

CRYPTOLOGIC INC.
(the “Company”)

COMPENSATION COMMITTEE

TERMS OF REFERENCE

1. PURPOSE

The overall purpose of the Compensation Committee (the “Committee”) of the Company is to develop and monitor the Company’s approach to the compensation of officers of the Company.

2. COMPOSITION, PROCEDURES AND ORGANIZATION

2.1 The Committee shall consist of at least three members of the board of directors of the Company (the “Directors”), a majority of whom shall be, in the determination of the Directors, “unrelated”, as that term is defined by the Toronto Stock Exchange Guidelines on Corporate Governance, as amended from time to time.

2.2 The Board of Directors, at their organizational meeting held in conjunction with each annual meeting of shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director shall cease to be a member of the Committee.

2.3 Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall select a chair from amongst their number. The chair shall be “unrelated” and shall not have a second, or casting, vote.

2.4 The Committee shall have access to such officers and employees of the Company, the Company’s external auditors and its legal counsel, and to such information respecting the Company as it considers to be necessary or advisable in order to perform its duties.

2.5 The Committee shall meet at such times and at such locations as the chair of the Committee shall determine. Any member of the committee may request a meeting of the Committee.

2.6 Any director of the Company may request the chair of the Committee to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the chair of the Committee.

2.7 The Committee is authorized, at the Company’s expense, to retain

independent counsel and other advisors as it determines necessary to carry out its duties.

3.2 The duties of the Committee shall be to:

- (a) recommend to the Board of Directors human resources and compensation policies and guidelines;
- (b) ensure that the Company has in place programs to attract and develop management of the highest calibre and a process to provide for the orderly succession of management, including receipt on an annual basis of any recommendations of the Chief Executive Officer in this regard;
- (c) develop a position description for the Chief Executive Officer and to ensure that policy guidelines and systems are in place to provide for a comprehensive annual review of the performance of the Chief Executive Officer;
- (d) subject to any contractual arrangements, set the annual salary, bonus and other benefits, direct and indirect, of the Chairman and of the Chief Executive Officer and to approve compensation for all other designated officers after considering the recommendations of the Chief Executive Officer, all within the context of any human resources and compensation policies and guidelines approved by the Board of Directors;
- (e) review periodically the adequacy and form of the compensation of the directors of the Company with a view to ensuring that such compensation realistically reflects the responsibilities and risks of being a director;
- (f) implement and administer human resources and compensation policies approved by the Board of Directors concerning executive compensation, employment and related contracts, share option plan as it relates to staff, deferred share plans and other incentive plans; and
- (g) from time to time, review with the Chief Executive Officer, the Company's broad policies on compensation for all employees and overall labour relations strategies; and
- (h) consider any other questions or matters of compensation referred to it by the Board.