
Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial statements

For the three months ended 31 March 2017 and 2016

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Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Administrative information

Directors

Todd Bonner
Grant Kim
Rob Kang
Stephen Willey

Registered office

530 – 625 Howe Street
Vancouver
British Columbia
V6C 2T6
Canada

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, Canada

May 30, 2017

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Unaudited condensed consolidated interim statement of comprehensive income****As of 31 March 2017 and 2016**

		March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Continuing operations	Note		
Revenue	6	1,877	3,869
Cost of sales		(1,047)	(463)
Gross profit		<u>830</u>	<u>3,406</u>
Research & development and distribution expenses		(1,092)	(2,371)
General and administrative expenses		(592)	(756)
Corporate administrative expenses		(959)	-
Operating income (loss)		<u>(1,813)</u>	<u>279</u>
Other income		67	28
Finance income		7	2
Finance cost		(3)	(3)
Foreign currency exchange income (loss)		(1)	19
Income (loss) on ordinary activities before taxation		<u>(1,743)</u>	<u>325</u>
Taxation	7	1	-
Income (loss) for the year		<u>(1,744)</u>	<u>325</u>
Attributable to:			
The owners of the parent company		(1,455)	306
The non-controlling interest		(289)	19
		<u>(1,744)</u>	<u>325</u>
Loss per share:			
Basic and diluted	15	(1.29) cents per share	5.63 cents per share
Other comprehensive income that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences		(213)	-
Attributable to:			
The owners of the parent company		(217)	-
The non-controlling interest		4	-
Total comprehensive income (loss) for the year		<u>(1,957)</u>	<u>325</u>

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

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements**

(Expressed in Canadian dollars)

Unaudited condensed consolidated interim statement of comprehensive income**As of 31 March 2017 and 2016**

	Note	March 31, 2017 (unaudited) \$'000	December 31, 2016 \$'000
Assets			
Fixed assets			
Intangible assets	8	7,135	6,217
Property and equipment	9	123	149
Investments	10	3,506	485
Non-current asset		<u>10,764</u>	<u>6,851</u>
Current assets			
Investments (short-term)	10	3,591	3,562
Trade and other receivables	11	3,944	2,282
Cash and cash equivalents	12	6,528	6,028
Total current assets		<u>14,063</u>	<u>11,872</u>
Total assets		<u>24,827</u>	<u>18,723</u>
Liabilities			
Current liabilities			
Trade and other payables	13	(5,226)	(6,779)
Deferred revenue		(3,750)	(3,826)
Total liabilities		<u>(8,976)</u>	<u>(10,605)</u>
Total assets less total liabilities		<u>15,851</u>	<u>8,118</u>
Equity			
Share capital	14	67,348	57,984
Foreign currency translation reserve		(1,394)	(1,177)
Share-based payment reserve	14	834	508
Reverse acquisition reserve		(24,745)	(24,745)
Retained earnings		(25,036)	(23,581)
Equity attributable to the owners of the parent company		<u>17,007</u>	<u>8,989</u>
Non-controlling interest		<u>(1,156)</u>	<u>(871)</u>
Total equity		<u>15,851</u>	<u>8,118</u>

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

These financial statements were approved by the board of directors on May 30, 2017 and signed on its behalf by:

/s/ John Todd Bonner
John Todd Bonner
Director

/s/ Rob Kang
Ravinder (Rob) Kang
Director

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

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Unaudited condensed consolidated interim statement of changes in equity For the three months ended 31 March 2017 and 2016

	Share capital	Foreign currency translation reserve	Share-based payment reserve	Reverse acquisition reserve	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2015 (restated)	30,034	668	169	(17,629)	(11,522)	1,720	155	1,875
Income for the first quarter	-	-	-	-	306	306	19	325
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	306	306	19	325
At 31 March 2016 (unaudited)	30,034	668	169	(17,629)	(11,216)	2,026	174	2,200
Loss for the period	-	-	-	-	(6,302)	(6,302)	(2,645)	(8,947)
Other comprehensive income	-	40	-	-	-	40	(15)	25
Total comprehensive income	-	40	-	-	(6,302)	(6,262)	(2,660)	(8,922)
Forfeiture of share options	-	-	(12)	-	12	-	-	-
Share-based payment expense	-	-	258	-	-	258	-	258
Exercise of share options	60	-	(23)	-	-	37	-	37
Reverse acquisition	1,007	(1,885)	-	(7,116)	8,424	430	2,234	2,664
Purchase of non-controlling interests	16,791	-	-	-	(14,499)	2,292	(619)	1,673
Issue of share capital	10,901	-	-	-	-	10,901	-	10,901
Share issue costs	(809)	-	116	-	-	(693)	-	(693)
At 31 December 2016	57,984	(1,177)	508	(24,745)	(23,581)	8,989	(871)	8,118

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

**Unaudited condensed consolidated interim statement of changes in equity
For the three months ended 31 March 2017 and 2016**

	Share capital	Foreign currency translation reserve	Share-based payment reserve	Reverse acquisition reserve	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2016	57,984	(1,177)	508	(24,745)	(23,581)	8,989	(871)	8,118
Loss for the period	-	-	-	-	(1,455)	(1,455)	(289)	(1,744)
Other comprehensive income	-	(217)	-	-	-	(217)	4	(213)
Total comprehensive income	-	(217)	-	-	(1,455)	(1,672)	(285)	(1,957)
Forfeiture of share options	-	-	(10)	-	-	(10)	-	(10)
Share-based payment expense	-	-	336	-	-	336	-	336
Exercise of share options	-	-	-	-	-	-	-	-
Reverse acquisition	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	-	-	-	-	-	-	-
Issue of share capital	10,000	-	-	-	-	10,000	-	10,000
Share issue costs	(636)	-	-	-	-	(636)	-	(636)
At 31 March 2017 (unaudited)	67,348	(1,394)	834	(24,745)	(25,036)	17,007	(1,156)	15,851

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

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Unaudited condensed consolidated interim statement of cash flows****For the three months ended 31 March 2017 and 2016**

	Note	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Operating activities:			
Income (loss) before tax		(1,743)	325
Adjustments for:			
Depreciation and amortisation		63	185
Share-based payment charge - options		336	-
Foreign currency exchange gains and losses		1	-
Operating cash flow before movement in working capital		<u>(1,343)</u>	<u>510</u>
Decrease/(increase) in receivables		(2,185)	61
Increase/(decrease) in payables		(1,198)	(895)
Income tax paid		(1)	-
Net cash flows used in operating activities		<u>(4,727)</u>	<u>(324)</u>
Investing activities:			
Purchase of intangible assets	8	(953)	(983)
Purchase of property and equipment	9	-	(220)
Purchase of investments	10	(3,050)	-
Repayment of loan receivable		-	9
Net cash flows used in investing activities		<u>(4,003)</u>	<u>(1,194)</u>
Financing activities:			
Issue of share capital		10,000	-
Share issue costs		(636)	-
Net cash flows from financing activities		<u>9,364</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>634</u>	<u>(1,518)</u>
Cash and cash equivalents at the beginning of the year		6,028	2,940
Effect of exchange rates on cash and cash equivalents		(134)	(134)
Cash and cash equivalents at the end of the period		<u>6,528</u>	<u>1,288</u>

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

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Notes to the unaudited condensed consolidated interim financial statements

For the three months ended 31 March 2017 and 2016

1. General information

Axion Ventures Inc. ("Axion Ventures" or the "Company") was incorporated under the British Columbia *Business Corporations Act* on 21 June 2011, is domiciled in Canada and was originally classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange ("TSX-V" or "Exchange").

On 2 December 2011, the 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 as defined under the policies of the TSX-V ("QT"). On 24 March 2014, the Company moved from the TSX-V to the NEX board of the TSX-V trading under the symbol "CSP.H".

On 11 May 2016, the Company completed its Qualifying Transaction as particularly described in its TSX-V filing statement previously filed with Canadian regulatory authorities. As a result of the completion of the Qualifying Transaction, the Company ceased to be a CPC, and following receipt of final Exchange approval, the Company was listed as a Tier 2 Investment Issuer on the Exchange on 18 May 2016 under the symbol "CSP".

On 1 November 2016, the Company was approved for graduation from Tier 2 Investment Issuer to Tier 1 Investment Issuer status by the TSX-V. With the graduation to a Tier 1 listing, the common shares of the Company previously deposited into escrow pursuant to the rules of the TSX-V will be governed by the release provisions of Tier 1 Issuer's escrow.

On 9 March 2017, the Company changed its name from "Capstream Ventures Inc." to "Axion Ventures Inc." and effective from 10 March 2017, the Company's common shares traded under the new name and new symbol "AXV" on the TSX-V.

The address of the Company's corporate office and principal place of business is 530 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6, Canada.

2. Basis of preparation

2.1 Statement of compliance and basis of presentation

These interim consolidated financial statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These unaudited condensed consolidated interim financial statements present the financial information of the Company and its subsidiary undertakings. The principal activities of the Company are game software development, game operation, and provision of outsourcing services, software licence and software training.

These unaudited condensed consolidated interim financial statements have been prepared on an accruals basis and are based on the historical cost basis, except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company's functional currency is Canadian Dollars, being the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollar amounts ("\$"), rounded to the nearest thousand.

Axion Ventures Inc.

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For the three months ended 31 March 2017 and 2016

2.2 Going concern

These unaudited condensed consolidated interim financial statements were prepared on a going concern basis.

The directors have carefully considered these risks, including an assessment of the uncertainty on future trading projections for a period of at least twelve months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on this assessment, the directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations of external liabilities.

In addition, the Company's assets are assessed for recoverability on a regular basis, and the directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and that there are no material uncertainties that lead to significant doubt regarding the Company's ability to continue as a going concern. Thus, the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

3. Accounting policies

These unaudited condensed consolidated interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2016.

4. Changes in accounting standards

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 1 January 2017. The amendments did not have an impact on the Company's unaudited condensed consolidated interim financial statements.

New standards and interpretations

The following standard is effective for annual periods beginning on or after 1 January 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 1 January 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 1 January 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.

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For the three months ended 31 March 2017 and 2016

4. Changes in accounting standards (continued)

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;
- iii. Classification of share-based payment transactions with net settlement features.

The amendments are effective for annual periods beginning on or after 1 January 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 1 January 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 1 January 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.

5. Critical accounting judgements and key sources of estimation uncertainty

The Company's management makes judgements in the process of applying the Company's accounting policies in the preparation of these unaudited condensed consolidated interim 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.

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements****For the three months ended 31 March 2017 and 2016****6. Revenue and business and geographical segments**

Information reported to the board of directors for the assessment of performance is segmented by the nature of the business activities. The following is an analysis of the Company's revenue by reportable segment. For management reporting purposes, expenses and assets are not allocated to reporting segments.

	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Outsourcing:		
Wanda contract	397	1,939
Non-Wanda outsourcing	460	668
Licensing	64	17
Game operation	899	1,088
Training	57	157
	<u>1,877</u>	<u>3,869</u>

The Wanda contract is a contract to develop certain inter-active games to be installed and operated in Wanda's commercial property. Wanda represents the only major customer that is more than 10% of the Company's revenue.

An analysis of the Company's revenue by geographical region is as follows:

	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
China	1,426	2,939
Canada	-	-
Rest of the world	451	930
	<u>1,877</u>	<u>3,869</u>

An analysis of the Company's non-current assets by geographical region is as follows:

	March 31, 2017 (unaudited) \$'000	December 31, 2016 \$'000
China	347	312
Canada	3,536	499
Rest of the world	6,881	6,040
	<u>10,764</u>	<u>6,851</u>

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements****For the three months ended 31 March 2017 and 2016****7. Taxation**

The tax charge on loss comprises:

	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Current tax		
Corporation China tax	1	-
Total tax	<u>1</u>	<u>-</u>

A reconciliation between the tax expense and accounting loss is as follows:

	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Income (loss) on ordinary activities before taxation	<u>(1,743)</u>	<u>325</u>
Tax on income (loss) before taxation, calculated at the rates applicable to losses in the tax jurisdiction concerned	(619)	82
Tax effect of non-deductible expenses	53	9
Tax effect on Super Deduction in research and development activities	(185)	(109)
Tax effect of unused tax losses not recognised	3,883	663
Tax effect of deductible temporary differences not recognised	8	4
Utilisation of deductible temporary differences previously not recognised	(3,140)	(649)
Under provision in respect of prior years	1	-
Total tax	<u>1</u>	<u>-</u>

Notes to the unaudited condensed consolidated interim financial statements
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7. Taxation (continued)

Taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Company operates.

Canada

The parent entity Axion Ventures Inc. had no taxable income for the three months ended 31 March 2017 or the year ended 31 December 2016, and thus there is no resulting tax provision for current income taxes.

Cayman Islands income tax

The subsidiary incorporated in the Cayman Islands is an exempted company with limited liability under the Company Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

British Virgin Islands ("BVI") income tax

The subsidiaries incorporated in the BVI with limited liability under the BVI Business Companies Act, are exempted from BVI income tax.

Hong Kong profits tax

The Hong Kong profits tax rate is 16.5% (2016: 16.5%). Hong Kong profits tax has not been provided as the relevant subsidiaries had no estimated assessable profits in Hong Kong during the period ended 31 March 2017 and 31 December 2016.

People's Republic of China ("PRC") enterprise income tax

Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiaries are subject to PRC enterprise income tax of 25%.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). Axion Games has claimed Super Deductions for the period ended 31 March 2017 and 31 December 2016

Tax losses carried forward

The Company had the following unutilised tax losses carried forward at the reporting date:

	March 31, 2017 (unaudited) \$'000	December 31, 2016 \$'000
Unutilised tax losses	8,290	6,613

The tax losses have expiry dates of between 1 – 20 years.

Deferred tax assets have not been recognised because management considers it is not probable that future taxable profits will be available against which the Company can utilise the benefits therefrom.

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For the three months ended 31 March 2017 and 2016

8. Intangible assets

	Acquired computer software	Internally generated computer software	Total
	\$'000	\$'000	\$'000
At 1 January 2017			
Cost	964	10,914	11,878
Accumulated amortisation	(787)	(4,874)	(5,661)
Opening carrying amount	<u>177</u>	<u>6,040</u>	<u>6,217</u>
Exchange differences	1	-	1
Additions	112	840	952
Amortisation	(35)	-	(35)
	<u>78</u>	<u>840</u>	<u>918</u>
Cost	1,077	11,754	12,831
Accumulated depreciation	(822)	(4,874)	(5,696)
Carrying amount at 31 March 2017	<u>255</u>	<u>6,880</u>	<u>7,135</u>
At 1 January 2016			
Cost	866	7,446	8,312
Accumulated amortisation	(610)	(4,874)	(5,484)
Opening carrying amount	<u>256</u>	<u>2,572</u>	<u>2,828</u>
Exchange differences	(17)	(29)	(46)
Additions	115	3,497	3,612
Amortisation	(177)	-	(177)
Carrying amount at 31 December 2016	<u>177</u>	<u>6,040</u>	<u>6,217</u>

Amortisation is included within general and administrative expenses within the statement of comprehensive income.

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9. Property and equipment

	Computer and office equipment \$'000	Office furniture \$'000	Leasehold improvements \$'000	Total \$'000
At 1 January 2017				
Cost	861	74	177	1,112
Accumulated depreciation	(747)	(49)	(167)	(963)
Opening carrying amount	<u>114</u>	<u>25</u>	<u>10</u>	<u>149</u>
Exchange differences	1	-	-	1
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(22)	(3)	(2)	(27)
	<u>(21)</u>	<u>(3)</u>	<u>(2)</u>	<u>(26)</u>
Cost	862	74	177	1,113
Accumulated depreciation	(769)	(52)	(169)	(990)
Carrying amount at 31 March 2017	<u>93</u>	<u>22</u>	<u>8</u>	<u>123</u>
At 1 January 2016				
Cost	812	59	180	1,051
Accumulated depreciation	(648)	(48)	(106)	(802)
Opening carrying amount	<u>164</u>	<u>11</u>	<u>74</u>	<u>249</u>
Exchange differences	(3)	-	(3)	(6)
Additions	55	16	-	71
Disposals	(3)	(1)	-	(4)
Depreciation	(99)	(1)	(61)	(161)
Carrying amount at 31 December 2016	<u>114</u>	<u>25</u>	<u>10</u>	<u>149</u>

Depreciation is included within general and administrative expenses within the statement of comprehensive income.

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10. Investments

	March 31, 2017 (unaudited) \$'000	December 31, 2016 \$'000
Investments in True Axion Game (TAG)	3,021	-
Investments in Innovega	485	485
Term deposit investment	3,591	3,562
	<u>7,097</u>	<u>4,047</u>

Joint Venture with True Incube Co., Ltd.

On 27 December 2016, the Company announced that it entered into an agreement to form a joint venture with True Incube Co., Ltd. ("True Incube"), a subsidiary of True Corporation Public Company Limited, 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 was contemplated to operate as a newly incorporated Thai company proposed to be named "True Axion Games Ltd." ("True Axion Games") with a wholly-owned subsidiary of the Company 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. Pursuant to the terms of the JVA and ancillary agreements, True Incube agreed to invest CAD\$10 million into the Company whereby the Company issues 20 million common shares at a price of CAD\$0.50 (the "Financing") and the Company agreed to contribute approximately US\$5 million (US\$2.5 million on incorporation and US\$2.5 million 12 months from the JVA) to True Axion Games. The Financing was closed on 18 January 2017 and True Axion Games was formed and capitalized with the initial US\$2.5 million in February 2017.

Preference Share with Innovega Inc.

Innovega's Note was converted on 19 October 2016, the Maturity Date, based upon the "Automatic Conversion upon Maturity" calculation terms of the Note. The Note and accrued interest were converted into 216,195 of newly issued preference shares, representing 1.81% of the outstanding shares of Innovega on a fully diluted basis as of 31 March 2017.

Innovega is a technology company that develops a display technology based on eyewear and contact lenses. The investment in the preference shares of Innovega represents a 1.81% holding in the company and is held at fair value through other comprehensive income.

Term deposit investment

The term deposit is a twelve-month deposit account held at amortised cost. The investment attracts interest at Prime minus 1.90%.

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements
For the three months ended 31 March 2017 and 2016****11. Trade and other receivables**

	31 March 2017 (unaudited) \$'000	31 December 2016 \$'000
Amounts falling due within one year:		
Amounts due from customers for contract work	44	-
Trade receivables	743	1,022
Amounts due from related parties (Note 18)	657	237
Rental deposit	204	205
Loan to employees	29	29
Other receivables	8	14
Prepaid expenses	2,259	775
	<u>3,944</u>	<u>2,282</u>

All balances are unsecured, interest free and repayable on demand.

Management considers that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods at inception. Prepaid balance represents subscription fees for Red Anchor Trading Corp. for investment in Red Anchor Trading Corp (Note 20).

The ageing analysis of the Company's trade receivables from third parties that were past due as at reporting date but not impaired, based on due date is as follows:

	31 March 2017 (unaudited) \$'000	31 December 2016 \$'000
0 - 90 days	597	94
91 - 180 days	146	154
181 - 360 days	-	182
Over 540 days	-	101
	<u>743</u>	<u>531</u>

The allowance account for trade receivables was as follows:

	31 March 2017 (unaudited) \$'000	31 December 2016 \$'000
At 1 January	(252)	-
Increase in provision in the year	-	(252)
As at ended of period	<u>(252)</u>	<u>(252)</u>

As at 31 March 2017 and 31 December 2016, trade receivables that were neither past due nor impaired related to a number of distribution channels nor payment vendors, for whom there was no recent history of default that had a good track record of credit with the Company.

The Company does not hold any collateral in respect of trade receivables past due but not impaired.

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements****For the three months ended 31 March 2017 and 2016****12. Cash and cash equivalents**

	March 31, 2017 (unaudited) \$'000	December 31, 2016 \$'000
Cash at bank	6,528	6,028

For the three months ended 31 March 2017, the short-term bank deposits earned 1.35% to 1.49% interest per annum and had a maturity of 7 days.

Management considered that the fair value of the short-term bank deposits was not materially different from their carrying amount because of the short maturity period at inception.

As at 31 March 2017, included in cash and cash equivalents of the Company was \$74k (2016: \$333k) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

13. Trade and other payables

	March 31, 2017 (unaudited) \$'000	December 31, 2016 \$'000
Amounts falling due within one year:		
Trade payables	243	305
Amounts due to related parties (Note 18)	832	573
Accrued salaries and benefits	2,398	1,703
Other tax liabilities	1,429	1,750
Advances from customers	-	492
Accrued expenses	300	1,921
Other payables	24	35
	<u>5,226</u>	<u>6,779</u>

All balances are unsecured, interest free and repayable on demand.

All amounts are short term and hence the carrying values of the Company's trade and other payables are considered to be a reasonable approximation of fair value.

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

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Notes to the unaudited condensed consolidated interim financial statements

For the three months ended 31 March 2017 and 2016

14. Share capital

	Company Number of shares
At 31 December 2016	216,972,450
Issue of share capital – True private placement	20,000,000
At 31 March 2017	<u>236,972,450</u>

Authorised share capital

At 31 March 2017, the authorised share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Issued and outstanding

At 31 March 2017, there were 236,972,450 common shares of the Company issued and outstanding. Of this amount, 103,828,310 common shares were issued but subject to future release under escrow agreements as described below.

Escrow shares

Escrow shares prior to completion of the Qualifying Transaction (“QT”)

Prior to the Qualifying Transaction, there were 1,415,000 common shares (“CPC Escrow Shares”) held in escrow pursuant to a CPC escrow agreement (“CPC Escrow Agreement”). The CPC Escrow Shares were initially to be released as follows: 10% of the CPC Escrow Shares are to be released upon the date of issuance of the Final Exchange Bulletin respecting the QT (17 May 2016) and an additional 15% of the CPC Escrow Shares are to be released every 6 months thereafter until all CPC Escrow Shares have been released (36 months following the date of issuance of the Final Exchange Bulletin). However, when the Company graduated from a Tier 2 Issuer to a Tier 1 Issuer on the TSX-V, the CPC Escrow Shares became releasable on the following accelerated schedule: 25% of the CPC Escrow Shares would be released upon the date of issuance of the Final Exchange Bulletin and an additional 25% of the CPC Escrow Securities would be released every 6 months thereafter, until all CPC Escrow Shares have been released (18 months following the date of issuance of the Final Exchange Bulletin).

Escrow shares in connection with the Qualifying Transaction

i. Performance Escrow

Pursuant to the QT share exchange agreement, 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.

Axion Ventures Inc.

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14. Share capital (continued)

ii. Surplus Escrow

Pursuant to the QT exchange agreement, 53,684,753 (the "Surplus Escrow Shares") of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were held pursuant to a TSX-V surplus escrow agreement (the "Surplus Escrow Agreement"). The Surplus Escrow Shares were initially to be released as follows: 5% immediately following the issuance of the Final Exchange Bulletin respecting the QT (17 May 2016); 5% would be released 6 months thereafter; 10% would be released 12 and 18 months thereafter; 15% will be released 24 and 30 months thereafter and 40% will be released 36 months thereafter. However, when the Company graduated from a Tier 2 Issuer to a Tier 1 Issuer on the TSX-V, the Surplus Escrow Shares became releasable on the following accelerated schedule: 10% of the Surplus Escrow Shares would be released upon the date of issuance of the Final Exchange Bulletin; 20% would be released 6 months thereafter; 30% would be released 12 months thereafter and 40% would be released 18 months thereafter.

iii. Value Escrow

Pursuant to the QT share exchange agreement, 41,634,797 (the "Value Escrow Shares") of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were held pursuant to a TSX-V value escrow agreement (the "Value Escrow Agreement"). The Value Escrow Shares were initially to be released as follows: 10% of the CPC Escrow Shares are to be released upon the date of issuance of the Final Exchange Bulletin respecting the QT (17 May 2016) and an additional 15% of the Value Escrow Shares are to be released every 6 months thereafter until all Value Escrow Shares have been released (36 months following the date of issuance of the Final Exchange Bulletin). However, when the Company graduated from a Tier 2 Issuer to a Tier 1 Issuer on the TSX-V, the Value Escrow Shares became releasable on the following accelerated schedule: 25% of the Value Escrow Shares would be released upon the date of issuance of the Final Exchange Bulletin and an additional 25% of the CPC Escrow Securities would be released every 6 months thereafter, until all Value Escrow Shares have been released (18 months following the date of issuance of the Final Exchange Bulletin).

Voluntary pooled/Escrowed Shares on 23 August 2016 share exchanges

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

Stock options

The Company has established a stock option plan for its directors, officers and technical consultants under which the Company may grant options from time to time to acquire a maximum number of common shares being 10% of the total number of issued common shares of the Company (calculated on a non-diluted basis) at the time an option is granted. The number of optioned shares granted under the plan cannot exceed the number of plan shares. The exercise price of each option granted under the plan shall be determined by the board of directors. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Unless otherwise stated, the options fully vest when granted.

Notes to the unaudited condensed consolidated interim financial statements
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14. Share capital (continued)

Company stock option transactions and the number of stock options outstanding are summarized as follows:

	Number	Weighted Average Exercise Price \$
Balance at 31 December 2016	14,150,000	0.49
Granted	-	-
Forfeited	-	-
Exercised	-	-
Balance at 31 March 2017	<u>14,150,000</u>	<u>0.49</u>
Exercisable at 31 March 2017	<u>850,000</u>	<u>0.37</u>

For the period ended 31 March 2017, share-based compensation was \$335k (2016: \$249k) which was included in share-based compensation expense in the financial statements.

A share-based accrual expense of \$1k (2016: \$9k) was also recognised in respect of share-options granted to employees of the Company in Axion Games, in respect of the share capital of Axion Games.

At 31 March 2017, the Company had the following stock options outstanding entitling the holders thereof to acquire the following common shares in the Company:

Number of shares	Exercise Price (\$)	Expiry Date
350,000	0.25	11 May 2021
500,000	0.45	6 June 2021
<u>13,300,000</u>	0.50	30 December 2021
<u>14,150,000</u>		

The weighted average fair value of stock options granted during the three months ended 31 March 2017 of \$0.50 per option was calculated as of the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2016
Expected life of options	5 years
Risk-free interest rate	0.68%
Annualised volatility	75.00%
Dividend rate	0.00%
Forfeiture rate	0.00%
Share price	\$0.303

At 31 March 2017, the weighted average remaining contractual life of the outstanding stock options was 4.75 years.

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Share purchase warrant transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price \$
Balance at 31 December 2016	1,150,000	0.24
Issued	-	-
Forfeited	-	-
Exercised	-	-
Exercisable at 31 March 2017	<u>1,150,000</u>	<u>0.24</u>

The following table summarizes warrants outstanding at 31 March 2017:

	Number of shares	Exercise Price (\$)	Expiry Date
	150,000	0.20	11 May 2017
	<u>1,000,000</u>	0.25	11 May 2018
	<u>1,150,000</u>		

At 31 March 2017, all warrants are exercisable.

- i. The Company issued 1,000,000 share purchase warrants (“finder’s warrants”) with an exercise price of \$0.25 as a finder’s fee for the investment in Axion Games on 11 May 2016. Each finder’s warrant is exercisable into one common share of the Company and will expire two years from the date of issuance. The fair value of the finder’s warrants was calculated to be \$102k using the Black-Scholes option pricing model.
- ii. The Company issued 150,000 agent’s warrants (“agent’s warrants”) with an exercise price of \$0.20 on 11 May 2016, associated with brokering some portion of the concurrent equity financing. Each agent warrant is exercisable into one common share of the Company and will expire 12 months from the date of issuance. The fair value of the agent’s warrants was calculated to be \$14k using the Black-Scholes option pricing model.

The weighted average fair value of warrants issued during the three months ended 31 March 2017 of \$0.10 per warrant was calculated as of the date of issue using the Black-Scholes option pricing model using the following weighted average assumptions:

	2016
Expected life of options	1.12 years
Risk-free interest rate	0.48%
Annualised volatility	75.00%
Dividend rate	0.00%
Forfeiture rate	0.00%
Weighted average share price	\$0.24

Notes to the unaudited condensed consolidated interim financial statements
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15. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Earnings for the purposes of basic earnings per share being the net loss attributable to the owners of the Company	(1,455)	306
Weighted average number of ordinary shares for the purposes of basic earnings per share	113,148,908	5,432,437
Basic and diluted earnings per share	<u>(1.29) cents per share</u>	<u>5.63 cents per share</u>

Shares held in escrow are not included within the calculation of earnings per share as they are callable.

The Company has a number of share options and warrants in issue which have not been included within the diluted earnings per share calculation, due to their anti-dilutive effect.

16. Financial instruments

Fair value information

As at 31 March 2017, 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 three-month ended 31 March 2017, the Company held 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 of directors 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.

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements****For the three months ended 31 March 2017 and 2016****16. Financial instruments (continued)***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	Total
	\$'000	year	\$'000
		\$'000	\$'000
At 31 March 2017 (unaudited)			
Trade payables	-	243	243
Amounts due to related parties (note 18)	832	-	832
Accrued salaries and benefits	-	2,398	2,398
Accrued expenses	-	300	300
Other payables	-	23	23
	<u>832</u>	<u>2,964</u>	<u>3,796</u>
	On demand	Within one	Total
	\$'000	year	\$'000
		\$'000	\$'000
At 31 December 2016			
Trade payables	-	305	305
Amounts due to related parties (note 18)	573	-	573
Accrued salaries and benefits	-	1,703	1,703
Accrued expenses	-	1,921	1,921
Other payables	-	35	35
	<u>573</u>	<u>3,964</u>	<u>4,537</u>

Notes to the unaudited condensed consolidated interim financial statements
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16. Financial instruments (continued)

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 minus 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 31 March 2017, 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.

17. Capital management

The objectives of the Company when managing capital are to safeguard the ability of the Company in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Company monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

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18. Related party transactions

The Company entered into the following related party transactions during the period.

Income in the period:

	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Outsourcing services fee received from Epic Games International Ltd, a shareholder of the Company	100	120

Expense in the period:

	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Office rent and administration charged to a private company controlled by the former CEO	7,500	-

Key management personnel comprise the directors of the Company. Their aggregate remuneration comprised:

	March 31, 2017 (unaudited) \$'000	March 31, 2016 (unaudited) \$'000
Management fees	153	202
Share-based payment	335	-
	<u>488</u>	<u>202</u>

Receivables:

	March 31, 2017 (unaudited) \$'000	December 31, 2016 \$'000
Red Anchor (Thailand) Co., Ltd.,	373	-
Shareholders of Epic Games International Ltd.	100	51
Shareholders of Axion Entertainment Holdings Ltd.	184	186
	<u>657</u>	<u>237</u>

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements****For the three months ended 31 March 2017 and 2016****18. Related party transactions (continued)**

Payables:

	March 31, 2017 (unaudited) \$'000	December 31, 2016 \$'000
Shareholders of Epic Games International Ltd.	783	524
Shareholders of Axion Entertainment Holdings Ltd.	49	49
	<u>832</u>	<u>573</u>

The Company also advanced \$23,984 (March 31, 2016 - \$Nil) to an officer for travel expenses at March 31, 2017 which was included in prepaid expenses. Prepaid expense account partial settled by officer on May 12, 2017.

19. Interests in subsidiary undertakings

The Company has the following interests in subsidiary undertakings:

Name	Country of incorporation	Proportion of issued capital effectively held	Nature of business
Axion Games Ltd	Cayman Islands	51%	Investment holding
Axion Entertainment Holdings Ltd	BVI	54%	Investment holding
Axion Entertainment International Holdings	BVI	65%	Investment holding
Axion Interactive Inc.	BVI	100%	Investment holding
EGC Holdings Ltd.	BVI	100%	Investment holding
Mega Marble International Limited	BVI	100%	Investment holding
Mocool Limited	Hong Kong	100%	Investment holding
Ying Pei Digital Technology (Shanghai) Co., Ltd.	Shanghai, PRC	100%	Software development
Shanghai YingPei Digital Technology Co.,Ltd	Shanghai, PRC	100%	Software development
Ying Pei Digital Technology (Suzhou) Co., Ltd.	Suzhou, PRC	100%	Software development
Digital Arts Academy International Group Limited ("DA BVI")	BVI	100%	Investment holding
Taozhi Digital Technology (Shanghai) Co., Ltd.	Shanghai, PRC	70%	Game academy
Shanghai Zhenyou Network Technology Ltd.*	Shanghai, PRC	100%	Software development and game operation
Shanghai Ying Pei Software Co., Ltd.*	Shanghai, PRC	100%	Software development

* These interests represent contractual, rather than equity interests, in structured entities, over which management have determined that the Company has control. Further details in respect of these contractual interests are set out in 2016 Consolidated Financial Statements.

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

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20. Events after the reporting date

Investment in Red Anchor Trading Corp.

On 26 October 2016, the Company entered into an 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. 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.

Axia Corporation Limited

On May 2, 2017, the Company formed a joint venture with Coherent Asia, Limited (“Coherent”) to research and develop a risk allocation platform intended to initially service Southeast Asia countries. Under the terms of the agreement, the joint venture initially operates as a Hong Kong company named “Axia Corporation Limited” (“Axia”), with a wholly-owned subsidiary of the Company holding a 70% interest and Coherent holding a 30% interest in Axia. Through its wholly-owned subsidiary, the Company has agreed to fund up to US\$500,000 until Axia delivers an operating prototype.

Shares issued in connection with partial warrant exercise and forfeit stock option

On April 3, 2017, the Company 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. On May 11, 2017, the Company issued an aggregate of 130,000 shares as a result of the remaining exercise of outstanding financing finder’s warrants issued at the closing of the QT. As a result, as of March 31, 2017 and May 30, 2017, there were 1,150,000 and 1,000,000, respectively, warrants outstanding.

During the period ended March 31, 2017, the Company issued no stock options but 500,000 stock options expired unexercised on April 24, 2017. As a result, as of March 31, 2017 and May 30, 2017, there were 14,150,000 and 13,650,000, respectively, stock options outstanding.