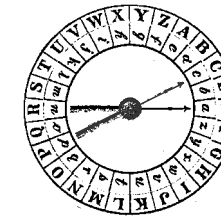


CONSOLIDATED INTERIM STATEMENT
OF CHANGES IN FINANCIAL POSITION
For the three months ended March 31, 1998 (unaudited)

	For the three months ended March 31, 1998	For the three months ended March 31, 1997
Cash used in operations		
Net earnings	\$ 5,523,241	\$ 1,156,215
Non-cash items:		
Loss on disposal of capital assets	-	2,848
Amortization	27,476	9,272
	<u>5,550,717</u>	<u>1,168,335</u>
Sources and uses of cash through working capital:	<u>(2,373,764)</u>	<u>(313,559)</u>
	<u>3,176,953</u>	<u>854,776</u>
Investment Activities:		
Additions to capital assets	<u>(46,993)</u>	<u>(40,630)</u>
Financing Activities:		
Capital stock, conversion of preference shares and warrants issued	556,300	781,400
Notes receivable	-	(32,000)
	<u>556,300</u>	<u>749,400</u>
Increase in Cash position	3,686,260	1,563,546
Cash and short-term investments, Beginning of period	<u>9,446,045</u>	<u>741,251</u>
Cash and short-term investments, End of period	<u>\$ 13,132,305</u>	<u>\$ 2,304,797</u>



CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

For the three months ended
March 31, 1998

www.cryptologic.com

TEL (416) 545-1455
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TO OUR SHAREHOLDERS

CryptoLogic Inc. is pleased to present the Company's unaudited financial statements for the three months ended March 31, 1998.

CryptoLogic has had another strong quarter with growth in both revenues and earnings. Revenues for the quarter ended March 31, 1998 were \$8.82 million. Revenues recorded in the same period last year were \$1.74 million, an increase of \$7.08 million or over 400%.

Net earnings for the third quarter totaled \$5.52 million. This compares with net earnings of \$1.16 million for the same period last year, an increase of \$4.36 million or over 375%. Basic earnings per share in this quarter were \$0.67, compared with \$0.20 in the same period last year. On a fully diluted basis, earnings per share were \$0.37 for the quarter, compared to \$0.08 for the same period in 1997. There are approximately 8.4 million common shares currently outstanding.

CryptoLogic's quarter over quarter growth continues, with revenues growing 33.4% this quarter over the last quarter of 1997.

During the first quarter of 1998, CryptoLogic's wholly owned subsidiary licensed three operators to use the Company's Electronic Commerce and Internet Gaming Software, under the trade names: **Cyberspades**, **Casino Australia**, and **Casino 8 Online** bringing the total number of licensed operators to ten.

The Company also released version 2.21 of its Internet Gaming Software during the quarter. This new version offers all licensees and users many advanced features including new games such as Pai Gow, Keno and Red-Dog. The Company is completing development of version 3.0 of its Internet gaming software and plans to release it shortly.

CryptoLogic has successfully completed a pilot project of its Electronic Commerce software version 2.0. The technology allows for the secure settlement of micro-transactions and will enable a wide range of services/content that are currently not available because of the cost and accessibility of other payment mechanisms. We anticipate commencing marketing activity of this product in 1998.

The Company's systems are currently being used globally by more than 200,000 registered users from more than 200 countries, with more than one billion dollars in electronic transactions processed by CryptoLogic's secure server technology.

CryptoLogic is a software development company with leading proprietary commerce enabling technology permitting secure, reliable, high-speed financial transactions over the Internet. The company is involved in software development and operations for Internet transaction processing. Its current focus is on Electronic Commerce and Internet Gaming software. CryptoLogic is a public Ontario Corporation listed on the Canadian Dealing Network, Symbol CRYP.

Andrew Rivkin
President & CEO

Mark Rivkin
Executive Vice President

CONSOLIDATED INTERIM
BALANCE SHEET
As at March 31, 1998 (unaudited)

	March 31, 1998	March 31, 1997
ASSETS		
CURRENT		
Cash and short-term investments	\$ 13,132,305	\$ 2,304,797
Accounts receivable	593,760	320,937
Reserves with credit card processors	5,253,175	-
Sundry receivables and prepaid expenses	130,255	161,741
	<u>19,109,495</u>	<u>2,787,475</u>
CAPITAL ASSETS	381,645	148,010
NOTES RECEIVABLE	32,000	52,000
	<u>\$ 19,523,140</u>	<u>\$ 2,987,485</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	\$ 707,388	\$ 92,222
Accrued payroll and source deductions	61,978	34,256
Provision for income taxes	448,473	106,155
Funds held on deposit	905,840	127,960
	<u>2,123,679</u>	<u>360,593</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	4,077,352	2,412,618
RETAINED EARNINGS	13,322,109	214,274
	<u>17,399,461</u>	<u>2,626,892</u>
	<u>\$ 19,523,140</u>	<u>\$ 2,987,485</u>

Toronto, Canada
April 27, 1998

CONSOLIDATED INTERIM STATEMENT
OF EARNINGS AND RETAINED EARNINGS
For the three months ended March 31, 1998 (unaudited)

	For the three months ended March 31, 1998	For the three months ended March 31, 1997
REVENUE		
Fees	\$ 8,670,513	\$ 1,727,359
Sundry	150,334	8,908
	<u>8,820,847</u>	<u>1,736,267</u>
EXPENSES		
Software development and support costs	2,417,311	335,817
General and administrative	451,652	121,436
Financial costs	169,504	7,372
Recovery of a write-down of a receivable	(83,649)	-
Amortization	27,476	9,272
	<u>2,982,294</u>	<u>473,897</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES	5,838,553	1,262,370
PROVISION FOR INCOME TAXES	315,312	106,155
NET EARNINGS	5,523,241	1,156,215
RETAINED EARNINGS/ (DEFICIT) - BEGINNING OF PERIOD	7,798,868	(941,941)
RETAINED EARNINGS - END OF PERIOD	<u>\$ 13,322,109</u>	<u>\$ 214,274</u>
EARNINGS PER COMMON SHARE	\$ 0.67	\$ 0.20
WEIGHTED AVERAGE NUMBER OF SHARES	8,194,274	5,881,378
FULLY DILUTED EARNINGS PER COMMON SHARE	\$ 0.37	\$ 0.08
WEIGHTED AVERAGE NUMBER OF SHARES FULLY DILUTED	15,183,563	14,488,532