

**ANNUAL & SPECIAL MEETING OF SHAREHOLDERS
OF
CRYPTOLOGIC INC.**

TO BE HELD ON MAY 11, 2004

**NOTICE OF
ANNUAL & SPECIAL MEETING OF SHAREHOLDERS
AND MANAGEMENT INFORMATION CIRCULAR**

April 13, 2004

CRYPTOLOGIC INC.

7th Floor, 1867 Yonge Street
Toronto, Ontario, Canada
M4S 1Y5

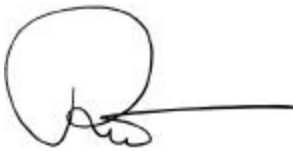
NOTICE OF ANNUAL & SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual & Special Meeting of Shareholders of CryptoLogic Inc. (“CryptoLogic” or the “Company”) will be held at The Design Exchange, Trading Floor, 234 Bay Street, Toronto, Ontario, Canada, on Tuesday May 11, 2004 at 4:30 p.m., Eastern time, for the following purposes:

1. To receive and consider the financial statements of the Company for the fiscal year ended December 31, 2003, together with the auditor’s report thereon.
2. To adopt the 2004 Incentive Stock Option Plan as outlined in the Management Information Circular.
3. To elect the directors of the Company.
4. To appoint the auditors of the Company and authorize the directors to fix their remuneration.
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

Dated at Toronto, Ontario, Canada on April 13, 2004.

By the order of the Board of Directors



Robert Stikeman
Secretary

If you are not able to be present at the meeting, please exercise your right to vote by signing and returning the enclosed form of proxy, in the enclosed postage-paid envelope to Equity Transfer Services Inc., 420 - 120 Adelaide Street West, Toronto, Ontario, Canada, M5H 4C3, prior to the close of the last business day prior to the Meeting, or, if the Meeting is adjourned, forty-eight hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting, or be presented to the Chairman of the Meeting on the day of the Meeting prior to the commencement thereof. If you are able to attend the Meeting, sending your proxy will not prevent you from voting at the Meeting.

MANAGEMENT INFORMATION CIRCULAR

(as at April 8th, 2004, except as otherwise indicated)

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MANAGEMENT INFORMATION CIRCULAR

AND GENERAL PROXY INFORMATION FOR THE

2004 ANNUAL & SPECIAL MEETING OF SHAREHOLDERS

CRYPTOLOGIC INC.

THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF CRYPTOLOGIC INC. (“CryptoLogic” or the “Company”), of proxies to be used at the Annual & Special Shareholders’ Meeting of CryptoLogic to be held on Tuesday, May 11, 2004, at The Design Exchange, Trading Floor, 234 Bay Street, Toronto, Ontario, Canada, at 4:30 p.m. (Eastern time) and at all postponements or adjournments thereof, for the purposes set forth in the attached Notice of Annual & Special Meeting of Shareholders of CryptoLogic Inc.

Solicitation of Proxies

The solicitation of proxies by this circular is being made in respect of matters to be considered by shareholders of the Company by or on behalf of the management of the Company.

The solicitation of proxies for the CryptoLogic meeting will be made primarily by mail, but proxies may also be solicited personally or by telephone on behalf of the Company. The total cost in respect of the solicitation of proxies for the applicable meeting, including the legal, printing and other costs associated with the preparation of this Management Information Circular will be borne by the Corporation. The information contained herein is given as at April 8, 2004, except where otherwise noted.

Appointment and Revocation of Proxies

Together with this Management Information Circular, the shareholders of the Company will also be sent a form of proxy (“Form of Proxy”). The persons named in such proxy are directors and officers of the Company. **A shareholder who wishes to appoint some other person to represent him at the Meeting may do so by inserting such person's name in the blank space provided in the Form of Proxy. Such other person need not be a shareholder of the Company.**

To be valid, proxies given by shareholders of the Company must be deposited at the offices of Equity Transfer Services Inc., 420 - 120 Adelaide Street West, Toronto, Ontario, Canada, M5H 4C3, prior to the close of business of the last business day prior to the Meeting, or, if the Meeting is adjourned, forty-eight hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting or be presented to the Chairman of the Meeting on the day of the Meeting prior to the commencement thereof.

Pursuant to Section 110(4) of the *Ontario Business Corporations Act*, a shareholder who has given a proxy may revoke the proxy: (a) by completing and signing a proxy bearing a later date and depositing it as aforesaid; (b) by depositing an instrument in writing executed by him or by his attorney authorized in writing: (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the Chairman of the Meeting prior to the commencement of such meeting on the day of such meeting or any adjournment thereof; or (c) in any other manner permitted by law.

Non-Registered Shareholders

Pursuant to the requirements of the Canadian Securities Administrators, under National Instrument 54-101, the Company has distributed copies of the Notice of Meeting, this Management Information Circular and the Form of Proxy to the clearing agencies and intermediaries for distribution to non-registered shareholders of the Company who have not waived their right to receive such materials. Non-registered shareholders may be forwarded a proxy already signed by the intermediary or a voting instruction form to allow them to direct the voting of the common shares they beneficially own. A voting instruction form (which is not a proxy) is normally mailed to non-registered shareholders by their broker.

Should a non-registered shareholder who receives a Form of Proxy wish to attend, and vote at the Meeting in person (or have another person attend and vote on his/her behalf), the non-registered shareholder should strike out the names of the persons named in the proxy and insert his/her own, or another person's name in the blank space provided.

Shareholders should note that if they received a voting instruction form from a broker or an intermediary, it is not a valid Form of Proxy and cannot substitute for a Form of Proxy at the Meeting. The Scrutineer of the Meeting cannot count the votes of a non-registered shareholder wishing to vote in person or by proxy at the Meeting unless such shareholder holds a valid Form of Proxy from the Intermediary. Such shareholders need to contact their broker or intermediary and arrange delivery to them of a valid Form of Proxy.

Voting of Proxies

The management representative designated in the Form of Proxy will vote, or withhold from voting, the shares in respect of which he is appointed by proxy on any ballot that may be called for in accordance with the instructions of the shareholder as indicated on the proxy.

The enclosed Form of Proxy confers discretionary authority upon the management's representatives designated therein with respect to amendments to or variations of matters identified in the applicable Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Management Information Circular, Management is not aware of any such amendments, variations or other matters to come before the meeting.

Proxies received by Management will be voted at the Meeting, or any adjournment thereof as specified therein by the person giving the proxy. **TO THE EXTENT NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED FOR MANAGEMENT'S PROPOSALS AS STATED UNDER THE HEADINGS RELATING TO THESE MATTERS IN THIS MANAGEMENT INFORMATION CIRCULAR. ALL PROXIES SUBMITTED, REGARDLESS OF HOW VOTED, WILL BE INCLUDED FOR PURPOSES OF DETERMINING WHETHER A QUORUM IS PRESENT FOR THE MEETING.** The Board of Directors has approved Management's proposals. A quorum is required in order for the Meeting to be properly constituted. One-quarter of the total outstanding common shares of the Company must be present in person or represented by proxy at the Meeting in order to form a quorum.

Voting Securities and Principal Holders of Voting Securities

The authorized capital of the Company consists of an unlimited number of common shares ("Common Shares"). As of the date of this Management Information Circular, the issued and outstanding capital consists of 12,893,672 Common Shares.

Holders of Common Shares are entitled to dividends as and when declared by the Board of Directors, and are entitled to notice of, and to one vote per Common Share at, any meeting of the shareholders of the Company.

Each holder of a Common Share of the Company at the close of business on April 8th, 2004, will be entitled to one vote for each Common Share held, as applicable, on all matters proposed to come or that come before the Meeting, except to the extent such shareholder has transferred any such shares after the record date and the transferee of such shares establishes ownership thereof and makes a written demand, not later than ten days before the date of the Meeting, to be included in the list of shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such shares.

To the knowledge of the directors and officers of the Company, no person beneficially owns or exercises control or direction over shares carrying more than 10% of the votes attached to the issued and outstanding Common Shares except Mr. Andrew Rivkin, who directs control over 1,775,000 Common Shares, representing 13.8% of the outstanding Common Shares of the Company.

Financial Statements

The financial statements of the Company for the year ended December 31, 2003, and the Auditors' Report thereon enclosed with this Management Information Circular will be placed before the shareholders at the Annual Meeting for their consideration.

Under National Instrument 54-101, adopted by the Canadian Securities Administrators, a person or Corporation that in the future wishes to receive interim financial statements from the Company must deliver a written request for such material to the Company, together with a signed statement that the person or Corporation is the owner of securities (other than debt instruments) of the Company. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed notice to the Company or its Transfer Agent.

Outline of Matters to be Acted Upon

2004 Incentive Stock Option Plan

At a meeting held on May 30, 2002, the Shareholders approved CryptoLogic's Incentive Stock Option Plan (2002) (the "2002 Plan"), which reserved an aggregate of 3,000,000 CryptoLogic Common Shares ("CryptoLogic Shares") for issuance.

Since May 30, 2002, an aggregate of 919,804 CryptoLogic Shares have been issued as a result of the exercise of stock options ("options") granted pursuant to the 2002 Plan. As a result, there are presently 2,080,196 CryptoLogic Shares reserved for issuance pursuant to the 2002 Plan, of which 1,822,375 options are outstanding.

At the Meeting, Shareholders will be asked to approve a resolution, the text of which is set forth in Appendix "A" to this Circular (the "2004 Stock Option Plan Resolution"), approving the CryptoLogic 2004 Incentive Stock Option Plan (the "2004 Plan"), to take effect from the date of Shareholder approval should the resolution be approved. The amendment provides for the issuance of an additional 350,000 stock options under the 2004 Plan. If the 2004 Plan is approved, an aggregate of 2,430,196 CryptoLogic Shares (which include the 2,080,196 CryptoLogic Shares presently reserved for issuance under existing outstanding options) will be reserved for issuance under the 2004 Plan.

The purpose of the 2004 Plan is to provide incentives to employees, Officers, consultants and Directors of the Company (and its subsidiaries, which includes partnerships and other entities that are controlled by the Company) that are tied to the long term performance and growth of the Company and the total return to Shareholders. No financial assistance will be provided by the Company to option holders in connection with the exercise of stock options granted under the 2004 Plan.

Features of the 2004 Plan include:

A maximum of 2,430,196 CryptoLogic Shares will be reserved for issuance under the 2004 Plan. The number of CryptoLogic Shares reserved for issuance under the 2004 Plan includes any CryptoLogic Shares that may be issued as a result of the exercise of options granted under the 2002 Plan.

- (1) The Board of Directors of the Company has the discretion to assign the vesting period for options granted pursuant to the 2004 Plan.
- (2) Upon leaving the Company's service, there is a 30-day exercise period for those options deemed exercisable at date of departure.
- (4) In the event of a take-over bid, vesting of outstanding stock options accelerates.

It is the Board's belief that in the highly competitive software industry in which the Company competes, the proposed 2004 Plan will position the Company to compete with other software companies for key employees while at the same time providing an appropriate incentive mechanism for its key personnel. The Board retained an independent advisor to conduct a competitive review and to take into consideration market standards among North American technology companies. The proposed increase in the number of shares issuable under the 2004 Plan reflects the Board's attempt to account for the potential growth in the number of employees and consultants of the Company, and to provide the Company with the ability to sustain such growth and retain key personnel through industry-competitive compensation and incentives. Consequently, at the Meeting, the shareholders will be asked to consider and, if thought advisable, to pass, with or without amendment, the 2004 Stock Option Plan Resolution authorizing approval of the 2004 Plan.

A copy of the 2004 Plan may be obtained from the Secretary of the Corporation at no charge.

Election of Directors

The number of directors has been fixed at six. The table sets out the names of the nominees of the directors of the Company who will, subject to the by-laws of the Company and governing legislation, serve until the next annual meeting of shareholders, or until their successors are duly elected or appointed.

The persons named in the enclosed Form of Proxy intend to vote FOR the election of these proposed nominees.

Name Municipality of Residence	Position with Company/ Present and Principal Occupation	Director Since	Common Shares Owned as at April 8, 2003	No. of Options Held as at April 8, 2003
Lorne Abony ⁽¹⁾⁽²⁾⁽⁴⁾ Toronto, Ontario	CEO, CES Software plc (technology company)	May 1, 2003	36	30,000
Randall Abramson ⁽¹⁾⁽³⁾⁽⁴⁾ Toronto, Ontario	Vice President, Strategic Capital Partners Inc. and CEO, Strategic Advisors Corp. (portfolio management firms)	May 1, 2003	8,350	40,000
Stephen H. Freedhoff, CA, CFP ⁽¹⁾⁽³⁾⁽⁴⁾ Toronto, Ontario	Self-employed consultant	May 1, 2003	2,000	30,000
Edward L. Greenspan, Q.C. ⁽²⁾⁽³⁾⁽⁴⁾ Toronto, Ontario	Lawyer & Senior Partner, Greenspan, White (law firm)	May 1, 2003	Nil	30,000
Lewis N. Rose, CA ⁽⁴⁾ Toronto, Ontario	President and CEO, CryptoLogic Inc.	May 1, 2003	25,000	277,900
Robert H. Stikeman ⁽²⁾⁽⁴⁾ Toronto, Ontario	Chairman and Secretary, CryptoLogic Inc. Lawyer & Partner, Stikeman, Graham, Keeley & Spiegel LLP (law firm)	May 30, 2002	5,000	125,000

- (1) Member of the Audit Committee
- (2) Member of the Corporate Governance & Compliance Committee.
- (3) Member of the Compensation Committee.
- (3) Member of the Nominating Committee.

RE-APPOINTMENT OF AUDITORS

It is proposed that KPMG LLP, chartered accountants, of Toronto, Ontario be re-appointed as the Company's auditors and that the directors fix the auditor's remuneration. KPMG LLP has served as auditor of the Corporation since 1998.

INFORMATION CONCERNING THE CORPORATION

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The TSX has set out a series of fourteen guidelines for effective corporate governance (the "TSX Guidelines"). The TSX requires each listed company to disclose its alignment with the TSX Guidelines annually.

The TSX Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members.

The Board of Directors (the "Board") of the Company considers the TSX Guidelines to be an appropriate model for a fully mature reporting issuer. The Board of the Company adopted a series of policies, mandates and formalized the terms of reference of its committees and their methods of operation as the result of a report from its Corporate Governance and Compliance Committee, which recommended best practices to ensure alignment with the TSX Guidelines. The following is a report on the Company's corporate governance policies, board and committee mandates and terms of reference, considered within the context of the TSX Guidelines.

1. The Board of Directors should explicitly assume responsibility for stewardship of the Company.

The Company's Board has a mandate to manage, or supervise the management of, the business and affairs of the Company. To discharge this obligation, the Directors assume responsibility in the following areas:

Corporate Disclosure

- Monitor continuous and timely disclosure, financial reporting and all related communications.
- Receive and review the reports of the Audit Committee on financial disclosure.
- Establish and monitor the communications policy for the Company, namely, to establish controls and procedures for vetting the quality and accuracy of financial results.

Material Transactions

- Review and approve material transactions not in the ordinary course of business and establish thresholds requiring prior board approval.

Risk Assessment

- Identify the principal risks of the Company's businesses and ensure that appropriate systems are in place to manage these risks.

Integrity

- Ensure the integrity of the Company's internal control and management information systems.
- Ensure ethical behaviour and compliance with laws and regulations, audit and accounting principles, and the Company's own governing documents.

Strategic Planning Process

- Provide input to Management on emerging trends and issues.
- Review and approve Management's strategic plans.
- Review and approve the Company's financial objectives, plans and actions, including significant capital allocations and expenditures.
- Consider the opportunities and risks of the business.

Monitoring Tactical Progress

- Monitor corporate performance against Management's strategic and business plans, including assessing operating results to evaluate whether the business is being properly managed.

Senior Level Staffing

- Select, monitor and evaluate the performance of the Chief Executive Officer and other senior executives, and plan for management succession.

Monitoring Directors' Effectiveness

- Assess its own effectiveness and the effectiveness of individual Directors in fulfilling the above, including monitoring, based on a review and the recommendations of the Compliance and Governance Committee.

2. The Board of Directors should be constituted with a majority of individuals who qualify as “unrelated” directors.

The TSX Guidelines define an “unrelated” director as a director who is independent of management and free from any business or other relationship that could, or could be reasonably perceived to, materially interfere with the director’s ability to act with a view to the best interests of the Company other than interests and relationships arising from shareholdings. The TSX Guidelines also focus on the importance of having an appropriate portion of members of the Board who are free from any interest in or relationships with a “significant shareholder” of the Corporation, ie. a shareholder with the ability to exercise a majority of the votes for the election of the Board.

The Board is currently composed of 6 directors, four of whom are “unrelated directors” within the meaning of the TSX Guidelines.

3. Disclose for each director whether the director is related and how that conclusion was reached.

Lewis Rose is a “related director”, within the meaning of the TSX Guidelines, as he is the President and Chief Executive Officer of the Company.

Robert Stikeman is a partner in a law firm that provides legal services to the Company and reports to the Board; not to Management. While the Board does not believe his relationship with the Company should reasonably be perceived to materially interfere with his ability to act in the best interests of the Company, under the TSX Guidelines, he is considered a “related director”, as he has a business relationship with the Board as a paid advisor.

Lorne Abony, Randall Abramson, Stephen Freedhoff and Edward Greenspan are not “related” directors as they are all independent of management and free from an business or other relationship with the Company which could, or could be reasonably perceived to, materially interfere with the director’s ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholdings.

4. The Board of Directors should appoint a committee composed exclusively of outside directors with the responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis.

The Board has a Nominating Committee comprised of six members, four of whom are unrelated directors.

The Nominating Committee recommends the re-appointment of existing directors, and the appointment of new directors to the Company’s Board, following the tabling and assessment of candidates. The Nominating Committee also assesses the effectiveness of the Board as a whole, its committees, and the contribution of individual directors.

The overall purpose of the Nominating Committee of the Company is to review the composition of the Board and make recommendations on nominations, based on the reviews, recommendations and input of the Governance Committee and the Board as a whole.

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

- (a) recommend candidates to fill Board and committee vacancies; and
- (b) recommend the slate of directors including “unrelated” directors, to be nominated for election at the annual meeting of shareholders.

These recommendations shall take into account the report of the Governance Committee on the performance of each of the incumbent directors.

5. The Board of Directors should implement a process for assessing the effectiveness of the Board as a whole, its committees and the contribution of individual directors.

The Board assesses, on an annual basis, the contributions of the Board as a whole, any committees of the Board and each of the directors, in order to determine whether each are functioning effectively.

6. The company should provide an education and orientation program for new members of the Board of Directors.

The Company has a formal process of orientation and education for new members of the Board. When relevant, this process is supplemented informally by members of the Board.

7. The Board of Directors should examine its size to ensure that it facilitates effective decision-making.

The Board believes that given the nature of the Company, a board consisting of six directors is an appropriate size for the Corporation at this time, but may consider adding up to 2 additional directors in the course of the year if successful candidates can be identified.

8. The Board of Directors should review the adequacy and form of compensation of directors and ensure that it realistically reflects the responsibilities and risks involved in being an effective director.

The Board reviews on an annual basis the adequacy and form of compensation of directors to ensure that the compensation of the Board reflects the responsibilities and risks involved in being an effective director, and its consistency with that of industry peers. Currently, the directors of the Company receive fees in their capacities as directors described under “Compensation of Directors” and, in addition, all directors are eligible to participate in the Company’s stock option plan.

9. Committees of the Board should be composed of outside directors, a majority of whom are unrelated.

The Board currently has four committees: the Audit Committee, the Compliance and Corporate Governance Committee, the Compensation Committee and the Nominating Committee, all of which are constituted with a majority of unrelated directors.

The **Audit Committee** is comprised of three members, all of whom are unrelated directors. The Audit Committee has direct communication channels with internal personnel responsible for financial statement preparation and with the Company's external auditors. The Audit Committee monitors audit functions and the preparation of financial statements, and meets with external auditors independent of Management. Additional responsibilities include the review of any auditors' reports to Management, the review of internal controls and procedures relating to financial reporting and the review of transactions between officers and the Company, and the review and approval of non-audit projects done by the auditors for the Company.

The **Corporate Governance and Compliance Committee** is comprised of three members, two of whom are unrelated directors. The Corporate Governance and Compliance Committee reviews the Company's corporate governance practices and provides reports and recommendations to the board, taking into account, among other things, the TSX Guidelines. The Corporate Governance and Compliance Committee is also responsible for assessing the effectiveness of the Board as a whole and its committees. The Corporate Governance and Compliance Committee reviews the Company's compliance practices relating to the license and certification of its gaming software in regulated jurisdictions and also assesses global legislative developments as they may affect the Company's business around the world.

The **Compensation Committee** is comprised of three members, all of whom are unrelated directors. The Compensation Committee establishes salary ranges and long term share-based incentives for Company employees and specific compensation levels for executive officers following an annual review of the responsibilities of the officer, the officer's performance, experience and years of service and the salary levels for similar positions in comparable companies. This Committee reviews Management's recommendations on stock option grants to employees. The Compensation Committee meets as required, to make recommendations to the Board.

The **Nominating Committee** is comprised of six members, four of whom are unrelated directors. The Nominating Committee recommends the appointment of new directors to the Company's board, following interviews with candidates. The Nominating Committee also assesses the effectiveness of the Board as a whole, its committees, and the contribution of individual directors.

10. The Board of Directors should assume responsibility for, or assign to a committee of directors the general responsibility for, developing the company's approach to governance issues.

The Board has a Corporate Governance and Compliance Committee, which recently revised its written governance policies and introduced comprehensive disclosure and trading policies. The Board is also responsible for approving transactions involving the Company and any “related party”, monitoring the Company’s compliance with strategic planning matters, implementing a process for assessing the effectiveness of committees of directors and their constituent members, and reviewing changes in or additions to compliance policies, standards, codes and programs, as well as applicable legislation.

- 11. The Board of Directors and the Chief Executive Officer together should develop position descriptions for the Board and the CEO, involving the definition of the limits to management’s responsibilities. In addition, the Board of Directors should approve or develop the corporate objectives, which the CEO is responsible for meeting.**

The Board has developed a position description for the Chief Executive Officer and outlined limits to his responsibilities. It has also adopted a statement of corporate objectives in consultation with the Chief Executive Officer.

- 12. The Board of Directors should have appropriate structures and procedures to ensure that it can function independently of management.**

The Board believes that it functions independently of Management as a majority is “unrelated” and the Compensation Committee consists entirely of “unrelated” directors.

- 13. The Audit Committee of the Board of Directors should be comprised only of outside directors. The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.**

The Audit Committee is composed solely of unrelated directors. The Audit Committee monitors audit functions and meets with outside auditors independent of management. Please see the Company’s approach to TSX Guideline 9 above for further details with respect to the mandate of the Audit Committee. The Audit Committee meets regularly with the Company’s auditors independent of management.

- 14. The Board of Directors should implement a system, which enables individual directors to engage outside advisors at the company’s expense, in appropriate circumstances.**

The Board has not adopted a formal system that would enable an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances; however, the chairmen of the Audit Committee and the Corporate Governance and Compliance Committee have been authorized to retain advice in matters relating to the affairs of the Audit Committee or the Corporate Governance and Compliance Committee as the case may be, and the Board recognizes that in appropriate circumstances individual directors may, subject to approval of a Committee Chairman or the Chairman of the Board, engage the services of an outside advisor or expert to assist on matters involving responsibilities as a Board Member.

Shareholder Communications

The Board has generally delegated the communications policy to senior management of the Company. The President, Chief Financial Officer and Director of Communications generally handle shareholder communications, in consultation with the Board of Directors when circumstances warrant.

Compensation of Directors

From January 1, 2003 to April 30, 2003, the Company paid each non-management director an annual fee of Cdn\$7,500 and a fee of Cdn\$750 for each directors or committee meeting attended. From May 1, 2003 to December 31, 2003, the Company paid each non-management director an annual fee of Cdn\$10,000 and a fee of Cdn\$750 for each directors or committee meeting attended. Management officers who are also directors do not receive any directors fees.

During the year ended December 31, 2003, the Company paid non-management directors the following:

1. Aggregate annual fees of Cdn\$36,672, either directly or to certain companies controlled by the said directors.
2. Aggregate per-meeting fees of Cdn\$67,500.

For the year ended December 31, 2003, the Company also paid an aggregate fee of Cdn\$33,336 to the Chairman of the Board.

In addition, the directors are eligible to receive stock options under the Company's stock option plan. See "Executive Compensation" below.

Directors' and Officers' Liability Insurance

The Company has purchased directors' and officers' liability insurance, no part of which is payable by the directors or officers of the Company. The aggregate premium of US\$583,443 represents insurance coverage from April 20, 2003 to May 31, 2004 for any liabilities due to future acts limited to US\$10,000,000 per policy year. There is a deductible provision of up to US\$100,000 for any claim the Company makes, but no such provision for claims any director or officer makes.

REPORT ON EXECUTIVE COMPENSATION

Principles of Executive Compensation

Compensation of the executive officers of the Corporation, including the “Named Executive Officers” (determined for the Corporation in accordance with applicable securities legislation), is overseen by the Compensation Committee. The approach adopted by the Compensation Committee is to focus on a number of key objectives and to align the achievement of such objectives with competitive remuneration, that attracts and permits the Company to retain executives critical to the Corporation’s short and long term performance and success. The Compensation Committee must take into account several factors, including individual and corporate performance as well as Management’s ability to deliver shareholder value under a business model that demands and is dedicated to the most rigorous standards of responsible governance and regulatory compliance.

Executive compensation is set by the Compensation Committee based upon pre-determined corporate and individual performance objectives, which are set at the beginning of each fiscal year. Strong compensation incentives are set to foster excellence in and the attainment of performance objectives that are rigorous and demanding, yet reward superior corporate and individual performance.

In developing a total compensation structure for executive officers, the Committee benchmarks the pay of comparable positions in leading publicly traded software companies. Although the Company’s business is complex and without a directly comparable Canadian peer, the Committee is of the view that the median compensation for executive officers must be reviewed annually and measured in accordance with the Company’s financial performance, achievement of corporate objectives, and delivery of returns to Shareholders.

Compensation of the Chief Executive Officer

The Compensation Committee of the Board assesses the overall performance of the Chief Executive Officer (“CEO”) each year. The Committee considers this assessment in determining the CEO’s salary and recommending short and long term compensation awards for the CEO to the Board of Directors. The Committee measures the CEO’s performance against a number of measures, the primary one of which for 2003 was the Company’s earnings. For 2004, the Committee’s determination of the CEO’s base salary, bonus, and other incentive awards, is based on a number of considerations including the total economic value of the CEO’s compensation package at 2003 year end, which reflects the strong financial performance of the Company and its stock price at the close of 2003. Total compensation will generally be sustained or increased, provided the CEO delivers on a number of measures, including development and execution of strategies for growth through expansion, innovation and improved operations, development of strong relationships with the investment community, enhancement of relationships with customers and shareholders, and development of a strong management team, all of which the CEO achieved in 2003. In addition, going forward, corporate governance and regulatory compliance matters will require increased attention to ensure the Company’s continued success.

For 2003, the CEO's base salary was set at Cdn\$400,000, and based on the earnings measures set at the beginning of 2003, Mr. Rose was awarded a year-end bonus of Cdn\$527,240.

For 2004, Mr. Rose recommended to the Compensation Committee, and it was agreed that his base salary remain at Cdn\$400,000 for the year.

In the first quarter of 2004, the Company retained a firm specializing in compensation to evaluate and recommend short term and long term compensation measures to ensure that the Company remains well-positioned to maintain and attract key employees, while remunerating employees and officers throughout the organization at a level appropriate to the achievement of their performance objectives.

The following table presented in accordance with applicable securities legislation, all compensation paid in respect of each "Named Executive Officer".

SUMMARY COMPENSATION TABLE
(in Canadian Dollars)

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Pay-outs (\$)	
Lewis Rose ⁽¹⁾ President and CEO	2003	400,000	527,240	15,000	125,000	Nil	Nil	Nil
	2002	132,794	150,000	6,000	320,000	Nil	Nil	Nil
James Ryan ⁽²⁾ CFO	2003	245,000	130,190	9,600	35,000	Nil	Nil	Nil
	2002	202,427	90,000	9,067	85,000	Nil	Nil	Nil
Michael Starzynski ⁽³⁾ CTO	2003	170,208	89,575	4,750	60,000	Nil	Nil	Nil
Serguei Bourenkov ⁽⁴⁾ Vice President, Research & System Architecture	2003	192,500	77,136	--	10,000	Nil	Nil	Nil
	2002	175,170	15,000	--	15,000	Nil	Nil	Nil
	2001	175,000	30,000	--	--	Nil	Nil	Nil
A.J. Slivinski ⁽⁵⁾ Vice President, Business & Product Development	2003	155,833	90,547	--	30,000	Nil	Nil	Nil

Notes:

(1) Lewis Rose was appointed Interim President and CEO of the Company on July 15, 2002 and appointed President and CEO on March 7, 2003.

(2) James Ryan was appointed the Chief Financial Officer of the Company on January 22, 2002.

(3) Michael Starzynski was appointed Chief Technology Officer on March 17, 2003.

(4) Serguei Bourenkov was Director, Product Development in 2002. He was appointed Vice President, Research & System Architecture on January 14, 2003.

(5) A.J. Slivinski was appointed Vice President, Business Development on January 14, 2003.

LONG TERM INCENTIVE PLANS

There were no such plans awarded in the last completed fiscal year. The Company has no outstanding stock appreciation rights.

Options Granted During The Most Recently Completed Financial Year Ended December 31, 2003 to Named Executive Officers

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise Price (Cdn\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (Cdn\$/Security)	Expiration Date
Lewis Rose	125,000	15.17%	\$7.61	\$7.61	January 13, 2008
James Ryan	35,000	4.25%	\$7.61	\$7.61	January 13, 2008
Michael Starzynski	60,000	7.28%	\$5.98	\$5.98	March 6, 2008
Serguei Bourenkov	10,000	1.21%	\$7.61	\$7.61	January 13, 2008
A.J. Slivinski	30,000	3.64%	\$7.61	\$7.61	January 13, 2008

STOCK OPTIONS EXERCISED AND HELD

The following information concerns each exercise of options during the most recently completed financial year ended December 31, 2003 by the Corporation's Named Executive Officers, and the financial year end value of unexercised options held, on an aggregate basis.

Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values

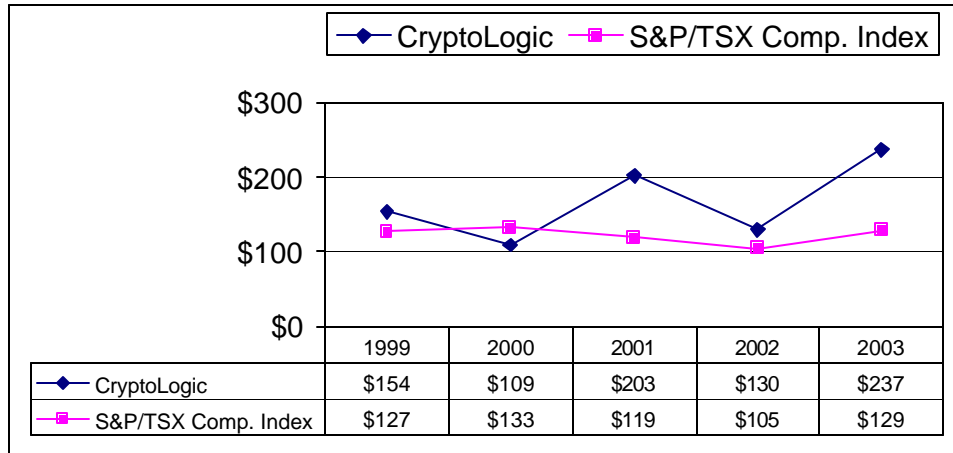
Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Options at Year End (#)		Value of in the Money Options at Year End ⁽¹⁾ Cdn\$	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Lewis Rose	Nil	Nil	160,000	285,000	1,374,400	2,325,650
James Ryan	Nil	Nil	21,250	98,750	51,000	419,350
Michael Starzynski	Nil	Nil	Nil	60,000	Nil	358,800
Serguei Bourenkov	Nil	Nil	48,750	21,250	203,100	167,900
A.J. Slivinski	Nil	Nil	Nil	30,000	Nil	228,300

Note:

⁽¹⁾ Based on the closing price of the Common Shares on the Toronto Stock Exchange on December 31, 2003 of Cdn\$15.48.

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return since December 31, 1999 for \$100 invested in the Company's common shares on such date with the total cumulative return of the S&P/TSX Composite Index (formerly the TSE 300 Composite Index).



The Company's closing prices as at December 31 (in Canadian Dollars):

1999	\$25.90
2000	\$14.25
2001	\$27.70
2002	\$7.50
2003	\$15.48

Employment Contracts with Named Executive Officers

The following summarizes the material terms of the employment contracts into which the Company has entered with the Named Executive Officers.

All of the Named Executive Officers have entered into employment contracts with the Company that provide for an annual base salary and certain other compensation. The employment contracts further provide that the Named Executive Officers are eligible for participation in bonuses, subject to recommendations reviewed by the Corporate Governance and Compliance Committee and reviewed and approved by the Board of Directors.

Lewis Rose, the President and Chief Executive Officer of the Company entered into an employment agreement with the Company dated January 1, 2003, to become President and Chief Executive Officer for an indefinite term, with an entitlement to twelve months' notice upon termination without cause and twenty-four months' notice in the event of a change of control of the Company.

Jim Ryan, the Chief Financial Officer of the Company, entered into an employment agreement with the Company dated December 18, 2001, for an indefinite term with an entitlement to nine months' notice upon termination without cause and twelve months in the event of a change of control of the Company.

Michael Starzynski, the Chief Technology Officer of the Company entered into an employment agreement with the Company dated March 6, 2003, for an indefinite term with an entitlement to nine months' notice upon termination without cause and twelve months in the event of a change of control of the Company.

Serguei Bourenkov, the Vice President, Research and System Architecture of the Company entered into an employment agreement with the Company dated June 1, 1996, for an indefinite term with an entitlement to nine months' notice upon termination without cause.

A.J. Slivinski, the Vice President of Business and Product Development of the Company entered into an employment agreement with the Company dated November 27, 2002 for an indefinite term with an entitlement to seven months' notice upon termination without cause.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the current directors or officers of the Company is indebted to CryptoLogic other than for routine indebtedness within the meaning of applicable law.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

No insider of the Company has any interest, direct or indirect, in any material transactions involving it during the fiscal year ended December 31, 2003.

AUDITORS, REGISTRARS AND TRANSFER AGENTS

KPMG LLP, chartered accountants, of Toronto, Ontario, Canada, is the Company's auditor.

Equity Transfer Services Inc. of Toronto, Ontario, Canada, is the Company's transfer agent and registrar.

DIRECTORS' APPROVAL

The directors of the Company have approved the contents and sending of this Management Information Circular, and it has been sent to the Company's directors, shareholders and auditors.

Toronto, Ontario, Canada
April 13, 2004

CRYPTOLOGIC INC.

A handwritten signature in black ink, consisting of a large, rounded initial 'R' followed by a horizontal line extending to the right.

"Robert Stikeman"
Chairman of the Board

CRYPTOLOGIC INC.

**RESOLUTION OF THE SHAREHOLDERS
OF CRYPTOLOGIC INC.
ADOPTION OF THE 2004 INCENTIVE STOCK OPTION PLAN**

RESOLVED THAT:

1. The 2004 Incentive Stock Option Plan (the “2004 Plan”) which is described in the Management Information Circular accompanying the notice of this meeting, be and is hereby approved;
2. The making on or prior to May 11, 2004 of any revisions to the 2004 Plan as may be required by the Toronto Stock Exchange or by professional commentators on stock option plans in order to conform the 2004 Plan to versions of stock option plans then prevalent for public reporting issuers in Canada, as may be approved by any two of the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, any Vice-President or a Director, is hereby approved; and
3. Any officer of the Corporation be and each of them is hereby authorized, for and on behalf of the Corporation, to execute and deliver such other documents and instruments and take such other actions as such Officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.

This resolution requires a majority vote of the shareholders, other than those who are Directors, Officers, employees and consultants of the Corporation, and are entitled to receive options under the 2004 Plan.