

CryptoLogic Inc.
2001 3rd Quarter Conference Call
October 19, 2001

Operator: Good morning ladies and gentlemen. Welcome to the CryptoLogic third quarter 2001 results conference call. I would now like to turn the meeting over to Mr. Jean Noelting, President and CEO. Please go ahead Mr. Noelting.

Jean Noelting: Welcome to CryptoLogic's third quarter 2001 conference call. I am Jean Noelting, the President and CEO of CryptoLogic. Also in attendance are David Outhwaite, our COO, Harvey Solursh, our CFO, Nelson Lee, the Director of Finance and Nancy Chan-Palmateer, our Director of Communications.

While the world around us continues to be volatile, CryptoLogic remains focused and committed to strong revenue growth and profit as well as positive cash flow. We operate in a new economy market that is developing rapidly and we will take full advantage of these opportunities. By staying the course, we posted another excellent financial performance in the third quarter, added a major new licensee, made our first acquisition this year and advanced our regulatory efforts significantly. And there continues to be exciting prospects ahead. We are confident that our results will fully reflect enhanced shareholder value.

Following our presentation we will be delighted to accept your questions. Before I start, please remember, all figures are reported in US dollars.

CryptoLogic continues to deliver standout results in line with its financial targets, which few companies can claim. For the third quarter ended September 30th, 2001, our revenue rose 32% to \$10.7 million compared to \$8.1million in the same quarter last year.

Net income for the 2001 third quarter increased considerably by 69% to \$4.4 million compared to \$2.6 million last year. Net margins remain very healthy at 41%.

This translates into earnings per share of \$0.33 in the third quarter of 2001 compared to \$0.18 per share in the prior year period. On a fully diluted basis earnings per share were \$0.30 in the 2001 quarter versus \$0.17 last year. As previously reported a system intrusion did have a net impact of \$600,000 on the company's 2001 third quarter results. Otherwise CryptoLogic would have had a record third quarter with \$11.3 million in revenue and \$5 million in net income. Nevertheless the company's positive momentum saw it still deliver a strong quarter.

For the nine months ended September 30th, 2001, our revenue increased 31% to \$32.4 million versus \$24.7 million last year. Net income rose 26% to \$14.4 million compared to \$11.4 million in 2000. As a result, earnings per share were \$1.05 versus \$0.95 on a fully diluted basis for the 2001 nine month period compared to earnings per share of \$0.89 or \$0.75 on a fully diluted basis in 2000.

CryptoLogic's total cash position is \$59 million strong and the company made good use of that cash to buy back 45,000 shares in the third quarter. Management continues to view the company's shares as an attractive investment with considerable upside. As of yesterday, CryptoLogic had purchased roughly 225,000 shares or slightly under 35% of the 650,000 shares it is authorized to buy in its normal issuer bid expiring May 17th, 2002.

So in all the third quarter was another solid performing period. Organic growth continued to show strength and we are seeing evidence of the success of our business strategy.

CryptoLogic set off at the beginning of the year focused on Europe for immediate revenue generating opportunities. That focus paid off in spades with the signing of Littlewoods Leisure, one of the UK's best known gaming names.

We're delighted to add another top European brand to CryptoLogic's growing list of major land-based clients. More than \$1.6 million households bet with Littlewoods each week. A household name in Britain, Littlewoods runs the world's most popular football pool and is the UK's largest charity lottery.

Importantly, Littlewoods was among the first three online gaming licenses awarded in the Isle of Man, a strictly regulated jurisdiction. And they're in good company with other successful licenses granted to MGM, Mirage and Sun International.

Given our considerable efforts for Australia's certification, we will comply with the Isle of Man requirements in a shortest timeframe. As a result, Littlewoods' online casino is on track to be the first to go live this fall in the Isle of Man.

The third quarter also marked CryptoLogic's first acquisition this year, WinnerOnline, a leading gaming portal. CryptoLogic aims to do more for its licensees by providing the tool and expertise to help grow their online business and build a loyal user franchise.

Marketing is now the key driver in today's highly competitive environment that boasts more than 1,400 gaming sites. WinnerOnline's player-oriented content attracts more than 350,000 unique visitors each month. This gives licensees a fantastic marketing channel to a user audience predisposed to gaming to help drive greater player traffic and ultimate revenue. In addition, CryptoLogic's

expansion in new gaming verticals and new languages will help accelerate the development of WinnerOnline. Clearly we're aligned with their principals, Carey Chambers and Stephen Choi in creating the world's largest gaming portal. It is a pleasure to welcome them and the rest of their team to the CryptoLogic family.

The legislative landscape for Internet gaming continues to develop. Just like it took Las Vegas 20 years to become a highly regulated gaming locale for fun and exciting entertainment, Internet gaming is working through that same transition.

Closer to home, we continue to see opposing forces between federal efforts to ban Internet gaming in the United States versus promising State legislation in Nevada, New Jersey and California, favouring regulation.

To update you on the latest developments, an anti-terrorism bill was introduced in Congress a couple of weeks ago. The bill aimed to block the use of various payment forms such as checks and credit cards for online gaming as possible links to money laundering by terrorists.

This was the latest federal attempt to fast track anti-Internet gaming legislation by piggy backing on more important and sensitive measures; in this case the terrorism and money laundering bill, given the past failures to pass those bills on a standalone basis. This Wednesday Congress dropped Internet gaming provisions in order to act quickly on the fight against money laundering and stem financing to terrorists.

CryptoLogic has always advocated regulation as the best solution to protect against concerns such as money laundering. We feel strongly that the Internet offers a better way to track all transactions including the player's identity and his location, all measures that our company has had in place for some time, including bet and deposit limits, multi level credit approval and physical PIN verification. In fact, given the ubiquitous nature of the Internet, efforts to ban Internet gaming will only result in the industry going underground, a much more dangerous situation. Internet gaming is here to stay, regulation will make it safe and secure for players and provide additional revenues for government. This is what we have always advocated. This is only CryptoLogic's position. It is now embraced by some of the largest gaming operators in the world, some of whom have applied for licenses in leading, tier one jurisdiction. It is time that we work together as an industry with government to implement those regulations.

The immediate threat to ban online gaming in the US has passed. We believe there's little chance that any Internet gaming prohibition bill will move forward this year. Legislative efforts at the federal level in the US will persist and will remain an ongoing risk in our business. We expect there will be renewed prohibition initiatives next year. However, as we have seen in the past, chances for free standing measure are lower and support continues to weaken in each attempt. Again, regulation is a much preferred alternative.

Of important note is that major nations around the world are taking positive steps to strictly regulate online gaming. One of the most advanced is the UK where the British government recently opened major new markets, the Isle of Man and Alderney that have attracted top gaming names from around the world as mentioned earlier, MGM and Sun International.

CryptoLogic continues to lead the way in its regulatory efforts. As stricter regulation comes aboard, the company continues to raise its compliance standards to the highest levels available. This year, CryptoLogic adopted Tier 1 probity standards consistent with land-based gaming. Current licensees are being subject to this higher Tier 1 probity.

CryptoLogic expects to comply with the Australian model by year-end, along with it's partner Jupiter and is finalizing it's Isle of Man certification in a matter of weeks. As well, the company has submitted application in Alderney. As one of few companies to seek compliance in multi-jurisdictions, CryptoLogic offers a competitive advantage to brand name, land-based groups looking to launch their "brick and click" businesses in major regulated markets.

We look ahead to the fourth quarter and 2002 with optimism. We reaffirm our fourth quarter forecasts projecting revenue to be between \$10.8 - \$11.3 million in revenues and net income between \$5.4 - \$5.9 million, although net profits will likely come in the lower end of the range given higher investments of security, regulatory and the continuing erosions of our investment income due to lower interest rates. Nevertheless we're still on track with our guidance of 45% margins for 2001. This is outstanding.

For 2002, CryptoLogic will achieve revenue growth that we now project to be roughly 30%. Profit is expected to climb in the 20% range given the higher infrastructure costs and continuing lower interest rates. As always, you can count on management to be prudent and conservative in its stance. Certainly the potential of new games provides for upside. This is yet unproven but we're very excited about those possibilities.

You have seen important investments made in compliance, infrastructure and security over the past couple of years. This strengthens CryptoLogic's regulatory framework around the world and support for its growing list of larger, land-based customers which has paid back in strong revenue growth and excellent opportunities with major new gaming organizations in the US, Europe and Asia.

The regulated environment requires a segmented e-cash system for each licensee located in a licensed jurisdiction which must also be fully mirrored and redundant. As a result, there are increased costs associated with higher capital expenditure and resource requirements to establish extensive and dedicated systems for every new license. This is a significant undertaking, but critical to

support fully regulated sites with the strictest security and consumer safeguards and ensures CryptoLogic remains at the forefront of regulatory compliance. We know of very few companies in the world that can offer such a system and we will continue to invest to provide competitive advantage.

CryptoLogic expects to see ongoing investments in compliance as the gaming industry continues to adopt tougher regulations around the world. As well, the company intends to expand its global infrastructure including customer care operations in different geographies to deal with time zone and multi-language support and establish local presence closer to its licensees and their players. As you've seen, it is increasingly important to be globally diversified, to capitalize on opportunities in the best, regulated jurisdiction for Internet gaming.

CryptoLogic's business prospects continue to advance. The release of our new casino software Version 5, features exciting new graphics and avatars, new progressive games, a tournament feature to enhance the marketing opportunities for our games and global currency support. The product will be introduced in November following some adjustments from the results of a closed user test. We're excited about this product and we're very proud of the achievements of our new quality assurance.

As you're aware, Internet gaming is in its formative years. At home and abroad, legislatures are trying to apply antiquated laws in the current state of online gaming. As a high profile, substantial organization doing business in this developing environment, CryptoLogic has had to respond and contribute as governments try to clarify and establish rules of conduct.

Most recently, you have seen press articles indicating that the New Jersey attorney general filed a civil suit against eight online sports book that named CryptoLogic and its licensee, InterCasino. Neither CryptoLogic nor its licensee have yet to receive any legal documents although we did obtain a fax copy last night.

The complaint alleges InterCasino and CryptoLogic as its software provider have enabled online sports betting transactions through InterCasino's website which is deemed illegal in New Jersey. A point of clarification is needed here. InterCasino does not operate a sports book but runs an online casino. CryptoLogic's concern is that its licensee operates on line casino business legally and ethically as it relates to CryptoLogic's casino software services which InterCasino has clearly demonstrated. Of course, we take this seriously and will certainly cooperate fully with authorities to clarify this situation. It is clear that the suit has targeted sports betting activity in the US, this is not our business.

It is no secret that CryptoLogic has advocated regulation from the start which would help clarify legislative gray areas and also importantly, ensure safe, responsible gaming. We have done more than any company to adopt the

highest regulatory and probity standards to ensure that CryptoLogic and its licensees are in compliance with the legislation in the jurisdiction we do business. In fact, we welcome any inquiries by regulators and authorities in any jurisdiction to ensure that we build even stronger safeguards.

As the legislative environment continues to evolve, there will remain uncertainty and volatility, lots of noise, which as we've seen recently, has overshadowed our financial strength and regulatory leadership. We spend millions of dollars to get the best advice and make the strongest of investments in that field. That must be noticed. CryptoLogic remains staunch in its commitment to be at the forefront of compliance as this industry evolves and builds a significant, global business firmly grounded on strong revenue growth, high margins and cash flows.

We are confident that in time we will be rewarded for all our efforts and trust investors will continue to measure the company on clear facts and results. To date, those results have been 30% revenue growth over 40% net margins and strict compliance initiatives in Australia and Europe despite a challenging business environment. The prospect for industry growth remains superb and CryptoLogic will be a solid performer.

The outlook for the rest of 2001 and for 2002 holds considerable promise. CryptoLogic is confident that it will continue to meet its financial and business goals and will emerge as a clear leader in the exciting and maturing world of Internet gaming. Thank you.

At this time we're happy to open the floor to any questions.

Operator: Thank you. If you have a question, please press one. You will hear a tone once you have entered the queue. If you are using a speaker phone, please lift the handset and then press one and should you wish to cancel your question, please press the number sign. Please press one at this time if you have a question. And our first question comes from Scott Preston of Research Capital. Please go ahead.

Scott Preston: Good morning guys and congratulations on a great quarter.

Jean Noelting: Thanks Scott.

Scott Preston: Can you talk a little bit about your expansion overseas and how you want to go about doing that? I know you've mentioned acquisitions before but maybe if you can talk about what you're working on there as far as acquisitions, what kind of acquisitions you're looking at and what you think overseas will represent as a percentage of revenue next year?

Jean Noelting: The strategy for acquisition is grounded on the following guiding principals. The first is we are looking for the strength of the management team and that's because we have a small high performing team here but we do not have extra resources to parachute in a business. The second is we're looking for businesses that have turned the corner. We're not a venture capital firm and therefore we need to see that the model has been proven. The third is we look for strategic opportunities. We're looking to expand with physical presence in Europe as well as in Asia. The Asian market would likely be in Australia. That's where you have, as you know, the highest per capita gaming market in the world. There's a very strong industry to support gaming and we believe it would be a great base from which to operate Asia. Europe could take place in a number of different positions. As you know, we have a sales and marketing office in the UK. Certainly, having a presence in continental Europe would be very suitable. So geographic expansion is one criteria.

The second criteria would be the expansion of our gaming verticals. We've said that there are four that are attractive to us. There's bingo, poker, lottery and sports book and in the sports book I want to clarify that it is important that it's fully regulated. There are a number of great operators in Europe that would be a great match. The strategic fit is very important. The next is we want to make sure that the acquisition could add either customer or users to the franchise. We want to make sure that the software is robust, can be regulated, and the final criteria is that we can achieve and that it is accretive to our business. There's a number of acquisition targets that are being reviewed. We would certainly like to close one by the end of the year. We have a small one that we expect to close shortly. If it's not for the fourth quarter, it'll be for the first quarter of next year. Certainly revised valuations are providing opportunity. At the same time our criteria is to make sure that it has turned the corner on profit which is critical to us. In terms of the split of our business, US or North America versus the rest of the world, right now we're below 50%, 60% in North America. We certainly would like to achieve a split of fifty fifty next year.

Scott Preston: Okay great. If you can add a little bit of colour on the legislation and what you guys are doing on that front. Obviously North America is a very important market and also the land based casinos that operate from MGM and such. So any legislative prohibition in North America would definitely affect their business too. Can you talk a little bit about what you're doing and what you see some of the land base operators doing over the next year to try to change some of the negative legislation that's come out recently?

Jean Noelting: In a developing industry given some of the precedence in land based operations, I think you will have an environment over the next two or three years which will see some ups and downs. And clearly people who are investors in this industry in North America have to expect that it will be a turbulent market. If you look at investors in these kind of categories and

large ones such as, for example Warren Buffet, they will assess the risk and tell you that over the long term the risk is certainly worthwhile taking. It is absolutely clear in our mind and you don't have to take my word for it, you can go to the gaming commission in Nevada or some of the top operators or even some of the top regulators, in the industry, it will be a very significant business and the US will have a regulated environment in the next three to five years that will be vibrant.

We want to participate in advancing legislation. We think next year will be a crucial year and that it'll be finally the year where we will make progress. The key to catalyst will likely be the drafting of the legislation coming out of Nevada. I don't think it will happen before the second quarter of next year but at that time, for the first time, a piece of legislation addressing some of the concerns and statute at the federal level, the Wire Act, the Travel Act, the department of Justice concerns will be addressed. We fully support that. So next year we see as a turning point and financial benefit probably the year after in 2003.

Scott Preston: All right great. Thanks a lot guys and congratulations on a great quarter.

Jean Noelting: Thank you.

Operator: Thank you. Our next question comes from Murray Baker of Money Smarts. Please go ahead.

Murray Baker: Thanks. Again, congratulations on an excellent quarter.

Jean Noelting: Thank you.

Murray Baker: I just had one question with respect to the recent departure of the CTO. There's been some assertions that he left under a non probationary period and you'd stated that he was on a probationary period. Could you please clarify that and the circumstances regarding his departure?

Jean Noelting: Yes. There's no question that any new employee, especially in a senior position coming into an organization, there is a period of adjustment both from the company and the employee. The candidate, Mr. Ben-Ishai is a highly regarded individual whom I continue to view very highly. Certainly in the three months that he spent with us he had a positive impact on our business. At the end of the three months when we sat down, Mr. Ben-Ishai and myself decided it was going to come to an end. There is no formal provision for what would be termed a probation period but I think it's very reasonable for anyone that joins the firm to look at what happens in the initial period of time to see if the match is good. At this time we will miss him. I think that the company will continue to progress very well.

There's no question in my mind that our company has a very robust technological base and we will look at our structure developing over the next year. The key changes that we are currently performing a split between our operation and R&D operations. The split will likely be completed by Q1 of next year and once we have a more stable environment, I think it will be a more appropriate time to bring someone of that stature. We may have been a little bit ahead of the time at this time.

Murray Baker: And I wondered if you could also update us on, at one time you had talked of spinning off your e-cash operations into a separate entity and I wondered if you could update us on that.

Jean Noelting: As we have said publicly, the e-cash business is being transferred to the UK as a separate entity. The market, of course the business climate is not one that would be suitable for such a spin off or whatever separation we would contemplate. We have indicated in the past that while it was certainly a target of the company last year, certainly early on when the public sentiments were very favourable, we're no longer in the same environment. We would continue to invest in what we believe gives us a tremendous source of competitive advantage and can have tremendous value for someone who would see a broader role for this e-cash business. I don't think that we will do anything in the next six to nine months. I think that over the medium to long term we will be very well positioned should the opportunity take place. We don't see the business environment as suitable for this at this time.

Murray Baker: Okay and last question, could you update us on the expected new licensees that may be signed and the progress that's being made in that area?

Jean Noelting: Yes. We have said that we expect to sign 4 this year. We still believe that we will achieve that. The reality is that the announcement of new licensees is of a common agreement between us and a licensee. At this time we have announced Littlewoods. We have made one further expansion during the third quarter. We expect to have two more likely signed in Q4. There won't likely be any impact for this year. We would hope to have at least one further announcement to make and it would likely be in Europe. There's two very interesting opportunities that are developing in Asia and one that is in its inception in another part of the world, which would be very exciting. Those would likely be Q1 opportunities.

Murray Baker: Okay thank you.

Jean Noelting: My pleasure.

Operator: Thank you. And our next question comes from David Hartley of First Associates. Please go ahead.

David Hartley: All my questions have been answered. Great quarter.

Jean Noelting: Thank you.

David Hartley: Thank you.

Operator: Thank you. Our next question comes from Brandon Olsten of Sprott Securities. Please go ahead.

Brandon Olsten: Good morning guys. How are you doing?

Jean Noelting: Very well. How are you doing?

Brandon Olsten: Very good. Obviously you guys seem to be firing on all cylinders operationally. In terms of Version 5 coming out, what was the schedule? Is that on schedule, end of this month?

Jean Noelting: What happened in Version 5 is we had announced that we would launch it in October and that the software was fully tested in October. We did something that we had not done in the past and we went to a full user test. The user test has showed us that while my son may have a very, very powerful machine which supports it, it's very sophisticated graphics execution. The user base of our licensee is much broader and that the requirements of this new piece of software could create some challenges for some of them. And what we have done as a result is we have made it very smooth in the development in the installation procedure so that for those who may not have the horse power to upgrade to Version 5, there is a beefed up Version 4 with some of the new progressive games, with the tournament feature which would be available. This has created a delay of about four weeks. We're not concerned about that delay and believe it's the right way to go and if you recall when Version 4 was launched, the same problem was experienced and in fact a fair bit of our users stayed on a lower platform. So we now have a process which is more formalized to deal with that issue. I think we're the only organization that has this ability and I think it'll give us a competitive advantage.

Brandon Olsten: Okay and so in terms of processing power, what are the minimum system requirements then? Do you need 500 megahertz running at 250?

Jean Noelting: No. It's an interesting situation Brandon. If you have 300 megahertz, 64 meg, at least a 4, preferably an 8 megabyte video card, you can run it. The reality is the user base of our licensees, particularly as we move into Europe and Asia, a number of them would not have those and if you run the older version of operating systems, you also would not support some of the graphics execution. And so when we did the user test, we have found that we

needed to be broader in what we can offer. We are being broader and I feel very excited about those capabilities.

Brandon Olsten: So I'm on your mailing list. When can I expect to get a disk in my mail?

Jean Noelting: Oh I'm looking forward to having one in your hot little hands by the end of November.

Brandon Olsten: End of November, okay. And is bingo going to be available on that disk?

Jean Noelting: No, bingo will be done separately. It will be available by the end of calendar. We have to reallocate some of the resources from the bingo project to do that. We will still meet the end of the year for bingo and we have found in our research that in order to be successful, the bingo needs to be launched at least by one or two major licensees as a standalone product to generate the traffic.

If you look at the profile of users, of gamblers, on the left you would have the hard gamblers who are sort of the poker, horses, sports focus. On the right you would have the casual, mainstream players who would go into bingo slots and even lottery and casino table game actually falls in the middle. They're somewhat in between games of chance and games of skills. There's a now a question that people who bet on sports or play poker really believe that this is not at all a game of chance. When you play for example, blackjack that's a combination of both, certainly the skills in slots is much diminished.

When you go into bingo, what we have found is the way to make a very successful bingo product is to have a terrific graphics and experience where the game is not only the one game but it's actually a gaming session with multiple game and link jackpots and access to slots and scratch card games during that session. And as such the product that we're building is a much sturdier, bigger product. We think it will be a big breakthrough in the marketplace, but it needs to have it's own identity. For some of our licensees who don't want to spend all the money, they will offer an entrance to it from the casino but the big growth and payouts will be for those who establish as a separate venue because the user base is somewhat separate.

Brandon Olsten: Okay and looking at InterCasino and the issues that have been sort of plaguing them lately, what is, when you say 60% of your revenue from North America, is that all basically CCMH?

Jean Noelting: No. As you know, even William Hill operates two casinos that we have provided them. One is the dollar denomination and the

other one is a pound dollar denomination and I can tell you that the dollar one is doing very well thank you very much.

Brandon Olsten: Okay so CCMH's North American percentage seems to be the one that is slightly or somewhat, depending on who you talk to, at risk. What would, in terms of your total revenues, what percentage of that is CCMH US, ball park?

Jean Noelting: What percentage of total CCMH?

Brandon Olsten: Yeah, originates from the US?

Jean Noelting: I don't have this figure but certainly it's something we can get back to you very quickly on.

Brandon Olsten: Would it be less than 40, is there a ball park number like 40%, around 40 to 50?

Jean Noelting: No, North American revenue is under 60 for North America. It's fair to say that CCMH's percentage would be slightly higher than our average given the high appeal that William Hill would have in its own market and so would the casinos and, but the exact split I don't have with me. We'll get back to you on that.

Brandon Olsten: Okay, that'd be great. And, have you guys talked to CCMH since this thing broke yesterday?

Jean Noelting: We certainly have and it is certainly our intention to disassociate ourselves from any sports book activity. You have to remember that we provide the casino software but our licensee operates the website and as such, we will have discussions to stop this but it's something that needs to be agreed to but we will certainly fast track it.

Brandon Olsten: So does CCMH actually have a sports book or do they connect to WWTS or someone else?

Jean Noelting: David, what is the link?

David Outhwaite: All the link is on the web browser. They're allowed to hot key out to an alternate site.

Brandon Olsten: Oh okay, so who runs that alternate site then?

David Outhwaite: It's WWTS.

Brandon Olsten: Okay.

Jean Noelting: The issue that we have is the website that is run by our licensee is a site where they can gain revenue affiliates, advertising and as such historically our contracts did not really put provisions on those metrics. We were really much more concerned about the regulation of our game. This recent situation is one that's going to force us to even upgrade our standards and we are certainly very happy to do that.

Brandon Olsten: Now I'm curious and this is probably more directed at Dave, I haven't actually tried the sports betting because I was more concerned with your part of the operations which is the casino. Is it clear that when you hook on, when you connect to that link that you're moving to someone else's site or could it be to the user whereby the investigators in this document, would they not really know they were being connected to another site even though they were?

David Outhwaite: No, it clearly takes them to WWTS site. It's a different set of software. It doesn't let them through the casino system.

Brandon Olsten: Okay and how does this affect your probity checks? If things don't work out here is there potential for you to essentially retract the rights to the InterCasino brand name and have to move it to another operator or are you guys going through that process right now or is it still too early to go through that process?

David Outhwaite: Contractually we have the right to sever the contract based on probity if there's anything deemed illegal being done on the site. So we can withdraw from the contract. At this point in time we've discussed it with the licensee and they're taking appropriate action to correct it.

Brandon Olsten: And when you say you're going to deal with the issue and cooperate with the authorities, so are you guys going to be calling up the investigator that was named in this document today or this week?

Jean Noelting: I'm not sure if we're going to do it directly but certainly effective today we'll take some action likely with some advisor in New Jersey. It's always a good idea to have people who understand the situation better.

David Outhwaite: We in fact do have legal counsel in New Jersey which has been helping us on a regulatory side and we'll engage them in this matter. Also we will wait before we really move a lot until we get formal papers from them. All we've got so far is a fax copy which is not complete at this point and time.

Brandon Olsten: Right and Harvey, just a minor point here. The fully diluted shares outstanding, so that's basically your basic plus all of the options in the company?

Harvey Solursh: Yeah basically fully diluted is 15.8 but the weighted average is 14.7.

Brandon Olsten: Okay so that's 14.7, is that using the treasury stock method?

Harvey Solursh: Yes.

Brandon Olsten: All right. Thanks a lot guys and if you could get back to me on that percentage.

Jean Noelting: Absolutely.

Brandon Olsten: Great, thanks a lot.

Operator: Thank you. Your next question comes from Gary Dvorchak of Provident Investments. Please go ahead.

Gary Dvorchak: Hi guys.

Jean Noelting: Hi Gary.

Gary Dvorchak: Clarification on this New Jersey situation. Since you've actually seen the suit or whatever has come in the fax last night, how exactly are they trying to tie you into this. Are they claiming that you guys are the real operator of the casino? I mean how are they exactly trying to tie you in?

Jean Noelting: Gary, David will answer the technical part of it. I'm just going to make one comment for the record and that is that running a public company in Canada, spending all the money we do on the regulatory front, I am very disappointed that they wouldn't call us earlier to advise because there's certainly no interest in us to have this sports book association. That being said, David will take it on the technical side.

David Outhwaite: Specifically where we get mentioned in the documentation is around the InterCasino name which we publicly have advised everybody over the last couple of years that we do own the name and we license it to CCMH to use in the casino. So any reference to us is specifically tied to the website name and the name of the actual casino.

Gary Dvorchak: Okay and then the other thing I guess probably what's more worrisome is even though the probe is sports book related right now, it doesn't seem like it would be difficult for them to expand it to gaming in general.

I mean if they're sitting in New Jersey and they can open an account and you know, play black jack, then I suppose they could expand, you know, the probe in general. I mean, do you think that's a fair risk?

David Outhwaite: The risk is there Gary but within the software I think I've discussed this with you earlier, there is an ability for a licensee to block bets from any location. So it really comes back to the licensee if they feel a strong enough legislation in a geographic area they will block it within the software and therefore nobody from that geographic area will get through.

Gary Dvorchak: Yeah, okay.

Jean Noelting: The other thing that we would like to understand from the authorities is that there's a number of ventures who have targeted the US from Europe over the years. Certainly the average lottery is a very, very good example and it is clearly black and white in this particular situation and we would like to know how they view those in the context of what they're doing here.

Gary Dvorchak: Okay. A couple of financial questions on the revenue growth guidance for '02. Can you just kind of give us some sense of how much of the 30% you're putting out there is sort of organic growth with existing licensees or maybe new licensees and existing games and how much is acquisitions, new verticals, things like that. And then also on the expense half of it, since the expenses are going to be ramping more quickly, maybe go over some of the major R&D projects that you're going to be investing in so it's going to ramp up your expenses even faster.

Jean Noelting: There's two items. Let me start in reverse order. On the expenses we had realized that there's two segments where we have higher expenses for a period of time. One of them is regulatory efforts. While we had a very strong Caribbean base originally, it's very clear that we're moving to a number of different geographies; Asia, Isle of Man, Alderney and therefore there's a duplication of our system. In addition, with the requirements to have the system fully mirrored, that is a significant expense which certainly is higher than what we've had in the past.

The second element which is that we were really a casino development shop, software developer, we have now expanded in two other verticals and have staffed up to do that and as such, we will have at least a bingo and then a poker group which is a considerable expense until we ramp those revenues. In the spirit of being conservative, I think it would be imprudent for the company to reflect any revenues due to acquisition and so what you see is a conservative approach to new growth, to new games, the majority being organic.

Gary Dvorchak: Okay and then the final question just on revenue breakout or license, and not just North America but just for all the Inter Casino

group, kind of roughly where are they as a percentage of revenue and then William Hill in sort of round numbers just to get a sense. Cause Hill I guess is kind of the big guy that's ramping right now and just want to get a flavour of how well that's coming along.

Jean Noelting: Gary, we have reported the size of our largest group in aggregate. It was as you know eighty, Nancy, what was it?

Nancy Chan-Palmateer: It was 75% last year.

Jean Noelting: And the year prior?

Nancy Chan-Palmateer: It was 89% percent.

Jean Noelting: And I think this year we're looking certainly lower than 75 and so we're very happy with the development and the trend and certainly the addition of Littlewoods will bring it down. Our target would be to be in balance sort of a 50-50 and relatively quickly.

Gary Dvorchak: Would you say Hill is over 10% of revenue or over 20%?

Jean Noelting: We can't comment unfortunately Gary on that. From a governance standpoint we declare the larger one, the other ones by contract we're not allowed to comment.

Gary Dvorchak: Okay, no problem. Thanks a lot.

Jean Noelting: Thank you.

Operator: Thank you. Our next question comes from Brian Kinstlinger of Sidoti and Company. Please go ahead.

Brian Kinstlinger: Hello gentlemen. First of all congratulations on a fabulous quarter.

Jean Noelting: Thank you.

Brian Kinstlinger: I wanted to ask you in the past and today you also talked about exploring the sports book online business still. How is this going to affect that and, well that's the first question?

Jean Noelting: Your question is . . .

Brian Kinstlinger: I know you've looked to get into the sports book software business and I think you've mentioned before, will this lawsuit in any way slow down that process?

Jean Noelting: We believe, Brian, this is the largest segment in Internet gaming. It is very well regarded in many jurisdictions in Europe. There is still a lot of upside and while the US may be a second opportunity in terms of expansion of that vertical, there is a lot of opportunity for Europe and some for Asia. And as such, the fact, we remain very excited about that space. We want to be completely above board and will.

Brian Kinstlinger: Okay and I'm wondering what the legal community, and I'm aware that your software can block certain jurisdictions and that's a licensee option. If they don't block it, is there a legal opinion on how liable you become or are you liable at all, do you believe?

David Outhwaite: The right to choose how they do their business resides with the licensee. Our right as a supplier is to withdraw should they cross the probity line. And that includes doing anything illegal in any jurisdiction, we have the right to withdraw.

Brian Kinstlinger: Okay, I'm just wondering how many of your current licensees currently run a sports book and then is there any risk or are you talking with Littlewoods about possibly not blocking off or advising them to block off gambling in the US?

Jean Noelting: Listen, as you know Brian, some of our licensees are some of the most reputable, recognized, legitimate, regulated, completely above board, have been in operation for decades, are completely to be trustworthy operations in the world. We believe they have gone through an extensive probity check that is second to none anywhere in the world including in the US and we certainly believe that they are wonderful business partners.

Brian Kinstlinger: Okay.

Jean Noelting: And I'm sure you'll support me on that.

Brian Kinstlinger: No, I fully do but that wasn't really, what my question really is, I mean will they consider whether they will allow overall gambling, especially for casinos but for sports book betting in New Jersey. I mean are you now advising clients who do have sports book betting to not offer that in for example the state of New Jersey?

David Outhwaite: Yeah it's Dave here. Actually we have two licensees that do connect to sports book today, okay very clearly. So those individuals

have been spoken to. We've asked them to withdraw from that link off the site and we are awaiting their response on that.

Brian Kinstlinger: Thank you. Also on a whole new front, we talked about the bingo software. When do you plan on offering the poker software?

Jean Noelting: Poker, the game has progressed very well. The issue is collusion management. We are, we have a time table for launch in Q1 of next year.

Brian Kinstlinger: Okay and finally, with the possible Q1 opportunities in Asia, are there compliance processes there as well and have you begun any of those?

David Outhwaite: There are extreme compliance requirements there and no we have not begun those. In the compliance process and the Asian market, we have to have a licensee apply for a license in a jurisdiction prior to commencing.

Brian Kinstlinger: Okay, thank you. That's it, thank you.

Jean Noelting: Thank you.

Operator: Thank you and our next question comes from Peter Swan of Pacific Growth. Please go ahead.

Peter Swan: Yeah hi guys. Quarter looked good. Just a couple of brief questions for you here. First one, could you give me sort of a feel for how the geographic breakdown of business came out this quarter, were there any changes, do you see a little less US business, a little more European, etc.?

Jean Noelting: Yeah, there is a continuing trend towards more European business, that is correct. Do we have the figure Harvey?

Harvey Solursh: Yeah it's less than 60% is North America and then the rest of the world is 40%.

Peter Swan: Okay thanks and then secondly, as far as the progressive type product, do you guys have any information on like the percentage of business that that now represents and I'm sure that's been ramping up pretty nicely. My guess is you've got a better slot mix now but just sort of wanted to get a better feel for that and see if you guys could give us any detail on how much that's helped out the business cause my guess is that it has been a positive.

Jean Noelting: You're absolutely correct. It's been a wonderful addition to our product and it has attracted considerable traffic. I don't have the number on me for that split and we certainly will follow up to you and you're absolutely correct, it has been a wonderful addition.

Peter Swan: Okay, thanks guys.

Jean Noelting: All right.

Operator: Thank you and our next question comes from Kevin Lo of Lightyear Capital. Please go ahead.

Kevin Lo: Good morning guys and congratulations again on a great quarter. I was just wondering Jean if you can elude to the issue of the possibility that Nevada might not allow any licensees that currently have overseas licensees to be licensed in Nevada and how will that affect CryptoLogic?

Jean Noelting: Dave will answer this question cause it's certainly an important one for us. Dave.

David Outhwaite: Actually the way the legislation reads in Nevada that no supplier can supply to a licensee within Nevada who has other licensees that have ever taken US bets. Therefore it means that we have to change our business model if we want to participate in that arena. It would be something along the lines of selling our intellectual property to a third party who would then be a reseller in the US or something of that nature. But on a direct model and on our current business model we could not participate given the current rules that are in place. What it really does though for the top or for the potential clients there such as MGM, Park Place and so on is that it restricts them from doing business with the top three vendors of this software in the world because all of the top individuals in this marketplace obviously have licensees that take US bets. So it's something that is still under review. The regulatory body within Nevada has to review it with all things considered and we're hoping they'll make it a bit more business friendly.

Kevin Lo: Great, I guess that eludes to my second question is, can you talk about any state level lobbying that you've done within the US?

Nancy Chan-Palmateer: Well Kevin certainly we've done a lot of ongoing lobbying efforts at both the state and federal level. Certainly there's been efforts to try and ban and so we do have a Washington group down there on a regular basis. Recently you've seen some great success over the last little while given the terrorism efforts, etc. So that continues to be an ongoing effort. We're also working with the Internet gaming council which is the interest group that we're part of in trying to encourage regulators in Nevada and other states to move

towards a regulatory model and share with them our experience in that area as the best solution for all concerned.

Kevin Lo: Okay great. I guess the last question is, obviously there's a continual push towards Asia and Europe. Have you seen any issues that have given you red flags and in particular places like continental Europe where some gaming laws are still in the air, whether you see any pushback from there?

Jean Noelting: The environment in Europe is one where there will be a uniform position on gaming that will emerge as part of the EU direction. We view that as being very positive. The UK are likely going to be the lead in that thrust. It's not going to happen likely in the next six to nine months but over an eighteen month time frame I think it's quite likely. So it's part of an evolution and given this thrust, we view this as being very positive.

Kevin Lo: Excellent. Thanks a lot guys and congratulations once again.

Jean Noelting: Thank you and our next question comes from Rob Klein of Thomson Kernaghan. Please go ahead.

Rob Klein: Congratulations on your excellent quarter. Quite amazing to grow the revenues as you did considering you had the hacking episode and the World Trade episode that occurred.

Jean Noelting: Thank you.

Rob Klein: I have a few questions with regard to some of the issues. One was, you had bought back on average 225,000 shares over the past several months. What is your average cost per share?

Harvey Solursh: The average cost per share is about \$21.00, \$22.00.

Rob Klein: And also, what was your quarterly transaction of volume?

Jean Noelting: We said it's 43,000 for Q3. The balance will be recorded in Q4.

Rob Klein: No, no, no, the quarterly transaction.

Nancy Chan-Palmateer: Oh you're asking about the volume in bet, Rob?

Rob Klein: That's correct.

Nancy Chan-Palmateer: We processed about \$700,000 million dollars worth of transaction in the third quarter.

Rob Klein: \$700,000?

Nancy Chan-Palmateer: Yeah, so we're close to, as of the year to date, about \$2 billion transacted.

Rob Klein: Okay and will your lobbying efforts in the last little bit of October have any impact on your Q4 results?

Nancy Chan-Palmateer: No, it's an ongoing investment that we make every year and it is something that is already built into the budget.

Rob Klein: Okay and the final question is, according to the civil action by the state of New Jersey, they're looking at the revenues that you derived and the bets that you took from New Jersey residence with regards to . . .

Jean Noelting: Rob, we don't derive any revenue as you know.

Rob Klein: That's correct but the, InterCasino's net winnings that they've derived from New Jersey residence, is that, theoretically could have a significant impact if they're able to succeed in that endeavour?

Jean Noelting: David.

David Outhwaite: A couple of things. The actual revenues were done in the sports book, not in InterCasino, just to clarify the point and we know from the research that we've done with the licensee that that figure over a one year period is less than \$2,000.

Rob Klein: Okay, and I guess the final question, does your company, I know that you don't have a direct link, you don't have any direct links with WWTS but do you provide any e-cash services to WWTS?

Jean Noelting: No, we do not provide e-cash services.

David Outhwaite: The WWTS has their own e-cash service, their own e-cash system built into their software that they run. They do not rely on ours.

Rob Klein: Excellent, thank you so much.

Jean Noelting: Thank you.

Operator: Thank you. Our next question comes from Mathieu Roy of Louisbourg Investments. Please go ahead.

Mathieu Roy: Hello Jean. Congratulations on the quarter.

Jean Noelting: Thank you.

Mathieu Roy: Most of my questions have been touched but if you could just quantify a bit the top line growth. You mentioned 30% and most of it would be internal but is it pretty much all internal or could you just break it down a bit on what you would factor in as acquisition there?

Jean Noelting: Oh, there's nothing in acquisition.

Mathieu Roy: Oh I'm sorry, licensees, new licensees.

Jean Noelting: Okay, Harvey.

Harvey Solursh: Okay, in the forecast we're just taking a very conservative look and 25% would be organic and 5% would be the new licensee that we signed up would be Littlewoods.

Mathieu Roy: Okay great and maybe just a final little specification on the New Jersey suit. Is the suit aimed at InterCasino because they say that they've earned either advertising revenue or sharing revenue from linking to the so called illegal site? Is that what they're pinpointing or something else?

David Outhwaite: The way it reads at this point, the innuendo is that they actually conducted the sports betting and we're the sports betting site which is incorrect.

Mathieu Roy: Okay great. Perfect. Thanks.

Jean Noelting: Thank you.

Operator: Thank you. Our next question comes from Randall Abramson of Strategic Capital. Please go ahead.

Randall Abramson: Good morning gentlemen.

Jean Noelting: Good morning.

Randall Abramson: Two questions. First of all, can you give us a flavour for the regulatory due diligence being done by the jurisdictions of Australia and the Isle of Man.

David Outhwaite: Okay, I'm not quite sure I understand. Flavour in which way, the scope?

Randall Abramson: Exactly, the scope and the type of things that they're pouring over.

David Outhwaite: Okay, it's very deep regulatory. It goes through all of the source code right down to source code level. They go line by line through the code. They verify the output of the random number generators. They do the full security, both the internal security within the software as well as physical security surrounding any systems. The standards are just in excess of ISO 9000 if you're familiar with those standards.

It also requires that CryptoLogic as a supplier in the industry goes through complete police probity in any jurisdiction that we are applying to be a supplier in. We basically get approved as what's called a close associate to the actual licensee. So they go through all of our financial records are reviewed, our TSE listings, our NASDAQ listings, all of the directors and officers go through personal probity of all their financial transactions over a number of years. It's very comparable to what is done in Nevada today or in New Jersey today when somebody is applying for a gaming license as well. If you look at Isle of Man, Isle of Man is conducted in accordance with the United Kingdom gaming commission standards so it's quite extensive.

Alderney in fact has taken the Australian standards, adapted them to the UK market, added stronger money laundering terms which are standard in the UK marketplace and we go forward with those. To give you an idea, all databases are open to a regulator. At any time a regulator can view the database, view any transaction taking place at that time in the database. They can verify all users on the system. They can verify age, they can verify pay outs, they can see the users credit card numbers, bank account numbers, etc. That is a condition of all regulatory.

Randall Abramson: Okay excellent, thank you. And the second question I had was, with respect to enforcement, even if there was a jurisdiction that attempted to deem what you were doing or what your licensees were doing was illegal, for example, I think David, you had mentioned something to the affect that the licensees have the ability to shut off players playing from a specific jurisdiction. But if the CD ROM or the program here is resident on someone's laptop, how could they possibly do that? How do they know that this is a New Jersey player if this player has a resident on a laptop and could be transporting it anywhere in the world?

David Outhwaite: That's actually one of the issues that has come up in the Australian regulations recently. Now you have everything from PDA's to

laptops, etc. that people can use, how do you control who is actually using the device. The next step of legislation you'll see will be something like fingerprint adapters that go on your mouse for positive identification as well as, you know, if I look at the European base, they're much more stringent where you have to supply, password, pictures, etc. in order to get into the systems. So there is a very positive, personal identification and everything is PIN and password protected. So if an individual were to give their PIN and password out, there's always that chance. However, in order to receive any winnings from the system, in other words to get any money out of the system, they have to give a positive ID of themselves, they have to provide picture ID, preferably passport, drivers license, etc., before any moneys will be sent to them.

Randall Abramson: And is it possible that this is what the Australian regulations are going to adopt or what they have adopted?

David Outhwaite: They already have adopted that and we're seeing that also go through in the UK marketplace.

Randall Abramson: And would we expect North America to have the same sort of standards?

David Outhwaite: Absolutely. I've been at a couple of conferences in Nevada where they are discussing how do they do the security, how do you do player identification, agent identification and so on? There also are magnificent databases out there today. Things such as polling databases, drivers license databases and so on that are being used to do negative database checks whenever somebody tries to play who is underage as an example. So it's getting easier to pin people down to who they really are and where they actually live and the audit trail on the Internet system is far greater than anything you'll ever see on land-based.

Randall Abramson: And then I'm assuming that we're going to be ready for whatever comes in North America in that regard because obviously we have to meet those standards that are already there in Australia?

David Outhwaite: Absolutely, as well in the UK. We will be there as they form the regulations and understand the regulations prior to them being put in place in Nevada and New Jersey.

Randall Abramson: But are these identity checks part of CryptoLogic's software or does all of this reside with the licensee?

David Outhwaite: No, it all resides on the CryptoLogic side and the majority of it actually centers around, we would put the traps for lack of a better word to catch these types of events, on our e-cash system. So we would not even accept money into e-cash wallets without this type of verification in place.

Randall Abramson: Great, thank you very much.

Jean Noelting: Thank you.

Operator: Thank you and our next question comes from Richard Fetyko of Hoak. Please go ahead.

Richard Fetyko: Good morning. Congratulations on the quarter.

Jean Noelting: Thank you.

Richard Fetyko: Just a question on the New Jersey case. What state of federal law is the suit referencing? I understand that InterCasino doesn't even operate a sport betting site but I'm just wondering what state of federal law, you know, is the law suit even referencing?

David Outhwaite: In actual fact it is not a legal suit, it is a civil suit brought by the Attorney General. So it is really a way of cease and desist type of action in which they're looking for compliance and looking for moneys to be refunded to people that played on the site from New Jersey.

Richard Fetyko: I see.

David Outhwaite: So from a legal, they have not taken a legal standpoint as of yet. I think they would want to do a bit more due diligence before they look at going that route.

Richard Fetyko: Okay and Jean, the new vertical that you will enter, bingo, sports, whatever, you know, poker and so forth, would you expect that those will be targeted more at the European and Asian residents rather than the American?

Jean Noelting: There's no question that on bingo there's a tremendous opportunity not only in the UK but as well in South America. Poker as you know has a strong following in North America but we certainly are going to spend some efforts also to expand Keno. As we mentioned in our call a couple of weeks ago, there is a concerted effort of this company to get more towards Europe and Asia at this time.

Richard Fetyko: Okay good and considering all the expenses that you will have on compliance and new infrastructure and new verticals and so forth, would you say that for the next fiscal year we should be looking at net operating or net profit margin closer to 40% rather than 45%?

Jean Noelting: If you run the numbers on the 30% growth rate and a 20% profit growth you'd be in the 42½. The difficulty we have in making that projection is how quickly we can ramp up the new verticals. Because as you know we tend to expense those costs and as such as the game will ramp up when we get back into balance. So if you ask me, I think it's reasonable to say that we will be maybe a little lower than the 42½ early on, particularly in the first quarter because we're really going to be in the launch mode with two verticals. That's not cheap but you can expect us to be prudent and be still very, very positive. As we go towards the end of the year we'll be in very good shape. The benefit of Q1 of course will be that we have launched our Version 5 which should really give us a full impact on a full quarterly basis at that time. So if you look at it, conservatively we're not uncomfortable with the plus thirty percent up, plus twenty. It gives us an average of 42½. You can be sure we'll be strongly focused to do even better than that.

Richard Fetyko: Okay and Harvey, on tax rate, what would you expect for next year?

Harvey Solursh: We're projecting next year will be 8 to 9%

Richard Fetyko: Okay, thank you guys.

Jean Noelting: Thank you.

Operator: Thank you and our next question comes from Kent Holden of Gagnon Securities. Please go ahead.

Kent Holden: Good morning gentlemen, congratulations.

Jean Noelting: Thank you.

Kent Holden: New to this story so just two basic questions. You broke down revenue between North America and rest of world. About 60% was North America. Can you break that piece down between Canadian and US?

Jean Noelting: We don't have it here. We can take a look at it but just in order of magnitude, there seems to be a lot more US citizens than Canadian so I think it's fair to say that it would be similar to the proportion of the population. Internet penetration is roughly similar so that would be my guess.

Kent Holden: Okay and then secondly I don't understand, who's responsible for the gaming taxes?

David Outhwaite: The licensee is responsible for gaming taxes in the jurisdiction in which they're licensed.

Kent Holden: I see and is that based on where the player resides then?

David Outhwaite: No, the tax is collected and withheld at where the gaming transaction takes place which is where the server is resident in the jurisdiction.

Kent Holden: Okay but they would have a server resident then in Mississippi or New Jersey or in some gaming state?

David Outhwaite: No, basically any of our licensees today and I'll use William Hill as an example, they have a license for their servers which is located in Antigua today moving to Curacao shortly. They pay their taxes in that jurisdiction.

Kent Holden: So a New Jersey resident gambling on a football game while he's at home in New Jersey is not responsible?

Jean Noelting: We are not in the sports betting business.

Kent Holden: All right, thank you.

Operator: Thank you and our next question comes from Brandon Olsten of Sprott Securities. Please go ahead.

Brandon Olsten: Hi guys. Just a bit of a follow up here. You guys provided an answer to a question a few minutes ago that surprised me a bit. So David, you said that you talked to WWTS to get the actual, you know, total loss over the last twelve months from betters in New Jersey betting on sports and that number was like two thousand bucks?

David Outhwaite: No, what I said was we talked to the licensee and asked them how many people had gone through their site to get to WWTS. They gave us those figures and we asked them what they felt the revenue was.

Brandon Olsten: So what they felt the revenue from those people were or what the total amount that might have been lost from those people?

David Outhwaite: It should be lost from those people. That was the question that was asked of them.

Brandon Olsten: Okay, so \$2,000.

David Outhwaite: Right, over the period of a year.

Brandon Olsten: Over the last twelve months?

David Outhwaite: Correct.

Brandon Olsten: And according to the documents filed in New Jersey, what they're asking for is the last twelve months of losses from New Jersey residents that were bet on sports?

David Outhwaite: Actually the last six months they're asking for them to pay them back.

Brandon Olsten: I thought I saw something about the last twelve months but okay, the last six months.

David Outhwaite: Yeah, to pay it to, that is part of the suit is to pay those moneys back to New Jersey.

Brandon Olsten: Okay and if it's, so we're looking at like, from a monetary standpoint we're talking about less than a \$100,000 in any case?

Harvey Solursh: Let me be very clear. Number one, it has nothing to do with our money whatsoever.

Jean Noelting: It's no where in our revenue, it's no where in our cost, it has nothing to do with us.

Brandon Olsten: I understand that. I'm just thinking absolute worst, worst case kind of thing here.

Jean Noelting: Well right now we need to verify the numbers but at this time, what we have been told is that it's a very small amount and that they have disabled New Jersey.

Brandon Olsten: Okay. All right great, thanks a lot guys.

Operator: Thank you and the next question comes from David Tawaststjerna of Thomson Kernaghan. Please go ahead.

David Tawaststjerna: Good morning gentlemen. Was that figure on the cost of the purchases US or Canadian earlier that Rob Klein asked?

Jean Noelting: All the costs that are discussed is all US.

David Tawaststjerna: US. Can you comment on insider sales over the last three quarters?

Harvey Solursh: Oh excuse me, I should correct that. The purchase buyback, the \$21.00 to \$22.00 is Canadian.

David Tawaststjerna: Is Canadian dollars.

Harvey Solursh: Is Canadian.

Jean Noelting: Oh yes, sorry, that's an important one. We operate in what's loosely termed as Canadian peso's up here.

David Tawaststjerna: Can you comment on insider selling over the last three quarters please?

Jean Noelting: What is it? I'm asking Harvey.

Harvey Solursh: Insiders sold 500,000 shares.

Jean Noelting: Let me, just to clarify your question because that's an important one. The reason we talk those numbers in Canadian dollars with respect to buyback is because our normal issuer course is registered with the TSE and as you have probably seen in the US following the events of September 11th, there were different rules and provisions for buyback for US companies operating on some of the US exchange. We were not part of that. We did inquire we were still under the obligation of the Toronto stock exchange. That's where we do our buyback. We may reconsider but at this time, certainly until May the 17th which is when this normal issuer course comes to an end, that's where we have, these are the rules.

David Tawaststjerna: Thank you.

Jean Noelting: Thank you.

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

Brian Kinstlinger: Hi guys. Just one follow up question. I just wanted to ask you if you've been able to quantify the affect on traffic from WinnerOnline in this short period of time.

Jean Noelting: We have not, no.

Brian Kinstlinger: Okay.

Jean Noelting: It's been two weeks so it's relatively new.

Brian Kinstlinger: Very good, thanks.

Jean Noelting: We will take one more question.

Operator: Actually, there are no further questions registered.

Jean Noelting: Okay well this is excellent. In closing I would like to reiterate our commitment to a regulated model. I'd like also to say that as part of an industry that wants to participate in the development of regulation we certainly want to invite on discussion so that we can further this progress. You can count on this company to remain focused on the fundamentals of the business which are profit and cash flow and in an industry that continues to develop, we believe very strongly over the long term this in both North America and the rest of the world will be a wonderful regulated environment. There will be as we said some volatility in the short term. We will continue to manage prudently during these times. Thank you very much and we're looking forward to another discussion as we talk about our full year results in early 2002. Thank you.