

profitable growth @ INTERNET SPEED

CRYPTOLOGIC



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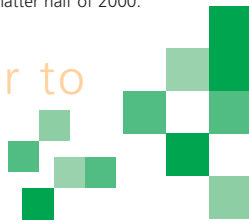
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2000

TO OUR SHAREHOLDERS:

During the second quarter of 2000, CryptoLogic Inc. continued to show strength and profitability within the global Internet arena. Our growth strategy is resulting in new relationships with recognized, brand name casino operators around the world. As well, ongoing investment in our corporate infrastructure and technologies will ensure that we provide the resources and innovation to support our licensees and enable increasing market share. CryptoLogic looks forward to strong performance in the latter half of 2000.

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letter to shareholders



FINANCIAL HIGHLIGHTS (all figures stated in US dollars)

Total revenue for the second quarter ended June 30, 2000 increased to \$9.1 million, up 15.2% from the second quarter of 1999. Net income was \$4.7 million, compared to \$4.9 million in the same period in 1999. On a fully diluted basis, earnings per share were \$0.31 for the second quarter of 2000, compared to \$0.32 in 1999.

For the six months ended June 30, 2000, the Company's revenue rose 11.7% to \$18.1 million compared to \$16.2 million in the prior year period. Net income for the six-month period was \$8.8 million versus \$10.3 million in the same 1999 period. As a result, earnings per share in the first half of 2000 were \$0.74 compared to \$1.21 in 1999. On a fully diluted basis, earnings per share were \$0.58 for the first half of 2000 compared to \$0.67 in 1999.

Consistent with CryptoLogic's growth strategy for 2000, the second quarter showed continued investment in development and infrastructure, which continues to be important to drive long-term revenue and earnings growth. As a result, net margins are expected to remain around the 50% level in the short term, and should increase further in 2001.

As at the end of the second quarter of 2000, CryptoLogic's cash position increased to \$40 million over the second quarter in 1999. Together with restricted cash of \$14 million, the Company's total cash position amounted to \$54 million.

In May, CryptoLogic's share buyback plan was renewed, which authorizes the Company to purchase up to about 561,000 common shares. During the second quarter, CryptoLogic purchased 182,500 common shares through the program, supporting management's view that the shares represent an attractive investment, given the Company's strong fundamentals.

GROWING INTERNATIONAL PENETRATION

CryptoLogic continues to see the benefits of our expanding international licensee base, which is driving higher international revenue. We expect to increase our international penetration given the launch of Thunderbird's Internet casino and the addition of new brand name licensees in South America and in Australia subsequent to the quarter. As well, we continue to pursue additional opportunities in foreign markets.

CryptoLogic's hallmark has been a profitable business model and success in signing brand name licensees from around the world. With this proven strategy, we will continue to thrive as the premier software provider to the world's leading gaming and brand name organizations in the fast growing Internet gaming industry. Thank you for your ongoing support.



Andrew Rivkin
President and CEO

July 26, 2000



Mark Rivkin
Executive Vice President & COO

CRYPTOLOGIC INC.
CONSOLIDATED STATEMENTS OF INCOME

For the three and six months ended June 30, 2000 and 1999

(Unaudited)

In thousands of U.S. dollars, except per share information	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2000	1999	2000	1999
Revenue	\$ 8,318	\$ 7,538	\$16,569	\$15,504
Interest income	802	382	1,477	672
	9,120	7,920	18,046	16,176
Expenses:				
Software development and support	3,147	2,151	6,748	4,157
General and administrative	674	298	1,326	510
Finance	39	18	64	36
Amortization	43	29	80	54
	3,903	2,496	8,218	4,757
Income before income taxes	5,217	5,424	9,828	11,419
Income taxes	565	449	1,025	973
Net income from continuing operations	4,652	4,975	8,803	10,446
Discontinued operations	—	(86)	—	(165)
Net income	\$ 4,652	\$ 4,889	\$ 8,803	\$10,281
Basic earnings per share				
from continuing operations	\$ 0.36	\$ 0.58	\$ 0.74	\$ 1.23
Basic earnings per share	\$ 0.36	\$ 0.57	\$ 0.74	\$ 1.21
Fully diluted earnings per share				
from continuing operations	\$ 0.31	\$ 0.32	\$ 0.58	\$ 0.67
Fully diluted earnings per share	\$ 0.31	\$ 0.32	\$ 0.58	\$ 0.67
<i>Basic weighted average common shares</i>	13,071,039	8,504,730	11,969,363	8,493,738
<i>Fully diluted weighted average common shares</i>	15,626,165	15,634,505	15,562,200	15,515,157

CRYPTOLOGIC INC.
CONSOLIDATED BALANCE SHEETS

As at June 30, 2000 and 1999

(Unaudited)

In thousands of U.S. dollars	June 30	
	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	\$39,767	\$31,087
Restricted cash	14,000	5,340
Reserves with credit card processors	1,233	544
Accounts receivable	165	327
Prepaid expenses and other	1,004	335
	56,169	37,633
Investments	1,080	400
Capital assets	684	637
	\$57,933	\$38,670
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,722	\$ 1,278
Accrued liabilities	459	295
Income taxes payable	505	830
Funds held on deposit	1,336	907
	4,022	3,310
Shareholders' equity		
Capital stock	6,301	3,200
Retained earnings	47,610	32,160
	53,911	35,360
	\$57,933	\$38,670

CRYPTOLOGIC INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three and six months ended June 30, 2000 and 1999

(Unaudited)

In thousands of U.S. dollars	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2000	1999	2000	1999
Retained earnings, beginning of period	\$ 46,326	27,562	\$ 42,175	22,170
Net income	4,652	4,889	8,803	10,281
Excess of repurchase price of common shares over stated value	(3,368)	(291)	(3,368)	(291)
Retained earnings, end of period	\$ 47,610	\$32,160	\$ 47,610	\$32,160

CRYPTOLOGIC INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2000 and 1999

(Unaudited)

In thousands of U.S. dollars	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2000	1999	2000	1999
Cash flows from operating activities:				
Income from continuing operations	\$ 4,652	\$ 4,975	\$ 8,803	\$10,446
Amortization adjustment				
to reconcile income to cash flows	43	29	80	54
Changes in operating assets and liabilities:				
Restricted cash	(3,500)	(450)	(8,960)	(950)
Reserves and deposits with				
credit card processors	(248)	397	(602)	1,458
Accounts receivable	307	61	133	47
Prepaid expenses and other	(454)	(58)	16	206
Accounts payable	(190)	19	159	21
Accrued liabilities	(349)	81	170	(23)
Income taxes payable	(681)	224	(272)	749
Funds held on deposit	151	54	244	139
	(269)	5,332	(229)	12,147
Cash flows used in discontinued operations	—	(46)	—	(87)
	(269)	5,286	(229)	12,060
Cash flows from financing activities:				
Issue of common shares	1,226	353	2,698	367
Repurchase of common stock	(3,430)	(300)	(3,430)	(300)
	(2,204)	53	(732)	67
Cash flows from investing activities:				
Additions to capital assets	(103)	(62)	(249)	(169)
Acquisition of assets of GamesMania	—	—	—	(271)
	(103)	(62)	(249)	(440)
Increase (decrease) in cash position	(2,576)	5,277	(1,210)	11,687
Cash and cash equivalents, beginning of period	42,343	25,810	40,977	19,400
Cash and cash equivalents, end of period	\$39,767	\$31,087	\$39,767	\$31,087

CORPORATE DIRECTORY

DIRECTORS & OFFICERS

Austin Page, *Chairman, Director*
Andrew Rivkin, *President & CEO, Director*
Mark Rivkin, *Executive Vice President
& COO, Director*
Harvey Solursh, *Chief Financial Officer*
Anatoly Plotkin, *Chief Technology Officer*
Jenny Solursh, *Senior Vice President*
David Cynamon, *Director*
Dennis Wing, *Director*
Robert Stikeman, *Secretary*

MANAGEMENT TEAM

Andrew Rivkin, *President & CEO*
Mark Rivkin, *Executive Vice President & COO*
Harvey Solursh, *Chief Financial Officer*
Anatoly Plotkin, *Chief Technology Officer*
Jenny Solursh, *Senior Vice President*
Robert Thompson, *Vice President of Marketing*
David Outhwaite, *Vice President of Compliance*
Nelson Lee, *Director, Finance*
Nancy Chan-Palmateer, *Director, Communications*
Christopher Smith, *Director, Licensee Services*

LEGAL COUNSEL

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Toronto, Canada

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Toronto, Canada

BANK

Bank of Montreal
Toronto, Canada

TRANSFER AGENTS

Equity Transfer Services Inc.
Toronto, Canada

Continental Stock Transfer & Trust Company
New York, USA

COMMON SHARES LISTED

TSE symbol: CRY
Nasdaq symbol: CRYP

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