

CRYPTOLOGIC LTD  
Form 6-K  
December 01, 2009  
**FORM 6-K**

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16**

**of the Securities Exchange Act of 1934**

For the month of **November 2009**

Commission File Number                    **000-30224**

**CRYPTOLOGIC LIMITED**  
**Marine House, 3<sup>rd</sup> Floor**

**Clanwilliam Place**

**Dublin 2, Ireland**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F....x..... Form 40-F...o...

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.



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**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRYPTOLOGIC LIMITED

Stephen Taylor

Chief Financial Officer

Date: November 30, 2009

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
99.1	Q3 2009 Report
99.2	Management's Discussion & Analysis
99.3	Interim Financial Statements
99.4	Certification of Interim Filings Executed by Chief Executive Officer
99.5	Certification of Interim Filings Executed by Chief Financial Officer















**Dear Fellow Shareholders:**

On November 13, 2009, we were pleased to announce our results for the third quarter ending September 30, 2009 that showed growth in branded game revenue, but slower-than-expected rollout as well as sluggish wagering activity limit progress in our core casino business.

**Financial highlights:**

- Revenue of \$9.6 million (Q2 2009: \$10.1 million) in a typically slow season for Internet gaming
- Branded game revenue increased by 46% to \$0.78 million, up from \$0.53 million in Q2 and \$0.31 million in Q1 2009
- Hosted casino revenue decreased to \$7.1 million (Q2 2009: \$7.7 million) due primarily to two jackpot wins on Millionaires Club, one of the company's most popular games
- Poker revenue of \$0.5 million (Q2 2009: \$0.5 million)
- Net loss before minority interest of \$3.4 million (Q2 2009: \$6.3 million)
- Diluted loss per share of \$0.25 (Q2 2009 diluted loss per share: \$0.46)
- Net cash as at September 30, 2009: \$28.4 million (June 30, 2009: \$33.8 million)
- Dividend of \$0.01 per share for the quarter (Q2 2009: \$0.03 per share)

**Operating highlights:**

- 33 branded games on the market by new licensees in Q3, up from 13 in Q2 and three in Q1
- Total customer base now at 29 licensees after signing new multi-year deals in Q3 to provide branded slot games to leading operators such as **Totesport** and **Virgin Games**
- Signed a three-year agreement to license CryptoLogic's full Internet casino suite to **Betsafe**
- Expanded relationship with **888.com** to include five more games for launch later in 2009
- Release of new downloadable game lineup including a video slot version of **Street Fighter IV**, one of the most popular video games of 2009
- Continued momentum of signing up new licensees in Q4 through new deals with **Rank Interactive** and **Unibet**, with games now live on each site

**Q4 2009 outlook:**

- Continuing steady roll-out of branded games by licensees with 50 games on the market as of today
- More than 80 branded games expected to be live by year end, based on current launch plans by licensees
- The continued impact of the economic environment and the delays in rolling out branded games will result in a loss in the fourth quarter
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In light of recent performance and the current trading environment, the company is reviewing the carrying value of its assets, which is likely to result in a significant impairment charge in Q4

“Despite a disappointing third quarter, CryptoLogic’s business strategy is delivering tangible progress, albeit at a slower pace than anticipated,” said Brian Hadfield, CryptoLogic’s President and CEO. “With a lower cost base, the largest customer roster in CryptoLogic’s history and our third consecutive quarter of increased revenue from branded games, we remain focused on executing our plan — and returning to profitability and long term growth.”

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## Overview

While CryptoLogic continued to make progress in executing its business strategy, overall results in the quarter were affected by a number of factors. Uncertain macroeconomic conditions and sluggish wagering activity contributed to a significant decline in wagering volumes in both casino and poker compared with the previous year. While the third quarter is traditionally the slowest season for Internet gaming, the seasonal uptick in demand normally seen in September was well below historic trends.

The rollout of branded games by new licensees gained further momentum, but as most of the new games scheduled for the quarter were not launched by customers until late in the period, revenue from these will only start to come through in Q4 2009.

The company's most popular games in the quarter included, Cleo-Queen of Egypt, Cubis, Hulk Ultimate Revenge, Millionaires Club III and Spider-Man Revelations.

## New games, new customers

Notwithstanding the slower-than-expected rollout by some customers, CryptoLogic's "build-once-license-often" strategy delivered solid growth from branded games for the third consecutive quarter. Revenue from this segment increased to \$0.78 million, a 46% rise since the second quarter as the number of games on customer sites rose to 33, up from 13 in Q2 and three in Q1. Further launches by customers since the end of the quarter have increased the total number of games on the market to 50 today.

The company signed several prominent gaming and entertainment companies in the quarter including well known brands such as **Betsafe**, **Totesport** and **Virgin Games**. Following the Q4 signings and game launches for **Rank Interactive** and **Unibet**, CryptoLogic has expanded its customer base to 29 licensees, the most in the company's history.

## E-gaming innovation

CryptoLogic continued to add to its product portfolio with the launch of a new downloadable game lineup that features a video slot version of the world-famous **Street Fighter™ IV**. The new game pack also featured video slot games Savannah Sunrise, Cleo "Crazy Jackpots" Area 21 and updated versions of longtime favourites Caribbean Stud Poker, American Roulette and Video Poker.

## Financial performance

Total revenue: CryptoLogic's revenue was \$9.6 million for the third quarter, down \$0.5 million from Q2 2009 as wagering activity slowed in August, without a typical seasonal bounceback in September. Revenue was also reduced by \$0.56 million as a result of the number of jackpot wins in the quarter, which was above historic levels. This was reflected in casino revenue of \$7.1 million in Q3, down from \$7.7 million in the second quarter. Poker revenue was flat at \$0.5 million in the third quarter. Other revenue included a \$0.8 million benefit recorded due to a revised estimate for future royalty payments. As noted above, revenue from branded games continues to grow, up 46% to \$0.78 million in the third quarter from \$0.53 million in Q2.

Earnings and Earnings per Diluted Share: Due to the factors cited above, the company recorded a loss of \$3.4 million, or \$0.25 per share (based on a weighted average of 13,820,000 outstanding shares), for the quarter.

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Operating expenses were \$9.2 million for the quarter, down from \$9.9 million in the second quarter and \$16.5 million in the third quarter of 2008. This reflects the company's continued efforts to reduce costs across the business. General and administrative expenses were \$2.4 million, up from \$2.2 million in Q2 due largely to foreign exchange movements, and down from \$3.1 million in Q3 2008.

**Balance Sheet and Cash Flow:** CryptoLogic ended the quarter with \$28.4 million in net cash (comprising cash and cash equivalents, restricted cash and security deposits), or \$2.06 per diluted share (June 30, 2009: \$33.8 million or \$2.45 per diluted share). The decrease in net cash was due largely to the operating loss, jackpot wins of \$2.6 million paid out during the quarter. The company continues to be debt-free. CryptoLogic's working capital at September 30, 2009 was \$2.50 per share. (June 30, 2009: \$37.4 million or \$2.70 per diluted share).

### **Dividend**

CryptoLogic declared a dividend of \$0.01 per share for the quarter, down from \$0.03 in the first two quarters of 2009. The dividend will be paid on December 15, 2009 to shareholders of record of CryptoLogic Limited and CryptoLogic Exchange Corporation as at December 1, 2009.

### **Outlook**

The implementation of the company's branded games is in the hands of its licensees, and has been slower than expected. CryptoLogic continues to expect a steady rise in branded game revenue in the fourth quarter. 50 games are on the market today, and based on the latest information from customers, the company expects more than 80 games to be on the market by the end of the year.

Notwithstanding this progress, the continued impact of the economic environment and the delays in rolling out branded games will result in a loss in the fourth quarter. In light of the company's performance and the current trading and economic environment, CryptoLogic is undertaking a review of the carrying value of its assets in conjunction with the company's annual planning and budgeting process in the fourth quarter and this is likely to result in a significant impairment charge.

Respectfully,

Brian Hadfield

President and CEO

November 13, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

CryptoLogic Limited and our subsidiaries are referred to collectively as "CryptoLogic", "the Company", "we", "us", and "our" throughout this Management's Discussion and Analysis ("MD&A"), unless otherwise specified. The following MD&A should be read in conjunction with the unaudited consolidated interim financial statements of CryptoLogic, including the notes thereto, for the three and nine month periods ended September 30, 2009, and the audited consolidated financial statements and the MD&A of CryptoLogic Limited for the year ended December 31, 2008 as set out in CryptoLogic Limited's annual report. This MD&A is dated November 13, 2009. Additional information relating to CryptoLogic, including our Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) or EDGAR at [www.sec.gov](http://www.sec.gov). All currency amounts are in US dollars, unless otherwise indicated.

### *BUSINESS OVERVIEW*

CryptoLogic is a world-leading and long-standing publicly traded online gaming software developer and supplier servicing the global Internet gaming market. WagerLogic Limited ("WagerLogic"), a wholly-owned subsidiary of CryptoLogic, provides software licensing, e-cash management and customer support services for our Internet gaming software to an internationally-recognized client base ("licensees" or "customers") around the world who operate under government authority where their Internet businesses are licensed.

Pursuant to a business reorganization implemented by way of an Ontario Superior Court of Justice court approved plan of arrangement (the "Arrangement") and approved by the shareholders on May 24, 2007, CryptoLogic Limited acquired control over all of the issued and outstanding common shares of CryptoLogic Inc., an Ontario company, which through the Arrangement became an indirect subsidiary of CryptoLogic Limited. As part of the Arrangement, the Company issued either an equivalent amount of CryptoLogic Limited Common Shares or, in the case of taxable Canadian residents, exchangeable shares ("Exchangeable Shares") of CryptoLogic Exchange Corporation ("CEC"), an indirect subsidiary of the Company. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited Shares. These CEC shares participate equally in voting and dividends with the shareholders of the Company. No additional shares of CEC have been or will be issued. For more information, see the Management Information Circular dated April 23, 2007 available on [www.SEDAR.com](http://www.SEDAR.com).

For accounting purposes, the Arrangement has been accounted for using the continuity of interest method, which recognizes the Company as the successor entity to CryptoLogic Inc. Accordingly, financial information presented in the MD&A reflects the financial position, results of operations and cash flows as if the Company has always carried on the business formerly carried on by CryptoLogic Inc., with all assets and liabilities recorded at the carrying values of CryptoLogic Inc. The interest held by CEC shareholders has been presented as a minority interest in the consolidated financial statements, as required under GAAP.

### *OVERVIEW OF RESULTS*

Revenue for Q3 2009 was 9.6 million, a decrease of 31.7% when compared with the same period of the prior year (Q3 2008: \$14.0 million). When compared to Q3 2008, revenue in Q3 2009 was negatively impacted by a transition of licensees primarily due to the outsourcing of its hosted poker business to GTECH Corporation International Poker Network ("GTECH"), the departure of Littlewoods and other smaller licensees, weaker results from the Company's major licensees, general macro economic trends, increased contribution requirements for the Company's jackpot games and a strong U.S. dollar. In March 2009, the Company completed the outsourcing of its hosted poker business to GTECH, which gives CryptoLogic's poker licensees and players access to a larger network with a combined average of 15,000 active players – at significantly lower cost to CryptoLogic. As expected, poker revenue declined as many of poker licensees did not migrate to the GTECH and the fees that we earned were reduced by amounts paid to GTECH. However the increased liquidity of the GTECH poker room has had less of a positive impact than expected resulting in larger declines than expected. The U.S. dollar was significantly stronger when compared to the euro and British pound in Q3 2009 as compared with Q3 2008 negatively impacting revenue by approximately \$0.7 million.



Revenue for the nine months ended September 30, 2009 was \$29.9 million, a decrease of 40.5% when compared with the same period of the prior year. (YTD September 30, 2008: \$50.2 million). The items that have impacted revenue in the nine month period are of the same nature as those impacting revenue for the current quarter. The U.S. dollar was significantly stronger when compared to the euro and British pound in the nine month period ended September 30, 2009 as compared with the same period of the prior year negatively impacting revenue by approximately \$4.2 million. In the first nine months of 2008, the Company recorded a benefit to revenue of \$1.0 million associated with revised estimates for future royalty payments as well as the change in estimates discussed above.

Net loss in Q3 2009 was \$3.2 million or \$0.25 per diluted share (Q3 2008: \$5.9 million or \$0.45 per diluted share). The loss in the current quarter compared to Q2 2009 was due primarily to decreased revenue; increased reorganization costs associated with the Company's efforts to decrease costs and outsource non-core areas and decreased interest income. Partially offsetting these increases were decreased operating expenses as the impact of the Company's cost reduction plans started yielding results and a strong U.S. dollar. The U.S. dollar was significantly stronger when compared to the euro and British pound and Canadian dollar in Q3 2009 as compared with Q3 2008 positively impacting expenses by approximately \$1.0 million. The net loss for the nine months ended September 30, 2009 was \$10.7 million or \$0.81 per diluted share (YTD September 30, 2008: \$6.8 million or \$0.50 per diluted share). The loss for the nine months ended September 30, 2009 was primarily due to items impacting the current quarter as well as increased general and administrative expenses in the first quarter associated with increased legal fees and \$3.9 million impairment of long-term investments. In the first nine months of 2008 the loss for the period was impacted by a \$1.8 million charge associated with a change in senior management. The U.S. dollar was significantly stronger when compared to the euro and British pound and Canadian dollar in the nine month period ended September 30, 2009 as compared with same period in 2008 positively impacting expenses by approximately \$5.8 million. The decrease in net loss for Q3 2009 when compared to Q3 2008 is due primarily to a \$4.2 million loss on foreign exchange recorded in Q3 2008. The current quarter did not have a similar loss. The increase in the net loss for the nine months ended September 30, 2009 when compared to the same period of the prior year is due primarily to decreased revenues offset in part by decreased expenses.

At September 30, 2009, the Company ended the quarter with \$28.4 million of net cash, which is comprised of cash and cash equivalents, restricted cash and security deposits, or \$2.06 of net cash per diluted share (December 31, 2008: \$43.8 million or \$3.15 per diluted share). The decrease in net cash during the nine months ended September 30, 2009 of approximately \$15.3 million is due to the following items: cash impact of operating losses of approximately \$3.7 million, an increase in prepaid expenses of \$2.2 million largely due to \$2.0 million paid to secure the royalty rights of D.C. Comics including Superman and Batman and renewal of the Marvel royalty rights including Spiderman, the timing of receipts of accounts receivable of \$1.5 million and payments of our trade accounts payable of \$4.8 million tax payments of \$0.9 million, dividends of \$1.2 million, purchase of capital assets of \$0.5 million and the purchase of long term investments in Asia of \$0.5 million. The Company continues to be debt free. CryptoLogic's working capital at September 30, 2009 was \$34.6 million or \$2.50 per diluted share (December 31, 2008: \$41.2 million or \$2.97 per diluted share).

Fiscal Quarters	Fiscal 2009			Fiscal 2008			Fiscal 2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
In thousands of US dollars, except per share data)									
Revenue	\$ 9,591	\$ 10,140	\$ 10,134	11,360	14,049	16,800	19,317	20,350	17,503
Casino	7,098	7,721	6,384	7,458	10,138	10,800	13,426	13,959	11,431
Branded game	780	534	315	324	—	—	—	—	—
Poker	501	516	1,956	2,671	3,219	3,635	4,234	4,615	4,765
Interest income	87	122	171	16	443	824	794	1,514	1,322
Minority interest	(244)	(122)	(78)	(2,528)	396	96	162	763	208
Net (loss)/earnings and comprehensive income	(3,204)	(6,191)	(1,296)	(25,968)	(5,886)	(1,493)	609	4,273	2,392
(Loss)/earnings per share									
Basic	\$ (0.25)	\$ (0.46)	\$ (0.10)	\$ (2.05)	\$(0.45)	\$(0.10)	\$ 0.06	\$ 0.36	\$ 0.19

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Diluted	<b>\$ (0.25)</b>	\$ (0.46)	\$ (0.10)	\$ (2.05)	\$(0.45)	\$(0.10)	\$ 0.06	\$ 0.36	\$ 0.19
Weighted average number of shares (000's)									
Basic	<b>13,820</b>	13,820	13,820	13,820	13,866	13,934	13,932	13,927	13,917
Diluted	<b>13,820</b>	13,820	13,820	13,820	13,866	13,934	13,937	13,977	13,930

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## RESULTS OF OPERATIONS

### Revenue

Revenue for Q3 2009 was \$9.6 million, a decrease of 31.7% when compared with the same period of the prior year (Q3 2008: \$14.0 million). Revenue for the nine months ended 2009 was \$29.9 million, a decrease of 40% when compared with the same period of the prior year (YTD September 2008: \$50.2 million).

#### *Hosted Internet casino*

Hosted Internet casino revenue decreased 30.0% to \$7.1 million, for the quarter ended September 30, 2009 as compared to the same period in the prior year (Q3 2008: \$10.1 million). Hosted Internet casino revenue accounted for 74.0% of total revenue for Q3 2009 (Q3 2008: 72.2%). Revenue in Q3 2009 was negatively impacted by the departure of Littlewoods and other smaller licensees, decreased revenues due to the number of jackpot wins, weaker results from two of the Company's major licensees, general macro economic trends and a strong U.S. dollar. The U.S. dollar was significantly stronger when compared to the euro and British pound in Q3 2009 as compared with Q3 2008 negatively impacting Internet casino revenue by approximately \$0.6 million. Internet casino revenue was \$21.2 million for the nine months ended September 30, 2009, a decrease of 38.3% when compared with the same period of the prior year (YTD September 30, 2008: \$34.4 million). The U.S. dollar was significantly stronger when compared to the euro and British pound in the first nine months of 2009 as compared with the same period in 2008 negatively impacting Internet casino revenue by approximately \$3.5 million. The decrease in revenue for the first nine months of 2009 is primarily due to similar factors that have impacted the current quarter as well as a benefit recorded to revenue in 2008 of \$1.0 million associated with revised estimates for future royalty payments.

#### *Branded games*

Branded games revenue was \$0.8 million for the three months ended September 30, 2009 (Q3 2008: nil). Branded games revenue accounted for 8.1% of total revenue for Q3 2009 (Q3 2008: nil). At September 30, 2009, the Company had delivered 33 games, including 20 during the quarter. The games delivered in Q3 were generally delivered late in the quarter therefore, did not have a material positive impact on revenue in Q3. Future quarters will benefit from a full quarter's revenue on these games. Branded games revenue was \$1.6 million for the nine months ended September 30, 2009 (Q3 YTD 2008: nil). Branded games revenue accounted for 5.5% of total revenue for Q3 2009 (Q3 2008: nil).

Fees or licensing revenue from both our hosted Internet casino and our branded games businesses are calculated as a percentage of a licensee's level of activity in their online casino sites. Such revenue is affected by the number of active players on the licensee's site and their related gaming activity. In addition, this revenue is influenced by a number of factors such as the entertainment value of the games developed by CryptoLogic, the frequency and success of new game offerings and the effectiveness of the licensees' marketing programs.

#### *Internet poker*

In Q3 2009 Internet poker revenue declined 84.4% to \$0.5 million from \$3.2 million in the same period of the prior year. Internet Poker revenue represented 5.2% of total revenue for the third quarter of 2009 (Q3 2008: 21.6%). Internet poker revenue for the nine months ended September 30, 2009 was \$3.0 million, a decrease of 73.2%, as compared to the same period of the prior year (YTD September 30, 2008: \$11.1 million). The reduction in Internet poker revenue for the three and nine months ended September 30, 2009 is primarily due to the transition its poker network to GTECH reducing the number of poker licensees, the strength of the U.S. dollar and a decline in the overall poker industry. In March 2009, the Company completed its outsourcing of its hosted poker business to GTECH, which gives CryptoLogic's poker licensees and players access to a

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larger network at significantly lower cost to CryptoLogic. As expected, poker revenue declined as a number of the poker licensees did not migrate to GTECH and the fees that we earned were reduced by amounts paid to GTECH. However the increased liquidity of the GTECH poker room has had less of a positive impact than anticipated resulting in larger declines than expected. The U.S. dollar was significantly stronger when compared to the euro and British pound in both the three and nine months ended September 30, 2009, as compared with the same periods in the prior year negatively impacting poker revenue by approximately \$ 0.04 million and \$0.6 million, respectively.

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Historically, CryptoLogic, through its wholly-owned subsidiary WagerLogic offered a “virtual” poker room for its licensees. In Q1 2009, the Company completed the outsourcing of its hosted poker business to GTECH Corporation’s International Poker Network. The move gives CryptoLogic’s poker licensees and players access to a larger network with a combined average of 15,000 active players – at significantly lower cost to CryptoLogic. Fees from online poker are based on a percentage of the licensee’s “rake” per hand in regular or ring games (the “rake” is typically 5% of the pot, up to a maximum amount per hand), or fixed entry fees for entry into poker tournaments. Players prefer poker rooms with strong “liquidity”, which are rooms that offer a high availability of games at the desired stake levels, in the currency of choice, and on a 24/7 basis.

#### *Other revenue*

Other revenue includes fees for software customization, professional services, marketing support and certain commerce based transactions and other non-recurring revenue. Other revenue was \$1.2 million and \$4.1 million for the three and nine month periods ended September 30, 2009 (Q3 2008: \$0.7 million, YTD 2008: \$4.7 million). Other revenue accounted for 12.7% and 13.6% of total revenue for the three and nine month periods ended September 30, 2009, respectively. (Q3 2008: 4.9%, YTD 2008: 9.4%). The increase in other revenue for the three month period ended September 30, 2009 is due to a \$0.8 million benefit recorded due to a revised provision for future royalty payments. In Q2 2008 there was a \$1.2 million benefit recorded which was associated with a review of our e-cash operations, which resulted in a reduction in expected future payments. Other revenue was also impacted by decreased portals revenue, as well as decreased customization and professional services revenue which are non-recurring in nature. In the first nine months of 2009, other revenue benefitted from increased commerce based transaction fees of \$2.0 million on non players who use the Company’s ecash system.

#### *Geographical diversification*

CryptoLogic continues to execute its strategy ensuring it is well-diversified to mitigate local regulatory risks. No revenue is derived from U.S. based players.

#### *Revenue trends*

The global economic downturn is impacting the Company’s business. This is expected to be mitigated by new branded game roll-outs in the last quarter of 2009, and throughout 2010 and beyond. We also experience seasonality in our business. Historically the first and fourth quarters of the year have been the Company’s strongest. Players spend less time online during the warmer months. We expect this trend to continue, particularly for the more developed casino market.

While the global online gaming market continues to promise growth potential, competition is intensifying for players and market position. We believe that continued disciplined execution of our business strategy will contribute to growth in the future. It is expected that there will be modest growth in European poker markets during the next year.

#### *Operating Expense*

Operating expense comprises development and support expense, which includes all personnel and equity compensation costs for employee stock options and the long term incentive program; licensee support; e-cash system and support costs; customer service expense; and staffing for regulatory compliance.

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Operating expense for the three and nine month periods ended September 30, 2009 was \$9.2 million and \$27.3 million, or 96.0% of revenue and 91.4% of revenue, respectively. (Q3 2008: \$16.5 million or 117.5% of revenue, YTD 2008: 44.1 million or 87.9% of revenue). Operating expense decreased by \$7.3 million or 44.2% and \$16.8 million or 38.1% when compared to the corresponding periods of the prior year. The decreases in operating expense in for the three and nine month periods ended September 30, 2009 are due in large part to a \$4.2 million loss on foreign exchange recorded in Q3 2008. Operating expenses were also beneficially impacted by the Company's cost reduction program, reduced headcount related costs and a continued strong U.S. dollar. Furthermore, the reduction in revenue has had a corresponding decrease in the Company's contribution to marketing program related costs and cash processing fees paid on deposits and withdrawals. The Company's cost reduction program has reducing IT and headcount related costs associated with the outsourcing of the poker room to GTECH, as well as general restructuring of the business. A strong U.S. dollar

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is generally favorable on expenses which are primarily denominated in Canadian dollars, euro and British pounds. The U.S. dollar was significantly stronger when compared to the euro, British pound and Canadian dollar in both the three and nine month periods ended September 30, 2009 decreasing operating expense by approximately \$0.7 million and \$4.1 million, respectively. The decrease in operating costs for the nine months ended September 30, 2009 was due to the items impacting Q3 2008 as well as a \$1.8 million charge associated with a change in senior management. Partially offsetting these decreases is an increase in outsourced software development in Eastern Europe.

#### *General and Administrative Expense*

General and Administrative (“G&A”) expense includes overhead and administrative expense, travel expense and professional fees relating to our business development, infrastructure expense and the cost of public company listings. In Q3 2009, G&A expense was \$2.4 million and represented 24.8% of revenue (Q3 2008: \$3.1 million or 21.8% of revenue). G&A expense for the nine months ended September 30, 2009 was \$7.7 million or 25.8% of revenue (YTD September 30, 2008 \$9.9 million or 19.8% of revenue).

The decrease in G&A expense in both the three and nine month periods ended September 30, 2009 as compared with the same periods in the prior year is due to general reductions in costs associated with the Company’s restructuring program, decreased professional fees, reduced rent and occupancy costs as the Company has subleased excess space and a strong U.S. Dollar. The U.S. dollar was significantly stronger when compared to the euro and British pound in the three and nine months ended 2009 as compared with the same periods in 2008 decreasing operating expense by approximately \$0.2 million and \$1.0 million, respectively.

#### *Reorganization Charges*

In November 2008, the Company announced plans to merge its poker network with one of the world’s leading gaming technology and services companies. In addition to this change in poker, the Company has many other initiatives underway to lower costs in the business. Cash costs of \$1.4 million were recorded in Q4 2008 and \$0.9 million were recorded in the nine month period ended September 30, 2009. The charges in the three and nine months ended September 30, 2009, consisted of severance for terminated employees and professional fees.

#### *Amortization*

Amortization expense is based on the estimated useful life and includes the amortization of our investments in computer equipment, leasehold improvements, software licenses, acquired customer lists and internet brand names.

In Q3 2009, amortization expense was \$1.2 million and \$3.7 million for the three and nine month periods ended September 30, 2009. (Q3 2008: \$1.5 million, YTD 2008: \$4.4 million) Amortization accounted for 12.9% and 12.5% of revenue for the three and nine month periods ended September 30, 2009. (Q3 2008: 10.8% of revenue, YTD 2008: 8.8%) This decrease in Q3 2009 primarily reflects less amortization on infrastructure assets as they become fully depreciated and less amortization of purchased intangibles of Parbet.com, which were impaired in the fourth quarter of 2008. Partially offsetting this decrease was amortization on internally developed software projects which were put into use in Q4 2008.

#### *Interest Income*

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Interest income, which is composed of interest earned on cash and cash equivalents, was \$0.1 million and \$0.4 million in the three and nine month periods ended September 30, 2008, respectively. (Q3 2008: \$0.4 million and YTD 2008: \$2.1 million). The decline in interest income was primarily due to reduced cash and cash equivalents and reduced yields on U.S dollar investments due to interest rate reductions. Cash and cash equivalents declined from the same period in the prior year as a result of the reduced cash generated from operations and the acquisition of certain strategic investments completed during fiscal 2008.

### *Non Operating Income*

Non operating income for the nine month period ended September 30, 2008 comprises gains recorded on the sale of shares acquired and sold in an unsuccessful merger transaction during the first quarter of 2008 as well as certain foreign exchange gains recorded on cash deposits earmarked for additional share purchases. These gains are offset, in part, by related acquisition costs.

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*Income Taxes*

Income taxes were nil and a benefit of \$2.3 million was recorded in the three and nine months ended September 30, 2009 (Q3 2008: income tax benefit of \$0.4 million and YTD 2008 income tax benefit of \$0.4 million). Income taxes were effectively nil for the three months ended September 30, 2009 as taxes due in certain jurisdictions were offset by operating losses in other jurisdictions, which are recoverable. The tax benefit for the nine month period is primarily a result of recent amendments to Section 261 of the Income Tax Act in Canada that permit certain corporations resident in Canada to elect to determine their Canadian tax amounts in the corporation's "functional currency" as opposed to the general requirement that all amounts that are relevant to the computation of tax under the Canadian Income Tax Act be in Canadian dollars. This change resulted in a benefit to income tax of approximately \$1.4 million in the first quarter of 2009. The Company recorded an additional benefit of approximately \$0.3 million based on the actual tax return filed. The Company is subject to Canadian GAAP so taxes are based on the local rules and laws therefore not all of our subsidiaries are either resident in Canada and subsidiaries resident outside of Canada would record tax expense based the regulations in their local jurisdiction. Income tax also benefited from operating losses that are expected to be utilized in the future.

*Minority Interest*

As discussed in the Business Overview section, the Company completed a court approved plan of arrangement in 2007. As part of the Arrangement, Canadian residents received Exchangeable Shares of CEC, an indirect subsidiary of the Company. The shares owned by the CEC shareholders are considered a non-controlling interest of the Company and consequently a proportional amount of the Company's share capital is recorded separately as a liability on the Consolidated Balance Sheet. A similar proportional share of the profit and loss associated with subsidiaries directly or indirectly owned by the CEC is included in the consolidated statement of earnings as minority interest.

At the time of the re-organization, a total of 12.6 million and 1.3 million shares of CryptoLogic Limited and CEC were outstanding, respectively. Since then, a total of 279,729 shares of CEC have been exchanged, with the remaining 1,053,333 shares of CEC being reflected as minority interest as at September 30, 2009. Minority interest will continue until all CEC shares have been exchanged into CryptoLogic Limited shares or until June 1, 2014 when we will redeem all outstanding CEC shares in return for CryptoLogic Limited shares.

Net loss in Q3 2009 was \$3.2 million or \$0.25 per diluted share (Q3 2008: \$5.9 million or \$0.45 per diluted share). The loss in the current quarter was due primarily to decreased revenue; increased reorganization costs associated with the Company's efforts to decrease costs and outsource non-core areas and decreased interest income. Partially offsetting these increases were decreased operating and general and administration expenses as the impact of the Company's cost reduction plans started yielding results, a strong U.S. dollar and an income tax benefit recorded in the period. The U.S. dollar was significantly stronger when compared to the euro and British pound and Canadian dollar in Q3 2009 as compared with Q3 2008 positively impacting expenses by approximately \$1.0 million. The net loss for the nine months ended September 30, 2009 was \$10.7 million or \$0.81 per diluted share (YTD September 30, 2008: \$6.8 million or \$0.50 per diluted share). The loss for the nine months ended September 30, 2009 was primarily due to items impacting the current quarter as well as increased general and administrative expenses in the first quarter associated with increased legal fees and \$3.9 million impairment of long-term investments. The increased loss for the first nine months of the year was partially offset by a \$1.8 million charge associated with a change in senior management recorded in Q1 2008. The U.S. dollar was significantly stronger when compared to the euro and British pound and Canadian dollar in the nine month period ended September 30, 2009 as compared with same period in 2008 positively impacting expenses by approximately \$5.8 million. The decrease in net loss for Q3 2009 when compared to Q3 2008 is due primarily to a \$4.2 million loss on foreign exchange recorded in Q3 2008. The current quarter did not have a similar loss.

**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2009, the Company ended the quarter with \$28.4 million of net cash, which is comprised of cash and cash equivalents, restricted cash and security deposits, or \$2.06 of net cash per diluted share (December 31, 2008: \$43.8 million or \$3.15 per diluted share). The

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decrease in net cash during the nine months ended September 30, 2009 of approximately \$15.3 million is due to the following items: cash impact of

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operating losses of approximately \$3.7 million, an increase in prepaid expenses of \$2.2 million largely due to \$2.0 million paid to secure the royalty rights of D.C. Comics including Superman and Batman and renewal of the Marvel royalty rights including Spiderman, the timing of receipts of accounts receivable of \$1.5 million and payments of our trade accounts payable of \$4.8 million tax payments of \$0.9 million, dividends of \$1.2 million, purchase of capital assets of \$0.5 million and the purchase of long term investments in Asia of \$0.5 million. The Company continues to be debt free.

CryptoLogic's working capital at September 30, 2009 was \$34.6 million or \$2.50 per diluted share (December 31, 2008: \$41.2 million or \$2.97 per diluted share). The decrease in working capital during the nine months ended September 30, 2009 is primarily due to operating losses, dividends, purchases of capital assets and purchase of long term investments in Asia.

Cash flow used in operating activities was \$4.8 million and \$13.1 million for the three and nine month periods ended September 30, 2009, respectively (Q3 2008: \$10.0 million, YTD 2008: \$14.6 million). The use of cash in operating activities for the three months ended September 30, 2009 is due to operating losses, \$2.6 million paid in jackpot wins during the quarter, and the timing of accounts receivable. The use of cash in operating activities for the nine month period ended September 30, 2009 is due to the same issues impacting the current quarter as well as \$4.1 million paid to secure various royalty rights such as D.C. Comics including Superman and Batman and renewal of the Marvel royalty rights including Spiderman, payments of accounts payable and income taxes.

Cash flow used in financing activities was \$0.4 million and \$1.2 million for the three and nine month period ended September 30, 2009, respectively (three and nine month periods ended September 30, 2008: \$2.3 million and \$6.2 million respectively). The use of cash in financing activities is for the payment of dividends. The decrease when compared to the same periods in the prior year is primarily due to the repurchase of common shares under the Normal Course Issuer Bid completed in 2008.

Cash flow provided by investing activities was \$4.8 million and \$6.2 million for the three months and nine months ended September 30, 2009. (Q3 2008: Cash flow used in investing activities of \$6.4 million and YTD Q3 2009: cash flows provided by investing activities of \$5.0 million). The cash flow provided by investing activities in the three months ended September 30, 2009 was due to an elimination of the \$5.0 million deposit previously required to be maintained to support a letter of credit to the Lottery Gaming Authority of Malta to support user funds. Partially offsetting this was the purchase of capital equipment of \$0.2 million. The cash provided by investing activities for the nine month period ended September 30, 2009 was due to the same issues impacting the current period and a reduction of restricted cash of \$2.2 million, associated with amounts held in escrow at December 31, 2008, that would have been paid to the Company's former CEO had there been a change in control of the company. Partially offsetting this were purchases of capital equipment and investments in long term investments.

At September 30, 2009, the Company had 12,766,012 common shares outstanding and 579,545 share options outstanding. As discussed in the Business Overview section, the Company completed a court approved plan of arrangement in 2007. As part of the Arrangement, Canadian residents received Exchangeable Shares of CEC, an indirect subsidiary of the Company. CEC had 1,053,333 shares outstanding at September 30, 2009. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited shares. For accounting purposes, the acquisition is accounted for using the continuity of interest method, which recognizes the Company as the successor entity to CryptoLogic Inc. The CEC shares can be exchanged for an equivalent amount of CryptoLogic Limited Shares at anytime and are accounted for as a minority interest. On June 1, 2014, the Company through its subsidiaries will redeem not less than all of the then outstanding Exchangeable Shares for an amount per share equal to the redemption price. The redemption price will be satisfied through the issuance and delivery of one CryptoLogic Limited common share for each Exchangeable Share. CryptoLogic Limited has issued a special voting share to a third party trustee, the purpose of which is to provide holders of Exchangeable Shares with the right to vote on the company matters. All outstanding options of CryptoLogic Inc. as of the date of Arrangement were fully assumed by CryptoLogic Limited under the same terms and conditions as originally granted by CryptoLogic Inc. The shares of CEC provide those shareholders with the same voting and dividend right as the shares of CryptoLogic Limited. No additional shares of CEC will be issued.



## INTERNAL CONTROL OVER FINANCIAL REPORTING

For the three and nine month periods ended September 30, 2009, no change occurred in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## CRITICAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

These items are substantially unchanged as discussed in the Company's MD&A for the year ended December 31, 2008 as filed on SEDAR at [www.sedar.com](http://www.sedar.com) or EDGAR at [www.sec.gov](http://www.sec.gov).

Effective January 1, 2009, the Company adopted the following recommendation to the Canadian Institute of Chartered Accountants' Handbook:

Handbook Section 3064, Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible Assets, effective from January 1, 2009, converges accounting for goodwill and intangible assets under Canadian GAAP with International Financial Reporting Standards. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The adoption of Section 3064 did not have a material impact.

*Recently Issued Accounting Standards:*

Handbook Section 3855, Recognition and Measurement

In January 2009, the Accounting Standards Board ("AcSB") issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" that provided guidance on the recognition and measurement of certain financial assets and financial liabilities carried at fair value. EIC-173 concluded that the fair value of financial assets and financial liabilities, including derivative instruments, must take into account the Company's credit risk as well as the counterparty. EIC-173 must be applied retroactively without restatement of prior periods. The adoption of EIC-173 did not have a material impact on the Company's financials statements in either the current or prior periods.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

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On September 27, 2008 the Canadian Securities Administrators (“CSA”) issued Staff Notice 52-321, Early Adoption of IFRS which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early on a case-by-case basis, provided that they could demonstrate that they met certain conditions.

The adoption of IFRS will require the restatement of amounts reported by the Company for its previous year ended, and of the opening balance sheet as at the date of adoption.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

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The IFRS conversion project consists of three phases: Scoping and Diagnostics, Analysis and Development and Implementation and Review.

Phase One: Scoping and Diagnostics, which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS, is completed.

Phase Two: Analysis and Development, involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues.

Phase Three: Implementation and Review will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and further training programs across the Company's finance and other affected areas, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and audit committee approval of IFRS-compliant financial statements.

## **RISKS AND UNCERTAINTIES**

The primary risks and uncertainties that affect and may affect us and our business, financial condition and results of operation are substantially unchanged from the Company's MD&A for the year ended December 31, 2008 as contained in our 2008 Audited Financial Statements filed on SEDAR and [www.sedar.com](http://www.sedar.com) or available on EDGAR at [www.sec.gov](http://www.sec.gov).

## **OUTLOOK**

The implementation of the company's branded games is in the hands of its licensees, and has been slower than expected. CryptoLogic continues to expect a steady rise in branded game revenue in the fourth quarter. 50 games are on the market today, and based on the latest information from customers, the company expects more than 80 games to be on the market by the end of the year.

Notwithstanding this progress, the continued impact of the economic environment and the delays in rolling out branded games will result in a loss in the fourth quarter. In light of the company's performance and the current trading and economic environment, CryptoLogic is undertaking a review of the carrying value of its assets in conjunction with the company's annual planning and budgeting process in the fourth quarter and this is likely to result in a significant impairment charge.

**CRYPTOLOGIC LIMITED****CONSOLIDATED BALANCE SHEETS***(In thousands of U.S. dollars)*

	<b>As at September 30, 2009 <i>(unaudited)</i></b>	<b>As at December 31, 2008 <i>(audited)</i></b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	<b>\$ 28,194</b>	\$ 36,348
Restricted cash (note 4)	-	7,175
Security deposits (note 4)	<b>250</b>	250
Accounts receivable and other	<b>7,533</b>	6,002
Prepaid expenses	<b>8,892</b>	6,564
Income taxes receivable	<b>1,541</b>	653
	<b>46,410</b>	56,992
User funds held on deposit	<b>5,217</b>	10,833
Future income taxes	<b>3,629</b>	1,930
Capital assets	<b>15,972</b>	18,703
Long-term investments (note 5)	<b>2,337</b>	5,821
Intangible assets	<b>4,502</b>	4,982
Goodwill (note 6)	<b>6,545</b>	6,545
	<b>\$ 84,612</b>	\$ 105,806
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	<b>\$ 11,439</b>	\$ 15,356
Income taxes payable	<b>417</b>	413
	<b>11,856</b>	15,769
User funds held on deposit	<b>5,217</b>	10,833
Future income taxes	<b>298</b>	382
	<b>17,371</b>	26,984
<b>Minority interest (note 7)</b>	<b>5,648</b>	6,382
<b>Shareholders' equity:</b>		
Share capital (note 9)	<b>33,766</b>	33,552
Stock options	<b>7,634</b>	6,856
Retained earnings	<b>20,193</b>	32,032



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<b>61,593</b>	72,440
<b>\$ 84,612</b>	\$ 105,806

The accompanying notes are an integral part of the consolidated interim financial statements.

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**CRYPTOLOGIC LIMITED****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS***(In thousands of U.S. dollars, except per share data)**(Unaudited)*

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue</b>	<b>\$ 9,591</b>	<b>\$ 14,049</b>	<b>\$ 29,865</b>	<b>\$ 50,166</b>
<b>Expenses</b>				
Operating	<b>9,211</b>	16,506	<b>27,305</b>	44,114
General and administrative	<b>2,380</b>	3,067	<b>7,704</b>	9,936
Reorganization	<b>240</b>	-	<b>927</b>	-
Impairment of long-term investments (note 5)	-	-	<b>3,961</b>	-
Finance	<b>19</b>	78	<b>66</b>	331
Amortization	<b>1,241</b>	1,519	<b>3,745</b>	4,426
	<b>13,091</b>	21,170	<b>43,708</b>	58,807
Loss before undernoted	<b>(3,500)</b>	(7,121)	<b>(13,843)</b>	(8,641)
Interest income	<b>87</b>	443	<b>380</b>	2,061
Non operating income (note 16)	-	-	-	102
<b>Net loss before income taxes and minority interest</b>	<b>(3,413)</b>	(6,678)	<b>(13,463)</b>	(6,478)
<b>Income taxes:</b>				
Current	<b>178</b>	(98)	<b>(565)</b>	582
Future	<b>(163)</b>	(298)	<b>(1,783)</b>	(152)
	<b>15</b>	(396)	<b>(2,348)</b>	430
<b>Net loss before minority interest</b>	<b>(3,428)</b>	(6,282)	<b>(11,115)</b>	(6,908)
Minority interest (note 7)	<b>(224)</b>	(396)	<b>(424)</b>	(138)
<b>Net loss and comprehensive loss</b>	<b>\$ (3,204)</b>	<b>\$ (5,886)</b>	<b>\$ (10,691)</b>	<b>\$ (6,770)</b>
<b>Net loss per common share (note 11)</b>				
Basic	<b>\$ (0.25)</b>	<b>\$ (0.45)</b>	<b>\$ (0.81)</b>	<b>\$ (0.50)</b>
Diluted	<b>\$ (0.25)</b>	<b>\$ (0.45)</b>	<b>\$ (0.81)</b>	<b>\$ (0.50)</b>

**CRYPTOLOGIC LIMITED****CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

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*(In thousands of U.S. dollars)*  
*(Unaudited)*

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2009</b>	2008
Retained earnings, beginning of period	\$ <b>32,032</b>	\$ 70,855
Loss	<b>(10,691)</b>	(6,770)
Dividends paid, excluding those paid to CEC shareholders	<b>(1,148)</b>	(4,616)
Excess of purchase over stated value of repurchased common shares	-	(1,067)
Retained earnings, end of period	\$ <b>20,193</b>	\$ 58,402

The accompanying notes are an integral part of the consolidated interim financial statements.

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**CRYPTOLOGIC LIMITED****CONSOLIDATED STATEMENTS OF CASHFLOWS***(In thousands of U.S. dollars)**(Unaudited)*

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
<b>Cash flows from (used in):</b>				
Operating activities:				
Net loss	\$ (3,204)	\$ (5,886)	\$ (10,691)	\$ (6,770)
Adjustments to reconcile loss to cash provided by (used in) operating activities:				
Amortization	<b>1,241</b>	1,519	<b>3,745</b>	4,426
Reorganization expense	<b>240</b>	-	<b>927</b>	-
Impairment of long-term investments	-	-	<b>3,961</b>	-
Unrealized gain on forward contract	<b>(39)</b>	-	<b>(175)</b>	(120)
Future income taxes	<b>(163)</b>	(315)	<b>(1,783)</b>	(164)
Minority interest	<b>(224)</b>	(396)	<b>(424)</b>	(138)
Stock options	<b>183</b>	442	<b>778</b>	1,613
	<b>(1,966)</b>	(4,636)	<b>(3,662)</b>	(1,153)
Change in operating assets and liabilities:				
Accounts receivable and other	<b>(203)</b>	2,458	<b>(1,531)</b>	679
Prepaid expenses	<b>(215)</b>	(1,984)	<b>(2,152)</b>	(2,391)
Accounts payable and accrued liabilities	<b>(2,403)</b>	(5,450)	<b>(4,844)</b>	(7,077)
Income taxes payable	<b>31</b>	(366)	<b>(884)</b>	(4,678)
	<b>(4,756)</b>	(9,978)	<b>(13,073)</b>	(14,620)
Financing activities:				
Issue of capital stock, net	-	-	-	189
Repurchase of common shares	-	(626)	-	(1,365)
Dividends paid including those to CEC shareholders	<b>(416)</b>	(1,674)	<b>(1,245)</b>	(5,018)
	<b>(416)</b>	(2,300)	<b>(1,245)</b>	(6,194)
Investing activities:				
Cash paid for Casino.co.uk	-	-	-	(1,254)
Purchase of capital assets	<b>(227)</b>	(3,039)	<b>(534)</b>	(4,348)
Purchase of other investments	-	(400)	<b>(477)</b>	(2,395)
(Increase)/decrease in restricted cash	<b>5,000</b>	(2,914)	<b>7,175</b>	12,062
Decrease in security deposits	-	-	-	900
	<b>4,773</b>	(6,353)	<b>6,164</b>	4,965

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Decrease in cash and cash equivalents	<b>(399)</b>	(18,631)	<b>(8,154)</b>	(15,849)
Cash and cash equivalents, beginning of period	<b>28,593</b>	58,210	<b>36,348</b>	55,428
Cash and cash equivalents, end of period	<b>\$ 28,194</b>	\$ 39,579	<b>\$ 28,194</b>	\$ 39,579
Supplemental cash flow information:				
Non cash portion of options exercised	\$ -	\$ -	\$ -	\$ 83

The accompanying notes are an integral part of the consolidated interim financial statements.

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**1. Basis of presentation and reorganization**

These interim unaudited consolidated financial statements of CryptoLogic Limited (the “Company”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). Pursuant to a business reorganization implemented by way of a Superior Court of Ontario, Canada court approved plan of arrangement (the “Arrangement”) and approved by the shareholders on May 24, 2007, the Company acquired control over all of the issued and outstanding common shares of CryptoLogic Inc., an Ontario company, which through the Arrangement became an indirect subsidiary of CryptoLogic Limited. As part of the Arrangement, the Company issued either an equivalent amount of CryptoLogic Limited Common Shares or, in the case of taxable Canadian residents, exchangeable shares of CryptoLogic Exchange Corporation (“CEC”), an indirect subsidiary of the Company. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited Shares. These CEC shares participate equally in voting and dividends with the shareholders of the Company. No additional shares of CEC will be issued after June 1, 2007.

For accounting purposes, the Arrangement has been accounted for using the continuity of interest method, which recognizes the Company as the successor entity to CryptoLogic Inc. Accordingly, these interim unaudited consolidated financial statements reflect the financial position, results of operations and cash flows as if the Company has always carried on the business formerly carried on by CryptoLogic Inc. and its subsidiaries, with all assets and liabilities recorded at the carrying values of CryptoLogic Inc. The interest held by CEC shareholders has been presented as a minority interest in these interim unaudited consolidated financial statements, as required under GAAP.

These interim unaudited consolidated financial statements have been prepared using the same accounting policies as were used for the audited consolidated financial statements of CryptoLogic Limited for the year ended December 31, 2008, except as described in note 2. Certain balance sheet accounts from the prior year have been reclassified to conform to current year presentation. These interim unaudited consolidated financial statements do not contain all annual disclosures required by Canadian GAAP and, as such, should be read in conjunction with the audited consolidated financial statements including the notes thereto for the year ended December 31, 2008.

**2. Significant accounting policies**

Handbook Section 3064, Goodwill and Intangible Assets

The Company adopted Section 3064, Goodwill and Intangible Assets, effective from January 1, 2009, converges accounting for goodwill and intangible assets under Canadian GAAP with International Financial Reporting Standards. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The adoption of Section 3064 did not have a material impact.

Handbook Section 3855, Recognition and Measurement

In January 2009, the Accounting Standards Board (“AcSB”) issued EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” that provided guidance on the recognition and measurement of certain financial assets and financial liabilities carried at fair value. EIC-173 concluded that the fair value of financial assets and financial liabilities, including derivative instruments, must take into account the Company’s credit risk as well as the counterparty. EIC-173 must be applied retroactively without restatement of prior periods. The adoption of EIC-173 did not have a material impact on the Company’s financials statements in either the current or prior periods.

**2. Significant accounting policies (continued)**

## Financial Instruments - Disclosures:

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosure requirements over fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company is assessing the impact of these amendments on its consolidated financial statements.

## International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

In June 2008 the Canadian Securities Administrators ("CSA") issued Staff Notice 52-321, Early Adoption of IFRS which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early on a case-by-case basis, provided that they could demonstrate that they met certain conditions.

The adoption of IFRS will require the restatement of amounts reported by the Company for its previous year ended, and of the opening balance sheet as at the date of adoption.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

The IFRS conversion project consists of three phases: Scoping and Diagnostics, Analysis and Development and Implementation and Review.

Phase One: Scoping and Diagnostics, which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS, has been completed.

Phase Two: Analysis and Development, involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues.

**2. Significant accounting policies (continued)**

Phase Three: Implementation and Review will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and further training programs across the Company's finance and other affected areas, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and audit committee approval of IFRS-compliant financial statements.

**3. Changes in accounting estimates**

There were no material changes in accounting estimates during the three and nine month periods ended September 30, 2009.

During the first quarter of 2008, the Company revised its estimate for certain royalty payments based on new facts and circumstances including recent negotiations resulting in a reduction in accrued liabilities and a corresponding increase in revenue of \$1,000.

During the second quarter of 2008, the Company reviewed its e-cash operation and determined that certain provisions should not be recorded, and further that, based on new facts and circumstances certain estimates should be revised. Accordingly, approximately \$1,200 that was recorded as a liability for future payments was no longer required. This change was recorded in other revenue.

**4. Security deposits and restricted cash**

Security deposits are amounts held by the Company's bank as collateral provided to payment processors that process deposits and credit card transactions. The Company has no restricted cash. At December 31, 2008 restricted cash comprised a required deposit of \$5,000 to support a letter of credit to the Lottery Gaming Authority of Malta to support user funds on deposit. In July 2009 the Lottery Gaming Authority of Malta agreed that the \$5,000 letter of credit was no longer required and the letter was returned to the Company. At December 31, 2008, restricted cash also included \$2,175, held in escrow, that would have been paid to the Company's former CEO had there been a change in control of the company.

**5. Long-term investments**

In June 2007, the Company acquired a 19.4% ownership interest in 568 Network Inc. ("568 Inc."), a privately held company, for \$1,068. 568 Inc. is a developer and distributor of online casual games to the Chinese market. Under the terms of the agreement, the Company was required to make additional investments in 568 Inc. of up to \$350 should 568 Inc. achieve certain financial targets and pursuant to this obligation. During 2008, the Company made a further investment by way of a \$350 loan. This loan is convertible into preference shares at the option of the Company. The investment and the loan are classified as available-for-sale and are carried at cost as the fair market value is not readily determinable. The Company has determined that the convertible feature of this loan is an embedded derivative, which is immaterial.

In November 2007, the Company acquired a 12.7% ownership interest in Mikoishi (Asia Pacific) Pte Ltd. ("Mikoishi"), a privately held company, for cash consideration of \$4,258. Mikoishi is a developer and marketer of gaming products for the mobile computing markets and is located in Singapore. The investment in Mikoishi is designated as available-for-sale which is measured at fair value. During 2008, the Company received evidence of Mikoishi's current fair value and as a result recorded a write down in the value of the investment of \$2,200 during the fourth quarter of 2008. In June 2009, the Company made a further investment by way of a \$277 loan. This loan is convertible into preference shares at the option of the Company. The investment and the loan are classified as available-for-sale and are carried at cost as the fair market value is not readily determinable. The Company has determined that the convertible feature of this loan is an embedded derivative, which is immaterial.



**5. Long-term investments (continued)**

In March 2008, the Company acquired a 15.0% ownership interest in Mobilebus Inc. ("Mobilebus"), a privately held Korean company specializing in game development, for cash consideration of \$645. In exchange for cash consideration, the Company received common shares. The investment in Mobilebus is classified as available-for-sale and is carried at cost as the fair market value is not readily determinable.

In May 2008, the Company acquired an 11.1% interest in Jingle Prize Inc. ("Jingle"), a leading supplier of online mahjong games, for \$1,000. In exchange for the cash consideration, the Company received preference shares, which rank pari passu with the common shares of Jingle with respect to all dividends and voting rights. The terms of this agreement require the Company to make additional investments in Jingle if certain performance criteria are met. In December 2008, the first performance criteria were met resulting in an additional investment of \$700, increasing the Company's equity ownership in Jingle to 18.9%. During the first quarter of 2009, the second performance criteria were met requiring a further investment by way of a \$200 loan. This loan is convertible into preference shares at the option of the Company. The Company has determined that the convertible feature of this loan is an embedded derivative, which is immaterial. Additional consideration of up to \$1,254 may be payable if certain additional performance criteria are met. The investment and the loan are classified as available-for-sale and are carried at cost as the fair market value is not readily determinable.

During the Company's review of its long term investments in June 2009, various indicators of impairment were identified including significant financial difficulty, restructuring activities and limited ability to operate a profitable business in the short and medium term. Consequently, the Company recorded impairment charges totalling \$3,961. The remaining carrying balance will be subject to an impairment review which will be undertaken in conjunction with the Company's annual budgeting and planning process in the fourth quarter.

**6. Goodwill and intangible assets**

On August 22, 2007, the Company acquired 100% of the assets and operations of Casino.co.uk, a gaming portal, for a purchase price of \$6,098, including \$182 related to the costs of acquisition. During 2008, the Company paid \$1,254 of additional consideration to the seller as a result of Casino.co.uk meeting certain performance criteria. Including the amounts recorded in 2008, the Company has allocated \$1,323 of the purchase price to the brand name, \$1,630 to the customer lists and \$4,769 to goodwill. The Company also recorded a future income tax liability of \$370. The brand name and the customer list are being amortized over their estimated useful lives of 12 years and 7 years respectively.

The Company also has goodwill of \$1,776 related to the acquisition of ALLI, a gaming portal, operating as the WinnerOnLine website on October 1, 2001.

In the nine months ended September 30, 2009 the portals business, which comprise both Casino.co.uk and WinnerOnLine, operates in a market that is sensitive to macro economic trends and has performed below expectations. The Company has taken steps to improve revenue, however, if this improvement is not successful the Company may be required to record an impairment of the goodwill and intangible assets associated with the portals business totalling up to \$8,499. This impairment review will be undertaken in conjunction with the Company's annual budgeting and planning process in the fourth quarter.

**7. Minority interest**

As part of the Arrangement, taxable Canadian residents received exchangeable shares of CEC, an indirect subsidiary of CryptoLogic Limited. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited shares. As a result of the Arrangement, a total of 12.6 million and 1.3 million shares of the Company and CEC were issued, respectively.

The shares issued by CEC are considered a non-controlling interest of the Company for accounting purposes and, consequently, a proportional amount of the Company's shareholders' equity was recorded separately as minority interest on the consolidated balance sheets. Accordingly, on June 1, 2007, minority interest of \$10,800 was recorded in the accompanying consolidated balance sheet. A similar proportional share of the net loss associated with subsidiaries directly or indirectly owned by CEC is included in the consolidated statements of loss as minority interest. For the three and nine month periods ended September 30, 2009, the net loss of the subsidiaries not owned by CEC totalled approximately \$534 and \$5,679 (2008: \$1,319 and \$5,039), respectively, and was not included in the minority interest calculation. In addition, dividends paid to CEC shareholders reduce minority interest on the consolidated balance sheets.

For accounting purposes, when CEC shares are exchanged, the proportional share of the minority interest recorded on the consolidated balance sheet is reduced and share capital increased based on the pro-rata number of shares exchanged to the total number of CEC shares outstanding. Since June 1, 2007, approximately 281,000 CEC shares have been exchanged for the Company's shares. Approximately 39,000 CEC shares were exchanged in the nine months ended September 30, 2009.

**8. Capital risk management**

The Company defines capital as its shareholders' equity and has a policy to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The Company is listed on three major exchanges, the Toronto Stock Exchange, NASDAQ and London Stock Exchange. The Company monitors both the demographic spread of shareholders, as well as the return on equity.

At September 30, 2009 the Company had \$61,593 (December 31, 2008: \$72,440) shareholders' equity. The Company's financial position gives it the ability to take advantage of opportunities in its markets, consider potential strategic acquisitions, pay dividends, and repurchase common shares under its Normal Course Issuer Bid.

The Company offers stock options to key employees and directors. At September 30, 2009 employees and directors held 579,646 options to purchase common shares of the Company.

On November 13, 2009, a dividend of \$0.01 per share was announced. Each future quarterly dividend will be subject to Board approval based on the Company's trading performance.

In November 2008, the Company filed a Normal Course Issuer Bid (the "2009 Normal Course Issuer Bid"), which authorizes the Company to acquire and cancel up to 1,267,871 of its common shares between December 3, 2008 and December 2, 2009. At September 30, 2009, there were no purchases under the 2009 Normal Course Issuer Bid.

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**8. Capital risk management (continued)**

There were no changes in the Company's policy for managing capital during the quarter ended September 30, 2009. Neither the Company, nor any of its subsidiaries, is subject to externally imposed capital requirements.

**9. Share capital**

Authorized:

Unlimited common shares

Issued and outstanding as at September 30, 2009:

(in thousands)	Issued common shares		Contributed	Total
	Shares	Amount	surplus	
Balance, December 31, 2008	12,727	\$ 33,484	\$ 68	\$ 33,552
Shares exchanged (a)	39	214		214
Balance, September 30, 2009	12,766	\$ 33,698	\$ 68	\$ 33,766

- a) The Company acquired control over all of the issued and outstanding common shares of CryptoLogic Inc., an Ontario company, which through the Arrangement became an indirect wholly owned subsidiary of CryptoLogic Limited. As consideration for the acquisition, CryptoLogic Limited issued either an equivalent amount of its common shares or, in the case of taxable Canadian residents, exchangeable shares of CEC, an indirect subsidiary of the Company. The CEC shares can be exchanged by the holders for an equal number of CryptoLogic Limited common shares at any time.

As a result of the reorganization, a total of 12.6 million and 1.3 million shares of CryptoLogic Limited and CEC were issued, respectively. Since June 1, 2007, approximately 281,000 CEC shares have been exchanged, with the remaining shares of CEC being reflected as minority interest as at September 30, 2009. On June 1, 2014, the Company will redeem not less than all of the then outstanding CEC shares.

**10. Stock-based compensation**

The fair value of options granted in the nine month period ended September 30, 2009 and 2008 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

2009	2008
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Dividend yield	1.29%	2.38%
Risk-free interest rate	1.45%	2.78%
Expected volatility	62.0%	46.1%
Expected life of options in years	4	3

A total of 10,000 options were issued in the nine month period ended September 30, 2009. The weighted average fair value of options granted during the nine month period ended September 30, 2009 was \$1.20 (2008: \$5.37).

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**11. Loss per common share**

Loss per share is calculated using the two-class method, whereby common shares of the Company and the fully participating exchangeable common shares of CEC are used to determine the weighted average number of shares outstanding for both basic and diluted loss per share.

The loss attributable to the common shares in calculating the basic and diluted loss per share is as follows:

<i>In U.S. dollars (000's)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Net loss attributable to common shares	\$(3,204)	\$ (5,886)	\$ (10,691)	\$ (6,770)
Loss attributable to CEC shares	(224)	(396)	(424)	(138)
Net loss before minority interest	\$(3,428)	\$ (6,282)	\$(11,115)	\$ (6,908)

The denominator used in calculating basic and diluted loss per common share is calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Weighted average number of common shares outstanding – basic	12,748	12,759	12,736	12,799
Add weighted average impact of CEC shares	1,072	1,107	1,084	1,111
Total weighted average number of shares outstanding – basic	13,820	13,866	13,820	13,910
Add dilutive options	-	-	-	3
Total weighted average number of shares outstanding – basic and diluted(1)	13,820	13,866	13,820	13,913

Basic and diluted loss per common share is as follows:

	For the three months ended September 30,	For the nine months ended September 30,
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	2009	2008	2009	2008
Net loss per common share:				
Basic	(\$0.25)	(\$0.45)	(\$0.81)	(\$0.50)
Diluted <sup>(1)</sup>	(\$0.25)	(\$0.45)	(\$0.81)	(\$0.50)

(1) Potentially dilutive securities for the three and nine month period ended September 30, 2009 are excluded as they would be anti-dilutive due to the recorded loss

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**12. Related party transactions**

In the normal course of operations, the Company engages the services of a law firm in which a member of the Board of Directors is a partner. Fees paid to this firm were \$3 for the three months ended September 30, 2009 (2008: \$106) and \$58 for the nine months ended September 30, 2009 (2008: \$342).

**13. Financial assets and financial liabilities**Financial assets held-for-trading

Cash and cash equivalents, security deposits, restricted cash, short-term investments, user funds held on deposit and the embedded derivative are classified as held-for-trading assets and are recorded at fair value. The fair values of cash and cash equivalents, restricted cash, short term investments and user funds held on deposit are adjusted to their respective fair market values at the end of a reporting period.

The contract with Mikoishi specified the foreign exchange rate for Singapore dollars that would have applied to future investments had certain performance criteria been met. This embedded derivative was separated, classified as held-for-trading and was included in prepaid assets. The fair value was determined based on forward foreign exchange rates, the probability of future investments, and was discounted based on risk-free government interest rates. In December 2008, these performance criteria were not met and as a result the Company wrote off that asset associated with the embedded derivative.

Loans and receivables

Accounts receivable and other are classified as loans and receivables and are recorded at amortized cost. The Company has determined that the carrying value represents fair value as at September 30, 2009 and December 31, 2008.

Financial liabilities recorded at amortized cost

All accounts payable and accrued liabilities and user funds held on deposits are recorded at their amortized cost. The Company has determined that the carrying value represents fair value as at September 30, 2009 and December 31, 2008.

Financial assets available-for-sale

Long-term investments are designated as available-for-sale assets and represent investments in equities or loans that are convertible to equities in foreign entities that do not have a quoted market price in an active market. As a result they are recorded at cost as fair values are not practically determinable.

**14. Financial risk management**

(a) Overview

The Company has exposure to the following risks from its use of financial instruments.

- credit risk
- market risk

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The carrying amount of the Company's financial assets represents its maximum credit exposure.

Accounts Receivable

The Company manages its credit risk associated with accounts receivable by maintaining reserves for potential credit losses, but historically the Company has not experienced any significant credit losses.

The Company does not have any material accounts receivable balances greater than 90 days outstanding. As a result, the Company believes that its accounts receivable represent a low credit risk and has never recorded a material expense associated with a credit risk exposure.

Cash and Cash Equivalents

The company holds investments, according to Company Investment policy, only in banks carrying an S&P rating of AA/R-1-Mid and higher.



(c) Market Risk

Market risk is the risk that changes in the market prices such as fluctuations in foreign exchange rates and interest rates, will affect the Company's net loss or the value of its financial instruments.

Currency Risk

The Company operates internationally giving rise to exposure to changes in foreign exchange rates. The currency risk is derived from revenues denominated in currencies other than the U.S. dollar, its functional currency, primarily the British pound and the euro, and expenses associated with its multinational operations (primarily the Canadian dollar, the British pound and the euro) as well as the respective receivable and payable balances. The Company is also exposed to currency risk on cash and cash equivalents and other current assets denominated in foreign currencies. As at September 30, 2009, approximately 88% of the Company's financial assets were denominated in its functional currency

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**14. Financial risk management (continued)**Interest Rate Risk

The Company is exposed to interest rate risk principally on its cash and cash equivalents which generally have an original maturity of less than 90 days. The Company has no interest bearing debt.

The weighted average effective interest rate on its cash and cash equivalents as at September 30, 2009 was 1.50% (September 30, 2008: 2.80%).

## (d) Quantification of risk exposure: foreign currency risk

At September 30, 2009, the Company's gross balance sheet in the currencies in which it trades was substantially as follows:

<i>In U.S. dollar equivalents (000's)</i>	<b>USD</b>	<b>euro</b>	<b>GBP</b>	<b>Others</b>	<b>Total</b>
Cash and cash equivalents (inclusive of user funds)	\$ 31,730	\$ 666	\$ 197	\$ 818	\$ 33,411
Accounts receivable and other	\$ 2,361	\$ 3,910	\$ 872	\$ 390	\$ 7,533
Accounts payable and accrued liabilities	\$ (2,028)	\$ (2,107)	\$ (4,758)	\$ (2,546)	\$ (11,439)
User funds held on deposit	\$ (2,817)	\$ (1,767)	\$ (631)	\$ (2)	\$ (5,217)
Net balance sheet exposure	\$ 29,246	\$ 702	\$ (4,320)	\$ (1,340)	\$ 24,288

The Company's exposure for revenue and expenses denominated in foreign currencies was substantially as follows:

<i>In U.S. dollar equivalents (000's)</i>	<b>USD</b>	<b>euro</b>	<b>GBP</b>	<b>CDN</b>	<b>Other</b>	<b>Total</b>
<u>Revenue</u>						
Three-months ended September 30, 2009	\$ 3,579	\$ 2,548	\$ 3,464	\$ -	\$ -	\$ 9,591
Nine-months ended September 30, 2009	\$10,283	\$ 7,827	\$ 11,755	\$ -	\$ -	\$ 29,865
Three-months ended September 30, 2008	\$ 3,263	\$ 3,455	\$ 7,331	\$ -	\$ -	\$ 14,049
Nine months ended September 30, 2008	\$16,653	\$ 9,977	\$ 23,536	\$ -	\$ -	\$ 50,166
<u>Expenses</u>						
Three-months ended September 30, 2009	\$ 1,043	\$ 4,229	\$ 3,468	\$ 4,209	\$ 142	\$ 13,091
Nine-months ended September 30, 2009	\$ 8,197	\$ 12,722	\$ 9,375	\$12,951	\$ 463	\$ 43,708
Three-months ended September 30, 2008	\$ 1,117	\$ 8,214	\$ 5,087	\$ 6,521	\$ 231	\$ 21,170
Nine months ended September 30, 2008	\$ 1,770	\$ 20,458	\$ 14,568	\$21,571	\$ 440	\$ 58,807

Fair Value Sensitivity Analysis

*Gross Balance Sheet Exposure:* A 10% strengthening of the U.S. dollar against the currencies in the above table (gross balance sheet exposure) at September 30, 2009 would have increased net losses for the three month period ended 30 September 2009 by approximately \$551. This analysis assumes that all other variables, in particular interest rates, remain constant and represents the Company's gross balance sheet exposure at September 30, 2009. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect. During the current quarter, the Company incurred a gain of approximately \$93 on the translation of its Balance Sheet.

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**14. Financial risk management**

*Net Revenue Exposure:* A 10% strengthening on average of the U.S. dollar against the currencies in the above table for the three-month period and the nine-month period ended September, 30 2009 would have decreased net revenue by approximately \$601 and \$1,958, respectively. This analysis assumes that all other variables, in particular interest rates, remained constant during the quarter, and represents the exposure of the Company's revenues denominated in foreign currencies, to the relative strength of its functional currency. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect.

*Expense Exposure:* A 10% strengthening on average of the U.S. dollar against the currencies in the above table for the three-month period and the nine-month period ended September 30, 2009 would have decreased expense, and correspondingly decreased loss, by approximately \$1,205 and \$3.551, respectively. This analysis assumes that all other variables, in particular interest rates, remained constant during the quarter, and represents the exposure of the Company's expenses denominated in foreign currencies to the relative strength of its functional currency. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect.

(e) Quantification of risk exposure: interest rate risk

The Company is exposed to interest rate risk principally on its cash deposits and short-term money market investments of generally less than 90 days. We are exposed to both an overall decrease in interest rates as well as the interest rates associated with the currency or location we invest in.

*Fair Value Sensitivity Analysis*

*Interest Income Exposure:* A 100 basis point increase in interest rates on average for the three and nine-month period ended September 30, 2009 would have increased interest income by approximately \$124 and \$379 respectively. This analysis assumes that all other variables remained constant during the quarter. A 100 basis point decrease in interest rates on average would have had an equal but opposite effect.

**15. Seasonality**

Historically, the first and fourth quarters have been CryptoLogic's strongest periods. Revenue in the second and third quarters may decrease as Internet usage moderates in the warm months of the year as more people are outdoors.

**16. Components of non-operating income**

Non operating income comprises gains recorded on the sale of common shares acquired and sold in a specific business endeavour as well as certain foreign exchange gains recorded on cash deposits earmarked for additional share purchases. These gains were offset, in part, by related expenses.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<i>In U.S. dollars (000's)</i>				

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Gain on temporary holding in shares		\$ —	\$ —	\$ —\$ 801
Foreign exchange gain and interest on temporary cash deposit	—		— —	544
Related expenses	—		— —	(1,243)
Non operating income		\$ —	\$ —	\$ —\$ 102

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**17. Reorganization**

On November 12, 2008, the Company announced a plan that it will integrate its poker network with one of the world's leading gaming technology and services companies and its intent to focus on its branded games and its Internet casino business is generating significant cost savings.

Payments during year ended December 31, 2008	\$ (732)
Included in accounts payable and accrued liabilities at December 31, 2008	\$ 658
Professional fees	499
Employee severance	891
Amount recorded in 2008 consolidated statement of loss and comprehensive loss	\$ 1,390
Payments during nine months ended September 30, 2009	\$ 1,359
Amount recorded in Q3 2009 consolidated statement of loss and comprehensive loss	927
Included in accounts payable and accrued liabilities at September 30, 2009	\$ 226

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

CryptoLogic Limited and our subsidiaries are referred to collectively as "CryptoLogic", "the Company", "we", "us", and "our" throughout this Management's Discussion and Analysis ("MD&A"), unless otherwise specified. The following MD&A should be read in conjunction with the unaudited consolidated interim financial statements of CryptoLogic, including the notes thereto, for the three and nine month periods ended September 30, 2009, and the audited consolidated financial statements and the MD&A of CryptoLogic Limited for the year ended December 31, 2008 as set out in CryptoLogic Limited's annual report. This MD&A is dated November 13, 2009. Additional information relating to CryptoLogic, including our Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) or EDGAR at [www.sec.gov](http://www.sec.gov). All currency amounts are in US dollars, unless otherwise indicated.

### *BUSINESS OVERVIEW*

CryptoLogic is a world-leading and long-standing publicly traded online gaming software developer and supplier servicing the global Internet gaming market. WagerLogic Limited ("WagerLogic"), a wholly-owned subsidiary of CryptoLogic, provides software licensing, e-cash management and customer support services for our Internet gaming software to an internationally-recognized client base ("licensees" or "customers") around the world who operate under government authority where their Internet businesses are licensed.

Pursuant to a business reorganization implemented by way of an Ontario Superior Court of Justice court approved plan of arrangement (the "Arrangement") and approved by the shareholders on May 24, 2007, CryptoLogic Limited acquired control over all of the issued and outstanding common shares of CryptoLogic Inc., an Ontario company, which through the Arrangement became an indirect subsidiary of CryptoLogic Limited. As part of the Arrangement, the Company issued either an equivalent amount of CryptoLogic Limited Common Shares or, in the case of taxable Canadian residents, exchangeable shares ("Exchangeable Shares") of CryptoLogic Exchange Corporation ("CEC"), an indirect subsidiary of the Company. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited Shares. These CEC shares participate equally in voting and dividends with the shareholders of the Company. No additional shares of CEC have been or will be issued. For more information, see the Management Information Circular dated April 23, 2007 available on [www.SEDAR.com](http://www.SEDAR.com).

For accounting purposes, the Arrangement has been accounted for using the continuity of interest method, which recognizes the Company as the successor entity to CryptoLogic Inc. Accordingly, financial information presented in the MD&A reflects the financial position, results of operations and cash flows as if the Company has always carried on the business formerly carried on by CryptoLogic Inc., with all assets and liabilities recorded at the carrying values of CryptoLogic Inc. The interest held by CEC shareholders has been presented as a minority interest in the consolidated financial statements, as required under GAAP.

### *OVERVIEW OF RESULTS*

Revenue for Q3 2009 was 9.6 million, a decrease of 31.7% when compared with the same period of the prior year (Q3 2008: \$14.0 million). When compared to Q3 2008, revenue in Q3 2009 was negatively impacted by a transition of licensees primarily due to the outsourcing of its hosted poker business to GTECH Corporation International Poker Network ("GTECH"), the departure of Littlewoods and other smaller licensees, weaker results from the Company's major licensees, general macro economic trends, increased contribution requirements for the Company's jackpot games and a strong U.S. dollar. In March 2009, the Company completed the outsourcing of its hosted poker business to GTECH, which gives CryptoLogic's poker licensees and players access to a larger network with a combined average of 15,000 active players – at significantly lower cost to CryptoLogic. As expected, poker revenue declined as many of poker licensees did not migrate to the GTECH and the fees that we earned were reduced by amounts paid to GTECH. However the increased liquidity of the GTECH poker room has had less of a positive impact

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than expected resulting in larger declines than expected. The U.S. dollar was significantly stronger when compared to the euro and British pound in Q3 2009 as compared with Q3 2008 negatively impacting revenue by approximately \$0.7 million.

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Revenue for the nine months ended September 30, 2009 was \$29.9 million, a decrease of 40.5% when compared with the same period of the prior year. (YTD September 30, 2008: \$50.2 million). The items that have impacted revenue in the nine month period are of the same nature as those impacting revenue for the current quarter. The U.S. dollar was significantly stronger when compared to the euro and British pound in the nine month period ended September 30, 2009 as compared with the same period of the prior year negatively impacting revenue by approximately \$4.2 million. In the first nine months of 2008, the Company recorded a benefit to revenue of \$1.0 million associated with revised estimates for future royalty payments as well as the change in estimates discussed above.

Net loss in Q3 2009 was \$3.2 million or \$0.25 per diluted share (Q3 2008: \$5.9 million or \$0.45 per diluted share). The loss in the current quarter compared to Q2 2009 was due primarily to decreased revenue; increased reorganization costs associated with the Company's efforts to decrease costs and outsource non-core areas and decreased interest income. Partially offsetting these increases were decreased operating expenses as the impact of the Company's cost reduction plans started yielding results and a strong U.S. dollar. The U.S. dollar was significantly stronger when compared to the euro and British pound and Canadian dollar in Q3 2009 as compared with Q3 2008 positively impacting expenses by approximately \$1.0 million. The net loss for the nine months ended September 30, 2009 was \$10.7 million or \$0.81 per diluted share (YTD September 30, 2008: \$6.8 million or \$0.50 per diluted share). The loss for the nine months ended September 30, 2009 was primarily due to items impacting the current quarter as well as increased general and administrative expenses in the first quarter associated with increased legal fees and \$3.9 million impairment of long-term investments. In the first nine months of 2008 the loss for the period was impacted by a \$1.8 million charge associated with a change in senior management. The U.S. dollar was significantly stronger when compared to the euro and British pound and Canadian dollar in the nine month period ended September 30, 2009 as compared with same period in 2008 positively impacting expenses by approximately \$5.8 million. The decrease in net loss for Q3 2009 when compared to Q3 2008 is due primarily to a \$4.2 million loss on foreign exchange recorded in Q3 2008. The current quarter did not have a similar loss. The increase in the net loss for the nine months ended September 30, 2009 when compared to the same period of the prior year is due primarily to decreased revenues offset in part by decreased expenses.

At September 30, 2009, the Company ended the quarter with \$28.4 million of net cash, which is comprised of cash and cash equivalents, restricted cash and security deposits, or \$2.06 of net cash per diluted share (December 31, 2008: \$43.8 million or \$3.15 per diluted share). The decrease in net cash during the nine months ended September 30, 2009 of approximately \$15.3 million is due to the following items: cash impact of operating losses of approximately \$3.7 million, an increase in prepaid expenses of \$2.2 million largely due to \$2.0 million paid to secure the royalty rights of D.C. Comics including Superman and Batman and renewal of the Marvel royalty rights including Spiderman, the timing of receipts of accounts receivable of \$1.5 million and payments of our trade accounts payable of \$4.8 million tax payments of \$0.9 million, dividends of \$1.2 million, purchase of capital assets of \$0.5 million and the purchase of long term investments in Asia of \$0.5 million. The Company continues to be debt free. CryptoLogic's working capital at September 30, 2009 was \$34.6 million or \$2.50 per diluted share (December 31, 2008: \$41.2 million or \$2.97 per diluted share).

Fiscal Quarters	Fiscal 2009			Fiscal 2008				Fiscal 2007	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
In thousands of US dollars, except per share data)									
Revenue	\$ 9,591	\$ 10,140	\$ 10,134	11,360	14,049	16,800	19,317	20,350	17,503
Casino	7,098	7,721	6,384	7,458	10,138	10,800	13,426	13,959	11,431
Branded game	780	534	315	324	—	—	—	—	—
Poker	501	516	1,956	2,671	3,219	3,635	4,234	4,615	4,765
Interest income	87	122	171	16	443	824	794	1,514	1,322
Minority interest	(244)	(122)	(78)	(2,528)	396	96	162	763	208
Net (loss)/earnings and comprehensive income	(3,204)	(6,191)	(1,296)	(25,968)	(5,886)	(1,493)	609	4,273	2,392

(Loss)/earnings per share

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Basic	<b>\$ (0.25)</b>	\$ (0.46)	\$ (0.10)	\$ (2.05)	\$(0.45)	\$(0.10)	\$ 0.06	\$ 0.36	\$ 0.19
Diluted	<b>\$ (0.25)</b>	\$ (0.46)	\$ (0.10)	\$ (2.05)	\$(0.45)	\$(0.10)	\$ 0.06	\$ 0.36	\$ 0.19
Weighted average number of shares (000's)									
Basic	<b>13,820</b>	13,820	13,820	13,820	13,866	13,934	13,932	13,927	13,917
Diluted	<b>13,820</b>	13,820	13,820	13,820	13,866	13,934	13,937	13,977	13,930

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## RESULTS OF OPERATIONS

### Revenue

Revenue for Q3 2009 was \$9.6 million, a decrease of 31.7% when compared with the same period of the prior year (Q3 2008: \$14.0 million). Revenue for the nine months ended 2009 was \$29.9 million, a decrease of 40% when compared with the same period of the prior year (YTD September 2008: \$50.2 million).

#### *Hosted Internet casino*

Hosted Internet casino revenue decreased 30.0% to \$7.1 million, for the quarter ended September 30, 2009 as compared to the same period in the prior year (Q3 2008: \$10.1 million). Hosted Internet casino revenue accounted for 74.0% of total revenue for Q3 2009 (Q3 2008: 72.2%). Revenue in Q3 2009 was negatively impacted by the departure of Littlewoods and other smaller licensees, decreased revenues due to the number of jackpot wins, weaker results from two of the Company's major licensees, general macro economic trends and a strong U.S. dollar. The U.S. dollar was significantly stronger when compared to the euro and British pound in Q3 2009 as compared with Q3 2008 negatively impacting Internet casino revenue by approximately \$0.6 million. Internet casino revenue was \$21.2 million for the nine months ended September 30, 2009, a decrease of 38.3% when compared with the same period of the prior year (YTD September 30, 2008: \$34.4 million). The U.S. dollar was significantly stronger when compared to the euro and British pound in the first nine months of 2009 as compared with the same period in 2008 negatively impacting Internet casino revenue by approximately \$3.5 million. The decrease in revenue for the first nine months of 2009 is primarily due to similar factors that have impacted the current quarter as well as a benefit recorded to revenue in 2008 of \$1.0 million associated with revised estimates for future royalty payments.

#### *Branded games*

Branded games revenue was \$0.8 million for the three months ended September 30, 2009 (Q3 2008: nil). Branded games revenue accounted for 8.1% of total revenue for Q3 2009 (Q3 2008: nil). At September 30, 2009, the Company had delivered 33 games, including 20 during the quarter. The games delivered in Q3 were generally delivered late in the quarter therefore, did not have a material positive impact on revenue in Q3. Future quarters will benefit from a full quarter's revenue on these games. Branded games revenue was \$1.6 million for the nine months ended September 30, 2009 (Q3 YTD 2008: nil). Branded games revenue accounted for 5.5% of total revenue for Q3 2009 (Q3 2008: nil).

Fees or licensing revenue from both our hosted Internet casino and our branded games businesses are calculated as a percentage of a licensee's level of activity in their online casino sites. Such revenue is affected by the number of active players on the licensee's site and their related gaming activity. In addition, this revenue is influenced by a number of factors such as the entertainment value of the games developed by CryptoLogic, the frequency and success of new game offerings and the effectiveness of the licensees' marketing programs.

#### *Internet poker*

In Q3 2009 Internet poker revenue declined 84.4% to \$0.5 million from \$3.2 million in the same period of the prior year. Internet Poker revenue represented 5.2% of total revenue for the third quarter of 2009 (Q3 2008: 21.6%). Internet poker revenue for the nine months ended September 30, 2009 was \$3.0 million, a decrease of 73.2%, as compared to the same period of the prior year (YTD September 30, 2008: \$11.1 million). The reduction in Internet poker revenue for the three and nine months ended September 30, 2009 is primarily due to the transition its poker network

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to GTECH reducing the number of poker licensees, the strength of the U.S. dollar and a decline in the overall poker industry. In March 2009, the Company completed its outsourcing of its hosted poker business to GTECH, which gives CryptoLogic's poker licensees and players access to a larger network at significantly lower cost to CryptoLogic. As expected, poker revenue declined as a number of the poker licensees did not migrate to GTECH and the fees that we earned were reduced by amounts paid to GTECH. However the increased liquidity of the GTECH poker room has had less of a positive impact than anticipated resulting in larger declines than expected. The U.S. dollar was significantly stronger when compared to the euro and British pound in both the three and nine months ended September 30, 2009, as compared with the same periods in the prior year negatively impacting poker revenue by approximately \$ 0.04 million and \$0.6 million, respectively.

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Historically, CryptoLogic, through its wholly-owned subsidiary WagerLogic offered a “virtual” poker room for its licensees. In Q1 2009, the Company completed the outsourcing of its hosted poker business to GTECH Corporation’s International Poker Network. The move gives CryptoLogic’s poker licensees and players access to a larger network with a combined average of 15,000 active players – at significantly lower cost to CryptoLogic. Fees from online poker are based on a percentage of the licensee’s “rake” per hand in regular or ring games (the “rake” is typically 5% of the pot, up to a maximum amount per hand), or fixed entry fees for entry into poker tournaments. Players prefer poker rooms with strong “liquidity”, which are rooms that offer a high availability of games at the desired stake levels, in the currency of choice, and on a 24/7 basis.

#### *Other revenue*

Other revenue includes fees for software customization, professional services, marketing support and certain commerce based transactions and other non-recurring revenue. Other revenue was \$1.2 million and \$4.1 million for the three and nine month periods ended September 30, 2009 (Q3 2008: \$0.7 million, YTD 2008: \$4.7 million). Other revenue accounted for 12.7% and 13.6% of total revenue for the three and nine month periods ended September 30, 2009, respectively. (Q3 2008: 4.9%, YTD 2008: 9.4%). The increase in other revenue for the three month period ended September 30, 2009 is due to a \$0.8 million benefit recorded due to a revised provision for future royalty payments. In Q2 2008 there was a \$1.2 million benefit recorded which was associated with a review of our e- cash operations, which resulted in a reduction in expected future payments. Other revenue was also impacted by decreased portals revenue, as well as decreased customization and professional services revenue which are non-recurring in nature. In the first nine months of 2009, other revenue benefitted from increased commerce based transaction fees of \$2.0 million on non players who use the Company’s ecash system.

#### *Geographical diversification*

CryptoLogic continues to execute its strategy ensuring it is well-diversified to mitigate local regulatory risks. No revenue is derived from U.S. based players.

#### *Revenue trends*

The global economic downturn is impacting the Company’s business. This is expected to be mitigated by new branded game roll-outs in the last quarter of 2009, and throughout 2010 and beyond. We also experience seasonality in our business. Historically the first and fourth quarters of the year have been the Company’s strongest. Players spend less time online during the warmer months. We expect this trend to continue, particularly for the more developed casino market.

While the global online gaming market continues to promise growth potential, competition is intensifying for players and market position. We believe that continued disciplined execution of our business strategy will contribute to growth in the future. It is expected that there will be modest growth in European poker markets during the next year.

#### *Operating Expense*

Operating expense comprises development and support expense, which includes all personnel and equity compensation costs for employee stock options and the long term incentive program; licensee support; e-cash system and support costs; customer service expense; and staffing for regulatory compliance.



Operating expense for the three and nine month periods ended September 30, 2009 was \$9.2 million and \$27.3 million, or 96.0% of revenue and 91.4% of revenue, respectively. (Q3 2008: \$16.5 million or 117.5% of revenue, YTD 2008: 44.1 million or 87.9% of revenue). Operating expense decreased by \$7.3 million or 44.2% and \$16.8 million or 38.1% when compared to the corresponding periods of the prior year. The decreases in operating expense in for the three and nine month periods ended September 30, 2009 are due in large part to a \$4.2 million loss on foreign exchange recorded in Q3 2008. Operating expenses were also beneficially impacted by the Company's cost reduction program, reduced headcount related costs and a continued strong U.S. dollar. Furthermore, the reduction in revenue has had a corresponding decrease in the Company's contribution to marketing program related costs and ecash processing fees paid on deposits and withdrawals. The Company's cost reduction program has reducing IT and headcount related costs associated with the outsourcing of the poker room to GTECH, as well as general restructuring of the business. A strong

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U.S. dollar is generally favorable on expenses which are primarily denominated in Canadian dollars, euro and British pounds. The U.S. dollar was significantly stronger when compared to the euro, British pound and Canadian dollar in both the three and nine month periods ended September 30, 2009 decreasing operating expense by approximately \$0.7 million and \$4.1 million, respectively. The decrease in operating costs for the nine months ended September 30, 2009 was due to the items impacting Q3 2008 as well as a \$1.8 million charge associated with a change in senior management. Partially offsetting these decreases is an increase in outsourced software development in Eastern Europe.

### *General and Administrative Expense*

General and Administrative ("G&A") expense includes overhead and administrative expense, travel expense and professional fees relating to our business development, infrastructure expense and the cost of public company listings. In Q3 2009, G&A expense was \$2.4 million and represented 24.8% of revenue (Q3 2008: \$3.1 million or 21.8% of revenue). G&A expense for the nine months ended September 30, 2009 was \$7.7 million or 25.8% of revenue (YTD September 30, 2008 \$9.9 million or 19.8% of revenue).

The decrease in G&A expense in both the three and nine month periods ended September 30, 2009 as compared with the same periods in the prior year is due to general reductions in costs associated with the Company's restructuring program, decreased professional fees, reduced rent and occupancy costs as the Company has subleased excess space and a strong U.S. Dollar. The U.S. dollar was significantly stronger when compared to the euro and British pound in the three and nine months ended 2009 as compared with the same periods in 2008 decreasing operating expense by approximately \$0.2 million and \$1.0 million, respectively.

### *Reorganization Charges*

In November 2008, the Company announced plans to merge its poker network with one of the world's leading gaming technology and services companies. In addition to this change in poker, the Company has many other initiatives underway to lower costs in the business. Cash costs of \$1.4 million were recorded in Q4 2008 and \$0.9 million were recorded in the nine month period ended September 30, 2009. The charges in the three and nine months ended September 30, 2009, consisted of severance for terminated employees and professional fees.

### *Amortization*

Amortization expense is based on the estimated useful life and includes the amortization of our investments in computer equipment, leasehold improvements, software licenses, acquired customer lists and internet brand names.

In Q3 2009, amortization expense was \$1.2 million and \$3.7 million for the three and nine month periods ended September 30, 2009. (Q3 2008: \$1.5 million, YTD 2008: \$4.4 million) Amortization accounted for 12.9% and 12.5% of revenue for the three and nine month periods ended September 30, 2009. (Q3 2008: 10.8% of revenue, YTD 2008: 8.8%) This decrease in Q3 2009 primarily reflects less amortization on infrastructure assets as they become fully depreciated and less amortization of purchased intangibles of Parbet.com, which were impaired in the fourth quarter of 2008. Partially offsetting this decrease was amortization on internally developed software projects which were put into use in Q4 2008.

*Interest Income*

Interest income, which is composed of interest earned on cash and cash equivalents, was \$0.1 million and \$0.4 million in the three and nine month periods ended September 30, 2008, respectively. (Q3 2008: \$0.4 million and YTD 2008: \$2.1 million). The decline in interest income was primarily due to reduced cash and cash equivalents and reduced yields on U.S dollar investments due to interest rate reductions. Cash and cash equivalents declined from the same period in the prior year as a result of the reduced cash generated from operations and the acquisition of certain strategic investments completed during fiscal 2008.

*Non Operating Income*

Non operating income for the nine month period ended September 30, 2008 comprises gains recorded on the sale of shares acquired and sold in an unsuccessful merger transaction during the first quarter of 2008 as well as certain foreign exchange gains recorded on cash deposits earmarked for additional share purchases. These gains are offset, in part, by related acquisition costs.

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### *Income Taxes*

Income taxes were nil and a benefit of \$2.3 million was recorded in the three and nine months ended September 30, 2009 (Q3 2008: income tax benefit of \$0.4 million and YTD 2008 income tax benefit of \$0.4 million). Income taxes were effectively nil for the three months ended September 30, 2009 as taxes due in certain jurisdictions were offset by operating losses in other jurisdictions, which are recoverable. The tax benefit for the nine month period is primarily a result of recent amendments to Section 261 of the Income Tax Act in Canada that permit certain corporations resident in Canada to elect to determine their Canadian tax amounts in the corporation's "functional currency" as opposed to the general requirement that all amounts that are relevant to the computation of tax under the Canadian Income Tax Act be in Canadian dollars. This change resulted in a benefit to income tax of approximately \$1.4 million in the first quarter of 2009. The Company recorded an additional benefit of approximately \$0.3 million based on the actual tax return filed. The Company is subject to Canadian GAAP so taxes are based on the local rules and laws therefore not all of our subsidiaries are either resident in Canada and subsidiaries resident outside of Canada would record tax expense based the regulations in their local jurisdiction. Income tax also benefited from operating losses that are expected to be utilized in the future.

### *Minority Interest*

As discussed in the Business Overview section, the Company completed a court approved plan of arrangement in 2007. As part of the Arrangement, Canadian residents received Exchangeable Shares of CEC, an indirect subsidiary of the Company. The shares owned by the CEC shareholders are considered a non-controlling interest of the Company and consequently a proportional amount of the Company's share capital is recorded separately as a liability on the Consolidated Balance Sheet. A similar proportional share of the profit and loss associated with subsidiaries directly or indirectly owned by the CEC is included in the consolidated statement of earnings as minority interest.

At the time of the re-organization, a total of 12.6 million and 1.3 million shares of CryptoLogic Limited and CEC were outstanding, respectively. Since then, a total of 279,729 shares of CEC have been exchanged, with the remaining 1,053,333 shares of CEC being reflected as minority interest as at September 30, 2009. Minority interest will continue until all CEC shares have been exchanged into CryptoLogic Limited shares or until June 1, 2014 when we will redeem all outstanding CEC shares in return for CryptoLogic Limited shares.

Net loss in Q3 2009 was \$3.2 million or \$0.25 per diluted share (Q3 2008: \$5.9 million or \$0.45 per diluted share). The loss in the current quarter was due primarily to decreased revenue; increased reorganization costs associated with the Company's efforts to decrease costs and outsource non-core areas and decreased interest income. Partially offsetting these increases were decreased operating and general and administration expenses as the impact of the Company's cost reduction plans started yielding results, a strong U.S. dollar and an income tax benefit recorded in the period. The U.S. dollar was significantly stronger when compared to the euro and British pound and Canadian dollar in Q3 2009 as compared with Q3 2008 positively impacting expenses by approximately \$1.0 million. The net loss for the nine months ended September 30, 2009 was \$10.7 million or \$0.81 per diluted share (YTD September 30, 2008: \$6.8 million or \$0.50 per diluted share). The loss for the nine months ended September 30, 2009 was primarily due to items impacting the current quarter as well as increased general and administrative expenses in the first quarter associated with increased legal fees and \$3.9 million impairment of long-term investments. The increased loss for the first nine months of the year was partially offset by a \$1.8 million charge associated with a change in senior management recorded in Q1 2008. The U.S. dollar was significantly stronger when compared to the euro and British pound and Canadian dollar in the nine month period ended September 30, 2009 as compared with same period in 2008 positively impacting expenses by approximately \$5.8 million. The decrease in net loss for Q3 2009 when compared to Q3 2008 is due primarily to a \$4.2 million loss on foreign exchange recorded in Q3 2008. The current quarter did not have a similar loss.

**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2009, the Company ended the quarter with \$28.4 million of net cash, which is comprised of cash and cash equivalents, restricted cash and security deposits, or \$2.06 of net cash per diluted share (December 31, 2008: \$43.8 million or \$3.15 per diluted share). The decrease in net cash during the nine months ended September 30, 2009 of

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approximately \$15.3 million is due to the following items: cash impact of operating losses of approximately \$3.7 million, an increase in prepaid expenses of \$2.2 million largely due to \$2.0 million paid to secure the royalty rights of D.C. Comics including Superman and Batman and renewal of the Marvel royalty rights including Spiderman, the timing of receipts of accounts receivable of \$1.5 million and payments of our trade accounts payable of \$4.8 million tax payments of \$0.9 million, dividends of \$1.2 million, purchase of capital assets of \$0.5 million and the purchase of long term investments in Asia of \$0.5 million. The Company continues to be debt free.

CryptoLogic's working capital at September 30, 2009 was \$34.6 million or \$2.50 per diluted share (December 31, 2008: \$41.2 million or \$2.97 per diluted share). The decrease in working capital during the nine months ended September 30, 2009 is primarily due to operating losses, dividends, purchases of capital assets and purchase of long term investments in Asia.

Cash flow used in operating activities was \$4.8 million and \$13.1 million for the three and nine month periods ended September 30, 2009, respectively (Q3 2008: \$10.0 million, YTD 2008: \$14.6 million). The use of cash in operating activities for the three months ended September 30, 2009 is due to operating losses, \$2.6 million paid in jackpot wins during the quarter, and the timing of accounts receivable. The use of cash in operating activities for the nine month period ended September 30, 2009 is due to the same issues impacting the current quarter as well as \$4.1 million paid to secure various royalty rights such as D.C. Comics including Superman and Batman and renewal of the Marvel royalty rights including Spiderman, payments of accounts payable and income taxes.

Cash flow used in financing activities was \$0.4 million and \$1.2 million for the three and nine month period ended September 30, 2009, respectively (three and nine month periods ended September 30, 2008: \$2.3 million and \$6.2 million respectively). The use of cash in financing activities is for the payment of dividends. The decrease when compared to the same periods in the prior year is primarily due to the repurchase of common shares under the Normal Course Issuer Bid completed in 2008.

Cash flow provided by investing activities was \$4.8 million and \$6.2 million for the three months and nine months ended September 30, 2009. (Q3 2008: Cash flow used in investing activities of \$6.4 million and YTD Q3 2009: cash flows provided by investing activities of \$5.0 million). The cash flow provided by investing activities in the three months ended September 30, 2009 was due to an elimination of the \$5.0 million deposit previously required to be maintained to support a letter of credit to the Lottery Gaming Authority of Malta to support user funds. Partially offsetting this was the purchase of capital equipment of \$0.2 million. The cash provided by investing activities for the nine month period ended September 30, 2009 was due to the same issues impacting the current period and a reduction of restricted cash of \$2.2 million, associated with amounts held in escrow at December 31, 2008, that would have been paid to the Company's former CEO had there been a change in control of the company. Partially offsetting this were purchases of capital equipment and investments in long term investments.

At September 30, 2009, the Company had 12,766,012 common shares outstanding and 579,545 share options outstanding. As discussed in the Business Overview section, the Company completed a court approved plan of arrangement in 2007. As part of the Arrangement, Canadian residents received Exchangeable Shares of CEC, an indirect subsidiary of the Company. CEC had 1,053,333 shares outstanding at September 30, 2009. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited shares. For accounting purposes, the acquisition is accounted for using the continuity of interest method, which recognizes the Company as the successor entity to CryptoLogic Inc. The CEC shares can be exchanged for an equivalent amount of CryptoLogic Limited Shares at anytime and are accounted for as a minority interest. On June 1, 2014, the Company through its subsidiaries will redeem not less than all of the then outstanding Exchangeable Shares for an amount per share equal to the redemption price. The redemption price will be satisfied through the issuance and delivery of one CryptoLogic Limited common share for each Exchangeable Share. CryptoLogic Limited has issued a special voting share to a third party trustee, the purpose of which is to provide holders of Exchangeable Shares with the right to vote on the company matters. All outstanding options of CryptoLogic Inc. as of the date of Arrangement were fully assumed by CryptoLogic Limited under the same terms and conditions as originally granted by

CryptoLogic Inc. The shares of CEC provide those

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shareholders with the same voting and dividend right as the shares of CryptoLogic Limited. No additional shares of CEC will be issued.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

For the three and nine month periods ended September 30, 2009, no change occurred in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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## CRITICAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

These items are substantially unchanged as discussed in the Company's MD&A for the year ended December 31, 2008 as filed on SEDAR at [www.sedar.com](http://www.sedar.com) or EDGAR at [www.sec.gov](http://www.sec.gov).

Effective January 1, 2009, the Company adopted the following recommendation to the Canadian Institute of Chartered Accountants' Handbook:

### Handbook Section 3064, Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible Assets, effective from January 1, 2009, converges accounting for goodwill and intangible assets under Canadian GAAP with International Financial Reporting Standards. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The adoption of Section 3064 did not have a material impact.

### *Recently Issued Accounting Standards:*

#### Handbook Section 3855, Recognition and Measurement

In January 2009, the Accounting Standards Board ("AcSB") issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" that provided guidance on the recognition and measurement of certain financial assets and financial liabilities carried at fair value. EIC-173 concluded that the fair value of financial assets and financial liabilities, including derivative instruments, must take into account the Company's credit risk as well as the counterparty. EIC-173 must be applied retroactively without restatement of prior periods. The adoption of EIC-173 did not have a material impact on the Company's financials statements in either the current or prior periods.

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#### International Financial Reporting Standards (“IFRS”)

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

On September 27, 2008 the Canadian Securities Administrators (“CSA”) issued Staff Notice 52-321, Early Adoption of IFRS which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early on a case-by-case basis, provided that they could demonstrate that they met certain conditions.

The adoption of IFRS will require the restatement of amounts reported by the Company for its previous year ended, and of the opening balance sheet as at the date of adoption.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

The IFRS conversion project consists of three phases: Scoping and Diagnostics, Analysis and Development and Implementation and Review.

Phase One: Scoping and Diagnostics, which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS, is completed.

Phase Two: Analysis and Development, involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues.

Phase Three: Implementation and Review will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and further training programs across the Company’s finance and other affected areas, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial

statements and reconciliations; embedding of IFRS in business processes; and audit committee approval of IFRS-compliant financial statements.

## **RISKS AND UNCERTAINTIES**

The primary risks and uncertainties that affect and may affect us and our business, financial condition and results of operation are substantially unchanged from the Company's MD&A for the year ended December 31, 2008 as contained in our 2008 Audited Financial Statements filed on SEDAR and [www.sedar.com](http://www.sedar.com) or available on EDGAR at [www.sec.gov](http://www.sec.gov).

## **OUTLOOK**

The implementation of the company's branded games is in the hands of its licensees, and has been slower than expected. CryptoLogic continues to expect a steady rise in branded game revenue in the fourth quarter. 50 games are on

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the market today, and based on the latest information from customers, the company expects more than 80 games to be on the market by the end of the year.

Notwithstanding this progress, the continued impact of the economic environment and the delays in rolling out branded games will result in a loss in the fourth quarter. In light of the company's performance and the current trading and economic environment, CryptoLogic is undertaking a review of the carrying value of its assets in conjunction with the company's annual planning and budgeting process in the fourth quarter and this is likely to result in a significant impairment charge.

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**CRYPTOLOGIC LIMITED****CONSOLIDATED BALANCE SHEETS***(In thousands of U.S. dollars)*

	<b>As at September 30, 2009 (unaudited)</b>	<b>As at December 31, 2008 (audited)</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	<b>\$ 28,194</b>	\$ 36,348
Restricted cash (note 4)	-	7,175
Security deposits (note 4)	<b>250</b>	250
Accounts receivable and other	<b>7,533</b>	6,002
Prepaid expenses	<b>8,892</b>	6,564
Income taxes receivable	<b>1,541</b>	653
	<b>46,410</b>	56,992
User funds held on deposit	<b>5,217</b>	10,833
Future income taxes	<b>3,629</b>	1,930
Capital assets	<b>15,972</b>	18,703
Long-term investments (note 5)	<b>2,337</b>	5,821
Intangible assets	<b>4,502</b>	4,982
Goodwill (note 6)	<b>6,545</b>	6,545
	<b>\$ 84,612</b>	\$ 105,806
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	<b>\$ 11,439</b>	\$ 15,356
Income taxes payable	<b>417</b>	413
	<b>11,856</b>	15,769
User funds held on deposit	<b>5,217</b>	10,833
Future income taxes	<b>298</b>	382
	<b>17,371</b>	26,984
<b>Minority interest (note 7)</b>	<b>5,648</b>	6,382

**Shareholders' equity:**

Share capital (note 9)	<b>33,766</b>	33,552
Stock options	<b>7,634</b>	6,856
Retained earnings	<b>20,193</b>	32,032
	<b>61,593</b>	72,440
	<b>\$ 84,612</b>	\$ 105,806

The accompanying notes are an integral part of the consolidated interim financial statements.

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**CRYPTOLOGIC LIMITED****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS***(In thousands of U.S. dollars, except per share data)**(Unaudited)*

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue</b>	<b>\$ 9,591</b>	<b>\$ 14,049</b>	<b>\$ 29,865</b>	<b>\$ 50,166</b>
<b>Expenses</b>				
Operating	<b>9,211</b>	16,506	<b>27,305</b>	44,114
General and administrative	<b>2,380</b>	3,067	<b>7,704</b>	9,936
Reorganization	<b>240</b>	-	<b>927</b>	-
Impairment of long-term investments (note 5)	-	-	<b>3,961</b>	-
Finance	<b>19</b>	78	<b>66</b>	331
Amortization	<b>1,241</b>	1,519	<b>3,745</b>	4,426
	<b>13,091</b>	21,170	<b>43,708</b>	58,807
Loss before undernoted	<b>(3,500)</b>	(7,121)	<b>(13,843)</b>	(8,641)
Interest income	<b>87</b>	443	<b>380</b>	2,061
Non operating income (note 16)	-	-	-	102
<b>Net loss before income taxes and minority interest</b>	<b>(3,413)</b>	(6,678)	<b>(13,463)</b>	(6,478)
<b>Income taxes:</b>				
Current	<b>178</b>	(98)	<b>(565)</b>	582
Future	<b>(163)</b>	(298)	<b>(1,783)</b>	(152)
	<b>15</b>	(396)	<b>(2,348)</b>	430
<b>Net loss before minority interest</b>	<b>(3,428)</b>	(6,282)	<b>(11,115)</b>	(6,908)
Minority interest (note 7)	<b>(224)</b>	(396)	<b>(424)</b>	(138)
<b>Net loss and comprehensive loss</b>	<b>\$ (3,204)</b>	<b>\$ (5,886)</b>	<b>\$ (10,691)</b>	<b>\$ (6,770)</b>
<b>Net loss per common share (note 11)</b>				
Basic	<b>\$ (0.25)</b>	<b>\$ (0.45)</b>	<b>\$ (0.81)</b>	<b>\$ (0.50)</b>
Diluted	<b>\$ (0.25)</b>	<b>\$ (0.45)</b>	<b>\$ (0.81)</b>	<b>\$ (0.50)</b>

**CRYPTOLOGIC LIMITED****CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

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*(In thousands of U.S. dollars)*  
*(Unaudited)*

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>
Retained earnings, beginning of period	\$ <b>32,032</b>	\$ 70,855
Loss	<b>(10,691)</b>	(6,770)
Dividends paid, excluding those paid to CEC shareholders	<b>(1,148)</b>	(4,616)
Excess of purchase over stated value of repurchased common shares	-	(1,067)
Retained earnings, end of period	\$ <b>20,193</b>	\$ 58,402

The accompanying notes are an integral part of the consolidated interim financial statements.



**CRYPTOLOGIC LIMITED****CONSOLIDATED STATEMENTS OF CASHFLOWS***(In thousands of U.S. dollars)**(Unaudited)*

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Cash flows from (used in):</b>				
Operating activities:				
Net loss	\$ (3,204)	\$ (5,886)	\$ (10,691)	\$ (6,770)
Adjustments to reconcile loss to cash provided by (used in) operating activities:				
Amortization	1,241	1,519	3,745	4,426
Reorganization expense	240	-	927	-
Impairment of long-term investments	-	-	3,961	-
Unrealized gain on forward contract	(39)	-	(175)	(120)
Future income taxes	(163)	(315)	(1,783)	(164)
Minority interest	(224)	(396)	(424)	(138)
Stock options	183	442	778	1,613
	(1,966)	(4,636)	(3,662)	(1,153)
Change in operating assets and liabilities:				
Accounts receivable and other	(203)	2,458	(1,531)	679
Prepaid expenses	(215)	(1,984)	(2,152)	(2,391)
Accounts payable and accrued liabilities	(2,403)	(5,450)	(4,844)	(7,077)
Income taxes payable	31	(366)	(884)	(4,678)
	(4,756)	(9,978)	(13,073)	(14,620)
Financing activities:				
Issue of capital stock, net	-	-	-	189
Repurchase of common shares	-	(626)	-	(1,365)
Dividends paid including those to CEC shareholders	(416)	(1,674)	(1,245)	(5,018)
	(416)	(2,300)	(1,245)	(6,194)
Investing activities:				
Cash paid for Casino.co.uk	-	-	-	(1,254)
Purchase of capital assets	(227)	(3,039)	(534)	(4,348)
Purchase of other investments	-	(400)	(477)	(2,395)
(Increase)/decrease in restricted cash	5,000	(2,914)	7,175	12,062
Decrease in security deposits	-	-	-	900
	4,773	(6,353)	6,164	4,965
Decrease in cash and cash equivalents	(399)	(18,631)	(8,154)	(15,849)

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Cash and cash equivalents, beginning of period	<b>28,593</b>	58,210	<b>36,348</b>	55,428
Cash and cash equivalents, end of period	\$ <b>28,194</b>	\$ 39,579	\$ <b>28,194</b>	\$ 39,579
Supplemental cash flow information:				
Non cash portion of options exercised	\$ -	\$ -	\$ -	\$ 83

The accompanying notes are an integral part of the consolidated interim financial statements.

**1. Basis of presentation and reorganization**

These interim unaudited consolidated financial statements of CryptoLogic Limited (the “Company”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). Pursuant to a business reorganization implemented by way of a Superior Court of Ontario, Canada court approved plan of arrangement (the “Arrangement”) and approved by the shareholders on May 24, 2007, the Company acquired control over all of the issued and outstanding common shares of CryptoLogic Inc., an Ontario company, which through the Arrangement became an indirect subsidiary of CryptoLogic Limited. As part of the Arrangement, the Company issued either an equivalent amount of CryptoLogic Limited Common Shares or, in the case of taxable Canadian residents, exchangeable shares of CryptoLogic Exchange Corporation (“CEC”), an indirect subsidiary of the Company. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited Shares. These CEC shares participate equally in voting and dividends with the shareholders of the Company. No additional shares of CEC will be issued after June 1, 2007.

For accounting purposes, the Arrangement has been accounted for using the continuity of interest method, which recognizes the Company as the successor entity to CryptoLogic Inc. Accordingly, these interim unaudited consolidated financial statements reflect the financial position, results of operations and cash flows as if the Company has always carried on the business formerly carried on by CryptoLogic Inc. and its subsidiaries, with all assets and liabilities recorded at the carrying values of CryptoLogic Inc. The interest held by CEC shareholders has been presented as a minority interest in these interim unaudited consolidated financial statements, as required under GAAP.

These interim unaudited consolidated financial statements have been prepared using the same accounting policies as were used for the audited consolidated financial statements of CryptoLogic Limited for the year ended December 31, 2008, except as described in note 2. Certain balance sheet accounts from the prior year have been reclassified to conform to current year presentation. These interim unaudited consolidated financial statements do not contain all annual disclosures required by Canadian GAAP and, as such, should be read in conjunction with the audited consolidated financial statements including the notes thereto for the year ended December 31, 2008.

**2. Significant accounting policies**

Handbook Section 3064, Goodwill and Intangible Assets

The Company adopted Section 3064, Goodwill and Intangible Assets, effective from January 1, 2009, converges accounting for goodwill and intangible assets under Canadian GAAP with International Financial Reporting Standards. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The adoption of Section 3064 did not have a material impact.

Handbook Section 3855, Recognition and Measurement

In January 2009, the Accounting Standards Board (“AcSB”) issued EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” that provided guidance on the recognition and measurement of certain financial assets and financial liabilities carried at fair value. EIC-173 concluded that the fair value of financial assets and financial liabilities, including derivative instruments, must take into account the Company’s credit risk as well as the counterparty. EIC-173 must be applied retroactively without restatement of prior periods. The adoption of EIC-173 did not have a material impact on the Company’s financials statements in either the current or prior periods.

**2. Significant accounting policies (continued)**

Financial Instruments - Disclosures:

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosure requirements over fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company is assessing the impact of these amendments on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

In June 2008 the Canadian Securities Administrators ("CSA") issued Staff Notice 52-321, Early Adoption of IFRS which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early on a case-by-case basis, provided that they could demonstrate that they met certain conditions.

The adoption of IFRS will require the restatement of amounts reported by the Company for its previous year ended, and of the opening balance sheet as at the date of adoption.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

The IFRS conversion project consists of three phases: Scoping and Diagnostics, Analysis and Development and Implementation and Review.

Phase One: Scoping and Diagnostics, which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS, has been completed.

Phase Two: Analysis and Development, involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues.

**2. Significant accounting policies (continued)**

Phase Three: Implementation and Review will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and further training programs across the Company's finance and other affected areas, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and audit committee approval of IFRS-compliant financial statements.

**3. Changes in accounting estimates**

There were no material changes in accounting estimates during the three and nine month periods ended September 30, 2009.

During the first quarter of 2008, the Company revised its estimate for certain royalty payments based on new facts and circumstances including recent negotiations resulting in a reduction in accrued liabilities and a corresponding increase in revenue of \$1,000.

During the second quarter of 2008, the Company reviewed its e-cash operation and determined that certain provisions should not be recorded, and further that, based on new facts and circumstances certain estimates should be revised. Accordingly, approximately \$1,200 that was recorded as a liability for future payments was no longer required. This change was recorded in other revenue.

**4. Security deposits and restricted cash**

Security deposits are amounts held by the Company's bank as collateral provided to payment processors that process deposits and credit card transactions. The Company has no restricted cash. At December 31, 2008 restricted cash comprised a required deposit of \$5,000 to support a letter of credit to the Lottery Gaming Authority of Malta to support user funds on deposit. In July 2009 the Lottery Gaming Authority of Malta agreed that the \$5,000 letter of credit was no longer required and the letter was returned to the Company. At December 31, 2008, restricted cash also included \$2,175, held in escrow, that would have been paid to the Company's former CEO had there been a change in control of the company.

**5. Long-term investments**

In June 2007, the Company acquired a 19.4% ownership interest in 568 Network Inc. ("568 Inc."), a privately held company, for \$1,068. 568 Inc. is a developer and distributor of online casual games to the Chinese market. Under the terms of the agreement, the Company was required to make additional investments in 568 Inc. of up to \$350 should 568 Inc. achieve certain financial targets and pursuant to this obligation. During 2008, the Company made a further investment by way of a \$350 loan. This loan is convertible into preference shares at the option of the Company. The investment and the loan are classified as available-for-sale and are carried at cost as the fair market value is not readily determinable. The Company has determined that the convertible feature of this loan is an embedded derivative, which is immaterial.

In November 2007, the Company acquired a 12.7% ownership interest in Mikoishi (Asia Pacific) Pte Ltd. ("Mikoishi"), a privately held company, for cash consideration of \$4,258. Mikoishi is a developer and marketer of gaming products for the mobile computing markets and is located in Singapore. The investment in Mikoishi is designated as available-for-sale which is measured at fair value. During 2008, the Company received evidence of Mikoishi's current fair value and as a result recorded a write down in the value of the investment of \$2,200 during the fourth quarter of 2008. In June 2009, the Company made a further investment by way of a \$277 loan. This loan is convertible into preference shares at the option of the Company. The investment and the loan are classified as available-for-sale and are carried at cost as the fair market value is not readily determinable. The Company has determined that the convertible feature of this loan is an embedded derivative, which is immaterial.

**5. Long-term investments (continued)**

In March 2008, the Company acquired a 15.0% ownership interest in Mobilebus Inc. ("Mobilebus"), a privately held Korean company specializing in game development, for cash consideration of \$645. In exchange for cash consideration, the Company received common shares. The investment in Mobilebus is classified as available-for-sale and is carried at cost as the fair market value is not readily determinable.

In May 2008, the Company acquired an 11.1% interest in Jingle Prize Inc. ("Jingle"), a leading supplier of online mahjong games, for \$1,000. In exchange for the cash consideration, the Company received preference shares, which rank pari passu with the common shares of Jingle with respect to all dividends and voting rights. The terms of this agreement require the Company to make additional investments in Jingle if certain performance criteria are met. In December 2008, the first performance criteria were met resulting in an additional investment of \$700, increasing the Company's equity ownership in Jingle to 18.9%. During the first quarter of 2009, the second performance criteria were met requiring a further investment by way of a \$200 loan. This loan is convertible into preference shares at the option of the Company. The Company has determined that the convertible feature of this loan is an embedded derivative, which is immaterial. Additional consideration of up to \$1,254 may be payable if certain additional performance criteria are met. The investment and the loan are classified as available-for-sale and are carried at cost as the fair market value is not readily determinable.

During the Company's review of its long term investments in June 2009, various indicators of impairment were identified including significant financial difficulty, restructuring activities and limited ability to operate a profitable business in the short and medium term. Consequently, the Company recorded impairment charges totalling \$3,961. The remaining carrying balance will be subject to an impairment review which will be undertaken in conjunction with the Company's annual budgeting and planning process in the fourth quarter.

**6. Goodwill and intangible assets**

On August 22, 2007, the Company acquired 100% of the assets and operations of Casino.co.uk, a gaming portal, for a purchase price of \$6,098, including \$182 related to the costs of acquisition. During 2008, the Company paid \$1,254 of additional consideration to the seller as a result of Casino.co.uk meeting certain performance criteria. Including the amounts recorded in 2008, the Company has allocated \$1,323 of the purchase price to the brand name, \$1,630 to the customer lists and \$4,769 to goodwill. The Company also recorded a future income tax liability of \$370. The brand name and the customer list are being amortized over their estimated useful lives of 12 years and 7 years respectively.

The Company also has goodwill of \$1,776 related to the acquisition of ALI, a gaming portal, operating as the WinnerOnLine website on October 1, 2001.

In the nine months ended September 30, 2009 the portals business, which comprise both Casino.co.uk and WinnerOnLine, operates in a market that is sensitive to macro economic trends and has performed below expectations. The Company has taken steps to improve revenue, however, if this improvement is not successful the Company may be required to record an impairment of the goodwill and intangible assets associated with the portals business totalling up to \$8,499. This impairment review will be undertaken in conjunction with the Company's annual budgeting and planning process in the fourth quarter.

**7. Minority interest**

As part of the Arrangement, taxable Canadian residents received exchangeable shares of CEC, an indirect subsidiary of CryptoLogic Limited. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited shares. As a result of the Arrangement, a total of 12.6 million and 1.3 million shares of the Company and CEC were issued, respectively.

The shares issued by CEC are considered a non-controlling interest of the Company for accounting purposes and, consequently, a proportional amount of the Company's shareholders' equity was recorded separately as minority interest on the consolidated balance sheets. Accordingly, on June 1, 2007, minority interest of \$10,800 was recorded in the accompanying consolidated balance sheet. A similar proportional share of the net loss associated with subsidiaries directly or indirectly owned by CEC is included in the consolidated statements of loss as minority interest. For the three and nine month periods ended September 30, 2009, the net loss of the subsidiaries not owned by CEC totalled approximately \$534 and \$5,679 (2008: \$1,319 and \$5,039), respectively, and was not included in the minority interest calculation. In addition, dividends paid to CEC shareholders reduce minority interest on the consolidated balance sheets.

For accounting purposes, when CEC shares are exchanged, the proportional share of the minority interest recorded on the consolidated balance sheet is reduced and share capital increased based on the pro-rata number of shares exchanged to the total number of CEC shares outstanding. Since June 1, 2007, approximately 281,000 CEC shares have been exchanged for the Company's shares. Approximately 39,000 CEC shares were exchanged in the nine months ended September 30, 2009.

**8. Capital risk management**

The Company defines capital as its shareholders' equity and has a policy to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The Company is listed on three major exchanges, the Toronto Stock Exchange, NASDAQ and London Stock Exchange. The Company monitors both the demographic spread of shareholders, as well as the return on equity.

At September 30, 2009 the Company had \$61,593 (December 31, 2008: \$72,440) shareholders' equity. The Company's financial position gives it the ability to take advantage of opportunities in its markets, consider potential strategic acquisitions, pay dividends, and repurchase common shares under its Normal Course Issuer Bid.

The Company offers stock options to key employees and directors. At September 30, 2009 employees and directors held 579,646 options to purchase common shares of the Company.

On November 13, 2009, a dividend of \$0.01 per share was announced. Each future quarterly dividend will be subject to Board approval based on the Company's trading performance.

In November 2008, the Company filed a Normal Course Issuer Bid (the "2009 Normal Course Issuer Bid"), which authorizes the Company to acquire and cancel up to 1,267,871 of its common shares between December 3, 2008 and December 2, 2009. At September 30, 2009, there were no purchases under the 2009 Normal Course Issuer Bid.

**8. Capital risk management (continued)**

There were no changes in the Company's policy for managing capital during the quarter ended September 30, 2009. Neither the Company, nor any of its subsidiaries, is subject to externally imposed capital requirements.

**9. Share capital**

Authorized:

Unlimited common shares

Issued and outstanding as at September 30, 2009:

(in thousands)	Issued common shares		Contributed	Total
	Shares	Amount	surplus	
Balance, December 31, 2008	12,727	\$ 33,484	\$ 68	\$ 33,552
Shares exchanged (a)	39	214		214
Balance, September 30, 2009	12,766	\$ 33,698	\$ 68	\$ 33,766

- a) The Company acquired control over all of the issued and outstanding common shares of CryptoLogic Inc., an Ontario company, which through the Arrangement became an indirect wholly owned subsidiary of CryptoLogic Limited. As consideration for the acquisition, CryptoLogic Limited issued either an equivalent amount of its common shares or, in the case of taxable Canadian residents, exchangeable shares of CEC, an indirect subsidiary of the Company. The CEC shares can be exchanged by the holders for an equal number of CryptoLogic Limited common shares at any time.

As a result of the reorganization, a total of 12.6 million and 1.3 million shares of CryptoLogic Limited and CEC were issued, respectively. Since June 1, 2007, approximately 281,000 CEC shares have been exchanged, with the remaining shares of CEC being reflected as minority interest as at September 30, 2009. On June 1, 2014, the Company will redeem not less than all of the then outstanding CEC shares.

**10. Stock-based compensation**

The fair value of options granted in the nine month period ended September 30, 2009 and 2008 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:



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	2009	2008
Dividend yield	1.29%	2.38%
Risk-free interest rate	1.45%	2.78%
Expected volatility	62.0%	46.1%
Expected life of options in years	4	3

A total of 10,000 options were issued in the nine month period ended September 30, 2009. The weighted average fair value of options granted during the nine month period ended September 30, 2009 was \$1.20 (2008: \$5.37).

**11. Loss per common share**

Loss per share is calculated using the two-class method, whereby common shares of the Company and the fully participating exchangeable common shares of CEC are used to determine the weighted average number of shares outstanding for both basic and diluted loss per share.

The loss attributable to the common shares in calculating the basic and diluted loss per share is as follows:

<i>In U.S. dollars (000's)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Net loss attributable to common shares	\$(3,204)	\$ (5,886)	\$ (10,691)	\$ (6,770)
Loss attributable to CEC shares	(224)	(396)	(424)	(138)
Net loss before minority interest	\$(3,428)	\$ (6,282)	\$(11,115)	\$ (6,908)

The denominator used in calculating basic and diluted loss per common share is calculated as follows:

	For the three months ended		For the nine months ended	
	September 30, 2009	2008	September 30, 2009	2008
Weighted average number of common shares outstanding – basic	12,748	12,759	12,736	12,799
Add weighted average impact of CEC shares	1,072	1,107	1,084	1,111
Total weighted average number of shares outstanding – basic	13,820	13,866	13,820	13,910
Add dilutive options	-	-	-	3
Total weighted average number of shares outstanding – basic and diluted(1)	13,820	13,866	13,820	13,913

Basic and diluted loss per common share is as follows:

	For the three months ended	For the nine months ended
	September 30,	September 30,

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	2009	2008	2009	2008
Net loss per common share:				
Basic	(\$0.25)	(\$0.45)	(\$0.81)	(\$0.50)
Diluted <sup>(1)</sup>	(\$0.25)	(\$0.45)	(\$0.81)	(\$0.50)

(1) Potentially dilutive securities for the three and nine month period ended September 30, 2009 are excluded as they would be anti-dilutive due to the recorded loss

**12. Related party transactions**

In the normal course of operations, the Company engages the services of a law firm in which a member of the Board of Directors is a partner. Fees paid to this firm were \$3 for the three months ended September 30, 2009 (2008: \$106) and \$58 for the nine months ended September 30, 2009 (2008: \$342).

**13. Financial assets and financial liabilities**

Financial assets held-for-trading

Cash and cash equivalents, security deposits, restricted cash, short-term investments, user funds held on deposit and the embedded derivative are classified as held-for-trading assets and are recorded at fair value. The fair values of cash and cash equivalents, restricted cash, short term investments and user funds held on deposit are adjusted to their respective fair market values at the end of a reporting period.

The contract with Mikoishi specified the foreign exchange rate for Singapore dollars that would have applied to future investments had certain performance criteria been met. This embedded derivative was separated, classified as held-for-trading and was included in prepaid assets. The fair value was determined based on forward foreign exchange rates, the probability of future investments, and was discounted based on risk-free government interest rates. In December 2008, these performance criteria were not met and as a result the Company wrote off that asset associated with the embedded derivative.

Loans and receivables

Accounts receivable and other are classified as loans and receivables and are recorded at amortized cost. The Company has determined that the carrying value represents fair value as at September 30, 2009 and December 31, 2008.

Financial liabilities recorded at amortized cost

All accounts payable and accrued liabilities and user funds held on deposits are recorded at their amortized cost. The Company has determined that the carrying value represents fair value as at September 30, 2009 and December 31, 2008.

Financial assets available-for-sale

Long-term investments are designated as available-for-sale assets and represent investments in equities or loans that are convertible to equities in foreign entities that do not have a quoted market price in an active market. As a result they are recorded at cost as fair values are not practically determinable.



**14. Financial risk management**

(a) Overview

The Company has exposure to the following risks from its use of financial instruments.

- credit risk
- market risk

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The carrying amount of the Company's financial assets represents its maximum credit exposure.

Accounts Receivable

The Company manages its credit risk associated with accounts receivable by maintaining reserves for potential credit losses, but historically the Company has not experienced any significant credit losses.

The Company does not have any material accounts receivable balances greater than 90 days outstanding. As a result, the Company believes that its accounts receivable represent a low credit risk and has never recorded a material expense associated with a credit risk exposure.

Cash and Cash Equivalents

The company holds investments, according to Company Investment policy, only in banks carrying an S&P rating of AA/R-1-Mid and higher.

(c) Market Risk

Market risk is the risk that changes in the market prices such as fluctuations in foreign exchange rates and interest rates, will affect the Company's net loss or the value of its financial instruments.

Currency Risk

The Company operates internationally giving rise to exposure to changes in foreign exchange rates. The currency risk is derived from revenues denominated in currencies other than the U.S. dollar, its functional currency, primarily the British pound and the euro, and expenses associated with its multinational operations (primarily the Canadian dollar, the British pound and the euro) as well as the respective receivable and payable balances. The Company is also exposed to currency risk on cash and cash equivalents and other current assets denominated in foreign currencies. As at September 30, 2009, approximately 88% of the Company's financial assets were denominated in its functional currency

**14. Financial risk management (continued)**Interest Rate Risk

The Company is exposed to interest rate risk principally on its cash and cash equivalents which generally have an original maturity of less than 90 days. The Company has no interest bearing debt.

The weighted average effective interest rate on its cash and cash equivalents as at September 30, 2009 was 1.50% (September 30, 2008: 2.80%).

## (d) Quantification of risk exposure: foreign currency risk

At September 30, 2009, the Company's gross balance sheet in the currencies in which it trades was substantially as follows:

<i>In U.S. dollar equivalents (000's)</i>	<b>USD</b>	<b>euro</b>	<b>GBP</b>	<b>Others</b>	<b>Total</b>
Cash and cash equivalents (inclusive of user funds)	\$ 31,730	\$ 666	\$ 197	\$ 818	\$ 33,411
Accounts receivable and other	\$ 2,361	\$ 3,910	\$ 872	\$ 390	\$ 7,533
Accounts payable and accrued liabilities	\$ (2,028)	\$ (2,107)	\$ (4,758)	\$ (2,546)	\$ (11,439)
User funds held on deposit	\$ (2,817)	\$ (1,767)	\$ (631)	\$ (2)	\$ (5,217)
Net balance sheet exposure	\$ 29,246	\$ 702	\$ (4,320)	\$ (1,340)	\$ 24,288

The Company's exposure for revenue and expenses denominated in foreign currencies was substantially as follows:

<i>In U.S. dollar equivalents (000's)</i>	<b>USD</b>	<b>euro</b>	<b>GBP</b>	<b>CDN</b>	<b>Other</b>	<b>Total</b>
<u>Revenue</u>						
Three-months ended September 30, 2009	\$ 3,579	\$ 2,548	\$ 3,464	\$ -	\$ -	\$ 9,591
Nine-months ended September 30, 2009	\$ 10,283	\$ 7,827	\$ 11,755	\$ -	\$ -	\$ 29,865
Three-months ended September 30, 2008	\$ 3,263	\$ 3,455	\$ 7,331	\$ -	\$ -	\$ 14,049
Nine months ended September 30, 2008	\$ 16,653	\$ 9,977	\$ 23,536	\$ -	\$ -	\$ 50,166
<u>Expenses</u>						
Three-months ended September 30, 2009	\$ 1,043	\$ 4,229	\$ 3,468	\$ 4,209	\$ 142	\$ 13,091
Nine-months ended September 30, 2009	\$ 8,197	\$ 12,722	\$ 9,375	\$ 12,951	\$ 463	\$ 43,708
Three-months ended September 30, 2008	\$ 1,117	\$ 8,214	\$ 5,087	\$ 6,521	\$ 231	\$ 21,170
Nine months ended September 30, 2008	\$ 1,770	\$ 20,458	\$ 14,568	\$ 21,571	\$ 440	\$ 58,807

Fair Value Sensitivity Analysis

*Gross Balance Sheet Exposure:* A 10% strengthening of the U.S. dollar against the currencies in the above table (gross balance sheet exposure) at September 30, 2009 would have increased net losses for the three month period ended 30 September 2009 by approximately \$551. This



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analysis assumes that all other variables, in particular interest rates, remain constant and represents the Company's gross balance sheet exposure at September 30, 2009. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect. During the current quarter, the Company incurred a gain of approximately \$93 on the translation of its Balance Sheet.

**14. Financial risk management (continued)**

*Net Revenue Exposure:* A 10% strengthening on average of the U.S. dollar against the currencies in the above table for the three-month period and the nine-month period ended September, 30 2009 would have decreased net revenue by approximately \$601 and \$1,958, respectively. This analysis assumes that all other variables, in particular interest rates, remained constant during the quarter, and represents the exposure of the Company's revenues denominated in foreign currencies, to the relative strength of its functional currency. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect.

*Expense Exposure:* A 10% strengthening on average of the U.S. dollar against the currencies in the above table for the three-month period and the nine-month period ended September 30, 2009 would have decreased expense, and correspondingly decreased loss, by approximately \$1,205 and \$3,551, respectively. This analysis assumes that all other variables, in particular interest rates, remained constant during the quarter, and represents the exposure of the Company's expenses denominated in foreign currencies to the relative strength of its functional currency. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect.

**(e) Quantification of risk exposure: interest rate risk**

The Company is exposed to interest rate risk principally on its cash deposits and short-term money market investments of generally less than 90 days. We are exposed to both an overall decrease in interest rates as well as the interest rates associated with the currency or location we invest in.

**Fair Value Sensitivity Analysis**

*Interest Income Exposure:* A 100 basis point increase in interest rates on average for the three and nine-month period ended September 30, 2009 would have increased interest income by approximately \$124 and \$379 respectively. This analysis assumes that all other variables remained constant during the quarter. A 100 basis point decrease in interest rates on average would have had an equal but opposite effect.

**15. Seasonality**

Historically, the first and fourth quarters have been CryptoLogic's strongest periods. Revenue in the second and third quarters may decrease as Internet usage moderates in the warm months of the year as more people are outdoors.

**16. Components of non-operating income**

Non operating income comprises gains recorded on the sale of common shares acquired and sold in a specific business endeavour as well as certain foreign exchange gains recorded on cash deposits earmarked for additional share purchases. These gains were offset, in part, by related expenses.

<i>In U.S. dollars (000's)</i>	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Gain on temporary holding in shares	\$ —	\$ —	\$ —	\$ 801
Foreign exchange gain and interest on temporary cash deposit	—	—	—	544

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Related expenses	—	—	—	(1,243)
Non operating income	\$ —	\$ —	\$ —	\$ 102

14

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**17. Reorganization**

On November 12, 2008, the Company announced a plan that it will integrate its poker network with one of the world's leading gaming technology and services companies and its intent to focus on its branded games and its Internet casino business is generating significant cost savings.

Payments during year ended December 31, 2008	\$ (732)
Included in accounts payable and accrued liabilities at December 31, 2008	\$ 658
Professional fees	499
Employee severance	891
Amount recorded in 2008 consolidated statement of loss and comprehensive loss	\$ 1,390
Payments during nine months ended September 30, 2009	\$ 1,359
Amount recorded in Q3 2009 consolidated statement of loss and comprehensive loss	927
Included in accounts payable and accrued liabilities at September 30, 2009	\$ 226

FORM 52-109F2

CERTIFICATION OF INTERIM FILINGS

FULL CERTIFICATE

I, Brian Hadfield, the Chief Executive Officer of CryptoLogic Limited, certify the following:

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of CryptoLogic Limited (the “issuer”) for the interim period ended September 30, 2009.
  
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
  
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
  
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
  
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
  - a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - i. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

5.2 **ICFR – material weakness relating to design:** N/A.

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5.3 *Limitation on scope of design:* N/A.

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on July 1, 2009 and ended on September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

November 13, 2009

/s/ Brian Hadfield

Name: Brian Hadfield

Title: Chief Executive Officer

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FORM 52-109F2

CERTIFICATION OF INTERIM FILINGS

FULL CERTIFICATE

I, Stephen Taylor, the Chief Financial Officer of CryptoLogic Limited, certify the following:

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of CryptoLogic Limited(the “issuer”) for the interim period ended September 30, 2009.
  
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
  
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
  
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
  
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
  - a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - i. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  
  - b.



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designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

5.2 **ICFR – material weakness relating to design:** N/A.

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5.3 *Limitation on scope of design:* N/A.

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on July 1, 2009 and ended on September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

November 13, 2009

/s/ Stephen Taylor

Name: Stephen Taylor

Title: Chief Financial Officer