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News Release

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ESI Entertainment announces Fiscal 2009 Financial Results

BURNABY, B.C. May 29, 2009 - ESI Entertainment Systems Inc. ("ESI" or the "Company") (CNSX : ESY) reported today its financial and operational results for the fiscal year ended February 28, 2009 ("fiscal 2009"). All amounts are in Canadian dollars unless otherwise stated.

Fiscal 2009 Financial Highlights

The highlights for ESI, on a consolidated basis, are:

- 22% increase in consolidated revenues to $3.95 million for fiscal 2009 from $3.25 million for fiscal 2008;
- 87% increase in consolidated gross profit to $0.971 million for fiscal 2009 from $0.518 million for fiscal 2008;
- 29% decrease in consolidated net loss before income taxes and non-controlling interest to a loss of $5.1 million for fiscal 2009 from a loss of $7.2 million for fiscal 2008.

Revenues from ESI Integrity have grown over the past three years. This is due to increased sales and marketing efforts and the stronger recognition of the ESI Integrity brand as the number of installations with government lotteries and pari-mutuel organizations has grown on a worldwide basis.

Citadel's revenues were reduced significantly during fiscal 2008 and 2009 consequent upon the cessation by Citadel of financial processing to the non-domestic internet gaming merchants for US based consumers on January 17, 2007. This has had a significant material impact on the revenues for Citadel in fiscal 2008 and 2009, since 97% of the revenues generated by Citadel in fiscal 2007 had been generated from that market place.

Consolidated gross profit was reduced from $13.5 million for fiscal 2007 to $518,000 for fiscal 2008 but increased to $971,022 for fiscal 2009. The decrease in prior years was a direct result of Citadel's withdrawal from the USA market. The increase in fiscal 2009 is due to the increase in ESI Integrity revenue and the reduction of direct costs for Citadel. Gross profit for ESI Integrity during fiscal 2009 increased from $1.027 million in fiscal 2008 to $1.129 million in fiscal 2009, reflecting continued growth in that division.

Total operating expenses decreased during fiscal 2008 and 2009 from prior years as the company has been significantly restructured to account for the reduction in Citadel revenues.

The widely fluctuating trend of the past three years is not likely to continue. ESI Integrity continues to provide reliable, profitable revenue and has a large contracted backlog of revenue extending forward over many years. Citadel has reduced its operational costs in order to implement its strategy to maintain a sufficiently comprehensive base of personnel and facilities to enable it to develop new products, access new markets and rebuild its business.

Fiscal 2009 Financial Review

Consolidated Revenues

The following table provides a breakdown of the Company's revenues from its two subsidiaries for the reported periods:

	Year ended		
($ 000)	**February 28, 2009**	**February 29, 2008**	**% change**
Integrity	3,253	2,373	37%
Citadel	701	875	(20%)
Total revenue	3,954	3,248	22%

Total revenue increased by 22% to $3.954 million in fiscal 2009 from $3.248 million in fiscal 2008. The increase was entirely due to the revenue earned by ESI Integrity.

Consolidated Gross Profit

The following table provides a summary of the Company's gross profit for the reported periods:

	Year ended	
($ 000)	**February 29, 2008**	**February 29, 2008**
Revenues	3,954	3,248
Direct costs	2,983	2,730
Gross profit	971	518
Gross profit margin	25%	16%

The increase in consolidated gross profit margin in fiscal 2009 was due to the additional revenue earned within the ESI Integrity subsidiary and the reduction of direct cost for Citadel.

The gross profit margin by dollar and as a percentage of revenues for each subsidiary is listed below:

	Year ended			
($ 000)	**February 28, 2009**		**February 29, 2008**	
		GP%		GP%
Integrity	1,129	35%	1,027	43%
Citadel	(158)	(22%)	(509)	(58%)
Total gross profit	971	25%	518	16%

Integrity's gross profit decreased to 35% from 43% the prior fiscal period. This was due to recognizing deferred contract costs on discontinued contracts. Citadel's gross profit margin during fiscal 2009 was (22%), compared to (58%) for the prior fiscal year, reflecting the significant change to its business consequent upon the cessation of financial processing in the USA.

Product Development

Product development expenses were $0.604 million in fiscal 2009, a decrease of 51% compared to $1.24 million for the prior period. These expenditures are principally related to software development since the Company no longer capitalizes those costs.

Sales, Marketing and Customer Service

Sales, marketing and customer service expenses were $0.741 million for fiscal 2009, a decrease of 56% compared to $1.67 million for the prior period. The decrease primarily related to the contraction of Citadel's sales and marketing forces, reduced travel, and reduction of marketing activities relating to trade shows and promotional activities.

General and Administrative

General and administrative expenses were $3.76 million for fiscal 2009, a decrease of 30% compared to $5.41 million for the prior period. This decrease resulted from reductions in the financial, human resources and information systems departments to manage the decreased activity within the Citadel division in particular.

Included in general and administrative expenses was non-cash stock compensation expense of approximately $230,712 for fiscal 2009, compared to approximately $423,588 for fiscal 2008. Stock compensation expense decreased during fiscal 2009 as a result of minimum stock grants to the Company's employee base.

Amortization of Property and Equipment

Amortization expenses were $453,205 for fiscal 2009, a decrease of 42% compared to $776,706 for the prior period. The decrease is accounted for by the cut back in purchases of computer hardware and software, furniture and fixtures and leasehold improvements, consequent on the contraction of the Company's employee base.

Net Loss

Net loss for fiscal 2009 was $5.068 million ($0.36 loss per share - basic and diluted) compared to net loss of $7.2 million ($0.42 earnings per share; basic and diluted) for fiscal 2008. This decrease was largely driven by the restructuring of the Citadel business unit with the reductions in staffing and rented premises as well as the legal and auditing costs associated with the significant reduction of that portion of the Company's business. The over all loss is due to the lack of additional revenue expected from the Citadel business unit.

Capital Expenditures

Capital expenditures for fiscal 2009 were $15,061 compared to $103,811 for fiscal 2008. The decrease in capital expenditures was primarily the result of reductions in acquisitions and consolidation of operations by Citadel.

Citadel Processing Accounts and Liabilities

Citadel processing accounts as at February 28, 2009 totaled $2.958 million compared to $1.53 million as at February 29, 2008. The amounts are segregated bank funds arising from the processing of deposits and payments for Citadel merchants and consumers. The processing account balances are also recorded as a liability because these funds represent amounts due to consumers and merchants. The increase in Citadel processing accounts and Citadel processing liabilities is due to the additional processing business in the European market as well as the timing for disbursing to our merchants.

During fiscal 2008 approximately US$9.1 million of funds which had been on deposit in the USA, principally Merchant funds, were seized by the United States Department of Justice (DoJ). Throughout fiscal 2008 the Company was engaged in negotiations with the DoJ and the US District Attorney's Office for the Southern District of New York ("USDA"); subsequent to the end of fiscal 2008 a resolution was reached with the USDA

Liquidity and Capital Resources

ESI has historically financed its operations through the sale of equity and through cash generated by its operations.

During fiscal 2009, cash used in operating activities was ($4.467) million compared ($7.046) million during fiscal 2008, a decrease of $2.579 million from the prior period. Non-cash operating items in fiscal 2009 were lower than in fiscal 2008, principally as a result of less provision being taken for assets being amortized.

Cash provided by financing activities totaled $2.349 million during fiscal 2009 compared to cash used by financing activities of $0.361 million in fiscal 2008. The financing activities in fiscal 2009 include the Company's US$2 million loan obtained in June 2008.

Overall, the net cash used in fiscal 2009 was $2.133 million compared to net cash used of $6.411 million in fiscal 2008.

Consolidated Financial Statements

NOTE TO READER: The following financial statements are extracted from the complete audited financial statements of the Company which have been filed together with the Management's Discussion and Analysis and Annual Information Form with the Company's documents on www.sedar.com to which the reader is referred.

Consolidated Balance Sheets

(expressed in Canadian dollars)

Years Ended		February 28, 2009		February 29, 2008
Assets				
Cash and cash equivalents	$	909,785	$	3,042,463
Accounts receivable		1,100,023		1,111,215
Prepaids and other		106,513		444,575
		2,116,321		4,598,253
Citadel processing accounts (Note 4)		2,958,565		1,219,205
Property and equipment (Note 5)		280,725		718,869
Deferred contract costs		696,234		1,116,461
	$	6,051,845	$	7,652,788
Liabilities				
Accounts payable and accrued liabilities	$	1,049,700	$	820,492
Loan Payable (Note 14)		2,564,704		-
Capital lease obligations		30,684		214,715
Deferred revenue		535,667		706,773
		4,180,755		1,741,980
Citadel processing liabilities (Note 4)		2,958,565		1,530,705
Deferred revenue		1,324,392		1,923,472
Capital lease obligations				30,684
		8,463,712		5,226,841
Shareholders' Equity (Deficiency)				
Capital stock (Note 8)		9,957,959		9,957,959
Warrants (Note 9)				5,926
Contributed surplus (Note 10)		4,328,885		4,092,247
Deficit		(16,698,711)		(11,630,185)
		(2,411,867)		2,425,947
	$	6,051,845	$	7,652,788

Consolidated Statements of Operations and Comprehensive Loss and Deficit

(expressed in Canadian dollars)

Years Ended		February 28, 2009		February 29, 2008
Revenues (Note 7)	$	3,954,820	$	3,248,630
Direct costs		2,983,798		2,730,208
Gross profit		971,022		518,422
Operating expenses				
Product development		604,070		1,241,378
Sales, marketing and customer service		741,212		1,671,003
General and administrative		3,761,514		5,410,952
Amortization of property and equipment		453,205		776,706
Cost recovery (Note 1)		-		(2,055,430)
		5,560,001		7,044,609
Loss before under noted items		(4,588,979)		(6,526,187)
Other expenses (income)				
Impairment of intangibles and other assets (Notes 1 and 2)		-		57,192
Foreign exchange loss		383,641		837,685
Interest income		(41,536)		(297,751)
Interest expense		128,913		49,845
Loss before income taxes		(5,059,997)		(7,173,158)
Provision for income taxes (Note 12)		8,529		27,243
Net loss and comprehensive loss	$	(5,068,526)	$	(7,200,401)
Loss per share				
Basic and diluted	$	(0.36)	$	(0.42)
Deficit, beginning of year	$	(11,630,185)	$	(4,429,784)
Net loss		(5,068,526)		(7,200,401)
Deficit and accumulated other comprehensive deficit, end of year	$	(16,698,711)	$	(11,630,185)
Weighted average basic and diluted common shares outstanding	#	14,234,727	#	17,410,636

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

Years Ended		February 28, 2009		February 29, 2008
Cash flows provided by (used in)				
Operating activities				
Net loss	**$**	(5,068,526)	$	(7,200,401)
Items not affecting cash:				
Stock-based compensation (Note 11)		230,712		423,588
Amortization of property and equipment		453,205		776,706
Impairment of intangibles and other assets (Notes 1 and 2)		-		57,192
Net changes in non-cash operating items				
Accounts receivable		11,192		(460,152)
Prepaids and other		338,062		(65,047)
Accounts payable and accrued liabilities		229,208		(479,564)
Allowance for bad debts (Note 1)		(311,500)		(496,000)
Deferred revenue		(770,186)		1,010,801
Deferred contract costs		420,227		(613,865)
		(4,467,606)		(7,046,742)
Investing activities				
Restricted cash		-		1,100,903
Acquisition of property and equipment		(15,061)		(103,811)
		(15,061)		997,092
Financing activities				
Capital lease payments		(214,715)		(348,671)
Software license obligation		-		(9,917)
Cancellation of common share costs		-		(3,000)
Loan payable		2,564,704		-
		2,349,989		(361,588)
Decrease in cash and cash equivalents		(2,132,678)		(6,411,238)
Cash and cash equivalents, beginning of year		3,042,463		9,453,701
Cash and cash equivalents, end of year	**$**	909,785	$	3,042,463

Consolidated Statements of Cash Flows (Continued)

(expressed in Canadian dollars)

Years Ended		**February 28, 2009**		**February 29, 2008**
Cash and cash equivalents comprises				
Cash	**$**	909,785	$	3,042,354
Cash equivalents		-		109
	$	909,785	$	3,042,463
Supplemental information				
Interest received	**$**	41,536	$	71,977
Interest paid	**$**	128,913	$	25,432
Income taxes paid	**$**	8,529	$	27,243

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. 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.

About ESI Entertainment Systems Inc.

ESI Entertainment Systems Inc (“ESI”) (CNSX : ESY) is an idea generation and software development company. We develop concepts, create prototypes, establish partnerships and validate potential markets. When we have proven a product and its opportunities we create subsidiaries with a dedicated team, infrastructure, and resources to allow it to focus on building and selling the product to its market niche. Our team of experienced and dedicated people have led us to be revolutionary market leaders in many industries, including e-commerce payment technologies, hardware based input devices, real time auditing systems, transaction processing systems, graphical 3D displays, e-commerce web services, and payment fraud and risk mitigation

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