

ESE ENTERTAINMENT HOLDINGS INC.

(formerly ESE Entertainment Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the nine months ended July 31, 2020 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

ESE ENTERTAINMENT HOLDINGS INC.

(formerly ESE Entertainment Inc.)

Condensed Interim Consolidated Statements of Financial Position

As at July 31, 2020 and October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	July 31, 2020	October 31, 2019
ASSETS		
Current assets		
Cash	\$ 324,211	\$ 154,044
Receivables (Note 4)	58,929	17,133
Prepaid expense and deposits	235,570	240
Total assets	\$ 618,710	\$ 171,417
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 and 11)	444,010	85,364
Deferred revenue	184,132	-
Loan payable (Note 7)	45,958	-
	674,100	85,364
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 8)	1,278,000	273,000
Share subscriptions received in advance (receivable) (Note 8)	-	(2,450)
Accumulated other comprehensive loss	(26,652)	(796)
Deficit	(1,306,738)	(183,701)
Total shareholders' equity (deficit)	(55,390)	86,053
Total liabilities and shareholders' equity (deficit)	\$ 618,710	\$ 171,417

Nature and continuance of operations – Note 1

Subsequent events – Note 14

APPROVED ON BEHALF OF THE BOARD:

"Konrad Marian Wasiela" Director
Konrad Marian Wasiela

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

ESE ENTERTAINMENT HOLDINGS INC.

(formerly ESE Entertainment Inc.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

for the three and nine months ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three months ended July 31, 2020	For the nine months ended July 31, 2020
Revenue	\$ 138,035	\$ 190,020
Expenses		
Advertising and event planning	75,100	163,862
Bank charges and interest	2,150	7,024
Consulting fees (Note 11)	401,687	669,025
Filing fees	3,294	3,294
Office and miscellaneous	18,598	55,786
Professional fees	88,603	215,767
Rent	3,659	15,866
Travel and conferences	7,262	38,289
Wages and benefits	67,955	159,056
Website hosting and development	11,333	13,042
	679,641	1,341,011
Loss before other items:	(541,606)	(1,150,991)
Other items:		
Foreign exchange gain	24,564	24,564
Other income	114	3,390
	24,678	27,954
Net loss for the period	(516,928)	(1,123,037)
Other comprehensive loss		
Gain (loss) on translation of foreign operations	(30,174)	(25,856)
Total comprehensive loss for the period	\$ (547,102)	\$ (1,148,893)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.05)
Weighted average number of common shares outstanding	23,700,797	23,304,550

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

ESE ENTERTAINMENT HOLDINGS INC.

(formerly ESE Entertainment Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the nine months ended July 31, 2020 and for the period ended October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Share Capital	Share subscriptions received in advance (receivable)	Accumulated other comprehensive loss	Deficit	Total
Balance, June 18, 2019	1	\$ -	\$ -	\$ -	\$ -	\$ -
Seed stock issuance (Note 8)	21,999,999	110,000	(2,450)	-	-	107,550
Private placement (Note 8)	1,086,667	163,000	-	-	-	163,000
Loss and comprehensive loss for the period	-	-	-	(796)	(183,701)	(184,497)
Balance, October 31, 2019	23,086,667	273,000	(2,450)	(796)	(183,701)	86,053
Share subscriptions received	-	-	2,450	-	-	2,450
Private placement (Note 8)	200,000	30,000	-	-	-	30,000
Private placement (Note 8)	3,800,000	950,000	-	-	-	950,000
Debt settlement (Note 8)	100,000	25,000	-	-	-	25,000
Loss and comprehensive loss for the period	-	-	-	(25,856)	(1,123,037)	(1,148,893)
Balance, July 31, 2020	27,186,667	\$ 1,278,000	\$ -	\$ (26,652)	\$ (1,306,738)	\$ (55,390)

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

ESE ENTERTAINMENT HOLDINGS INC.
(formerly ESE Entertainment Inc.)
Condensed Interim Consolidated Statements of Cash Flows
For the three and nine months ended July 31, 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	For the three months ended July 31, 2020	For the nine months ended July 31, 2020
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	\$ (516,927)	\$ (1,123,037)
Items not affecting cash		
Accrued interest	379	958
Change in non-cash working capital item:		
Receivables	(20,893)	(41,796)
Prepaid expenses and deposits	(215,436)	(235,330)
Deferred revenue	106,439	184,132
Accounts payable and accrued liabilities	54,549	383,646
Net cash used in operating activities	(591,889)	(831,427)
FINANCING ACTIVITIES		
Bank indebtedness	(14,918)	-
Proceeds from loan payable	20,000	45,000
Shares issued for cash	975,000	980,000
Share subscriptions received	(50,486)	2,450
Net cash provided by financing activities	929,596	1,027,450
Foreign exchange effect on cash	(30,174)	(25,856)
Change in cash for the period	307,533	170,167
Cash, beginning of period	16,678	154,044
Cash, end of period	\$ 324,211	\$ 324,211
Cash paid for interest during the period	\$ -	\$ -
Cash paid for income taxes during the period	\$ -	\$ -

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

ESE ENTERTAINMENT HOLDINGS INC.

(formerly ESE Entertainment Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

1 Nature and continuance of operations

ESE Entertainment Inc. (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 18, 2019. The Company's principal business activity is focusing on Esports, and particularly, on media rights relating to Esports, physical and digital content creation and distribution of Esports related content. On August 13, 2020, the Company changed its name to ESE Entertainment Holdings Inc. (Note 14)

The Company's registered office is at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 and its head office is located at 1212 East 13th Avenue, Vancouver, British Columbia, V5T 2M1.

These condensed interim 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 July 31, 2020, the Company has not achieved profitable operations, has accumulated losses of \$1,306,738 (October 31, 2019 - \$183,701) 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 operating 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 period-end, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations.

2 Basis of preparation

Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 24, 2020.

Basis of Measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

ESE ENTERTAINMENT HOLDINGS INC.

(formerly ESE Entertainment Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

3 Significant Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at October 31, 2019.

Significant accounting judgement, estimates and uncertainties

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the condensed interim consolidated financial statements and notes to the condensed interim consolidated financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the Company to make estimates include functional currency and provision for expected credit losses. These estimates and judgments are further discussed below.

Critical judgement exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

Functional currency

The analysis of the functional currency for each entity of the Company is a significant judgment. In concluding that the Canadian dollar ("CDN\$") is the functional currency of the parent and the Polish Zloty ("PLN") is the functional currency of ESE Poland, management considered the currency that mainly influences the costs of providing goods and services in each jurisdiction in which the entities operate.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are as follows:

Revenue

Significant management judgments and estimates must be made in connection with determination of the revenue to be recognized in any accounting period. If we made different judgments or utilized different estimates for any period, material differences in the amount and timing of revenue recognized could result. Some contracts include multiple promised services or products, thus management applied judgment to determine whether promised services or products are capable of being distinct and distinct in the context of the contract. Where there are distinct performance obligations, management allocates the total consideration to the performance obligations using its best estimate of their relative fair values. Management also applied judgment to determine if the performance obligation is satisfied over time or at a point time.

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Notes to the Condensed Interim Consolidated Financial Statements

For the period ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

4 Receivables

	July 31, 2020	October 31, 2019
VAT Receivable	\$ 22,350	\$ 14,265
GST Receivable	36,578	2,868
Receivables	\$ 58,928	\$ 17,133

5 Bank Indebtedness

On October 7, 2019, the Company obtained a credit facility of \$50,000 which bears interest at prime rate plus 3% which is secured by the CEO of the Company. As at July 31, 2020 the Company has not utilized any of the credit facility.

6 Accounts Payable and Accrued Liabilities

	July 31, 2020	October 31, 2019
Trade payables	\$ 434,310	\$ 70,104
Accrued liabilities	9,700	15,260
Accounts payable and accrued liabilities	\$ 444,010	\$ 85,364

7 Loan Payable

- a) On December 12, 2019, the Company entered into a promissory note payable with Kepler Acquisition Corp. for \$25,000 which is unsecured, with interest accruing at 6% per annum from the date of issue and repayable by December 12, 2020 with interest thereon. As at July 31, 2020, there is a balance owed of \$25,958 which includes \$958 in accrued interest charges.
- b) On May 13, 2020, the Company entered into a promissory note with Konrad Wasiela, CEO in the amount of \$20,000, unsecured bears interest at 8% per annum and due on or before May 13, 2021. As at July 31, 2020, there is a balance owed of \$20,000.

8 Share Capital

- a) Authorized

Unlimited common shares, without par value.

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Notes to the Condensed Interim Consolidated Financial Statements

For the period ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

8 Share Capital – (cont'd)

b) Issued

During the nine months ended July 31, 2020:

On July 22, 2020, the Company issued 3,800,000 common shares at a price of \$0.25 per share for total proceeds of \$950,000.

On June 22, 2020, the Company issued 100,000 common shares to debt settled \$25,000 in unpaid consulting fees to the CFO of the Company.

On April 14, 2020, the Company issued 200,000 common at a price of \$0.15 per share for total proceed of \$30,000.

During the period ended October 31, 2019:

On October 25, 2019, the Company issued 1,086,667 shares at a price of \$0.15 per share for total proceeds of \$163,000.

On July 21, 2019, the Company issued 21,999,999 common shares at a price of \$0.005 per share for total proceeds of \$110,000 of which \$2,450 was received subsequent to October 31, 2019.

On June 18, 2019, the Company issued 1 incorporator's share value at a nominal amount.

c) Escrow Agreement

22,000,000 shares issued on in June and July 2019 are to be held in escrow if the Transaction is completed (see note 14). Under the escrow agreement, 10% of the shares will be released on the issuance of the final exchange bulletin (the TSXV's acceptance of the 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.

9 Financial Instruments

Fair Value:

The carrying values of financial assets and liabilities approximate its fair value due to the short-term nature of these instruments.

Financial risk factors

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

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For the period ended July 31, 2020

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9 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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in the note.

The Company monitors its ability to meet its short-term administrative expenditures by matching investment income received to expenditures to be incurred. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

As at July 31, 2020, the Company had a cash balance of \$324,211 and Receivable of \$58,929 to settle accounts payable and accrued liabilities and loans payable of \$489,968.

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 July 31, 2020, the Company held cash denominated in Polish Zloty of PLN438,596 (October 31, 2019 – PLN7,282), and accounts payable and accrued liabilities of PLN166,927 (October 31, 2019 – PLN54,613) translated at PLN1 for every CDN\$0.36. These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the profitability of the Company. A 10% change in the exchange rate would change other comprehensive income/loss by approximately \$12,000. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

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10 Capital Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. 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. In order to pay for general administrative costs, the Company will raise additional amounts as needed.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto. There is no change to the Company's approach to capital management during the period ended July 31, 2020.

11 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 and/or officer in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key Management Compensation

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors. Key management compensation consisted of the following:

	Three months ended July 31, 2020	Nine months ended July 31, 2020
<u>Consulting fees</u>		
Konrad Wasiela, CEO and director	\$ 28,500	\$ 85,500
1176149 BC Ltd., a company controlled by Ryan Maarschalk, CFO	22,000	42,000
Wasiela Services Ltd., a company controlled by Konrad Wasiela	16,500	49,500
	\$ 67,000	\$ 177,000

Included in accounts payable and accrued liabilities at July 31, 2020 is \$91,272 (October 31, 2019 - \$7,200) in unpaid consulting fees and other balances owing to an officer of the Company and to companies with an officer or director in common.

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Notes to the Condensed Interim Consolidated Financial Statements

For the period ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

11 Related Party Transactions – (cont'd)

Consulting agreements

On November 6, 2019, the Company entered into a management consulting agreement with 1176149 BC Ltd., a company controlled by Ryan Maarschalk, for the position of CFO commencing on December 1, 2019 for a period of six months at a monthly rate of \$4,000 per month and on a month to month basis thereafter. In addition, the Company agreed to granted 75,000 stock options at \$0.25 per share upon listing on the TSXV.

On November 12, 2019, the Company entered into a management consulting agreement with Konrad Wasiela for the position of CEO for a period of one year at a monthly rate of \$9,500 per month which shall automatically be renewed annually unless one party provides written notice at least one month prior to the end of the term.

On November 18, 2019, the Company entered into a management consulting agreement with Wasiela Services Ltd. for management and advisory services for a period of one year at a monthly rate of \$5,500 per month which shall automatically be renewed annually unless one party provides written notice at least one month prior to the end of the term.

12 Segmented Information

The Company operates in one industry segment of digital media and entertainment. The majority of the Company's assets are located in Canada and Poland. The Company has determined that it has a single reportable segment as the Company's decision makers review information on a consolidated basis. Substantial all of the revenue recognized for the period ended July 31, 2020 were derived from France (October 31, 2019 – Poland).

13 Commitment

On July 20, 2020, the Company entered into a consulting agreement with ZDK Holdings Ltd. for management consulting services for a period of two years at a monthly rate of \$13,000 per month and on a month to month basis thereafter. This agreement may be terminated by mutual agreement and by either party upon 30 days written notice.

14 Subsequent Events

On July 23, 2019, Kepler Acquisition Corp. ("Kepler") entered into a letter of intent ("LOI") with the Company to acquire all of the issued and outstanding shares of the Company in exchange for shares of Kepler (the "Transaction"). The Company's shares will be exchanged on a one for one basis.

On January 16, 2020, the Company entered into an Amalgamation Agreement with Kepler and 1232725 B.C. Ltd. ("Kepler Subco"), a newly incorporated wholly-owned subsidiary of Kepler 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). This agreement supersedes the July 23, 2019 LOI.

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Notes to the Condensed Interim Consolidated Financial Statements

For the period ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

14 Subsequent Events – (cont'd)

Prior to completion of the transaction, Kepler will undertake a forward share split on the basis of one and one-half new Kepler shares for each existing Kepler share.

Each of the Company's common shares will be exchanged for one post-forward split common share of Kepler and any stock options and share purchase warrants of the Company outstanding immediately prior to the effective date will also be exchanged for stock options and share purchase warrants to acquire shares of Kepler and the Company's common shares, and any stock options and share purchase warrants shall be cancelled. On August 12, 2020, the Company completed the transaction and amalgamated with 1232725 B.C. Ltd. and changed its name to ESE Entertainment Holdings Inc. Kepler issued 32,430,391 common shares to ESE shareholders on a 1:1 basis including the private placement shares described below.

Concurrently, the Company completed a non-brokered private placement financing of 5,243,724 subscription receipts at an issue price of \$0.25 per subscription receipts for gross proceeds of \$2,260,931. 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 Kepler by the shareholders of the Company and to align the financial years of Kepler to that of the Company, Kepler have changed its financial year from June 30 of each year to October 31 of each year. Kepler has been renamed to "ESE Entertainment Inc." and the Company shares will commence trading on the TSX Venture Exchange under the trading symbol "ESE" on August 17, 2020.