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**Axion Ventures Inc.**

(formerly Capstream Ventures Inc.)

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

**For the three and nine months ended 30 September 2016 and 2015**

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## **Administrative information**

Directors

Todd Bonner  
Grant Kim  
Rob Kang  
Stephen Willey

Registered office

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

**Axion Ventures Inc. (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 annual unaudited condensed consolidated interim financial statements and Management Discussion & Analysis ("MD&A") of the Company for the three and nine months ended 30 September 2016.

1. Such unaudited condensed consolidated interim financial statements and MD&A are being filed to:
- (i) reflect the reverse acquisition transaction of Axion Games Limited (11 May 2016 Qualifying Transaction Note 1);
  - (ii) correct the earnings 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:

<b>As at 30 September 2016 (\$000's)</b>	<b>Previously reported</b>	<b>Adjustments</b>	<b>As adjusted</b>
<i>Consolidated statement of financial position</i>			
Total Equity	56,827	(42,104)	14,723
<b>For the period ended 30 September 2016 (\$000's)</b>	<b>Previously reported</b>	<b>Adjustments</b>	<b>As adjusted</b>
<i>Consolidated of comprehensive income (loss)</i>			
Net income (loss) from continuing operations	(1,116)	109	(1,007)
Net income (loss)	(1,074)	(2,249)	(3,323)
Total comprehensive income (loss)	(1,074)	(2,314)	(3,388)
Net loss per share (basic & diluted cents per share)	(1.38)	(7.62)	(9.00)

2. the quarter three 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 financial statement of comprehensive income**  
**For the three and nine months ended 30 September 2016 and 2015**

	Note	Three months ended 30 September (restated and unaudited)		Nine months ended 30 September (restated and unaudited)	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Continuing operations</b>					
Revenue	6	2,795	7,600	9,617	14,824
Cost of sales		<u>(1,513)</u>	<u>(3,753)</u>	<u>(4,496)</u>	<u>(3,947)</u>
<b>Gross profit</b>		1,282	3,847	5,121	10,877
Research & development and distribution expenses		(1,349)	(723)	(3,729)	(6,169)
General and administrative expenses		(353)	(836)	(1,729)	(2,492)
Corporate administrative expenses		<u>(335)</u>	<u>(23)</u>	<u>(670)</u>	<u>(23)</u>
<b>Operating income (loss)</b>		(755)	2,265	(1,007)	2,193
Other income (loss)		(123)	21	(65)	42
Finance income		-	11	4	29
Finance cost		(7)	(272)	(9)	(404)
Foreign currency exchange loss		(21)	(43)	(26)	(27)
Listing expenses		-	-	<u>(2,203)</u>	-
<b>Income (loss) from ordinary activities before taxation</b>		(906)	1,982	(3,306)	1,833
Taxation	7	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>(6)</u>
<b>Income (loss) for the period</b>		<u>(906)</u>	<u>1,982</u>	<u>(3,323)</u>	<u>1,827</u>
Attributable to:					
The owners of the parent company		(928)	1,918	(3,524)	1,791
The non-controlling interest		<u>22</u>	<u>64</u>	<u>201</u>	<u>36</u>
		<u>(906)</u>	<u>1,982</u>	<u>(3,323)</u>	<u>1,827</u>
Income (loss) per share:					
Basic and diluted	16	(1.57) cents per share	8.78 cents per share	(9.00) cents per share	8.20 cents per share

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

The notes on page 9 to 36 form part of these unaudited condensed consolidated interim financial statements.

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

**Unaudited condensed consolidated interim financial statement of comprehensive income**  
**For the three and nine months ended 30 September 2016 and 2015**

	Three months ended 30 September (restated and unaudited)		Nine months ended 30 September (restated and unaudited)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Note</b>				
<b>Other comprehensive income that may be subsequently reclassified to profit or loss:</b>				
Foreign currency translation differences	<u>12</u>	<u>123</u>	<u>(65)</u>	<u>500</u>
Attributable to:				
The owners of the parent company	18	115	16	492
The non-controlling interest	<u>(6)</u>	<u>8</u>	<u>(81)</u>	<u>8</u>
<b>Total comprehensive income (loss) for the periods</b>	<u>(894)</u>	<u>2,105</u>	<u>(3,388)</u>	<u>2,327</u>

\* 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 financial statement of financial position**  
**As of 30 September 2016 and 31 December 2015**

		<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>31 December 2015 (restated) \$'000</b>
<b>Assets</b>	<b>Note</b>		
<b>Fixed assets</b>			
Intangible assets	8	5,294	2,828
Property and equipment	9	91	249
Investments		-	-
<b>Non-current asset</b>		<u>5,385</u>	<u>3,077</u>
<b>Current assets</b>			
Convertible note	10	470	-
Trade and other receivables	11	6,115	6,295
Investments (Short term)	12	3,536	-
Cash and cash equivalents	13	6,417	2,940
<b>Total current assets</b>		<u>16,538</u>	<u>9,235</u>
<b>Total assets</b>		<u>21,923</u>	<u>12,312</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	(3,684)	(6,973)
Deferred revenue		(3,516)	(3,464)
<b>Total liabilities</b>		<u>(7,200)</u>	<u>(10,437)</u>
<b>Total assets less total liabilities</b>		<u>14,723</u>	<u>1,875</u>
Share capital	15	57,974	30,034
Foreign currency translation reserve		(1,201)	668
Share-based payment reserve	15	537	169
Reverse acquisition reserve		(24,745)	(17,629)
Retained earnings		(19,732)	(11,522)
<b>Equity attributable to the owners of the parent company</b>		<u>12,833</u>	<u>1,720</u>
<b>Non-controlling interest</b>	20	1,890	155
<b>Total equity</b>		<u>14,723</u>	<u>1,875</u>

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

These 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**

The notes on page 9 to 36 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 nine months ended 30 September 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
<b>At 1 January 2015</b>	30,034	205	331	(17,629)	(10,963)	1,978	206	2,184
Prior period adjustment	-	25	-	-	(25)	-	-	-
<b>At 1 January 2015 (restated)</b>	<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>
Income (loss) for the period	-	-	-	-	1,864	1,864	(36)	1,828
Other comprehensive income (loss)	-	492	-	-	-	492	8	500
Total comprehensive income (loss)	-	492	-	-	1,864	2,356	(28)	2,328
Share-based payment expense	-	-	(145)	-	-	(145)	-	(145)
<b>At 30 September 2015 (restated and unaudited)</b>	<u>30,034</u>	<u>722</u>	<u>186</u>	<u>(17,629)</u>	<u>(9,124)</u>	<u>4,189</u>	<u>178</u>	<u>4,367</u>
Income (loss) for the period	-	-	-	-	(2,584)	(2,584)	(3)	(2,587)
Other comprehensive income (loss)	-	(54)	-	-	-	(54)	(20)	(74)
Total comprehensive income (loss)	-	(54)	-	-	(2,584)	(2,638)	(23)	(2,661)
Forfeiture of share options	-	-	(186)	-	186	-	-	-
Share-based payment expense	-	-	169	-	-	169	-	169
<b>At 31 December 2015 (restated)</b>	<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 page 9 to 36 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 nine months ended 30 September 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
<b>At 1 January 2016</b>	30,034	668	169	(17,629)	(11,522)	1,720	155	1,875
Income (loss) for the period	-	-	-	-	(3,524)	(3,524)	201	(3,323)
Other comprehensive income (loss)	-	16	-	-	-	16	(81)	(65)
Total comprehensive income (loss)	-	16	-	-	(3,524)	(3,508)	120	(3,388)
Forfeiture of share options	-	-	(439)	-	439	-	-	-
Share-based payment expense	-	-	251	-	-	251	-	251
Exercise of share options	30	-	440	-	-	470	-	470
Reverse acquisition	1,007	(1,885)	-	(7,116)	9,374	1,380	2,234	2,664
Purchase of non-controlling interests	16,791	-	-	-	(14,499)	2,292	(619)	1,673
Issue of share capital	10,901	-	-	-	-	10,901	-	10,901
Share issue costs	(789)	-	116	-	-	(673)	-	(673)
<b>At 30 September 2016 (restated and unaudited)</b>	<b>57,974</b>	<b>(1,201)</b>	<b>537</b>	<b>(24,745)</b>	<b>(19,732)</b>	<b>12,833</b>	<b>1,890</b>	<b>14,723</b>

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

The notes on page 9 to 36 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 nine months ended 30 September 2016 and 2015

	Note	30 September 2016 (restated and unaudited) \$'000	30 September 2015 (restated and unaudited) \$'000
<b>Operating activities:</b>			
<b>Income (loss) before tax</b>		(3,306)	1,833
Adjustments for:			
Reverse acquisition before May 11, 2016		(128)	-
Depreciation and amortisation		420	362
Share-based payment charge - options	15	242	23
Share-based payment charge - warrants	15	102	-
Listing expense		2,203	-
		<hr/>	<hr/>
Operating cash flow before movement in working capital		(467)	2,188
Decrease/(increase) in receivables		(104)	(5,746)
Increase/(decrease) in payables		(1,299)	599
Income tax paid	7	(17)	(6)
		<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>		(1,887)	(2,935)
<b>Investing activities:</b>			
Convertible Note	10	(470)	-
Loan receivable		40	20
Purchase of intangible assets	8	(2,684)	(1,622)
Purchase of property and equipment	9	(203)	(8)
Purchase of Investments	12	(3,536)	-
Cash acquired on purchase of subsidiary		223	-
		<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>		(6,630)	(1,610)
<b>Financing activities:</b>			
Issue of share capital		12,960	-
Share issue costs		(774)	-
Share-based payment reserve		(11)	-
		<hr/>	<hr/>
<b>Net cash flows from financing activities</b>		12,175	-
		<hr/>	<hr/>
<b>Net increase (decrease) in cash and cash equivalents</b>		3,658	(4,545)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		2,940	6,463
Effect of exchange rates on cash and cash equivalents		(181)	182
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>		6,417	2,100
		<hr/>	<hr/>

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

The notes on page 9 to 36 form part of these unaudited condensed consolidated interim financial statements.

## **Note to the unaudited condensed consolidated interim financial statements**

**For the three and nine months ended 30 September 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. As a result of the completion of the Qualifying Transaction, the Company ceased to be a CPC, and following receipt of final Exchange approval, the Company was listed as a Tier 2 Investment Issuer on the Exchange on 18 May 2016 under the symbol "CSP". On 1 November 2016, the Company was granted an upgrade to a Tier 1 Investment Issuer status by the TSX-V.

Axion 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.

**Note to the unaudited condensed consolidated interim financial statements  
For the three and nine months ended 30 September 2016**

**2.2 Going concern**

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

The directors have carefully considered these risks, including an assessment of the uncertainty 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.

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 Axion Ventures Inc. audited financial statements 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.

**Note to the unaudited condensed consolidated interim financial statements  
For the three and nine months ended 30 September 2016**

**4. Changes in accounting standards (continued)**

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.

*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 are 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.

**Note to the unaudited condensed consolidated interim financial statements**

**For the three and nine months ended 30 September 2016**

**6. Revenue and business and geographical segments**

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

	<b>Three months ended 30 September (restated and unaudited)</b>		<b>Nine months ended 30 September (restated and unaudited)</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Outsourcing:				
Wanda contract	660	3,892	3,573	6,804
Non-Wanda outsourcing	689	785	2,027	1,901
Licensing	251	551	316	985
Game operation	1,063	2,070	3,170	4,450
Training	132	302	531	684
	<u>2,795</u>	<u>7,600</u>	<u>9,617</u>	<u>14,824</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:

	<b>Three months ended 30 September (restated and unaudited)</b>		<b>Nine months ended 30 September (restated and unaudited)</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
China	1,983	4,690	5,416	8,453
Canada	-	-	-	-
Rest of the world	812	2,910	4,201	6,371
	<u>2,795</u>	<u>7,600</u>	<u>9,617</u>	<u>14,824</u>

**Axion Ventures Inc. (formerly Capstream Ventures Inc.)**

**Unaudited Condensed Consolidated Interim Financial Statements (restated)**

**Note to the unaudited condensed consolidated interim financial statements**

**For the three and nine months ended 30 September 2016**

**6. Revenue and business and geographical segments (continued)**

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

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>31 December 2015 (restated) \$'000</b>
China	91	249
Canada	-	-
Rest of the world	5,294	2,828
	<u>5,385</u>	<u>3,077</u>

**7. Taxation**

The tax charge on profit or loss comprises:

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

**Axion Ventures Inc. (formerly Capstream Ventures Inc.)**

**Unaudited Condensed Consolidated Interim Financial Statements (restated)**

**Note to the unaudited condensed consolidated interim financial statements  
For the three and nine months ended 30 September 2016**

**7. Taxation (continued)**

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

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>30 September 2015 (restated and unaudited) \$'000</b>
Profit (loss) on ordinary activities before taxation	<u>(3,306)</u>	<u>1,833</u>
Tax on profit (loss) before taxation, calculated at the rates applicable to losses in the tax jurisdiction concerned	(198)	459
Tax effect of non-deductible expenses	59	16
Tax effect of 50% additional deduction on deductible expenses	(322)	
Tax effect of unused tax losses not recognised	4,168	635
Tax effect of deductible temporary differences not recognised	15	1,054
Utilisation of tax losses previously not recognised	-	(542)
Utilisation of deductible temporary differences previously not recognised	(3,722)	(1,622)
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 nine months ended 30 September 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.

*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.



**Note to the unaudited condensed consolidated interim financial statements  
For the three and nine months ended 30 September 2016**

**7. Taxation (continued)**

*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 September 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 September 2016 and 31 December 2015.

*Tax losses carried forward*

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

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>31 December 2015 (restated) \$'000</b>
Unutilised tax losses	5,555	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)**

**Note to the unaudited condensed consolidated interim financial statements**

**For the three and nine months ended 30 September 2016**

**8. Intangible assets**

	<b>Acquired computer software</b>	<b>Internally generated computer software</b>	<b>Total</b>
<b>Restated</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 1 January 2016</b>			
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	(18)	(134)	(152)
Additions	77	2,685	2,762
Amortisation	(144)	-	(144)
	<u>171</u>	<u>5,123</u>	<u>5,294</u>
Cost	925	9,997	10,922
Accumulated amortisation	(754)	(4,874)	(5,628)
<b>Carrying amount at 30 September 2016</b>	<u><u>171</u></u>	<u><u>5,123</u></u>	<u><u>5,294</u></u>
<b>At 1 January 2015</b>			
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)
<b>Carrying amount at 31 December 2015</b>	<u><u>256</u></u>	<u><u>2,572</u></u>	<u><u>2,828</u></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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**For the three and nine months ended 30 September 2016**

**9. Property and equipment**

<b>Restated</b>	<b>Computer and office equipment \$'000</b>	<b>Office furniture \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2016</b>				
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	(13)	(1)	(6)	(20)
Additions	40	17	-	57
Disposals	-	-	-	-
Depreciation	(129)	(9)	(57)	(195)
	<u>62</u>	<u>18</u>	<u>11</u>	<u>91</u>
Cost	839	75	174	1,088
Accumulated depreciation	(777)	(57)	(163)	(997)
<b>Carrying amount at 30 September 2016</b>	<u>62</u>	<u>18</u>	<u>11</u>	<u>91</u>
<b>At 1 January 2015</b>				
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)
<b>Carrying amount at 31 December 2015</b>	<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.

**Note to the unaudited condensed consolidated interim financial statements  
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**10. 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 nine months ended 30 September 2016, the interest of \$12,527 (US\$9,543) 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 September 2016 (on 5 July 2016).

**Axion Ventures Inc. (formerly Capstream Ventures Inc.)****Unaudited Condensed Consolidated Interim Financial Statements (restated)****Note to the unaudited condensed consolidated interim financial statements**

For the three and nine months ended 30 September 2016

**11. Trade and other receivables**

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>31 December 2015 (restated) \$'000</b>
<b>Amounts falling due within one year:</b>		
Amounts due from customers for contract work	4,992	4,034
Trade receivables	293	895
Amounts due from related parties (Note 19)	230	211
Rental deposit	208	244
Loan to employees	514	87
Other receivables	(430)	575
Prepaid expenses	308	249
	<u>6,115</u>	<u>6,295</u>

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

Management considers that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods at inception.

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:

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>31 December 2015 (restated) \$'000</b>
0 - 90 days	-	154
91 - 180 days	-	3
181 - 360 days	-	179
361 - 540 days	194	-
Over 540 days	99	101
	<u>293</u>	<u>437</u>

As at 30 September 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.

**Axion Ventures Inc. (formerly Capstream Ventures Inc.)****Unaudited Condensed Consolidated Interim Financial Statements (restated)****Note to the unaudited condensed consolidated interim financial statements**

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**12. Investments (Short-Term)**

	30 September 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Term deposit investments	3,536	-
	<u>3,536</u>	<u>-</u>

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

**13. Cash and cash equivalents**

	30 September 2016 (restated and unaudited) \$'000	31 December 2015 (restated) \$'000
Cash at bank and in hand	6,319	2,193
Short-term bank deposits	98	747
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows	<u>6,417</u>	<u>2,940</u>

For the nine months ended 30 September 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 September 2016, included in cash and cash equivalents of the Company was \$3,671k (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.

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**14. Trade and other payables**

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>31 December 2015 (restated) \$'000</b>
<b>Amounts falling due within one year:</b>		
Trade payables	189	23
Amounts due to related parties (Note 19)	718	704
Accrued salaries and benefits	720	2,148
Other tax liabilities	1,317	1,413
Advances from customers	-	111
Accrued expenses	805	2,384
Other payables	(65)	190
	<u>3,684</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.

**15. Share capital**

	<b>Group Number of shares</b>	<b>Company Number of shares</b>
At 1 January 2016	150,168,692	7,079,800
Issue of share capital - reverse acquisition (May 11, 2016)	7,079,800	117,168,692
Issue of share capital - reverse acquisition (May 11, 2016)	-	33,000,000
Issue of share capital - concurrent financing (May 11, 2016)	5,750,000	5,750,000
Issue of share capital - transaction (August 23, 2016) (a)	33,581,358	33,581,358
Issue of share capital - private placement (August 29, 2016) (b)	20,242,600	20,242,600
Issue of share capital – exercise of shares option (September 2, 2016)	75,000	75,000
At 30 September 2016	<u>216,897,450</u>	<u>216,897,450</u>

**Authorised share capital**

At 30 September 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.

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

*Issued and outstanding*

At 30 September 2016, there were 216,897,450 common shares of the Company issued and outstanding. Of this amount, 150,464,648 common shares were issued but subject to future release under escrow agreements as described below as of 30 September 2016.

*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 common shares issued in exchange for the interests in Axion Games 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 (escrow pooling agreement) , and thereafter 25% on each of six 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.

The Company issued a total of 33,581,358 new common 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 as of 23 August 2016.

<b>Date of Notation</b>	<b>Share of Entity Exchanged</b>	<b>Number of Shares Exchanged</b>	<b>New Axion Shares Issued</b>
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
		<b>113,775 AEIH Shares</b>	
<b>Total</b>		<b>16,655,717 AG Shares</b>	<b>33,581,358</b>



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

*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 the 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.

*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 September 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.

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 September 2016, 51,000,515 common shares remained subject to this Surplus Escrow Agreement.

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

iii. Value Escrow

Pursuant to the QT share exchange agreement, 41,634,797 (the "Value Escrow Shares") of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were held pursuant to a TSX-V value escrow agreement (the "Value Escrow Agreement"). The Value Escrow Shares were initially to be released as follows: 10% of the CPC Escrow Shares are to be released upon the date of issuance of the Final Exchange Bulletin respecting the QT (17 May 2016) and an additional 15% of the Value Escrow Shares are to be released every 6 months thereafter until all Value Escrow Shares have been released (36 months following the date of issuance of the Final Exchange Bulletin). As at 30 September 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.

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

	Number	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	(75,000)	0.25
Balance at 30 September 2016	<u>1,125,000</u>	<u>0.33</u>
Exercisable at 30 September 2016	<u>1,125,000</u>	<u>0.33</u>

## Axion Ventures Inc. (formerly Capstream Ventures Inc.)

### Unaudited Condensed Consolidated Interim Financial Statements (restated)

#### Note to the unaudited condensed consolidated interim financial statements For the three and nine months ended 30 September 2016

##### 15. Share capital (continued)

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

At 30 September 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
625,000	0.25	11 May 2021
500,000	0.45	6 June 2021
<u>1,125,000</u>		

The weighted average fair value of stock options granted during the nine months ended 30 September 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:

	2016
Expected life of options	5 years
Risk-free interest rate	0.68%
Annualised volatility	75.00%
Dividend rate	0.00%
Forfeiture rate	0.00%
Share price	\$0.33

At 30 September 2016, the weighted average remaining contractual life of the outstanding stock options was 4.65 years.

##### *Share purchase warrants*

Share purchase warrant transactions are summarised as follows:

	Number of Shares	Weighted Average Exercise Price \$
Balance at 1 January 2016	-	-
Issued	1,150,000	0.24
Forfeited	-	-
Exercised	-	-
Exercisable at 30 September 2016	<u>1,150,000</u>	<u>0.24</u>

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

The following table summarises warrants outstanding at 30 September 2016:

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

At 30 September 2016, all warrants are exercisable.

- i. The Company issued 1,000,000 share purchase warrants ("finder's warrants") with an exercise price of \$0.25 as a finder's fee for the investment in Axion 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.

The weighted average fair value of warrants issued during the period ended 30 September 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:

	<b>2016</b>
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

**Note to the unaudited condensed consolidated interim financial statements  
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**16. Earnings per share**

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

	Three months end 30 September (restated and unaudited)		Nine months end 30 September (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	(928)	1,918	(3,524)	1,791
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>59,164,436</u>	<u>21,849,142</u>	<u>39,152,257</u>	<u>21,849,142</u>
Basic and diluted earnings per share	(1.57) cents per share	8.78 cents per share	(9.00) cents per share	8.20 cents per share

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

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 September 2016, the Company's financial instruments comprise investments, cash and cash equivalents, trade and other receivables and trade and other payables.

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

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

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

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

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

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

*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 an 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)****Note to the unaudited condensed consolidated interim financial statements****For the three and nine months ended 30 September 2016****17. Financial instruments (continued)**

	On-demand	Within one	Total
	\$'000	year	\$'000
		\$'000	\$'000
<b>At 30 September 2016 (restated and unaudited)</b>			
Trade payables	-	189	189
Amounts due to related parties (Note 19)	718	-	718
Accrued salaries and benefits	-	720	720
Tax liabilities	-	1,317	1,317
Advances from Customers	-	-	-
Accrued expenses	-	805	805
Other payables	-	(65)	(65)
	<u>718</u>	<u>2,966</u>	<u>3,684</u>
	<b>On-demand</b>	<b>Within one</b>	<b>Total</b>
	<b>\$'000</b>	<b>year</b>	<b>\$'000</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>At 31 December 2015 (restated)</b>			
Trade payables	-	23	23
Amounts due to related parties (Note 19)	704	-	704
Accrued salaries and benefits	-	2,148	2,148
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% (China) and prime minus 1.90% (Canada) interest per annum.

*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

**Note to the unaudited condensed consolidated interim financial statements  
For the three and nine months ended 30 September 2016**

**17. Financial instruments (continued)**

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

*Credit risk*

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

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

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

**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:

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>30 September 2015 (restated and unaudited) \$'000</b>
Outsourcing services fee received from Epic Games International Ltd, a shareholder of the Company	350	220



**Axion Ventures Inc. (formerly Capstream Ventures Inc.)****Unaudited Condensed Consolidated Interim Financial Statements (restated)****Note to the unaudited condensed consolidated interim financial statements****For the three and nine months ended 30 September 2016****19. Related party transactions (continued)**

Expense in the period:

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>30 September 2015 (restated and unaudited) \$'000</b>
Office rent and administration charged to a private company controlled by the former CEO	18	-

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

	<b>30 September 2016 (restated and unaudited) \$'000</b>	<b>30 September 2015 (restated and unaudited) \$'000</b>
Management fees	81	304
Consulting fees	16	-
Share-based payment	242	-
	<u>339</u>	<u>304</u>

Receivables:

	<b>September 30, 2016 (restated and unaudited) \$'000</b>	<b>December 31, 2015 (restated) \$'000</b>
Shareholders of Epic Games International Ltd.	22	19
Shareholders of Axion Entertainment Holdings Ltd.	192	192
Prepaid advance for travel to an officer	16	-
	<u>230</u>	<u>211</u>

Payables:

	<b>September 30, 2016 (restated and unaudited) \$'000</b>	<b>December 31, 2015 (restated) \$'000</b>
Shareholders of Epic Games International Ltd.	526	650
Shareholders of Axion Entertainment Holdings Ltd.	192	54
	<u>718</u>	<u>704</u>

**Axion Ventures Inc. (formerly Capstream Ventures Inc.)****Unaudited Condensed Consolidated Interim Financial Statements (restated)****Note to the unaudited condensed consolidated interim financial statements  
For the three and nine months ended 30 September 2016****20. Interests in subsidiary undertakings**

The Company has the following interests in subsidiary undertakings:

<b>Name</b>	<b>Country of incorporation</b>	<b>Proportion of issued capital effectively held</b>	<b>Nature of business</b>
Axion Games Ltd.	Cayman Islands	46%	Investment holding
Axion Entertainment Holdings Ltd.	BVI	54%	Investment holding
Axion Entertainment International Holdings	BVI	65%	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 in the quarter two unaudited condensed consolidated interim financial statements.

**Note to the unaudited condensed consolidated interim financial statements**

**For the three and nine months ended 30 September 2016**

**21. Restatement due to prior period errors**

	1 January 2015	Adjustment 1	Adjustment 2	1 January 2015 (restated)
	\$'000	\$'000	\$'000	\$'000
<b>Impact on the opening statement of financial position</b>				
Currency translation reserve	205	25	-	230
Retained earnings	(10,963)	(25)	-	(10,988)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<b>31 December 2015</b>	<b>Adjustment 1</b>	<b>Adjustment 2</b>	<b>31 December 2015 (restated)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Impact on the statement of financial position</b>				
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>
<b>Impact on the statement of comprehensive income</b>				
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>
<b>Impact on basic and diluted earnings per share</b>	<u>(0.03) cents per share</u>			<u>(3.30) cents per share</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.

**Note to the unaudited condensed consolidated interim financial statements  
For the three and nine months ended 30 September 2016**

**22. Events after the reporting date**

(a) Interests in subsidiary undertakings

Shanghai YingPei Digital Technology Company, Ltd. was founded in October 2016. It is the subsidiary company (100% owner) of Yingpei Digital Technology (Shanghai) Co., Ltd.

(b) Investment in Red Anchor Trading Corp.

On 26 October 2016, the Company entered into an investment agreement (the "Investment Agreement") with Red Anchor Trading Corp. ("Red Anchor"), a company engaged in the business of developing an application known as "HotNow", which is a marketing automation platform for retailers to offer various promotions. Under the terms of the Investment Agreement, the Company has agreed to invest US\$1.5 million in Red Anchor to acquire 15.9% of the voting shares of Red Anchor. A member of key management and an associated related party shareholder of the Company are each the beneficial owners of 38.18% of the issued and outstanding voting shares of Red Anchor and as such this investment transaction is considered to be no arm's length.

Consummation of the Investment is subject to a number of customary conditions of closing, including that no material adverse change with respect to Red Anchor shall have occurred and that the Red Anchor's representations and warranties made under the Investment Agreement are accurate at the closing of the proposed Investment. The Investment Agreement is subject to final TSX-V approval.

(c) Convertible Note in to Innovega Preference Shares: Automatic Conversion on Maturity

On 19 October 2016 Innovega Convertible Note automatic conversion on maturity into 216,195 Innovega Preference Shares. Axion Ventures Inc. owns 1.8% of Innovega Preference Shares. Innovega independent valuation is US\$16.5 million.

(d) Upgrade from a Tier 2 Investment Issuer to a Tier 1 status

On 1 November 2016, the Company was approved for graduation from a Tier 2 Investment Issuer to a Tier 1 Issuer status by the TSX-V. With the graduation to a Tier 1 listing, the common shares of Axion previously deposited into escrow pursuant to the rules of the TSX-V will be governed by the release provisions of Tier 1 Issuer's escrow. As such, an aggregate of 9,141,708 common shares was immediately released from escrow on 4 November 2016, to retroactively apply the Tier 1 escrow requirements. The remaining shares in escrow will be released on 17 November 2016, 17 May 2017, and 17 November 2017, subject to the terms of the surplus, value, or CPC escrow agreements. Performance escrow shares will not be released until performance conditions are met.

With the graduation to a Tier 1 listing, the common shares previously deposited into escrow pursuant to the rules of the TSX-V will now be governed by the release provisions of Tier 1 Issuer escrow and released as follows.

## Note to the unaudited condensed consolidated interim financial statements

### For the three and nine months ended 30 September 2016

#### 22. Events after the reporting date (continued)

	Tier 2	Tier 1 Upgrade	Tier 1
Shares held subject to CPC escrow agreement	1,273,500	212,250	1,061,250
Shares held subject to performance escrow agreement	33,000,000	-	33,000,000
Shares held subject to surplus escrow agreement	51,000,515	2,684,238	48,316,277
Shares held subject to value escrow agreement	37,471,317	6,245,220	31,226,097
Shares held subject to pooling agreement	27,719,316	-	27,719,316
<b>Balance, 1 November 2016</b>	<b>150,464,648</b>	<b>9,141,708</b>	<b>141,322,940</b>

There was no impact to the performance escrow shares or pooling agreements as a result of graduation to Tier 1.

#### (e) Common Shares Subject to Escrow and Pooling

On 17 November 2016, certain common shares subject to escrow agreements were released to the market. In addition, as a result of the upgrade from Tier 1 to Tier 2 additional common shares were released on a retrospective basis as indicated in Note 14 above. The following common shares were subject to escrow agreements as of 29 November 2016:

	Upgrade Tier 1	Released 17 Nov	29 November
Shares held subject to CPC escrow agreement	1,061,250	353,750	707,500
Shares held subject to performance escrow agreement	33,000,000	-	33,000,000
Shares held subject to surplus escrow agreement	48,316,277	10,736,951	37,579,326
Shares held subject to value escrow agreement	31,226,097	10,408,699	20,817,398
Shares held subject to pooling agreement	27,719,316	-	27,719,316
<b>Balance 2016</b>	<b>141,322,940</b>	<b>21,499,400</b>	<b>119,823,540</b>

CPC Escrow: Under the Tier 1 release schedule, 25% of the shares would have been released on the issuance of the Final Exchange Bulletin, and an additional 25% will be released on each of the dates which are six months, 12 months, and 18 months following the initial release. On 4 November 2016, 212,250 common shares were released from escrow to "catch-up" to the Tier 1 release schedule. Had the Tier 1 release schedule been applicable as of 30 September 2016, 1,061,250 common shares would have been subject to escrow versus 1,273,500 under previous Tier 2 status. As at 29 November 2016, 707,500 common shares remained subject to Tier 1 CPC Escrow Agreement.

Surplus Escrow: Under the Tier 1 release schedule, 10% of the shares would have been released on the issuance of the Final Exchange Bulletin, and an additional 20%, 30%, and 40% will be released on each of the dates which are 6 months, 12 months, and 18 months respectively, following the initial release. On 4 November 2016, 2,684,238 common shares were released from escrow to "catch-up" to the Tier 1 release schedule. Had the Tier 1 release schedule been applicable as of 30 September 2016, 48,316,277 common shares would have been subject to escrow versus 51,000,515 under previous Tier 2 status. As at November 29, 2016, 37,579,326 common shares remained subject to Tier 1 Surplus Escrow Agreement.

**Note to the unaudited condensed consolidated interim financial statements**

**For the three and nine months ended 30 September 2016**

**22. Events after the reporting date** (continued)

Value Escrow: Under the Tier 1 release schedule, 25% of the shares would have been released on the issuance of the Final Exchange Bulletin, and an additional 25% will be released on each of the dates which are six months, 12 months, and 18 months following the initial release. On 4 November 2016, 6,245,220 common shares were released from escrow to "catch-up" to the Tier 1 release schedule. Had the Tier 1 release schedule been applicable as of 30 September 2016, 31,226,097 common shares would have been subject to escrow versus 37,471,317 under previous Tier 2 status. As at 29 November 2016, 20,817,398 common shares remained subject to Tier 1 Value Escrow Agreement.

(f) Stock options

One ex-Directors fortified 200,000 stock options during the period ended 29 November 2016. As a result, as of 30 September 2016, and 29 November 2016, there were 1,125,000 and 925,000, respectively, stock options outstanding.