

ESE ENTERTAINMENT INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended July 31, 2023 and 2022

(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 consolidated 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 three and nine months ended July 31, 2023 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 INC.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

		July 31, 2023	October 31, 2022
		(unaudited)	(audited)
ASSETS			
Current assets			
Cash		\$ 327,505	\$ 812,220
Receivables	8	1,283,113	9,571,707
Term deposits		-	301,799
Prepaid expense and deposits		154,110	305,393
Inventory		239,153	797,018
Assets held-for-sale	23	12,091,310	-
		14,095,291	11,788,137
Property and equipment	9	822,674	2,500,218
Deposit and investment	12	330,520	287,841
Intangible assets	5, 7, 10	-	3,713,342
Goodwill	5, 6, 7, 11	-	3,160,975
		-	-
Total assets		\$ 15,248,385	\$ 21,450,513
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13, 20	\$ 2,848,276	\$ 6,977,112
Lease liabilities	14	153,918	301,874
Acquisition payment commitment	6, 7	862,801	2,992,195
Income taxes payable		18,251	730,423
Loans and credit facilities	15	384,763	2,033,719
Current portion of convertible notes	16	3,296,742	-
Consideration payable	6	217,588	632,928
Deferred revenue	21	17,848	268,519
Liabilities held-for-sale	23	3,949,903	-
		11,750,090	13,936,770
Consideration payable	6	-	257,859
Loans payable	15	820,035	358,090
Convertible notes	16	810,147	2,806,965
Deferred income tax liability		5,301	915,852
Lease liabilities	14	75,197	941,082
		13,460,770	19,216,618
EQUITY			
Share capital	17	51,519,634	44,305,370
Share subscriptions received		1,050	8,700
Commitment to issue shares	5, 6, 17	2,235,346	3,937,227
Contributed surplus		5,857,289	5,193,753
Accumulated other comprehensive loss		(11,589)	(139,456)
Deficit		(57,030,763)	(50,598,482)
Equity attributable to shareholders		2,570,967	2,707,112
Non-controlling interest		(783,352)	(473,217)
Total equity		1,787,715	2,233,895
Total liabilities and equity		\$ 15,248,385	\$ 21,450,513

Nature and continuance of operations – Note 1

Subsequent events – Notes 24

APPROVED ON BEHALF OF THE BOARD:

“Konrad Marian Wasiela”

Konrad Marian Wasiela

Director

“Robert Kang”

Robert Kang

Director

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

ESE ENTERTAINMENT INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

	Note	For the three months ended		For the nine months ended	
		2023	July 31, 2022	2023	July 31, 2022
Revenue	21	\$ 5,662,998	\$ 9,977,770	\$ 18,074,756	\$ 25,844,091
Cost of sales	21	6,262,479	9,564,830	17,872,962	24,083,430
Gross (Loss) Profit		(599,481)	412,940	201,794	1,760,661
Expenses					
Share-based payments	17, 20	1,168,683	8,468,466	3,967,910	10,623,885
Wages, benefits and consulting		258,030	642,164	1,049,487	1,550,350
General and administration		(288,078)	446,378	628,976	1,134,974
Advertising and promotion		79,439	338,655	359,825	855,571
Professional fees	20	251,625	81,110	756,940	736,908
Finder's fees and stamp duty for acquisitions and commissions	6	43,424	49,792	161,089	1,133,827
Amortization	9, 10	74,322	71,624	283,400	218,245
Filing fees, bad debts and other expenses		10,839	77,073	214,597	286,239
		1,598,284	10,175,262	7,422,224	16,539,999
Loss before other items		(2,197,765)	(9,762,322)	(7,220,430)	(14,779,338)
Other items:					
Interest expense		154,418	(88,707)	(265,702)	(156,005)
Other expense		(2,330)	-	(1,086)	-
Accretion expense	16	(158,749)	(71,895)	(426,387)	(104,900)
Gain on debt settlement	17	-	-	22,105	-
Gain (loss) on revaluation of consideration payable	6	57,079	(230,655)	437,957	(230,655)
Foreign exchange gain (loss)		17,045	(28,287)	(161,078)	21,679
		67,463	(419,544)	(394,191)	(469,881)
Net loss for the period before taxes		(2,130,302)	(10,181,866)	(7,614,621)	(15,249,219)
Provision for income taxes		(115,717)	(31,981)	(69,046)	(52,373)
Net loss for the period from continuing operations		(2,246,019)	(10,213,847)	(7,683,667)	(15,301,592)
Net income for the period from discontinued operations	23	511,077	728,002	941,251	2,095,557
Net (loss) income for the period		(1,734,942)	(9,485,845)	(6,742,416)	(13,206,035)
Other comprehensive income (loss)					
Gain (loss) on translation of foreign operations		(149,440)	(148,954)	127,867	(53,589)
Total comprehensive loss for the period		\$ (1,884,382)	\$ (9,634,799)	\$ (6,614,549)	\$ (13,259,624)
Net loss attributable to:					
Shareholders of the company		\$ (1,646,930)	\$ (9,317,008)	\$ (6,432,281)	\$ (13,090,899)
Non-controlling interest		(88,012)	(168,837)	(310,135)	(115,136)
Net loss for the period		\$ (1,734,942)	\$ (9,485,845)	\$ (6,742,416)	\$ (13,206,035)
Total comprehensive loss attributable to:					
Shareholders of the company		\$ (1,796,370)	\$ (9,465,962)	\$ (6,304,414)	\$ (13,144,488)
Non-controlling interest		(88,012)	(168,837)	(310,135)	(115,136)
Total comprehensive loss for the period		\$ (1,884,382)	\$ (9,634,799)	\$ (6,614,549)	\$ (13,259,624)
Basic and diluted loss per common share		\$ (0.02)	\$ (0.13)	\$ (0.08)	\$ (0.20)
Basic and diluted loss per common share – continuing operations		\$ (0.03)	\$ (0.15)	\$ (0.10)	\$ (0.23)
Basic and diluted income per common share – discontinued operations		\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Weighted average number of common shares outstanding		80,370,803	70,375,651	77,592,025	65,886,490

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

ESE ENTERTAINMENT INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

	Number of Shares	Share Capital	Share subscriptions received	Commitment to issue shares	Contributed Surplus	Accumulated other comprehensive Income (loss)	Deficit	Non-controlling interest	Total
Balance October 31, 2021	60,768,449	\$ 28,707,147	\$ 1,050	\$ 4,755,754	\$ 2,388,107	\$ (107,129)	\$ (21,202,268)	\$ (31,600)	\$ 14,511,061
Exercise of stock options	457,500	446,475	-	-	(273,975)	-	-	-	172,500
Exercise of agent's warrants	2,038	3,241	-	-	(999)	-	-	-	2,242
Shares issued for acquisition of Frenzy	656,606	866,720	-	-	-	-	-	-	866,720
Shares issued to finder for acquisition of Frenzy	101,016	133,341	-	-	-	-	-	-	133,341
Shares issued for acquisition of GameAddik	879,184	1,213,274	-	1,115,880	-	-	-	-	2,329,154
Shares issued to finder for acquisition of GameAddik	368,858	509,024	-	-	-	-	-	-	509,024
Commitment to issue shares – Acquisition of Frenzy	-	-	-	388,660	-	-	-	-	388,660
Commitment to issue shares – Acquisition of DM	1,412,250	1,186,037	-	(1,186,037)	-	-	-	-	-
Deferred compensation shares issued to WPG	-	4,711,997	-	-	-	-	-	-	4,711,997
Deferred compensation shares issued to GameAddik	6,497,959	3,550,727	-	-	-	-	-	-	3,550,727
Value of warrants and convertible option on issuance of convertible note units	-	-	-	-	471,718	-	-	-	471,718
Share subscriptions received	-	-	16,842	-	-	-	-	-	16,842
Share-based payments	-	-	-	-	2,361,161	-	-	-	2,361,161
Loss and comprehensive loss for the period	-	-	-	-	-	(53,589)	(13,090,899)	(115,136)	(13,259,624)
Balance July 31, 2022	71,143,860	\$ 41,327,983	\$ 17,892	\$ 5,074,257	\$ 4,946,012	\$ (160,718)	\$ (34,293,167)	\$ (146,736)	\$ 16,765,523
Balance October 31, 2022	72,505,504	\$ 44,305,370	\$ 8,700	\$ 3,937,227	\$ 5,193,753	\$ (139,456)	\$ (50,598,482)	\$ (473,217)	\$ 2,233,895
Exercise of stock options	65,000	38,250	(7,650)	-	(18,100)	-	-	-	12,500
Private placement	5,000,502	1,750,175	-	-	250,025	-	-	-	2,000,200
Share issue cost	-	(157,091)	-	-	66,350	-	-	-	(90,741)
Frenzy Earn-Out shares issued	681,860	235,242	-	-	-	-	-	-	235,242
Commitment to issue shares – Acquisition of DM	2,047,762	1,370,554	-	(1,370,554)	-	-	-	-	-
Deferred compensation shares issued to WPG	-	1,833,149	-	-	-	-	-	-	1,833,149
Deferred compensation shares issued to GameAddik	-	2,126,090	-	(331,327)	-	-	-	-	1,794,763
Value of warrants and convertible option on issuance of convertible note units	-	-	-	-	175,263	-	-	-	175,263
Shares issued for debt settlement	70,175	17,895	-	-	-	-	-	-	17,895
Share-based payments	-	-	-	-	189,998	-	-	-	189,998
Loss and comprehensive loss for the period	-	-	-	-	-	127,867	(6,432,281)	(310,135)	(6,614,549)
Balance July 31, 2023	80,370,803	\$ 51,519,634	\$ 1,050	\$ 2,235,346	\$ 5,857,289	\$ (11,589)	\$ (57,030,763)	\$ (783,352)	\$ 1,787,615

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

ESE ENTERTAINMENT INC.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

	For the nine months ended July 31,	
	2023	2022
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss from continuing operations for the period	\$ (7,683,667)	\$ (15,301,592)
Items not affecting cash		
Accretion on convertible notes	426,387	104,900
Accretion on lease liabilities	19,179	25,391
Amortization	283,400	218,245
Finder's fees for acquisitions paid by shares	-	642,365
Provision for income taxes	211,489	355,837
Share-based payments	3,967,910	10,623,885
Gain (loss) on revaluation of consideration payable	(437,957)	230,655
Change in non-cash working capital item:		
Receivables	232,547	(377,794)
Inventory	557,865	(322,582)
Prepaid expenses and deposits	125,556	(96,503)
Deferred revenue	(250,671)	(27,181)
Accounts payable and accrued liabilities, income tax payable and shareholder loans	1,688,484	945,099
Net cash used in operating activities from continuing operations	(859,478)	(2,979,275)
Net cash provided by operating activities from discontinued operations	650,722	2,489,679
Net cash used in operating activities	(208,756)	(489,596)
INVESTING ACTIVITIES		
Cash paid to acquire Frenzy	-	(1,603,419)
Cash acquired on acquisition of Frenzy	-	109,054
Cash paid to acquire GameAddik	-	(2,061,000)
Cash acquired on acquisition of GameAddik	-	123,895
Cash paid for deferred acquisition payment	(2,129,394)	(215,700)
Equipment	(105,896)	(276,515)
Net cash used in investing activities from continuing operations	(2,235,290)	(3,923,685)
Net cash used in investing activities from discontinued operations	(49,686)	(80,141)
Net cash used in investing activities	(2,284,976)	(4,003,826)
FINANCING ACTIVITIES		
Shares issued for cash	1,762,700	174,742
Share issue cost	(90,741)	-
Share subscriptions received	-	16,842
Convertible note units issued for cash	1,175,394	3,099,910
Loan proceeds, net of repayment	1,065,000	2,559,710
Proceeds from term deposit	-	-
Repayment of lease liabilities	(143,825)	(140,161)
Repayment of credit facility, net of proceeds	(573,956)	297,184
Repayment of convertible notes	(625,000)	-
Interest payments	-	(94,641)
Net cash provided by financing activities from continuing operations	2,569,572	5,913,586
Net cash used in financing activities from discontinued operations	(515,739)	(2,449,646)
Net cash provided by financing activities	2,053,833	3,463,940
Foreign exchange effect on cash	98,258	(129,265)
Change in cash for the period	(341,641)	(1,158,747)
Cash, beginning of period	812,220	4,825,072
Cash, end of period	\$ 470,579	\$ 3,666,325

Supplemental disclosures with respect to cash flows (Note 21)

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

ESE ENTERTAINMENT INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

1 Nature and Continuance of Operations

ESE Entertainment Inc. (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 SRL and Foresight Resolution SRL (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, ESE acquired 51% of the issued and outstanding shares of WPG (Note 4).

On September 15, 2021, the Company acquired 100% of the issued and outstanding shares of Auto Simulation Limited trading as Digital-Motorsports.com (“Digital Motorsports”) (Note 5).

On November 12, 2021, the Company acquired 100% of the issued and outstanding shares of Frenzy sp. Z.o.o (“Frenzy”) (Note 6).

On February 1, 2022, the Company acquired 100% of the issued and outstanding shares of 9327-7358 Quebec Inc. DBA GameAddik (“GameAddik”) (Note 7).

On June 6, 2022, the Company began trading on the OTCQX Best Market under the ticker symbol of “ENTEf”.

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 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.

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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 27, 2023.

Reclassification of Comparatives

Certain expenses in the comparative period have been reclassified to conform to the current period’s classification and presentation.

3 Significant Accounting Policies

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs except for certain financial instruments which are measured at fair value. The condensed interim consolidated financial statements are presented in Canadian dollars which is the Company’s functional currency.

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, 2022.

Recent accounting pronouncements and changes in accounting policies

The following new standards and interpretations are not yet effective and have not been applied in preparing these condensed interim consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

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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. 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 condensed interim consolidated financial statements is as follows:

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, 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

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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 have been 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 during the year ended October 31, 2022 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.

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 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 during the year ended October 31, 2022 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.

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 instalments, 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

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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%.

4 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 (Note 17b). 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 acquisition date. 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 (Note 15)	(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.

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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) 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.

The following is a summary of WPG’s financial information as at July 31, 2023.

	July 31, 2023
	\$
Current assets	262,793
Non-current assets	53,847
Current liabilities	(813,197)
Non-current liabilities	(1,042,352)
Revenue	12,065,248
Net loss	(632,927)
Accumulated other comprehensive income	1,237

5 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 sim 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.

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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 (Note 10)	136,000
Brand and media presence (Note 10)	575,000
Goodwill (Note 11)	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

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, 2021. 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 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

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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.

6 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 included 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 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 (Note 11)	4,768,620
Accounts payable and accrued liabilities	(327,246)
Loans and credit facilities (Note 15)	(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 -

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\$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:

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

7 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 (Note 17b), 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 (Note 10)	1,230,000
Brand and media presence (Note 10)	2,790,000
Goodwill (Note 11)	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 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.

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8 Receivables

	July 31, 2023	October 31, 2022
Sales taxes receivable	\$ 250,785	\$ 509,657
Due from WPGI	21,583	29,123
Trade accounts receivable	1,010,745	9,032,927
Receivables	\$ 1,283,113	\$ 9,571,707

9 Property and Equipment

	Equipment	Software	Right of Use Asset	Total
Cost as at October 31, 2021	\$ 171,401	\$ -	\$ 215,123	\$ 386,524
Acquired pursuant to acquisition of Frenzy	193,915	-	-	193,915
Acquired pursuant to acquisition of GameAddik	597,901	-	973,880	1,571,781
Additions	513,671	55,345	309,022	878,038
Foreign exchange	17,133	(1,282)	23,251	39,102
Cost as at October 31, 2022	\$ 1,494,021	\$ 54,063	\$ 1,521,276	\$ 3,069,360
Additions – continuing operations	101,737	4,159	-	105,896
Additions – discontinued operations	49,686	-	-	49,686
Held for sale	(767,176)	-	(975,338)	(1,742,514)
Foreign exchange	79,283	5,864	(824)	84,323
Cost as at July 31, 2023	\$ 957,551	\$ 64,086	\$ 545,114	\$ 1,566,751
Accumulated amortization as at October 31, 2021	16,602	-	22,927	39,529
Amortization	200,798	3,690	271,596	476,084
Foreign exchange	30,746	(87)	22,870	53,529
Accumulated amortization as at October 31, 2022	\$ 248,146	\$ 3,603	\$ 317,393	\$ 569,142
Amortization – continuing operations	141,019	16,882	125,499	283,400
Amortization – discontinued operations	43,947	-	105,632	149,579
Held for sale	(141,821)	-	(211,263)	(353,084)
Foreign exchange	94,454	(2,064)	2,650	95,040
Accumulated amortization as at July 31, 2023	\$ 385,745	\$ 18,421	\$ 339,911	\$ 744,077
Net Book Value as at October 31, 2022	\$ 1,245,875	\$ 50,460	\$ 1,203,883	\$ 2,500,218
Net Book Value as at July 31, 2023	\$ 571,806	\$ 45,665	\$ 205,203	\$ 822,674

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10 Intangible Assets

	Customer Relationships	Brand and Media Presence	Total
Cost as at October 31, 2021	\$ 136,000	\$ 575,000	\$ 711,000
Acquired pursuant to acquisition of GameAddik	1,230,000	2,790,000	4,020,000
Cost as at October 31, 2022 and July 31, 2023	\$ 1,366,000	\$ 3,365,000	\$ 4,731,000
Held for sale	(1,366,000)	(3,365,000)	(4,731,000)
	\$ -	\$ -	\$ -
Accumulated amortization and impairment as at October 31, 2021	\$ -	\$ -	\$ -
Amortization	352,658	-	352,658
Impairment	90,000	575,000	665,000
Accumulated amortization and impairment as at October 31, 2022	\$ 442,658	\$ 575,000	\$ 1,017,658
Amortization – discontinued operations	306,657	-	306,657
Held for sale	(749,315)	(575,000)	(1,324,315)
Accumulated amortization and impairment as at July 31, 2023	\$ -	\$ -	\$ -
Net Book Value as at October 31, 2022	\$ 923,342	\$ 2,790,000	\$ 3,713,342
Net Book Value as at July 31, 2023	\$ -	\$ -	\$ -

Customer relationships is an intangible asset with a finite useful life and amortization is provided for using the straight-line method over its estimated useful life of three years.

Brand and media presence is an intangible asset with an indefinite useful life. The Company has no plans to change its branding and expects these assets to generate cash flows over an indefinite future period. Therefore, these intangible assets are considered to have indefinite useful lives for accounting purposes.

The Company completed the annual impairment test for the indefinite useful life brand and media presence, and goodwill acquired on acquisition of GameAddik as at October 31, 2022. As at October 31, 2022, the carrying value of the intangible asset was \$2,790,000, and goodwill was \$3,160,975, and the recoverable amount was \$11,600,000. The Company calculated the recoverable amount based on value-in-use and determined the value-in-use using a five-year forecast followed by a terminal growth rate determined by management.

The key assumptions used in the model were:

- Discount rate of 16.6%;
- Revenue growth of 7.5% for the forecast period;
- Terminal growth rate of 2.0%; and
- Brand royalty rate of 4.0%.

The discount rate reflects management's assessment of market and specific risk of the CGU. The revenue growth rate and brand royalty rate were estimated based on management's assessment of future trends in the industry and

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on historical data from both internal and external sources. The terminal growth rate was estimated based on the historical inflation rate and GDP growth rate of Canada.

11 Goodwill

	July 31, 2023	October 31, 2022
Opening balance	\$ 3,160,975	\$ 7,608,827
Acquired pursuant to acquisition of Frenzy	-	4,768,620
Acquired pursuant to acquisition of GameAddik	-	3,160,975
Impairment	-	(12,377,447)
Held for sale	(3,160,975)	-
Ending balance	\$ -	\$ 3,160,975

The Company completed the annual impairment test for the Goodwill acquired on acquisition of GameAddik as at October 31, 2022. See Note 10.

12 Deposit and Investment

During the year ended October 31, 2021, the Company made a deposit to GR Games SP. Z O.O. (“GR Games”), a private entity in Poland, for the purchase of 50,000 “Series B” shares in GR Games. The Company received the share certificate in the year ended October 31, 2022.

13 Accounts Payable and Accrued Liabilities

	July 31, 2023	October 31, 2022
Trade payables	\$ 2,072,391	\$ 5,072,624
Lawsuit settlement liability	-	400,000
Interest payable	24,795	109,943
Accrued liabilities	751,451	1,394,545
Accounts payable and accrued liabilities	\$ 2,848,276	\$ 6,977,112

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14 Lease Liabilities

Balance, October 31, 2021	\$	198,125
Cash flows		
Principal payments		(237,416)
Interest payments		(93,187)
Non-cash changes		
Additions		1,282,901
Interest expense		93,187
Foreign exchange		(654)
Balance, October 31, 2022		1,242,956
Cash flows		
Principal payments – continuing operations		(124,646)
Principal payments – discontinued operations		(81,044)
Interest payments – continuing operations		(19,180)
Interest payments – discontinued operations		(62,034)
Non-cash changes		
Interest expense – continuing operations		19,180
Interest expense – discontinued operations		62,034
Foreign exchange – continuing operations		2,353
Held for sale		(810,504)
Balance, July 31, 2023		229,115
Less: Current portion		(153,918)
Non-current portion	\$	75,197

The Company has the following lease liabilities:

- A premise lease entered into by WPG in February 2021. This lease expires in January 2024 and has 34 monthly payments of \$3,634 due at the beginning of each month with an interest rate of 5.45%. The lease includes two rent free months (January 2023 and January 2024). As at July 31, 2023, the net carrying amount of the right-of-use asset from the WPG premise lease is \$15,020.
- A premise lease entered into by Digital Motorsports in April 2021. The lease expires in December 2025. The monthly lease payments are €1,500 for the first 12 months and €2,000 for the remainder of the term with an interest rate of 12%. An estate management fee of €980 is also due each year. As at July 31, 2023, the net carrying amount of the right-of-use asset from the Digital Motorsports premise lease is \$62,883.
- A premise lease entered into by ESE Holdings in November 2021. This lease expires in October 2024, has 36 monthly payments of \$9,546 due at the beginning of each month with an interest rate of 7.45%. As at July 31, 2023, the net carrying amount of the right-of-use asset from the ESE Holdings premise lease is \$128,759.
- A premise lease entered into by GameAddik in October 2020. This lease expires in September 2026, has 72 monthly payments of \$3,988, increasing by 3% each year, due at the beginning of each month with an interest rate of 8.45%. As at July 31, 2023, the net carrying amount of the right-of-use asset from the GameAddik premise lease is \$137,496.

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- A premise lease entered into by GameAddik in January 2020. This lease expires in January 2030, has 120 monthly payments of \$11,667 due at the beginning of each month with an interest rate of 9.95%. As at July 31, 2023, the net carrying amount of the right-of-use asset from the GameAddik premise lease is \$625,122.

The following is a schedule of the Company's future minimum lease payments related to the premise leases obligation:

	\$
1 year	168,842
2 year	64,757
3-5 years	15,167
Total minimum lease payments	248,766
Add: net exchange difference	(245)
Less: imputed interest	(19,406)
Total present value of minimum lease payments	229,115
Less: Current portion	(153,918)
Non-current portion	75,197

15 Loans and Credit Facilities

	Loans	Facilities	Total
Balance, October 31, 2021	\$ -	\$ -	\$ -
Loans assumed upon acquisition of Frenzy (Note 6)	583,718	-	583,718
Loans received	500,000	-	500,000
Repayment of loans and interest	(190,290)	-	(190,290)
Credit facility received	-	4,808,115	4,808,115
Repayment of credit facility	-	(3,274,396)	(3,274,396)
Net exchange difference	(35,338)	-	(35,338)
Balance, October 31, 2022	858,090	1,533,719	2,391,809
Loans received	390,000	-	390,000
Exchanged to convertible note (Note 16)	(500,000)	-	(500,000)
Credit facility received – continuing operations	-	1,123,297	1,123,297
Credit facility received – discontinued operations	-	4,375,000	4,375,000
Repayment of credit facility – continuing operations	-	(1,017,252)	(1,017,252)
Repayment of credit facility – discontinued operations	-	(5,055,001)	(5,055,001)
Interest	26,097	-	26,097
Net exchange difference	45,848	-	45,848
Held for sale	-	(575,000)	(575,000)
Balance, July 31, 2023	820,035	384,763	1,204,798
Less: Current portion	-	384,763	384,763
Non-current portion	\$ 820,035	\$ -	\$ 820,035

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

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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, 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 (Note 16).

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.

16 Convertible Notes

Balance, October 31, 2021	\$	-
Additions, net of issuance costs and transaction fees		2,628,192
Accretion expense		178,773
Balance, October 31, 2022	\$	2,806,965
Additions, net of issuance costs, transaction fees and issuance discount		1,498,537
Repayments		(625,000)
Accretion expense		426,387
Balance, July 31, 2023	\$	4,106,889
<hr/>		
Current portion of Convertible Notes	\$	3,296,742
Long-term portion of Convertible Notes	\$	810,147

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

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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.

The Company paid cash finders' fees of \$37,560 and issued 23,100 Agents' warrants. Each Agents' warrant is exercisable at \$1.60 per share expiring two years from closing. The Agents' warrants were fair valued at \$12,871 using the Black-Scholes option valuation model with the following assumptions: Share price at the time of issuance \$1.21; risk-free interest rate of 1.53%; expected life of two years; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

The fair value of the liability component of the convertible note on inception was estimated at \$1,351,947 based on an estimated 20% market discount rate less \$43,289 pro-rata portion of the \$50,431 transaction costs. The residual value of \$223,053 and \$7,142 of transaction costs was allocated to the equity components.

Based on a proportional allocation of the residual value after fair valuing the common share purchase warrants and conversion feature using the Black-Scholes option valuation model, \$61,689 was allocated to the warrants and \$154,222 was allocated to the conversion feature on recognition. The common share purchase warrants and the conversion feature were fair valued using the Black-Scholes option valuation model with the following assumptions: Share price at the time of issuance \$1.21; risk-free interest rate of 1.53%; expected life of two years; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies. 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.

The Company paid cash finders' fees of \$117,530 and issued 73,457 Agents' warrants. Each Agents' warrant is exercisable at \$1.60 per share expiring two years from closing. The Agents' warrants were fair valued at \$25,260 using the Black-Scholes option valuation model with the following assumptions: Average share price at the time of issuance \$0.88; average risk-free interest rate of 2.43%; expected life of two years; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

The fair value of the liability component of the convertible notes on inception was estimated at \$1,442,104 based on an estimated 20% market discount rate less \$122,570 pro-rata portion of the \$142,790 transaction costs. The residual value of \$237,896 and \$20,220 of transaction costs was allocated to the equity components.

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Based on a proportional allocation of the residual value after fair valuing the common share purchase warrants and conversion feature using the Black-Scholes option valuation model, \$72,636 was allocated to the warrants and \$145,040 was allocated to the conversion feature on recognition. The common share purchase warrants and the conversion feature were fair valued using the Black-Scholes option valuation model with the following assumptions: Weighted average share price at the time of issuance \$0.88; weighted average risk-free interest rate of 2.43%; expected life of two years; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

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.

The fair value of the liability component of the convertible note on inception was estimated at \$1,225,094 based on an estimated 20% market discount rate less \$67,213 pro-rata portion of the \$76,200 transaction costs and issuance discount of \$138,889. The residual value of \$163,795 and \$8,987 of transaction costs was allocated to the equity components.

Based on a proportional allocation of the residual value after fair valuing the common share purchase warrants and conversion feature using the Black-Scholes option valuation model, \$61,271 was allocated to the warrants and \$93,537 was allocated to the conversion feature on recognition. The common share purchase warrants and the conversion feature were fair valued using the Black-Scholes option valuation model with the following assumptions: Share price at the time of issuance \$0.44; risk-free interest rate of 3.57%; expected life of two years; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 92.00%. During the nine months ended July 31, 2023, the Company repaid \$375,000 of the principal amount of the convertible notes.

On January 31, 2023, the Company amended a \$500,000 promissory note that it obtained during the year ended October 31, 2022 (Note 15). Pursuant to the terms of the amendment, the promissory note was exchanged for a convertible note having a principal amount of \$500,000, and the lender was issued 1,144,578 common share purchase warrants of the Company. The convertible note matures on August 5, 2023 and bears interest at a simple rate of 10% per annum. Interest is payable on March 31, 2023, June 30, 2023 and on the maturity date. \$475,000 of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$0.415 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 the amendment date.

The fair value of the liability component of the convertible notes on inception was estimated at \$479,545 based on an estimated 20% market discount rate. The residual value of \$20,455 was allocated to the equity components.

Based on a proportional allocation of the residual value after fair valuing the common share purchase warrants and conversion feature using the Black-Scholes option valuation model, \$12,825 was allocated to the warrants and \$7,630 was allocated to the conversion feature on recognition. The common share purchase warrants and the conversion feature were fair valued using the Black-Scholes option valuation model with the following

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assumptions: Share price at the time of issuance \$0.39; risk-free interest rate of 3.76%; expected life of two years and expected life of half of a year, respectively; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 91.77% and 80.68%, respectively.

During the three and nine months ended July 31, 2023, \$158,749 and \$426,387 (2022 - \$71,985 and \$104,900) of accretion and \$105,091 and \$272,345 (2022 - \$82,044 and \$122,286) of interest expense was recorded on the convertible notes. As at July 31, 2023, \$193,407 (October 31, 2022 - \$109,943) of accrued interest is recorded in accounts payable and accrued liabilities (Note 13).

17 Share Capital

a) Authorized

Unlimited common shares, without par value.

b) Issued

During the nine months ended July 31, 2023:

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. The Agents' warrants were fair valued at \$5,221 using the Black-Scholes option valuation mode with the following assumptions: Share price at the time of issuance \$0.35; risk-free interest rate of 3.82%; expected life of three years; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

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. The Agents' warrants were fair valued at \$47,081 using the Black-Scholes option valuation mode with the following assumptions: Share price at the time of issuance \$0.48; risk-free interest rate of 3.41%; expected life of three years; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

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. The Agents' warrants were fair valued at \$14,048 using the Black-Scholes option valuation mode with the following assumptions: Share price at the time of issuance \$0.42; risk-free interest rate of 3.42%; expected life of three years; dividend rate – 0%; forfeiture rate – 0% and annualized volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies.

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2,047,762 DMS Contingent Shares were issued in February 2023 (Note 5).

681,860 Frenzy Earn Out Shares were issued in April 2023 (Note 6). The fair value of the common shares was determined to be \$235,242.

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 debt settlement of \$22,105.

During the nine months ended July 31, 2023, 65,000 stock options were exercised for total proceeds of \$20,150. The Company also transferred \$18,100 from contributed surplus. The weighted average share price on the date of exercise was \$0.38 per share.

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.

During the year ended October 31, 2022:

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 (Note 6). The fair value of the first tranche of the Frenzy Earn Out Shares issued in September 2022 of 681,860 common shares was 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 (Note 7). 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 (Note 5).

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During the year ended October 31, 2022, 1,112,500 stock options were exercised for total proceeds of \$488,550. The Company also transferred \$516,925 from contributed surplus. The weighted average share price on the date of exercise was \$0.77 per share.

During the year ended October 31, 2022, 26,822 agent's warrants were exercised for total proceeds of \$8,438. The Company also transferred \$4,221 from contributed surplus. The share price on the date of exercise was \$0.60 per share.

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.

c) Stock Options

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

On May 4, 2023, the Company granted 350,000 stock options to consultants of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at \$0.24 per share expiring on May 4, 2023. The stock options vested immediately. The fair value of the stock options of \$63,000 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.24; risk-free interest rate of 2.88%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On December 27, 2022, the Company granted 550,000 stock options to consultants and an employee of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at \$0.32 per share expiring on December 28, 2027. 375,000 of the stock options vested immediately, and the remainder vests upon the satisfaction of performance conditions. The fair value of the stock options of \$132,000 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.32; risk-free interest rate of 3.37%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies. The share-based compensation for the 175,000 stock options that vest upon the satisfaction of performance conditions was recorded based on the probability and expected timing of when the stock options will ultimately vest.

On October 27, 2022, the Company granted 250,000 stock options to a consultant of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.51 per share expiring on October 27, 2027. The stock options vested immediately. The fair value of the stock options of \$95,000 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.50; risk-free interest rate of 3.33%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On September 27, 2022, the Company granted 500,000 stock options to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.54 per share

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expiring on September 27, 2027. The stock options vested immediately. The fair value of the stock options of \$225,000 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.59; risk-free interest rate of 3.45%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On September 19, 2022, the Company granted 500,000 stock options to a consultant of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.51 per share expiring on September 19, 2027. The stock options vested immediately. The fair value of the stock options of \$195,000 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.51; risk-free interest rate of 3.42%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On September 16, 2022, the Company granted 850,000 stock options to an officer and consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.51 per share expiring on September 16, 2027. 750,000 of the stock options vested immediately, and 100,000 of the stock options vest in four equal tranches every 3 months with the first vesting on December 16, 2022. The fair value of the stock options of \$374,000 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.57; risk-free interest rate of 3.41%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On September 14, 2022, the Company granted 50,000 stock options to a consultant of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.48 per share expiring on September 14, 2027. The stock options vested immediately. The fair value of the stock options of \$18,000 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.48; risk-free interest rate of 3.39%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On August 19, 2022, the Company granted 450,000 stock options to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.50 per share expiring on August 19, 2027. The stock options vested immediately. The fair value of the stock options of \$166,500 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.49; risk-free interest rate of 3.13%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On August 5, 2022, the Company granted 250,000 stock options to a consultant of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.52 per share expiring on August 5, 2027. The stock options vested immediately. The fair value of the stock options of \$97,500 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.52; risk-free interest rate of 2.90%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

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On August 2, 2022, the Company granted 250,000 stock options to a consultant of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.50 per share expiring on August 2, 2027. The stock options vested immediately. The fair value of the stock options of \$97,500 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.52; risk-free interest rate of 2.80%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On April 1, 2022, the Company granted 500,000 stock options to a consultant of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.95 per share expiring on April 1, 2027. The stock option vest in four equal tranches on July 1, 2022, October 1, 2022, January 1, 2023, and April 1, 2023. The fair value of the stock options of \$355,000 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.95; risk-free interest rate of 2.46%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

On March 16, 2022, the Company granted 2,098,000 stock options to directors, officers and consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.91 per share expiring on March 16, 2027. The stock options vested immediately. The fair value of the stock options of \$1,489,580 was determined using the Black Scholes option valuation model with the following assumptions – share price on date of grant of \$0.94; risk-free interest rate of 2.02%; dividend yield of 0%; expected life of 5 years; forfeiture rate of 0% and expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies.

During the three and nine months ended July 31, 2023, the Company recorded \$73,419 and \$189,998 (2022 - \$19,950 and \$71,946) in share-based compensation related to stock options.

The following table summarized the continuity of the Company's stock options:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance, October 31, 2021	4,462,500	\$ 0.95
Granted	5,698,000	0.70
Cancelled	(2,163,000)	1.42
Exercised	(1,112,500)	0.44
Balance, October 31, 2022	6,885,000	\$ 0.68
Granted	900,000	0.29
Cancelled	(225,000)	0.25
Exercised	(65,000)	0.31
Balance, July 31, 2023	7,495,000	\$ 0.65

As at July 31, 2023, the Company had stock options outstanding enabling holders to acquire the following:

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Number of Options Outstanding	Number of Options Vested	Exercise price per option	Expiry date
750,000	750,000	\$1.24	January 25, 2024
225,000	225,000	\$1.70	May 6, 2024
1,305,000	1,109,167	\$0.25	August 17, 2025
1,685,000	1,685,000	\$0.91	March 16, 2027
125,000	125,000	\$0.95	April 1, 2027
250,000	250,000	\$0.50	August 2, 2027
200,000	200,000	\$0.50	August 19, 2027
50,000	50,000	\$0.48	September 14, 2027
805,000	780,000	\$0.51	September 16, 2027
500,000	500,000	\$0.51	September 19, 2027
450,000	450,000	\$0.54	September 27, 2027
250,000	250,000	\$0.51	October 27, 2027
550,000	375,000	\$0.32	December 28, 2027
350,000	350,000	\$0.24	May 4, 2028
7,495,000	7,099,167		

d) Share Purchase Warrants

The following table summarized the continuity of the Company's share purchase warrants:

	Number of Share Purchase Warrants	Weighted Average Exercise Price
Balance, October 31, 2021	7,975,830	\$ 1.86
Issued	919,590	1.60
Balance, October 31, 2022	8,895,420	\$1.83
Issued	6,769,827	0.70
Expired	(6,318,100)	1.95
Balance, July 31, 2023	9,347,147	\$0.86

As at July 31, 2023, the Company had share purchase warrants outstanding enabling holders to acquire the following:

Number of Share Purchase Warrants	Exercise price per warrant	Expiry date
1,657,730	\$1.50	December 24, 2023 ¹
393,750	\$1.60	February 16, 2024
289,838	\$1.60	April 8, 2024
212,527	\$1.60	April 16, 2024
23,475	\$1.60	April 21, 2024
3,125,000	\$0.70	January 16, 2025
1,144,578	\$0.70	January 31, 2025
248,687	\$0.70	December 30, 2025
1,186,330	\$0.70	January 23, 2026
1,065,232	\$0.70	January 27, 2026
9,347,147		

¹On December 13, 2022, the Company extended the expiry date of these warrants from December 24, 2022 to December 24, 2023, with all other terms remaining the same.

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e) Agent's Warrants

The following table summarized the continuity of the Company's Agent's Warrants:

	Number of Agent's Warrants	Weighted Average Exercise Price
Balance, October 31, 2021	638,617	\$1.26
Granted	96,557	1.60
Expired	(3,760)	0.25
Exercised	(26,822)	0.31
Balance, October 31, 2022	704,592	\$1.35
Granted	226,851	0.40
Expired	(608,035)	1.31
Balance, July 31, 2023	323,408	\$0.33

As at July 31, 2023, the Company had agent's warrants outstanding enabling holders to acquire the following:

Number of Agent's Warrants	Exercise price per warrant	Expiry date
23,100	\$1.60	February 16, 2024
40,469	\$1.60	April 8, 2024
29,707	\$1.60	April 14, 2024
3,281	\$1.60	April 21, 2024
24,928	\$0.40	December 30, 2025
149,041	\$0.40	January 23, 2026
52,882	\$0.40	January 27, 2026
323,408		

f) Escrow Agreement

25,000,000 shares were placed into escrow. Under the escrow agreement, 10% of the shares were released on the issuance of the final exchange bulletin (the TSXV's acceptance of the reverse acquisition of Kepler by ESE) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release. As at July 31, 2023, 3,750,000 shares were in escrow (October 31, 2022 – 7,500,000 shares were in escrow).

g) Nature and Purpose of Reserves

Share Subscriptions Received

The share subscriptions received reserve is used to recognize share subscription proceeds that the Company has received in advance of share issuances.

Commitment to Issue Shares

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The commitment to issue shares reserve is used to recognize the value of common shares, that the Company is obligated to issue.

Contributed Surplus

The contributed surplus reserve is used to recognize the grant date fair value of options and warrants issued but not exercised, and the value of the convertible option on issuance of convertible units.

Accumulated Other Comprehensive (Loss) Income

The accumulated other comprehensive (loss) income reserve is used to recognize exchange differences arising from foreign currency translation adjustments of subsidiaries that have a functional currency other than the Canadian dollar.

Non-Controlling Interest

The non-controlling interest reserve is used to recognize the non-controlling interest of the Company's subsidiaries and the associated income or loss.

18 Financial Instruments

Determination of Fair Value:

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

Fair Value Hierarchy:

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

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

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

Fair Value:

As at July 31, 2023, the Company believes that the carrying values of cash, receivables, term deposits, accounts payable and accrued liabilities, lease liabilities, convertible notes, acquisition payment commitment, and loans and credit facilities approximate their fair values because of their nature and relatively short maturity dates or

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durations. The investment and considerable payable are measured at fair value with reference to level 2 inputs within the fair value hierarchy.

As there is no quoted market price in an active market for the Company's investment in GR Games, the investment is currently measured at the fair value equivalent to the cost basis of the shares. There are no indicators during the current and prior year that the value of the shares might not be representative of fair value.

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

General Objectives, Policies and Processes

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

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

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

Financial risk factors*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.

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

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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 July 31, 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:

	< 1 year \$	1 – 2 years \$	3 – 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

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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.

19 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 principle and/or interest. The Company is subject to

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externally imposed capital requirements. For the revolving demand credit facility of \$2,000,000 obtained by GameAddik (Note 15), GameAddik must maintain a minimum of a working capital ratio of 1.25 and total shareholders' equity of \$2,000,000. 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 nine months ended July 31, 2023.

20 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,		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 balances owing are unsecured, non-interest bearing and due in 30 days. Subsequently, these amounts have been paid in full.

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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.

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21 Segmented Information and Revenue DisclosuresSegmented information

The Company operates in three industry segments of digital media and entertainment, telecommunications and call center services and advanced simulation racing infrastructure, technology, and support. Information for the four industry segments as at and for the nine months ended July 31, 2023 is as follows:

	Digital media and entertainment	Telecommunications and call center services	Advanced simulation racing infrastructure, technology, and support	Corporate	Discontinued operations	Total
Types of products and services from which each reportable segment derives its revenues	Contract revenue – advertising and events	Telecom wholesale voice	Sale of products and solutions	Activities not directly attributable to an operating segment		
Total assets	\$ 2,040,214	\$ 316,640	\$ 485,038	\$ 315,183	\$ 12,091,310	\$ 15,248,385
Total liabilities	\$ 1,424,559	\$ 811,098	\$ 137,867	\$ 7,137,343	\$ 3,949,903	\$ 13,460,770
Revenue	\$ 2,703,771	\$ 12,065,248	\$ 3,305,737	\$ -	\$ 18,557,804	\$ 36,632,560
Net income (loss) before taxes	\$ (1,135,899)	\$ (627,524)	\$ (572,261)	\$ (5,278,937)	\$ 1,319,680	\$ (6,294,941)

Information for the four industry segments as at October 31, 2022 and for the nine months ended July 31, 2022 as follows:

	Digital media and entertainment	Telecommunications and call center services	Advanced simulation racing infrastructure, technology, and support	Corporate	Discontinued operations	Total
Total assets	\$ 18,801,450	\$ 746,498	\$ 1,558,575	\$ 343,990	\$ -	\$ 21,450,513
Total liabilities	\$ 8,657,587	\$ 808,053	\$ 749,732	\$ 9,001,246	\$ -	\$ 19,216,618
Revenue	\$ 3,130,499	\$ 18,352,119	\$ 4,361,473	\$ -	\$ 13,118,631	\$ 38,962,722
Net income (loss) before taxes	\$ (615,686)	\$ (224,737)	\$ (179,131)	\$ (14,229,665)	\$ 2,846,496	\$ (12,402,723)

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Information about geographical areas

The Company's non-current assets are allocated to geographic segments as at July 31, 2023 and October 31, 2022 as follows:

	July 31, 2023	October 31, 2022
Ireland	\$ 168,099	\$ 250,021
Canada	141,892	8,585,106
Poland	789,356	736,131
Romania	53,847	91,118
Total non-current assets	\$ 9,110,284	\$ 9,662,376

The Company's net income (loss) is allocated to geographic segments for the nine months ended July 31, 2023 and 2022 as follows:

	July 31, 2023	July 31, 2022
Canada	\$ (5,835,216)	\$ (12,582,712)
Ireland	(572,261)	(179,131)
Poland	(297,978)	(441,805)
Romania	(36,961)	(2,387)
Net loss	\$ (6,742,416)	\$ (13,206,035)

Three customers (2022 – one customer) in the Digital media and entertainment segment and three customers (2022 – one customer) in the Telecommunications segment accounted for more than 10% of total revenue for the Company and in aggregate accounted for 51% (2022 - 32%) of sales.

The Company's revenues are allocated to geographic segments for the nine months ended July 31, 2023 and 2022 as follows:

	July 31, 2023	July 31, 2022
Norway	\$ 9,468,192	\$ 9,313,607
United States	8,700,515	10,870,208
China	2,495,826	4,065,555
Poland	2,969,207	3,021,726
Switzerland	2,379,110	-
United Kingdom	746,581	1,698,231
Cyprus	1,532,244	-
Ireland	462,803	523,377
Panama	506,740	-
Canada	165,287	317,798
Other	7,206,055	9,152,220
Total revenue	\$ 36,632,560	\$ 38,962,722

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Disaggregation of revenue

Revenue and gross profit are derived from the following sources during the nine months ended July 31, 2023 and 2022:

For the nine months ended July 31, 2023	Contract revenue – advertising and events	Telecom wholesale voice	Sale of products and solutions	Discontinued operations	Total
Revenue	\$ 2,703,771	\$ 12,065,248	\$ 3,305,737	\$ 18,557,804	\$ 36,632,560
Cost of sales	(2,619,744)	(12,152,654)	(3,100,564)	(13,359,832)	(31,232,794)
Gross profit (loss)	\$ 84,027	\$ (87,406)	\$ 205,173	\$ 5,197,972	\$ 5,399,766

For the nine months ended July 31, 2022	Contract revenue – advertising and events	Telecom wholesale voice	Sale of products and solutions	Discontinued operations	Total
Revenue	\$ 3,130,499	\$ 18,352,119	\$ 4,361,473	\$ 13,118,631	\$ 38,962,722
Cost of sales	(2,446,032)	(18,111,984)	(3,525,414)	(8,422,155)	(32,505,585)
Gross profit	\$ 684,467	\$ 240,135	\$ 836,059	\$ 4,696,476	\$ 6,457,137

During the nine months ended July 31, 2023, the Company recognized as revenue \$268,519 (2022 - \$213,652) which was included in deferred revenue at the beginning of the period. The Company expects to recognize as revenue the remaining performance obligations represented by the deferred revenue balance as at July 31, 2023 in the next twelve months.

22 Supplemental Disclosures with Respect to Cash Flows

	2023	2022
Supplemental cash-flow disclosures		
Interest paid	\$ 81,213	\$ 157,871
Taxes paid	\$ 679,537	\$ -
Non-cash investing and financing activities		
Fair value of stock options and warrants exercised	\$ 18,100	\$ 274,974
Fair value of shares issued to finders for acquisitions	\$ -	\$ 642,365
Fair value of finder's warrants issued	\$ 66,350	\$ 38,131
Fair value of shares issued for debt settlement	\$ 17,895	\$ -
Fair value of shares issued for commitment to issue shares	\$ -	\$ 1,115,880
Fair value of shares issued to acquire WPG	\$ 1,833,149	\$ 4,711,997
Fair value of Frenzy Earn-Out Shares issued	\$ 235,242	\$ -
Fair value of shares issued to acquire Frenzy	\$ -	\$ 866,720
Fair value of shares issued to acquire GameAddik	\$ 2,126,090	\$ 4,764,001

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23 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 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
<hr/>	
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)
<hr/>	
Liabilities held-for-sale	\$ 3,949,903

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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		For the nine months ended	
	July 31,		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

24 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.

- 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.

ESE ENTERTAINMENT INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

- f) Subsequent to July 31, 2023, stock options to acquire 1,700,000 common shares at \$0.155 per share were granted.