

CHARTWELL TECHNOLOGY INC.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED OCTOBER 31, 2005**

January 28, 2006

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GLOSSARY OF TERMS

Whenever used in this Annual Information Form, the following terms shall have the meanings set forth below:

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended from time to time together with all regulations promulgated pursuant thereto.

“**CGC**” means Chartwell Games Corp., a wholly-owned subsidiary of the Corporation.

“**Chartwell**” or the “**Corporation**” or “**we**” means Chartwell Technology Inc., an ABCA corporation.

“**Chartwell Malta**” means Chartwell Games (Malta) Limited, a wholly-owned subsidiary of the Corporation.

“**Common Shares**” means the common shares in the capital of the Corporation.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization.

“**Flash**” is a bandwidth friendly and browser independent vector-graphic animation technology. As long as different browsers are equipped with the necessary plug-ins, Flash animations will look the same. With Flash, users can draw their own animations or import other vector-based images.

“**HTML**” means the Hyper Text Markup Language which is the authoring language used to create documents on the World Wide Web. HTML defines the structure and layout of a Web document by using a variety of tags and attributes. There are hundreds of tags used to format and layout the information on a Website and on individual Web pages.

“**IDTV**” means interactive digital television, whereby an interactive function is provided through an Internet link embedded in the television functionality and which facilitates, through two-way communication, entertainment services (including gaming) to the television viewer.

“**ISP**” means internet service provider.

“**Internet**” is a global network connecting millions of computers. Unlike online services, which are centrally controlled, the Internet is decentralized by design. Each Internet computer, called the host, is independent. Its operators can choose which Internet services to use and which local services to make available to the global Internet community. There are a variety of ways to access the Internet including online services such as America Online or through a commercial ISP.

“**Intranet**” is a network based on transmission control and Internet protocols (an Internet) belonging to an organization, accessible only by such organization’s members, employees or others with authorization. An Intranet’s Websites look and act just like any other Websites, but the firewall surrounding an Intranet prevents unauthorized access. Like the Internet itself,

Intranets are used to share information. Secure Intranets are a growing segment of the Internet because they are much less expensive to build and manage than private networks based on proprietary protocols.

“**Java**” is a high level programming language developed by Sun Microsystems. Compiled Java code can be run on most computers because Java interpreters and runtime environments, known as Java Virtual Machines (VMs), exist for most operating systems, including UNIX, the Macintosh OS, and Windows. Bytecode can also be converted directly into machine language instructions by a just-in-time compiler (JIT). Java is a general purpose programming language with a number of features that make the language well suited for use on the World Wide Web. Small Java applications are called Java applets and can be downloaded from a Web server and run on a computer by a Java-compatible web browser, such as Netscape Navigator or Microsoft Internet Explorer.

“**MICROPOWER**” means MICROPOWER Corporation Limited, a wholly-owned subsidiary of the Corporation.

“**Online Casino**” means traditional table games, slots and video poker games commonly found in land-based casinos which are offered over the Internet using Chartwell’s software.

“**Online Games**” means Online Casino, soft games, multiplayer bingo and multiplayer poker.

“**server**” means a computer or device on a network that manages network resources. For example, a file server is a computer and storage device dedicated to storing files. Any user on the network can store files on the server. A print server is a computer that manages one or more printers, and a network server is a computer that manages network traffic. A database server is a computer system that processes database queries. Servers are often dedicated, meaning that they perform no other tasks besides their server tasks.

“**soft games**” means (i) fixed odds games that are dependent upon chance as opposed to skill; and (ii) those other games that do not form part of our Online Casino.

“**software**” means computer instructions or data and includes anything that can be stored electronically. The storage devices and display devices are hardware. Software is often divided into two categories: (i) system software which includes the operating system and all the utilities that enable the computer to function; and (ii) applications software which includes programs that assist users such as word processors, spreadsheets and database management systems.

“**TSX**” or the “**Exchange**” means the Toronto Stock Exchange.

“**Website**” is a location on the World Wide Web. Each Website contains a home page, which is the first document users see on entering the site. The Website might also contain additional documents and files.

“**World Wide Web**” or “**Web**” refers to a system of Internet servers that support specially formatted documents. The documents are formatted in a language called HTML that supports links to other documents as well as graphics, audio and video files.

CURRENCY

In this Annual Information Form, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements. No assurance can be given that actual results, performance or achievement expressed in, or implied by these forward-looking statements will occur, or if they do, that any benefits may be derived from them.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth elsewhere in this Annual Information Form. The material assumptions and information contained within those forward-looking statements are based on past results and third party sources.

CORPORATE STRUCTURE

Name, Address and Incorporation

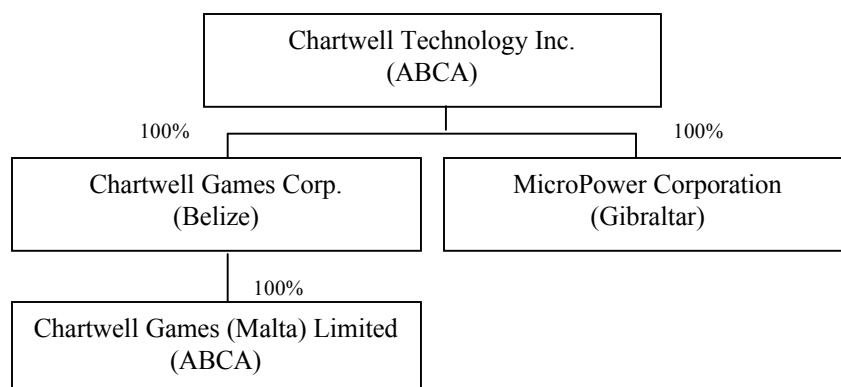
The Corporation was incorporated as "Napier Explorations Inc." in British Columbia on December 16, 1987 to engage in the business of mineral exploration. The name of the Corporation was changed to "Brockton Resources Inc." on October 13, 1988. The Corporation's mineral properties were abandoned in April of 1992. The Corporation changed its name to "Chartwell Ventures Ltd." on November 19, 1992. On December 18, 1995, the Corporation continued into Alberta under the provisions of the ABCA.

Effective November 1, 1998, the Corporation acquired Gateway Technology Inc. which was then engaged in the business of developing software and integrating computer hardware and software for Internet and Intranet based computer applications. After acquiring Gateway Technology Inc., the Corporation shifted its business strategy from the oil and gas industry to the software technology development and licensing industry. On December 8, 1998, the Corporation changed its name to "Chartwell Technology Inc." and also at that time, the Corporation changed its business to the development of computer software.

The principal and registered office of Chartwell is located at Chartwell House, 750 – 11th Street S.W., Suite 400, Calgary, Alberta, T2P 3N7.

Intercorporate Relationships

The material subsidiaries of Chartwell, all of which are 100% owned (directly or indirectly) by Chartwell, together with their respective jurisdictions of incorporation, are as follows.



Note (1) The shares of Chartwell Malta are held indirectly by CGC through a holding company incorporated in Malta.

GENERAL DEVELOPMENT OF THE BUSINESS

Recent Events in the Corporation's History

Since November of 1999, our business has been focused primarily on the development, marketing and market development of our gaming software.

During the fiscal years ended October 31, 2001, 2002 and 2003, the Corporation continued development and licensing of our software products which we started in 1999. Marketing and sales efforts were focused mainly on Europe and Asia due to the perceived demand from this region. During this three year period, the Corporation's licensing revenue increased to \$6,300,335 from \$172,463 in fiscal 2000.

During the fiscal year ended October 31, 2004, the Corporation increased the size and scope of its sales and marketing organization and established London, U.K. as our sales and marketing office. This resulted in our establishment of a strong corporate presence in a key market area, namely, Europe. Similarly, we also completed development of our newest core gaming product, which development continued to be driven by our markets and our customers.

On December 7, 2004, the Corporation closed a private placement of 2,365,592 Common Shares at a price of \$4.65 raising gross proceeds of approximately \$11,000,000. The underwriters were granted 141,936 compensation options exercisable at \$5.10 per share for 18 months.

On May 26, 2005, the Corporation completed the acquisition of MICROPOWER for aggregate consideration of approximately \$4,000,000.

On September 22, 2005, the Corporation announced its intention to make a normal course issuer bid for our Common Shares through the facilities of the Toronto Stock Exchange. A maximum of 970,000 Common Shares may be repurchased for cancellation. As of the date hereof, an aggregate of 285,400 Common Shares have been repurchased and cancelled.

Development of Our Business - 2005

During the fiscal year ended October 31, 2005, we maintained our overall focus on product development driven by our markets and our customers. We completed development of our newest core gaming system release and the community infrastructure system to support both the poker and bingo communities. We moved our existing poker clients onto a new platform and joined them with others to form a new community. We began development of our Flash poker product as well as a poker product based on a 32 card draw game. The 32 card draw poker game was launched just prior to Christmas in 2005. We also commenced discussions with certain third party gaming software suppliers with the intention of offering their games to our licensees pursuant to a revenue sharing arrangement commencing in 2006.

Fiscal 2005 was a year of significant growth for Chartwell, both financially and operationally. Financially, we achieved record revenues, maintained quarterly profitability, increased our EBITDA and operating margins, strengthened our balance sheet and improved our working capital position. In operations, we extended the capabilities and capacity of our product development, deployment and support teams through our acquisition of MICROPOWER and a staged investment program for additional technical resources and supporting infrastructure.

New Products and Services

In fiscal 2006, we anticipate that we will continue to develop and deliver new games and gaming options to our licensees and will continue to deploy our gaming suite to new delivery channels and platforms like kiosk and wireless devices. We also hope to increase the market share of our Online Casino and achieve greater geographic diversification of our customer base.

BUSINESS OF THE CORPORATION AND CORPORATE STRATEGY

Chartwell is a software provider to the online gaming market. We are headquartered in Calgary, Alberta and have software development operations in Calgary and Vancouver, British Columbia as well as sales and marketing operations in Malta and London, U.K. The Common Shares trade on the Toronto Stock Exchange under the symbol: "CWH".

The Corporation's business plan and strategy is to focus on the continued development and marketing of our Online Games. Chartwell does not offer electronic funds transfer services or provide credit card processing or banking services. Chartwell also does not conduct any gaming operations on our Website or servers or provide gaming, marketing or administrative services or services relating to obtaining gaming licenses or government approval for gaming activities. Our business is developing and licensing gaming software and software that is designed to assist operators with the administration and management of a variety of game playing Websites. Our licensees must therefore manage, support and administer their own Website servers and the games offered on their Websites and monitor their Website operations without our assistance.

BUSINESS PLAN

Our business plan through fiscal 2006 is to: increase our market share in the traditional Internet casino market (with a continued emphasis on the European market), further develop the liquidity of our poker community and establish liquidity in our bingo community, commercially release our Flash poker product and further develop poker variants, establish market share in these new market areas and with new gaming operators who own large consumer databases and further develop our profile through effective marketing, sales and commercial activities.

OUR PRODUCTS

Chartwell Gaming System

Chartwell does not operate any gaming Websites, nor do we operate our clients' Websites. What we do is provide gaming systems to our clients, who then offer the games to players. Players never place bets with Chartwell directly or indirectly. Instead of competing with our clients, we enter into technology arrangements with them through licensing agreements with Chartwell Malta, eliminating any potential for conflict of interest. We offer a customized approach, creating a unique system for each individual client that complements their current online operation and brand image. Cyberboss, Chartwell's administration, marketing and reporting software, and Cyberbanx, our proprietary electronic commerce engine, provide our clients with all the tools necessary for the successful operation and promotion of their gaming system. Chartwell's customized approach to providing a gaming solution can also include services provided under a third party managed services solution.

Our entertainment software products consist of our Online Games. Our Online Casino comprises a large selection of card games, table games, slots and video poker. Our Online Casino suite is available in in-browser or download versions and a selection of these games can also be played using Java enabled mobile devices and on networked kiosks. All games can be operated in a wagering mode for real money applications or in a free mode for entertainment applications. The software can be deployed in either a standalone configuration or integrated into an existing gaming Website. We anticipate that we will shortly introduce linked progressive jackpot games that offer players the opportunity to play for large progressive jackpots which are linked across multiple licensees' Websites.

We continually upgrade our support software and technologies to increase their functionality and capabilities. The ability of our licensees to maintain a high-quality gaming environment is critical to the success of our Online Games product and to our licensing revenue. The Online Games software is subject to technological obsolescence and as technology advances, we will attempt to stay ahead of the competition by upgrading the quality of our software with respect to new gaming products, graphics, sound and other features to meet rising user expectations.

We believe that maintaining a comprehensive and flexible gaming environment, which includes security measures to protect the confidentiality of player information, responsible gaming features, variety of games, state of the art graphics, sounds and processing speeds, will contribute to our ability to generate licensing revenues. We have designed our Online Games software to feature the look and feel of wagering games that are played in a physical environment by using

our proprietary technology. Our Online Games software provides built-in security features that are designed to prevent unauthorized users or licensees of our software from manipulating games and systems.

Licensing revenues from our Online Casino were approximately \$15,804,786 in fiscal 2005 and \$11,227,851 in fiscal 2004, representing 88.5% and 92% respectively of our total revenues in those years.

Multiplayer Poker

Chartwell's multiplayer poker provides players with a selection of the most popular poker games, including Texas Hold-'em. Our multiplayer poker is licensed as part of a third party hosted poker community. Having players from multiple Websites and using multiple currencies all playing together allows for more games, greater game selection, and larger pots, which in turn provides higher revenue potential for all participating licensees. Community members can benefit from the critical mass of the network and still be able to hold tables, tournaments or promotions for their respective players. Each member of the community retains full control and confidentiality of their own players and data, allowing them to use existing payment systems and providing a secure environment for their players.

Multiplayer Bingo

Chartwell's in-browser, multiplayer North American (75-ball) and UK (90-ball) bingo systems are Flash-based for smooth, state of the art graphics and can be fully customized to match client's existing branding and themes. Clients have the option of joining the Chartwell third party hosted bingo community, where bingo players from multiple Chartwell clients can all play and chat together in the same games, increasing game selection and accumulating larger jackpots. Like Chartwell poker, each bingo player enters the bingo community from a client-branded Website and plays in a bingo hall branded with their particular site's colours, logos and other design considerations. The Chartwell bingo community also supports deposits in any currency, allowing players from around the world to play together. Alternately, Chartwell bingo can be deployed as a stand-alone product or integrated with a current online operation which is not part of a community.

Soft Games

Along with our traditional Online Casino suite, Chartwell also offers a range of different "soft" or fixed odds games. Soft games include scratch cards, pull tabs, lottery-style games and hi/lo games which are more chance-based than games like poker or sports-betting which require higher amounts of skill and strategy. Soft games are gaining acceptance as a form inexpensive entertainment, allowing us to expand the online gaming demographic by appealing to a larger audience, including non-traditional gaming markets.

Mobile Games

Chartwell has created a suite of casino and soft games for Java-enabled mobile devices, such as cellular telephones. Games feature custom branding and animation. Clients offering other Chartwell products on their Website can easily add mobile games, with players accessing the

mobile download using their existing user names, passwords and player accounts. We are able to deploy our mobile casino suite across all leading mobile phone manufacturers and wireless carrier networks. Our target is to support the vast majority of phones in the UK and European marketplace at all times.

Related Applications

We have also developed related software applications, CyberBoss and CyberBanx, which provide the “back-office” tools required for a completely integrated Internet gaming system.

CyberBoss is a comprehensive administrative utility that provides licensees with a suite of administrative, marketing, customer relations management, affiliate tracking, player loyalty and promotional tools. By using CyberBoss, our licensees are able to securely access and classify server and transaction data from virtually anywhere via a web browser. The CyberBoss system features password encryption features for data transmissions and access by the licensee. We do not administer the CyberBoss system or store licensee operations data.

CyberBanx is a proprietary e-commerce engine that facilitates secure, automated player access to their account deposits and withdrawals through a number of third party credit card and payment processors. The software features a high-level security system that uses multiple level password encryption software for data transmissions and can be programmed to require a variety of player information including name, address, credit card number, and maximum player information that may be required by third party credit card and wire transfer processing systems. CyberBanx also features technology that permits a licensee to authenticate and verify the identity of the parties sending and receiving data. As a security measure, licensees do not store credit card information in the gaming system database.

We have also designed and developed a Site Development Kit (“SDK”), a Game Development Kit (“GDK”) and an External Game Interface (“EGI”). These applications are not licensed separately.

The SDK is a comprehensive integration interface that allows for seamless integration of a customer's existing administration system with their Chartwell gaming system. The GDK and EGI are interfaces that enable rapid development and deployment of Online Games. The GDK is a standard interface to the back-end of the system and supports rapid internal game development as well as providing a method for independent third party game developers to add to the Chartwell gaming suite. The EGI allows for existing third party applications such as sports books to be integrated into the gaming system.

Managed Services Solution

Previously, the typical Chartwell client was a large, sophisticated gaming entity with a solid IT infrastructure, an established player base, and payment processing facilities. Many of these operators run sports books or land-based casinos, and as such, appreciate the ability to run their gaming system themselves. There is another market segment of operators who have an online presence and large database of customers but who are not currently involved in online gaming. They may recognize the benefit of adding gaming options to their Website but are not currently involved in gaming and may not have the industry experience necessary to manage the day-to-

day operations of a gaming Website. These operators seek a service provider who can assist them in this regard while allowing them to maintain ownership of their player database and brand. For these operators, Chartwell now offers a managed services solution. Elite Club Management N.V. (“ECM”) is an independent company acting as Chartwell's exclusive provider of managed services. ECM obtains the necessary gaming license, hosts the Online Games on behalf of the licensees, provides player access, manages the operations of the gaming Website, and supplies the hardware, connectivity and third party software. The client is responsible for marketing and player acquisitions and retention.

Intangible Properties

Online Games Licensing

Through Chartwell Malta, we license Online Games “play for real” applications to operators of Internet gaming Websites. Our Online Games applications are also licensed to a variety of entertainment Websites for entertainment and promotional purposes. We modify our Online Games applications to meet our licensees' specifications and marketing theme. We do not offer electronic funds transfer services, provide credit card processing or banking services or conduct any gaming operations on our Website or server, nor do we provide gaming marketing or administrative services or provide services related to obtaining gaming licenses or governmental approval for gaming activities. Some of the material terms of our standard licensing agreement are as follows:

- the initial term is generally for a period of three to five years;
- the licenses are non-transferable;
- the license agreement may be terminated if the licensee breaches any material term of the license;
- Chartwell maintains and upgrades the software and retains all right, title and interest in the technologies; and
- the licensee pays a monthly licensing fee, which fee may be fixed or may be calculated as a percentage of the gross win of the licensee's online casino.

As of the date hereof, Chartwell had in effect, licensing agreements with approximately 40 licensees.

Neither Chartwell nor any of its affiliated or associated companies intends to own or operate any Internet gaming operations.

We rely on a combination of laws and contractual provisions to protect our rights in our software and proprietary technology. We generally enter into non-disclosure and technology ownership agreements with our employees, licensees and consultants and typically restrict access to the source codes of our software products. Our source codes are protected as trade secrets and unpublished copyrighted works. Despite the precautions taken by us, unauthorized parties may

have, or could in the future, copy or otherwise reverse engineer portions of our product or otherwise obtain and use information that we regard as proprietary.

We do not currently possess any patent, trademark or copyright registrations in any jurisdiction; however, we are investigating potential intellectual property registration opportunities.

It is management's view that patent, trademark and copyright protections are not as significant to our long term success as other factors, such as the knowledge and abilities of our personnel and our new products and services developments, enhancements and ongoing customer support.

We also have a proprietary interest in our name. The name "Chartwell" has become well known in the Internet gaming industry. See also "Risk Factors – Intellectual Property Protection".

Cycles

Historically, we have experienced lower revenues in our third quarter (as compared to our other quarters) as the use of the Internet is not as strong in the summer months.

Economic Dependence

In fiscal 2005, our top 6 licensees accounted for approximately 75% of our total revenue. The loss of one or more of these key licensees or a material change in the terms of the licenses agreements could be detrimental to the company. See also "Risk Factors – Economic Dependence".

Foreign Operations

The majority of our revenue is derived from licensing and support fees in countries outside North America. The Corporation and our licensees are subject to local laws and regulations in those jurisdictions in which we operate. There are burdens associated with operating in these jurisdictions, including complying with multiple and sometimes conflicting regulatory requirements, foreign currency risks, potential restrictions on gaming activities and potentially adverse tax risks.

Our ability to expand our business in certain jurisdictions may require modification of our products, particularly domestic language and currency support. See also "Risk Factors – Government Regulation".

COMPETITIVE CONDITIONS

Although online gaming is a rapidly growing industry, it is becoming increasingly competitive and sophisticated. There are currently several competitors for the licensing of "play for real" Internet gaming software, including, among others, Realtime Gaming, NetEnt, Parlay Entertainment Limited, Playtech Inc., Wagerworks Inc. Microgaming, Cryptologic Inc. and Boss Media AB. In addition, niche competitors who specialize in specific technical or platform segments (such as mobile or iDTV) have begun to emerge and could compete for certain segments of our target market. We believe that each of these competitors offers Internet gaming technologies that compete directly with our Online Games applications. Some of these

competitors have greater financial resources than us and have established relationships with licensees or are operating Internet gaming Websites.

Many of our competitors currently offer a full range of products and services, including Internet gaming software, assistance in procuring licenses, electronic funds transfer services, credit card and other payment processing, other banking services, data management services, administrative services, hosting of server software, customer service, marketing consulting services and affiliate tracking software.

We believe that potential competitors may develop software and technologies that directly compete with our technologies. These potential competitors could include existing large software development companies that develop a broad range of products as well as Internet gaming companies that have developed technologies for their own businesses.

Our competitors may be able to develop technologies more effectively than us and may be able to license their technologies on more favourable terms based on the number of licensees that license their products. Competitors may also adopt more aggressive pricing or licensing policies than us, which may hinder our ability to penetrate the market and license our technologies.

In addition, increased competition may result in price reductions, reduced gross margins and an increased number of competitors competing for market share, any of which could seriously harm our ability to generate revenues and our results of operations. We expect competition to intensify in the future with scope for new competitors to emerge, attracted by the market potential and relatively low barriers to entry. Additionally, our current competitors may choose to license their software at reduced prices. See also, "Risk Factors – Competition".

Barriers to Entry

Barriers to entry into and maintaining a successful market position in the online gaming and entertainment software industry include: significant capital costs relating to software development, lead time relating to software development and scarcity of qualified software programmers.

Set forth below are the market barriers we believe we face and our strategy for addressing these issues.

We believe that each of these market barriers must be overcome to establish and maintain a successful position in the Internet gaming software development market. We cannot assure you that we will be able to overcome these barriers to entry or that new competitors will not overcome them more quickly than we do. See also, "Risk Factors – Competition".

Technology

Although software development varies significantly in terms of the programming languages used and operating systems on which such software runs, we view the Internet games and gaming software markets as being divided between applications which are developed in popular programming languages such as C++, which require the user to install software prior to playing and those applications developed in Flash or Java which require no installation. Our Online

Games software was developed in both Flash and Java. The cross-platform nature of Java makes it possible to play Online Games on all major operating systems and Flash client side development means not having to install any part of the software prior to playing. We believe the browser based capability of our software provides us with a competitive advantage over our competition whose software requires installation.

Our Online Games software (which does not require installation) will provide licensees with the ability to present our players with the most current version of our Online Games every time a user logs onto a system with no need to install upgrades.

Our Online Games software is designed to run on all popular web browsers. The server side software was designed to operate in Windows 2000, Linux and Unix operating systems.

Strategic Relationships

We intend to develop strategic relationships with licensees, which are anticipated to use our Online Games technologies to develop virtual casinos on the Internet. We anticipate we will receive ongoing license fees from these licensing arrangements. We also anticipate that licensees will provide useful feedback, such as with respect to the popularity of games, requested features, operational suggestions to improve Website administration and customer comments. All of these are expected to assist us in upgrading our technologies and developing the next generation of products and gaming solutions.

We also anticipate we will enter into strategic relationships with potential vendors and licensees of our Intranet gaming and entertaining solutions. These vendors and licensees may allow us to offer our Intranet solutions for applications in land based gaming establishments. We also believe that our Intranet solutions may be successfully marketed as an entertainment product in non-gaming environments. We anticipate that vendors and licensees of our Intranet software solutions may provide useful feedback, which may assist us in developing new technologies and in marketing our products.

We also anticipate entering into revenue sharing arrangements with certain third party gaming software suppliers with the intention of offering their games to our licensees.

Regulatory Environment - Internet Gaming Regulation

Historically, the gaming industry has been subject to significant government regulation or outright prohibition. Many countries are currently struggling with issues surrounding wagering and gambling over the Internet. More specifically, they are considering the merits, limitations and enforceability of the prohibition, regulation or taxation of wagering and gambling transactions that are transacted over the Internet. There are significant differences of opinion and law between countries such as the United Kingdom, the United States, Canada, Australia, Liechtenstein and Antigua. Nevertheless, several countries accept Internet gambling as being legal and some countries offer licenses for the operation of online casinos.

To our knowledge, all of our licensees operate their interactive casinos from jurisdictions where Internet gaming is regulated or tolerated. All licensees provide a representation in their license agreements to the effect that such licensee will assume responsibility for determining the legality

of using our software, including, without limitation, accepting wagers in whichever jurisdictions they choose to market to and receive wagers from.

As has been the case for several years, a significant debate exists whether the laws of any country other than the country where the computer gaming servers are physically located have jurisdiction over the operations of a licensee. We license our software only to licensees that maintain an Internet gaming license issued by a jurisdiction in which Internet gaming is legal.

In the United States, *The Interstate Wire Act* contains provisions which make it a crime for anyone in the business of gaming to use an interstate or international telephone line to transmit information assisting in the placing of wagers, unless the wagering is legal in the jurisdictions from which and into which the transmission is made. There are other U.S. federal laws impacting gaming activities including *The Interstate Wagering Paraphernalia Act*, *The Travel Act* and *The Organized Crime Control Act*. However, it currently remains unresolved whether these other laws apply to gaming conducted over the Internet.

Various U.S. regulatory and legislative agencies are conducting studies of interstate and interactive wagering and one, the National Gambling Impact Study Commission, has recommended the prohibition of Internet gambling within the United States and the development of enforcement strategies by the U.S. Department of Justice.

In the United States, all 50 States currently have statutes or regulations regarding gaming activities and three States have no gaming activities whatsoever. In most States it is illegal to place or accept a wager, with specific State-by-State statutory exceptions.

We are unaware of any regulations or laws that prohibit the development and the licensing of Internet gaming software, which may potentially be used in violation of applicable statutes. It is possible that our planned activities may be alleged to violate an applicable statute based on an interpretation of the statute or based on a future change of law or interpretation or enforcement policy.

Our strategy is to license the Online Games software to operators that are licensed to operate Internet gaming Websites. As such, we believe such activities will conform to current gaming laws and regulations. However, there is little case law authority related to the interpretation of gaming statutes as they relate to the Internet and the wording of many of the applicable statutes is ambiguous. Consequently, it is possible that licensees of Online Games applications may be alleged to violate an applicable statute based on an interpretation of the statute or based on a future change of law or interpretation or enforcement policy. See also, "Risk Factors – Government Regulation".

INTERNET GAMING SOFTWARE MARKET

The market for Internet gaming software has shown considerable growth over the past two years and we believe that there remains considerable growth potential in the years ahead. Many industry observers believe that online gaming will continue to increase as a percentage of overall global gaming in the future. Online casinos continue to be a growth area. Poker has emerged and continues to demonstrate rapid growth and gain in popularity around the world.

Marketing Strategies

The following summarizes our strategic focus and operating strategy for our 2006 fiscal year.

1. Provide High Quality, Innovative and Superior Products and Services. We intend to continue to position our product in the market based on the quality of our customer support, the quality of our graphics, sounds, back office system and security features and the speed of our software and systems. We intend to continue to remain focused on designing technology that achieves efficiency for licensees and that is proven, practical, easy to use and appealing to players.
2. Provide Market-Oriented and Customer Focused Solutions. A key to our success will be the success of our licensees. We intend to continue to obtain valuable input from our licensees on game content, usability and features and to continue to design and develop a wider variety of gaming products that will meet their needs and the expectations of their customers. We intend to assist licensees by providing customized software solutions featuring unique graphics, themes and features that will allow licensees to differentiate their Websites and games in the marketplace.
3. Provide Our Customers with a Variety of Gaming Platforms. The market for electronic gaming has expanded to new platforms like mobile and networked kiosks. During fiscal 2005, we completed the commercial application of our mobile gaming system and the alpha version of our kiosk gaming systems. We intend to continue to market these new gaming offerings to existing and new customers.
4. Provide Community Based Poker and Bingo Products. During fiscal 2005, we completed the commercial application of our community based bingo product and through our acquisition of MICROPOWER, have completed the commercial application of our community based poker product.
5. European Focus. We intend to continue and accelerate our established strategy of focusing our new business development activities primarily in Europe. Our sales team operating from London, U.K., has over 25 years of combined experience in the U.K. and European online gaming sector, including both operational and marketing aspects. We believe that our close geographical proximity to existing and prospective licensees, coupled with our broader and deeper industry experience will continue to be effectively utilized to develop new opportunities and add new licensees.

Product Development Strategy

We believe that the most significant factor influencing the licensing of Internet gaming software is player appeal, followed by a mix of elements including: price; service; reliability; technical capability; interface capability; upgradeability; ability to customize and differentiate from other Websites; management and administrative support tools and the financial condition and reputation of the developer. We believe that the factors affecting player appeal are a combination of play features, game variety, ease of use, appealing graphics, sound and special effects.

To increase the player appeal of Online Games, we have designed them to be easy to play and to feature appealing graphics, sound and special effects. Version 6.5 is our next product release. We intend to continue to make significant investments in research and development in designing our next generation of Online Games. We also intend to develop new technologies and to license the latest available technologies to improve the look, feel and speed of our games. Our goal is to incorporate new games, graphics, sounds and features into our games to differentiate our Online Games from those of our competitors. To appeal to licensees, we intend to develop technologies that allow operators to market and differentiate their Internet casinos by featuring unique themes and customized visual elements. We also intend to enhance our technologies to provide data support and information systems that allow operators to develop and manage marketing programs targeted at their customers and to manage the administrative and financial aspects of their business efficiently through data retention and analysis and accounting capabilities.

Online Games Software

Software Maintenance and Upgrades

During the fiscal year ended October 31, 2005, we released new versions of our Online Casino software and released our multiplayer poker and multiplayer bingo. Through our fiscal year ending October 31, 2006, in addition to the aforementioned release of 6.5, we plan to maintain and upgrade software that is being used by present licensees and to integrate new and unique gaming applications into our customer base. We have targeted to formally roll-out our Flash poker and new soft and lottery style games in fiscal 2006. We also intend to continue the deployment of our expanding suite of games to alternate platforms like mobile and wireless devices and networked kiosks. In addition, we are continuing to develop localization of the software, which entails developing the screens in various languages to accommodate non-English-speaking players. Thus far, we are able to provide services in 21 other languages in addition to English.

We will continue to offer customization to the current version of our Online Games software, which allows licensees to differentiate their Websites using interfaces with unique graphic and sound effects and themes. The gaming engines that run the Online Games are essentially the same for each client who customizes their individual Websites with graphic and sound interfaces that provide the appearance of a unique Website. We also customize or upgrade the back-end systems, which allow licensees to structure the layout of their Internet casino Websites and operations and accounting applications, which permit licensees to administer and structure their accounting systems, in order to provide for different types and structures of reports upon the request of licensees.

Graphic Development and Creation

We have in-house graphics designers who design and create the graphics that are required to customize and distinguish licensees' gaming Websites. Our in-house graphic services work with licensees to develop Website interfaces that feature unique themes designed to appeal to the licensee's target markets.

Present and Future Sales of Software

Our strategy for marketing and licensing our technology is to continue: developing our sales prospecting activities and process, exhibiting at international trade shows, speaking at international industry conferences, expanding our trade publication advertising with new media campaigns; expanding our online advertising and search engine optimization and other online marketing activities designed to stimulate interest in our software solutions and products. The establishment of the London, U.K. office, and obtaining a Class 4 License from the Lotteries and Gaming Authority in Malta has increased our visibility in Europe and we expect that this will continue to generate more revenue opportunities for us.

Employees

As of the date hereof, we had 101 full time employees and seven part-time employees and contractors. Chartwell Malta had one full time employee. CGC had nine full time employees. None of the employees of the Corporation or any of its subsidiaries are covered by a collective bargaining agreement.

RISK FACTORS

General

The Corporation and its subsidiaries operate in a rapidly changing environment that involves numerous risks and uncertainties, many of which are beyond our control and which could have a material effect on our business, revenue, operating results and financial condition. The following highlights these risks and uncertainties.

Government Regulation

The Corporation and our software licensees are subject to applicable laws in the jurisdictions in which they operate, such as Malta, Gibraltar, Netherlands Antilles and others. Some jurisdictions have introduced legislation and rules attempting to restrict or prohibit online gaming, while other jurisdictions have taken the position that online gaming is legal and have adopted (or are in the process of considering) legislation to regulate online gaming.

The UK has passed legislation (*The Gambling Act, 2005*) which paves the way for a regulated market for online gaming. The Isle of Man and Alderney, from whom we hold a Certificate of Prior Approval, both situated within in the British Isles, are already regulated environments for Internet gaming, based on standards consistent with land-based gaming. Compliance with such legislation may result in increased costs that could have a material adverse effect on the Corporation's revenue, results of operations and financial condition.

Existing legislation in some jurisdictions, including US federal and state statutes, has been and could continue to be construed to prohibit or restrict gaming through the use of the Internet and there is a risk that governmental authorities may view the Corporation and/or our licensees as having violated such statutes. Therefore, there is a risk that legal proceedings could be initiated against us, our licensees, ISPs, credit card processors, advertisers and others involved in the Internet gaming industry. This could potentially result in our incurring substantial litigation and

legal expenses, penalties, fines, injunctions or other remedies or restrictions being imposed upon us or our licensees while diverting the attention of management. Such proceedings could have a material adverse effect on the Corporation's revenue, results of operations and financial condition.

As companies and consumers involved in online gaming, including our licensees and their players, are located in different jurisdictions around the world, there is uncertainty regarding the future regulatory framework for online gaming. There is a risk that proposed legislation supporting online gaming may not be passed and that existing legislation supporting online gaming may be changed. Changes to the regulatory framework could have a material adverse effect on the Corporation's revenue, results of operations and financial condition.

Payment Processing

Commencing in December 2001, certain financial institutions in the US ceased to accept online gaming transactions through their credit cards due to the uncertainty regarding the legality of Internet gaming in the US. This event negatively impacted the online gaming industry as a whole, our licensees and Chartwell. If other financial institutions or credit card issuers in the US or other countries implement similar or additional restrictions, this would have a material adverse effect on the Corporation's revenue, results of operations and financial condition. This risk has been partially mitigated, however, with Chartwell's ongoing focus on the European market.

Competition

Some of our competitors have significantly greater financial, technical, marketing and sales resources and may be able to respond more quickly to changes in customer needs. Additionally, these competitors may be able to devote a greater number of resources to the enhancement, promotion and sale of their games and gaming systems. Our future success is dependent upon our ability to win our share of sales (in the form of new licensees) against these larger competitors. Failure to do so could result in a material adverse effect on the Corporation's revenue, results of operations and financial condition.

Renewal of Software License Agreements

Substantially all of the Corporation's revenue is in the form of software license fees. License fees, including fees from master license agreements, most of which are contingent upon customer usage, are recognized on an accrual basis as earned over the life of the contract. Licensees pay an ongoing fee for the licensing and support of the Corporation's software under a software licensing agreement, which typically has a three to five year term. The license fee, or royalty, is calculated as a percentage of each licensee's level of activity. There is no assurance that Chartwell will be able to renew agreements with existing clients or that the Corporation will be able to renew agreements under similar financial and other terms. The failure to renew agreements or the failure to renew agreements under similar financial and other terms could have a material adverse effect on the Corporation's revenue, results of operations and financial condition.

E-Commerce Law

In addition to laws pertaining specifically to online gaming, Chartwell may become subject to any number of laws and regulations that may be adopted with respect to the Internet and electronic commerce. As well, current laws, which predate or are incompatible with Internet commerce, may be enforced in a manner that restricts the electronic commerce market. The application of such pre-existing Canadian, US and international laws regulating communications or commerce in the context of the Internet and electronic commerce is uncertain.

Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are applicable to the Internet.

New laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation, advertising, intellectual property, information security, and the characteristics and quality of online products and services may be enacted.

The adoption of new laws or regulations relating to the Internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the Internet, decrease the demand for our products and services, increase our cost of doing business or could otherwise have a material adverse affect on the Corporation's revenue, results of operations and financial condition.

Dependence on Market Growth

The online gaming market has experienced and is expected to continue to experience significant growth. There can be no assurance that the market for the Corporation's gaming solutions will continue to grow, that consumers will continue to adapt Chartwell's solutions or that Chartwell will be successful in selling into new and existing markets. If the markets in which our products compete fail to grow, or if the business of the licensees who use our products fails to grow, or grows more slowly than Chartwell currently anticipates, the Corporation's business, results of operations and financial condition may be materially adversely affected.

Internet Viability and System Infrastructure and Reliability

The growth of Internet usage has caused interruptions and delays in processing and transmitting data over the Internet. There can be no assurance that the Internet infrastructure or the Company's own network systems will continue to be able to support the demands placed on us by the continued growth of the Internet, the overall online gaming industry or that of our customers.

The Internet's viability could be affected by delays in the development or adoption of new standards and protocols to handle increased levels of Internet activity or due to increased government regulation. If critical issues concerning the commercial use of the Internet are not favourably resolved (including security, reliability, cost, ease of use, accessibility and quality of service), if the necessary infrastructure is not sufficient, or if other technologies and technological devices eclipse the Internet as a viable channel, this may negatively affect Internet

usage, and our business, revenues, financial condition and operating results will be materially adversely affected.

End-users of our software depend on ISPs, online service providers, gaming site operators and our system infrastructure for access to the sites operated by our licensees. Many of these services have experienced service outages in the past and could experience service outages, delays and other difficulties due to system failures, instability and interruption. Our licensees may lose customers as a result of delays or interruption in service, including delays or interruptions relating to high volumes of traffic or technological problems. As a result, we may not be able to meet the level of service that we have contracted for, and we may be in breach of our contractual commitments, which could have a material adverse effect on the Corporation's business, revenues, results of operations and financial condition.

Also, the increasing presence of viruses and cyber attacks may affect the viability and infrastructure of the Internet and could materially adversely affect our business.

Security

The Corporation's Internet gaming software is reliant on technologies and network systems to securely handle transactions and user information over the Internet, which may be vulnerable to system intrusions, unauthorized access or manipulation. As users become increasingly sophisticated and devise new ways to commit fraud, our security and network systems may be tested and subject to attack. There is no assurance that such intrusions or attacks will or can be prevented in the future and any system intrusion or attack may cause a delay, interruption or financial loss, which could have a material adverse effect on our business, results of operations and financial condition.

Reliance on Other Parties

The Corporation's products rely on ISPs to allow our licensees' customers and servers to communicate with each other. If ISPs experience service interruptions, it would prevent communication over the Internet and would impair our ability to carry on our business.

The ability of our customers to process e-commerce transactions depends on banking processing and credit card systems. Any system failure, including network, software or hardware failure that causes a delay or interruption in e-commerce services could have a material adverse effect on the business of our licensees and accordingly, this could have a material adverse effect on the Corporation's business, results of operations and financial condition.

Failure to Manage Growth Successfully

The Corporation's business has grown rapidly in the last four years. The accelerated growth of our revenue places a strain on managerial and financial resources. This growth, our expansion and the acquisition of MICROPOWER have resulted in substantial growth to the number of our employees, the scope of our infrastructure and the geographic area of our operations, resulting in increased responsibilities for existing and new management personnel. Our ability to successfully manage this growth depends, in large part, upon our ability to: retain and attract qualified management; retain and attract skilled technical personnel to continue to develop

reliable solutions that respond to the evolving needs of our customers; and retain and attract sales and marketing personnel to create an expanding presence the rapidly growing marketplace for our products. The inability to achieve any of these objectives could harm the Corporation's business, results of operations and financial condition.

Dependence on Key Personnel

The Corporation's success is largely dependent upon the performance of its key management, technical and sales personnel. Competition for highly skilled management, technical and sales personnel is intense. The inability to retain employees and to attract and retain additional key employees who have the necessary skills may have a material adverse effect upon the Corporation's growth and profitability.

Risks Associated with Currency Fluctuations

The majority of Chartwell's revenue is realized in foreign currencies, while the majority of the Corporation's expenses are incurred in Canadian Dollars. Fluctuations in the exchange rate between the Canadian Dollar and other currencies, particularly the US Dollar and the Euro, may have a material adverse effect on the Corporation's results of operations and financial condition.

Chargebacks

As a result of increased player deposit levels, our customers are subject to higher exposure to chargebacks, which may also result in possible penalties. Chargebacks are deposit transactions credited to an end user's account that is later reversed or repudiated. This factor could have a material adverse effect on the business of our licensees and accordingly, a material adverse effect on the Corporation's business, results of operations and financial condition.

Lengthy Sales Cycle

The Corporation's sales cycle (beginning with an interested customer and culminating in the entering into of a commercial agreement with a customer) typically ranges from six to twelve months and may be longer. This lengthy sales cycle limits Chartwell's ability to forecast the timing of new sales in a specific financial quarter. Any extension in the length of our sales cycle may have a material adverse effect on the Corporation's revenues and financial condition.

Intellectual Property Protection

The Corporation relies on a combination of laws and contractual provisions to establish and protect our rights in our software and proprietary technology. Our ability to protect our proprietary information is crucial to the success of our business. We do not currently possess any patent or copyright registrations in Canada, the United States or any other jurisdiction. There can be no assurance that the steps we have taken to protect our proprietary rights will be adequate to deter misappropriation of our technology. Any such misappropriation could have a material adverse effect on the Corporation's business, revenues, results of operations and financial condition.

Similarly, given the nature of the business environment in which we operate, other parties have threatened to issue legal proceedings against the Corporation based on alleged infringement of intellectual property rights. None of these threats has yet resulted in legal proceedings, however, there can be no assurance that such threats would never materialize into actual litigation or that the Corporation would prevail in such litigation. An adverse determination in legal proceedings, a costly litigation process or a costly settlement could have a material adverse effect on the Corporation's business, revenues, results of operation and financial condition.

Industry Consolidation

Recently, there has been a significant amount of consolidation in the industry in which we operate. There exists the potential that such consolidation could shrink the list of prospective customers for our services through a rationalization of preferred software vendor suppliers. This factor could have a material adverse effect on the Corporation's business, revenues, results of operations and financial condition.

DIVIDENDS

Since incorporation, Chartwell has not paid any dividends on the Common Shares. Dividends on the Common Shares will be paid solely at the discretion of the Board of Directors after taking into account the financial condition of the Corporation and the economic environment in which it operates. No dividends are expected to be paid in the foreseeable future.

DESCRIPTION OF SHARE CAPITAL

General Description of Share Capital

Chartwell is authorized to issue 100,000,000 Common Shares without nominal or par value, of which, as at the date hereof, 19,169,371 Common Shares are issued and outstanding as fully paid and non assessable. In addition, 3,264,000 Common Shares are reserved for options to be granted to directors, officers, employees and consultants of Chartwell, of which there are currently options to purchase an aggregate of 1,677,620 Common Shares outstanding.

Characteristics of Common Shares

The holders of Common Shares are entitled to dividends as and when declared by the Board of Directors; to one vote per share at meetings of shareholders; and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares and also to the rights, privileges and restrictions normally attached to common shares.

MARKET FOR SECURITIES

Price Range and Volume of Trading of Common Shares

The following table sets forth the reported high, low and close sales prices and the trading volumes for the Common Shares on the Toronto Stock Exchange as reported by sources Chartwell believes to be reliable for the fiscal year ended October 31, 2005.

		Price Range (\$)			Trading Volume
		High	Low	Close	
2004	November	5.49	4.20	5.20	1,474,720
	December	6.73	4.86	6.70	1,234,301
2005	January	6.90	5.60	6.90	1,784,009
	February	9.60	6.89	8.60	2,779,333
	March	9.30	8.30	8.75	1,517,323
	April	11.00	8.62	10.55	1,727,963
	May	11.90	9.23	9.68	1,764,041
	June	9.68	7.15	8.00	3,054,304
	July	8.10	6.70	6.79	1,281,351
	August	6.74	4.66	4.76	2,124,932
	September	6.00	4.10	4.31	2,427,494
	October	4.40	3.70	4.00	996,565

DIRECTORS AND OFFICERS

The following table sets out the names and municipalities of residence of the directors and officers of the Corporation, their position and offices with the Corporation, the periods during which they have served as directors or officers of the Corporation, their principal occupations for the preceding five years and the number of Common Shares owned beneficially or subject to each of their control or direction. The term of office of each director will expire at the end of the next annual meeting of the shareholders of Chartwell.

Name, Municipality of Residence and Position Held	Principal Occupation During the Last 5 Years	Periods Served as Director or Officer	Number of Common Shares Held ⁽¹⁾
Rene G. Carrier ⁽²⁾ Director Vancouver, BC	President, Euro-American Capital Corporation (a private investment Corporation). Prior thereto, Vice President of Pacific International Securities Inc. (a brokerage firm) from 1982 to 1991.	Since June 1991	74,500
Darold H. Parken President, Chief Executive Officer and Director Calgary, AB	President and Chief Executive Officer of the Corporation. Prior thereto, Barrister & Solicitor, Parken & Corporation since February 1989. Prior thereto, partner with Burnet, Duckworth & Palmer, Barristers & Solicitors.	Since October 1994	1,088,100
Darcy E. Krogh ⁽⁴⁾ Vice President, Business Development and Director Vancouver, BC	Vice President, Business Development of the Corporation. Prior thereto, registered representative with various Canadian investment dealers for 18 years.	Since June 1999	135,000

Name, Municipality of Residence and Position Held	Principal Occupation During the Last 5 Years	Periods Served as Director or Officer	Number of Common Shares Held ⁽¹⁾
Roderick A. Ferguson ⁽³⁾⁽⁴⁾ Director Calgary, AB	Partner, Fasken Martineau DuMoulin LLP, Barristers and Solicitors since 2004. Prior thereto, Partner, Heenan Blaikie LLP, Barristers and Solicitors since 2001 and prior thereto Partner, Burnet Duckworth & Palmer, Barristers and Solicitors.	Since July 2001	15,000
Peter H. Kinash ^{(2) (3)} Director Calgary, AB	Chief Financial Officer of CCR Technologies Ltd. since November 24, 2005. Prior thereto, Chief Financial Officer of Guest-Tek Interactive Entertainment Inc. from July 12, 2004 to August 31, 2004. From September, 2001 to present, consultant and advisor on financial matters to emerging and established technology companies, including serving as part-time Chief Financial Officer of Replicon Inc. since November, 2002. Prior thereto, Chief Financial Officer to Wi-LAN Inc. from January, 2000 to August, 2001 and Partner with KPMG LLP from September, 1990 to January, 2000.	Since March 2004	Nil
Terence Shaunessy ⁽²⁾⁽³⁾ Director Calgary, AB	President, Shaunessy & Co. Ltd., Investment Counsel and Portfolio Management since 2001, prior thereto, Vice President, Institutions, HSBC Asset Management since 1999, prior thereto, President and Managing Director, Gordon Capital Corp.	Since March, 2005	5,000
Lee Richardson Chief Executive CGC London, UK	Chief Executive of CGC. Prior thereto, Chief Operating Officer of Coral Eurobet plc from 2000 to 2003.	Since March 2004	Nil
Donald Gleason ⁽⁴⁾ Chief Financial Officer and Vice President, Operations Calgary, AB	Vice President, Operations and Chief Financial Officer of the Corporation. Prior thereto, Chief Financial Officer of Agrimax Ltd., Agrimax Corporation and AGX Sulphur Ltd. from May 2002 until May 2003. Prior thereto, Chief Financial Officer of EFA Software Services Ltd.	Since June 2003	Nil
David Acorn Vice President, Client and Product Management Calgary, AB	Vice President, Client and Product Management of the Corporation. Prior thereto, Principal of eZ Solutions from 1995 to 1999.	Since June 1999	50,000

Name, Municipality of Residence and Position Held	Principal Occupation During the Last 5 Years	Periods Served as Director or Officer	Number of Common Shares Held ⁽¹⁾
Andrew Smith Vice President, Software Development and Chief Technology Officer Calgary, AB	Vice President, Software Development and Chief Technical Officer of the Corporation. Prior thereto, Senior Software Architect and Project Manager for Burnt Sand Solutions.	Since July 2000	40,000
Brent Stevenson ⁽⁴⁾ Corporate Counsel and Secretary Calgary, AB	Corporate Counsel (since December 2005) and Secretary (since January 2006) of the Corporation. Prior thereto, Associate Lawyer and Student-at-Law at Borden Ladner Gervais LLP, Barristers and Solicitors from July 2002 to September 2005. Prior thereto, student at the University of British Columbia, Faculty of Law from September 1999 to May 2002.	Since January 2006	Nil

Notes:

- (1) Messrs. Parken, Carrier, Ferguson, Kinash, and Shaunessy hold options to purchase 300,000, 35,000, 35,000, 50,000 and 50,000 Common Shares respectively. Messrs. Richardson, Gleason, Acorn, Smith and Stevenson hold options to purchase 200,000, 66,667, 100,000, 50,000 and 75,000 Common Shares respectively.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance, Compensation and Compliance Committee.
- (4) Member of the Disclosure Committee.

As of the date hereof, the directors and officers of the Corporation, as a group, owned directly or indirectly 1,407,600 Common Shares or approximately 7.3% of the issued and outstanding Common Shares. The information as to Common Shares, not being within the knowledge of the Corporation, has been furnished by the respective directors and officers of the Corporation individually.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Other than as disclosed herein, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities to materially affect the control of the Corporation

- (a) is, as of the date hereof or has been, within the ten years before the date of this Annual Information Form, a director or executive officer of any company, that while that person was acting in that capacity,
 - (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant

company access to any exemption under securities legislation, for a period of more than thirty consecutive days; or

- (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (iv) has, within ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the creditor, officer or shareholder.

Donald Gleason was previously the Chief Financial Officer of EFA Software Services Ltd. (“EFA”) from July 1994 to March, 2002. In October of 2002 (after Mr. Gleason had resigned from EFA), EFA became bankrupt.

David Acorn was previously a principal of a company on whose behalf he was required to post personal guarantees. Mr. Acorn and said company both became bankrupt in 1997. Both Mr. Acorn and said company were discharged from bankruptcy in 2001.

ESCROWED SECURITIES

The following table indicates the number of Common Shares held in escrow:

Designation of Class	Number of Common Shares Held in Escrow	Percentage of Class
Common Shares	375,000 ⁽¹⁾	Approximately 2%

Note:

- (1) The 375,000 Common Shares are “performance escrow” shares (the “Escrowed Shares”) which are held pursuant to the terms of an escrow agreement effective November 30, 1988 between Montreal Trust Company of Canada, as escrow agent, the Corporation and certain shareholders (the “Escrow Agreement”). The Escrowed Shares are beneficially owned by Timothy Gamble as to 262,500 shares and Darold Parken as to 112,500 shares. The terms of the Escrow Agreement provide that the Escrowed Shares are to be released from escrow based, among other things, upon the future success of the Corporation. All Escrowed Shares not released from Escrow by May 1, 1999 were to be cancelled. The Corporation made an initial application to the British Columbia Securities Commission in March of 1999 for the release of the Escrowed Shares but the application was not successful. The Escrowed Shares have not been cancelled and discussions with the British Columbia Securities Commission regarding the matter of the release of Mr. Parken’s portion of the Escrowed Shares are still ongoing.

LEGAL PROCEEDINGS

Given the nature of the business environment in which we operate, other parties have from time to time threatened to issue legal proceedings against the Corporation based on alleged infringement of intellectual property rights. None of these threats has yet resulted in formal legal

proceedings, however, there can be no assurance that such threats would never materialize into actual litigation or that the Corporation would prevail in such litigation. An adverse determination in litigation proceedings could subject the Corporation to significant liabilities to third parties. Although intellectual property disputes are often settled through licensing or similar arrangements, the costs associated with such arrangements could be of a significant nature.

AUDIT COMMITTEE

Under Multilateral Instrument 52-110 *Audit Committee*, the Corporation is required to include in its Annual Information Form the disclosure required under Form 52-110F1 with respect to its Audit Committee, including the text of its Audit Committee Charter, the composition of the Audit Committee and the fees paid to the external auditor. This information is provided in Appendix A attached hereto.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of the Corporation is not aware of any material interest, direct or indirect, or of any informed person of the Corporation, any proposed director of the Corporation or any associate or affiliate of an informed person or proposed director, in any transaction since the commencement of the last fiscal year, or in any proposed transaction since the beginning of the Corporation's most recently completed financial year end being the year ended October 31, 2005 or in any proposed transaction which has materially affected or would materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of Chartwell is Computershare Trust Company of Canada at its principal offices in Calgary and Toronto.

CONFLICTS OF INTEREST

Rod Ferguson, a member of the Board of Directors is a partner in a law firm that provides legal advice to the Corporation. While the Corporation does not believe that there is any material conflict of interest, as in any situation, there is a potential conflict when one of the Corporation's outside counsel is also a member of its Board of Directors.

Darold Parken, the President, CEO and a member of the Board of Directors is a partner in a law firm that provides legal advice to the Corporation from time to time. While the Corporation does not believe that there is any material conflict of interest, as in any situation, there is a potential conflict when one of the Corporation's outside counsel is also a member of its Board of Directors and an officer of the Corporation.

Additionally, from time to time there may be potential conflicts of interest that arise for some of the directors and officers of the Corporation. Such conflicts, if they arise, will be subject to the policies and remedies provided for in the ABCA.

MATERIAL CONTRACTS

The following are the material contracts of the Corporation entered into during the fiscal year ended October 31, 2005 or entered into during a prior year, but having obligations of a continuing nature:

- Share Purchase Agreement dated as of May 20, 2005 among the Corporation, MICROPOWER and Honeycomb with respect to the Corporation's purchase of MICROPOWER from Honeycomb for aggregate consideration of approximately USD \$4,000,000;
- Underwriting Agreement dated effective December 7, 2004 among the Corporation, Clarus Securities Inc. and Harris Partners Limited with respect to the private placement of 2,365,592 Common Shares at a price of \$4.65 per share, resulting in gross proceeds of approximately \$11,000,000; and
- Escrow Agreement made effective November 30, 1988 between Montreal Trust Company of Canada, as escrow agent, the Corporation and certain shareholders.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and options authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's Information Circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is also provided in the Corporation's audited financial statements and Management's Discussion and Analysis for its most recently completed financial year. Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

APPENDIX A – FORM 52 – 110F1

The Audit Committee’s Charter

The following is the text of the Audit Committee’s Charter.

CHARTWELL TECHNOLOGY INC.
(the “Corporation”)
Audit Committee
of the Board of Directors (the “Committee”)

CHARTER

1. Purpose

The primary function of the Committee is to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities by reviewing:

- (a) the financial information that will be provided to the shareholders and others;
- (b) the systems of internal controls and accounting policies that management and the Board have established; and

all audit processes.

Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board.

Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices at all levels.

The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation’s financial reporting process and the system of internal controls.
- Monitor the independence and performance of the Corporation’s external auditors.
- Provide an open avenue of communication among the auditors, management and the Board.

2. Composition and Process

- (a) The Committee shall be composed of a minimum of three directors, all of whom shall be “independent” as that term is defined in *Multilateral Instrument 52-110, Audit Committees* (“MI 52-110”).
- (b) Members shall be appointed by the Board on an annual basis, shall serve one-year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.

- (c) The Chair of the Committee shall be appointed by the Board for a one-year term, and may serve any number of consecutive terms.
- (d) All members of the Committee shall be financially literate and at least one member of the Committee shall be a “financial expert”. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
- (e) The Chair shall, in consultation with management and the external auditor and internal auditor (if any), establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting. The external auditor will also receive notice of all meetings of the Committee. The Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
- (f) The Committee shall meet at least four times per year and may call additional meetings as required. A quorum at meetings of the Committee shall be a majority of its members. The Committee may hold its meetings, and members of the Committee may attend meetings, by telephone conference if this is deemed appropriate or make written resolutions which must be signed by all members of the Committee.
- (g) The Chair shall appoint a secretary to keep all minutes of Committee meetings, which secretary does not have to be a member of the Committee or a director.
- (h) The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to Committee members with copies to the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.
- (i) The Committee reviews, prior to their presentation to the Board and their release, all material financial information required by securities regulations.
- (j) The Committee enquires about potential claims, assessments and other contingent liabilities.
- (k) The Committee periodically reviews with management, depreciation and amortization policies, loss provisions and other accounting policies for appropriateness and consistency.

3. Authority

- (a) The Committee is appointed by the Board pursuant to provisions of the *Business Corporations Act* (Alberta) and the bylaws of the Corporation.
- (b) Primary responsibility for the Corporation’s financial reporting, accounting systems and internal controls is vested in senior management and is overseen by

the Board. The Committee is a standing committee of the Board established to assist it in fulfilling its responsibilities in this regard. The Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Committee to ensure that management has done so.

- (c) The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
- (d) The Committee shall have direct communication channels with the internal auditors (if any) and the external auditors to discuss and review specific issues as appropriate.
- (e) The Committee shall have the sole authority to retain (or terminate) independent counsel, advisors or consultants as it determines necessary to assist the Committee in discharging its functions hereunder. The Committee shall be provided with the necessary funding to compensate the independent counsel, advisors or consultants retained by the Committee.

4. Relationship with External Auditors

- (a) An external auditor must report directly to the Committee.
- (b) The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (c) The Committee shall implement structures and procedures to ensure that it meets with the external auditor at least once annually in the absence of management.

5. Accounting Systems, Internal Controls and Procedures

- (a) The Committee shall obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Corporation and its subsidiaries and affiliates.
- (b) The Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and will periodically assess the adequacy of those procedures.

- (c) The Committee shall review with the external auditor the quality and not just the acceptability of the Corporation's accounting principles and direct the external auditor's examinations to particular areas.
- (d) The Committee will review control weaknesses identified by the external auditors, together with management's response and review with external auditors their view of the qualifications and performance of the key financial and accounting executives.
- (e) In order to preserve the independence of the external auditor, the Committee will:
 - (i) recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
 - (ii) recommend to the Board the compensation of the external auditor's engagement; and
 - (iii) review and pre-approve any engagements for non-audit services to be provided by the external auditors or its affiliates, together with estimated fees, and consider the impact, if any, on the independence of the external auditor, all in accordance with Schedule "B" attached hereto.
- (f) The Committee will review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting.
- (g) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (h) The Committee shall establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under *Multilateral Instrument 52-108, Auditor Oversight*.
- (i) The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

6. Statutory and Regulatory Responsibilities

- (a) Annual Financial Information - review the annual audited financial statements, annual management's discussion and analysis ("MD&A") and related press releases and recommend their approval to the Board, after discussing matters such

as the selection of accounting policies (and changes thereto), major accounting judgments, accruals and estimates with management and the external auditor.

- (b) Interim Financial Statements - review the quarterly interim financial statements, interim MD&A and recommend their approval to the Board.
- (c) Earnings Guidance/Forecasts - review any forecasted financial information and forward looking statements regarding forecasted financial information, if any.
- (d) In addition, the Committee must review the Corporation's press releases pertaining to the financial statements, MD&A and earnings updates, if any, before the Corporation publicly discloses this information.

7. Reporting

- (a) The Committee will report, through the Chair of the Committee, to the Board following each meeting on the major discussions and decisions made by the Committee, and report annually to the Board on the Committee's responsibilities and how it has discharged them.
- (b) In addition, the Committee will review and reassess this Charter annually and recommended any proposed changes to the Board.

8. Other Responsibilities

- (a) Investigating fraud, illegal acts or conflicts of interest.
- (b) Discussing selected issues with corporate counsel or the outside auditor or management.

Composition of the Audit Committee

During the year ended October 31, 2005 the Audit Committee of the Corporation was composed of the following individuals:

Rene Carrier	Independent ⁽¹⁾	Financially literate ⁽²⁾
Peter Kinash	Independent ⁽¹⁾	Financially literate ⁽²⁾
Terence Shaunessy	Independent ⁽¹⁾	Financially literate ⁽²⁾

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

Mr. Carrier, the Chairman of the Audit Committee, has had a long history of involvement as a director of several Canadian public companies and was previously a Vice President at Pacific International Securities Inc.

Mr. Kinash holds a B. Comm. (With Distinction) granted in 1977 by the University of Saskatchewan and obtained his Chartered Accountancy designation in 1980. He is currently the CFO of a TSX listed company and has experience acting as an officer for other public companies listed in Canada and as a director of a public company listed in the United States. Mr Kinash is the designated “financial expert” of the Audit Committee.

Mr. Shaunessy holds a B.A. (Hons.) in Economics granted in 1975 by York University and has taken additional post-graduate courses in Accounting and Finance at the University of Toronto. He is registered as a Portfolio Manager with the Alberta, British Columbia and Ontario Securities Commissions.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation’s most recently completed financial year has the Corporation relied on any exemption from MI 52 110 contained in section 2.4, section 3.2, section 3.4, section 3.5 or any exemption granted in whole or in part, granted under Part 8 of MI 52 110.

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Corporation’s most recently completed financial year has the Corporation relied on the exemptions in Sections 3.3(2) or 3.6 of MI 51 110.

Reliance on Section 3.8

At no time since the commencement of the Corporation’s most recently completed financial year has the Corporation relied on Section 3.8 of MI 52 110.

Audit Committee Oversight

At no time since the commencement of the Corporation’s most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee of the Corporation has adopted specific policies and procedures for the engagement of non-audit services entitled “Pre-Approval Policy” (the “**Procedure**”). Under the Procedure, the auditors may not act in any capacity where they are prohibited from acting, which comprises a list of ten prohibited services. Various audit related services provided by the auditors have been pre-approved. Management is required, however, to obtain pre-approval of the Audit Committee for services where engagement fees are expected to exceed \$10,000.

Where fees for a particular engagement are expected to be less than or equal to \$10,000 the Chairman of the Audit Committee is to be notified expeditiously of the commencement of such services. If an engagement with the auditors for a particular service is contemplated that is neither expressly forbidden under the Procedure nor covered under the range of services provided for therein, such an engagement must be pre-approved.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years are as follows.

Financial Period Ending October 31	Audit Fees⁽¹⁾	Audit Related Fees	Tax Fees⁽²⁾	All Other Fees
2005	\$143,243.54	\$5,384.80	\$9,000.00	nil
2004	\$143,300.00	nil	\$9,048.00	nil

Notes:

- (1) The aggregate audit fees billed.
- (2) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.