

profitable growth @ INTERNET SPEED

CRYPTOLOGIC



Q3

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2000

TO OUR SHAREHOLDERS:

2000 continues to be a pivotal year for CryptoLogic Inc. CryptoLogic has focused on advancing the company to the next level with next generation technology, significant infrastructure investment and adding leading land-based licensees, which positions the company for increased revenue and earnings in 2001 and beyond. Consequently, fiscal 2000 is expected to record modest revenue growth and lower net margins. Third quarter performance was consistent with these expectations.

The third quarter of 2000 was impacted by the timing of the version 4.0 software release as well as aggressive investment to launch a rapid succession of major new licensees on and ahead of schedule.

With version 4.0 introduced later than expected, the revenue surge anticipated in the latter half of 2000 has now shifted largely into the first quarter of 2001. Management expects that the ongoing rollout of version 4.0 and the release of the remaining licensees will have the desired top line results.

CryptoLogic has focused on advancing the company to the next level with next generation technology, significant infrastructure investment and adding leading land-based licensees, which positions the company for increased revenue and earnings in 2001 and beyond.

letter to
shareholders



FINANCIAL HIGHLIGHTS (all figures stated in US dollars)

Total revenue for the third quarter ended September 30, 2000 increased to \$9.0 million, up 13% from \$8.0 million in the third quarter of 1999. Net income was \$2.6 million compared to \$4.8 million in the same period in 1999. On a fully diluted basis, earnings per share from continuing operations were \$0.19 for the third quarter of 2000 compared to \$0.32 in the same 1999 period. On net income, earnings per share on a fully diluted basis were \$0.17 for the third quarter of 2000 compared to \$0.31 in 1999.

In the third quarter of 2000 for accounting purposes, CryptoLogic began to record expenditures related to its wholly owned e-cash subsidiary as a discontinued operation. The company has decided to spin out this entity to enhance shareholder value. During the third quarter of 2000, \$317,000 was expensed.

For the nine months ended September 30, 2000, the company's revenue rose 12% to \$27.0 million compared to \$24.1 million in the prior year period. Net income for the nine-month period was \$11.4 million versus \$15.1 million in 1999. On a fully diluted basis, earnings per share from continuing operations were \$0.78 in the 2000 nine-month period compared to \$1.00 in 1999. On net income, earnings per share were \$0.75 for the nine months ended September 30, 2000 compared to \$0.98 in 1999.

Expenditures were higher than expected in the third quarter as a result of the addition and launch of major new licensees. CryptoLogic accelerated investment in development and support services to get new licensees up and running quickly as well as to enhance infrastructure capacity and the cost of continuing software certification in Australia. The company continues to maintain profitability and anticipates this to improve in the future as today's investments drive increased revenues.

As at the end of the third quarter of 2000, CryptoLogic continued to be well capitalized with approximately \$56.0 million in total cash including restricted cash.

CryptoLogic continues to view its shares as an exceptional investment at current prices. For the nine months ended September 30, 2000, the company has bought back 221,600 shares as part of its normal course issuer bid at an investment of about \$4.2 million.

In July 2000, CryptoLogic was added to the Toronto Stock Exchange 300 Index. The TSE 300 is a value-weighted index of the 300 largest public Canadian companies, and is regarded as the barometer of market activity in Canada.

EXTENDING INTERNATIONAL BRAND PRESENCE

During the third quarter of 2000, CryptoLogic signed and introduced three new brand name and land-based licensees – a record number in one quarter. Both Casino eBet (www.casinoebet.com) and Kiwi Casino (www.kivicasino.com) increased CryptoLogic's Australasian reach. The debut of Casino Sur (www.casinosur.com) marked the first Internet casino licensed and operated in Argentina. Argentina is the largest Spanish-speaking market on the continent and is currently the only regulated South American jurisdiction for Internet gaming. Offered in both English and Spanish, Casino Sur represents another multi-lingual Internet venture created by CryptoLogic.

CryptoLogic continues to be a fundamentally solid organization, with the highest revenue, profitability and cash position in the Internet gaming industry. Version 4.0 is now commercially live and being marketed by five brand name licensees. The remaining licensees will be released and marketing in the short term. By year end, CryptoLogic will have online the largest number of brand name Internet gaming licensees in the world with the brand power, top-notch technology and financial strength to gain major market share.

CryptoLogic will continue to capture major market share by adding brand name gaming organizations from around the world and maintain our leadership in the growing Internet gaming market. We are confident that our strategy is on track to drive profitable growth and enhance shareholder value. The outlook for 2001 is promising, with stronger growth rates expected for next year.



Andrew Rivkin
President and CEO
October 23, 2000



Mark Rivkin
Executive Vice President and COO

CRYPTOLOGIC INC.
CONSOLIDATED STATEMENTS OF INCOME
For the three and nine months ended September 30, 2000 and 1999
(Unaudited)

In thousands of U.S. dollars, except per share information	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2000	1999	2000	1999
Revenue	\$ 8,120	\$ 7,486	\$24,689	\$22,991
Interest income	882	470	2,359	1,142
	9,002	7,956	27,048	24,133
Expenses:				
Software development and support	4,666	2,309	11,295	6,439
General and administrative	780	346	2,105	834
Finance	64	40	127	76
Amortization	58	31	136	84
	5,568	2,726	13,663	7,433
Income before income taxes	3,434	5,230	13,385	16,700
Income taxes	513	314	1,538	1,287
Net income from continuing operations	2,921	4,916	11,847	15,413
Discontinued operations	317	120	439	336
Net income	\$ 2,604	\$ 4,796	\$11,408	\$15,077
Basic earnings per share				
from continuing operations	\$ 0.20	\$ 0.57	\$ 0.93	\$ 1.81
Basic earnings per share	\$ 0.18	\$ 0.56	\$ 0.89	\$ 1.77
Fully diluted earnings per share				
from continuing operations	\$ 0.19	\$ 0.32	\$ 0.78	\$ 1.00
Fully diluted earnings per share	\$ 0.17	\$ 0.31	\$ 0.75	\$ 0.98
<i>Basic weighted average common shares</i>	14,341,444	8,600,862	12,765,828	8,530,714
<i>Fully diluted weighted average common shares</i>	15,702,423	15,622,989	15,586,092	15,567,548

CRYPTOLOGIC INC.
CONSOLIDATED BALANCE SHEETS

As at September 30, 2000 and 1999

(Unaudited)

In thousands of U.S. dollars	September 30	
	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	\$41,887	\$36,327
Restricted cash	14,000	5,040
Reserves with credit card processors	1,264	527
Accounts receivable	437	157
Prepaid expenses and other	1,289	660
	58,877	42,711
Investments	1,080	400
Capital assets	837	697
	\$60,794	\$43,808
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,946	\$ 1,653
Accrued liabilities	812	352
Income taxes payable	567	420
Funds held on deposit	1,508	992
	4,833	3,417
Shareholders' equity		
Capital stock	6,463	3,526
Retained earnings	49,498	36,865
	55,961	40,391
	\$60,794	\$43,808

CRYPTOLOGIC INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three and nine months ended September 30, 2000 and 1999

(Unaudited)

In thousands of U.S. dollars	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2000	1999	2000	1999
Retained earnings, beginning of period	\$47,610	\$32,160	\$42,175	\$22,170
Net income	2,604	4,796	11,408	15,077
Excess of repurchase price of common shares over stated value	(716)	(91)	(4,085)	(382)
Retained earnings, end of period	\$49,498	\$36,865	\$49,498	\$36,865

CRYPTOLOGIC INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2000 and 1999

(Unaudited)

In thousands of U.S. dollars	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2000	1999	2000	1999
Cash flows from operating activities:				
Income from continuing operations	\$ 2,921	\$ 4,916	\$11,847	\$15,413
Amortization adjustment				
to reconcile income to cash flows	58	31	136	84
Changes in operating assets and liabilities:				
Restricted cash	-	300	(8,960)	(650)
Reserves and deposits with				
credit card processors	(31)	17	(633)	1,475
Accounts receivable	(272)	170	(139)	216
Prepaid expenses and other	(285)	(325)	(269)	(119)
Accounts payable	224	375	383	396
Accrued liabilities	353	57	523	34
Income taxes payable	62	(410)	(210)	339
Funds held on deposit	172	85	416	224
	3,202	5,216	3,094	17,412
Cash flows used in discontinued operations	(313)	(80)	(434)	(216)
	2,889	5,136	2,660	17,196
Cash flows from financing activities:				
Issue of common shares	175	329	2,873	696
Repurchase of common shares	(729)	(95)	(4,159)	(395)
	(554)	234	(1,286)	301
Cash flows from investing activities:				
Additions to capital assets	(215)	(130)	(464)	(299)
Acquisition of assets of GamesMania	-	-	-	(271)
	(215)	(130)	(464)	(570)
Increase in cash position	2,120	5,240	910	16,927
Cash and cash equivalents, beginning of period	39,767	31,087	40,977	19,400
Cash and cash equivalents, end of period	\$41,887	\$36,327	\$41,887	\$36,327

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*

David Outhwaite, *Vice President of Compliance*

Paul Gragtmans, *Vice President,
Business Development*

Nelson Lee, *Director, Finance*

Nancy Chan-Palmateer, *Director, Communications*

Christopher Smith, *Director, Licensee Services*

LEGAL COUNSEL

Stikeman, Graham & Keeley

Toronto, Canada

AUDITORS

KPMG LLP Chartered Accountants

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

INVESTOR RELATIONS

Tel: 416.545.1455

Fax: 416.545.1454

Email: investor.relations@cryptologic.com

CRYPTOLOGIC INC.

1867 Yonge Street, 7th Floor
Toronto, ON Canada M4S 1Y5
Tel: 416.545.1455
Fax: 416.545.1454

www.cryptologic.com