

Axion Ventures Inc.

(formerly Capstream Ventures Inc.)

**Amended and Restated Unaudited Condensed Consolidated Interim Financial
Statements**

For the three and six months ended 30 June 2016

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Administrative information

Directors

Todd Bonner
Grant Kim
Rob Kang
Stephen Willey

Registered office

530 – 625 Howe Street
Vancouver
British Columbia
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Canada

Axion Ventures Inc. (formerly Capstream Ventures Inc.)
Unaudited Condensed Consolidated Interim Financial Statements (restated)
(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 unaudited interim financial statements of Axion Ventures Inc. (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.

The Company is hereby filing amended and restated unaudited condensed consolidated interim financial statements and Management Discussion & Analysis ("MD&A") of the Company for the three and six months ended 30 June 2016.

1. Such unaudited condensed consolidated interim financial statements and MD&A are being filed:
- (i) reflect the reverse acquisition transaction of Axion Games Limited (11 May 2016, Qualifying Transaction, Note 1 and 6);
 - (ii) correct the earning per share from comprehensive loss;

The effects of the adjustments to the unaudited condensed consolidated interim financial statements are presented below. The adjusted line items are as follows:

As at 30 June 2016 (\$000's)	Previously reported	Adjustments	As adjusted
<i>Consolidated statement of financial position</i>			
Total Equity	31,086	(27,017)	4,069
For the six months ended 30 June 2016 (\$000's)	Previously reported	Adjustments	As adjusted
<i>Consolidated of comprehensive income (loss)</i>			
Net income (loss) from continuing operations	(544)	292	(252)
Net income (loss)	(518)	(1,900)	(2,418)
Total comprehensive income (loss)	(518)	(1,977)	(2,495)
Net loss per share (basic & diluted cents per share)	(1.27)	(7.67)	(8.94)

2. the quarter two MD&A has been amended to reflect the change in 1 above; and
3. updated quarterly CEO and CFO certifications are being refiled on form 52-109F1R.

Yours sincerely,



Christopher Jon Peter Bagguley
Interim Chief Financial Officer

Vancouver, Canada
October 11, 2017

Axion Ventures Inc. (formerly Capstream Ventures Inc.)
Unaudited Condensed Consolidated Interim Financial Statements (restated)
(Expressed in Canadian dollars)

Unaudited condensed consolidated interim statement of comprehensive income
For the three and six months ended 30 June 2016 and 2015

	Note	Three months ended 30 June (restated and unaudited)		Six months ended 30 June (restated and unaudited)	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Continuing operations					
Revenue	7	2,953	4,000	6,822	7,224
Cost of sales		(1,363)	(107)	(2,983)	(194)
Gross profit		<u>1,590</u>	<u>3,893</u>	<u>3,839</u>	<u>7,030</u>
Research & development and distribution expenses		(1,166)	(2,270)	(2,380)	(5,446)
General and administrative expenses		(620)	(761)	(1,376)	(1,656)
Corporate administrative expenses		(335)	-	(335)	-
Operating income (loss)		<u>(531)</u>	<u>862</u>	<u>(252)</u>	<u>(72)</u>
Other income		29	7	57	21
Finance income		6	13	8	18
Finance cost		(3)	1	(6)	(132)
Foreign currency exchange income (loss)		(24)	21	(5)	16
Listing expenses	6	(2,203)	-	(2,203)	-
Income (loss) from ordinary activities before taxation		<u>(2,726)</u>	<u>904</u>	<u>(2,401)</u>	<u>(149)</u>
Taxation	8	(17)	(1)	(17)	(6)
Income (loss) for the period		<u><u>(2,743)</u></u>	<u><u>903</u></u>	<u><u>(2,418)</u></u>	<u><u>(155)</u></u>
Attributable to:					
The owners of the parent company		(2,902)	903	(2,596)	(127)
The non-controlling interest		159	-	178	(28)
		<u><u>(2,743)</u></u>	<u><u>903</u></u>	<u><u>(2,418)</u></u>	<u><u>(155)</u></u>
Income (loss) per share:					
Basic and diluted	16	(8.01) cent per share	4.12 cent per share	(8.94) cents per share	(0.58) cents per share

* As restated to reflect prior period adjustment (Note 21).

Axion Ventures Inc. (formerly Capstream Ventures Inc.)
Unaudited Condensed Consolidated Interim Financial Statements (restated)
(Expressed in Canadian dollars)

Unaudited condensed consolidated interim statement of comprehensive income
For the three and six months ended 30 June 2016 and 2015

	Note	Three months ended 30 June (restated and unaudited)		Six months ended 30 June (restated and unaudited)	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Other comprehensive income that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences		(222)	828	(77)	377
Attributable to:					
The owners of the parent company		(146)	829	(2)	377
The non-controlling interest		(76)	(1)	(75)	-
Total comprehensive income (loss) for the period		(2,965)	1,731	(2,495)	222

* As restated to reflect prior period adjustment (Note 21).

Axion Ventures Inc. (formerly Capstream Ventures Inc.)
Unaudited Condensed Consolidated Interim Financial Statements (restated)
(Expressed in Canadian dollars)

Unaudited condensed consolidated financial interim statement of financial position
As of 30 June 2016 and 31 December 2015

		30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Assets	Note		
Fixed assets			
Intangible assets	9	4,587	2,828
Property and equipment	10	115	249
Non-current asset		4,702	3,077
Current assets			
Convertible note	11	462	-
Trade and other receivables	12	4,762	6,295
Cash and cash equivalents	13	1,083	2,940
Total current assets		6,307	9,235
Total assets		11,009	12,312
Liabilities			
Current liabilities			
Trade and other payables	14	(3,570)	(6,973)
Deferred revenue		(2,976)	(3,464)
Shareholder note payable		(394)	-
Total liabilities		(6,940)	(10,437)
Total assets less total liabilities		4,069	1,875
Share capital	15	31,666	30,034
Foreign currency translation reserve		(1,219)	668
Share-based payment reserve		449	169
Reverse acquisition reserve		(24,745)	(17,629)
Retained earnings		(4,582)	(11,522)
Equity attributable to the owners of the parent company		1,569	1,720
Non-controlling interest	20	2,500	155
Total equity		4,069	1,875

* As restated to reflect prior period adjustment (Note 21).

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on October 11, 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. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

Unaudited condensed consolidated interim financial statement of changes in equity

For the six months ended 30 June and year ended 31 December 2015

	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 1 January 2015	30,034	205	331	(17,629)	(10,963)	1,978	206	2,184
Prior period adjustment	-	25	-	-	(25)	-	-	-
At 1 January 2015 (restated)	<u>30,034</u>	<u>230</u>	<u>331</u>	<u>(17,629)</u>	<u>(10,988)</u>	<u>1,978</u>	<u>206</u>	<u>2,184</u>
Loss for the period	-	-	-	-	(127)	(127)	(28)	(155)
Other comprehensive income (loss)	-	377	-	-	-	377	-	377
Total comprehensive income	-	377	-	-	(127)	250	(28)	222
At 30 June 2015 (restated and unaudited)	<u>30,034</u>	<u>607</u>	<u>331</u>	<u>(17,629)</u>	<u>(11,115)</u>	<u>2,228</u>	<u>178</u>	<u>2,406</u>
Loss for the period	-	-	-	-	(593)	(593)	(11)	(604)
Other comprehensive income (loss)	-	61	-	-	-	61	(12)	49
Total comprehensive income (loss)	-	61	-	-	(593)	(532)	(23)	(555)
Forfeiture of share options	-	-	(186)	-	186	-	-	-
Share-based payment expense	-	-	24	-	-	24	-	24
At 31 December 2015 (restated)	<u>30,034</u>	<u>668</u>	<u>169</u>	<u>(17,629)</u>	<u>(11,522)</u>	<u>1,720</u>	<u>155</u>	<u>1,875</u>

* As restated to reflect prior period adjustment (Note 21).

The notes on pages 9 to 38 form part of these unaudited condensed consolidated interim financial statements.

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

Unaudited condensed consolidated interim financial statement of changes in equity

For the six months ended 30 June 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 1 January 2016	30,034	668	169	(17,629)	(11,522)	1,720	155	1,875
Income (loss) for the period	-	-	-	-	(2,596)	(2,596)	178	(2,418)
Other comprehensive income (loss)	-	(2)	-	-	-	(2)	(75)	(77)
Total comprehensive income (loss)	-	(2)	-	-	(2,596)	(2,598)	103	(2,495)
Forfeiture of share options	-	-	(432)	-	432	-	-	-
Share-based payment expense	-	-	251	-	-	251	-	251
Exercise of share options	-	-	447	-	-	447	-	447
Reverse acquisition	1,007	(1,885)	-	(7,116)	9,104	1,110	2,242	3,352
Purchase of non-controlling interests	-	-	-	-	-	-	-	-
Issue of share capital	780	-	-	-	-	780	-	780
Share issue costs	(155)	-	14	-	-	(141)	-	(141)
At 30 June 2016 (restated and unaudited)	31,666	(1,219)	449	(24,745)	(4,582)	1,569	2,500	4,069

* As restated to reflect prior period adjustment (Note 21).

The notes on pages 9 to 38 form part of these unaudited condensed consolidated interim financial statements.

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

Unaudited condensed consolidated interim financial statement of cash flow
For the six months ended 30 June 2016 and 2015

	30 June 2016 (restated and unaudited) \$'000	30 June 2015 (restated and unaudited) \$'000
	Note	
Operating activities:		
Loss before tax	(2,401)	(149)
Adjustments for:		
Reverse acquisition before May 11, 2016	(128)	-
Depreciation and amortisation	247	297
Share-based payment charge-options	242	-
Listing expense	6 2,203	-
Operating cash flow before movement in working capital	<hr/> 163	<hr/> 148
Decrease/(increase) in receivables	1,461	(1,802)
Increase/(decrease) in payables	(1,784)	273
Income tax paid	(17)	(6)
Net cash flows used in operating activities	<hr/> (177)	<hr/> (1,387)
Investing activities:		
Convertible Note	11 (462)	-
Loan receivable	(188)	-
Purchase of intangible assets	9 (1,837)	(846)
Purchase of property and equipment	10 (201)	(206)
Cash acquired on purchase of subsidiary	223	-
Net cash flows used in investing activities	<hr/> (2,465)	<hr/> (1,052)
Financing activities:		
Issue of share capital	1,150	-
Share issue costs	(140)	-
Net cash flows from financing activities	<hr/> 1,010	<hr/> -
Net decrease in cash and cash equivalents	<hr/> (1,632)	<hr/> (2,439)
Cash and cash equivalents at the beginning of the year	2,940	6,463
Effect of exchange rates on cash and cash equivalents	(225)	(181)
Cash and cash equivalents at the end of the period	<hr/> <hr/> 1,083	<hr/> <hr/> 3,843

* As restated to reflect prior period adjustment (Note 21).

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

Notes to the unaudited condensed consolidated interim financial statements For the three and six months ended 30 June 2016

1. General information

Capstream Ventures Inc. ("Capstream 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 in 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 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.

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 (Note 6). 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".

As part of the QT, the Company and certain shareholders of Axion Games entered into a Share Exchange Agreement ("Exchange Agreement") whereby the Company acquired an ownership interest of 29.29% or 48,488,579 of the outstanding shares of Axion through investments in the following entities in exchange for 71.88% or 117,168,692 common shares of the Company:

Investee	Domicile	Primary Business
Axion Games ("Axion" or "AG")	Cayman Islands	Online video games development, licensing and publishing in People's Republic of China.
Axion Entertainment Holdings Ltd ("AEH")	British Virgin Islands	Special purpose vehicle to hold shares in Axion. Non-operating company.
Axion Entertainment International Holdings Ltd ("AEIH")	British Virgin Islands	Special purpose vehicle to hold shares in Axion. Non-operating company.

The Company also issued an additional 33,000,000 common shares ("Performance Escrow Shares" (see Note 15)) and issued 1,000,000 share purchase warrants ("finder's warrants") (see Note 15) related to the acquisition of this investment.

The following table summarises the change in the carrying amount of the Company's investments in associate, Axion Games:

Balance, 1 January 2016	-
AG Share Capital investment	30,033,738
Transactions cost directly attributable to investment	101,700
Balance, 30 June 2016	30,035,438

The Company completed a financing concurrent ("the Concurrent Financing") with the closing of the QT which raised \$1,150,000 through the issuance of 5,750,000 common shares of the Company at a price of \$0.20 per share. \$500,000 of the Concurrent Financing was completed by an Agent for which the Agent

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

1. General information (continued)

received a commission of 6% of the gross proceeds raised by the Agent and 2% of the remaining proceeds which totalled \$43,000. The Agent also received 150,000 share purchase warrants exercisable at \$0.20 for a period of 12 months following the closing of the financing. In addition, the Agent received a corporate finance fee of \$35,000. The Company also paid \$10,000 (4%) in finders' fees on a portion of the \$650,000 not raised by the Agent. All shares issued in the Concurrent Financing are subject to a hold period that expires on 11 September 2016

The Company is now an investment company focused on investments in the online video gaming and other IT sectors.

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 unaudited condensed consolidated interim 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 (together "the Group"). 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 unaudited condensed consolidated interim financial statements are presented in Canadian dollar amounts ("\$"), rounded to the nearest thousand.

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 in 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.

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

2. Basis of preparation (continued)

2.2 Going concern (continued)

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 unaudited condensed consolidated interim 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 Company Inc. audited financial statements for the year ended 31 December 2015.

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 consolidated 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.

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.

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

4. Changes in accounting standards (continued)

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.

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 make assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the unaudited condensed consolidated interim 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.

6. Qualifying Transaction

On 11 May 2016, the Company completed its Qualifying Transaction as described in Note 1.

The Company completed the Qualifying Transaction through the acquisition of:

- i. shares of Axion Games Limited ("Axion Games") and Axion Entertainment Holdings Ltd. ("AEH") and Axion Entertainment International Holdings Limited ("AEIH"), (AEH and AEIH being formed for the sole purpose of holding Axion Games shares), pursuant to which the Company acquired an interest of approximately 29.29% of Axion Games; and
- ii. an unsecured one-year convertible note of Innovega Inc. ("Innovega") in the principal amount of US\$350k.

In exchange for the above interest in Axion Games, the Company issued a total of 150,168,692 common shares of the Company to the respective selling shareholders. Prior to completion of the Qualifying Transaction, the Company had 7,079,800 common shares issued and outstanding and held by existing shareholders. In addition, concurrently with closing the Qualifying Transaction, the Company completed a private placement financing, raising aggregate gross proceeds of \$1,150k through the issuance of 5,750,000 common shares.

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

6. Qualifying Transaction (continued)

As a result of the above share issuances, at the closing of the Qualifying Transaction, the issued and outstanding shares (on a non-diluted basis) were as follows:

	Number	%
Shares/Shareholders		
Common shares held by existing shareholders of the Company	7,079,800	4.34%
Common shares held by Axion Games, AEH or AEIH former shareholders upon completion of the share exchange	150,168,692	92.13%
Common shares held by subscribers of the concurrent private placement	5,750,000	3.53%
Total	<u>162,998,492</u>	<u>100.00%</u>

The Qualifying Transaction was therefore accomplished through an exchange of shares which resulted in the former shareholders of Axion Games obtaining control of the Company. Accordingly, this transaction was recorded as a reverse acquisition for accounting purposes, as Axion Games was deemed to be the acquirer and Axion Ventures the acquiree. These 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 11 May 2016 to 30 June 2016.

As the shareholders of Axion Games obtained control of the Company, the share exchange has been recognised to reflect the substance of the transaction, which is a capital transaction, rather than a business combination. That is, the transaction is a reverse recapitalisation, equivalent to the issuance of shares by the private company (Axion Games) for the net monetary assets of the public shell company (Capstream Ventures), accompanied by a recapitalisation. The accounting applied is similar to that resulting from a reverse acquisition, except that no goodwill is recorded.

The assets and liabilities of Axion Games continued to be recognised at their carrying value and at the date of the transaction the assets and liabilities of Axion Ventures were included at fair value. At the date of the transaction the amounts recognised in equity comprise the share capital of Axion Ventures (the legal parent) and the accumulated reserves of Axion Games (the legal subsidiary).

The comparative period financial information presented is that of Axion Games, adjusted to reflect the share capital of Axion Ventures.

Since Capstream Ventures was a non-operating shell company, the transaction does not meet the definition of a business combination under IFRS 3. As such, the transaction has been accounted for as a share-based payment transaction under IFRS 2, whereby Axion Games is deemed to have issued shares in exchange for the net assets held by Axion Ventures together with the listing status of Axion Ventures.

As the listing status does not qualify for recognition as an intangible asset, an expense representing the excess of the fair value of the shares issued deemed to have been issued to the original shareholders of Axion Ventures over the fair value of the net assets of Axion Ventures was recorded in the statement of comprehensive income in 2016 as a listing expense. The listing expense was calculated as follows:

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

6. Qualifying Transaction (continued)

	\$'000
Consideration deemed to be transferred by Axion Games in the share exchange	2,566
Less the fair value of the net assets of Axion Ventures acquired by Axion Games	(1,240)
Plus the non-controlling interest	<u>877</u>
	(363)
Listing expense	<u>2,203</u>

The fair value of the net assets of Axion Ventures acquired was as follows:

	\$'000
Investment in Innovega Inc.	104
Cash and cash equivalents	1,212
Trade and other receivables	5
Trade and other payables	(81)
Fair value of net assets	<u>1,240</u>

The revenue and profit or loss of Axion Ventures from 11 May 2016 to 30 June 2016 included in the consolidated financial statements were:

	\$'000
Revenue	-
Loss	(335)

If the transaction had taken place on 1 January 2016 the revenue and profit or loss that would have been recognised in the unaudited condensed consolidated interim financial statements were:

	\$'000
Revenue	6,822
Loss	(2,418)

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

7. 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.

	Three months ended 30 June (restated and unaudited)		Six months ended 30 June (restated and unaudited)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Outsourcing:				
Wanda contract	975	2,006	2,913	2,912
Non-Wanda outsourcing	671	599	1,339	1,117
Licensing	46	245	64	434
Game operation	1,019	903	2,107	2,379
Training	242	247	399	382
	<u>2,953</u>	<u>4,000</u>	<u>6,822</u>	<u>7,224</u>

The Wanda contract is a contract to develop certain interactive 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:

	Three months ended 30 June (restated and unaudited)		Six months ended 30 June (restated and unaudited)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
China	1,494	2,345	3,433	3,763
Canada	-	-	-	-
Rest of the world	1,459	1,655	3,389	3,461
	<u>2,953</u>	<u>4,000</u>	<u>6,822</u>	<u>7,224</u>

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

	30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
China	115	249
Canada	-	-
Rest of the world	4,587	2,828
	<u>4,702</u>	<u>3,077</u>

Notes to the unaudited condensed consolidated interim financial statements For the three and six months ended 30 June 2016

8. Taxation

The tax charge on loss comprises:

	30 June 2016 (restated and unaudited) \$'000	30 June 2015 (restated and unaudited) \$'000
Current tax		
Corporation China tax	(17)	(6)
Total tax	<u>(17)</u>	<u>(6)</u>

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

	30 June 2016 (restated and unaudited) \$'000	30 June 2015 (restated and unaudited) \$'000
Profit (loss) on ordinary activities before taxation	<u>(2,401)</u>	<u>(149)</u>
Tax on Profit before taxation, calculated at the rates applicable to losses in the tax jurisdiction concerned	(11)	82
Tax effect of non-deductible expenses	64	9
Tax effect on Super Deduction in research and development activities	(211)	(109)
Tax effect of unused tax losses not recognised	4,302	663
Tax effect of deductible temporary differences not recognised	15	4
Utilisation of deductible temporary differences previously not recognised	(4,159)	(649)
Under provision in respect of prior years	(17)	(6)
Total tax	<u>(17)</u>	<u>(6)</u>

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 six months ended 30 June 2016 and the year ended 31 December 2015, 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.

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

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%. Hong Kong profits tax has not been provided as the relevant subsidiaries had no estimated assessable profits in Hong Kong during the period ended 30 June 2016 and 31 December 2015.

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 30 June 2016 and 31 December 2015.

Tax losses carried forward

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

	30 June 2016 (restated and unaudited)	31 December 2015 (restated)
	\$'000	\$'000
Unutilised tax losses	4,852	4,021

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.

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

**Notes to the unaudited condensed consolidated interim financial statements
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9. Intangible assets

Restated	Acquired computer software	Internally generated computer software	Total
	\$'000	\$'000	\$'000
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	(19)	(153)	(172)
Additions	186	1,854	2,040
Amortisation	(109)	-	(109)
	<u>314</u>	<u>4,273</u>	<u>4,587</u>
Cost	1,033	9,147	10,180
Accumulated amortisation	(719)	(4,874)	(5,593)
Carrying amount at 30 June 2016	<u>314</u>	<u>4,273</u>	<u>4,587</u>
At 1 January 2015			
Cost	690	3,792	4,482
Accumulated amortisation	(281)	(3,792)	(4,073)
Opening carrying amount	<u>409</u>	<u>-</u>	<u>409</u>
Exchange differences	68	196	264
Additions	12	2,376	2,388
Amortisation	(233)	-	(233)
Carrying amount at 31 December 2015	<u>256</u>	<u>2,572</u>	<u>2,828</u>

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

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

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10. Property and equipment

Restated	Computer and office equipment \$'000	Office furniture \$'000	Leasehold improvements \$'000	Total \$'000
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	(11)	(2)	(5)	(18)
Additions	35	17	-	52
Disposals	-	-	-	-
Depreciation	(103)	(6)	(59)	(168)
	<u>85</u>	<u>20</u>	<u>10</u>	<u>115</u>
Cost	836	74	175	1,085
Accumulated depreciation	(751)	(54)	(165)	(970)
Carrying amount at 30 June 2016	<u>85</u>	<u>20</u>	<u>10</u>	<u>115</u>
At 1 January 2015				
Cost	1,092	146	497	1,735
Accumulated depreciation	(754)	(122)	(435)	(1,311)
Opening carrying amount	<u>338</u>	<u>24</u>	<u>62</u>	<u>424</u>
Exchange differences	52	4	13	69
Additions	99	7	21	127
Disposals	(57)	(12)	-	(69)
Depreciation	(268)	(12)	(22)	(302)
Carrying amount at 31 December 2015	<u>164</u>	<u>11</u>	<u>74</u>	<u>249</u>

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

**Notes to the unaudited condensed consolidated interim financial statements
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11. Convertible Note Receivables

On 11 May 2016, as the second part of the QT, the Company acquired US\$350,000 (\$457,428) of Innovega Inc.'s ("Innovega").

a) Convertible Note – Innovega Inc.

Convertible Note ("the Note") is US\$275,000, which bears interest at 8% per annum and has a maturity date of 19 October 2016 (the "Maturity Date"). Upon the earlier of the Maturity Date or successful equity financing of US\$1,000,000 or more in new preferred shares of Innovega (the "Qualified Equity Financing" or "QEF"), the principal of the Note and accrued interest on the date of conversion (the "Consideration") will automatically convert into new preferred shares, with the number of preferred shares being issued determined by one of the following calculations:

Automatic Conversion on Maturity:

The Consideration divided by the price per share calculated from US\$16,500,000 divided by the number of fully diluted shares of Innovega immediately prior to the Maturity Date, rounded to the nearest whole share.

Automatic Conversion on Closing of Qualified Equity Financing:

- i. If converted prior to Maturity and by 11 August 2016, the greater of the Consideration divided by (a) US\$16,500,000 divided by the number of fully diluted shares immediately prior to the closing of the QEF, or (b) the issue price of the new preferred shares sold in the QEF.
- ii. If converted prior to maturity but after 11 August 2016, the greater of the Consideration divided by (a) US\$16,500,000 divided by the number of fully diluted shares immediately prior to the closing of the QEF, or (b) 85% of the issue price of the new preferred shares sold in the QEF.

The Company elected to treat this financial asset at fair value through profit and loss and determined that the fair value approximately the face value plus accrued interest to date. Subsequent changes in fair value will be charged to the statement of comprehensive income and loss. During the six months ended 30 June 2016, interest of \$4,947 (US\$3,836) was accrued and included in the Note balance.

b) Bridge Loan – Innovega Inc.

On 26 February 2016, Axion entered into an agreement with Innovega whereby Axion made a bridge loan of US\$75,000 to Innovega (the "Innovega Loan"). The Innovega Loan was evidenced by a loan agreement and bears interest at the rate of 12% per annum. Innovega used the proceeds of the Innovega Loan to pay for general and administrative costs and expenses associated with the development of its business. The Innovega Loan was applied to convertible note purchased from Innovega and was therefore extinguished with the Company's purchase of the convertible note. Interest of \$2,375 (US\$1,825) was earned on the Innovega Loan and was received subsequent to 30 June 2016.

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

12. Trade and other receivables

	30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Amounts falling due within one year:		
Amounts due from customers for contract work	3,447	4,034
Trade receivables	424	895
Amounts due from related parties (Note 19)	425	211
Rental deposit	192	244
Loan to employees	540	87
Other receivables	(366)	575
Prepaid expenses	100	249
	4,762	6,295

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.

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:

	30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
0 - 90 days	150	154
91 - 180 days	-	3
181 - 360 days	-	179
361- 540 days	176	-
Over 540 days	98	101
	424	437

As at 30 June 2016 and 31 December 2015, 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.

**Notes to the unaudited condensed consolidated interim financial statements
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13. Cash and cash equivalents

	30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Cash at bank and in hand	1,083	2,193
Short-term bank deposits	-	747
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows	<u>1,083</u>	<u>2,940</u>

For the six months ended 30 June 2016, 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 30 June 2016, included in cash and cash equivalents of the Company was \$636k (31 December 2015: \$1,806k) 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.

14. Trade and other payables

	30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Amounts falling due within one year:		
Trade payables	193	23
Amounts due to related parties (Note 19)	662	704
Accrued salaries and benefits	875	2,148
Other tax liabilities	1,226	1,413
Advances from customers	18	111
Accrued expenses	596	2,384
Other payables	-	190
	<u>3,570</u>	<u>6,973</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.

**Notes to the unaudited condensed consolidated interim financial statements
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15. Share capital

	Group Number of shares	Company Number of shares
At 1 January 2016	150,168,692	7,079,800
Issue of share capital - reverse acquisition (11 May 2016)	7,079,800	117,168,692
Issue of share capital - reverse acquisition (11 May 2016)	-	33,000,000
Issue of share capital - concurrent financing (11 May 2016)	5,750,000	5,750,000
At 30 June 2016	<u>162,998,492</u>	<u>162,998,492</u>

Authorised share capital

At 30 June 2016, 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 30 June 2016, there were 162,998,492 common shares of the Company issued and outstanding. Of this amount, 122,745,332 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). As at 30 June 2016, 1,273,500 common shares remained subject to this CPC Escrow Agreement.

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 amortisation) 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.

**Notes to the unaudited condensed consolidated interim financial statements
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15. 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. As at 30 June 2016, 51,000,515 common shares remained subject to this Surplus Escrow Agreement.

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% FSFS 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). As at 30 June 2016, 37,471,317 common shares remained subject to this Value Escrow Agreement.

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 vested when granted.

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

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

	Number of shares	Weighted Average Exercise Price \$
Balance at 1 January 2015	105,000	0.10
Forfeited	(105,000)	(0.10)
Balance at 1 January 2016	-	-
Granted	1,200,000	0.33
Forfeited	-	-
Exercised	-	-
Balance at 30 June 2016	<u>1,200,000</u>	<u>0.33</u>
Exercisable at 30 June 2016	<u>1,200,000</u>	<u>0.33</u>

For the period ended 30 June 2016, Axion Ventures Inc. share-based compensation was \$242k which was included in share-based compensation expense in the unaudited condensed consolidation interim financial statements.

At 30 June 2016, 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
700,000	0.25	11 May 2021
500,000	0.45	6 June 2021
<u>1,200,000</u>		

The weighted average fair value of stock options granted during period ended 30 June 2016 of \$0.20 per option was calculated as of the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions:

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	\$0.33

At 30 June 2016, the weighted average remaining contractual life of the outstanding stock options was five years.

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

Share purchase warrants

Share purchase warrant transactions are summarised as follows:

	Number of shares	Weighted Average Exercise Price \$
Balance at 31 December 2015	-	-
Issued	1,150,000	0.24
Forfeited	-	-
Exercised	-	-
Exercisable at 30 June 2016	<u>1,150,000</u>	<u>0.24</u>

The following table summarises warrants outstanding at 30 June 2016:

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 30 June 2016, all warrants are exercisable. However, any shares issued upon the exercise of the warrants are subject to a hold period that expires on 11 September 2016.

- 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 on 11 May 2016. Each finder's warrant is exercisable into one common share of Axion 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 warrant") 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 Axion 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.

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

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15. Share capital (continued)

The weighted-average fair value of warrants issued during the six months ended 30 June 2016 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	1.74 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

16. Earnings per share

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

	Three months end 30 June (restated and unaudited)		Six months end 30 June (restated and unaudited)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Earnings for the purposes of basic earnings per share being the net income (loss) attributable to the owners of the Company	(2,902)	903	(2,596)	(127)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>36,223,278</u>	<u>21,849,142</u>	<u>29,036,210</u>	<u>21,849,142</u>
Basic and diluted earnings per share	(8.01) cents per share	4.12 cents per share	(8.94) cents per share	(0.58) cents per share

Shares held in escrow are not included in 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 in the diluted earnings per share calculation, due to their anti-dilutive effect.

17. Financial instruments

Fair value information

As at 30 June 2016, the Company's financial instruments comprise investments, cash and cash equivalents, trade and other receivables and trade and other payables.

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

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

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

17. Financial instruments (continued)

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).

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.

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 the 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 the 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.

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

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17. Financial instruments (continued)

	On-demand	Within one	Total
	\$'000	year	\$'000
	\$'000	\$'000	\$'000
At 30 June 2016 (restated and unaudited)			
Trade payables	-	193	193
Amounts due to related parties (Note 14)	662	-	662
Accrued salaries and benefits	-	875	875
Other tax liabilities	-	1,226	1,226
Advances from Customers	-	18	18
Accrued expenses	-	596	596
Other payables	-	-	-
	<u>662</u>	<u>2,908</u>	<u>3,570</u>

	On-demand	Within	Total
	\$'000	one year	\$'000
	\$'000	\$'000	\$'000
At 31 December 2015 (restated)			
Trade payables	-	23	23
Amounts due to related parties (Note 14)	704	-	704
Accrued salaries and benefits	-	2,148	2,148
Other tax liabilities	-	1,413	1,413
Advances from customers	-	111	111
Accrued expenses	-	2,384	2,384
Other payables	-	190	190
	<u>704</u>	<u>6,269</u>	<u>6,973</u>

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 1.35% to 1.49% interest per annum and had a maturity of 7 days.

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 30 June 2016, the Company did not have significant foreign currency risk from its operations.

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

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.

18. 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.

19. Related party transactions

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

Income in the period:

	30 June 2016 (restated and unaudited) \$'000	30 June 2015 (restated and unaudited) \$'000
Outsourcing services fee received from Epic Games International Ltd, a shareholder of the Company	192	143

Expenses in the period:

	30 June 2016 (restated and unaudited) \$'000	30 June 2015 (restated and unaudited) \$'000
Office rent and administration charged to a private company controlled by the former CEO	6	-

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

19. Related party transactions (continued)

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

	30 June 2016 (restated and unaudited) \$'000	30 June 2015 (restated and unaudited) \$'000
Management fees	16	202
Consulting fees	13	-
Share-based payment	242	-
	<u>271</u>	<u>202</u>

Receivables:

	30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Shareholders of Epic Games International Ltd.	36	19
Shareholders of Axion Entertainment Holdings Ltd.	389	192
	<u>425</u>	<u>211</u>

Payables:

	30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Shareholders of Epic Games International Ltd.	608	650
Shareholders of Axion Entertainment Holdings Ltd.	54	54
	<u>662</u>	<u>704</u>

**Notes to the unaudited condensed consolidated interim financial statements
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20. 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	29%	Investment holding
Axion Entertainment Holdings Ltd	BVI	54%	Investment holding
Axion Entertainment International Holdings	BVI	38%	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
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 below.

Structured entities

The subsidiary, Ying Pei Digital Technology (Shanghai) Co., Ltd., has entered into Contractual Arrangements with Shanghai Zhenyou Network Technology Ltd., Shanghai Ying Pei Software Co., Ltd. and their respective equity holders, which enable Ying Pei Digital Technology (Shanghai) Co., Ltd. and the Group to:

- exercise effective financial and operational control over Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.;
- exercise equity holders' voting rights of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.;

**Notes to the unaudited condensed consolidated interim financial statements
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20. Interests in subsidiary undertakings (continued)

- receive substantially all of the economic interest returns generated by Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. in consideration for the exclusive consulting services provided by Ying Pei Digital Technology (Shanghai) Co., Ltd., at the discretion of Ying Pei Digital Technology (Shanghai) Co., Ltd. The consideration of the consulting services payable by Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. to Ying Pei Digital Technology (Shanghai) Co., Ltd. under the agreement shall be calculated on a quarterly basis, taking into account the costs and expenses incurred by Ying Pei Digital Technology (Shanghai) Co., Ltd. and the operation performance of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.. Upon request by Ying Pei Digital Technology (Shanghai) Co., Ltd., up to 100% of the net income of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. shall be paid as the consideration of the services to Ying Pei Digital Technology (Shanghai) Co., Ltd., and shall be payable on a quarterly or an annual basis;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interest in and/or assets of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations. Ying Pei Digital Technology (Shanghai) Co., Ltd. may exercise such options at any time until it has acquired all equity interests and/or all assets of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.;
- obtain a pledge over the entire equity interest of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. from their respective equity holders as collateral security for all of payments of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. due to Ying Pei Digital Technology Shanghai Co., Ltd. and to secure performance of the obligations of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. under the Contractual Arrangements.

The Group does not have any equity interest in Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. and has the ability to affect those returns through its power over Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. and is considered to control Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.. Consequently, the Group regards Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. as indirect subsidiaries under IFRSs. The Group has consolidated the financial position and results of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. in the consolidated financial statements during the years.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Ying Pei Digital Technology (Shanghai) Co., Ltd., Shanghai Zhenyou Network Technology Ltd., Shanghai Ying Pei Software Co., Ltd. and their respective equity holders are in compliance with relevant PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

**Notes to the unaudited condensed consolidated interim financial statements
For the three and six months ended 30 June 2016**

20. Interests in subsidiary undertakings (continued)

- Revoke the business and operating licenses of Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.;
- Discontinue or restrict the operations of any related-party transactions among Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.;
- Impose fines or other requirements on Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.;
- Require the Group or Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd. to revise the relevant ownership structure or restructure operations; and/or
- Restrict or prohibit the Group's use of the proceeds of the additional public offering to finance the Group's business and operations in China.

The Group's ability to conduct its business may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Group may not be able to consolidate Shanghai FS statements as it may lose the ability to exert effective control over Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd., and it may lose the ability to receive economic benefits from Shanghai Zhenyou Network Technology Ltd. and Shanghai Ying Pei Software Co., Ltd.

Material non-controlling interest

The following tables list out the information related to the subgroup of Axion Games Ltd., the subsidiary of the Group which has material non-controlling interests.

	Non-controlling interest	
	2016	2015
	\$'000	\$'000
At 1 January	-	-
Share of income (loss) for the period	(63)	-
Share of other comprehensive income for the period	(70)	-
Reverse acquisition	2,234	-
Transactions with the owners of the parent company	(1)	-
At 30 June	2,100	-
% of non-controlling interest	70.7%	0%

**Notes to the unaudited condensed consolidated interim financial statements
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20. Interests in subsidiary undertakings (continued)

The summarised financial information below sets out the results and financial position of the subgroup.

	Non-controlling interest	
	30 June 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Non-current assets	4,702	-
Current assets	5,147	-
Current liabilities	(6,806)	-
Net assets	3,043	-
Revenue	6,822	-
Income after tax	126	-
Total comprehensive income	26	-
Cash outflow	(2,080)	-

Axion Ventures Inc. (formerly Capstream Ventures Inc.)

Unaudited Condensed Consolidated Interim Financial Statements (restated)

**Notes to the unaudited condensed consolidated interim financial statements
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21. Restatement due to prior period errors

	1 January 2015	Adjustment 1	Adjustment 2	1 January 2015 (restated)
	\$'000	\$'000	\$'000	\$'000
Impact on the opening statement of financial position				
Currency translation reserve	205	25	-	230
Retained earnings	(10,963)	(25)	-	(10,988)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	31 December 2015	Adjustment 1	Adjustment 2	31 December 2015 (restated)
	\$'000	\$'000	\$'000	\$'000
Impact on the statement of financial position				
Currency translation reserve	799	(16)	(115)	668
Retained earnings brought forward	(10,965)	(23)	-	(10,988)
Profit for the year	589	41	(1,389)	(759)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Impact on the statement of comprehensive income				
Profit for the year - foreign currency exchange gains and losses	(51)	41	-	(10)
Profit for the year - general and administrative expenses	(3,265)	-	(1,389)	(4,654)
Other comprehensive income - foreign currency translation differences	582	(41)	(115)	426
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Impact on basic and diluted earnings per share	(0.03) cents per share			(3.30) cents per share
	<u> </u>			<u> </u>

Adjustment 1

To correct foreign currency exchange gains/losses arising on retranslation of intercompany balance into the functional currency, that were previously recognised directly in the currency translation reserve.

Adjustment 2

To accrue understated social welfare according to PRC regulation and to recognise foreign currency translation differences arising on translation to the presentational currency.

A third statement of financial position has not been presented as the only impact on the opening position was a reclassification between the currency translation reserve and retained earnings.

Notes to the unaudited condensed consolidated interim financial statements For the three and six months ended 30 June 2016

22. Events after the reporting date

(a) Acquisition of Additional Interests in Axion Games

Between 26 May and 4 August 2016, the Company announced entering into eight separate agreements to acquire additional direct and beneficial interests in Axion Games. All the share acquisitions announced received exchange approval and were completed on 23 August 2016 through share exchanges of Axion' shares and AEIH shares for newly issued shares of the Company. Axion Ventures common shares issued in exchange for the interests in Axion Game were issued at a price of \$0.40 per share.

The number of shares exchanged for each of the transactions, and the total of the transactions are shown below. All transactions were consummated with arm's length individuals and entities. Of the total 33,581,358 common shares issued, 23,448,169 of the shares will be released as to 25% on the date of issuance, and thereafter 25% on each of 6 months, 12 months and 18 months from the date of issuance unless a change of control of Axion occurs before these dates in which case all shares would be released. The remaining 10,133,189 shares will be released on 10 February 2017, in one tranche subject to the same change of control terms.

Date of Notation	Share of Entity Exchanged	Number of Shares Exchanged	New Axion Shares Issued
18 May 2016	AEIH	85,655	10,133,189
31 May 2016	AG	1,119,554	1,352,500
31 May 2016	AG	2,468,750	2,982,423
5 July 2016	AG	12,445,163	15,034,631
5 July 2016	AG	622,250	751,722
4 August 2016	AEIH	7,030	831,723
4 August 2016	AEIH	2,340	276,847
5 August 2016	AEIH	18,750	2,218,323
Total		113,775 AEIH Shares	33,581,358
		16,655,717 AG Shares	

The Company issued a total of 33,581,358 new common shares exchanged for AEIH and AG shares. The Company's shares outstanding after giving effect to the QT were 162,998,492, and after giving effect to the additional share exchanges, the shares outstanding were 196,579,850 on an undiluted basis and 198,929,850 on a fully diluted basis, both which included the Performance Escrow Shares.

Notes to the unaudited condensed consolidated interim financial statements For the three and six months ended 30 June 2016

22. Events after the reporting date (continued)

The balance of direct and beneficial interests in Axion Games increased from 48,488,579 to 76,286,679 shares, or 29.29% to 46.08% of the 165,553,290 issued and outstanding shares of Axion Games.

Company	Shares Held Post QT	Shares Exchanges	Shares Held Post Share Exchange	% of Company	Direct / Beneficial Interest in AG	Direct / Beneficial % Interest in AG
AG	6,625,730	16,655,717	23,281,447	14.1%	23,281,447	14.1%
AEH	26,866	-	26,866	53.7%	26,866,000	16.2%
AEIH	153,133	113,775	266,908	65.5%	26,139,232	15.8%
Total					76,286,679	46.1%

(b) New Common Share Issuance through Brokered and Non-Brokered Private Placement

On 29 August 2016, the Company raised gross proceeds of \$10,121,300 through new common share issuances conducted through a \$4,121,300 of brokered and \$6,000,000 of non-brokered private placement of shares. A total of 20,242,600 of common shares were issued at a price of \$0.50 per share, which represents 9.3% of outstanding common shares on an undiluted basis and 9.2% on a fully diluted basis as at 29 August 2016. Commissions of 6% totalling \$247,278 were paid to a Financial Institution acting as the agent for the brokered portion of the private placement. No commission was paid on the non-brokered portion. The proceeds will be used to make further investments in the online video gaming and related spaces in addition to other IT sectors in accordance with the Investment Policy of the Company. Additionally, the funds will also be used for general corporate purposes. The balance of the Company's common shares outstanding after giving effect to the QT, giving effect to the additional share exchanges, and giving effect to the private placement, is as follows:

Event	Undiluted Basis	Fully Diluted
Common Shares Issued and Outstanding Post QT 11 May 2016	162,998,492	165,348,492
Additional Shares Issued with Share Exchange Transactions	33,581,358	33,581,358
Common Shares Issued and Outstanding 23 August 2016	196,579,850	198,929,850
Additional Shares Issued with Private Placement Transaction	20,242,600	20,242,600
Common Shares Issued and Outstanding 29 August 2016	216,822,450	219,172,450