AXION VENTURES INC.

Management's Discussion and Analysis

For the Quarter Ended March 31, 2017

INTRODUCTION

This management discussion and analysis ("MD&A") is dated May 30, 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 three months ended March 31, 2017. 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 unaudited condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2017 and with the audited consolidated financial statements for the year ended December 31, 2016 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, Axion Games (as defined herein), TAG (as defined herein) and the Company's other portfolio companies; the video game market; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; revenue projections; TAG's Game Academy (as defined herein); testing and launch timing of Rising Fire; Innovega's (as defined herein) test and launch projections; 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

Axion Ventures Inc.

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" or "Exchange"). 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 of 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 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").

INVESTMENTS/ACQUISITIONS

Axion Games Limited

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 game 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 the 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.

In August 2016, the Company closed eight additional 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% of Axion Games. In exchange for foregoing interest in Axion Games, the Company issued a total of 33,581,358 Company common shares to the selling shareholders.

In September 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.

The Company's beneficial ownership of Axion Games remains at 51.01%.

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 currently holds 10.8% of Innovega's issued and outstanding preference shares and 1.81% of Innovega's total issued and outstanding shares (common and preference).

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." ("TAG") with a wholly-owned subsidiary of the Company ("Axion Interactive") holding a 49% equity interest in TAG, True Incube holding a 40% equity interest in TAG and Red Anchor (Thailand) Co., Ltd., a limited company organised and existing under Thai law, holding a 11% equity interest in TAG.

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 "True Private Placement"), whereby the Company agreed to issue 20,000,000 common shares at a price of CAD$0.50 per share. The True Private Placement closed in the first quarter of 2017 (January 18, 2017) and the shares issued pursuant to the True Private Placement are subject to a three (3) year voluntary trading restriction without prior consent of the Company. In addition, in connection with the True Private Placement, True Incube has the right to appoint a director to the Board, which has not yet been exercised.

- *Initial Contributions and Additional Capital*. The capital contribution to TAG will be a total of approximately US$5,000,000 [Thai Baht of 177 million] from the Company. The initial capital contribution of approximately US$2,500,000 [Thai Baht of 89 million] was made upon the incorporation and organization of TAG 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 TAG determines that TAG requires additional capital, the JVA sets out the process for providing additional finance.

INVESTMENTS/ACQUISITIONS – Subsequent to March 31, 2017

Red Anchor Trading Corp. - HotNow

On October 26, 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.

Overview – Summary of Businesses at March 31, 2017

<u>Axion Games Limited</u>

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 Southeast 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. As of late May 2017, Tencent has initiated closed beta (pre-launch) testing, which consists of testing the code complete game with up to 100,000 participants of the PC online version in China. The parties expect the closed beta to run for approximately 3 months; however, testing may be longer depending on data received.

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.

True Axion Games

As discussed earlier (see "INVESTMENTS/ACQUITIONS – True Axion Games"), in December 2016, the Company and True Corporation (through their respective subsidiaries/affiliates) agreed to form a joint venture. On January 18, 2017, the parties completed the True Private Placement and, in early February 2017, the joint venture corporate entity, True Axion Games Limited ("TAG"), was formed. Pursuant to the JVA, upon formation of TAG, the Company completed the initial contribution of US$2.5 million.

TAG's operations officially commenced on or around March 1, 2017, whereby the shareholders and board of TAG approved and initiated its business plan and budget. To begin with, TAG entered into a 3-year lease with the Rungrojthanakul Building, located next to True Tower, True Corporation's head office in Bangkok.

The office space is currently undergoing renovation with an anticipated completion date at the end of June. The new office will be able to accommodate approximately 125 developers and 4 classrooms for TAG's Game Academy (discussed below). TAG's plan is to fully occupy the space within the next 18 months.

Meanwhile, TAG has already started assembling the team of developers (currently 22 developers), who are currently operating out of a temporary office space on the preproduction and prototypes of 5 initial projects. All of the projects are mobile focused with the underlying design and infrastructure that are ready to be extended to multiple platforms shall the game(s) be proven to gain traction in the market. The first game is expected to ship by September 2018.

TAG is also currently working on preparing the requisite documentation for the Thai government to start the educational business (the "TAG Game Academy"). The TAG Game Academy is expected to follow a similar structure and curriculum of the Axion Games school. Coordinating government approvals and documentation is expected to take a few months with expected opening of the TAG Game Academy in September 2017.

In summary, the TAG team has initiated or completed the following since inception:

- Hired experienced game designers, illustrators and programmers. The team is a mix of local Thai's integrated with professionals from other countries including the United States, China, Canada and Italy.

- The TAG team began putting together game design documents and has narrowed down several game design concepts. One of the games has already been prototyped and "greenlighted" and the team is now working to develop a commercial product.

- Some of the TAG team members also spent time at the Axion Games studio in Shanghai meeting with Axion Games key counterparts and colleagues with whom they have already begun collaborating on various projects.

- TAG held a press conference on March 23, 2017, which was covered extensively in leading Thai general news and business news publications including The Bangkok Post and The Nation. Several notable people made statements at the press conference including Suphachai Chearavanont, CEO of Charoen Pokphand Group and Pichet Durogkaveroj, Ph.D., Minister of Digital Economy and Society, Ministry of Digital Economy & Society, Thailand.

- The TAG team has entered into two outsourcing agreements, one with a Russian video game developer and the other with a Chinese medical device company.

Innovega

Innovega is developing proprietary display technology based on eyewear and contact lenses that enhances 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. As of March 31, 2017, the Company owned 216,295 Innovega preference shares, representing 10.8% of Innovega's issued and outstanding preference shares and 1.81% of Innovega's total issued and outstanding shares (common and preference).

Innovega management opened its first quarter for the period ended March 31, 2017 with three key objectives:

1. Increase its investor and retail profile by launching a new website and product brand, "emacula" (www.emacula.io).

2. Meet with the U.S. Food and Drug Administration (the "FDA") to discuss the pre-submission documents for the emacula contact lens and determine the pre-clinical testing and clinical investigation needed for market clearance for the new indication of viewing near eye displays.

3. Define a North American launch market and complete prototype test glasses that will serve to evaluate how effectively Innovega will penetrate this market.

During this period, the following was accomplished:

1. Innovega management successfully launched a new product brand (www.emacula.io), which attracted immediate online and editorial support as well as high quality web traffic.

2. Innovega management assembled a team of highly accomplished regulatory advisors and met with the FDA ophthalmic device team. Innovega gained clarity on the formal testing and clinical investigation plan for market clearance. Innovega began assessment of registration requirements for other key markets including China and Europe.

3. Innovega's go-to-market plan includes a launch in North America, followed by a ramp outside of North America. The North America launch will target a use case that is well-defined, under-served, and where Innovega's unique panoramic glasses offer a tangible benefit over competitive products. Management will target the 5 million visually impaired patients in North America as its launch market. Innovega engineering staff began developing prototype glasses and lenses that will be used during Q3 2017 to assess the efficacy of its low vision eyewear solution. The National Institutes of Health is offering important support. It is intended that wearer testing will be conducted at the Ohio State University.

OVERALL PERFORMANCE

Axion Ventures Inc.

The Company's most significant investment to date is in Axion Games, which is being consolidated in the financial statements. 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 March 31, 2017.

At March 31, 2017, the Company had $6,528 thousand (December 31, 2016 - $6,028 thousand) of cash and cash equivalents and total current assets of $14,063 thousand (December 31, 2016 - $11,872 thousand). The increase in total current assets was due primarily due to the True Private Placement.

The True Private Placement, which closed on January 18, 2017, was used in part to fund the initial contribution investment in TAG, which is a non-current asset. Some of these funds are still in the form of cash. See note 10 to the financial statements for the first quarter ended March 31, 2017.

Current liabilities at March 31, 2017 totalled $8,976 thousand (December 31, 2016 - $10,605 thousand). The decrease in current liabilities of $1,629 thousand is primarily as a result of a decrease in trade and other payables which decreased by $1,553 thousand, primarily because of $1 million of accrued employee bonuses in Axion Games booked on December 31, 2016. This increase in payables at year end (December 31, 2016) accounts for most of the change between year-end and the end of the period on March 31, 2017.

Shareholders' equity is comprised of share capital of $67,348 thousand (December 31, 2016 - $57,984 thousand), a foreign currency translation reserve of negative $1,394 thousand (December 31, 2016 - negative $1,177 thousand), a share-based payment reserve of $834 thousand (December 31, 2016 - $508 thousand), a reverse acquisition reserve of negative $24,745 thousand that remained unchanged and retained earnings of negative $25,036 thousand (December 31, 2016 - $23,581 thousand) for total equity attributable to the shareholders of Axion Ventures of $17,007 thousand (December 31, 2016 - $8,989 thousand). The increase in equity is again primarily as a result of the True Private Placement referred to above.

Working capital, which is comprised of current assets less current liabilities, was $5,087 thousand at March 31, 2017 compared to a working capital of $1,267 thousand at December 31, 2016. The increase in working capital is primarily from the additional cash that came in from the True Private Placement. The increase in working capital of $3,820 thousand is due mostly (84%) to higher accounts receivable and lower trade payables.

During the quarter ended March 31, 2017, the Company reported a net loss of $1,744 thousand ($0.015 basic and diluted loss per share) compared to a net income of $325 thousand ($0.059 basic and diluted income per share) during the quarter ended March 31, 2016.

The Company's revenue decreased approximately $2 million for the year ended March 31, 2017 compared to the year ended March 31, 2016. This decrease mainly due to Dalian Wanda Group ("Wanda") outsourcing revenue and was primarily due to an accounting estimate change last year (2016), 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.

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

DISCUSSION OF OPERATIONS

Axion Ventures Inc.

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

$'s except for percentage amounts	Q1 2017	Q1 2016	Variance	% change
Revenue	1,877,142	3,869,307	(1,992,165)	-51%
Gross Profit	829,653	3,406,438	(2,576,785)	-76%
Research & Development and Distribution Expenses	(1,092,155)	(2,371,461)	(1,279,306)	-54%
General and Administrative Expenses	(592,067)	(755,535)	(163,468)	-22%

$'s except for percentage amounts	Q1 2017	Q1 2016	Variance	% change
Corporate Administrative Expenses	(958,832)	-	(958,832)	-
Other Income / (Expenses)	70,465	45,486	24,979	55%
Income (loss) on ordinary activities before taxation	(1,742,936)	324,928	(2,067,864)	-636%
Income taxes	(857)	-	(857)	-
Net Income/(Loss)	(1,743,793)	324,928	(2,068,721)	-637%

Revenue

Revenue for the period ended March 31, 2017 was $1,877,142 compared to $3,869,307 in the same quarter 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 2017 first quarter were materially impacted and decreased (as noted below):

	March 31, 2017 $	March 31, 2016 $
Outsourcing:		
Wanda	396,659	1,938,800
Non-Wanda outsourcing	460,759	668,307
Licensing	63,740	17,271
Game operation	898,532	1,087,549
Training	57,452	157,380
	1,877,142	3,869,307

Outsourcing Revenue. Axion Games has two major outsourcing contracts with 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 quarter ended March 31, 2017, Wanda outsourcing revenue was $396,659 versus $1,938,800 for the quarter ended March 31, 2016. This decrease in Wanda outsourcing revenue was primarily due to an accounting estimate change last year (2016), 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 $460,759 in the quarter ended March 31, 2017 versus $668,307 for the quarter ended March 31, 2016. The decrease of approximately $200,000 is attributable to less demand this quarter in smaller-contract outsourcing activity with Smilegate, Zhong Hang Rong Chuang, NC Soft and Epic Games, Inc. (Epic remains a shareholder of Axion Games). While the change is significant, this revenue source can change quarter to quarter and really depends on customer needs and demands.

Licensing Revenue. Video game licensing revenue was $63,740 in the quarter ended March 31, 2017 versus $17,271 in the quarter ended March 31, 2016. There was no material change in the array of Axion Games' global publishing partners, and MARS, now a 5 years-old online game, normally exhibits declines in its overseas (outside China) licensing revenues. However, in the quarter ended March 31, 2017, there was more demand (unexpected demand from MARS customers), resulting in an increase of approximately $46 thousand.

Game Operation Revenue. Revenue from game operation was $898,532 in first quarter of 2017, down approximately $189 thousand from the quarter ended March 31, 2016 ($1,087,549). 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 $57,452 for the quarter ended March 31, 2017 versus $157,380 for the quarter ended March 31, 2016. The school revenue decrease of $100 thousand 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 Southeast 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 quarter ended March 31, 2017 was $1,047,489 and $463,132 for the same period ended March 31, 2016. The increase of approximately $584 thousand was the result of a timing of the reclassification between cost of sales and expenses account. Cost associated with the updating of MARS 1 and 2 are now correctly recorded as cost of sales. Historically, Axion Games as a private company did not make this adjustment until year end as it did not publish quarterly financial statements. See narrative of research & development and distribution costs below.

	March 31, 2017 $	**March 31, 2016 $**
Research and Development and distribution	1,092,155	2,371,461
General and Administrative	592,067	755,535
Corporate Administrative Expenses	958,832	-
	2,643,054	3,126,996

Operating expenses were $2,643,054 for the quarter ended March 31, 2017 compared to $3,126,996 for the period ended March 31, 2016. Expenses for the period include the following:

- Research & development and distribution costs of $1,092,155 (March 31, 2016 - $2,371,461). These research & development and distribution costs decreased because the Company decided to decrease marketing programs for MARS 1 & 2 in preparation for MARS 3 launch, which is expected this year. In addition, $816,430 of payroll expenses related to the updating of MARS 1 and 2 were re-classified into cost of sales (MARS 1 & 2 developers and programmers whom worked on MARS 1 & 2 games) in the quarter ended March 31, 2017. Historically (including fiscal 2016), as a private company these costs were recorded as research and development and only adjusted at year end since Axion Games did not publish quarterly statements.

- General and administrative costs of $592,067 (March 31, 2016 - $755,535). These general and administrative costs decreased because of staff turnover in Shanghai.

- Corporate Administrative Expenses of $958,832 (March 31, 2016 - nil). These cost increases are related to operating expenses arising from the operation of Axion Ventures, the listed parent company.

SUMMARY OF QUARTERLY RESULTS

Axion Ventures Inc.

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

Quarter ended	Total Revenues $	Gross Profit (Loss) $+	Net Income (Loss) $	Earnings (Loss) per share $*
March 31, 2017	1,877,142	829,653	(1,743,793)	(0.015)
December 31, 2016	(525,000)	(1,734,890)	(7,284,297)	(0.116)
September 30, 2016	2,710,606	(1,004,874)	(1,106,771)	(0.038)
June 30, 2016	3,137,263	2,842,561	(555,853)	(0.039)
March 31, 2016	3,869,307	3,406,438	324,928	0.060
December 31, 2015	3,675,399	727,328	(2,554,786)	(0.015)
September 31, 2015	6,817,378	3,190,257	1,927,315	0.012
June 30, 2015	4,202,385	4,073,563	910,347	0.005

*Axion Games is a private company with 209,700,960 (prior to September 7, 2016: 165,553,290) common and preference share issued and outstanding. Axion Ventures owned 106,972,954 shares (or 51.01%) of Axion Games as of March 31, 2017 and May 30, 2017.

+reclassed Cost of Sales and Expense.

Total revenue has in general been trending down quarter to quarter, and this is primarily due to the fact that no new games have been launched. Axion Games has been concentrating on getting Rising Fire ready for launch and as a result no significant resources have been allocated to other games. Once Rising fire goes through beta testing and is officially launched, the Company expects a significant impact on quarterly revenue.

Due to the 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.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Axion Ventures Inc.

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 Q4 2017 and this will assist the Company in meeting its ongoing obligations.

	Mar 31, 2017	Dec 31, 2016	Variance	% Change
Current Assets				
Cash and cash equivalents	6,527,554	6,028,409	499,145	8%
Investment (short term)	3,591,309	3,562,475	28,834	1%
Trade and other receivables	3,944,145	2,282,000	1,662,145	73%
	14,063,008	11,872,884		
Current Liabilities				
Accounts payable and accrued liabilities	5,225,799	6,778,778	(1,552,979)	-22.9%
Deferred Revenue	3,750,211	3,825,877	(75,666)	-2.0%
	8,976,010	10,604,655		
Working Capital	5,086,998	1,268,229	3,818,769	301.1%

As of March 31, 2017, the Company had $6,527,554 in cash and cash equivalents (December 31, 2016 - $6,028,409) and working capital of $5,086,998 (December 31, 2016 - $1,267,229). The foregoing is mainly due to an increase in cash as a result of the True Private Placement. See "INVESTMENTS/ACQUITIONS – True Axion Games".

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

Axion Ventures Inc.

During the quarter ended March 31, 2017, the Company completed the following transactions with related parties:

(i) Paid or accrued management fees of $152,811 (2016 full year expense - $231 thousand) to key management ('C' level employees) of the Company for their service to the Company based on fair value method (arm-length transaction). 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. The prepaid account was partially settled by the officer on May 12, 2017;

(ii) Paid or accrued $Nil (2016 full year expense - $9,000) in consulting fees (fair value method) for work related to the QT to a private company controlled by the ex-Corporate Secretary of the Company;

(iii) Paid or accrued $Nil (2016 full year expense - $8,000) in consulting fees (fair value method) related to the QT to a Director of the Company;

(iv) Paid or accrued $7,500 (2016 full year expense - $21,000) 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. The lease agreement expires in June 30, 2017 and is an arm-length transaction and recorded using fair value method; and

(v) Accrued expense of $334,905 (2016 full year expense - $258,213) 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 closed a transaction subsequent to the quarter ended March 31, 2017 that may be considered a related party transaction, which is described above under "INVESTMENTS/ACQUISITIONS – Subsequent to March 31, 2017 – Red Anchor Trading Corp - HotNow".

FINANCIAL INSTRUMENTS AND RISK EXPOSURE

Axion Ventures Inc.

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 March 31, 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; and

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 quarter ended March 31, 2017, the Company held investments consisting of preference shares of Innovega and shares in TAG 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 March 2017			
Trade payables	-	243	243
Amounts due to related parties	832	-	832
Accrued salaries and benefits	-	2,398	2,398
Accrued expenses	-	300	300
Other payables	-	23	23
	832	2,964	3,796

	On demand	Within one year	Total
	$'000	$'000	$'000
At 31 December 2016			
Trade payables	-	305	305
Amounts due to related parties	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

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 the majority of the transactions are settled in RMB (Chinese Yuan Renminbi). 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 March 31, 2017, the Company did not have significant foreign currency risk from its operations. The Company's beneficial ownership of Axion Games remains at 51.01%.

Another operating subsidiary, True Axion Games mainly operates in the Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht). 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 March 31, 2017, the Company did not have significant foreign currency risk from its operations. At March 31, 2017, the Company and its affiliates beneficially own 60% of TAG.

At March 31, 2017, the third operating associate company, Innovega, mainly operates in the Bellevue, Seattle and the majority of the transactions are settled in USD (U.S. Dollars). 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 March 31, 2017, the Company did not have significant foreign currency risk from its operations. The Company currently holds 10.8% of Innovega's issued and outstanding preference shares and 1.81% of Innovega's total issued and outstanding shares (common and preference).

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

Axion Games Limited and True Axion Games Limited

The Company's management makes judgements in the process of applying the Company's accounting policies in the preparation of the 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

Axion Ventures Inc.

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, 2017. 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

Axion Ventures Inc.

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 at March 31, 2017 and May 30, 2017, there were 236,972,450 and 237,122,450 common shares issued and outstanding, respectively, as a result of the following:

	Issued Common Shares
At January 1, 2017	216,972,450
Shares issued in connection with the True Private Placement (January 18, 2017)	20,000,000
Shares issued in connection with partial warrant exercise (April 3, 2017)	20,000
Shares issued in connection with remaining warrant exercise (May 11, 2017)	130,000
At May 30, 2017	**237,122,450**

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 when the Company received final TSXV approval of the QT by way of the Final Exchange Bulletin on May 17, 2016 (released), 25% 6 months from the Final Exchange Bulletin (released), 25% 12 months from the Final Exchange Bulletin (released) and 25% 18 months from the Final 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 when the Company received the Final Exchange Bulletin (released), 20% 6 months from the Final Exchange Bulletin (released), 30% 12 months from the Final Exchange Bulletin (released) and 40% 18 months from the Final 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 when the Company received the Final Exchange Bulletin (released), 25% 6 months from the Final Exchange Bulletin (released), 25% 12 months from the Final Exchange Bulletin (released) and 25% 18 months from the Final 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 and as at March 31, 2017 and May 30, 2017, 103,828,310 and 76,960,435 shares, respectively, were subject to TSXV or voluntary escrow.

Stock Options

As at December 31, 2016, there were a total of 14,150,000 stock options outstanding. During the period ended March 31, 2017, Axion Ventures issued no stock options, but 500,000 stock options expired unexercised subsequent to the period ended March 31, 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.

Warrants

As at December 31, 2016, there were a total of 1,150,000 warrants outstanding. During the period ended March 31, 2017, Axion Ventures issued no additional warrants and no warrants were exercised or expired. However: (i) 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; and (ii) on May 11, 2017, Axion Ventures 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 May 11, 2017, 1,000,000 issued warrants remain outstanding.

RISK FACTORS

Axion Ventures Inc.

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 (the "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, the 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 May 30, 2017.