89,000 in the three months ended April 30, 2009, and decreased by 31.2% to \$172,000 as compared to the six months ended the same date. The decrease in the most recent six month period over the prior year results from lower interest rates in the current year, which had a greater impact than the increases in the investment balance compared to the prior year's six month period.

EXPENSES

Total expenses before income taxes decreased by 0.01% and increased by 10.8% to \$5.3 and \$10.9 million for the three and six months ended April 30, 2009 compared to \$5.3 and \$9.8 million for the same periods of 2009. The three month expenses for the period ended April 30, 2009 are consistent with the comparable 3 month period in 2008. Though salaries have increased during that period, these have been offset by a reduction of stock based compensation. For the 6 month year to date results expenses have increased as a result of increasing software and development costs, general and administrative costs, and foreign currency losses. These increases have been reduced by the declines in stock based compensation cost. The general increase in expense is due to the focus the Company has placed on developing additional gaming product and content in the current period ended April 30, 2009.

SOFTWARE DEVELOPMENT AND SUPPORT

Software development and support expense increased by 10.1% and 15.3% to \$3.1 million and \$5.9 million for the three and six months ended April 30, 2009 compared to \$2.8 million and \$5.1 million for the same periods of 2008. No software development expenses were deferred in either the first or second quarters of 2009 or 2008. The Company reduced expenses relating to the development of the Poker product and focused on increasing the amount of new game and feature development in the Casino product. This focus led to a net increase of nine new software development and support staff as at April 30, 2009, compared to a year ago. These additional staff increased the overall salary expense. The increase in software development and support expenses was also the result of generally

higher expenses following the acquisition of ECM, as well as testing and compliance costs associated with the application for the Alderney Gambling license.

As a percentage of revenue, software development and support expenses were 68.0% and 64.3% for the three and six months ended April 30, 2009 compared to 40.6% and 40.3% for the same periods in 2008, respectively.

SALES AND MARKETING

For the three and six months ended April 30, 2009, sales and marketing expenses increased by 10.0% and 4.5% to \$663,000 and \$1.4 million from \$603,000 and \$1.3 million in the same periods of 2008. The increase is due to timing of filling vacancies in the second quarter of 2008 as well as severance that was paid in the first quarter of 2009. These increases were partially offset by lower promotional costs incurred.

As a percentage of revenue, sales and marketing expenses increased to 14.5% and 15.3% from 8.6% and 10.6% for the three and six months ended April 30, 2009 from the same periods in 2008, respectively.

GENERAL AND ADMINISTRATIVE

General and administrative expenses decreased by 9.6% to \$890,000 for the three months ended April 30, 2009, and increased 11.0% to \$2.0 million for the 6 month period ended April 30, 2009, in comparison to \$990,000 and \$1.8 million in the same periods of 2008. In the second quarter of 2009 over the same period in 2008, the Company had increased salary expense as a result of wage increases and additional staff in IT management and product management. In the second quarter of 2008, there were costs including a write-off of a bad debt, and professional services fees from the acquisition of ECM which led to higher costs as compared to the second quarter of 2009. For the six months ended April 30, 2009, the Company incurred greater salary costs for the same reasons as above as well as generally higher expenses following a corporate acquisition.

As a percentage of revenue, general and administrative expenses increased to 19.5% and 21.4% from 14.2% and 13.9% for the three and six months ended April 30, 2009 from the same periods in 2008, respectively.

AMORTIZATION OF DEFERRED SOFTWARE DEVELOPMENT COSTS

Amortization of deferred software development costs for the three and six months ended April 30, 2009 was \$247,000 and \$493,000 compared to \$288,000 and \$576,000 for the comparable periods in 2008. There was an adjustment to the book value of the deferred software asset, wherein Scientific Research and Experimental Development (SRED) Investment Tax Credits (ITC) were applied against the asset value. All of the deferred software development relates to version 2.0 of the Poker product, which builds on the intellectual property acquired in the acquisition of Micropower Corporation. Management has estimated the appropriate amortization period to be three years, of which eight months remain from April 30, 2009. While the Company continues to invest in developing the Poker, Casino and other products, it has not deferred any costs related to this development in fiscal 2008 or 2009.

STOCK-BASED COMPENSATION

The Company recorded \$77,000 and \$187,000 of stock-based compensation expense for the three and six months ended April 30, 2009 compared to \$371,000 and \$510,000 for the comparable periods in 2008. Stock-based compensation expense relates to the amortization of the fair value of stock options granted to employees, directors and consultants. Expenses are amortized over the vesting period of three to five years. The decrease in this expense is due to the change in valuation of contractor stock options, as well as adjustments for actual forfeitures that occurred in the current period ended April 30, 2009.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses increased by 0.4% and 10.5% to \$212,000 and \$424,000 for the three and six months ended April 30, 2009 as compared to \$211,000 and \$384,000 in the similar periods of 2008. The increase in amortization for the six month period ended April 30, 2009, is from increased purchases of capital assets in the

current year. It is expected that continued investment in computer hardware and software will be required as the Company continues to grow.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets relate to customer contracts and intellectual property acquired in the acquisition of the Poker Community Management business. The expense for the three and six months ended April 30, 2009 remained consistent at \$122,000 and \$244,000 as compared to the same amounts for 2008. The value recorded for customer contracts is being amortized over the contract period for each acquired contract (i.e. as cash flows are being generated for the Company). The value recorded for intellectual property acquired from the Poker Community Management business is being amortized over three years, which is Management's best estimate of the time period that the acquired intellectual property will provide future value to the Company. As of April 30, 2009, ten months remain for the amortization of customer contracts and intellectual property.

FOREIGN CURRENCY GAIN AND LOSS

The Company recognized a foreign currency gain of \$20,000 and a loss of \$210,000 in the three and six months ended April 30, 2009 as compared to a foreign currency gain of \$104,000 and \$171,000 for the comparable periods of 2008. The foreign currency loss experienced for the six month period of 2009 reflects the foreign denominated amounts receivable and cash translated into Canadian dollar equivalents at lower foreign exchange rates than in the past. In particular, the GBP has lost value in comparison to the Canadian dollar over the course of the past six months, and this has been the main cause of foreign exchange losses in that period. The Company has mitigated some of these gains and losses during the six month period ended April 30, 2009 by entering into foreign exchange hedging transactions.

PROVISION FOR INCOME TAXES

The income tax recovery for the three and six months ended April 30, 2009 was \$127,000 and \$382,000, as compared to a tax expense of \$621,000 and \$974,000 in the comparable periods of 2008. The recovery in the three and six month period ended April 30, 2009 is attributable to losses experienced in the current year to date.

EBITDA

EBITDA (defined as net income less interest, plus taxes, depreciation and amortization) decreased by 110.9% and 116.9% to a loss of \$235,000 and \$661,000 in the three and six months ended April 30, 2009 from \$2.2 million and \$3.9 million for the comparable period of 2008. The decrease in the EBITDA is due to the same factors affecting net income, for reasons which are noted above.

EBITDA is reconciled to net income as follows:

in thousands of Canadian dollars

	Three months ended April 30,		Six months ended April 30,	
	2009	2008	2009	2008
Net income (loss)	(\$600)	\$1,050	(\$1,268)	\$1,980
Interest	(89)	(140)	(172)	(239)
Amortization of deferred software development	247	288	493	576
Depreciation and amortization	212	211	424	384
Amortization of intangible assets	122	122	244	244
Income tax expense (recovery)	(127)	621	(382)	974
EBITDA	(\$235)	\$2,152	(\$661)	\$3,919

NET INCOME

Net income decreased by 157.1% and 164.0% to a net loss of \$600,000 and \$1.3 million for the three and six months ended April 30, 2009 versus net income of \$1.1 and \$2.0 million for the three months ended April 30, 2008. Along with a decrease in revenue in the current period, expenses increased from the comparable periods in 2008, resulting in net losses for the three and six months ended in April 30, 2009.

The loss per share was \$0.03 for the three months ended April 30, 2009. For the six months ended April 30, 2009, the loss per share was \$0.07. In the three and six months ended April 30, 2008, basic and diluted earnings per share were both \$0.05 and \$0.10. The decrease in earnings per share over the comparable periods in the prior year is the result the same factors that have affected income as above. The diluted weighted average number of shares outstanding has declined significantly as the total in-the-money stock options have declined. For the three and six months ended April 30, 2009, there were 63,000 and 40,000, as opposed to 145,000 and 1,248,000 in the same periods of 2008. Due to the fact that there is a net loss in both the first and second quarter of 2009, the potential conversion of stock options to common shares would anti-dilutive, and as such they do not impact the loss per share.

Liquidity and Capital Resources

OPERATING ACTIVITIES

Operating cash flow for the three and six months ended April 30, 2009 was an outflow of \$931,000 and \$1.7 million compared to an inflow of \$3.6 million and \$5.0 million for the same periods in 2008. Before adjustments due to working capital, there was a use of cash from operations of \$81,000 and an inflow of \$24,000 for the three and six months ended April 30, 2009. This compares to cash flow from operations of \$2.0 million and \$3.6 million in the three and six months ending April 30, 2008. The decrease reflects the loss in the current year and results from decreasing license fees and an increase in overall expenses.

FINANCING ACTIVITIES

Cash flows used in financing activities were \$nil and \$168,000 for the three and six months ended April 30, 2009 compared to cash flow used in financing activities of \$446,000 and \$442,000 for the same periods in 2008. The Company used less cash in financing in 2009 as there was less activity in the current year in repurchasing shares under the Normal Course Issuer Bid (NCIB). The NCIB expired in February 2009, and a new NCIB was filed in the second quarter of 2009.

INVESTING ACTIVITIES

Cash flow provided from investing activities was \$890,000 and \$1.8 million in the three and six months ended April 30, 2009, whereas the cash flow used was \$4.6 and \$5.6 million for the comparable periods of 2008. The Company's investing activities in the first two quarters of 2009 consisted mainly of the redemption of short term investments in order to cover the lower cash flows generated from operations. Cash flows used in investing in the purchase of capital assets increased in the current six month period as the Company develops the Alderney hosting network.

Contractual Obligations

The Company's future minimum annual payments under operating and capital leases are the following:

2009	\$453,000
2010	\$221,000
2011	\$114,000
2012	\$116,000
2013	\$122,000
Thereafter	\$ 71,000

Related Party Transactions

For the three and six months ended April 30, 2009, the Company incurred legal fees for general corporate advice to a certain director of the Company in the normal course of business of \$29,000 and \$35,000 as compared to \$41,000 and \$42,000 in the comparable periods of 2008. The Company incurred sales and marketing consultancy fees to a certain director and officer of \$42,000 and \$84,000 as compared to \$31,000 and \$62,000 in the respective periods of 2008. In addition, general and administrative consulting fees of \$22,000 and \$36,000 to a certain director and officer as compared to \$10,000 and \$21,000 to a certain director and officer. 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, 2009, \$19,000 is reflected in accounts payable and accrued liabilities, while all other amounts have been paid.

Normal Course Issuer Bid

As of April 30th, 2009, the Company had purchased 531,300 shares at an average cost of \$1.57 under the Normal Course Issuer Bid (NCIB) filed January 25th, 2008. All of these shares have been cancelled. This NCIB expired February 1, 2009.

On March 26, 2009, the Company filed a NCIB with the Toronto Stock Exchange to replace the expired NCIB that had been filed on January 25, 2008. Under this NCIB, the Company is permitted to purchase and cancel up to 1,527,800 of its common shares prior to March 25, 2010. As at April 30, 2009, no common shares have been repurchased under this NCIB.

Changes in Accounting Policies Including Initial Adoption

Critical accounting policies and methods used in the preparation of the Company's financial statements are described in note 1 to the consolidated financial statements of the Company for the year ended October 31, 2008.

The CICA implemented revisions to standards dealing with intangible assets effective for fiscal years beginning on or after October 1, 2008. Section 3064 - Goodwill and Intangible Assets, which replaced Section 3062 - Goodwill and Other Intangible Assets, gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. The revisions are intended to reduce differences with IFRS and result in a close alignment with US GAAP.

The adoption of this new accounting standard did not materially impact the amounts in the Company's financial statements.

Future Accounting Standards

In January 2009, the CICA issued the below Handbook Sections:

Section 1582 - Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the Company's first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with IFRS. The Company is currently evaluating the implications of this new Section on the consolidated financial statement.

Section 1601 - Consolidated financial statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Early adoption is permitted. The Company is currently evaluating the implications of this new Section on the consolidated financial statement.

Section 1602 - Non-controlling interests in Consolidated Financial Statements. This section specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. Section 1602 is effective for periods beginning on or after January 1, 2011. The Company currently has no non-controlling or minority interests so at this time, the adoption of this new Section is not expected to have any impact.

Convergence with International Financial Reporting Standards (IFRS) as Issued by the International Accounting Standards Board

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) over a transitional period to be complete by 2011. Chartwell will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning no later than on or after January 1, 2011. Chartwell has selected November 1, 2010 as the date the Company will adopt IFRS.

There are several phases that the Company will have to complete on the path to changing to IFRS as detailed in the MD&A for the year ended October 31, 2008. Through the quarter, the Company continued to analyze and review the accounting policies necessary for the Company to change over to IFRS as described in the focused analysis and review phase of the IFRS conversion plan.

Critical Accounting Estimates

There are a number of critical estimates underlying the accounting policies the Company applies in preparing its financial statements. The following are those which management has determined to be material.

Allowance for Doubtful Accounts

The Company charges license fees to licensees based on their level of activity. Chartwell's licensees operate in a number of jurisdictions and currencies and are at various stages of maturity and liquidity in their business. As a result of these factors, collections cycles will vary between licensees. The Company's management exercises judgment in making collectability assumptions on a customer-by-customer basis in determining whether receivables are collectible and in determining the appropriate allowance for doubtful accounts based on knowledge of the customer's payment history and expectation of collectability.

Deferred Software Development Costs

The Company exercises judgment in the determination of the costs which meet the criteria for deferral and amortization under Canadian generally accepted accounting principles. These costs are estimated based on employee salaries applicable to development activities believed to meet the criteria and have future value to the Company. The amortization period is estimated based on the period of expected benefit to the Company.

Goodwill and Intangible Assets

The Company estimates future cash flows attributable to recorded goodwill and intangible assets for purposes of the evaluation of potential impairment based on its expectations of future market conditions. These estimates require the use of forward-looking assumptions based on past experience as well as future expectations arising from the Company's strategic and financial planning activities. Changes to these assumptions and future market conditions could result in changes to the impairment and recoverability assumption for these assets.

Risks and Uncertainties

Important risk factors that could cause actual results, performance or achievements to be materially different than past performance or those implied by forward looking statements include:

- Continuing global financial markets uncertainty
- Uncertainty as to the degree of new and continuing market acceptance of our products
- Our products could contain defects that lead to costs, damage of reputation or litigation
- Our dependence on customer performance
- Uncertainty regarding future profitability
- Uncertainty regarding the pricing, reporting and collection of accounts
- Risk associated with sales in foreign countries and government policy and regulation therein
- Our ability to diligently ensure that our customers operate in accordance with the terms of our license agreements that require observation of the laws of Canada and foreign countries
- Our ability to attract and retain key personnel

For further information on the Company's risks and uncertainties, see the Company's 2008 Annual Information Form available at www.sedar.com.

Proposed Transactions

There is no proposed asset or business acquisition or disposition transactions pending as at April 30, 2009.

Off Balance Sheet Arrangements

As at April 30, 2009, the Company has not entered into any off balance sheet arrangements

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, short term investments, accounts receivable, accounts payable and accrued liabilities, and income taxes receivable. The fair values of these financial instruments approximate their carrying values, except as noted below. It is management's opinion that the Company is not exposed to significant interest risk. The Company's credit risk lies in its accounts receivable where the balances due reflect a concentration among a relatively small number of accounts. The Company's short term investments consist primarily of investments in low risk corporate and government bonds as well as equity and equity funds.

Most of the Company's revenue is earned in foreign currencies and is exposed to currency fluctuations. The Company will engage from time to time in foreign exchange collars. As of April 30, 2009, there are no existing foreign exchange collars.

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for designing disclosure controls and internal controls over financial reporting as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Corporation's financial reporting procedures and practices have enabled the certification of Chartwell Technology Inc.'s annual filings in compliance with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual filings in accordance with Canadian Generally Accepted Accounting Principles. Management has concluded that the Corporation's disclosure controls and procedures are not effective for the foregoing purposes due to the weaknesses discussed below for internal control over financial reporting.

Given the size of the Company, the evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of the following weaknesses:

Management is aware that due to its relatively small scale of operations there is a lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters. However, management has concluded that considering the employees involved and the control procedures in place, including management review and Audit Committee oversight, risks associated with such lack of segregation are not significant enough to justify the expense associated with adding employees to clearly segregate duties.

Management is aware that in-house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company requires outside assistance and advice on new accounting

pronouncements and complex accounting and reporting issues, which is common with companies of a similar size.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other MD&A Requirements

The Company has 18,451,123 common shares outstanding at June 12, 2009. If all of the Company's options were exercised, the Company would have 20,604,123 common shares outstanding.

The Company's 2008 Annual Information Form is available on www.sedar.com.