

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**OF**

**CRYPTOLOGIC INC.**

**NOTICE IS HEREBY GIVEN** that an Annual and Special Meeting of the Shareholders of CryptoLogic Inc. ("CryptoLogic" or the "Company") will be held at The Hockey Hall of Fame, 30 Yonge Street, BCE Place, Toronto, Ontario M5E 1X8 on the 28th day of May, 1998 at the hour of 4:30 P.M. for the following purposes:

1. to receive and consider the Financial Statements of the Company dated December 31, 1997;
2. to elect directors of the Company;
3. to appoint auditors of the Company and authorize the directors to fix their remuneration;
4. to amend the Company Stock Option Plan as outlined in the Management Information Circular;
5. to transact such other business as may properly come before the meeting or any adjournment thereof.

**DATED** at Toronto this 24 day of April, 1998.

By Order of the Board of Directors

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**ANDREW RIVKIN**  
President and Chief Executive Officer

If you are not able to be present at the meeting, please exercise your right to vote by signing and returning the enclosed form of proxy, in the enclosed postage-paid envelope, to: Equity Transfer Services Inc., 120 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 3V1, prior to the close of the last business day prior to the meeting, or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any adjournment of the meeting.

**INFORMATION CIRCULAR**  
**TO THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF**  
**CRYPTOLOGIC INC.**

**AND GENERAL PROXY INFORMATION**

**THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF CRYPTOLOGIC INC.** (“CryptoLogic” or the “Company”), of proxies to be used at the Annual and Special Shareholders Meeting of CryptoLogic Inc. to be held on May 28<sup>th</sup>, 1998, at The Hockey Hall of Fame, 30 Yonge Street, BCE Place, Toronto, Ontario 4:30 P.M. and at all adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders of CryptoLogic.

The solicitation of proxies for the CryptoLogic meeting will be made primarily by mail but proxies may also be solicited personally or by telephone on behalf of the Company. The solicitation of proxies by this circular is being made in respect of matters to be considered by shareholders of the Company by or on behalf of the management of the Company. The Company will bear the total cost in respect of the solicitation of proxies for the applicable meeting and will bear the legal, printing and other costs associated with the preparation of this management information circular. The information contained herein is given as at April 24, 1998 except where otherwise noted.

**Appointment and Revocation of Proxies**

Together with this circular, the shareholders of the Company will also be sent a form of proxy. The persons named in such proxy are representatives of management of the Company and are directors and officers of the Company. **A shareholder who wishes to appoint some other person to represent him at the meeting may do so by inserting such person's name in the blank space provided in the form of proxy. Such other person need not be a shareholder of the Company.**

To be valid, proxies given by shareholders of the Company must be deposited at the offices of Equity Transfer Services Inc., 120 Adelaide Street West, Suite 800, Toronto, Ontario, M5H 3V1 prior to the close of the last business day prior to the meeting, or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any adjournment of the meeting.

Pursuant to Section 110(4) of the *Ontario Business Corporations Act*, a shareholder who has given a proxy may revoke the proxy: (a) by completing and signing a proxy bearing a later date and depositing it as aforesaid; or (b) by depositing an instrument in writing executed by him or by his attorney authorized in writing (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the applicable meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the chairman of the applicable meeting prior to the commencement of such meeting on the day of such meeting or any adjournment thereof; or (c) in any other manner permitted by law.

**Voting of Proxies**

The management representative designated in the form of proxy being provided with this circular to shareholders of the Company respecting the meeting, will vote or withhold from voting the shares in respect of which he is appointed by proxy on any ballot that may be called for in accordance with the instructions of the shareholder as indicated on the proxy. In the absence of such instructions, such shares will be voted by the management representative in favour of the matters proposed in this circular.

The enclosed form of proxy confers discretionary authority upon the management representatives designated therein with respect to amendments to or variations of matters identified in the applicable notice of meeting and with respect to other matters which may properly come before the applicable meeting. At the date of this circular, the management of the Company knows of no such amendments, variations or other matters of the Company.

Proxies received by management will be voted at the meeting of the Company or any adjournment thereof specified therein by the person giving the Proxy. **TO THE EXTENT NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED FOR MANAGEMENT'S PROPOSALS AS STATED UNDER THE HEADINGS RELATING TO THESE MATTERS IN THIS INFORMATION CIRCULAR. ALL PROXIES SUBMITTED, REGARDLESS OF HOW VOTED, WILL BE INCLUDED FOR PURPOSES OF DETERMINING WHETHER A QUORUM IS PRESENT FOR THE MEETING.** Management's proposals have been approved by the Board of Directors. A quorum is required in order for the meeting to be properly constituted. One-quarter of the total outstanding shares of the Company must be present in person or represented by proxy at the meeting in order to form a quorum.

### **Voting Shares**

On the date of this Information Circular, the Company had 8,448,545 common shares outstanding and 1,033,855 preference shares outstanding. Each holder of a common share of the Company at the close of business on April 22, 1998, will be entitled to one vote for each common share held, as applicable, on all matters proposed to come before the applicable meeting, except to the extent such shareholder has transferred any such shares after the record date and the transferee of such shares establishes ownership thereof and makes a written demand, not later than 10 days before the date of the meeting to be included in the list of shareholders entitled to vote at the applicable meeting, in which case the transferee will be entitled to vote such shares.

### **Principal Shareholders**

To the knowledge of the directors and officers of the Company, no person beneficially owns or exercises control or direction over shares carrying more than 10% of the votes attached to the issued and outstanding common.

### **Description of Share Capital of the Company**

The authorized capital of the Company consists of an unlimited number of common shares and 4,000,000 Preference Shares. On the date of this Information Circular the issued capital consists of 8,448,545 common shares and 1,033,855 Non-Voting Preference Shares. There is a Class A Warrant and a Class C Warrant outstanding entitling the holders to acquire additional common shares.

Holders of common shares of the Company are entitled to dividends as and when declared by the board of directors, and are entitled to notice of and to one vote per common share at any meeting of the shareholders of the Company. Holders of Preference Shares of the Company are entitled to a non-cumulative preference dividend of 5% of the redemption amount, which redemption amount is \$0.10 per share.

## **OUTLINE OF MATTERS TO BE ACTED UPON**

### **AMENDMENT TO STOCK OPTION PLAN**

The Board of Directors and the Shareholders of CryptoLogic have adopted a stock option plan (the "Plan") in order to provide an incentive for key directors, officers and employees. The Plan provides that the Board of Directors of CryptoLogic may, from time to time in its discretion, grant to key directors, officers and employees of CryptoLogic or the registered retirement savings plan or holding companies of them, the option to purchase common shares. The board of directors will determine the price per common share and the number of common shares which may be allotted to each such person or plan and all other terms and conditions of the option, in accordance with the applicable policies of any relevant regulatory authority or stock exchange. These options will be exercisable for a period not exceeding five years from the date of grant. The shareholders have authorized the granting of up to 900,000 options by the directors. Currently there are 774,500 outstanding options which have been granted by the directors at the following exercise prices of: 30,000 at \$0.50 per share, 94,000 at \$7.00 per share, 13,800 at \$8.25 per share, 600,600 at \$8.00 per share, 33,100 at \$21.00 per share, 2,500 at \$19.00 per share and 500 at \$23.75 per share.

Management proposes to increase the number of options that may be outstanding from 900,000 to 1,000,000. Approval of the increase in the number of stock options that may be issued shall be by the holders of a simple majority of all common shares, other than the shareholder's that are directors and officers of the Company in the form attached as Schedule "A" hereto.

### ELECTION OF DIRECTORS

The following persons are proposed as directors of CryptoLogic:

Name & Municipality of Residence	Position with the Corporation Present & Principal Occupation	Date Appointed as a Director	Common Shares of the Corporation beneficially owned, directly or indirectly or controlled or directed as at April 22, 1998	Number of Options Held as of April 22, 1998
Andrew Rivkin <sup>(1) (5) (6)</sup> Toronto, Ontario	Director, President and Chief Executive Officer	Nov-30-95	287,500	100,000 <sup>(3)</sup>
Mark Rivkin <sup>(2) (5)</sup> Toronto, Ontario	Director , Executive Vice President and Chief Operating Officer	Nov-30-95	287,500	100,000 <sup>(3)</sup>
Austin Page <sup>(1) (4)</sup> North York <sup>(5)(6)</sup> Ontario	Director Banca Commerciale Italiana of Canada	Jun-16-97	2,000	100,000

Ronald Woods <sup>(1)(2)</sup> Toronto, Ontario <sup>(4)(6)</sup>	Director of Jascan Inc.	Jun-16-97	Nil	100,000
Edwin Cohen <sup>(6)</sup> North York Ontario	Director	Nov-30-95	138,000	100,000
George Tomko <sup>(2)(4)(5)</sup> North York Ontario	Chairman and Chief Executive Officer of Photonics Research Ontario	Jun-16-97	Nil	100,000

(1) Denotes member of Audit Committee.

(2) Denotes member of Compensation Committee

(3) Together they hold a Class A Warrant to purchase 5.8 million common shares at \$0.50 per share.

(4) Denotes member of Corporate Governance Committee.

(5) Denotes member of Electronic Commerce Committee.

(6) Denotes member of Investment Committee.

**ANDREW RIVKIN** is a co-founder and President of CryptoLogic Inc. and co-designed the software developed by Cryptologic. He is the President, CEO and Director of Cryptologic Inc. From November 1992 to August 1994 he was Vice-President of HFAM Inc., a real estate company that acquired government property for private ownership.

**MARK RIVKIN** is a co-founder of the Company and co-designed the software developed by the Company. He is the Executive Vice-President, Chief Operating Officer, and Director of Cryptologic Inc. While at university from 1993 to 1995 he developed Campus Notes university notes exchange program.

**AUSTIN PAGE** is currently the President of Management Performance Inc. located in Kingston, Ontario. In 1990 he was elected a director of Banca Commerciale Italiana of Canada where he chairs the audit committee, and from 1992 to 1996 Mr. Page was President and CEO of Aluma Systems Corp. From 1982-1992 Mr. Page was the Executive Vice-President and CFO of Tridel Corp., and from 1980-1982 he was the Vice-President of Corporate Development for V.S. Services Ltd.

**RONALD WOODS** From June 1996 to present Mr. Woods worked on investments and acquisitions with Jascan Inc. in Toronto, acting as their Vice-President and Director. He is currently the President of Rowood Corp. and is currently the Director of: ARC International Corp., Highridge Exploration Limited, Place Resources Corp., Upton Resources Inc., and Zoom Telephonics Inc. Previously from October 1987 through June 1996 he was Vice President of Investments of Conwest Exploration Company Ltd. From 1983-1987 Mr. Woods was the President of Merit Investment Corp.

**EDWIN COHEN** From 1995 to present Mr. Cohen is a principal of Telehop Communications Milton Inc., a private long distance and telephone service re-seller. Prior to 1995 he was manager of Edwin Allan Consultants Inc. Mr. Cohen is presently a Director of Hillsborough Resources Limited and Northampton Group Inc., both of which are public companies. In the past, Mr. Cohen was a Director of: Encor Inc., Sklar Manufacturing Limited and Consoltex Group Inc., all being public companies.

**GEORGE TOMKO** In 1987 Mr. Tomko founded Mytec Technologies Inc. He served as President and Chief Executive Officer until September 1996 and Chairman and Chief Scientific Officer until December

1997. Mytec went public on the Vancouver Stock Exchange in 1988 and on the Toronto Stock Exchange in 1994. Prior to founding Mytec, Mr. Tomko was a co-founder of Counterforce, Inc. Dr. Tomko is the Chairman and Chief Executive Officer of Photonics Research Ontario, an Ontario Centre of Excellence.

### APPOINTMENT OF AUDITOR

It is proposed that KPMG, Chartered Accountants, of Toronto be appointed as the Company's auditors and that their remuneration be fixed by the directors. The previous auditors, Solursh Feldman & Partners resigned as auditors of the Company and KPMG have agreed to act as the Company's auditors. No disagreements of accounting policy existed at the time of resignation. A copy of the notice sent to the Ontario Securities Commission under National Policy 31 is attached to this Information Circular.

### EXECUTIVE COMPENSATION

As at December 31, 1997, CryptoLogic Inc. had four executive officers. The aggregate cash compensation paid to the executive officers during the period January 1, 1997 to December 31, 1997 was \$245,453.53.

Non-management directors of CryptoLogic Inc. earned \$5,000.00 per annum and \$500 per board and committee meeting and stock options for serving on the board of directors. Non-management directors are entitled to a retirement allowance of \$3,000 per annum (or part thereof) served as a director.

The following table presented in accordance with the regulations of the Securities Act (Ontario) sets forth all compensation paid in respect of the Chief Executive Officer and those individuals who received compensation in excess of \$100,000 per year (Named Executive Officers). No executive earned in excess of \$100,000 in the year. The executive with the greatest compensation was Anatoly Plotkin, Vice President-Technology.

### SUMMARY COMPENSATION TABLE

Name & Principal Position	Year	Annual Compensation		Long-Term Compensation Awards Securities Under Options Granted
		Salary	Bonus	
Andrew Rivkin President and Chief Executive Officer	1997	\$73,497.82	Nil	100,000

The following table sets forth individual grants of options to purchase Common Shares during the financial year ended December 31, 1997 to the Named Executive Officers:

### OPTIONS GRANTED DURING THE MOST RECENTLY COMPLETED FINANCIAL PERIOD ENDED DECEMBER 31ST, 1997

	Securities	% of Total Options Granted		Market Value of Securities	

Name	Under Options Granted	to Employees in Financial Year	Exercise or Base Price	Underlying Options on the Date of Grant	Expiration Date
Andrew Rivkin	100,000	26%	\$8.00	\$8.00	July 9, 2002

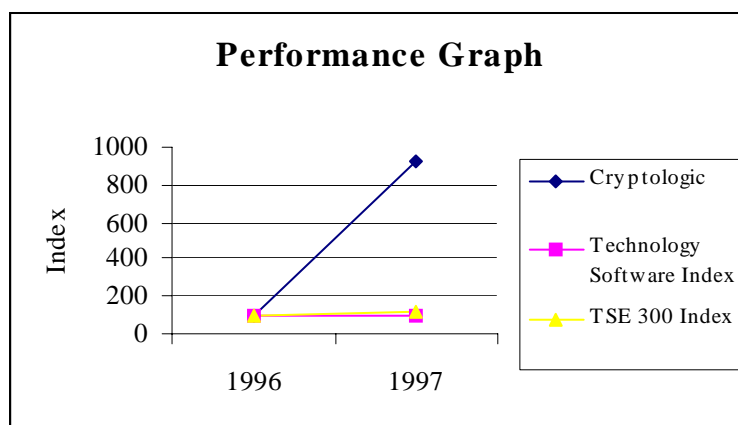
**AGGREGATE OPTION EXERCISES DURING THE MOST RECENT COMPLETED FISCAL YEAR AND FINANCIAL YEAR END OPTION VALUES**

Name	Securities Acquired on Exercise	Aggregate Values Realized	Unexercised Options at Year End	Value of in the Monies Options at Year End (1)
Andrew Rivkin	100,000	\$693,000	100,000	\$2,050,000

(1) Based on a December 31, 1997 closing price per share of \$28.50.

**Performance Graph**

The following graph compares the yearly percentage changes over the last two years, since the shares became publicly trading, in the cumulative total return of the Toronto Stock Exchange 300 Stock Index and the Tronto Stock Exchange Software Technology Index:



**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Toronto Stock Exchange has adopted the recommendations of the Toronto Stock Exchange Committee on Corporate Governance in Canada (the "TSE Committee") to require the annual disclosure by each listed corporation of its approach to corporate governance with reference to the proposed guidelines of the TSE Committee. These proposed guidelines are set out in section 474 of its Company Manual. Although the Company is not listed with the Toronto Stock Exchange the Company has chosen to abide by these guidelines.

## **Mandate of the Board of Directors**

The Board of Directors is responsible for the stewardship of the Corporation through consultation with the management of the Corporation. There is no specific mandate for the Board since the Board has plenary power. That is, any responsibility which is not delegated to senior management or to any Board committees remains with the Board. Generally the Board meets a minimum of four times each year. In addition, the Board meets more often when non-routine matters requiring its approval are raised. The Board met 11 times during calendar 1997.

## **Composition of the Board**

Four of the six directors are unrelated directors. An unrelated director is defined as one who is independent of management and is free from any interests or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholdings. A related director is one who is not an unrelated director.

Mr. Andrew Rivkin President is a related director, as is Mr. Mark Rivkin, Executive Vice President of the Corporation, by virtue of their holding management positions. While these two Directors may by definition be related directors, they, like all directors, continue to be legally obligated to act in good faith with a view to the best interests of the Corporation and its shareholders. The remainder of the Directors are unrelated in that they have not worked for the Corporation nor do they have material contracts with the Corporation.

The Corporation has a no "significant shareholders", which is defined by the guidelines as a shareholder with the ability to exercise a majority of votes for the election of directors.

## **Board Approvals and Structure**

The Board responds to and if it considers appropriate approves, with such revisions as it may require, corporate objectives and recommended courses of action which have been brought forward by management. The Board retains plenary power for those functions not specifically delegated by it to management. In addition to maintaining the powers it must retain by statute, significant business activities, actions and communications proposed to be taken or submitted by the Corporation are subject to Board approval.

Annual capital and operating budgets and significant changes, the annual Information Circular, annual financial statements, major changes in the organizational structure of the Corporation, major acquisition and disposition transactions, major financing transactions involving the issuance of shares, debt securities and the like, major banking relationships, dividends, appointment of officers, stock option plans, and the issuance of stock options are all subject to Board approval.

## **Board Committees - Size and Compensation**

There are five Board Committees, the Audit Committee, comprised of three members, two of whom are unrelated Directors, and the Compensation Committee comprised of three members, two of whom are

unrelated Directors, the Investment Committee comprised of four members, three of whom are unrelated Directors, the Governance Committee comprised of three members, all of whom are unrelated Directors and the E-Cash Committee comprised of 4 members, two of whom are unrelated Directors.

The Audit Committee has direct communications channels with internal personnel responsible for financial statement preparation and with the Corporation's external auditors. The Committee monitors audit functions and the preparation of financial statements and meets with outside auditors independent of management. Additional responsibilities include the review of any auditor's reports to management and review of internal controls and transactions between officers and the Company. The Audit Committee met 7 times between January and December 31, 1997. The Compensation Committee reviews the executive officers compensation and management's recommendations on stock option grants to employees.

The TSE guidelines suggest that Boards establish other committees, however, the Corporation has not done so nor does it currently intend to. The Corporation has no formal Nominating Committee since when new directors are being considered for addition to the Board, the entire Board generally retains the power of a nominating committee. The Board has not constituted a committee comprised exclusively of unrelated directors, to assess the effectiveness of the Board as a whole, the committees of the Board, and the contribution of individual directors.

The Corporation has a formal process of orientation and education for new members of the Board. When relevant, this process is supplemented informally by members of the Board.

The Board has not adopted a system which would enable an individual director to engage an outside advisor at the expense of the Corporation in appropriate circumstances. The Chairman of the Audit Committee has been authorized to retain advice in matters relating to the affairs of the Audit Committee. If such an engagement were appropriate it would be subject to the approval of the Board.

The Board has not yet developed position descriptions for the Board and the Chief Executive Officer. As the Board has plenary power, any responsibility which is not delegated to management or a Board committee remains with the Board.

Under the Minutes of Settlement from a previous court application brought by David K. Lowry, Andrew Rivkin and Mark Rivkin have agreed to vote their shares so that a majority of directors are not officers, or controlling shareholders of the Company and that the Chairs of the Board and the Audit Committee is a non-management director.

### **Shareholder Communications**

The Board has generally delegated the communications policy to the senior management of the Corporation. Shareholder communications are generally handled by the President or a Vice President.

### **Expectations of Senior Management**

The Board is involved in monitoring and assessing senior management through its regular contact with the senior management team, most of whom participate in presentations to the Board at its meetings.

## **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

None of the current directors or officers of CryptoLogic is or has been indebted to CryptoLogic at any time other than an employee officer who owes \$32,000 being the purchase price for 160,000 Series C Warrants being \$0.50 per warrant. The warrants have an exercise price of \$5.00 per share. The note is due 10 February 1999.

## **INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS**

Except as otherwise set out below, no insider of CryptoLogic has any interest in any material transactions involving CryptoLogic.

Stikeman, Graham & Keeley of which Mr. Stikeman, Secretary of CryptoLogic, is a partner, acts as general counsel to CryptoLogic.

## **AUDITORS, REGISTRARS AND TRANSFER AGENTS**

It is proposed that the auditors of CryptoLogic be KPMG, Chartered Accountants of Toronto.

Equity Transfer Services Inc. of Toronto is the Company's transfer agent and registrar.

## **LEGAL PROCEEDINGS**

There are no legal proceedings involving CryptoLogic or its property as at the date of this circular.

## **DIRECTORS' APPROVAL**

The contents and the sending of this Information Circular have been approved by the Directors of the Company and the Information Circular has been sent to the Company's directors, shareholders and auditors.

Toronto, Ontario  
April 24, 1998

**CRYPTOLOGIC INC.**

*Per:* \_\_\_\_\_  
*Andrew Rivkin*  
President and Chief Executive Officer

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**SCHEDULE "A"**

**CRYPTOLOGIC INC.**

**SHAREHOLDER'S RESOLUTION**

**BE IT RESOLVED THAT** the Company amend the stock option plan so that the number of stock options the Company may allot and reserve up to at any time not exceed 1,000,000 of the outstanding Common Shares for issuance pursuant to the Plan.