

**CRYPTOLOGIC INC.
(the "Company")**

COMPLIANCE AND GOVERNANCE COMMITTEE

TERMS OF REFERENCE

PURPOSE

The overall purpose of the Compliance and Governance Committee (the "Committee") of the Company is to develop and monitor the Company's approach to matters of governance and to the management of regulatory compliance of the Company pursuant to the Company's Gaming Compliance Plan.

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.

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 and each of its members is authorized, at the Company's expense,

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

3 DUTIES

3.1 The duties of the Committee as they relate to governance shall be to:

- (a) develop and monitor the Company's overall approach to governance issues and, subject to approval by the Board of Directors, to implement and administer a system of governance which reflects superior standards of governance practices and to continue to develop the Company's approach to governance issues;
- (b) undertake an annual review of governance issues and practices as they affect the Company and make a comprehensive set of recommendations to the Board of Directors during each calendar year;
- (c) review and make recommendations to the Board of Directors on all material non-arm's length transactions;
- (d) advise the Board of Directors or any committees of the Board of governance issues which the Committee determines ought to be considered by the Board or any such committee;
- (e) review with the Board of Directors on a regular basis but not less than annually, the role of the Directors, the terms of reference of each of the committees of the Board of Directors and the methods and processes by which the Board of Directors fulfils their duties and responsibilities, including without limitation:
 - (i) the number and content of meetings;
 - (ii) the annual schedule of issues to be presented to the Board at their meetings or those of its committees;
 - (iii) material which is to be provided to the directors generally and with respect to meetings of the Board or their committees;
 - (iv) resources available to the directors; and
 - (v) the communication process between the Board and management;
- (f) recommend to the Board of Directors for approval a system which enables a committee or an individual director to engage separate independent counsel and advisors, at the Company's expense in appropriate circumstances and, to be responsible for the management and

administration thereof;

- (g) develop a position description for the chairman (the “Chairman”) and to assess the performance of the Chairman;
- (h) develop and implement an orientation and educational program for new recruits to the Board in order to familiarize new directors with the business of the Company, its management and professional advisers and its facilities;
- (i) develop and implement a process for assessing the effectiveness of the Board of Directors, individual directors, Board committees and the chairs thereof and to report and make recommendations to the Board thereon;
- (l) overview the effectiveness of the terms of reference of the Audit Committee and the Compensation and Governance Committee of the Company as they relate to matters affecting governance;
- (k) report annually to the Company’s shareholders, through the Company’s annual management proxy circular or annual report to shareholders, on the Company’s approach to governance;
- (l) develop and implement a communications policy for the Company;
- (m) consider any other questions or matters of governance referred to it by the Board.

3.2 The duties of the Committee as they relate to compliance shall be to:

- (a) develop and monitor the Company’s overall approach to compliance issues and, subject to approval by the Board of Directors, to review and administer the Gaming Compliance Program of the Board.
- (b) undertake an annual review of compliance issues and practices as they affect the Company and make a comprehensive set of recommendations to the Board of Directors during each calendar year;

4 OTHER CORPORATE GOVERNANCE MATTERS

In addition, the Board may refer to the Committee such other matters and questions relating to corporate governance as the Board may from time to time see fit;

5 ACCESS TO PERSONNEL & INFORMATION

The Committee shall have access to such officers and employees of the Company, the Company's independent auditors and its legal counsel, to separate legal counsel and advisors and to such information respecting the Board as it considers to be necessary or advisable in order to perform its duties and responsibilities;

6 MEMBERS MAY CALL MEETING

Any member of the Committee may call a meeting of the Committee at any time and notwithstanding the foregoing, the Committee shall meet at least once a year and more specifically as required to deal with all material non-arm's length transactions of the Company;

7 DIRECTORS MAY REQUEST MEETING

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;