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News Release

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ESI ENTERTAINMENT ANNOUNCES FISCAL 2008 SECOND QUARTER FINANCIAL RESULTS

BURNABY, B.C. October 15, 2007- ESI Entertainment Systems Inc. ("ESI" or the "Company") (TSX: ESY) reported today its financial results for fiscal Q2 2008 ended August 31, 2007. (All dollar amounts reported in Canadian funds)

Financial highlights for the quarter included (Q2 2008 compared to Q2 2007):

Consolidated basis:

- Revenue for the three months to August 31, 2007, decreased from \$5.8 million to \$0.68 million – negative 88% - over the comparative period in the prior year;
- Revenue for the six months to August 31, 2007 decreased from \$11.3 million to \$1.5 million – negative 87% - over the comparative period in the prior year;
- Gross Profit for the three months to August 31, 2007, decreased from \$3.60 million to \$0.03 million - negative 99% - over the comparative period in the prior year;
- Gross Profit for the six months to August 31, 2007, decreased from \$7.07 million to \$0.31 million – negative 96% - over the comparative period in the prior year;
- Net loss for the three months to August 31, 2007, increased to \$2,641,646 from net earnings of \$371,594 – negative 803% - in the comparative period in the prior year;
- Net loss for the six months to August 31, 2007, increased to \$5,173,237 from net earnings of \$721,254 - negative 811% - over the comparative period in the prior year.

Our financial results were mainly driven by the decline in Citadel Commerce Corp., our payment processing service to the on-line gaming and e-commerce industries, due to the cessation of the financial processing business for non-domestic internet gaming merchants for US consumers. We have seen a significant decrease in our financial performance for the three and six months ended August 31, 2007 compared to the three and six months ended August 31, 2006.

"The second quarter of 2008 was a challenging quarter" said Tony Greening Chair and Chief Executive Officer. "The Company is building on its e-Money issuer status in the UK, intellectual property and know-how for financial processing. We are continuing to pursue the European gaming markets as well as the general e-commerce markets worldwide. We also launched the first BetOnBattles game and look forward to providing another update during the following quarters as we continue to develop new and additional markets for our products."

Financial Review

Total revenue decreased by 88% to \$0.68 million for the three months ended August 31, 2007 from \$5.78 million for the three months ended August 31, 2006. This decrease was mainly because of the decline in Citadel revenues due to the cessation of the financial processing business for non-domestic internet gaming merchants for US consumers.

Gross profit was \$0.03 million and \$0.31 million for the three and six months ended August 31, 2007 compared to \$3.60 million and \$7.07 million for the same periods in 2006. Gross margin as a percentage of revenues was 4% compared to 62% for the same quarter in prior year, a decrease of 58%. Margins decreased because revenues dropped from payment processing business due to the cessation of the financial processing business for non-domestic internet gaming merchants for US consumers while direct costs of sales such as call centre, merchant support and other operations related wages remained relatively fixed as transaction revenues declined.

Product development expenses were \$379,807 and \$854,956 during the three and six months ended August 31, 2007 respectively, an increase of 58% and 52% respectively compared to \$240,028 and \$563,940 for the three and six months ended August 31, 2006. The increase is mainly related to additional software development work on Citadel's new products for the European and general e-commerce markets as well as expensing of product development costs which were being deferred and written off in Q3 of fiscal 2007.

Sales, marketing and customer service expenses were \$366,773 and \$808,456 during the three and six months ended August 31, 2007 respectively, a decrease of 50% and 52% respectively compared to \$728,396 and \$1,669,567 for the three and six months ended August 31, 2006. The decrease is primarily related to the reduction of staff in sales and marketing and customer service due to the cessation of the financial processing business for non-domestic internet gaming merchants for US consumers.

General and administrative expenses were \$1,395,032 and \$2,468,937 during the three and six months ended August 31, 2007 respectively, representing a decrease of 21% and 22% compared to \$1,755,303 and \$3,149,065 for the three months and six months ended August 31, 2006. This decrease resulted from a reduction of staff due to the cessation of the financial processing business for non-domestic internet gaming merchants for US consumers in Q4 2007.

Net loss for the three and six month periods ended August 31, 2007 were \$2,641,646 (\$0.14 net loss per share – basic and diluted) and \$5,173,237 (\$0.27 net loss per share – basic and diluted) compared to net income of \$371,594 (\$0.02 net earnings per share – basic and fully diluted) and \$721,254 (\$0.04 net earnings per share- basic and fully diluted) for the prior comparative periods. The fully diluted loss per share has not been computed, as the effect would be anti-dilutive (meaning that the loss per share would decrease on a fully diluted basis). Therefore, in accordance with GAAP, fully diluted loss per share is not provided. The fully diluted calculation would have otherwise included Common Shares underlying outstanding securities, such as options and warrants exercisable to acquire Common Shares.

As at August 31, 2007, the Company had cash and cash equivalents of \$4,318,506, compared to \$10,548,002 on August 31, 2006.

ESI Entertainment Systems Inc.

Consolidated Balance Sheets

(expressed in Canadian dollars)
(unaudited)

	August 31, 2007	February 28, 2007
Assets		
Current		
Cash and cash equivalents	\$ 4,318,506	\$ 9,453,701
Accounts receivable	942,81	558,29
Prepays	546,21	472,91
	<u>5,807,655</u>	<u>10,484,902</u>
Restricted cash		1,100,903
Citadel processing accounts	13,678,418	16,075,768
Property and equipment	1,073,327	1,391,764
Deferred contract costs	906,71	502,59
	<u>\$ 21,466,104</u>	<u>\$ 29,555,933</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 757,21	\$ 1,237,547
Capital lease obligations	179,31	348,67
Software license obligation		9,
Deferred revenue	561,31	539,19
	<u>1,497,941</u>	<u>2,135,333</u>
Citadel processing liabilities	13,678,418	16,883,268
Deferred revenue	1,827,728	1,080,247
Capital lease obligations	245,31	245,39
	<u>17,249,486</u>	<u>20,344,247</u>
Shareholders' Equity		
Capital stock	13,305,409	13,226,702
Warrants	5	84,6
Contributed surplus	508,31	330,13
(Deficit)	(9,603,021)	(4,429,784)
	<u>4,216,618</u>	<u>9,211,686</u>
	<u>\$ 21,466,104</u>	<u>\$ 29,555,933</u>

ESI Entertainment Systems Inc.

Consolidated Statements of Operations and (Deficit) Retained Earnings

(expressed in Canadian dollars)

(unaudited)	Three Months Ended August 31,		Six Months Ended August 31,	
	2007	2006	2007	2006
Revenues	\$ 682,181	\$ 5,783,906	1,457,765	11,282,279
Direct costs	<u>652,811</u>	<u>2,176,344</u>	<u>1,148,890</u>	<u>4,211,967</u>
Gross profit	<u>29,370</u>	<u>3,607,562</u>	<u>308,875</u>	<u>7,070,312</u>
Operating expenses				
Product development	379,801	240,000	854,900	563,900
Sales, marketing and customer service	366,771	728,300	808,400	1,669,561
General and administrative	1,395,032	1,755,303	2,468,937	3,149,061
Amortization of property and equipment	<u>201,081</u>	<u>223,700</u>	<u>412,700</u>	<u>442,000</u>
	<u>2,342,698</u>	<u>2,947,429</u>	<u>4,545,051</u>	<u>5,824,602</u>
Earnings before under noted items	(2,313,321)	660,133	(4,236,176)	1,245,710
Other expenses (income)				
Foreign exchange loss (gain)	358,871	28,100	1,100,912	163,200
Interest income	(68,831)	(153,205)	(225,771)	(285,880)
Interest expense	<u>21,200</u>	<u>43,700</u>	<u>44,000</u>	<u>86,000</u>
Earnings before income taxes and non-controlling interest	<u>(2,624,581)</u>	<u>741,328</u>	<u>(5,156,176)</u>	<u>1,281,970</u>
Provision for income taxes				
Current	17,000	31,700	17,000	31,700
Future	<u>17,000</u>	<u>338,000</u>	<u>17,000</u>	<u>529,000</u>
	<u>17,000</u>	<u>369,700</u>	<u>17,000</u>	<u>560,700</u>
Net earnings	<u>\$ (2,641,641)</u>	<u>\$ 371,528</u>	<u>(5,173,237)</u>	<u>721,270</u>
Earnings per share				
Basic	\$ (0.14)	\$ 0.02	\$ (0.27)	\$ 0.04
Diluted	(0.14)	0.02	(0.27)	0.04
Retained earnings (deficit), beginning of period	\$ (6,961,371)	\$ 910,700	(4,429,784)	561,000
Net earnings	<u>(2,641,641)</u>	<u>371,528</u>	<u>(5,173,237)</u>	<u>721,270</u>
Retained earnings (deficit), end of period	<u>\$ (9,603,012)</u>	<u>\$ 1,282,311</u>	<u>(9,603,021)</u>	<u>1,282,310</u>

ESI Entertainment Systems Inc.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

(unaudited)	Three Months Ended August 31,		Six Months Ended August 31,	
	2007	2006	2007	2006
Cash flows provided by (used in)				
Operating activities				
Net earnings	\$ (2,641,646)	\$ 371,594	\$ (5,173,237)	\$ 721,254
Items not affecting cash:				
Stock-based compensation (Note 8)	102,954	64,267	178,170	83,212
Amortization of property and equipment	201,086	223,702	412,702	442,032
Future income taxes	-	338,000	-	529,000
Net changes in non-cash operating items:				
Accounts receivable	(366,415)	12,229	(384,571)	(195,527)
Inventory	-	(237,252)	-	(237,252)
Prepays	(43,865)	11,265	(73,377)	(56,018)
Allowance for bad debts	-	-	(807,500)	
Accounts payable and accrued liabilities	(182,700)	33,474	(480,330)	168,560
Deferred revenue	41,381	(40,422)	769,672	223,041
Deferred contract costs	(211,571)	44,730	(404,108)	(4,818)
	<u>(3,100,776)</u>	<u>821,587</u>	<u>(5,962,579)</u>	<u>1,673,484</u>
Investing activities				
Acquisition of property and equipment	(18,891)	(134,511)	(94,265)	(201,530)
Capitalized development cost	-	(78,044)	-	(139,958)
Restricted cash	-	-	1,100,903	-
Deferred start up cost	-	(519,649)	-	(993,160)
	<u>(18,891)</u>	<u>(732,204)</u>	<u>1,006,638</u>	<u>(1,334,648)</u>
Financing activities				
Loan payable	-	-	-	(1,000,000)
Capital lease payments	(86,037)	(66,883)	(169,337)	(131,805)
Software license obligation	-	(29,305)	(9,917)	(50,685)
Issuance of common shares, net of issue costs	-	(14,564)	-	8,893,388
	<u>(86,037)</u>	<u>(110,752)</u>	<u>(179,254)</u>	<u>7,710,898</u>
Increase in cash and cash equivalents	(3,205,704)	(21,369)	(5,135,195)	8,049,734
Cash and cash equivalents, beginning of period	<u>7,524,210</u>	<u>10,569,371</u>	<u>9,453,701</u>	<u>2,498,268</u>
Cash and cash equivalents, end of period	<u>\$ 4,318,506</u>	<u>\$ 10,548,002</u>	<u>\$ 4,318,506</u>	<u>\$ 10,548,002</u>

ESI Entertainment Systems Inc.

Consolidated Statements of Cash Flows (Continued)

(expressed in Canadian dollars)

(unaudited)	Three Months Ended August 31,		Six Months Ended August 31,	
	2007	2006	2007	2006
Non-cash investing and financing transactions not included in cash flows				
Conversion of preferred shares into common shares	\$ -	\$ -	\$ -	\$ 2,706,941
Share issue costs incurred in prior fiscal year	-	-	-	936,987
Future income tax on share issue costs	-	10,000	-	732,500
Fair value of options exercised	-	259	-	519
Agents' warrants included in share issue costs	-	-	-	78,708
Cash and cash equivalents comprises				
Cash			\$ 1,516,582	\$ 3,037,894
Cash equivalents			2,801,924	7,510,108
			\$ 4,318,506	\$ 10,548,002
Supplemental information				
Interest received	\$ 43,217	\$ 111,481	\$ 117,185	\$ 222,554
Interest paid	21,217	43,798	52,694	86,410
Income taxes paid	-	-	-	-

ESI Entertainment Systems Inc.

About ESI Entertainment Systems Inc.

ESI Entertainment Systems Inc. ("ESI") (TSX: ESY) provides products and services to the international gaming and e-commerce industries through its three principal subsidiaries, Citadel Commerce Corp., ESI Integrity Inc. and PlayLine Inc. ESI's products and services, which primarily consist of payment processing, transaction monitoring and turnkey gaming platforms, are deployed in the on-line and land based gaming and e-commerce markets.

Forward- looking Statements

This news release contains forward-looking statements concerning ESI Entertainment Systems Inc, which statements can be identified by the use of forward-looking terminology such as "expect", "proposed", "may", "plan", "intend", "will", "would" or the negative thereof or any other variations thereon or comparable terminology referring to future events or results. Forward-looking statements are statements about the future and are inherently uncertain, and the actual events or results could be materially different than those anticipated in those forward-looking statements as a result of numerous factors discussed more fully in the Company's Final Prospectus dated March 22, 2006, Annual Information Form and elsewhere in other filings on www.sedar.com. These risks include risks related to revenue growth, operating results, industry growth, changes in regulation and legislation, products, technology, financing, competition, personnel and other factors affecting the Company and its business, any of which could cause actual events or results to vary materially from ESI's anticipated future results. Forward-looking statements are based on beliefs, opinions and expectations of ESI's management at the time they are made, and ESI does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances should change.

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