

ESE ENTERTAINMENT INC.

(formerly Kepler Acquisition Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of ESE Entertainment Inc. (Formerly Kepler Acquisition Corp.)

Opinion

We have audited the consolidated financial statements of ESE Entertainment Inc. (Formerly Kepler Acquisition Corp.) ("the Group"), which comprise the consolidated statements of financial position as at June 30, 2020 and June 30, 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2020 and June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada Canada
October 8, 2020**

ESE ENTERTAINMENT INC.
(formerly Kepler Acquisition Corp.)
Consolidated Statements of Financial Position
As at June 30, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
ASSETS		
Current assets		
Cash	\$ 79,774	\$ 182,627
GST receivable	2,243	2,598
Loan receivable (Note 8)	25,830	-
Total assets	\$ 107,847	\$ 185,225
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 22,085	\$ 12,938
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	235,200	235,200
Reserves	40,500	40,500
Deficit	(189,938)	(103,413)
Total shareholders' equity	85,762	172,287
Total liabilities and shareholders' equity	\$ 107,847	\$ 185,225

Going concern – Note 2
Subsequent events – Notes 4 and 10

The consolidated financial statements were authorized for issue by the Board of Directors on October 8, 2020.

APPROVED ON BEHALF OF THE BOARD:

“Konrad Wasiela” Director

“Rob Kang” Director

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

ESE ENTERTAINMENT INC.
(formerly Kepler Acquisition Corp.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Expenses		
Bank charges	\$ 73	\$ 72
Consulting fees	12,000	9,500
Filing fees	17,179	21,640
Office expenses	981	715
Professional fees	35,332	26,076
Rent	12,000	12,000
Share-based payments (Notes 4 and 5)	-	28,000
Transfer agent	5,093	1,746
Travel and promotion	4,711	-
	<u>(87,369)</u>	<u>(99,749)</u>
Other income:		
Interest income	844	-
	<u>Loss and comprehensive loss for the year</u>	<u>\$ (99,749)</u>
	\$ (86,525)	\$ (99,749)
	<u>Basic and diluted loss per common share</u>	<u>\$ (0.17)</u>
	\$ (0.03)	\$ (0.17)
	<u>Weighted average number of common shares outstanding</u>	<u>600,000</u>
	3,000,000	600,000

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

ESE ENTERTAINMENT INC.

(formerly Kepler Acquisition Corp.)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Commitment to issue shares	Reserves	Deficit	Total
Balance, June 30, 2018	1	\$ 1	\$ 100,000	\$	\$ (3,664)	\$ 96,337
Incorporator share returned to treasury	(1)	(1)	-	-	-	(1)
Cash						
Seed stock	3,000,000	100,000	(100,000)	-	-	-
Initial Public Offering	3,000,000	200,000	-	-	-	200,000
Share issue cost	-	(52,300)	-	-	-	(52,300)
Agent's warrants	-	(12,500)	-	12,500	-	-
Share-based payments	-	-	-	28,000	-	28,000
Loss and comprehensive loss for the year	-	-	-	-	(99,749)	(99,749)
Balance, June 30, 2019	6,000,000	235,200	-	40,500	(103,413)	172,287
Loss and comprehensive loss for the year	-	-	-	-	(86,525)	(86,525)
Balance, June 30, 2020	6,000,000	\$ 235,200	\$ -	\$ 40,500	\$ (189,938)	\$ 85,762

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

ESE ENTERTAINMENT INC.
(formerly Kepler Acquisition Corp.)
Consolidated Statements of Cash Flows
For the years ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	\$ (86,525)	\$ (99,749)
Items not affecting cash:		
Accrued interest receivable	(830)	-
Share-based payments	-	28,000
Change in non-cash working capital items:		
GST receivable	355	(2,598)
Accounts payable and accrued liabilities	9,147	9,456
Net cash used in operating activities	(77,853)	(64,891)
INVESTING ACTIVITY		
Loan receivable	(25,000)	-
Net cash used in investing activity	(25,000)	-
FINANCING ACTIVITIES		
Shares issued	-	199,999
Share issue cost - cash	-	(52,300)
Net cash provided by financing activities	-	147,699
Change in cash for the year	(102,853)	82,808
Cash, beginning of year	182,627	99,819
Cash, end of year	\$ 79,774	\$ 182,627
Cash paid for interest during the year	\$ -	\$ -
Cash paid for income taxes during the year	\$ -	\$ -

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

1 Nature and continuance of operations

Kepler Acquisition Corp. (the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *British Columbia Business Corporations Act* on June 14, 2018. The Company completed an Initial Public Offering ("IPO") on April 18, 2019 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. On April 18, 2019, the Company was listed on the TSX-V and on April 23, 2019 commenced trading under the trading symbol KEP.P.

On January 16, 2020, the Company entered into an Amalgamation Agreement with ESE Entertainment Holdings Inc. (formerly ESE Entertainment Inc.) ("ESE") and 1232725 B.C. Ltd. ("Kepler Subco"), a newly incorporated wholly-owned subsidiary incorporated for the sole purpose of this amalgamation. The parties have agreed to reorganize their business by way of a plan of arrangement to be carried out under the provision of the Business Corporations Act (British Columbia). On August 12, 2020, the Company completed the transaction and changed its name to ESE Entertainment Inc. The acquisition constitutes the Company's Qualifying Transaction under the policies of the TSX-V. On August 17, 2020, the Company commenced trading on the TSX-V under the trading symbol "ESE". (See Note 10)

The Company's head office and registered and records office address is Suite 1000 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2. The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

2 Basis of preparation

Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Measurement

These financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs except for certain financial instruments which are measured at fair value. The financial statements are presented in Canadian dollars.

2 Basis of preparation – (cont'd)

Going Concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At June 30, 2020, the Company has not achieved profitable operations, has accumulated losses of \$189,938 since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

During the year ended June 30, 2020, there was a global pandemic outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently in the financial statements.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary 1232725 B.C. Ltd. The results of the subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On December 6, 2019, the Company incorporated 1232725 B.C. Ltd. for the sole purpose to facilitate the amalgamation agreement with ESE (See Note 10).

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

3 Significant Accounting Policies – (cont'd)

Financial instruments

Non-Derivative Financial Assets

Cash and loan receivable are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial assets are measured at amortized cost using the effective interest method.

Non-Derivative Financial Liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities that are not designated at FVTPL are initially measured at fair value plus or minus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Accounts payable and accrued liabilities are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Income taxes

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

3 Significant Accounting Policies – (cont'd)

Income taxes – (cont'd)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income taxes are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Loss per share

Loss per share is computed by dividing the net loss by the weighted average number of outstanding shares in issue during the reporting period. Diluted loss per share is computed similar to basic loss except that the weighted average number of outstanding shares include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss reporting period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant using the Black-Scholes valuation model and recorded as compensation expense in profit or loss, with a corresponding increase to reserves. The fair value determined at the grant date of the equity-settled share based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of stock options that will eventually vest. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments, along with the amounts reflected in reserves, is credited to share capital. Shares are issued from treasury upon the exercise of the equity-settled share based instruments.

3 Significant Accounting Policies – (cont'd)

Share-based payments – (cont'd)

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility was determined based on comparison to similar companies as the Company does not have enough history.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. Amount recorded in reserves for share options which expire unexercised remain in reserves.

New accounting pronouncements

The International Accounting Standards Board (IASB) issued the following standard which is relevant but have not yet been adopted by the Company:

Amendments to IFRS 3 Business Combinations

Amendments to IFRS 3, Business Combinations assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. These amendments are effective for reporting periods beginning on or after January 1, 2020.

The Company does not expect the implementation of these amendments to have a significant impact on the Company's consolidated financial statements.

4 Share Capital

a) Authorized

Unlimited common shares, without par value.

By a director's resolution dated July 22, 2020 and effective August 12, 2020, the directors of the Company approved a forward stock split on the basis of one and a half new share for each one original share of the Company. All references to the number of shares and per share amounts have been retroactively restated as if the forward stock split had occurred on July 1, 2018.

b) Issued

There were no shares issued during the year ended June 30, 2020.

During the year ended June 30, 2019:

During the year ended June 30, 2019, the Company completed its Initial Public Offering ("IPO") for the issuance of 3,000,000 (2,000,000 pre-forward split) common shares of the Company at \$0.07 (\$0.10 pre-forward split) per share for gross proceeds of up to \$200,000. The Company paid the Agent a cash commission of \$20,000 and issued to the Agents broker warrants to purchase 300,000 (200,000 pre-forward split) common shares of the Company at \$0.07 (\$0.10 pre-forward split) per share until April 23, 2021. The Company recorded a fair value of the agent's warrants of \$12,500 utilizing the Black-Scholes option pricing model with the following assumptions – Share price on grant date of \$0.10 pre-forward split; Risk-free interest rate of 1.51%; Dividend yield of Nil; Expected volatility of 100%; Expected life of 2 years and forfeiture rate of 0%. Expected volatility was determined based on comparison to similar companies as the Company does not have enough history. The Company also paid the Agent an administration fee of \$15,000 and paid expenses related to the offering, including legal fees and disbursements totalling \$17,300.

On July 4, 2018, the Company issued 3,000,000 (2,000,000 pre-forward split) common shares at a price of \$0.03 (\$0.05 pre-forward split) per share for proceeds of \$100,000 and cancelled the incorporator share.

c) Escrow Agreement

The 3,000,000 (2,000,000 pre-forward split) shares issued on July 4, 2018 are to be held in escrow. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin (the Exchange's acceptance of the Qualifying Transaction) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release. As all of these shares are considered contingently issuable until the Company completes the qualifying transaction, they are not considered to be outstanding shares for the purposes of loss per share calculations. Consequently, they have been excluded from the basic and diluted loss per share and weighted average number of shares outstanding calculation.

ESE ENTERTAINMENT INC.
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Notes to the Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian Dollars)

4 Share Capital – (cont’d)

d) Stock Options

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum of ten years and vest as determined by the Board of Directors. The exercise price of each option granted may not be less than the discount market value of the common shares.

During the year ended June 30, 2019, the Company granted 600,000 (400,000 pre-forward split) stock options to directors, and officers of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.07 (\$0.10 pre-forward split) until April 23, 2024. These stock options vest immediately at the date of grant. The Company recorded share-based payment of \$28,000 on these stock options. The fair value of the options was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.10 pre-forward split; Risk-free interest rate of 1.49%; Dividend yield of NIL; Expected volatility of 100%; Expected life of 5 years and forfeiture rate of 0%. Expected volatility was determined based on comparison to similar companies as the Company does not have enough history.

Details of stock options activities for the years ended June 30, 2020 and 2019 is as follows:

	Number of options	Weighted Average Exercise Price
Balance, June 30, 2018	-	\$ -
Granted	600,000	0.07
Balance outstanding, June 30, 2019 and 2020	600,000	\$0.07

The weighted average remaining life of the 600,000 stock options is 3.80 years.

As at June 30, 2020, the Company had 600,000 stock options outstanding exercisable at \$0.07 per share expiring on April 23, 2024.

On August 14, 2020, 210,000 stock options were exercised at \$0.07 per share for total proceeds of \$14,700.

On September 18, 2020, 7,463 stock options were exercised at \$0.07 per share for total proceeds of \$522.

ESE ENTERTAINMENT INC.
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Notes to the Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian Dollars)

4 Share Capital – (cont’d)

e) Agent’s Warrants

Details of agent’s warrants activities for the year ended June 30, 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2018	-	\$ -
Issued	300,000	0.07
Balance, June 30, 2019 and 2020	300,000	\$0.07

The weighted average remaining life of the 300,000 agent’s warrants is 0.80 years.

As at June 30, 2020, there were 300,000 agent’s warrants exercisable at \$0.07 per share expiring on April 23, 2021.

On August 21, 2020, 8,910 agent’s warrants at \$0.07 per share were exercised for total proceeds of \$624.

f) Reserves

The Company’s equity reserves are comprised of share-based payments and fair value of agent’s warrants.

5 Related Party Transactions

Related party transactions are comprised of services rendered by directors and/or officers of the Company or by a company with a director in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

	2020	2019
Share-based payments		
Mervyn Pinto, Director	\$ -	\$ 9,800
Robert Nick Horsley, Director	-	5,600
Zachary Dolesky, Director and Officer	-	12,600
	\$ -	\$ 28,000

6 Financial Instruments

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The Company's financial instruments are exposed to certain financial risks which are in common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. The following note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

General Objectives, Policies and Processes

The Board of Directors have overall responsibility for the determination of the Company's risk management objectives and policies and have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors are kept apprised on the process and would monitor the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

6 Financial Instruments – (cont'd)

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

Foreign currency risk

The Company may be exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As at June 30, 2020, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

7 Capital Management

Capital is comprised of the Company's shareholders' equity. As at June 30, 2020, the Company's shareholders' equity was \$85,762 and there was no long term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital.

The proceeds from the issuance of share capital raised by the Company, both prior to the Company's IPO and from the IPO itself, may only be used to identify and evaluate assets or businesses for future investments, with the lesser of 30% of the gross proceeds or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

8 Loan Receivable

On December 12, 2019, the Company entered into a promissory note with ESE in the amount of \$25,000. The promissory note is unsecured, bears interest at 6% per annum and due on or before December 12, 2020. As at June 30, 2020, the Company had accrued interest receivable of \$830.

ESE ENTERTAINMENT INC.
(formerly Kepler Acquisition Corp.)
Notes to the Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian Dollars)

9 Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	2020	2019
Loss before income taxes	\$ (86,525)	\$ (99,749)
Statutory income tax rates	27%	27%
Expected tax recovery	\$ (23,360)	\$ (26,930)
Permanent difference	-	7,560
Tax benefits not recognized	23,360	19,370
Total current and deferred income tax recovery	\$ -	\$ -

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2020	2019
Deferred income tax asset (liability)		
Non-capital loss carry-forwards	\$ 49,370	\$ 23,190
Undeducted finance cost	8,470	11,300
	57,840	34,490
Unrecognized deferred tax assets	(57,840)	(34,490)
Deferred income tax asset, net	\$ -	\$ -

As at June 30, 2020, the Company had non-capital losses of approximately \$182,900 which may be carried forward to reduce taxable income in future years. The non-capital loss starts to expire in 2038.

10 Subsequent Events

On July 23, 2019, the Company entered into a letter of intent (“LOI”) with ESE, a privately held corporation existing under the laws of British Columbia, to acquire all of the issued and outstanding shares of ESE in exchange for shares of the Company (the “Transaction”). The ESE shares will be exchanged on a one for one basis.

On January 16, 2020, the Company entered into an Amalgamation Agreement with ESE and 1232725 B.C. Ltd. (“Kepler Subco”), a newly incorporated wholly-owned subsidiary incorporated for the sole purpose of this amalgamation. The parties have agreed to reorganize their business by way of a plan of arrangement to be carried out under the provision of the Business Corporations Act (British Columbia), if completed, will constitute the Company’s qualifying transaction. This agreement supersedes the July 23, 2019 LOI.

Each ESE common shares will be exchanged for one common share of the Company and any stock options and share purchase warrants of ESE outstanding immediately prior to the effective date will also be exchanged for stock options and share purchase warrants to acquire shares of the Company and ESE common shares, stock options and share purchase warrants shall be cancelled. On August 12, 2020, the Company undertook a forward share split on the basis of one and one-half new Company shares for each existing Company share and completed the transaction with ESE and changed its name to ESE Entertainment Inc. The Company issued 32,430,391 common shares to ESE shareholders on a 1:1 basis including the private placement shares described below.

Concurrently, ESE completed a non-brokered private placement financing of 5,186,667 common shares at a price of \$0.25 per share and 5,243,724 subscription receipts at an issue price of \$0.25 per subscription receipt. Following the completion of the Transaction, the subscription receipts was automatically exercised into common shares of the Company. The Company paid a cash commissions of \$41,580 and issue 166,320 finder’s warrants. The finder’s warrants are exercisable at a price of \$0.25 per share for 24 months.

As a result of the reverse takeover of the Company by the shareholders of ESE and to align the financial years of the Company to that of ESE, the Company has changed its financial year from June 30 of each year to October 31 of each year.

On August 17, 2020, the Company granted 2,050,000 stock options. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.25 until August 17, 2025. The options vest 1/6 every 6 months beginning August 17, 2021.