Chartwell Technology Inc.

Interim Consolidated Financial Statements
For the three and six months ended April 30, 2006

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Balance Sheets

(unaudited)

	April 30, 2006	October 31, 2005
Assets		
Current assets:		
Cash	$ 4,377,147	$ 3,901,250
Short term investments	11,258,761	15,220,888
Accounts receivable	4,376,634	4,271,829
Deferred set-up expense	123,010	97,595
Prepaid expenses and deposits	460,271	332,990
Notes receivable	297,050	588,550
Future income tax asset (note 4)	50,839	56,026
Total Current Assets	20,943,712	24,469,128
Due from related parties (note 6)	162,590	157,997
Property and equipment	1,429,419	1,182,194
Goodwill	2,749,317	2,749,317
Intangible assets	1,537,577	1,784,060
Deposits	15,411	15,411
Deferred software development costs	1,980,788	1,034,909
Deferred set-up expense	102,258	154,801
Notes receivable	614,297	356,649
Future income tax asset (note 4)	662,263	848,189
	$30,197,632	**$32,752,655**
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 573,701	$ 550,300
Income taxes payable	414,398	1,989,722
Due to Honeycomb Holdings Limited	-	760,475
Current portion of obligations under capital lease	14,084	16,520
Deferred revenue	505,619	219,105
Total Current Liabilities	1,507,802	3,536,122
Deferred revenue	314,145	254,290
Due to Honeycomb Holdings Limited	-	110,750
Obligations under capital lease	-	4,273
Shareholders' equity:		
Share capital (note 2)	27,755,843	28,046,490
Contributed surplus (note 3)	1,523,351	1,139,928
Deficit	(903,509)	(339,198)
Total Shareholders' Equity	28,375,685	28,847,220
	$30,197,632	**$32,752,655**

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Income and Deficit
(unaudited)

	Three months ended April 30,		Six Months ended April 30,	
	2006	2005	2006	2005
Revenue:				
Software license fees	$ 4,448,947	$ 3,629,580	$ 8,724,085	$ 8,251,302
Software set-up fees	64,724	124,803	115,245	239,533
Interest and other	242,923	122,281	357,959	201,058
	4,756,594	3,876,664	9,197,289	8,691,893
Expenses:				
Software development and support	1,740,011	1,319,500	3,534,937	2,644,778
General and administrative	1,649,693	226,901	2,197,269	685,153
Sales and marketing	544,990	551,388	1,125,016	1,151,016
Stock-based compensation	171,230	90,730	394,988	208,493
Depreciation and amortization	99,811	67,729	194,564	103,742
Amortization of deferred software development costs	58,829	58,828	117,658	117,658
Amortization of intangible assets	123,242	-	246,484	-
Foreign currency (gain) loss	44,854	(15,156)	176,741	(34,874)
	4,432,660	2,299,920	7,987,657	4,875,966
Income before Income Taxes	323,934	1,576,744	1,209,632	3,815,927
Income taxes:				
Current income tax expense (recovery)	-30,956	651,378	414,398	651,378
Future income tax expense (reduction)	254,219	(8,666)	191,113	744,159
	223,263	642,712	605,511	1,395,537
Net income	100,671	934,032	604,121	2,420,390
Deficit, beginning of period	(251,140)	(2,348,460)	(339,198)	(3,483,171)
Stock based compensation		-		(351,647)
Repurchase of common shares under Normal Course Issuer Bid	(753,040)	-	(1,168,432)	-
Deficit, end of period	$ (903,509)	$ (1,414,428)	$ (903,509)	$ (1,414,428)
Net income per share:				
Basic	$ 0.01	$ 0.05	$ 0.03	$ 0.14
Diluted	$ 0.01	$ 0.05	$ 0.03	$ 0.12
Weighted-average shares basic	18,615,480	18,269,771	18,718,935	17,706,057
Weighted-average shares diluted	19,291,475	20,076,090	19,413,715	19,363,174

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Cash Flows
(unaudited)

	Three Months ended April 30,		Six Months ended April 30,	
	2006	2005	2006	2005
Cash provided by (used in):				
Operations:				
Funds from operations:				
Net income	$ 100,671	$ 934,032	$ 604,121	$ 2,420,390
Unrealized foreign exchange (gains) losses	89,130	35,636	89,130	35,636
Depreciation and amortization	99,811	67,729	194,564	103,742
Amortization of deferred software development costs	58,829	58,828	117,658	117,658
Amortization of intangible assets	123,242	-	246,484	-
Stock-based compensation	171,230	90,730	394,988	208,493
Due from related parties	-	29,907	-	29,907
Interest income capitalized	(2,281)	(2,138)	(4,593)	(4,319)
Future income tax expense (reduction)	254,219	(8,666)	191,113	744,159
	894,851	1,206,058	1,833,465	3,655,666
Change in non-cash working capital:				
Accounts receivable	395,761	285,156	(297,020)	(1,205,459)
Deferred set-up expense	31,679	(91,914)	27,128	(78,460)
Prepaid expenses and deposits	(188,391)	(118,978)	(127,281)	(67,894)
Notes receivable	(86,867)	(4,324)	33,852	(8,792)
Deferred revenue	293,765	5,506	346,369	(9,299)
Accounts payable and accrued liabilities	(407,208)	(204,448)	(132,030)	11,249
Income tax payable	(30,956)	651,378	(1,575,324)	651,378
	7,783	522,376	(1,724,306)	(707,277)
	902,634	1,728,434	109,159	2,948,389
Financing:				
Issue of shares for cash	392,218	352,424	409,452	11,581,305
Share issue costs	-	-	-	(752,777)
Repurchase of shares for cash	(1,227,361)	-	(1,880,096)	-
Payment to Honeycomb Holdings Limited	-	-	(612,710)	-
Repayment of lease obligations	(2,663)	(3,716)	(6,709)	(7,713)
	(837,806)	348,708	(2,090,063)	10,820,815
Investments:				
Redemption (purchase) of short term investments	1,294,567	(5,105,829)	3,962,127	(15,471,599)
Purchase of property and equipment	(108,596)	(308,840)	(441,789)	(416,317)
Deferred software development costs	(597,172)	-	(1,063,537)	-
Deposit for acquisition	-	(912,975)	-	(912,975)
	588,799	(6,327,644)	2,456,801	(16,800,891)
Increase (decrease) in cash	653,627	(4,250,502)	475,897	(3,031,687)
Cash, beginning of period	3,723,520	7,214,678	3,901,250	5,995,863
Cash, end of period	$ 4,377,147	$ 2,964,176	$ 4,377,147	$ 2,964,176
Supplemental cash flow information:				
Interest received	$ 107,011	$ 72,128	$ 204,524	$ 187,947
Interest paid	-	596	267	911

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements
For the six months ended April 30, 2006
(unaudited)

1. Significant accounting policies:

These consolidated interim financial statements have been prepeared in accordance with Canadian generally accepted accounting principles, using the same accounting policies that were used for the consolidated financial statements for the year ended October 31, 2005. Certain prior period figures have been reclassified for consistency of presentation. These consoldiated interim financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended October 31, 2005.

2. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued & outstanding:

	Shares	Amount
Balance, October 31, 2005	19,247,437	$28,046,490
Issued for cash on exercise of stock options	369,052	409,452
Cancelled on Normal Course Issuer Bid	(488,500)	(711,664)
Transfer from contributed surplus on options exercised	-	11,565
	(119,448)	$ (290,647)
Balance, April 30, 2006	19,127,989	$27,755,843

The weighted average number of shares outstanding for the quarter were 18,615,480 (2005 - 18,269,771). Diluted shares of 19,291,475 (2005 - 20,076,090) reflect the dilutive effect of the exercise of the outstanding options.

(c) Continuity of options:

	Number	Weighted average exercise price
Outstanding, October 31, 2005	1,743,390	$ 3.48
Granted	85,000	$ 4.59
Exercised	(369,052)	$ 1.11
Forfeited	-20,000	$ 9.00
Outstanding, April 30, 2006	1,439,338	$ 4.20

3. Contributed surplus:

Balance, October 31, 2005	$ 1,139,928
Stock-based compensation expense	394,988
Transferred to share capital on exercise of options	(11,565)
Balance, April 30, 2006	$ 1,523,351

4. Future income tax asset:

Balance, October 31, 2005	$ 904,215
Current period tax expense	(191,113)
Balance, April 30, 2006	$ 713,102

5. Segmented information:

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

Three months ended April 30, 2006	North America	Europe	Total
Software set-up fees	$ -	$ 64,724	$ 64,724
Software license fees	$ 23,350	$ 4,425,597	$ 4,448,947
Total assets	$ 17,064,913	$ 13,132,719	$ 30,197,632

Six months ended April 30, 2006	North America	Europe	Total
Software set-up fees	$ -	$ 115,245	$ 115,245
Software license fees	$ 47,059	$ 8,677,026	$ 8,724,085
Total assets	$ 17,064,913	$ 13,132,719	$ 30,197,632

Three months ended April 30, 2005	North America	Europe	Total
Software set-up fees	$ -	$ 124,803	$ 124,803
Software license fees	$ 24,949	$ 3,604,631	$ 3,629,580
Total assets	$ 24,037,329	$ 5,290,791	$ 29,328,120

Six months ended April 30, 2005	North America	Europe	Total
Software set-up fees	$ -	$ 239,533	$ 239,533
Software license fees	$ 49,319	$ 8,201,983	$ 8,251,302
Total assets	$ 24,037,329	$ 5,290,791	$ 29,328,120

6. Related party transactions

For the quarter ended April 30, 2006, the Company incurred and paid legal fees of $15,000 and consulting fees of $41,250 to certain directors and officers of the Company in the normal course of business. These transactions were paid in Canadian dollars and recorded in general administrative and sales and marketing expenses. Amounts due from related parties of $162,590 consist of amounts due from certain Company officers, directors and employees. The balance bears 6% interest, is secured by 189,200 common shares of the Company and has no set terms of repayment.

7. Subsequent event

On May 17, 2006, the Toronto Stock Exchange accepted the Company's notice of intention to amend the terms of its outstanding Normal Course Issuer Bid dated September 26, 2005 whereby the Company is permitted to purchase and cancel an additional 791,854 of its common shares up to a maximum of 1,761,854 of its common shares prior to September 25, 2006.