

Cryptologic Limited
2009 Second Quarter Results Conference Call
August 13, 2009

Good morning ladies and gentlemen. Welcome to the 2009 Second Quarter Results Conference call. Your host for today will be Mr Brian Hadfield. Please go ahead Mr Hadfield.

Brian Hadfield: Ladies and gentlemen, welcome to CryptoLogic's 2009 Second Quarter Conference Call.

I am Brian Hadfield, President and CEO of CryptoLogic. With me here in Dublin is Steve Taylor, our Chief Financial Officer.

Today, we are pleased to announce that the new business strategy we outlined last year is beginning to deliver results for CryptoLogic. As we work through the second half of 2009, this turnaround will become increasingly evident. We have reduced our cost base and taken strategic actions to increase revenues in the months and years to come.

You will recall the key elements of this strategy to return to profitability, cash generation and long-term growth. This entails:

- Focusing on our core business to build and host Internet casinos;
- Licensing CryptoLogic's exceptional branded games to the world's major Internet gaming operators; and
- Reducing our cost base dramatically - in part by moving to a shared poker network.

Today, I can say that we've done what we said we would do - and that has got us on a clear path to profitability.

- We grew revenue from our hosted Internet casino business 21% from Q1 to Q2 - and launched a casino for a new customer;
- We grew revenue from our branded games 70% during the same period.
- We've taken \$12 million out of our annualised cost base - with second quarter operating expenses down 25% from where they were a year ago;
- We've grown our customer base to 24, the most in our history including virtually all of the most important internet gaming sites;

- We continued to develop great new games - and extended our groundbreaking relationship with Marvel Comics;
- We migrated our poker network - right on time and;
- We became profitable in June - as anticipated.

Let me give you a snap shot of what we've been doing on the three core elements of our strategy.

First, in CryptoLogic's core casino business, we're very pleased to report significant sequential growth.

There are three steps to success: expanding our customer base, building and launching the casinos, and providing marketing support to our licensees. We have made progress in all three areas.

We launched another hosted Internet casino in the quarter - this time for The Gaming Network, the owner of some of the UK's most popular gaming sites such as lottery.co.uk.

We released several new games to our casino licensees, the highlight was Jenga, a slot game based on one of the world's most popular board games and developed in a record time of just four months. It's receiving rave reviews from players, quickly earning a spot among their favourite CryptoLogic games, and, in turn contributing to our revenue.

Other games that made a solid contribution in the quarter included Millionaires Club III, Hulk Ultimate Revenge, Spider-Man Revelations, Cubis, and King Kong. Millionaires Club made the headlines this week, as a player won, on one of our new licensee sites, B SkyB's SkyVegas.com, a huge jackpot of 1.5 million pounds sterling. That's the sort of news that attracts more and more players to our licensees' sites.

The final step in casino is marketing the games to players at a time of intense competition for a share of the player's wallet. That's why we are assisting our licensees with player acquisition, search engine optimisation and better management of portals.

Turning to poker, there's a general malaise in the market - validating our decision to move to a shared poker network with GTEC Corporation. This move happened right on time. It has cut our costs dramatically - while improving the player experience by adding critical liquidity to the network.

As Steve will tell you, our poker revenue went down more than anticipated - but the difference is that we will be operating this business at a profit from the third quarter onwards.

Finally, we saw perhaps the most exciting progress of all in our branded game business.

Two of the biggest names in e-gaming, SportingBet.com and Betfair - joined our customer roster in the second quarter, alongside other giants such 888.com and PartyGaming. This means that all of the “big four” international e-gaming operators will be delivering CryptoLogic games to their players this year. 888 showed further confidence in our relationship by signing a deal for five new games to launch in 2009.

CryptoLogic is also attracting some major gaming brands with powerful appeal in their own markets. These include Ireland’s PaddyPower, the UK’s Victor Chandler Group, Centrebet, and ToteSport Britain’s state owned and fourth largest bookmaker.

Now that we have these customers, the key is enabling them to execute - by getting our games into their sites.

We’ve been working with two key channels to the world’s largest gaming sites - The GTS and Orbis platforms. Orbis now has 13 CryptoLogic games available on its platform, with two more to follow this year; GTS has converted 6 games - with 4 more to follow this year.

While the implementation of our games by our customers has been slower than first planned, we are seeing steady progress.

CryptoLogic licensees have 13 games up and running by the end of the second quarter, up from three in Q1. Based on our customers’ plans, we expect to see more the 40 CryptoLogic games on customer sites by the end of the third quarter, growing to more than 110 by the end of the year.

As a result, we are confident that revenue from our new customers will exceed our target of \$8 million for 2009.

So with a customer base which is second to none - and effective execution in helping our customers launch and market our games - we believe CryptoLogic continues to gain momentum.

I will now turn the call over to Steve Taylor who will provide some analysis about our financial results.

Steve Taylor:

Thank you, Brian.

I'd like to remind listeners that CryptoLogic continues to report in U.S. dollars.

CryptoLogic revenue held steady at \$10.1 million in the second quarter, unchanged from the first quarter of 2009.

Behind that number there are two developments worth noting:

- First, the 21% increase in casino revenue from \$6.4 million in the Q1 to \$7.7 million in Q2;
- And second, the 70% increase in revenue from branded games - from \$300,000 in Q1 to \$500,000 in Q2.

This growth in revenue from Internet casino and branded game businesses completely offset the significant impact from the previously announced loss of William Hill as a poker customer.

As Brian mentioned, we integrated our poker network with that of GTEC Corporation in March, a move that will transform poker into a profitable line of business for CryptoLogic.

This caused a significant short-term drop in poker revenue for several reasons. First, William Hill was responsible for a large amount of poker revenue; second, revenue from the licensees that moved to the shared network declined during the quarter, consistent with industry trends; and third, there is always an expected attrition that accompanies any such transition.

Over the long-term, we expect poker revenue to rise gradually and contribute to profitability, but it will not be a major growth driver for the company.

Consistent with the major strategic shift we made last fall, CryptoLogic's revenue from branded games now exceeds our revenue from poker. We expect this trend to continue as our customers plan to roll out more than 110 games on their sites this year.

Operating expenses were \$9.9 million in the quarter, up from \$8.2 million in the first quarter, but down 25% compared with the same period a year ago.

Much of the increase from the first quarter was due to adverse currency movements, which accounted for \$625,000 in higher costs. We incurred \$650,000 in language translation costs related to the development of websites for new customers. This is not expected to recur. Other factors included higher development costs, and new resources for portals and search engine optimization.

We also had higher costs for the services we provide to our licensees to support marketing, that is player acquisition and retention. While we reduced the overall size of our workforce, we upgraded the skills of our employees in these particular areas, to help drive revenue.

General and administrative expenses were down 30%, or \$900,000, from the previous quarter. On a year on year basis, G&A costs are down 45%, or \$1.8 million. We expect this to continue as we look for ways to contain and/or reduce costs.

As Brian mentioned, we've already taken \$12.0 million in annualised costs out of the business - and continue to look at all internal processes to find savings. These include the outsourcing of our network operation center in Q3 and the continued reduction of servers. We are targeting a reduction of \$15 million in annualised costs.

We ended the quarter with an operating loss of \$2.2 million, or \$0.17 per fully diluted share. Within the quarter, however, we saw a significant positive shift between April and June as revenue rose from both our casino and branded game businesses.

The company has also reviewed the carrying value of its long-term Asian investments, and determined that a provision of \$4.0 million is required for certain of these investments. As a result, the company recorded a net loss of \$6.2 million, or \$0.46 per share, for the quarter.

CryptoLogic closed the quarter with \$33.8 million in net cash, or \$2.45 per diluted share. This compares to \$38.7 million, or \$2.80 per diluted share, at the end of the first quarter. The decrease in net cash was due largely to the operating loss and advance royalty payments. We will continue to conserve our cash by limiting our capital spending. The company continues to be debt free. Finally, the board declared a dividend of \$0.03 per share, which is unchanged from the last quarter.

Let me close with our outlook for the end of the year. In light of current market conditions, consumer sentiment, and the slower than anticipated roll-out of branded games by our customers, we are lowering our full-year targets and anticipate results more in line with analysts' expectations.

While we are not able to give you precise guidance at this time, here's what we can say:

- Management targets have returned to profitability and cash generation in the third quarter, with more than 40 games expected to be operating on customer sites by September 30th.
- We continue to expect a net profit before the non-cash impairment provision announced today for the full year.

- And we expect to return to positive cash flow for the second half of 2009.

I will now turn the call back to Brian.

Brian Hadfield:

Thank you, Steve.

At the core of today's announcement is a simple message. We've done what we said we would do - and we're beginning to reap the results with significant sequential growth in our two core businesses.

We're delighted to have not just the best games - but also the best names in gaming as our customers and partners.

We're focussing on supporting our licensees and the planned ramp up of our games on their networks - both directly and through GTS and Orbis.

We will continue to monitor our cost base very closely and have scope to find further savings as we achieve even greater efficiency in our operations.

With a considerable larger customer base and an aggressive roll-out schedule for our new games, we're confident that CryptoLogic has the people, the products and the partners to deliver profitability in 2009 - and sustain performance for our shareholders in the years to come.

We'd now be pleased to take your questions.

Operator:

Thank you. For telephone participants, if you have a question, you may press star one on your telephone keypad and if at any time you wish to cancel your question, you may press the pound key. Please press star one if you have a question. There will be a brief pause while participants register and we thank you for your patients. The first question will be from Brian Kinstlinger from Sidoti & Co. Please go ahead.

Brian Kinstlinger:

On the Operating Expenses, Steve. It sounds like you expect that (inaudible) from development costs for language to go away but my guess is currency, that extra \$600,000 or so, will still be there based on where rates are. Just give us a sense at least for what you can control where costs are going to be in the next quarter. Are they going to be closer to where we were in the first quarter, or where we were in the second quarter?

Steve Taylor:

Brian, we're not going to be where we were in the second quarter. We're not going to be completely all the way back to where we were in the first

quarter. I think for the third quarter we're anticipating we should be somewhere right in the middle of those two. And that's in the operating cost. On the G&A, I think we'll be at a run rate of about \$2.2 million; that's where I think we'll be for the third quarter as well.

Brian Kinstlinger: Okay. I can see now where profitability is, it's obviously changed because you need a little bit more revenue with the increased expenses, so I think it would be helpful, and I don't think anyone's ever asked this question, but I don't see why in a public call you couldn't give it, the revenue trends as they were in June versus July, and maybe in August how we've done since we're a good chunk through August, so we could see the progress that's being made.

Steve Taylor: Our revenues in the month of July continued to run at roughly June rates and we're continuing to run at that rate for August as well.

Brian Kinstlinger: What was June revenue since it was the strongest month so we can get a sense? It was a profitable month, I just don't know how profitable. Was it \$4 million of the revenue? Was it \$3 million? \$3.5 million?

Steve Taylor: I'm am not going to go back to reporting on a month-by-month basis, Brian. What I will tell you though is that the revenue will be sufficient, we believe, on current trends, to exceed what it was in the second quarter and will be sufficient for us to return to profitability overall for the quarter in the third quarter.

Brian Kinstlinger: You had 13 of these branded games on other sites and you expect to be at 40. Where are you today so we can see how that progressed throughout the quarter?

Brian Hadfield: As of today its 16. There are more due to come out later in August and more in September.

Brian Kinstlinger: When you talk about branded games being up 70%, that's the games on other people's sites that you've sold by the game, right?

Brian Hadfield: That we've licensed by the game, correct.

Brian Kinstlinger: So if I take that math, \$500,000 divided by 13, I get \$38,000 a piece. Is that what we're thinking about per game per quarter going forward? Or is that going to depend on other factors?

Steve Taylor: I think instinctively that number would be a bit too high per game because you've got new licensees coming on board with casinos of varying size in the marketplace, so I don't think just doing that simple math is going to get you the right answer.

Brian Kinstlinger: Can you give us a sense for what it might be? Are we thinking \$20,000? Are we thinking half of the \$38,000? Can you give us a ballpark range of what a really big guy like PartyPoker and 888 can do and then what a small guy might be contributing?

Steve Taylor: I'm not prepared to at this early stage where we've only got a few customers up and running, to speculate on what some of the newer guys will make. We have a sense, but I'm not willing to speculate publicly as to what those rates might be. I think those numbers that you threw out in terms of an overall average are probably not that far off the mark.

Brian Kinstlinger: SkyBet has agreed, it looks like, to feature your games on the front of their page; how many other of your customers that you've signed on are going to do something similar based on the discussions you've had?

Steve Taylor: We have discussions ongoing with each one of these licensees. As you know, these games have been highly successful in the hosted casino environment that we have. We have some experience and expertise through our Ads Dot Com subsidiary on how to maximise the games for revenue potential, and so we are working alongside virtually all the licensees that we have signed, to work with and to get these games positioned such that they maximise, as the benefit is bigger for them if they do well on our games than it is for us. We're working with them to make sure that happens.

Brian Kinstlinger: Has anyone else agreed yet to actually put these games, at the feature page, or is that just a discussion you're trying to have with everyone else right now?

Brian Hadfield: Party has had them on the front page, 888 has; sometimes they rotate them through. In almost every case, we talk about the positioning, not only on the landing page, but we talk about email campaigns, there are CD campaigns, there are a variety of things that licensees do. So whilst we clearly have a sense of positioning and we encourage positioning and in most cases people support our positioning on the landing page, there are other things that they do for us as well.

Brian Kinstlinger: On Orbis and GTS. I'm curious how penetrated you are. How many are left unsigned under those two platforms versus what you've signed?

Brian Hadfield: I don't have that figure right in front of me but I would imagine there's probably, and this is a guess so it's a bit unfair, but I would probably say there are at least a double digit number.

Brian Kinstlinger: Would you think that you've gotten most of the meaningful ones and the rest are smaller or is that not fair to say yet?

Brian Hadfield: I'd only be prepared to say that we've announced a number which we think is a good number. We clearly have ongoing dialogue and we will announce further licensees as they come up, and I'm reasonably confident we will be doing that.

Operator: Thank you. The next question will be from Todd Eilers from Roth Capital Partners. Please go ahead.

Todd Eilers: You mentioned that you have 13 games live in the second quarter under the new licensing strategy, or model. That was a bit lower than what you guided for last quarter, which I believe was expected to have 19 games live. Can you tell us which ones got pushed out and why in the quarter?

Brian Hadfield: The games basically were pushed out based on some priorities at the clients' site and I wouldn't really be prepared to talk about the clients responsibility. Suffice to say, the games have not gone away; they've moved out and they're back in the queue for this quarter.

Todd Eilers: Okay. I know you've got games on 888 and Party; what are the other two partners that you have? Of the new licensing agreements you've signed, which of those partners actually have games live right now, and how many per partner?

Brian Hadfield: Sky, Paddy Power, Party, 888, and those are the ones at the moment. Party has six, 888 has three, Sky has two, Paddy Power has two, or has at the end of the quarter; Sky has added to that since.

Todd Eilers: Okay, that's helpful. You also mentioned in the quarter on the poker side, the loss of William Hill revenue of about a million. I'm wondering on the casino side, I'm not looking for an exact number but could you give us maybe a range of what William Hill contributes on the casino side for you on a quarterly basis?

Steve Taylor: We have not in past disclosed what each licensee's rates or contributions were in a quarter and I think we're going to stick to that.

Todd Eilers: Okay, that's fair. Is there an opportunity for you to keep William Hill as a partner in some fashion in 2010 after the existing agreement expires, and if so, what might an arrangement look like?

Brian Hadfield: Certainly from our perspective we would be more than happy for that to happen. And clearly the major offerings we have are casino and branded games.

Todd Eilers: If there was an opportunity, would it be similar to what you're doing with 888 and Party and licensing individual games or do you think that there might be a larger opportunity than that?

Brian Hadfield: I couldn't speculate on that. I can say that those are the two options that are available and certainly they're interesting options I would have thought for both parties.

Todd Eilers: If you can't give actual numbers for William Hill's contribution in the quarter, can you give us a sense of how that revenue is trending? Is it trending down through the first half of 09 or is it holding steady?

Steve Taylor: It's come down a little bit, but not significantly, and it continues to hold up and be strong right now. I think, as an adjunct to the question that you were just asking Brian, William Hill has always had good success with our casino, and they continue to have good success, and I think using our product has been a highly profitable enterprise for them, and they're solid businessmen, I suspect they'll take that into account as they move forward. As you know Todd, we've always had a very strong relationship with them and we continue to have a very strong relationship, and we talk to them on a regular basis.

Todd Eilers: Are you in active negotiations regarding any sort of new relationship heading into 2010 at this point?

Brian Hadfield: We're just continuing to talk based on the fact that we have a relationship with them.

Todd Eilers: The other revenue line item was strong again this quarter, you mentioned an increase in marketing support services there and I know the portal

business is in there. Can you give us a sense of what your expectations are for that business going forward. Should we expect similar run rates as the first couple of quarters this year?

Steve Taylor: I don't see it being quite as strong in the last quarter of the year, but I think you can probably expect it to be similar in quarter three, Todd.

Operator: Thank you. The next question will be from Alex Silverman from Special Situations. Please go ahead.

Alex Silverman: Your guidance for the branded games is exceeding \$8 million for the year, you have generated about \$800,000 for the first half, obviously the run rate accelerates dramatically as the year goes on as these games ramp. Can you give us some sense of what kind of run rate you expect to exit the year with? What's the annual run rate you expect in, for example, the month of December?

Steve Taylor: We have articulated that this is going to be in the vicinity of about \$8 million for the year. I don't think we're going to give a specific number at this point in time but, as you quite rightly pointed out, a lot of this is pretty heavily back end loaded, so we will exit the year with a revenue run rate that is significantly in excess of what we're doing at the moment.

Alex Silverman: If the first half of the year was \$800,000 and the third quarter I'm getting to like \$1.5 million to \$2 million, that would suggest that the fourth quarter is something like \$5 or \$6 million, suggesting that next year is something like \$20 million. If you sign no new deals.

Steve Taylor: I think with what we have in the contracted and planned at the moment I wouldn't disagree with your number.

Operator: Thank you. The next question will be from Gary Dvorchak from Aviance Capital Management. Please go ahead.

Gary Dvorchak: I want to circle back and get some clarification on your comments on the operating expenses. You were saying for Q3 they should come in between Q1 and Q2, which would imply \$13.2 million or so. And if you're flat on the G&A and the finance and amortization, that would imply that your operating costs are really going to stay about the same as they were on Q2. So if you were saying you had \$600,000 lost in foreign exchange, you pulled out the \$600,000 translation costs, you're kind of implying those were one time. What costs are replacing that? Is this a fair assessment?

Steve Taylor: Let's talk just about the translation costs in total. We had some licensees where we had to go and put some new product out in different languages. If you look at what we paid for those translation costs, \$650,000 in the second quarter, and then you go back for the whole year of 2008, we only had \$200,000 in similar costs like that overall for the whole year. So it very much was something special that came along that we had to deal with and react, and in the plan, and we know we've got to get up and running for customers in the balance of the year, we don't have significant amounts of those similar costs.

Gary Dvorchak: I'm asking if those are being replaced by something else. You're kind of implying that operating costs are still going to be \$9.8 million or so for Q3.

Steve Taylor: If you look at the P&L, what I'm saying is that in our line we call software development and support cost, those expenses were \$8.1 million in the first quarter and \$9.6 million in the second quarter. I think we'll come in approximately right in the middle of those two numbers in the third quarter.

Gary Dvorchak: I got you. That's where the confusion was. I thought you were referring to the total operating expenses.

Steve Taylor: I think amortizations are going to stay roughly similar, and the G&A costs are going to be running at a rate of about \$2.2 million a quarter.

Gary Dvorchak: Exactly. Now that makes a lot more sense. On the pre-paid royalties: Is that a single customer, is that a normal level that you'll have going forward? I just wanted to understand that a little bit more.

Steve Taylor: No, Gary, for the most part, those are amounts that we paid for things up front. We just entered into a new longer term agreement with Marvel for their characters, so there was an amount that had to be paid up front for that. Earlier in the year we had paid an amount up front for our DC Comics, both in total, we've used up about \$3 million in cash. Our cash used has been just for these types of royalty payments and the two comic book companies that I mentioned. Those are longer term agreements, so it's not something that's going to happen every quarter. There may be some of it, if there is a good product that comes along in the marketplace, and it looks like we could take that and turn it into a slot machine and it'll knock the roof off the place, and we will consider investing in those fees going forward, but it's a recurring thing.

Gary Dvorchak: It's money well spent. And then the last question. You pointed out that the poker had fallen off a little bit more than you would had expected but

going forward should we even model any growth there? Is there going to be (inaudible) additional marketing efforts in GTECH. Is that just something we should figure is de minimis and not really worry about it anymore at this point?

Steve Taylor: You should forecast that as being modest growth going forward. We are working with GTEC alongside our licensees to grow and reinvigorate the poker room that we've moved into, so that we're bucking the trend in terms of poker not being a strong performer across the industry, but poker is a very high cost operation and unless you've got huge scale, it's not that profitable an enterprise so hence we're focusing on casino.

Gary Dvorchak: Okay, good. Thanks.

Operator: Thank you. The next question will be from Rae Ellingham from Hardman & Co. Please go ahead

Rae Ellingham: Congratulations on the return to profitability. Can I just clarify on the balance sheet what's on the restricted cash line? And expand on the impairment of the Asian investments?

Steve Taylor: Well I'm pleased to say that what's included on the restricted cash line on the balance sheet as of today is zero because we have that amount of money, we had \$5 million set aside at June as restricted cash, which was necessary under our licensing arrangements with the licensing and gaming authority of Malta. We have gone through and made some changes to the dollars on where we actually keep the player funds, that has satisfied the LGA that we're able to surrender that Letter of Guarantee that gave rise to those funds being restricted, so as of the end of the third quarter you will not see any restricted funds on CryptoLogic's balance sheet.

As far as our Asian investments go, there are very stringent rigorous accounting rules as to the way that you have to go about valuing each individual investment that you have in a portfolio. In 2007 and very early 2008, we made an investment in some early stage companies that were related to online gaming in Asia Pacific. With the current economic trends the way they are, early stage companies in many cases are struggling a lot more than some more fully developed companies, so when we went through our accounting process at the end of this particular quarter, it became apparent that we were going to have to book a provision against some. Having said that, we still are generating revenue out of Asia Pacific and some of our other investments there are doing fine.

Rae Ellingham: So should we be looking for any further impairments going forward do you think?

Steve Taylor: Given the economic circumstances and the business plans that we have at the moment I'm not anticipating any. Certainly, we are doing everything that needs to be done to protect CryptoLogic's money that's invested in all those investments.

Rae Ellingham: Okay. Thank you.

Jane Anscombe: I just wanted to pick up a little bit on the slow rollout of games by licensees, whether that was internal priorities, whether that was to do with the market and the tough trading in the casino market. Can you elaborate on that?

Brian Hadfield: I don't think there's one thing that governs it. In some cases it's the availability of testing because despite the fact the games have been qualified on GTS or Orbis, before a licensee will actually release them out to their players they do a significant amount of testing as well. So it mainly comes down to priorities internally, and the priorities could change for a variety of reasons. It could be the availability of testing, it could be another priority that comes into place, it could be a host of things, so there's nothing that is a single impediment, and I think the most important thing is that there are 13 of the 15 games available from Orbis, and there are 6 of the 10 available from GTS, so they should run out fairly quickly in the second half. I can certainly say, that from our perspective, there is nothing that we're doing that would impede anyone from going live.

Jane Anscombe: You've referred to currency effects in terms of the cost, has there been any currency effects on the revenue line?

Steve Taylor: Yes, but the impact is a lot lower. It's actually less than \$300,000 in the quarter.

Jane Anscombe: And finally, you've referred to analyst expectations and I know you're obviously not wanting to set or reset a guidance apart from saying that you're anticipating profitability, but what do you view as analyst expectations at the moment? Just to give us a rough idea.

Steve Taylor: Well our view is we have a couple US based firms that follow us and publish on us, so I think those are the guys that we're referring to.

Operator: Thank you, we have a follow up question from Brian Kinstlinger Sidoti & Company. Please go ahead

Brian Kinstlinger: I assume that you're going to keep reporting the branded games since now it's going to become meaningful and it's something we're all going to model separately. Will you be reporting the revenue from that every quarter?

Brian Hadfield: We most certainly will, Brian.

Brian Kinstlinger: I asked you for a branded game, I guessed at the \$38,000 number and you said it would be lower, but \$8 million over 110 games, that's \$73,000.

I know some games are high and some are low; take me through why it was lower, but at the end of the year you're going to have \$73,000, and that's before things really even get ramped up.

Brian Hadfield: What we said was \$8 million from new licensees, so out of that \$8 million, about \$6.5 that is coming from branded games, and the balance of it is from other new licensees business that we've brought on board.

Brian Kinstlinger: That's a good point, but it still puts you about \$38,000 for a game right? Well above.

Steve Taylor: We've been through the math comprehensively with the roll-out schedule. Basically, what we've done Brian is gone through, taking the roll out schedule that we refresh every week after discussions with licensees, we take the latest experience based on relative sizes of licensees and what we perceive as the size of their casino and we go through and do a rigorous costing out exercise based on them releasing something in a particular month, given the size of their casino. This is what is going to be the revenue generated from the overall branded game exercise, and it's basically coming out in a range of about \$6.5 million, and we don't have anybody in that calculation that's above ...at the top end would be \$35,000 a game. We've gone through and done a very rigorous exercise to come up with that \$6.5 million number.

Brian Kinstlinger: \$6.5 million divided by 110 gets you to a lot higher than \$30,000.

Steve Taylor: \$6.5 million divided by 12, and then by 100 and some odd games, gets you to a much lower number. \$500,000 a month.

Brian Kinstlinger: Why don't we take this offline? We'll talk about it.

Steve Taylor:

Yes, okay. Let's talk about that.

Brian Kinstlinger:

William Hill. I hate to ask this question but, you answered one of the other guys that in the past you have implied has produced (sp) for you, it's the most critical risk to the story of what's going to go away, and since we're in a public forum, why would you not feel comfortable talking about—the client has left you and may leave you on the casino side, why not give us a sense of what investors do as one of the biggest risks going away from the story.

Steve Taylor:

We've got contractual obligations not to make disclosures of revenue per licensee, and while I understand your comments and your concern about it being material, I think you also heard Brian say that we continue to have excellent relationships with William Hill. We don't have anything definitive to say, but I would say that those relationships may in fact continue to be good and develop over the balance of the year, and I think that's about all we're willing to say.

Brian Kinstlinger:

Can you tell us if they are your second biggest customer in casino, next to, Intercasino?

Steve Taylor:

In casino they are in our top three, although some of the other ones are gaining in terms of size, and we anticipate the run race by the latter half of the year that at least one other one will surpass them.

Brian Kinstlinger:

The last question I have is the question I get from most investors that want to buy your stock but get reluctant: Are insiders buying stock? I know it's more difficult to see on some of your filings in London, but give us a sense if anything happened this quarter and what your plans are because if my end plays out....the analysts laid it out in the fourth quarter, the stock is obviously going to go a lot higher, so I'm just curious why management wouldn't be buying stock as well.

Brian Hadfield:

Well the answer to that is that the board have all stated that their intention to buy stock. I certainly can't comment of the levels that people will do and I wouldn't do that generally, but I think you will see that board members, insiders, will buy stock.

Brian Kinstlinger:

Have the two of you?

Brian Hadfield:

I did not buy any stock in the last quarter, but I will be buying stock.

Brian Kinstlinger: And, Steve, I'm curious, because I love the story, why you guys aren't doing a little bit more. I mean it's the top question I get every time, so that's why I'm curious?

Brian Hadfield: Part of it is, without answering for Steve, is as you know Brian, we've had very limited windows based on the way that we report, but Steve can answer the question, and you should anticipate that you will see insiders buying stock.

The other thing that we've talked about before is it's difficult to comment on personal circumstances.

Brian Kinstlinger: I understand that too.

Steve Taylor: In terms of those on the board, I do own at the top end of what everybody owns in stock, and I continue to be of the view that I will invest in it.

Operator: Thank you, we have a follow up question from Rae Ellingham, from Hardman and Company. Please go ahead.

Rae Ellingham: I just wanted to follow up on that last question. What percentage of revenues and the casino revenues, the top three customers account for?

Steve Taylor: We've always said that our top four or five customers make up about between 80% and 90% and historically that number will change because with many of the new signings. That number is basically in transition at the moment so, while we're still dependant on relatively smaller numbers of customers, but the time we're exiting the back end of this year, our revenues will be far more evenly spread.

Operator: Thank you and there are no further questions registered at this time Mr Hadfield.

Brian Hadfield: Thank you, Joe.

Thank you again for joining us today, and I look forward to keeping you posted on CryptoLogic's progress as we implement our plan to deliver profitability in 2009 and long-term growth in the years to come. So thank you for attending.

Operator: Thank you. The conference call has concluded. You may disconnect your telephone lines at this time. We thank you very much for your participation.