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News Release

For Immediate Release November 15, 2006

ESI ENTERTAINMENT ANNOUNCES FISCAL 2007 SECOND QUARTER FINANCIAL RESULTS

Burnaby, BC, November 15, 2006 -- ESI Entertainment Systems Inc. ("ESI") (TSX: ESY) reported today its financial results for fiscal Q2 2007 ended August 31, 2006. (All dollar amounts reported in Canadian funds)

Financials highlights for the quarter included (Q2 2007 compared to Q2 2006):

Consolidated basis:

- Revenue for the three months to August 31, 2006, increased from \$4.96 million to \$5.78 million - 17% - over the comparative period in the prior year;
- Revenue for the six months to August 31, 2006 increased from \$8.21 million to \$11.28 million - 37% - over the comparative period in the prior year;
- Gross Profit for the three months to August 31, 2006, increased from \$1.95 million to \$3.6 million - 85% - over the comparative period in the prior year;
- Gross Profit for the six months to August 31, 2006, increased from \$3.88 million to \$7.07 million – 82% - over the comparative period in the prior year;
- Net Earnings for the three months to August 31, 2006, increased to \$371,594 from \$59,087 – 529% - over the comparative period in the prior year;
- Net Earnings for the six months to August 31, 2006, increased to \$721,254 from \$406,860 - 77% - over the comparative period in the prior year;
- Cash and cash equivalents of \$10.5 million compared to \$1.6 million on August 31, 2005

"Although we generated improved results in the first half of the year, following closure of the US marketplace for our merchants, we are evaluating the likelihood of impairment of intangible assets as result of the regulatory changes," said Tony Greening, Chairman and CEO of ESI. "We are currently seeking alternatives and expanded markets for the services provided by Citadel as a way to partially offset what we believe will be a decline in revenues in the quarters ahead. "

Financial Review

Total revenue increased by 17% to \$5.78 million from \$4.96 million and by 37% to \$11.28 million from \$8.21 million for the three months and six months ended August 31, 2006 compared to same period last year. This increase was mainly due to the growth in Citadel revenues from its top ten merchants.

Gross profit was \$3.61 million and \$7.07 million for the three and six months ended August 31, 2006 compared to \$1.95 million and \$3.88 million for the same periods in 2005. Gross margin as a percentage of revenues was 62% compared to 39% for the same quarter in prior year, an increase of 23%. Margin increased mainly as a result of direct cost of sales such as call centre, merchant support and other operations with accounting wages remaining relatively fixed as transaction revenues grew.

Product development expenses were \$240,028 and \$563,940 during the three and six months ended August 31, 2006 respectively; a decrease of 25% during the three month period and an increase of 13% for the six month period compared to \$319,547 and \$500,024 for the three and six months ended August 31, 2005, respectively. The differences result mainly from timing of expenditures related to development upgrades to the Citadel Checks platform.

Sales, marketing and customer service expenses were \$728,396 and \$1,669,567 during the three and six months ended August 31, 2006, respectively; an increase of 65% and 103%, respectively, compared to \$440,527 and \$824,615 for the three and six months ended August 31, 2005. The increase primarily related to the expansion of Citadel's sales and marketing team, increased travel, additional marketing activities relating to trade shows and increased promotional activities to attract new customers.

General and administrative expenses were \$1,755,303 and \$3,149,065 during the three and six months ended August 31, 2006 respectively, representing an increase of 89% and 82% compared to \$928,866 and \$1,726,739 for the three months and six months ended August 31, 2005. This change resulted from an increase in the Company's administrative infrastructure required to operate a growing organization and the costs associated with being a public company.

Net earnings for the three and six month periods ended August 31, 2006 were \$371,594 (\$0.02 per share – basic; \$0.02 per share – fully diluted) and \$721,254 (\$0.04 per share – basic; \$0.04 per share – fully diluted) compared to \$59,087 (\$0.01 per share – basic; \$0 per share – fully diluted) and \$406,860 (\$0.04 per share – basic; \$0.04 per share fully diluted) for the prior comparative periods.

Cash and cash equivalents totaled \$10.5 million and the working capital position was \$9.0 million at the end of the current quarter.

Management's Discussion and Analysis for the above noted information is located on the SEDAR website at www.sedar.com.

Subsequent Events

In the United States, President Bush signed the *Unlawful Internet Gambling Enforcement Act of 2006* (the "UIGEA") into force on October 13, 2006. The UIGEA represents an attempt by the U.S. government to stop online gaming in the United States by cutting off the cash flow between U.S. online gamblers and online gaming websites. This will be accomplished by developing policies and procedures for identifying and blocking all such transactions, and by requiring financial institutions

(including companies such as Citadel) to adopt and follow those policies and procedures.

On October 25, 2006 the Company laid off approximately 15% of its employees due to the negative impact of UIGEA on the Company's business. The Company will continue to review its cost structure in light of the changing business climate.

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 results of numerous factors discussed more fully in the Company's Annual Information Form and elsewhere. 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. The Toronto Stock Exchange does not accept responsibility for this press release.

About ESI Entertainment Systems Inc.

ESI Entertainment Systems Inc. ("ESI") (TSX: ESY) provides products and services to the international gaming industry 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 markets.

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ESI Entertainment Systems Inc.

Consolidated Balance Sheets

(expressed in Canadian dollars)

(unaudited) (See note 1- Geopolitical risk and impact of new legislation in the USA)

	August 31, 2006	February 28, 2006
Assets		
Current Assets		
Cash and cash equivalents	10,548,002	2,498,268
Accounts receivable	912,851	717,324
Inventory	237,252	-
Prepays	542,000	485,982
	<u>12,240,105</u>	<u>3,701,574</u>
Citadel processing accounts (Note 4)	36,363,836	33,805,751
Deferred share issue costs		936,987
Deferred contract costs	542,640	537,822
Deferred start-up costs (Note 6)	3,668,855	2,675,695
Property and equipment (Note 6)	1,733,084	1,973,586
Capitalized development costs (Note 6)	1,617,689	1,477,731
	<u>56,166,209</u>	<u>45,109,146</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	2,324,446	2,213,787
Taxes payable	57	-
Loan payable (Note 5)		1,000,000
Capital lease obligations	299,617	258,631
Software license obligation	68,848	114,286
Deferred revenue	487,243	564,239
	<u>3,238,055</u>	<u>4,150,943</u>
Citadel processing liabilities (Note 4)	36,363,836	33,805,751
Deferred revenue	987,932	687,895
Software license obligation		5,247
Capital lease obligations	313,267	486,058
Future income tax liabilities	55,000	258,500
	<u>40,958,090</u>	<u>39,394,394</u>
Shareholders' Equity		
Capital stock (Note 7)	13,700,701	5,089,990
Warrants (Note 8)	84,634	5,926
Contributed surplus	140,473	57,779
Retained earnings	1,282,311	561,057
	<u>15,208,119</u>	<u>5,714,752</u>
	<u>56,166,209</u>	<u>45,109,146</u>

Contingency and commitments (Notes 3 and 12)

On behalf of the Board

Director

Director

ESI Entertainment Systems Inc.

Consolidated Statements of Earnings and Retained Earnings

(expressed in Canadian dollars, except shares and per share amounts)

(See note 1- Geopolitical risk and impact of new legislation in the USA)

(unaudited)	Three Months Ended August 31		Six Months Ended August 31	
	2006	2005	2006	2005
Revenues (Note 6)	5,783,906	4,955,934	11,282,279	8,216,351
Direct costs (Notes 3 and 6)	<u>2,176,344</u>	<u>3,006,492</u>	<u>4,211,961</u>	<u>4,340,451</u>
Gross profit	<u>3,607,562</u>	<u>1,949,442</u>	<u>7,070,318</u>	<u>3,875,900</u>
Operating expenses				
Product development	240,028	319,547	563,940	500,024
Sales, marketing and customer service	728,396	440,527	1,669,567	824,615
General and administrative (Note 11)	1,755,303	928,866	3,149,065	1,726,739
Amortization of property and equipment	<u>223,702</u>	<u>117,880</u>	<u>442,032</u>	<u>216,160</u>
	<u>2,947,429</u>	<u>1,806,820</u>	<u>5,824,604</u>	<u>3,267,538</u>
Earnings before under noted items	660,133	142,622	1,245,714	608,362
Other expenses (income)				
Foreign exchange loss (gain)	28,221	80,459	163,208	41,198
Interest income	(153,205)	(35,363)	(285,883)	(70,726)
Interest expense	<u>43,798</u>	<u>9,323</u>	<u>86,410</u>	<u>18,646</u>
Earnings before income taxes and non-controlling interest	<u>741,319</u>	<u>88,203</u>	<u>1,281,979</u>	<u>619,244</u>
Provision for income taxes				
Current	31,725	-	31,725	-
Future	<u>338,000</u>	<u>30,703</u>	<u>529,000</u>	<u>215,558</u>
	<u>369,725</u>	<u>30,703</u>	<u>560,725</u>	<u>215,558</u>
Earnings before non-controlling interest	371,594	57,500	721,254	403,686
Non-controlling interest	<u>-</u>	<u>(1,587)</u>	<u>-</u>	<u>(3,174)</u>
Net earnings	<u>371,594</u>	<u>59,087</u>	<u>721,254</u>	<u>406,860</u>
Earnings per share (Note 10)				
Basic	0.02	0.01	0.04	0.04
Diluted	0.02	0.00	0.04	0.03
Retained earnings (deficit), beginning of period	910,717	(328,006)	561,057	(675,779)
Excess of consideration paid over ascribed value for shares repurchased	-	(26,671)	-	(26,671)
Net earnings	<u>371,594</u>	<u>59,087</u>	<u>721,254</u>	<u>406,860</u>
Retained earnings (deficit), end of period	<u>1,282,311</u>	<u>(295,590)</u>	<u>1,282,311</u>	<u>(295,590)</u>

ESI Entertainment Systems Inc.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars, except shares and per share amounts)

(See note 1- Geopolitical risk and impact of new legislation in the USA)

(unaudited)	Three Months Ended August 31		Six Months Ended August 31	
	2006	2005	2006	2005
Cash flows provided by (used in)				
Operating activities				
Net earnings	371,594	59,087	721,254	406,860
Items not affecting cash:				
Stock-based compensation (Note 9)	64,267	-	83,212	-
Amortization of property and equipment	223,702	117,880	442,032	216,160
Non-controlling interest in results of subsidiary	-	(1,587)	-	(3,174)
Future income taxes	338,000	30,703	529,000	215,558
Net changes in non-cash operating items:				
Accounts receivable	12,229	(30,241)	(195,527)	499,639
Inventory	(237,252)	-	(237,252)	-
Prepays	11,265	(423,261)	(56,018)	(717,455)
Accounts payable and accrued liabilities	33,474	(587,271)	168,560	(119,349)
Deferred revenue	(40,422)	30,718	223,041	233,572
Deferred contract costs	44,730	(48,202)	(4,818)	(125,288)
	<u>821,587</u>	<u>(852,174)</u>	<u>1,673,484</u>	<u>606,523</u>
Investing activities				
Acquisition of property and equipment	(134,511)	(332,331)	(201,530)	(529,273)
Capitalized development cost	(78,044)	(203,727)	(139,958)	(383,451)
Deferred start up cost	(519,649)	(353,305)	(993,160)	(740,415)
	<u>(732,204)</u>	<u>(889,363)</u>	<u>(1,334,648)</u>	<u>(1,653,139)</u>
Financing activities				
Loan payable	-	-	(1,000,000)	-
Capital lease payments	(66,883)	-	(131,805)	-
Software license obligation	(29,305)	-	(50,685)	(225,669)
Repurchase of common shares	-	(42,600)	-	(42,600)
Issuance of common shares, net of issue costs	(14,564)	9,375	8,893,388	9,375
	<u>(110,752)</u>	<u>(33,225)</u>	<u>7,710,898</u>	<u>(258,894)</u>
Increase in cash and cash equivalents	(21,369)	(1,774,762)	8,049,734	(1,305,510)
Cash and cash equivalents, beginning of period	<u>10,569,371</u>	<u>3,364,428</u>	<u>2,498,268</u>	<u>2,895,176</u>
Cash and cash equivalents, end of period	<u>10,548,002</u>	<u>1,589,666</u>	<u>10,548,002</u>	<u>1,589,666</u>

ESI Entertainment Systems Inc.

Consolidated Statements of Cash Flows (Continued)

(expressed in Canadian dollars, except shares and per share amounts)

(See note 1- Geopolitical risk and impact of new legislation in the USA)

	Three Months Ended August 31		Six Months Ended August 31	
(unaudited)	2006	2005	2006	2005
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			3,037,894	1,589,666
Cash equivalents			7,510,108	-
			<u>10,548,002</u>	<u>1,589,666</u>
Supplemental information				
Interest received	111,481	35,363	222,554	70,726
Interest paid	43,798	9,323	86,410	18,646
Income taxes paid	-	-	-	-