

ESE ENTERTAINMENT INC.

Management's discussion and analysis

For the three and nine months ended July 31, 2023

Dated: September 29, 2023

The following is a management's discussion and analysis ("MD&A") of ESE Entertainment Inc. (the "Company"), prepared as of September 29, 2023. This MD&A should be read together with the unaudited condensed interim consolidated financial statements for the three and nine months ended July 31, 2023 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial amounts are stated in Canadian dollars unless otherwise indicated.

Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, the assumption that the Company will become fully compliant with regulatory filing and continued listing requirements, uncertainty as to timely availability of permits and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of the date of the MD&A and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

Additional information related to the Company is available for view on SEDAR+ at www.sedarplus.ca.

The Company's Business

ESE Entertainment Inc. is the parent company of ESE Entertainment Holdings Inc. ("ESE"). The Company is a global entertainment and technology company focused on gaming and esports, primarily in the business of attracting gamers and fans to its clients, such as video game developers, publishers, and brands. The Company provides a range of services to leading video game developers, publishers, and brands by providing technology, infrastructure, and fan engagement services internationally. ESE also operates its own ecommerce channels, esports teams, and gaming leagues. The Company was incorporated on June 14, 2018 in British Columbia, Canada. The Company's registered office is at 6th Floor, 905 West Pender Street, Vancouver, British Columbia, V6C 1L6 and its head office is located at 1000-409 Granville Street, Vancouver, British Columbia, V6C 1T2.

On April 12, 2021, the Company acquired 51% of the business of World Phoning Group Inc, Encore Telecom Inc., and their two European operating subsidiaries, WPG Racing Solutions and Foresight Resolution (collectively, "WPGI"). Certain assets and liabilities of WPGI were rolled into a newly incorporated Canadian company, World Performance Group Ltd. ("WPG"), and, pursuant to a share purchase agreement dated February 15, 2021, the Company acquired 51% of the issued and outstanding shares of WPG.

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On September 15, 2021, the Company acquired 100% of the issued and outstanding shares of Auto Simulation Limited trading as Digital Motorsports ("Digital Motorsports").

On November 12, 2021, the Company acquired 100% of the issued and outstanding shares of Frenzy sp. Z.o.o ("Frenzy").

On February 1, 2022, the Company acquired 100% of the issued and outstanding shares of 9327-7358 Quebec Inc. DBA GameAddik ("GameAddik").

On June 6, 2022, the Company began trading on the OTCQX Best Market under the ticket symbol of "ENTEF".

Description of the Business

ESE is a global entertainment and technology company focused on gaming and esports. The Company provides a range of services to leading video game developers, publishers, and brands by providing technology, infrastructure, and fan engagement services internationally. ESE also operates its own ecommerce channels, esports teams, and gaming leagues. The Company's revenue streams include media rights, sponsorships and advertising, events and merchandise, and competition earnings.

In addition to these four original sources of revenue, through the Company's acquisition of WPG, Digital Motorsports, Frenzy and GameAddik, the Company has expanded into the following business lines: technology and data, media production and distribution, fan engagement, telecom infrastructure and advanced simulation racing infrastructure, and support.

GameAddik is a Canadian-based technology company focused on gaming and esports, bringing a new revenue channel of video-game advertising to the Company's service offerings. GameAddik is focused on developing technology and data to bring new players to its customers, who are video game developers and publishers. It uses its custom technology to create and deploy ads for its clients' video games across the internet.

Digital Motorsports is one of the leading simulation racing solutions providers in Europe, specializing in building bespoke simulators and offering turnkey simulator packages. Digital Motorsports has key vendor distribution rights and partnerships in the industry.

Frenzy is a European-based media and product infrastructure company focused on the video game industry, which creates and executes esports and gaming events, broadcasts, and media content.

WPG is a Canadian and European based infrastructure business for management of fan engagement for OTT and esports. WPG works with its customers to build new and improved business-to-consumer & business-to-business processes that align with the customer's brand, boost retention, enhance off-site fan interaction, and improve ROI. WPG provides bespoke, omni-channel solutions, that encompass traditional channels (voice, chat, email), social media channels (Twitter, Facebook) and embrace new community channels (Discord, Reddit, etc.), used by millennials and many younger fans.

Technology and Data

The Company provides gaming technology and data services to clients through its subsidiaries. The Company provides data and analytics services to video game developers, looking for insight on new users. Further, ESE offers gaming developers a user acquisition service, where ESE uses its technology platform to bring new players/users to video game developers. The Company also has a portfolio of intellectual property related to racing simulator solutions, components, and is developing cloud-based racing services. Additionally, the Company is developing both products and technology to reduce the complexity and barriers to entry in gaming.

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Ecommerce

ESE operates a business unit for ecommerce. This business unit owns and develops ecommerce platforms in order to sell products to customers globally. The platforms are primarily through online ecommerce websites, where customers can purchase goods directly. The primary platforms available include digital-motorsports.com, an online store focused on simulation racing equipment and hardware, and K1CK.com, which sells branded esports and gaming merchandise.

Digital Events

ESE has both digital and physical infrastructure to organize events, competitions, tournaments, leagues and more for the gaming industry. For example, ESE hosts gaming competitions for game developers, such as Ultraliga, a premier competition based on the game League of Legends (owned by Riot Games). This event is hosted in Europe by the Company, and invites the best teams covering Europe. In addition, ESE also works on production of the EA SPORTS FIFA tournament, Ekstraklasa Games. The Ekstraklasa Games is a tournament in EA SPORTS FIFA, a video game developed by Electronic Arts Inc. (NASDAQ:EA), dedicated to both professional esports players associated with Ekstraklasa soccer clubs as well as amateurs. ESE has also previously collaborated with gaming developers Ubisoft and CD Projekt for other gaming events.

The Company also has the business relationships to host esports events at state-of-the-art arenas in Europe.

Future events will obtain sponsorships which will be recognized as additional revenue streams. Previous sponsors include major brands like Redbull and Corsair Gaming.

Esports Professional Teams

ESE operates professional esports teams under the wholly-owned esports brand K1CK. It operates in multiple high profile games including Apex Legends, and FIFA. The Company currently has two active teams consisting of professional esports players supported by experienced coaches to compete on the world stage with other international teams alongside TSM, 100 Thieves, NRG Esports, FC Schalke 04 Esports, Fnatic, and more, for competition prize winnings.

Simulation racing and Digital Motorsport Solutions

ESE operates a business unit for simulation racing and digital motorsports. Key services include 3D laser scanning of the facility and the adjacent area, aerial photography, preparation of documentation with architectural standards, creation of multimedia animations (virtual tour), development of 3D models for the game Assetto Corsa or Factor 2, creating promotional video clips, and creating a model for virtual reality presentations.

ESE takes geodetic measurements of race tracks and creates photographic documentation. ESE also creates cars on the basis of real models by taking measurements, collecting detailed technical data, recording sounds and then programming the appropriate driving physics for the selected model. The inventory is made using some of the most accurate 3D laser scanning methods available today.

Esports Events Broadcasting

ESE provides viewers and fans the ability to stream content hosted by the Company and other event organizers on multiple media outlets. To do so, license to broadcast is required to be purchased from the game publisher such as Riot Games, Activision Blizzard, EA, and more. Competitions will be broadcasted on third party media outlets including Twitch and Youtube that allows revenue generated by sponsors and/or the fans and viewers, on a subscription or one-time basis.

The Company will continue to feature events and gaming related content to be broadcasted on television network operated and owned by Polsat Group, the largest television channels offering based in Poland.

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Esports and Gaming Infrastructure

Through its 51% ownership of WPG, the Company is an enhanced solutions provider operating an infrastructure business for management of fan engagement for OTT & esports. WPG works with its customers to build new and improved B2C & B2B processes that align with the customer's brand, boost retention, enhance fan interaction, improve ROI, and increase sales and profit margins. WPG provides bespoke, omni-channel solutions that encompass the traditional esports channels (voice, chat, email) and embrace new contact channels (Discord, Reddit, etc.) and social media used by millennials and many of today's younger fans. WPG also offers robust out-sourced network services, including B2B and B2C services, and operates a global telecom network.

Acquisition of WPG

On April 12, 2021, the Company acquired 51% of the issued and outstanding shares of WPG. The acquisition of WPG was an important step to build infrastructure, as customer service is expected to be an important part of gaming and esports moving forward. WPG has the framework that can support esports and gaming events in the future. The purchase price consisted of (i) \$10,000 refundable deposit (paid), (ii) \$128,019 in cash on closing of the transaction (the "Closing") (paid), and (iii) issuance of 585,156 common shares of the Company. The Company is also required to (i) issue 6,664,845 common shares (the "Deferred Compensation Shares"), vesting over three years, and (ii) advance \$750,000 to WPG (the "Working Capital Amount"). The Deferred Compensation Shares are considered a post-combination expense. Pursuant to the agreement, WPG is not required to repay or reimburse the Company all or any portion of the Working Capital Amount.

The transaction was accounted for as a business combination, as the operations of WPG meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed.

The fair value of the 585,156 common shares issued (\$1,345,858) was determined based on the share price of the Company on the date of acquisition. The consideration was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The purchase price was allocated as follows:

Cash	\$	128,019
585,156 common shares of the Company		1,345,858
Fair value of consideration		1,473,877
Allocated to the fair value of net assets acquired (liabilities assumed):		
Cash		69,823
Receivables		501,275
Prepaid expenses		34,593
Equipment and right-of-use asset		136,239
Goodwill		3,548,313
Accounts payable and accrued liabilities		(437,125)
Lease Liabilities		(104,693)
Income tax payable		(5,059)
Funds from the Company prior to the acquisition		(290,000)
Loans and credit facilities		(509,086)
Deferred revenue		(54,325)
Non-controlling interest		(1,416,078)
Total net assets acquired	\$	1,473,877

The Company relied on the work of third-party valuation specialists and the assessment of the discounted cash flow forecast did not support the carrying value of goodwill. Accordingly the goodwill of \$3,548,313 was written off and recorded as an impairment loss during the year ended October 31, 2021. The Company also issued 434,999 common shares to consultants for a total value of \$1,000,498 for providing M&A advisory services in connection with the acquisition of WPG. The amount was recorded as finder's fee in the consolidated statement of loss.

The Company has the option to acquire the remaining 49% of the issued and outstanding shares of WPG (the "Minority Interest") at any time within 34 months following the closing by: (i) paying \$624,613 in cash; and (ii)

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issuing 2,500,000 common shares. WPGI also has the right to sell the Minority Interest to the Company at any time within 34 months following the closing upon the occurrence of a change of control event in exchange for the Company: (i) paying \$780,767 in cash; and (ii) issuing 3,125,000 common shares.

The value of 49% of the outstanding shares of WPG was determined to be \$1,416,078 and is accounted for as a non-controlling interest.

The operating results for WPG have been recognized in the consolidated statement of loss and comprehensive loss beginning on April 12, 2021, the effective date of obtaining control.

Acquisition of Digital Motorsports

On September 15, 2021, the Company acquired 100% of the issued and outstanding shares of Digital Motorsports. The acquisition is intended to build on ESE's position in the simulation racing market, and bring it one step closer to becoming a significant gaming and esports company. The purchase price consisted of (i) \$1,681,250 in cash on closing of the transaction (the "Closing") (paid), (ii) issuance of 941,500 common shares of the Company, and (iii) up to 8,473,500 contingent earn-out common shares (the "DMS Contingent Shares") to be issued in six equal installments, with the first installment being issued on October 14, 2021, subject to DMS generating revenue (as defined) greater than €2,587,005 for the prior four quarters, assessed every six months between Closing and January 1, 2027. The Company will also advance €250,000 to Digital Motorsports (the "DMS Working Capital Amount"). Pursuant to the agreement, Digital Motorsports is not required to repay or reimburse the Company all or any portion of the DMS Working Capital Amount.

The transaction was accounted for as a business combination, as the operations of Digital Motorsports meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed.

The fair value of the 941,500 common shares issued (\$950,915) was determined based on the share price of the Company on the date of acquisition. The estimated fair value of the 8,473,500 DMS Contingent Shares (\$5,664,314) was determined as the present value based on the share price of the Company on the date of acquisition and discounted using a WACC rate of 31% to account for the timing of the future share issuances. The calculation was based on the assumption that the revenue threshold would be met, given the revenue forecast prepared by management.

The consideration was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. During the year ended October 31, 2021, due to the timing of the acquisition, the Company recorded provisional amounts for the consideration and the net assets acquired. As additional information was received, the determination of the fair value of the net assets has been revised. The purchase price was allocated as follows:

Cash	\$	1,681,250
941,500 common shares of the Company		950,915
8,473,500 DMS Contingent Shares to be issued		5,664,314
Fair value of consideration		8,296,479
Allocated to the fair value of net assets acquired:		
Cash		138,761
Receivables		79,812
Prepaid expenses		325,315
Inventory		235,736
Equipment and right-of-use asset		235,303
Customer relationships		136,000
Brand and media presence		575,000
Goodwill		7,608,827
Accounts payable and accrued liabilities		(607,336)
Shareholder loans		(112,088)
Deferred revenue		(98,555)
Lease Liabilities		(119,724)
Income tax payable		(24,694)
Deferred tax liability		(75,878)
Total net assets acquired	\$	8,296,479

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The Company relied on the work of third-party valuation specialists to determine the value of customer relationships, brand and media presence and goodwill as at September 15, 2011. During the year ended October 31, 2022, the Company determined that the performance of Digital Motorsports did not support the carrying value of intangible assets and goodwill. As a result, the customer relationships, brand and media presence and goodwill have been written off and \$8,273,827 has been recorded as an impairment loss during the year ended October 31, 2022.

The Company also issued 470,750 common shares to consultants for a total value of \$475,458 and paid cash of \$84,062 for providing M&A advisory services in connection with the acquisition of Digital Motorsports. The Company also paid \$109,905 in stamp taxes on Closing. These amounts were recorded as finder's fees and stamp's duty for acquisitions in the consolidated statement of loss.

The changes in the number of DMS Contingent Shares to be issued during the nine months ended July 31, 2023, and year ended October 31, 2022 are as follows:

Balance, October 31, 2021	7,061,250
Issued	(1,412,250)
Balance, October 31, 2022	5,649,000
Issued	(2,047,762)
Balance, July 31, 2023	3,601,238

The operating results for Digital Motorsports have been recognized in the consolidated statement of loss and comprehensive loss beginning on September 15, 2021, the effective date of obtaining control.

Acquisition of Frenzy

On November 12, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Frenzy, a European esports media and technology company. The acquisition of Frenzy is a key addition to ESE's ability to produce, host, and execute esports and gaming events and content. The acquisition included key equipment, operators, and distribution channels that allow ESE to expand its service offerings and capacity for new media business.

The purchase price consisted of (i) \$1,380,044 in cash paid on the closing of the transaction which includes a working capital adjustment (paid); (ii) \$1,183,123 in cash payable six months following closing; (iii) 656,606 common shares of the Company issued on closing (issued); and (iv) a minimum of 1,363,720 common shares (the "Frenzy Earn Out Shares") to be issued in four equal installments, subject to Frenzy generating revenue (as defined) greater than PLN7,460,950 for the prior four quarters, assessed every six months following closing. The Company has also agreed to discharge a loan owed by Frenzy in the amount of \$118,754 concurrently with closing.

The transaction was accounted for as a business combination, as the operations of Frenzy meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed.

The fair value of the 656,606 common shares issued (\$866,720) was determined based on the share price of the Company on the date of acquisition. The estimated fair value of the 1,363,720 Frenzy Earn Out Shares (\$1,223,446) was determined as the present value based on the share price of the Company on the date of acquisition and discounted using a WACC rate of 31% to account for the timing of the future share issuances. The calculation was based on the assumption that the revenue threshold would be met, given the revenue forecast prepared by management. As the number of the Frenzy Earn Out Shares to be issued is contingent on the share prices of the Company on the earn out dates and the Company has an obligation to make a cash payment if the shares are not issued, the Frenzy Earn Out Shares meet the definition of a financial liability and is recorded as such and revalued on each subsequent reporting date with the changes in the fair value recorded in profit and loss.

The consideration was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The purchase price was allocated as follows:

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Cash	\$ 1,380,044
Cash – loan discharge	118,754
Deferred cash payment	1,183,123
656,606 common shares of the Company	866,720
1,363,720 Frenzy Earn Out Shares to be issued	1,223,446
Fair value of consideration	4,772,087
Allocated to the fair value of net assets acquired (liabilities assumed):	
Cash	109,054
Receivables	718,480
Equipment and other	193,915
Goodwill	4,768,620
Accounts payable and accrued liabilities	(327,246)
Loans and credit facilities	(583,718)
Income tax payable	(107,018)
Total net assets acquired	\$ 4,772,087

The Company expects to collect all of the receivables acquired through the acquisition of Frenzy. The Company relied on the work of third-party valuation specialists and the assessment of the discounted cash flow forecast did not support the carrying value of goodwill. Accordingly the goodwill of \$4,768,620 has been written off and recorded as an impairment loss during the year ended October 31, 2022.

The Company also issued 101,016 common shares to consultants for a total value of \$133,341 and paid cash of \$124,250 for providing advisory services in connection with the acquisition of Frenzy. These amounts were recorded as finder's fees in the statement of loss and comprehensive loss.

The operating results for Frenzy have been recognized in the consolidated statement of loss and comprehensive loss beginning on November 12, 2021, the effective date of obtaining control.

The changes in the consideration payable during the nine months ended July 31, 2023 and year ended October 31, 2022 are as follows:

Balance, October 31, 2021	\$ -
Fair value of Frenzy Earn Out Shares to be issued	1,223,446
First tranche of Frenzy Earn Out Shares issued	(388,660)
Loss on revaluation of consideration payable	56,001
Balance, October 31, 2022	890,787
Second tranche of Frenzy Earn Out Shares issued	(235,242)
Gain on revaluation of consideration payable	(437,957)
Balance, July 31, 2023	217,588
Less: Current portion	(217,588)
Non-current portion	\$ -

The fair value of the considerable payable at July 31, 2023 was determined as the present value based on the share price of the Company on July 31, 2023 and discounted using a WACC rate of 31%.

During the nine months ended July 31, 2023, the Company paid \$nil (2022 - \$nil) towards the Frenzy acquisition payment commitment, and the balance outstanding as at July 31, 2023 was \$862,801 (October 31, 2022 - \$862,801). The changes in the Frenzy acquisition payment commitment during the nine months ended July 31, 2023 and year ended October 31, 2022 are as follows:

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Balance, October 31, 2021	\$	-
Added		1,183,123
Payment		(320,322)
Balance, July 31, 2023 and October 31, 2022	\$	862,801

Acquisition of GameAddik

On February 1, 2022, the Company completed the acquisition of 100% of the issued and outstanding shares of GameAddik, a Canadian technology and data company focused on gaming and esports, primarily in the business of attracting gamers and fans to its clients, such as video game developers, publishers, and brands. The acquisition of GameAddik allows ESE to bring a new revenue channel of video game advertising to expand its service offerings. GameAddik creates and executes its performance technology software to generate users and increase the reach of video games for its customers, which are primarily video game developers.

The technology developed and utilized by GameAddik includes unified campaign management, multi-engine search campaigns, and programmatic display and video advertising. The Company has developed methods for tracking and reporting ad performance across diverse channels and devices while using built-in ad verification to protect budget from fraud. In addition, it utilizes automated bidding and optimization for data-driven results and other tools to improve quality and delivery. The technology is used for precision targeting, including the ability to limit operating systems, browsers, and devices, to provide downloads or registrations to its customers' video games.

The purchase price consisted of: (i) \$2,061,000 in cash to be paid on closing or within 5 days of closing (paid); (ii) \$2,751,000 in cash to be paid 6 months from closing, plus working capital adjustment of \$2,378,394; and (iii) 7,377,143 common shares of ESE (the "Consideration Shares") (issued). The Company will have the right to repurchase 6,497,959 of the Consideration Shares for nominal consideration if revenues of GameAddik do not reach \$5,000,000 for 2022 and \$6,250,000 for the 2023 and 2024 fiscal years. 5,378,887 of the Consideration Shares are considered a post-combination expense, and 1,119,072 of the Consideration Shares are considered an acquisition cost.

The transaction was accounted for as a business combination, as the operations of GameAddik meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed. The goodwill resulting from the allocation of the purchase price to the total fair value of net liabilities will represent the sales and growth potential of GameAddik.

The fair value of the 879,184 common shares issued (\$1,213,274) was determined based on the share price of the Company on the date of acquisition. The estimated fair value of the 1,119,072 Consideration Shares (\$1,040,906) was determined as the present value based on the share price of the Company on the date of acquisition and discounted using a WACC rate of 31% to account for the timing of the future share issuances. The calculation was based on the assumption that the revenue threshold would be met, given the revenue forecast prepared by management.

The consideration was allocated to the assets acquired and liabilities assumed on a preliminary basis based on their estimated fair values at the date of acquisition. The determination of the fair value of the net assets (liabilities) may be revised if additional information is received. The purchase price was allocated as follows:

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Cash	\$ 2,061,000
Deferred cash payment	2,751,000
Working capital adjustment	2,378,394
879,184 common shares of the Company	1,213,274
1,119,072 Consideration Shares	1,040,906
Fair value of consideration	9,444,574
Allocated to the fair value of net assets acquired (liabilities assumed):	
Cash	123,895
Receivables	3,681,886
Investments	301,187
Prepaid expenses and deposits	24,649
Equipment	1,557,120
Customer relationships	1,230,000
Brand and media presence	2,790,000
Goodwill	3,160,975
Other non-current assets	13,045
Lease liability	(973,880)
Lawsuit liability	(250,000)
Accounts payable and accrued liabilities	(1,215,253)
Deferred tax liability	(999,050)
Total net assets acquired	\$ 9,444,574

The Company expects to collect all of the receivables acquired through the acquisition of GameAddik. The Company relied on the work of third-party valuation specialists to determine the value of customer relationships, brand and media presence and goodwill as at the acquisition date.

The Company also issued 368,858 common shares to consultants for a total value of \$509,024, paid cash of \$240,600 for providing advisory services, and incurred transaction costs of \$532,348 in connection with the acquisition of GameAddik. These amounts were recorded as finder's fees in the consolidated statement of loss and comprehensive loss.

The operating results for GameAddik have been recognized in the consolidated statement of loss and comprehensive loss beginning on February 1, 2022, the effective date of obtaining control.

During the nine months ended July 31, 2023, the Company paid \$2,129,394 (2022- \$nil) towards the GameAddik acquisition payment commitment, and the balance outstanding as at July 31, 2023 was \$nil (October 31, 2022 - \$2,129,394). The changes in the GameAddik acquisition payment commitment during the nine months ended July 31, 2023 and year ended October 31, 2022 are as follows:

Balance, October 31, 2021	\$ -
Added	5,129,394
Payment	(3,000,000)
Balance, October 31, 2022	2,129,394
Payment	(2,129,394)
Balance, July 31, 2023	\$ -

Management performed impairment testing at October 31, 2022 and determined that there was no impairment to customer relationships, brand and media presence and goodwill.

Discontinued Operations

Subsequent to July 31, 2023, the Company entered into a definitive share purchase agreement dated August 5, 2023 (the "SPA") with an affiliate of BlackPines Capital Partners Ltd., ("BlackPines" or the "Purchaser") for the sale of 70% of the issued and outstanding shares (the "Transaction") of the Company's wholly-owned

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subsidiary, GameAddik. The remaining 30% of the issued and outstanding shares of GameAddik will be retained by the Company. The Transaction was completed on August 16, 2023.

As at July 31, 2023, the Company determined that GameAddik is a discontinued operation as it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continued use and its video-gaming advertising business represents a separate major line of business. Accordingly, the GameAddik is considered to be a discontinued operation for the Company, and has classified GameAddik's assets and liabilities as held-for-sale as at July 31, 2023. GameAddik's net income and cash flows have been presented in these consolidated interim financial statements as discontinued operations.

The assets and liabilities of GameAddik are presented as held-for-sale as at July 31, 2023 as shown below:

	July 31, 2023
ASSETS	
Cash	\$ 143,074
Receivables	3,989,200
Prepaid expense	1,946
Property and equipment	1,389,430
Intangible assets	3,406,685
Goodwill	3,160,975
Assets held-for-sale	\$ 12,091,310
LIABILITIES	
Accounts payable and accrued liabilities	\$ (1,581,599)
Lease liabilities	(810,504)
Income taxes payable	(72,249)
Loans and credit facilities	(575,000)
Deferred income tax liability	(910,551)
Liabilities held-for-sale	\$ 3,949,903

The results of operations for GameAddik are presented as discontinued operations for the three and nine months ended July 31, 2023 and 2022 as shown below:

	For the three months ended July 31,		For the nine months ended July 31,	
	2023	2022	2023	2022
Revenue	\$ 6,059,707	\$ 5,956,582	\$ 18,557,804	\$ 13,118,631
Cost of sales	(4,424,951)	(3,887,489)	(13,359,832)	(8,422,155)
Gross Profit	1,634,756	2,069,093	5,197,972	4,696,476
Expenses	(1,237,211)	(982,201)	(3,678,650)	(1,911,531)
Other items:	(52,824)	84,666	(199,642)	61,551
Net income for the period before taxes	344,721	1,171,558	1,319,680	2,846,496
Provision for income taxes	166,356	(443,556)	(378,429)	(750,939)
Net income for the period from discontinued operations	511,077	728,002	941,251	2,095,557

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Selected Quarterly Financial Information

The table below sets out certain selected financial information regarding the operations of the Company for the periods indicated. The selected financial information has been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements and related notes.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure and investors are cautioned not to place undue reliance on them and are urged to read all IFRS accounting disclosures present in the consolidated financial statements and accompanying notes for three and nine months ended July 31, 2023.

The Company uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. These non-IFRS financial measures include adjusted EBITDA. The Company believes these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business.

Adjusted EBITDA is defined as earnings before interest income, taxes, depreciation and amortization, share-based compensation, restructuring costs, impairment charges and other non-recurring gains or losses. Management believes EBITDA is a useful measure that facilitates period-to-period operating comparisons.

Readers are cautioned that "EBITDA" is not an alternative to measures determined in accordance with IFRS and should not, on its own, be construed as indicators of performance, cash flow or profitability.

	July 31, 2023 Qtr 3	April 30, 2023 Qtr 2	January 31, 2023 Qtr 1	October 31, 2022 Qtr 4
Revenue	\$ 11,722,705	\$ 10,991,465	\$ 13,918,390	\$ 19,855,863
Adjusted EBITDA	\$ (403,713)	\$ (541,383)	\$ (48,466)	\$ (251,931)
Net loss	\$ (1,734,942)	\$ (2,936,556)	\$ (2,070,918)	\$ (16,609,689)
Comprehensive loss	\$ (1,884,382)	\$ (2,726,568)	\$ (2,003,599)	\$ (16,588,427)
Loss per share	\$ (0.02)	\$ (0.04)	\$ (0.03)	\$ (0.23)

	July 31, 2022 Qtr 3	April 30, 2022 Qtr 2	January 31, 2022 Qtr 1	October 31, 2021 Qtr 4
Revenue	\$ 15,934,352	\$ 15,002,676	\$ 8,025,694	\$ 6,240,948
Adjusted EBITDA	\$ (14,874)	\$ 884,751	\$ (795,338)	\$ (1,301,519)
Net loss	\$ (9,485,845)	\$ (2,014,133)	\$ (1,706,057)	\$ (12,433,353)
Comprehensive loss	\$ (9,634,799)	\$ (2,117,228)	\$ (1,507,597)	\$ (12,530,789)
Loss per share	\$ (0.13)	\$ (0.03)	\$ (0.03)	\$ (0.24)

During the quarter ended January 31, 2023, the Company recorded a net loss of \$2,070,918 as compared to the previous quarter of \$16,609,689. The decrease in net loss of \$14,538,771 is attributable to the impairment of assets and share-based payments recognized during the previous quarter.

During the quarter ended April 30, 2023, the Company recorded a net loss of \$2,936,556 as compared to the previous quarter of \$2,070,918. The increase in net loss of \$865,638 is attributable to the decrease in gross profit and increase in interest and accretion expense for the convertible notes during the quarter.

During the quarter ended July 31, 2023, the Company recorded a net loss of \$1,734,942 as compared to the previous quarter of \$2,936,556. The decrease in net loss of \$1,201,614 is attributable to the decrease in expenses such as general and administration, professional fees, advertising and promotion and filing fees during the quarter.

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Results of Operations

	For the three months ended July 31,		For the nine months ended July 31,	
	2023	2022	2023	2022
Total revenue (including discontinued operations)	\$ 11,722,705	\$ 15,934,352	\$ 36,632,560	\$ 38,962,722
Adjusted EBITDA	\$ (403,713)	\$ (14,874)	\$ (993,562)	\$ 74,539
Net loss	\$ (1,734,942)	\$ (9,485,845)	\$ (6,742,416)	\$ (13,206,035)
Net loss from continuing operations	\$ (2,246,019)	\$ (10,213,847)	\$ (7,683,667)	\$ (15,301,592)
Net income from discontinued operations	\$ 511,077	\$ 728,002	\$ 941,251	\$ 2,095,557
Comprehensive loss	\$ (1,884,382)	\$ (9,634,799)	\$ (6,614,549)	\$ (13,259,624)
Loss per share	\$ (0.02)	\$ (0.13)	\$ (0.09)	\$ (0.20)
Loss per share from continuing operations	\$ (0.03)	\$ (0.15)	\$ (0.10)	\$ (0.23)
Income per share from discontinued operations	\$ 0.01	\$ 0.02	\$ (0.13)	\$ (0.09)
Net loss attributable to shareholders	\$ (1,646,930)	\$ (9,317,008)	\$ (6,432,281)	\$ (13,090,899)
Net loss per share attributable to shareholders	\$ (0.02)	\$ (0.13)	\$ (0.08)	\$ (0.19)

During the three months ended July 31, 2023

During the three months ended July 31, 2023, the Company recorded a net loss of \$1,734,942 as compared to \$9,485,845 for the three months ended July 31, 2022. Included in the current net loss was share based payments of \$1,168,683, wages, benefits and consulting of \$1,010,538, and general and administration expenses of \$15,611.

During the three months ended July 31, 2023, the Company recorded revenues of \$11,722,705 as compared to \$15,934,352 during the three months ended July 31, 2022. The decrease in revenue is primarily driven by a decrease in revenue from the telecommunications and call center services, and sale of products and solutions segments.

Total expenses for the three months ended July 31, 2023 amounted to \$2,835,495 as compared to \$11,157,463 for the previous period, a decrease of \$8,321,968. The decrease was primarily due to a decrease in share-based payments.

During the nine months ended July 31, 2023

During the nine months ended July 31, 2023, the Company recorded a net loss of \$6,742,416 as compared to \$13,206,035 for the nine months ended July 31, 2022. Included in the current net loss was share based payments of \$3,967,910, wages, benefits and consulting of \$3,399,441, and general and administration expenses of \$1,401,794.

During the nine months ended July 31, 2023, the Company recorded revenues of \$36,632,560 as compared to \$38,962,722 during the nine months ended July 31, 2022. The decrease in revenue is primarily driven by a decrease in revenue from the telecommunications and call center services, and sale of products and solutions segments.

Total expenses for the nine months ended July 31, 2023 amounted to \$11,100,874 as compared to \$18,451,530 for the previous period, an increase of \$7,350,656. The decrease was primarily due to a decrease in share-based payments. During the nine months ended July 31, 2023, share-based payments were recognized for the valuation of deferred compensation shares related to the acquisitions of WPG and GameAddik.

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Liquidity and Capital Resources

	For the nine months ended July 31,	
	2023	2022
Net cash used in operating activities	\$ (208,756)	\$ (489,596)
Net cash used in investing activities	\$ (2,284,976)	\$ (4,003,826)
Net cash provided by financing activities	\$ 2,053,833	\$ 3,463,940

The Company's cash position as at July 31, 2023 was \$327,505 (October 31, 2022 - \$812,220) with a working capital of \$2,345,201 (October 31, 2022 - working capital deficit of \$2,148,633). Total assets as at July 31, 2023 were \$15,248,385 (October 31, 2022 - \$21,450,513).

The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company may not be able to generate enough cash from its operations in the foreseeable future, the Company may have to rely on loans from external or related parties and the issuance of shares, to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

During the year ended October 31, 2021, WPG obtained a revolving demand credit facility of \$400,000 which bears interest at Royal Bank Prime plus 2% for loans made in Canadian dollars, and at Royal Bank US Base Rate plus 2% for loans made in US dollars. The facility is secured by a general security agreement in all personal property of WPG, a first ranking security interest in all accounts receivable of WPG, and a guarantee and postponement of claim in the amount of \$300,000 signed by the Company. During the nine months ended July 31, 2023, the Company drew \$1,123,297 (2022 - \$1,385,238) and repaid \$1,022,253 (2022 - \$790,870). As at July 31, 2023, the amount drawn from the credit facility is \$384,763 (October 31, 2022 - \$283,719).

During the year ended October 31, 2022, 1,112,500 stock options were exercised for total proceeds of \$488,550.

During the year ended October 31, 2022, 26,822 agent's warrants were exercised for total proceeds of \$8,438.

On February 16, 2022, the Company raised gross proceeds of \$1,575,000 through the issuance of 1,575 convertible note units at a price of \$1,000 per unit. Each unit consists of \$1,000 in principal amount of an unsecured convertible note and 250 common share purchase warrants of the Company. The convertible note will mature on February 16, 2024 and bears interest at a simple rate of 10% per annum. Interest is payable quarterly on the last business day of each quarter, commencing on March 31, 2022. The entire principal amount of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$1.60 per share at any time prior to the maturity date. The accrued but unpaid interest may also be converted into common shares at a conversion price equal to the greater of (i) \$1.60 and (ii) the market price of the Company's common shares on the conversion date. Each warrant is exercisable into one common share of the Company at a price of \$1.60 per share expiring two years from closing. During the nine months ended July 31, 2023, the Company repaid \$250,000 of the principal amount of the convertible notes.

On April 8, 2022, April 14, 2022 and April 21, 2022, the Company raised gross proceeds of \$1,680,000 through the issuance of 1,680 convertible note units at a price of \$1,000 per unit. Each unit consists of \$1,000 in principal amount of an unsecured convertible note and 313 common share purchase warrants of the Company. The convertible note will mature on April 7, 2024, April 13, 2024 and April 20, 2024, respectively, and bears interest at a simple rate of 10% per annum. Interest is payable quarterly on the last business day of each quarter, commencing on June 30, 2022. The entire principal amount of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$1.60 per share at any time prior to the maturity date. The accrued but unpaid interest may also be converted into common shares at a conversion price equal to the greater of (i) \$1.60 and (ii) the market price of the Company's common shares on the conversion date. Each warrant is exercisable into one common share of the Company at a price of \$1.60 per share expiring two years from closing.

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During the year ended October 31, 2022, 1,112,500 stock options were exercised for total proceeds of \$488,550.

During the year ended October 31, 2022, 26,822 agent's warrants were exercised for total proceeds of \$8,438.

During the year ended October 31, 2022, GameAddik obtained a revolving demand credit facility of \$2,000,000 which bears interest at National Bank Prime plus 1% for loans in Canadian currency. The facility is secured by a general security agreement with a first ranking security interest in all accounts receivable of GameAddik. During the nine months ended July 31, 2023, the Company drew \$4,375,000 (2022 - \$nil) and repaid \$5,050,000 (2022 - \$nil). As at July 31, 2023, the amount drawn from the credit facility is \$575,000 (October 31, 2022 - \$1,250,000). GameAddik must maintain a minimum of a working capital ratio of 1.25 and total shareholders' equity of \$2,000,000. As at July 31, 2023, this covenant has been met.

During the year ended October 31, 2022, the Company obtained a \$500,000 promissory note, inclusive of a \$25,000 discount for gross proceeds of \$475,000. The loan was secured by cash and cash equivalents of the Company in the amount of \$250,000. On January 31, 2023, the \$500,000 promissory note was amended and exchanged for a convertible note with a principal amount of \$500,000.

On January 16, 2023, the Company raised gross proceeds of \$1,250,000 through the issuance of 1,250 convertible note units at a price of \$1,000 per unit. Each unit is comprised of one secured convertible debenture having a principal amount of \$1,111 and 2,500 common share purchase warrants of the Company. The aggregate principal amount of the debentures issued pursuant to the offering is \$1,388,889, inclusive of a 10% original issue discount. The convertible note is secured by a general security agreement over all of the Company's assets. The convertible note will mature on January 16, 2025. On the one year anniversary of the closing date, the principal amount then outstanding will be increased by 10%. The entire principal amount of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$0.40 per share at any time prior to the maturity date. Each warrant is exercisable into one common share of the Company at a price of \$0.70 per share expiring two years from closing. The Company incurred cash transaction costs of \$76,200. During the nine months ended July 31, 2023, the Company repaid \$375,000 of the principal amount of the convertible notes.

On December 30, 2022, January 24, 2023 and January 27, 2023, the Company closed three tranches of a non-brokered private placement financing of units of the Company at a price of \$0.40 per unit. Each unit consists of one common share and one-half of one common share purchase warrant of the Company. Within the unit, a value of \$0.35 was attributed to the common share and \$0.05 to the warrant using the residual value method. Each warrant is exercisable into one common share of the Company at a price of \$0.70 per share expiring three years from closing.

For the first tranche, the Company issued an aggregate of 497,375 units for gross proceeds of \$198,950. The Company paid cash finders' fees of \$9,972 and issued a total of 24,928 Agents' warrants. Each Agents' warrant is exercisable at \$0.40 per share expiring three years from closing.

For the second tranche, the Company issued an aggregate of 2,372,662 units for gross proceeds of \$949,064. The Company paid cash finders' fees of \$59,616 and issued a total of 149,041 Agents' warrants. Each Agents' warrant is exercisable at \$0.40 per share expiring three years from closing.

For the third tranche, the Company issued an aggregate of 2,130,465 units for gross proceeds of \$852,186. The Company paid cash finders' fees of \$21,153 and issued a total of 52,882 Agents' warrants. Each Agents' warrant is exercisable at \$0.40 per share expiring three years from closing.

During the nine months ended July 31, 2023, 65,000 stock options were exercised for total proceeds of \$20,150.

During the nine months ended July 31, 2023, the Company obtained a \$100,000 promissory note. The loan matures on November 28, 2024, is unsecured, and bears interest at a simple rate of 10% per annum. The accrued interest is payable on each of October 31, 2023, October 31, 2024 and November 28, 2024.

During the nine months ended July 31, 2023, the Company obtained \$290,000 in promissory notes from a related party. The loans mature in 2 years bearing simple interest at 10% per annum payable quarterly. Subsequent to July 31, 2023, the Company repaid these promissory notes.

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Use of proceeds

With respect to the funds received from the December 2022 non-brokered private placement, the following is a comparison of the intended use of proceeds at the time of financing and the actual areas of spending:

	Disclosure in 2022 Offering document \$	Actual \$
Cash paid for deferred acquisition payment	1,000,000	2,129,394
Further develop existing business operations	400,000	362,000
Increase brand awareness	50,000	58,000
Drive revenues from Company's artificial intelligence product, Singularity	100,000	-
General corporate purposes and administrative expenses	250,000	250,000
Repayment of debt		250,000
Unallocated working capital	2,410,000	1,106,606
Subtotal	4,210,000	4,210,000
Convertible debenture unit financing, net of transaction costs	(1,970,000)	(1,173,800)
Additional reserves on hand	(400,000)	(1,370,491)
Total	1,840,000	1,665,709

Other share issuances not disclosed above

On November 12, 2021, the Company acquired 100% of Frenzy by issuing 656,606 common shares for a fair value of \$866,720 and by committing to issue a minimum of 1,363,720 Frenzy Earn Out Shares for a fair value of \$1,223,446. The first tranche of the Frenzy Earn Out Shares to be issued on the first earn out date is determined to be \$388,660. The Company also issued 101,016 common shares to consultants for a total value of \$133,341.

On February 1, 2022, the Company acquired 100% of GameAddik by issuing 7,377,143 Consideration Shares. The Company also issued 368,858 common shares to consultants for a total value of \$509,024. The Consideration Shares are subject to a Reverse Vesting Agreement under which the Company will have the right to repurchase 6,497,959 of the Consideration Shares for nominal consideration if revenues of GameAddik do not reach \$5,000,000 for 2022 and \$6,250,000 for the 2023 and 2024 fiscal years. 5,378,887 of the Consideration Shares are considered a post-combination expense. The fair value of 879,184 of the Consideration Shares (\$1,213,274) was determined based on the share price of the Company on the date of acquisition. The estimated fair value of the 1,119,072 Consideration Shares (\$1,040,906) was determined as the present value based on the share price of the Company on the date of acquisition and discounted using a WACC rate of 31% to account for the timing of the future share issuances. The calculation was based on the assumption that the revenue threshold would be met, given the revenue forecast prepared by management. During the year ended October 31, 2022, the fair value of the Consideration Shares recorded in share capital was \$4,770,680 and the vesting of post-combination expense Consideration Shares recorded as share-based payments was \$4,417,066.

1,412,250 DMS Contingent Shares were issued in February 2022.

During the year ended October 31, 2022, the fair value of the Deferred Compensation Shares to WPG recorded in share capital and share-based payments was \$5,710,384. The fair value was determined based on the share price of the Company on the date of issuance adjusted for the reverse vesting terms.

2,047,762 DMS Contingent Shares were issued in February 2023.

681,860 Frenzy Earn Out Shares were issued in April 2023.

On April 18, 2023, the Company issued 70,175 common shares for a fair value of \$17,895 for the settlement of \$40,000 of accounts payable and accrued liabilities. The fair value of the common shares was determined by reference to the share price of the Company on the date of issuance. The Company recorded a gain on

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debt settlement of \$22,105.

During the nine months ended July 31, 2023, the fair value of the Deferred Compensation Shares to WPG recorded in share capital and share-based payments was \$1,833,149. The fair value was determined based on the share price of the Company on the date of issuance adjusted for the reverse vesting terms.

During the nine months ended July 31, 2023, the fair value of the GameAddik Consideration Shares recorded in share capital was \$2,126,090 and the vesting of post-combination expense Consideration Shares recorded as share-based payments was \$1,794,763.

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders' equity and working capital as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

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 July 31, 2023, the Company has not achieved profitable operations, has accumulated losses of \$57,030,763 (October 31, 2022 - \$50,598,482) 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.

The Company's business financial condition and results of operations may be negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the conflict in Ukraine to the business to be limited, the indirect impacts on the economy could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Financial Instruments

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

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and trade accounts receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Receivable balances are monitored on an ongoing basis. The Company applied the simplified model and determined the lifetime expected credit losses as at July 31, 2023 was \$nil (October 31, 2022 – \$nil). While the Company is exposed to credit losses due to the non-performance of its counterparties, there are no significant concentrations of credit risk, and as such Management does not consider this to be a material risk.

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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 Company pays interest on its convertible notes and promissory notes at a fixed rate of 10% per annum. The Company does not have any material variable interest rates and is not exposed to any material interest rate risk on its cash and debt instruments.

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 accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

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 April 30, 2023 and October 31, 2022, the Company had not utilized any of the credit facility.

During the year ended October 31, 2021, WPG obtained a revolving demand credit facility of \$400,000 which bears interest at Royal Bank Prime plus 2% for loans made in Canadian currency, and at Royal Bank US Base Rate plus 2% for loans made in US Currency. The facility is secured by a general security agreement in all personal property of WPG, a first ranking security interest in all accounts receivable of WPG, and a guarantee and postponement of claim in the amount of \$300,000 signed by the Company. As at July 31, 2023, the amount drawn from the credit facility is \$384,763.

During the year ended October 31, 2022, GameAddik obtained a revolving demand credit facility of \$2,000,000 which bears interest at National Bank Prime plus 1% for loans in Canadian currency. The facility is secured by a general security agreement with a first ranking security interest in all accounts receivable of GameAddik. As at July 31, 2023, the amount drawn from the credit facility is \$575,000. GameAddik must maintain a minimum of a working capital ratio of 1.25 and total shareholders' equity of \$2,000,000. As at July 31, 2023, this covenant has been met.

During the nine months ended July 31, 2023, the Company obtained a \$100,000 promissory note. The loan matures on November 28, 2024, is unsecured, and bears interest at a simple rate of 10% per annum. The accrued interest is payable on each of October 31, 2023, October 31, 2024 and November 28, 2024.

During the nine months ended July 31, 2023, the Company obtained \$290,000 in promissory notes from a related party. The loans mature in 2 years bearing simple interest at 10% per annum payable quarterly. Subsequent to July 31, 2023, the Company repaid these promissory notes.

As at July 31, 2023, the Company had a cash balance of \$327,505 and receivables of \$1,283,113 to settle current liabilities of \$11,750,090. The Company intends to raise adequate funds to meet its liquidity needs for the next twelve months via cash flows from operations, private placement or the sale of over-performing investments.

Contractual cash flow requirements as at July 31, 2023 were as follows:

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	< 1 year \$	1 – 2 years \$	2 – 5 years \$	Total \$
Accounts payable and accrued liabilities	2,848,276	-	-	2,848,276
Lease liabilities	168,842	64,757	15,167	248,766
Acquisition payment commitment	862,801	-	-	862,801
Credit facilities	384,763	-	-	384,763
Loans payable	-	390,000	430,035	820,035
Convertible notes	3,505,000	972,222	-	4,477,222
Total	7,769,682	1,426,979	445,202	9,641,863

Foreign currency risk

The Company may be exposed to foreign currency risk on fluctuations related to cash, receivables, accounts payable and accrued liabilities, lease liabilities and loans and credit facilities that are denominated in a foreign currency.

As at July 31, 2023, the Company held cash denominated in Polish Zloty of PLN535,374 (October 31, 2022 – PLN1,409,107), receivables of PLN2,686,754 (October 31, 2022 – PLN1,615,089), accounts payable and accrued liabilities of PLN2,116,677 (October 31, 2022 – PLN1,829,595), and loans and credit facilities of PLN1,766,563 (October 31, 2022 – PLN1,321,739) translated at PLN1 for every CDN\$0.33. 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 \$21,800.

As at July 31, 2023, the Company held cash denominated in Romanian New Leu of RON(906) (October 31, 2022 – RON148,820), accounts payable and accrued liabilities of RON257,594 (October 31, 2022 – RON744,794) translated at RON1 for every CDN\$0.30. 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 \$7,600.

As at July 31, 2023, the Company held cash denominated in Euro of €51,344 (October 31, 2022 – €139,689), receivables of €28,375 (October 31, 2022 - €217,086), lease liabilities of €52,208 (October 31, 2022 - €65,800) and accounts payable and accrued liabilities of €39,143 (October 31, 2022 - €305,069) translated at €1 for every CDN\$1.50. 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 \$1,700.

As at July 31, 2023, the Company held cash denominated in US dollars of \$85,057 (October 31, 2022 – \$28,339), receivables of \$3,017,096 (October 31, 2022 - \$3,705,848), accounts payable and accrued liabilities of \$1,313,363 (October 31, 2022 - \$3,170,310) and loans and credit facilities of \$180 (October 31, 2022 - \$65,000) translated at \$1 for every CDN\$1.36. 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 \$235,700.

The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

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

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and members of the Board of Directors. Key management compensation consisted of the following:

	Three months ended July 31,		Nine months ended July 31,	
	2023	2022	2023	2022
<u>Wages, Benefits and Consulting fees</u>				
Konrad Wasiela CEO and Wasiela Services Ltd., a company controlled by Konrad Wasiela	\$ 60,000	\$ 45,000	\$ 180,000	\$ 135,000
Eric Jodoin, COO (effective February 1, 2022)	64,869	49,186	177,031	147,559
Andrea Hayward, CFO (effective September 12, 2022)	50,000	-	150,000	-
RSJ Consulting Inc., a company controlled by Robert Kang, CFO	-	12,000	-	36,000
	174,869	106,186	507,031	318,559
Share-based payments incurred with directors and officers	3,970	74,820	28,226	787,510
<u>Interest Expense</u>				
Konrad Wasiela, CEO	4,504	-	4,504	-
<u>Legal fees, included in professional fees</u>				
Segev LLP, of which Ron Segev, Director is a principal partner	11,732	-	136,999	151,520
	\$ 195,075	\$ 181,006	\$ 676,760	\$ 1,257,589

Included in accounts payable and accrued liabilities at July 31, 2023 is \$324,950 (October 31, 2022 - \$300,616) in unpaid legal fees, consulting fees and other balances owing to officers of the Company and to companies with an officer or director in common. The balance owing is unsecured, non-interest bearing and due in 30 days. Subsequently, these amounts have been paid in full.

Included in loans and credit facilities at July 31, 2023 is \$225,000 (Oct 31, 2022 - \$0) due to Konrad Wasiela for a 2 year term bearing simple interest at 10% per annum payable quarterly. Subsequently, the interest and principal has been paid in full.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, unless otherwise noted.

Subsequent Events

- a) Subsequent to July 31, 2023, the Company entered into a definitive share purchase agreement dated August 5, 2023 (the "SPA") with an affiliate of BlackPines Capital Partners Ltd., ("BlackPines" or the "Purchaser") for the sale of 70% of the issued and outstanding shares (the "Transaction") of the Company's wholly-owned subsidiary, GameAddik. The remaining 30% of the issued and outstanding shares of GameAddik will be retained by the Company. The Transaction was completed on August 16, 2023.

Under the terms of the SPA, the Purchaser paid to the Company an aggregate purchase price of \$9,100,000 in cash, subject to customary adjustments (the "Purchase Price"), and subject to a 15% holdback for certain indemnification obligations of the Company under the SPA. The holdback will be released to the Company in two equal tranches on each of the 6-month and 12-month anniversaries of the closing, respectively, subject to any outstanding or pending claims for indemnification. As part of the transaction costs in connection with the Transaction, ESE paid ZDK Holdings Ltd., DBA Kepler Acquisition Group a fee of 2% of the transaction value for providing M&A advisory services in connection with the Transaction.

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- b) Subsequent to July 31, 2023, the Company repaid \$1,902,889 of the principal amount of the convertible notes.
- c) Subsequent to July 31, 2023, the Company repaid \$290,000 of promissory notes from a related party.
- d) Subsequent to July 31, 2023, the Company sold WPG's two European operating subsidiaries, WPG Racing Solutions SRL and Foresight Resolution SRL, for nominal consideration amounts.
- e) Subsequent to July 31, 2023, stock options to acquire 750,000 common shares at \$1.24 per share, stock options to acquire 225,000 common shares at \$1.70 per share, stock options to acquire 1,100,000 common shares at \$0.91 per share, stock options to acquire 125,000 common shares at \$0.95 per share, stock options to acquire 455,000 common shares at \$0.51 per share and stock options to acquire 450,000 common shares at \$0.54 per share were cancelled.
- f) Subsequent to July 31, 2023, stock options to acquire 1,700,000 common shares at \$0.155 per share were granted.

Outstanding Share Data

Below is the summary of the Company's share capital as at July 31, 2023 and as of the date of this report:

Security description	As at	
	September 29, 2023	July 31, 2023
Common shares – issued and outstanding	80,370,803	80,370,803
Stock options	6,090,000	7,495,000
Convertible notes/debentures	1,736,453	5,617,667
Warrants outstanding	9,670,555	9,670,555
Common shares – fully diluted	97,867,811	103,154,025

Critical Accounting Estimates and Judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed in note 3 to the consolidated financial statements.

Functional currency

The analysis of the functional currency for each entity of the Company is a significant judgement. In concluding that the Canadian dollar ("CDN\$") is the functional currency of the parent, ESE, and GameAddik, the US dollar is the functional currency of WPG, the RON is the functional currency of WPG Racing Solutions SRL and Foresight Resolution SRL, the Polish Zloty ("PLN") is the functional currency of ESE Europe and Frenzy, and the Euro is the functional currency of Digital Motorsports, management considered the currency that mainly influences the costs of providing goods and services in each jurisdiction in which the entities operate.

Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or a geographical area of operations that has been disposed of or is held for sale. As at July 31,

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2023, the Company determined that GameAddik is a discontinued operation as it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continued use and its video-gaming advertising business represents a separate major line of business.

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

Valuation of inventory

Management makes estimates of future customer demand for products when establishing appropriate provisions for inventory obsolescence. In making these estimates, management considers the shelf-life of inventory and profitability of recent sales.

Valuation of receivables

Management monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses, if required.

Revenue

Significant management judgements and estimates must be made in connection with determination of the revenue to be recognized in any accounting period. If management made different judgements 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 judgement 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 judgement to determine if the performance obligation is satisfied over time or at a point in time.

Purchase price allocation

The acquisition of WPG on April 12, 2021, the acquisition of Digital Motorsports on September 15, 2021, the acquisition of Frenzy on November 12, 2021 and the acquisition of GameAddik on February 1, 2022 were accounted for as business combinations at fair value in accordance with IFRS 3, Business Combinations. The acquired assets and assumed liabilities will be adjusted to their fair values assigned through completion of a purchase price allocation, as described below. The purchase price allocation process resulting from a business combination requires management to estimate the fair value of the consideration paid, and the fair value of the identifiable assets acquired, including intangible assets, and liabilities assumed. The Company relies on work performed by third-party valuation specialists. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied.

Impairment of goodwill

The Company performs a goodwill impairment test annually and when circumstances indicate that the carrying value may not be recoverable. The recoverable amount of the CGUs was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The cash flows were projected over a five-year period based on revenue forecast prepared by management. The Company performed its annual goodwill impairment test in February 2023 and determined that an impairment of goodwill was indicated for the period tested for the acquisitions of Digital Motorsports and Frenzy. The values assigned to the key assumptions represented management's assessment of future trends in the industry and were based on historical data from both internal and external sources. The key assumptions applied in the impairment test include a weighted average cost of capital of 31%.

Impairment of intangible assets

The Company performs an intangible asset impairment test annually and when circumstances indicate that the carrying value may not be recoverable. The recoverable amount of each intangible asset was based on

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its value in use, determined by discounting the future cash flows to be generated from the continuing use of the intangible asset. The cash flows were projected based on revenue forecasts prepared by management. The Company performed its annual intangible asset impairment tests in February 2023 and determined that the customer relationships and brand and media presence acquired from the Company's acquisition of Digital Motorsports were impaired as at October 31, 2022. The values assigned to the key assumptions represented management's assessment of future trends in the industry and were based on historical data from both internal and external sources. The key assumptions applied in the impairment test include a weighted average cost of capital of 31%.

Consideration payable

The acquisition of Frenzy on November 12, 2021 included consideration in the form of common shares of the Company to be issued in four equal installments, subject to Frenzy generating revenue (as defined) greater than PLN7,460,950 for the prior four quarters, assessed every six months following closing. The calculation was based on the assumption that the revenue threshold would be met, given the revenue forecast prepared by management. The values assigned to the key assumptions represented management's assessment of future trends in the industry and were based on historical data from both internal and external sources. The key assumptions applied in the valuation include a weighted average cost of capital of 31%.

Risk and Uncertainty Factors Risks Related to our Business Limited Operating History

The Company is a development stage company which has a limited operating history and has not generate enough revenues to sustain its operations.

The Company's near-term focus remains in actively developing its products and building sales, marketing and support capabilities. As a result of these and other factors, the Company may not be able to achieve or increase profitability on an ongoing basis.

The Company is subject to many risks common to development stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenues, technology, and market acceptance issues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the Company's early stage of operations.

Business and Industry Risks

Speculative Nature of Investment Risk

An investment in our common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. We have limited history of earnings, limited cash reserves, a limited operating history, have not paid dividends, and are unlikely to pay dividends in the immediate or near future. We are in the development and planning phases of our business and have only very recently offered some of our planned products and services for sale. Operations are not yet sufficiently established such that we can mitigate the risks associated with planned activities.

Liquidity and Future Financing Risk

We are in the development stage and have not generated a significant amount of revenue. We will likely operate at a loss until business becomes established and we may require additional financing in order to fund future operations and expansion plans, including developing new products, enhancing existing products, enhancing our operating infrastructure and acquiring complementary businesses and technologies. Our ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions, as well as business success. There can be no assurance that we will be successful in our efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuing authorized capital, control may change, and shareholders may suffer additional dilution.

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Volatility in the price of our common shares could cause investors to lose all or part of their investment because they may not be able to sell their common shares at or above the price they paid. Factors that could cause fluctuations in the market price of our common shares include the following:

- price and volume fluctuations in the overall stock market from time to time;
- sales of common shares by our shareholders;
- changes in the financial projections that we may provide to the public, or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- the public's reaction to our press releases, other public announcements and filings with the securities commissions;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

Competition

The esports industry is still extremely fragmented and very few teams, companies, organizations and leagues are finding success in monetizing their companies. However, there are several companies that have excelled in certain sectors of the industry, namely: media rights; teams/prize pool; and leagues.

We believe ESE may have a competitive advantage over its competitors which are larger and more established through its potential ability, as a smaller and more agile corporation, to create high-level production at a cheaper cost relative to these larger organizations. ESE also has the advantage of having existing partnerships and business arrangements with some of the largest companies in the European Region, particularly in Poland, as well as a management team with over 20 years combined experience doing business in the region, with a demonstrated ability to bridge language gaps and navigate cultural nuances.

Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the three and nine months ended July 31, 2023 and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR+ at www.sedarplus.ca.

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Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's condensed interim consolidated statements of loss and comprehensive loss in its unaudited condensed interim consolidated financial statements for the three and nine months ended July 31, 2023 and 2022, which is available on the Company's website or through www.sedarplus.ca.