AXION VENTURES INC.

Management's Discussion and Analysis

For the year ended December 31, 2016

INTRODUCTION

This management discussion and analysis ("MD&A") is dated April 28, 2017.

The following MD&A of the financial condition and results of the operations of Axion Ventures Inc. ("Axion Ventures" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations* and Form 51-102F1 *Management Discussion and Analysis.*

This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and 2015 along with related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars, unless otherwise noted. References to US$ are to United States dollars.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at this date, unless otherwise indicated. For the purposes of preparing this MD&A, management, in conjunction with the board of directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors.

Additional information about Axion Ventures is available at www.sedar.com ("SEDAR").

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the business of Axion Ventures and Axion Games (as defined herein); the video game market; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; revenue projections; launch timing of Rising Fire; and general business and economic conditions. Readers are cautioned that the forward-looking statements above do not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such *statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.*

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

NATURE OF BUSINESS AND CORPORATE DEVELOPMENTS

The Company was incorporated under the British Columbia *Business Corporations Act* on June 21, 2011 and was classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange ("TSXV"). On December 2, 2011, the common shares of the Company commenced trading under the symbol "CSP.P". The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT") as defined in Policy 2.4 of the TSXV. On May 11, 2016, the Company completed the transactions for its QT and on May 17, 2016, the Company received final TSXV approval by way the Final Exchange Bulletin, which constituted "Completion of the Qualifying Transaction" under the TSXV policies. As a result, on May 17, 2016, the Company became an Investment Issuer under the policies of the TSXV and trading in the common shares of the Company resumed on May 18, 2016 under the trading symbol "CSP". Since completion of the QT, the Company has been an investment company focused primarily on investments in the online video gaming and other information technology ("IT") sectors.

On November 1, 2016, the Company was upgraded to a Tier 1 Investment Issuer by the TSXV, on March 9, 2017, the Company changed its name from "Capstream Ventures Inc." to "Axion Ventures Inc." and on March 10, 2017, the Company's common shares began trading on the TSXV under the new name and new symbol "AXV".

The address of the Company's corporate office and principal place of business is 530 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6. The Company also has offices in Bangkok, Thailand and Shanghai, People's Republic of China ("PRC").

ACQUISITIONS

Axion Games Acquisitions

As part of the QT completed in May 2016, the Company acquired a beneficial interest of 29.29% of Axion Games Limited ("Axion Games"). Axion Games, a private Cayman Islands corporation with primary operations in Shanghai, PRC, is an online video games development and publishing company. The investment in Axion Games was completed through the acquisition of shares of Axion Games and Axion Entertainment Holdings Ltd. ("AEH") and Axion Entertainment International Holdings Limited ("AEIH"), both formed for the sole purpose of holding Axion Games' shares, pursuant to which the Company acquired a beneficial interest of 29.29% of Axion Games. In exchange for the foregoing interest in Axion Games, the Company issued a total of 150,168,692 Company common shares to the respective selling shareholders. As a result, the former shareholders of Axion Games, AEH and AEIH obtained effective control of the Company. Pursuant to the policies of the TSXV, 95,319,550 of the 150,168,692 shares were deposited directly into TSXV escrow. In addition, 33,000,000 of the 150,168,692 shares were deposited into performance escrow based on certain financial performance targets of Axion Games, of which 29,909,520 were subject to both performance escrow and the Surplus or Value escrow mandated by the TSXV. Concurrently with closing the QT, the Company completed a private placement financing raising aggregate gross proceeds of $1,150,000 through the issuance of 5,750,000 common shares of the Company at a price of $0.20 per share. A Canadian investment bank was issued 150,000 non-transferable share purchase warrants in connection with the concurrent financing and 1,000,000 non-transferable share purchase warrants were issued to the transaction finder.

On August 23, 2016, the Company closed eight share exchange agreements that were entered into between May 18, 2016 and August 4, 2016, whereby the Company acquired additional interests in AEIH, AEH and Axion Games directly. As a result, the Company acquired an aggregate additional 16.79% beneficial interest in Axion Games, resulting in a total beneficial interest of 46.08%. In exchange for foregoing interest in Axion Games, the Company issued a total of 33,581,358 Company common shares to the shareholders, subject to respective voluntary escrow agreements. Pursuant to the escrow agreements, 23,448,169 of the 33,581,358 Company shares were releasable as follows: 25% on closing (August 23, 2016); and 25% released, 6, 12 and 18 months thereafter. The other 10,133,189 of the 33,581,358 shares were releasable in one tranche on February 10, 2017.

On September 7, 2016, the Company further increased its beneficial ownership of Axion Games from 46.08% to 51.01% through its participation in a rights offering by Axion Games to its existing shareholders. Axion Games raised US$4,000,000 by way of the rights offering, issuing 44,147,670 preference shares in the process, of which the Company acquired 30,686,275 preference shares for a purchase price of US$2,780,330.

Investment in Innovega

As part of the QT completed in May 2016, the Company also completed an investment in Innovega Inc. ("Innovega"), a private Delaware company with offices in Bellevue, Washington, and San Diego, California, that is developing digital eyewear that leverages contact lens and nanotechnology to deliver virtual reality, augmented reality, and mixed reality experiences from stylish glasses.

The Company's investment consisted of US$350,000 in consideration for a convertible promissory note issued by Innovega (the "Note") that earned interest at a rate of 8% per annum and with a maturity date of October 19, 2016 (the "Maturity Date"). Upon the earlier of the Maturity Date or a successful equity financing pursuant to which Innovega issued shares of a series of preferred stock (the "New Preferred Stock") with an aggregate sale price of not less than $1,000,000 (excluding the aggregate amount of Notes that were converted into shares of the New Preferred Stock) and with the principal purpose of raising capital (a "QEF"), the principal of the Note and accrued interest thereon would be automatically converted into new preferred shares, with the number of preferred shares being issued to be dependent upon whether a QEF takes place or not, as well as its timing. The Note subsequently converted on the Maturity Date and the Company currently holds 10.8% of Innovega's issued and outstanding preferred shares.

ACQUISITIONS – Subsequent to year end

Red Anchor Trading Corp. - HotNow

On October 26, 2016, the Company entered into an investment agreement (the "Investment Agreement") with Red Anchor Trading Corp. ("Red Anchor"), a company engaged in the business of developing an application known as "HotNow", which is a marketing automation platform for retailers to offer various promotions. The parties closed the transaction on April 4, 2017 and received final TSXV approval on April 7, 2016, whereby in consideration for the US$1.5 million investment, Red Anchor issued 9,375 ordinary shares of Red Anchor to the

Company at US$160 per share, representing 15% of the post-closing issued and outstanding voting shares of Red Anchor on a fully-diluted basis. As certain parties were considered non-arm's length parties (within the meaning of the TSXV), as a condition to final TSXV approval and pursuant to the Investment Agreement, the parties had agreed to hold the majority of the Company's subscription proceeds in escrow until Red Anchor received a minimum of US$500,000 subscription proceeds from arm's length parties. However, Red Anchor was able to close the foregoing minimum arm's length party investment concurrently with the Company's investment and at the same valuation.

In connection with the investment, the Company received: (i) participation rights in any future security offering of Red Anchor that will allow it to maintain its proportionate interest in Red Anchor; (ii) tag-along rights in the event of certain share transfers; (iii) information rights to monthly management reports and financial statements of Red Anchor; (iv) inspection rights; and (v) for so long as the Company holds at least 5% of the outstanding shares of Red Anchor, the right to appoint at least one non-executive director to the Red Anchor board of directors.

True Axion Games

On December 27, 2016, the Company and True Incube Co., Ltd. ("True Incube"), a subsidiary of True Corporation Public Company Limited ("True Corporation"), one of Southeast Asia's leading telecommunications, media enterprises and game publishers, agreed to form a joint venture to establish a video game academy and development studio in Thailand. Under the terms of a joint venture and shareholders' agreement (the "JVA"), the joint venture operates as a newly incorporated Thai company named "True Axion Games Ltd." ("True Axion Games") with a wholly-owned subsidiary of the Company ("Axion Interactive") holding a 49% equity interest in True Axion Games, True Incube holding a 40% equity interest in True Axion Games and Red Anchor (Thailand) Co., Ltd., a limited company organised and existing under Thai law, holding a 11% equity interest in True Axion Games.

The terms of the JVA and other ancillary agreements include, but are not limited to, the following:

- True Concurrent Investment. True Incube agreed to invest CAD$10,000,000 into the Company by way of a non-brokered private placement (the "Private Placement"), whereby the Company agreed to issue 20,000,000 common shares at a price of CAD$0.50 per share. The private placement closed on January 18, 2017 and the shares issued pursuant to the private placement are subject to a four-month hold period and a three (3) year voluntary trading restriction without prior consent of the Company. In addition, in connection with the private placement, True Incube has the right to appoint a director to the Board.

- Initial Contributions and Additional Capital. The capital contribution to True Axion Games will be a total of approximately US$5,000,000 [Thai Baht of 177 million]. The initial capital contribution of approximately US$2,500,000 [Thai Baht of 89 million] was made upon the incorporation and organization of True Axion Games in early February 2017. The second capital contribution of approximately US$2,500,000 [Thai Baht of 89 million] will be made through capital increase on the date that is 12 months from JVA. If the board of directors of True Axion Games determines that True Axion Games requires additional capital, the JVA sets out the process for providing additional finance.

- True Publishing ROFR. Provided True Incube or any of the affiliates of True Corporation holds at least 20% of True Axion Games' shares, True Incube will have a right of first refusal (subject to a True Axion Games' license and royalty fees) to publish any game or application developed by the business of True Axion Games in certain Southeast Asian countries.

Overview – Summary of Business

Axion Games

Axion Games owns two studios in PRC, one in Shanghai and a smaller one in Suzhou, with a combined total of approximately 314 employees. Axion Games commenced operations in 2006 and for several years focused primarily on providing premium outsourcing services and licensing game development technology to third party customers. Axion Games was originally formed as a joint venture between Epic Games International Ltd. (USA) ("Epic Games") and Axion Entertainment Holdings Limited ("AEHL"), a holding company established by Axion Games' founders. Initially, Axion Games provided outsourcing services to Epic Games and worked on several of Epic Games' major hits. Axion Games subsequently expanded its reach and became an outsourcing developer to numerous other high profile game developers and publishers. Axion Games has delivered tens of thousands of premium game assets (including small assets, such as virtual weapons or characters, larger assets, such as game levels, maps, prototypes to show game dynamics, and even complete games) to dozens of clients, and its assets have contributed to several major global titles.

Outsourcing has been critical in training and conditioning Axion Games' developers. Axion Games' outsourcing clients are mostly premium international publishers and have stringent requirements with respect to quality, cost and prompt delivery. In order to meet these requirements, Axion Games' developers must use the latest techniques and technologies and by continually challenging Axion Games' developers to meet stringent requirements of its outsourcing clients, Axion Games believes its outsourcing business has both served as an excellent training platform for its developers and also created a culture of excellence, efficiency and accountability. In addition, Axion Games' engineering capabilities have benefitted from its partnership with Epic Games. UnReal Engine is a leading software platform for game developers, globally and includes advanced physics and graphics engines. As a result of this licensing relationship, Axion Games' engineers have a high degree of competency in advanced game engine design, which has allowed Axion Games to develop proprietary technology, called Atlas, that enables massively multiplayer online games including server management tools and game asset generators, to populate large virtual worlds with game objects. A key strategy of Axion Games going forth is to lead PRC and South East Asia in the development of virtual reality ("VR") games and augmented reality applications ("AR").

In addition to outsourcing, Axion Games also develops its own games. Axion Games' advanced development capabilities differentiate it from many of its Chinese competitors. At the same time, Axion Games' highly-efficient developers combined with its PRC base allow it to develop premium games at a much lower cost than its competitors in developed countries. As it gained more advanced development know-how and capabilities by providing services to its outsourcing clients, Axion Games has developed an ability to produce premium-quality products at a fraction of the costs incurred by its Western or Japanese competitors.

Products

To date, Axion Games has made three commercially viable games, Fat Princess (Sony PS3, action strategy), MARS (PC online shooting), and Kingdom (mobile action role playing), all of which have generated more than 200% of their development costs. Axion Games derives profits from its proprietary games in three ways:

- publishing (operating) the game itself;
- pre-selling the rights to its games (licensing); and
- royalties from publishers around the world who have purchased the rights to Axion Games' games.

Axion Games' main IP currently under development, "Rising Fire", is a multiplayer online, third person shooting and role playing game and has been selected by Tencent Holdings Limited ("Tencent") for publishing on the PC platform for the Chinese market.

Axion Games focuses primarily on developing high production value (30 to 500 man-year products) online games for all platforms, console, PC, and mobile. Axion Games defines online games as games that require frequent interaction with a server, and online games are generally more difficult to pirate compared to offline games that are generally pirated in PRC.

PRC is the biggest market for online PC and mobile games in the world. Online games in PRC are generally Free to Play ("F2P"), which helps in combating piracy, and game publishers earn revenue by selling in-game items used in the respective games to its game playing audience. Given that Axion Games' primary market is currently PRC, its games tend to follow the F2P format across all platforms.

Innovega

Innovega is developing proprietary display technology based on eyewear and contact lenses that enhance human vision allowing the wearer to simultaneously access digital media while remaining fully engaged in their normal activities. Specifically, Innovega's display technology aims to enhance the user's normal vision to make it possible to view VR and AR images in the same way the user views the real world. The business model provides for licensing patented video eyewear technology and platforms to digital media and consumer product companies, enabling them to deliver high-performance personal displays in a more compact and less invasive form-factor. The resulting products and platforms are intended to offer unique benefits that include transparent optics, panoramic fields of view, and full HD/3D performance, while enabling stylish and highly functional eyewear designs.

OVERALL PERFORMANCE

The operating segments of the Company are the components of the business whose operating results are reviewed regularly by the Company's chief operating decision makers. The Company's most significant investment to date is in Axion Games, which is being consolidated in the financial statements. In addition, the QT was accomplished through an exchange of shares which resulted in the former shareholders of Axion Games, AEH and AEIH obtaining control of the Company. Accordingly, the QT was recorded as a reverse acquisition for accounting purposes, as Axion Games was deemed to be the acquirer and Axion Ventures the acquiree. Therefore, the consolidated financial statements are a continuation of the financial statements of Axion Games, while the capital structure is that of the Company. The consolidated financial statements include the historical operations and assets and liabilities of Axion Games, and those of Axion Ventures from May 11, 2016 to December 31, 2016.

At December 31, 2016, the Company has $6,028 thousand (December 31, 2015 - $2,940 thousand) of cash and cash equivalents and total current assets of $11,382 thousand (December 31, 2015 - $9,235 thousand). The increase in total current assets was due primarily to the private placement that occurred in conjunction with the QT and the private placement completed August 29, 2016.

Current liabilities at December 31, 2016 totalled $10,605 thousand (December 31, 2015 - $10,437 thousand). Shareholders' equity is comprised of share capital of $57,984 thousand (December 31, 2015 - $30,034 thousand), a foreign currency translation reserve of negative $1,177 thousand (December 31, 2015 – positive $688 thousand), a share-based payment reserve of $508 thousand (December 31, 2015 - $169 thousand), a reverse acquisition reserve of negative 24,745 thousand (December 31, 2015 – negative $17,629 thousand) and retained earnings of negative $23,581 thousand (December 31, 2015 - $11,522 thousand) for total equity attributable to the owners of Axion Ventures of $8,989 thousand (December 31, 2015 - $1,720 thousand).

Working capital, which is comprised of current assets less current liabilities, was $1,267 thousand at December 31, 2016 compared to a working capital deficiency of $1,202 thousand at December 31, 2015.

During the year ended December 31, 2016, the Company reported a net loss of $8,622 thousand ($0.1161 basic and diluted loss per share) compared to a net loss of $759 thousand ($0.033 basic and diluted loss per share) during the year ended December 31, 2015.

The Company's revenue decreased $8,771 thousand for the year ended December 31, 2016 compared to the year ended December 31, 2015.

The listing cost associated with the QT accounted for 25% of the net loss during the year ended December 31, 2016. The QT was not considered a business combination and the excess fair value of consideration over the net assets was included as an expense on the consolidated statements of comprehensive income.

For further discussion and analysis of the Company's financial condition, financial performance and cash flows, please see "Discussion of Operations" below.

SELECTED ANNUAL INFORMATION

The following table sets out selected annual information for the years ended December 31, 2016, 2015 and 2014:

	December 31, 2016 ($)	December 31, 2015 ($)	December 31, 2014 ($)
Total Revenues	9,192,000	17,963,000	24,577,000
Gross Profit	3,449,000	11,222,000	17,359,000
Operating Expenses	9,882,000	11,812,000	16,767,000
Other (Income) Expense	2,172,000	163,000	(330,000)
Tax expense	17,000	6,000	20,000
Net Income (loss)	(8,622,000)	(759,000)	905,000
Total Assets	18,233,000	12,312,000	10,717,000
Total Liabilities	8,118,000	10,437,000	7,910,000
Basic and Diluted Earnings (Loss) per share	(11.61) cents per share	(3.30) cents per share	0.5 cents per share

See "Discussion of Operations" below for discussion and analysis.

DISCUSSION OF OPERATIONS

The following table sets out revenue, profit and expenses of the Company and includes variances and percentage changes:

		Year Ended December 31,		
$000's except for percentage amounts	**2016**	**2015**	**Variance**	**% change**
Revenue	9,192	17,963	(8,771)	-49%
Gross Profit	3,449	11,222	(7,773)	-69%
Selling and distribution Expenses	5,993	7,089	(1,096)	-15%
General and Administrative Expenses	2,707	4,654	(1,947)	-42%
Corporate Administrative Expenses	1,182	69	1,113	1613%
Listing fee	2,203	0	2,203	
Other	(31)	163	(194)	-119%
Loss on ordinary activities before taxation	(8,605)	(753)	(7,852)	1043%
Income taxes	(17)	(6)	(11)	183%

Revenue

Revenue for the year ended December 31, 2016 was $9,192,000 compared to $17,963,000 in the prior year. The decrease was primarily a result of normal declines in MARS revenue as the product ages, as well as reallocation of significant development resources to work on Rising Fire. As a result of Rising Fire's Alpha 1 & Alpha 2 test results, Tencent has provided extensive design and re-design requirements in order to improve Rising Fire's market appeal. As a result, significant resources were reallocated to Rising Fire to get it market ready for 2017.

Revenue and expenses for the 2016 year were materially impacted and decreased (as noted below):

	2016 $'000	**2015 $'000**
Outsourcing:		
Wanda	1,321	7,692
Non-Wanda outsourcing	2,984	2,476
Licensing	412	1,501
Game operation	3,672	5,403
Training	803	891
	9,192	17,963

Outsourcing Revenue. Axion Games has two major outsourcing contracts with Dalian Wanda Group ("Wanda"), China's largest real estate developer. Wanda is developing several large format amusement parks throughout China and Axion Games won two highly competitive bids to create interactive content for two of the amusement parks. For the year ended December 31, 2016, Wanda outsourcing revenue was $1,321,000 versus $7,692,000 for the year ended December 31, 2015. This decrease in Wanda outsourcing revenue was primarily due to an accounting estimate change, whereby Axion Games determined that the percentage of completion method is not a reliable way to estimate revenue recognition. Axion Games took a more conservative view whereby revenue has been restricted to costs incurred and no profit recognised as the stage of completion of the project cannot currently be reliably estimated. However, upon completion, or near completion of the Wanda project, Axion Games expects to recognize the revenue difference in subsequent periods.

Non-Wanda outsourcing revenue was $2,984,000 in the year ended December 31, 2016 versus $2,476,000 for the year ended December 31, 2015. The increase of approximately $500,000 is attributable to an increase in smaller-contract outsourcing activity with Smilegate, Zhong Hang Rong Chuang, NC Soft and Epic Games, Inc. (Epic remains a shareholder of Axion Games).

Licensing Revenue. Video game licensing revenue was $412,000 in the year ended December 31, 2016 versus $1,501,000 in the year ended December 31, 2015. There was no material change in the array of Axion Games' global publishing partners, but MARS, now a 5 years-old online game, exhibited expected decline in its overseas (outside China) licensing revenues, down approximately US$1 million from the year ended December 31, 2015.

Game Operation Revenue. Revenue from game operation was $3,672,000 in 2016, down $1.7 million from the year ended December 31, 2015 ($5,403,000). Most of this decline was attributable to an expected decline in MARS 1 & MARS 2 revenues as the online game becomes more dated.

Training Revenue. In order to provide qualified employees to its game development studios, Axion Games operates a video game development training school. The training school revenue was $803,000 for the year ended December 31, 2016 versus $891,000 for the year ended December 31, 2015. The school revenue decrease of $88,000 was a result of a business model paradigm shift to online learning. The Company is exploring ways to expand its game development training in China and SE Asia. In late 2017, the Company plans to offer training courses in VR and AR game and application development.

Cost of Sales / Gross Margin

Cost of sales for the year ended December 31, 2016 was $5,743,000 and $6,741,000 for the same period ended December 31, 2015. The decrease of approximately $1 million was the result of a higher level of capitalization Rising Fire development costs ($3,465,363 in 2016 versus $ 2,337,919 in 2015).

Expenses

Operating expenses were $9,882,000 for the year ended December 31, 2016 compared to $11,812,000 for the year ended December 31, 2015. Expenses for the period include the following:

- Selling and distribution costs of $5,993,000 (December 31, 2015 - $7,089,000). These selling and distribution costs decreased because the Company decided to decrease marketing programs for MARS 1 & 2.

- General and administrative costs of $2,707,000 (December 31, 2015 - $4,654,000). These general and administrative costs decreased because of lower employee counts.
- Corporate administrative costs were $1,182,000 in 2016 (December 31, 2015 - $69,000). These corporate administrative costs increased mainly due to the operating expenses arising from the operation of Axion Ventures.
- Public listing fee of $2,203,000 (December 31, 2015 - $0). These fees are reverse acquisition fees calculated in accordance with IFRS 2 Share Based Payment. The foregoing is a non-cash transaction/only shares based cost transaction.

With respect December 31, 2015 versus December 31, 2014, the factors that caused period to period variations were consistent with December 31, 2016 versus December 2015 and were primarily a result of normal declines in MARS revenue as the product aged.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial statements published for operations for the Company during the last eight quarters are as follows:

Quarter ended – **before** audit adjustment	Total Revenues $	Gross Profit (Loss) $	Net Income (Loss) $	Earnings (Loss) per share $
December 31, 2016	3,372,018	2,212,100	(818,297)	(0.004)
September 30, 2016	2,710,606	(1,004,874)	(1,106,771)	(0.005)
June 30, 2016	3,137,263	3,100,280	(538,535)	(0.003)
March 31, 2016	3,869,263	3,842,960	324,928	0.002
December 31, 2015	3,675,399	1,614,997	(1,167,786)	(0.007)
September 31, 2015	6,817,378	3,445,438	1,927,315	0.012
June 30, 2015	4,202,385	4,157,347	910,347	0.005
March 31, 2015	3,268,102	3,221,880	(1,041,754)	(0.006)

Quarter ended – **after** audit adjustment	Total Revenues $	Gross Profit (Loss) $	Net Income (Loss) $	Earnings (Loss) per share $
December 31, 2016	*(525,000)	*(1,684,918)	*(7,284,297)	(0.034)
September 30, 2016	2,710,606	(1,004,874)	(1,106,771)	(0.005)
June 30, 2016	3,137,263	3,100,280	(538,535)	(0.003)
March 31, 2016	3,869,263	3,842,960	324,928	0.002
December 31, 2015	3,675,399	1,614,997	*(2,554,786)	(0.015)
September 31, 2015	6,817,378	3,445,438	1,927,315	0.012
June 30, 2015	4,202,385	4,157,347	910,347	0.005
March 31, 2015	3,268,102	3,221,880	(1,041,754)	(0.006)

*Audit Adjustment

Due to the significant change in the Company's operations in the past year, the prior periods shown in the above table are not necessarily meaningful and should not be relied upon as an indication of future performance.

2016

Revenue Recognition: Change in Estimation of Wanda agreement:	$3,897 thousand
Public Listing Fee:	$2,203 thousand
Ex-CEO employee receivable allowance:	$526 thousand
Other miscellaneous expense audit adjustment:	($160) thousand

2015

Accrue expense of underpayment social welfare:	$1,389 thousand

FOURTH QUARTER

Before Audit Adjustment:	**2016** **$**	**2015** **$**
Total Revenue	3,372,018	3,675,399
Gross Profit (loss)	2,212,100	1,614,997
Net Income (loss)	(818,297)	(1,167,786)
Comprehensive income (loss)	(793,297)	(1,167,786)
Income (loss) per share	(0.004)	(0.007)

After Audit Adjustment:	**2016**	**2015**
Total Revenue	(525,000)	3,675,399
Gross Profit (loss)	(1,684,918)	1,614,997
Net Income (loss)	(6,561,613)	(2,554,786)
Comprehensive income (loss)	(6,536,613)	(1,167,786)
Income (loss) per share	(0.034)	(0.015)

Revenue

Before the audit adjustment, revenue in Q4 2016 is $3,372,000 (Q4 2015 - $3,675,000) and includes the following:

Outsourcing Revenue. Wanda outsourcing revenue in Q4 2016 was $1.18 million (Q4 2015 - $1.1 million). As noted above, Axion Games decreased its Wanda revenue recognition to equal actual cost incurred. In the past, revenue was recognised on percent of completion method. However, Axion Games expects to recognize any unrecognised revenue for the Wanda project when the contract nears completion.

Non-Wanda outsourcing revenue was $935,000 in Q4 2016 (Q4 2015 - $645,000). This revenue increase was primarily as result of Smilegate, Zhong Hang Rong Chuang, NC Soft and Epic Games, Inc. outsourcing more work in 2016 to Axion Games.

Licensing Revenue. Game Licensing revenue was $94,000 in Q4 2016 (Q4 2015 - $552,000). The decrease is attributable to declining revenues from MARS 1 & 2, as the online game product ages.

Game Operation Revenue. Game operation revenue (primarily MARS revenue generated in China) was $891,000 in Q4 2016 (Q4 2015 - $1,114,000). The decrease is attributable to declining sales in MARS 1 & 2 as the product ages.

Training Revenue. Training school revenue was $266,000 in Q4 2016 (Q4 2015 - $232,000). As noted above, there has been a business model paradigm shift to online learning. As result, annual revenue decreased; however, the Company started to see positive results in Q4 in response to the efforts to adjust to the foregoing paradigm shift.

Cost of Sales / Gross Margin

Cost of sales for the quarter ended December 31, 2016 was $1,197,308 versus $2,936,877 for the same period ended December 31, 2015. The percentage of decrease corresponds to the decrease of revenue.

Expenses

Operating expenses were $3,018,757 for the quarter ended December 31, 2016 compared to $1,938,514 for the quarter ended December 31, 2015. Expenses for the period include,

- Selling and distribution costs were $1,945,899 in Q4 2016 (Q4 2015 - $1,144,227). These selling and distribution costs decreased because of less marketing for MARS 1& 2.

- General and administrative costs were $561,193 in Q4 2016 (Q4 2015 - $791,455). These general and administrative costs decreased because of lower employee counts.

- Corporate administrative costs were $511,665 in Q4 2016 (Q4 2015 - $2,832). These administrative costs increased due to the operating expenses arising from the operation of Axion Ventures.

- Public listing fee was $2,203,000 in Q4 2016 (Q4 2015 - $0). These fees are reverse acquisition fees calculated in accordance with IFRS 2 Share Based Payment. The foregoing is a non-cash transaction/only shares based cost transaction.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of capital available for financing its acquisitions and day-to-day operations are existing working capital, funds generated from the operations of its subsidiaries, equity from the capital markets and draws on its credit facilities.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to prudently manage its financial position, cash generated from operations and credit facilities in such a manner so as to ensure it will have sufficient liquidity to pay its obligations when due.

Management believes that the Company is presently able to meet its working capital requirements, including obligations as they become due, and currently knows of no reason why this should not continue to be the case.

The company has no long-term debt and all obligations are being serviced on a timely basis. It is expected that Rising Fire will start generating revenue by Q3 2017 and this will assist the Company in meeting its ongoing obligations.

	2016 ($)	2015 ($)	Variance ($)	% Change
Current Assets				
Cash and cash equivalents	6,028,409	2,939,719	3,088,690	105%
Investment (short term)	3,562,475		3,562,475	
Trade and other receivables	1,791,000	6,295,000	(4,504,000)	-72%
	11,381,884	9,234,719		
Current Liabilities				
Accounts payable	6,288,778	6,973,104	2,147,165	-30.8%
Deferred Revenue	3,825,877	3,464,146	361,731	10.4%
	10,114,655	10,437,250		
Working Capital	1,267,229	(1,202,531)	2,469,760	205.4%

As of December 31, 2016, the Company had $6,028,409 (December 31, 2015 - $2,939,719) in cash and working capital of $1,267,229 (December 31, 2015 – negative $1,202,531).

Net cash flows used in operating activities were $1,575,000 in the year ended December 31, 2016 compared to $1,273,000 in the year ended December 31, 2015 mainly due to an increase in the net loss for the period offset by an increase in accounts payable and accrued liabilities.

Net cash provided by financing activities in the year ended December 31, 2016 was $14,659,000 (2015 - $nil). The increase was the results of (a): $1,150,000 of proceeds from the concurrent financing associated with the QT; and (b) $10,121,300 of proceeds related to the completion of a private placement which closed on August 29, 2016 as explained in the section "Share Capital – Common Shares" below. Both transactions were offset by total cash share issue costs of $631,189).

On September 7, 2016, the Company acquired 30,686,275 of Axion Games' preference shares via a rights offering for $3,584,958 (US$2,780,330) as explained in the section "Acquisitions - Axion Games Acquisitions" above.

In the fourth quarter, no financial activities and investment took place.

Management believes that the Company has sufficient working capital to meet its current financial obligations and working capital needs.

OFF BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, the Company completed the following transactions with related parties:

(i) Paid or accrued management fees of $231 thousand (2015 - $384 thousand) to key management of the Company;

(ii) Paid or accrued $9,000 (2015 - $Nil) in consulting fees for work related to the QT to a private company controlled by the Corporate Secretary of the Company;

(iii) Paid or accrued $8,000 (2015 - $Nil) in consulting fees related to the QT to a Director of the Company;

(iv) Paid or accrued $21,000 (2015 - $11,000) for office rent expense and consulting and administration fees for the preparation of the quarterly financial filings, to a private company controlled by former directors or officers of the Company; and

(v) Accrued $258,213 (2015 - $19,255) for share-based compensation on granting of stock options under the Company's stock option plan to existing directors and officers of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties. The Company also entered into an agreement that may be considered a related party transaction, which is described above under "Acquisitions – Subsequent to year end – Red Anchor Trading Corp - HotNow".

FINANCIAL INSTRUMENTS RISK EXPOSURE

Financial instruments are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial assets carried at amortised cost

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables, short-term investments and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

Financial assets held at fair value through other comprehensive income

Investments held at fair value through other comprehensive income are classified as available for sale financial assets and are initially recognised at fair value, excluding any transaction costs, and are subsequently measured at fair value through other comprehensive income.

Fair value information

As at December 31, 2016, the Company's financial instruments comprise investments, cash and cash equivalents, trade and other receivables and trade and other payables.

The carrying values of these financial instruments approximate their fair values because of their current nature.

The categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

During the year ended December 31, 2016, the Company acquired preference shares in Innovega which were classified as available for sale and recognised at fair value through other comprehensive income. The investments were recognised at fair value at the transaction date, this being the equal to the consideration transferred in exchange for the investment. Due to the proximity of the acquisition to the reporting date, a further valuation exercise has not been performed at that date.

Financial instruments and related risks

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's exposures to financial risks and how the Company manages those risks are set out below.

Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk in respect of settlement of trade and other payables, and also in respect of its cash flow management. The Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Company manages its liquidity needs by carefully monitoring forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Company maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

The liquidity policies have been followed by the Company since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Company's remaining contractual maturities for its non-derivative financial liabilities at each of the reporting dates. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Company can be required to pay.

	On demand	**Within one year**	**Total**
	$'000	**$'000**	**$'000**
At 31 December 2016			
Trade payables	-	305	305
Amounts due to related parties (note 22)	573	-	573
Accrued salaries and benefits	-	1,703	1,703
Accrued expenses	-	1,921	1,921
Other payables	-	35	35
	573	3,964	4,537

	On demand	**Within one year**	**Total**
	$'000	**$'000**	**$'000**
At 31 December 2015			
Trade payables	-	23	23
Amounts due to related parties (note 22)	704	-	704
Accrued salaries and benefits	-	2,148	2,148
Accrued expenses	-	2,384	2,384
Other payables	-	190	190
	704	4,745	5,449

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Company's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

Interest rate risk

The Company is exposed to interest rate risk on its variable rate term deposit investment which attracts interest at a rate of Prime -1.90%.

Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in its operations

The operating subsidiary, Axion Games mainly operates in the PRC and majority of the transactions are settled in RMB. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. At December 31, 2016, the Company did not have significant foreign currency risk from its operations.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Company.

The financial instruments that potentially subject the Company to credit risk comprise investments, cash and cash equivalents and trade receivables, the carrying value of which represents the Company's maximum exposure to credit risk.

The Company limits its exposure to credit loss by placing its cash, cash equivalents and short term investments with high credit quality financial institutions. The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Company has receivables from customers and the general credit terms are from 60 days, and these amounts are generally not collateralised. The Company's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

CRITICAL JUDGEMENTS AND ESTIMATES

The Company's management makes judgements in the process of applying the Company's accounting policies in the preparation of these consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management makes assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported results during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates and the resulting impact on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated life of consumable virtual items

Management makes a best estimate regarding the life of consumable virtual items based on the consumption history and pattern of virtual items. Such estimates are subject to re-evaluation on an annual basis.

Estimated average playing period of paying players

The determination of estimated average playing period of paying players is based on the Company's best estimate that takes into account all known and relevant information relating to the first date the paying players charge virtual currencies to their accounts and the last date these paying players would play the game at the time of assessment. Such estimates are subject to re-evaluation on an annual basis.

Estimated inactive players

Management determines that accounts of players without log-in for more than 720 consecutive days are inactive and the unused virtual currencies and virtual items of these accounts are recognized as revenue.

Research and development costs

Careful judgement is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software, products or know how are continuously monitored by the Company's management.

Impairment of property, plant and equipment and intangible assets

Management assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to an impairment of property, plant and equipment and intangible assets. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, management takes into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Company.

Depreciation and amortisation

Property and equipment and intangible assets with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. Management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on management's historical experience with similar assets, taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

Income taxes

The Company is mainly subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of receivables

The Company's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at each reporting date.

Share-based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

Determining control over investees

When determining whether the Company has control over an investee, management must examine the individual facts and circumstances surrounding the nature of the Company's interest in an entity and use judgement to classify the investment. The outcome of this judgement will influence the accounting treatment adopted and consequently, may impact the reported profit for the period and the assets and liabilities at the reporting date.

The Company has a contractual interest in a number of structured entities, over which management has determined that the Company has control. Consequently, these structured entities are consolidated within the Company financial statements.

SIGNIFICANT ACCOUNTING POLICIES

The Company has adopted the amendments to IFRSs included in the Annual Improvements 2012-2014 cycle and a number of narrow scope amendments to certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2016. The amendments did not have an impact on the Company's consolidated financial statements.

New standards and interpretations

The following standard is effective for annual periods beginning on or after January 1, 2017:

IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The following standards are effective for annual periods beginning on or after January 1, 2018:

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company is in the process of evaluating the impact of the new standard.

IFRS 9 Financial Instruments

The IASB intends to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 Financial Instruments which is intended to reduce the complexity in the classification and measurement of financial instruments. The new standard is not expected to have a material impact on the financial statements.

IFRS 7 Financial Instruments Disclosure

IFRS 7 was amended to required additional disclosures on transition from IAS 39 to IFRS 9.

IFRS 2 Share-Based Payment

In June 2016, the board issued the final amendments to IFRS 2 Share-Based Payment as follows:

i. Effects that vesting conditions have on the measurement of a cash-settled share-based payment;
ii. Accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and
iii. Classification of share-based payment transactions with net settlement features.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The new standard is not expected to have a material impact on the financial statements.

The following standards are effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

Management is currently evaluating any impact that the above standard may have on the Company's consolidated financial statements and this assessment has not yet been finished.

OUTSTANDING SHARE DATA

Common Shares

Axion Ventures' authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. Prior to completion of the QT, Axion Ventures had a total of 7,079,800 issued and outstanding common shares. As at December 31, 2016, there were 216,972,450 common shares issued and outstanding as a result of the following:

	Issued Common Shares
At January 1, 2016	7,079,800
Exchange shares issued in connection with the QT	150,168,692
Shares issued in QT concurrent private placement	5,750,000
Exchange shares issued in connection with August share exchanges	33,581,358
Shares issued in connection with August private placement	20,242,600
Shares issued in connection with stock option exercises	150,000
At December 31, 2016	**216,972,450**

With respect to the foregoing, during the year ended December 31, 2016:

Exchange shares issued in connection with the QT

On May 11, 2016, in exchange for the acquisition of the 29.29% beneficial interest of Axion Games, Axion Ventures issued a total of 150,168,692 common shares to the respective selling shareholders of Axion Games and Axion Entertainment Holdings Ltd. and Axion Entertainment International Holdings Limited, both formed for the sole purpose of holding Axion Games shares.

Shares issued in QT concurrent private placement

On May 11, 2016, concurrently with closing the QT, Axion Ventures completed a private placement financing raising aggregate gross proceeds of $1,150,000 through the issuance of 5,750,000 common shares of Axion Ventures at a price of $0.20 per share.

Exchange shares issued in connection with August share exchanges

On August 23, 2016, in exchange for the acquisition of an additional 16.79% beneficial interest of Axion Games, Axion Ventures issued a total of 33,581,358 common shares to the respective selling shareholders of Axion Games and Axion Entertainment Holdings Ltd. and Axion Entertainment International Holdings Limited.

Shares issued in connection with August private placement

On August 29, 2016, Axion Ventures completed a private placement financing raising aggregate gross proceeds of $10,121,300 through the issuance of 20,242,600 common shares of Axion Ventures at a price of $0.50 per share.

Shares issued in connection with stock option exercises

In September 2016 and December 2016, Axion Ventures issued an aggregate of 150,000 shares as a result of the exercise of outstanding stock options granted at the closing of the QT.

Subsequent to December 31, 2016 Year End

As at April 28, 2017, there were 236,992,450 common shares issued and outstanding as a result of the following:

	Issued Common Shares
At January 1, 2017	216,972,450
Shares issued in connection with January private placement	20,000,000
Shares issued in connection with partial warrant exercise	20,000
At April 28, 2017	**236,992,450**

Shares issued in connection with January private placement

On January 18, 2017, in connection with the joint venture with True Incube, Axion Ventures completed a private placement financing raising aggregate gross proceeds of $10,000,000 through the issuance of 20,000,000 common shares of Axion Ventures to True Incube at a price of $0.50 per share.

Shares issued in connection with partial warrant exercise

On April 3, 2017, Axion Ventures issued an aggregate of 20,000 shares as a result of the partial exercise of outstanding financing finder's warrants issued at the closing of the QT.

As at April 28, 2017, there were 236,992,450 common shares issued and outstanding.

Escrow

On November 1, 2016, the Company was approved for upgrade to Tier 1 Issuer status from Tier 2 by the TSXV, which resulted in accelerating and retroactively adjusting to the TSXV Tier 1 release schedules for outstanding TSXV escrow agreements. The foregoing contemplates adjustments to TSXV Tier 1 release schedules:

TSXV CPC Escrow: Prior to completion of the QT, Axion Ventures had 1,415,000 shares held pursuant to a TSXV CPC escrow agreement. Pursuant to the CPC escrow agreement, 25% were releasable at the QT TSXV final exchange bulletin on May 17, 2016 (released), 25% 6 months from TSXV bulletin (released), 25% 12 months from TSXV bulletin and 25% 18 months from Exchange bulletin.

TSXV Surplus Escrow: Pursuant to the QT, 53,684,753 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were deposited directly into TSXV Surplus escrow. Pursuant to the Surplus escrow agreement, 10% were releasable at the QT TSXV final exchange bulletin (released), 20% 6 months from TSXV bulletin (released), 30% 12 months from TSXV bulletin and 40% 18 months from Exchange bulletin.

TSXV Value Escrow: Pursuant to the QT, 41,634,797 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were deposited directly into TSXV Value escrow. Pursuant to the Value escrow agreement, 25% were releasable at the QT TSXV final exchange bulletin (released), 25% 6 months from TSXV bulletin (released), 25% 12 months from TSXV bulletin and 25% 18 months from Exchange bulletin.

Performance Escrow: Pursuant to the QT, 33,000,000 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were held pursuant to a performance escrow agreement subject to the following performance targets being attained by Axion Games within three years:

A. Axion Games generating EBITDA (earnings before interest, taxes, depreciation and amortization) in excess of US$6,000,000 in any audited fiscal year ending 31 December 2016, 2017 or 2018; or

B. Axion Games generating game pre-sales in excess of US$10,000,000 in any audited fiscal year ending 31 December 2016, 2017 or 2018.

The performance escrow shares do not carry voting rights until released from escrow and none of the performance escrowed shares have been released from escrow as of the date hereof. In addition, 29,909,520 of 33,000,000 shares are also held pursuant to either TSXV Surplus or TSXV Value escrow. Therefore, if the performance targets are met and the shares released, 29,909,520 shall be deposited into the applicable TSXV escrow with the Company's transfer agent and released accordingly.

Voluntary Pooling/Escrow: All 33,581,358 common shares of the Company issued to shareholders as part of the share exchanges dated August 23, 2016 are subject to voluntary escrow/pooling agreements. Pursuant to the escrow/pooling agreements, 23,448,169 of the 33,581,358 Axion Ventures shares will be released as follows: 25% on closing (August 23, 2016); and 25% released, 6 (released), 12 and 18 months thereafter. The other 10,133,189 of the 33,581,358 Axion Ventures shares will be released in one tranche on February 10, 2017 (released).

As a result of the foregoing, as at December 31, 2016, 119,823,542, shares were subject to TSXV or voluntary escrow.

<u>Stock Options</u>

Prior to completion of the QT, Axion Ventures had no stock options outstanding. During the fiscal year ended December 31, 2016, Axion Ventures issued the following stock options:

- In connection with the QT, Axion Ventures granted an aggregate of 700,000 stock options to its directors, officers, employees and consultants with each stock option entitling the optionee to purchase one Axion Ventures common share at a price of $0.25 per share for a period of five years.

- On June 6, 2016, Axion Ventures granted 500,000 stock options to its new CFO with each stock option entitling the optionee to purchase one Axion Ventures common share at a price of $0.45 per share for a period of five years.

- On December 30, 2016, Axion Ventures granted an aggregate of 13,300,000 stock options to its directors, officers, employees and consultants with each stock option entitling the optionee to purchase one Axion Ventures common share at a price of $0.50 per share for a period of five years and vesting over 3 years.

As a result of the exercise and expiry of certain options, as at December 31, 2016 there were a total of 14,150,000 stock options outstanding.

<u>Warrants</u>

Prior to completion of the QT, Axion Ventures had no share purchase warrants outstanding. In connection with the QT, the following warrants were issued:

- The Company issued 1,000,000 non-transferable share purchase warrants to the QT finder, entitling the finder to acquire up to 1,000,000 common shares of Axion Ventures at an exercise price of $0.25 per share exercisable within 24 months of the closing.

- The Company issued the QT concurrent financing broker 150,000 non-transferable share purchase warrants exercisable at $0.20 per Axion Ventures common share for a period of 12 months following the closing.

As at December 31, 2016, all 1,150,000 issued warrants remain outstanding.

RISK FACTORS

As a result of closing the QT and the related transactions the Company's "Risks Related to our Business" as presented in the Company's MD&A for the year ended December 31, 2015 have changed. A detailed discussion of the Company's risks associated with its new structure can be found under the title "Risk Factors" on pages 20 to 31 of the Qualifying Transaction Filing Statement dated April 25, 2016 and filed on SEDAR on April 27, 2016. References to "Resulting Issuer" refer to the Company. The risks represent those of the new business subsequent to the closing of the QT. In addition, this Filing Statement includes specific risks associated with the Axion Games interest starting on page 24.

Investors should carefully consider when making an investment decision concerning the common shares of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative.

An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment.

APPROVAL

The Board has approved the disclosure contained in this MD&A as of April 28, 2017.