

Consolidated Interim Financial Statements of

CHARTWELL TECHNOLOGY INC.

For the three and nine months ended July 31, 2001

Interim Report (for the three and nine months ended July 31, 2001)

Corporate

The third quarter ended July 31, 2001 represents a significant milestone in Chartwell's development as our first profitable or break-even quarter. While we do not expect to show a profit for the fiscal year, our break-even quarter represents a validation of both our business plan and our unique business model. For any start-up technology company, the first break-even quarter marks a transitional point from a development focus to more of a product based business from which sustained growth and profitability can be achieved.

Our development focus during the quarter centered on the expanded functionality of our administrative software to provide operators with more promotional and reporting tools. We also released the beta version of our new Flash casino games and Bingo product. Our Flash product is the next step in our plan to deliver the broadest selection of Internet platforms and access options which will be rounded out with the release of our Java download Casino product later this year.

Financial

Revenues for the nine-month period were \$928,663, an increase of 255% over the corresponding period of the previous year and a 54% increase over the preceding quarter. The majority of revenues were generated by our subsidiary company, Chartwell Games Corp. through software licensing and development fees. Expenses for the quarter were \$926,911, an increase of 11% over the prior year and an increase of 7% from the preceding quarter. The majority of these expenses related to software development.

Chartwell posted a profit of \$1,752 for the third quarter compared with a loss of \$574,133 in the corresponding period of the prior year and a loss of \$961,098 in the preceding quarter. Expenses related to software development are not capitalized. Working capital at the end of the period was \$7,283,128.

Outlook

Our objectives for the fourth quarter will be to release the commercial version of our Flash casino and bingo products and to continue the expansion of our customer base on which we expect to achieve a profitable fiscal 2002. We are confident that we will meet these objectives during the fourth quarter.

Darold H. Parken, President
September 10, 2001

CHARTWELL TECHNOLOGY INC.

Consolidated Balance Sheets

	July 31, 2001 (unaudited)	October 31, 2000
Assets		
Current assets:		
Cash	\$ 6,498,924	\$ 8,793,474
Accounts receivable	776,819	186,635
Prepaid expenses	81,649	71,968
	<u>7,357,392</u>	<u>9,052,077</u>
Capital assets	302,399	327,745
Deferred software development costs	247,663	330,220
	<u>\$ 7,907,454</u>	<u>\$ 9,710,042</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,863	\$ 785,542
Current portion of obligations under capital lease	12,486	12,486
Deferred revenue	30,915	299,789
	<u>74,264</u>	<u>1,097,817</u>
Obligations under capital lease	6,076	17,363
Shareholders' equity:		
Share capital	14,511,135	14,418,635
Deficit	(6,684,021)	(5,823,773)
	<u>7,827,114</u>	<u>8,594,862</u>
	<u>\$ 7,907,454</u>	<u>\$ 9,710,042</u>

See accompanying notes to consolidated interim financial statements.

CHARTWELL TECHNOLOGY INC.

Consolidated Statements of Income (Loss) and Deficit

(unaudited)

	<u>Three months ended July 31,</u>		<u>Nine months ended July 31,</u>	
	2001	2000	2001	2000
Revenue:				
Software set-up fees	\$ 637,801	\$ 224,516	\$ 1,051,550	\$ 473,573
Software license fees	230,980	-	624,003	201,046
Interest and other	59,882	37,108	297,465	51,719
	<u>928,663</u>	<u>261,624</u>	<u>1,973,018</u>	<u>726,338</u>
Expenses:				
Software development	519,466	412,921	1,486,170	787,422
General and administrative	354,459	379,948	1,182,316	1,416,197
Depreciation and amortization	25,467	17,932	82,223	52,396
Amortization of deferred software development costs	<u>27,519</u>	<u>24,956</u>	<u>82,557</u>	<u>79,368</u>
	<u>926,911</u>	<u>835,757</u>	<u>2,833,266</u>	<u>2,335,383</u>
Net income (loss)	1,752	(574,133)	(860,248)	(1,609,045)
Deficit, beginning of period	(6,685,773)	(4,233,379)	(5,823,773)	(3,198,467)
Deficit, end of period	<u>\$ (6,684,021)</u>	<u>\$ (4,807,512)</u>	<u>\$ (6,684,021)</u>	<u>\$ (4,807,512)</u>
Net income (loss) per share:	\$ -	\$ (0.04)	\$ (0.05)	\$ (0.10)

See accompanying notes to consolidated interim financial statements.

CHARTWELL TECHNOLOGY INC.

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2001	2000	2001	2000
Cash provided by (used in):				
Operations:				
Net income (loss)	\$ 1,752	\$ (574,133)	\$ (860,248)	\$ (1,609,045)
Items not involving cash:				
Depreciation and amortization	25,467	17,932	82,223	52,396
Amortization of deferred software development costs	27,519	24,956	82,557	79,368
Deferred revenue	(234,870)	-	(268,874)	-
Cash used by operations	(180,132)	(531,245)	(964,342)	(1,477,281)
Change in non-cash working capital	(380,271)	(430,606)	(1,354,544)	(116,747)
	(560,403)	(961,851)	(2,318,886)	(1,594,028)
Financing:				
Share issue costs	-	-	-	(753,868)
Repayment of lease obligations	(3,762)	(4,187)	(11,287)	(5,407)
Exercise of warrants and options	20,000	(72,500)	92,500	-
Issue of common shares	-	1,447,500	-	11,522,500
Long-term debt	-	-	-	2,048
	16,238	1,370,813	81,213	10,765,273
Investments:				
Purchase of capital assets	(6,834)	(134,875)	(56,877)	(274,218)
Increase (decrease) in cash	(550,999)	274,087	(2,294,550)	8,897,027
Cash, beginning of period	7,049,923	9,232,849	8,793,474	609,909
Cash, end of period	\$ 6,498,924	\$ 9,506,936	\$ 6,498,924	\$ 9,506,936

See accompanying notes to consolidated interim financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2001
(unaudited)

These consolidated interim financial statements of Chartwell Technology Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies, except as otherwise disclosed, as were used for the consolidated financial statements for the year ended October 31, 2000. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended October 31, 2000, as set out in the 2000 Annual Report. Certain comparative information for the three and nine months ended July 31, 2000 have been restated to conform with the current year's presentation.

1. Change in accounting policy:

On November 1, 2000 the Company adopted the new recommendations issued by the Canadian Institute of Chartered Accountants ("CICA") with respect to earnings per share. The new recommendations require the use of the treasury stock method in computing fully diluted earnings per share replacing the imputed interest method. This method was adopted retroactively, and had no effect on previously reported per share amounts.

2. Share capital:

As at July 31, 2001 and October 31, 2000 the Company had 15,817,701 and 15,550,501 common shares outstanding and 1,836,066 and 1,777,532 options to acquire common shares respectively. Share capital is net of \$121,087 which represents an amount advanced to a director for purchase of common shares. The advance, which is non-interest bearing and unsecured, is due October 31, 2001.

3. Segmented information:

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

2001	Three months ended July 31			Nine months ended July 31		
	Canada	Belize	Total	Canada	Belize	Total
Software set-up fees	\$ 75,322	\$ 562,479	\$ 637,801	\$ 182,120	\$ 869,430	\$ 1,051,550
Software license fees	\$ 15,300	\$ 215,680	\$ 230,980	\$ 15,300	\$ 608,703	\$ 624,003

2000	Three months ended July 31			Nine months ended July 31		
	Canada	Belize	Total	Canada	Belize	Total
Software set-up fees	\$ 44,375	\$ 180,141	\$ 224,516	\$ 44,375	\$ 429,198	\$ 473,573
Software license fees	\$ -	\$ -	\$ -	\$ -	\$ 201,046	\$ 201,046