

consolidated interim statement
of changes in financial position

For the six months ended June 30, 1997 (unaudited)

	For the six months ended June 30, 1997	For the three months ended June 30, 1997	For the three months ended March 31, 1997	From March 7, 1996 to June 30, 1996
CASH PROVIDED BY/ (USED IN) OPERATIONS				
Net income/(loss)	3,443,253	2,287,038	1,156,215	(246,379)
Non-cash items:				
Loss on disposal of capital assets	2,848	–	2,848	–
Amortization	20,214	10,942	9,272	6,081
	<u>3,466,315</u>	<u>2,297,980</u>	<u>1,168,335</u>	<u>(240,298)</u>
Sources and uses of cash through working capital	<u>(1,584,667)</u>	<u>(1,271,108)</u>	<u>(313,559)</u>	<u>(5,073)</u>
	<u>1,881,648</u>	<u>1,026,872</u>	<u>854,776</u>	<u>(245,371)</u>
INVESTING ACTIVITIES				
Purchase of capital assets	(79,271)	(38,641)	(40,630)	(63,313)
FINANCING ACTIVITIES				
Series "A" warrants exercised	624,000	–	624,000	–
Series "C" warrants issued	32,000	–	32,000	–
Note receivable	(32,000)	–	(32,000)	–
Compensation warrants exercised	300,000	225,000	75,000	–
Stock options exercised	316,700	266,300	50,400	–
Conversion of preference shares to common shares	42	–	42	–
Conversion of preference shares to common shares	(42)	–	(42)	–
	<u>1,240,700</u>	<u>491,300</u>	<u>749,400</u>	<u>–</u>
SOURCES AND USES OF CASH DURING PERIOD	<u>3,043,077</u>	<u>1,479,531</u>	<u>1,563,546</u>	<u>(308,684)</u>
CASH, BEGINNING OF PERIOD	<u>741,251</u>	<u>2,304,797</u>	<u>741,251</u>	<u>353,637</u>
CASH, END OF PERIOD	<u>3,784,328</u>	<u>3,784,328</u>	<u>2,304,797</u>	<u>44,953</u>

notes to the consolidated interim
financial statements

June 30, 1997 (unaudited)

1. CAPITAL STOCK

Authorized

Unlimited common shares

4,000,000 non-cumulative, redeemable, preference shares.

Redeemable at \$.10 per share, non-cumulative dividend of
5% of redemption amount

	June 30, 1997	March 31, 1997	June 30, 1996
Issued			
7,031,353 common shares (March 31, 1997; 6,048,753 common shares, June 30, 1996; 5,085,403 common shares)	\$ 2,735,215	\$ 2,243,915	\$ 599,829
1,122,880 preference shares (June 30, 1996; 1,181,430 preference shares)	116,703	116,703	122,789
200,000 Series "B" warrants	20,000	20,000	–
160,000 Series "C" warrants	32,000	32,000	–
	<u>\$ 2,903,918</u>	<u>\$ 2,412,618</u>	<u>\$ 722,618</u>

Class "A" Common Share Purchase Warrant

The company has issued one class "A" common share purchase warrant to the two founders of the company. The warrant entitles the holders to purchase common shares of the company at a price of \$0.50 per share until January 2, 2001. The warrant to purchase the common shares is contingent upon the company realizing cumulative after tax earnings in excess of \$5,000,000 within the five year period expiring January 2, 2001. The number of shares that may be purchased by the holders of the warrant will be equal to such number of common shares which will, in combination with the 1,200,000 common shares originally issued, constitute 50% of the issued and outstanding common shares of the company after the exercise.

Compensation Warrants

The company has issued 1,500,000 compensation warrants to sales agents for their services in obtaining financing for the company. Each compensation warrant entitles the holder to purchase one common share in the company at a price of \$0.50 per share. The warrants expire January 9, 1999. During the period 450,000 warrants were exercised. As at June 30, 1997, 900,000 compensation warrants remained outstanding.

Stock Option Plan

The company has adopted a stock option plan with 900,000 common shares reserved for this plan. The options are granted at the discretion of the board of directors. At March 31, 1997, 899,400 options were outstanding. During the period 532,600 options were exercised and 14,700 were granted. As at June 30, 1997, 381,500 options remain outstanding, as follows:

Number of Shares	Price Per Share	Expiry Date
235,300	\$0.50	March 4, 1999
10,000	\$3.05	January 6, 2001
121,500	\$7.00	February 11, 2001
14,700	\$8.25	May 26, 2002

2. COMPARATIVE INFORMATION

Certain balance sheet figures have been reclassified to conform with the current period's financial statement presentation.

CRYPTOLOGIC INC.

Consolidated Interim
Financial Statements

For the three and six months
ended June 30, 1997