AXION VENTURES INC.

(formerly CAPSTREAM VENTURES INC.)

Amended and Restated Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2016

INTRODUCTION

This amended and restated management discussion and analysis ("MD&A") of the financial condition and results of the operations of Axion Ventures Inc. (formerly Capstream Ventures Inc.) ("Axion Ventures" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 Continuous Disclosure Obligations and Form 51-102F1 Management Discussion and Analysis.

This MD&A is dated November 29, 2016 and has been prepared with information available as of November 29, 2016. However, this MD&A has been amended and restated as of October 11, 2017 to reflect a restatement of the Company's unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2016. Those financial statements have been amended and restated to reflect certain accounting adjustments identified during the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2016 and unaudited interim financial statements for the quarters ended March 31 and June 30, 2017. The adjustments are summarised in the Company's press releases dated June 29, 2017 and October 11, 2017 and in the notice to reader of the restated unaudited financial statements for the three and nine months ended September 30, 2016.

This MD&A should be read in conjunction with the restated unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2016 and with the Company's audited financial statements for the year ended December 31, 2015 along with related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars unless otherwise noted. References to US$ are to United States dollars.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. With the exception of the Company's name change from "Capstream Ventures Inc." to "Axion Ventures Inc." effected on March 9, 2017 or unless otherwise indicated, the information contained herein is presented as at November 29, 2016. For the purposes of preparing this MD&A, management, in conjunction with the board of directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors.

Additional information about the Company is available at www.sedar.com ("SEDAR").

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

NATURE OF BUSINESS AND CORPORATE DEVELOPMENTS

Axion Ventures Inc (formerly Capstream Ventures Inc.)

The Company was incorporated under the British Columbia *Business Corporations Act* on June 21, 2011 and was classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange ("TSXV"). On December 2, 2011, the common shares of the Company commenced trading under the symbol "CSP.P". The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT") as defined in Policy 2.4 of the TSXV.

On May 11, 2016, the Company completed the transactions for its QT and on May 17, 2016, the Company received final TSXV approval by way of the Final Exchange Bulletin, which constituted "Completion of the Qualifying Transaction" under the TSXV policies. As a result, on May 17, 2016, the Company became an Investment Issuer under the policies of the TSXV and trading in the common shares of the Company resumed on May 18, 2016 under the trading symbol "CSP". Since completion of the QT, the Company has been an investment company focused primarily on investments in the online video gaming and other information technology sectors.

The QT 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 the Company the acquiree. As a result, 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 the Company from May 11, 2016 to September 30, 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 (Axion 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 the Company were included at fair value. At the date of the transaction the amounts recognised in equity comprise the share capital of the Company (the legal parent) and the accumulated reserves of Axion Games (the legal subsidiary).

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

INVESTMENTS/ACQUISITIONS

Axion Games

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

Additional Axion Games Acquisitions (completed during the third quarter)

On August 23, 2016, the Company closed eight share exchange agreements that were entered into between May 18, 2016, and August 5, 2016, whereby the Company acquired additional interests in AEIH and Axion Games directly. As a result, the Company acquired an aggregate additional 16.79% beneficial interest in Axion Games, resulting in an increased total beneficial interest of 46.08% of Axion Games. In exchange for foregoing interest in Axion Games, the Company issued a total of 33,581,358 Company common shares to the shareholders, subject to respective voluntary escrow agreements. Pursuant to the escrow agreements, 23,448,169 of the 33,581,358 Company shares are releasable as follows: 25% on closing (August 23, 2016); and 25% are released, 6, 12 and 18 months thereafter. The other 10,133,189 of the 33,581,358 shares are releasable in one tranche on February 10, 2017. The following summarises the foregoing share exchange agreements:

Date of Agreement	Share of Entity Exchanged	Number of Shares Exchanged	New Company Shares Issued
May 18, 2016	AEIH	85,655	10,133,189
May 31, 2016	AG	1,119,554	1,352,500
May 31, 2016	AG	2,468,750	2,982,423

July 5, 2016	AG	12,445,163	15,034,631
July 5, 2016	AG	622,250	751,722
August 4, 2016	AEIH	7,030	831,723
August 4, 2016	AEIH	2,340	276,847
August 5, 2016	AEIH	18,750	2,218,323
Total		**113,775 AEIH Shares 16,655,717 AG Shares**	**33,581,358**

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

Company	Shares Held Post QT	Share Exchanges	Rights Issue Pref Share Acquisitions	Total Shares Held	% of Company	Direct / Beneficial Interest in AG	Direct / Beneficial % Interest in AG
AG	6,625,730	16,655,717	30,686,275	53,967,722	25.7%	53,967,722	25.7%
AEH	26,866	-	-	26,866	53.7%	26,866,000	12.8%
AEIH	153,133	113,775	-	266,908	65.5%	26,139,232	12.5%
Total						**106,972,954**	**51.0%**

Innovega

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

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

THIRD QUARTER REPORTABLE EVENTS

Change in Directors and Officers

In connection with the QT and the Annual General Meeting held on July 22, 2016, certain directors and officers of the Company resigned and were appointed, such that the directors and officers of the Company as of the date of this report are as follows:

Name	Position
John Todd Bonner	CEO and Director (Chairman of the Board)
Shogo Suzuki	CFO
Erin Walmesley	Corporate Secretary
Grant Kim	Director
Ravinder (Rob) Kang	Director
Stephen Willey	Director

New common shares issuance through brokered and non-brokered private placement

On August 29, 2016, the Company raised $10,121,300 of new capital through a $4,121,300 brokered and $6,000,000 non-brokered private placement of 20,242,600 common shares at a price of $0.50 per share. This represents 9.3% of outstanding common shares on an undiluted basis and 9.2% on a fully diluted basis as at August 29, 2016. Commissions of $247,728 were paid to a financial institution acting as the agent for the brokered portion of the private placement. No commission was paid for the non-brokered portion.

REPORTABLE EVENTS – Between September 30, 2016 and November 29, 2016

Convertible Note into Innovega Preference Shares: Automatic Conversion on Maturity

As noted above, the Innovega Note maturity date was October 19, 2016. As a result, effective October 19, 2016, the Note converted into approximately 10.8% of Innovega's issued and outstanding preference shares and approximately 1.9% of Innovega's total issued and outstanding shares (common and preference). Innovega's independent valuation is US$16.5 million.

HotNow Investment Agreement

On October 26, 2016, the Company entered into an investment agreement (the "Investment Agreement") with Red Anchor Trading Corp. ("Red Anchor"), a company engaged in the business of developing an application known as "HotNow", which is a marketing automation platform for retailers to offer various promotions. Under the terms of the Investment Agreement, the Company agreed to invest US$1.5 million in Red Anchor to acquire 15.9% of the voting shares of Red Anchor. As certain parties are considered non-arm's length parties of the Company, within the meaning of the policies of the TSXV, and are, or may be, related parties under Canadian securities legislation, the Company has completed additional corporate and regulatory procedures.

Graduation to Tier 1 Listing on TSXV

On November 2, 2016, the Company graduated to Tier 1 Issuer status from Tier 2 Issuer status on the TSXV. Tier 1 is the TSXV's premier tier and is reserved for the TSXV's most advanced issuers with the most significant financial resources. Tier 1 Issuers benefit from decreased filing requirements and improved service standards. In addition, common shares previously deposited into escrow pursuant to the rules of the TSXV are now governed by the release provisions of Tier 1 Issuer escrow (see "OUTSTANDING SHARE CAPITAL" below).

Overview – Summary of Businesses at September 30, 2016

Axion Games

Axion Games owns two studios in PRC, one in Shanghai and a smaller one in Suzhou, with a combined total of approximately 323 employees. Axion Games commenced operations in 2006 and for several years focused primarily on providing premium outsourcing services and licensing game development technology to third-party customers. Axion Games was originally formed as a joint venture between Epic Games International Ltd. (USA) ("Epic Games") and AEH, a holding company established by Axion Games' founders. Initially, Axion Games provided outsourcing services to Epic Games and worked on several of Epic Games' major hits. Axion Games subsequently expanded its reach and became an outsourcing developer to numerous other high-profile game developers and publishers. Axion Games has delivered tens of thousands of premium game assets (including small assets, such as virtual weapons or characters, larger assets, such as game levels, maps, or prototypes to show game dynamics, and even complete games) to dozens of clients, and its assets have contributed to several major global titles.

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

In addition to outsourcing, Axion Games also develops its own games. As a result of Axion Games' advanced development know-how, efficiencies and capabilities gained by providing services to its outsourcing clients, Axion Games is able to develop premium games at a much lower cost than its competitors in developed countries.

Products

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

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

Axion Games' main intellectual property currently under development, "Rising Fire", is a multiplayer online, third-person shooting and role-playing game and has been selected by Tencent Holdings Limited ("Tencent") for publishing on the PC platform for the Chinese market. Large-scale online games published by Tencent are extensively tested during the commercialisation process.

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

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

Innovega

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

OVERALL PERFORMANCE

Axion Ventures

The Company's most significant investment to date is in Axion Games, which is being consolidated in the condensed consolidated interim financial statements. Therefore, the consolidated financial statements are a continuation of the financial statements of Axion Games, while the capital structure is that of the Company. The consolidated financial statements include the historical operations and assets and liabilities of Axion Games, and those of the Company from May 11, 2016, to September 30, 2016.

At September 30, 2016, the Company had $6,417 thousand of cash and cash equivalents and total current assets of $16,538 thousand compared to $2,940 thousand of cash and cash equivalents and total current assets of $9,235 thousand as at December 31, 2015. The increase in total current assets was due to the Company's August 29, 2016 private placement noted above, whereby the company raised $10,121,300.

Current liabilities at September 30, 2016 totalled $7,200 thousand, compared to $10,437 thousand as at December 31, 2015. The decrease in current liabilities of $3,237 thousand is primarily due to use of capital to retire certain account payables which was partially offset by strict budget controls and fewer employees.

Shareholders' equity was comprised of share capital of $57,974 thousand, a foreign currency translation reserve of negative $1,201 thousand, a share-based payment reserve of $537, a reverse acquisition reserve of negative $24,745 thousand, and retained earnings of negative $19,732 thousand for total equity attributable to the shareholders of the Company of $12,833 thousand as at September 30, 2016. This compares to shareholders' equity as at December 31, 2015 which was comprised of pro-forma share capital of $30,034 thousand, a foreign currency translation reserve of $668 thousand, a share-based payment reserve of $169 thousand, a reverse acquisition reserve of negative $17,629 thousand, and retained earnings of negative $11,522 thousand for total equity attributable to the shareholders of the Company of $1,720 thousand.

Working capital, which is comprised of current assets less current liabilities, was $9,338 thousand at September 30, 2016, compared to a working capital of negative $1,202 thousand at December 31, 2015. The increase in total current assets was primarily due the Company's August 29, 2016 private placement.

The Company's revenue declined 35% to $9,617 for the nine month period ended September 30, 2016 compared to $14,824 thousand in the prior year period. This decline was primarily the result an anticipated decline in MARS revenue as the product ages and no new games were launched during this period.

During the nine months ended September 30, 2016, the Company reported a net loss of $3,323 thousand or $0.090 basic and diluted loss per share, compared to a net profit of $1,827 thousand or $0.082 basic and diluted income per share in the prior year period.

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

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended September 30, 2016 and 2015

The following table sets out revenue, profit and expenses of the Company and includes variances and percentage changes for the three months ended September 30, 2016 and 2015:

	Three Months Ended September 30,			
$000's (except for percentage amounts)	**2016**	**2015**	**Variance**	**% change**
Revenue	**2,795**	**7,600**	**(4,805)**	**(63%)**
Gross profit/(loss)	**1,282**	**3,847**	**(2,565)**	**(67%)**
Research & development and distribution expenses	(1,349)	(723)	626	87%
General and administrative expenses	(353)	(836)	(483)	(58%)
Corporate administrative expenses	(335)	(23)	312	1,357%
Other income/(loss)	(151)	(283)	132	47%
Loss on ordinary activities before taxation	(906)	1,982	(2,888)	(146%)
Income tax	-	-	-	-
Income/(loss) for the period	**(906)**	**1,982**	**(2,888)**	**(146%)**

Revenue

Revenue for the three months ended September 30, 2016, was $2,795 thousand compared to $7,600 thousand in the prior year period. Revenue in the period includes the following:

	Three Months Ended September 30,	
$'000's	**2016**	**2015**
Outsourcing:		
Wanda (as defined below)	660	3,892
Non-Wanda outsourcing	689	785
Licensing	251	551
Game operation	1,063	2,070
Training	132	302
	2,795	7,600

Outsourcing Revenue. Axion Games has two major outsourcing contracts with Dalian Wanda Group ("Wanda"), China's largest real estate developer. Wanda is developing several large format amusement parks throughout China, and Axion Games won two highly competitive bids to create interactive content for two of Wanda's amusement parks. Wanda outsourcing revenue in the three months ended September 30, 2016, was $660 thousand compared to $3,892 thousand in the prior year period. Outsourcing revenue declined as a result of the near completion of one of the contracts - Wanda Nanchang, which is a US$6.3 million project (the "Nanchang Project"). Non-Wanda outsourcing revenue decreased approximately $96 thousand. While the change is insignificant, this revenue source can change period to period and depends on customer needs and demands.

Licensing Revenue. Game Licensing revenue was $251 thousand in the three months ended September 30, 2016, compared to $551 thousand in the prior year period. The change resulted from declining revenues from MARS 1 & 2, as the online game product ages outside China. MARS 3 is expected to launch June 2017.

Game Operation Revenue. Game operation revenue (primarily MARS revenue generated in China) was $1,063 thousand in the three months ended September 30, 2016 compared to $2,070 thousand in the prior year period. The decline resulted from a decrease in sales of MARS 1 & 2 as the product ages in China.

Training Revenue. Training school revenue was $132 thousand in the three months ended September 30, 2016 compared to $302 thousand in the prior year period. The decline in training revenue was the result of a shift to online learning in China. The Company is exploring ways to expand its game development training in China and SE Asia.

Cost of Sales / Gross Margin

Cost of sales for the three months ended September 30, 2016 was $1,513 thousand versus $3,753 thousand for the same period ended September 30, 2015. The percentage decline corresponds to a decrease in cost of sales as a result of ceasing development of MARS 1 and 2 in favour of developing and programming MARS 3 in advance of its planned 2017 launch.

Expenses

	Three Months Ended September 30,	
$000's	**2016**	**2015**
Research & development and distribution expenses	(1,349)	(723)
General and administrative expenses	(353)	(836)
Corporate administrative expenses	(335)	(23)
	(2,037)	(1,582)

Operating expenses were $2,037 thousand for the three months ended September 30, 2016, compared to $1,582 thousand in the prior year period. Expenses for the period include the following:

- Research & development and distribution costs were $1,349 thousand for the three months ended September 30, 2016 compared to $723 thousand in the prior year period. Research & development and distribution costs increased as a result of additional marketing for MARS 1 & 2 in anticipation of the 2017 launch of MARS 3.

- General and administrative costs were $353 thousand for the three months ended September 30, 2016, compared to $836 thousand in the prior year period. The decline in general and administrative costs resulted from budget control and lower employee counts in administrative staff in China.

- Corporate administrative costs were $335 thousand for the three months ended September 30, 2016 compared to $23 thousand in the prior year period. These administrative costs increased as a result of operating expenses arising from the operation of Axion Ventures, the listed parent company, which primarily include the following: management fees of $65 thousand to key management (See "Related Party Transactions"), filing fees of $29 thousand, consulting fees of $173 thousand, travel costs of $53 thousand and accounting service fees of $15 thousand.

Comparison of the Nine Months Ended September 30, 2016, and 2015

Axion Ventures

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

	Nine Months Ended September 30,			
$000's (except for percentage amounts)	**2016**	**2015**	**Variance**	**% change**
Revenue	**9,617**	**14,824**	**(5,207)**	**(35%)**
Gross profit	**5,121**	**10,877**	**(5,756)**	**(53%)**
Research & development and distribution expenses	(3,729)	(6,169)	(2,440)	(40%)
General and administrative expenses	(1,729)	(2,492)	(763)	(31%)

	Nine Months Ended September 30,			
Corporate administrative expenses	(670)	(23)	647	2,813%
Listing fee	(2,203)	-	(2,203)	-
Other income/(loss)	(96)	(360)	264	73%
Income/(loss) on ordinary activities before taxation	(3,306)	1,833	(5,139)	(280%)
Income taxes	(17)	(6)	11	183%
Income (loss) for the period	**(3,323)**	**1,827**	**(5,150)**	**(282%)**

Revenue and expenses for the nine months ended September 30, 2016 were materially impacted and decreased (as noted below):

Revenue

Revenue for the nine months ended September 30, 2016 was $9,617 thousand compared to $14,824 thousand in the prior year period. The decline was primarily due to a decrease in Wanda outsourcing revenue to $3,573 thousand for the period compared to $6,804 thousand in the prior year period. This decrease was primarily the result of the near completion of the Nanchang Project in addition to the anticipated decline in MARS revenue as the product ages.

	Nine Months Ended September 30,	
$000's	**2016**	**2015**
Outsourcing:		
Wanda	3,573	6,804
Non-Wanda outsourcing	2,027	1,901
Licensing	316	985
Game operation	3,170	4,450
Training	531	684
	9,617	**14,824**

Outsourcing Revenue. For the nine months ended September 30, 2016 Wanda outsourcing revenue was $3,573 thousand, compared to $6,804 thousand in the prior year period. The decrease in revenue resulted from the near completion of the Nanchang Project.

Non-Wanda outsourcing revenue was $2,027 thousand in the nine months ended September 30, 2016 compared to $1,901 thousand in the prior year period. The increase of approximately $126 thousand related to an increase in demand in this period for smaller-contract outsourcing activity with Smilegate, Zhong Hang Rong Chuang, NC Soft and Epic Games. This revenue source can vary from period to period depending on customer needs and demands.

Licensing Revenue. Video game licensing revenue was $316 thousand in the nine months ended September 30, 2016, compared to $985 thousand in the prior year period. There was no material change in the array of Axion Games' global publishing partners, and MARS, now a four-year-old online game, normally exhibits declines in its overseas (outside China) licensing revenues. As a result, in the period ended September 30, 2016, there was less demand, resulting in a decrease of approximately $669 thousand.

Game Operation Revenue. Revenue from game operation declined approximately $1,280 thousand to $3,170 thousand in the nine months ended September 30, 2016, compared to $4,450 thousand in the prior year period. The majority of this decline was attributable to the expected decline in MARS 1 & 2 revenues as the online game ages.

Training Revenue. In order to provide qualified employees to its game development studios, Axion Games operates a video game development training school. Training school revenue was $531 thousand for the nine months ended September 30, 2016 versus $684 thousand for the nine months ended September 30, 2015. The decline of $153 thousand was a result of a shift to online learning in China. The Company is exploring ways to expand its game development training in China and SE Asia.

Cost of Sales / Gross Margin

Cost of sales for the nine months ended September 30, 2016 was $4,496 thousand compared to $3,947 thousand in the prior year period. The increase of approximately $549 thousand resulted from an increase in hours programmers and developers spent on MARS 3 in anticipation of its forecasted 2017 launch. In addition, for the period ended September 30, 2015, Axion Games engaged an independent audit firm to complete an audit and, as a result, there was a reclassification between the cost of sales and expenses account recorded for the period ended September 30, 2015.

Expenses

	Nine Months Ended September 30,	
$000's	**2016**	**2015**
Research and development and distribution expenses	(3,729)	(6,169)
General and administrative expenses	(1,729)	(2,492)
Corporate administrative expenses	(670)	(23)
Listing fee	(2,203)	-
	(8,331)	**(8,684)**

Operating expenses were $8,331 thousand for the nine months ended September 30, 2016 compared to $8,684 thousand for the nine months ended September 30, 2015. Expenses for the period include the following:

- Research & development and distribution costs of $3,729 thousand compared to $6,169 thousand in the prior year period. These research & development and distribution costs decreased as a result of the Company's decision to capitalise Rising Fire IP, which involved reclassifying certain payroll and outsourcing expenses related to the development of Rising Fire.

- General and administrative costs of $1,729 thousand compared to $2,492 thousand in the prior year period. These general and administrative costs decreased because of budget control and fewer administrative staff in China.

- Corporate Administrative Expenses of $670 thousand compared to $23 thousand in the prior year period. These cost increases related to operating expenses arising from the operation of Axion Ventures, the listed parent company, which primarily include the following: $242 thousand for share-based compensation as a result of stock options grants under the Company's stock option plan to existing directors and officers of the Company (cashless transaction), management fees of $81 thousand to key management (See "Related Party Transactions"), filing fees of $65 thousand, consulting fees of $190 thousand, travel costs of $57 thousand, and accounting service fees of $19 thousand.

- Public listing fee was $2,203 thousand in the nine months ending September 30, 2016 compared to $Nil in the prior year period. These fees are reverse acquisition fees calculated in accordance with IFRS 2 Share-Based Payment. The preceding is a non-cash transaction/only shares based cost transaction recorded as a result of the Company's QT/TSXV listing.

SUMMARY OF QUARTERLY RESULTS

Axion Ventures

Selected unaudited financial statements published for operations for the Axion Ventures/Axion Games during the last eight quarters (Axion Ventures seven quarters; and Axion Games one quarter) are as follows:

Quarter ended	Total Revenues $	Gross Profit (Loss) $	Net Income (Loss) $	Parent Earnings (Loss) per share $*
September 30, 2016 +	2,795,424	1,282,005	(905,368)	(0.016)
June 30, 2016 +	2,952,426	1,589,460	(2,742,612)	(0.080)
March 31, 2016	3,869,307	2,249,510	324,928	0.014
December 31, 2015	3,675,399	1,614,997	(2,554,786)	(0.015)
September 30, 2015+	7,600,641	3,846,777	1,983,034	0.088
June 30, 2015 +	4,000,020	3,892,921	901,106	0.041
March 31, 2015	3,268,102	3,221,880	(1,041,754)	(0.006)
December 31, 2014	3,776,773	1,538,734	(2,413,359)	(0.026)

* The 2014 numbers contemplate issued and outstanding common and preference shares of Axion Games of 165,553,290 (through September 6, 2016) and 209,700,960 (as of September 7, 2016 and through 2016). The 2015 and Q1 2016 numbers contemplate pro-forma shares numbers from the reverse merger on May 11, 2016. Axion Ventures owned 48,488,579 shares (or 29.29%) of Axion Games as of September 30, 2016, 76,286,670 (or 46.08%) as of November 29, 2016, and 106,972,954 (or 51.01%) as of September 7, 2016.

+restated

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

Quarterly revenue has declined quarter over quarter as Axion Games has not launched new titles in those periods. During this time, Axion Games has focused on fine-tuning Rising Fire for its public launch and, as a result, no significant resources have been allocated to other games. Following the public launch of Rising Fire, the Company anticipates a positive impact on quarterly revenue.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Axion Ventures

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

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

Management believes that the Company is presently able to meet its working capital requirements, including obligations as they become due and currently knows of no reason why this should not continue to be the case. The company has no long-term debt, and all obligations are being serviced on a timely basis.

	September 30, 2016 $'000	**December 31, 2015 $'000**	**Variance**	**% Change**
Current Assets				
Convertible promissory note	470	-	470	-
Cash and cash equivalents	6,417	2,940	3,477	118%
Investments (short term)	3,536	-	3,536	-
Trade and other receivables	6,115	6,295	(180)	(3%)
	16,538	9,235	7,303	79%
Current Liabilities				
Accounts payable	3,684)	6,973	(3,289)	(47%)
Deferred revenue	3,516	3,464	52	2%
	7,200	10,437	(3,237)	(31%)
Working Capital	9,338	(1,202)	10,540	877%

As of September 30, 2016, the Company had $6,417 thousand in cash and cash equivalents and working capital of $9,338 thousand, compared to $2,940 thousand in cash and cash equivalents and working capital of $1,202 thousand as at December 31, 2015. The cash increase resulted from the Company's August 29, 2016 private placement noted above, whereby the company raised $10,121,300.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Axion Ventures

During the nine months ended September 30, 2016, the Company completed the following transactions with related parties:

(i) Axion Games continues to provide outsourcing services to Epic Games, which also remains a shareholder of Axion Games. During the nine months ended September 30, 2016, Axion Games received fees of $350 thousand (September 30, 2015 - $220 thousand).

(ii) The Company continues to pay a private company controlled by a (former) director and officer of the Company for office space, administration, and book-keeping services. During the nine months ended September 30, 2016, the Company paid $17.5 thousand (September 30, 2015 - $Nil).

(iii) During the nine months ended September 30, 2016, the Company paid or accrued management fees of $81 thousand (September 30, 2015 - $304 thousand) to key management ('C' level employees) of the Company for their service to the Company based on fair value method (arm-length transaction).

(iv) The Company paid or accrued $8.1 thousand (September 30, 2015 - $Nil) in consulting fees (fair value method) for work related to the QT to a private company controlled by the Corporate Secretary of the Company and $8 thousand (September 30, 2015 - $Nil) in consulting fees (fair value method) related to the QT to a director of the Company.

(v) During the nine months ended September 30, 2016, the Company accrued an expense of $242 thousand (September 30, 2015 - $Nil) for share-based compensation with respect stock option grants to directors and officers of the Company under the Company's stock option plan.

(vi) Accounts receivable of shareholder transactions totalled $230 thousand as of September 30, 2016, versus $211 thousand as of December 31, 2015. With respect to the foregoing: (a) Epic Games owed 22 thousand for the provision of outsourcing services provided to Epic Games (See (i)); (b) AEH owed $192 thousand pertaining to payments on behalf of AEH by three wholly foreign-owned enterprises ("WFOEs"), which, along with AEH, are consolidated into Axion Games; and (c) prepaid advance for travel to an officer was $16 thousand.

(vii) Accounts payable to related parties totalled $718 thousand as of September 30, 2016, versus $704 thousand as of December 31, 2015. With respect to the foregoing: (a) Epic Games was due $526 thousand pertaining to royalty payments for the use of Unreal Engine; and (b) AEH was due $192 thousand pertaining to payments made by three WFOEs on its behalf.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

FINANCIAL INSTRUMENTS AND RISK EXPOSURE

Axion Ventures

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

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

Financial assets carried at amortised cost

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

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

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

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

Financial assets held at fair value through other comprehensive income

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

Fair value information

As at September 30, 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; and

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

As at September 30, 2016, the Company held $3,536 thousand in short-term deposit investments.

Financial instruments and related risks

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

Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk in respect of the settlement of trade and other payables and 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.

	On-demand $'000	**Within one year $'000**	**Total $'000**
At September 30, 2016 (restated and unaudited)			
Trade payables	-	189	189
Amounts due to related parties	718	-	718
Accrued salaries and benefits	-	720	720
Other tax liabilities	-	1,317	1,317
Advances from customers	-	-	-
Accrued expenses	-	805	805
Other payables	-	(65)	(65)
	718	2,966	3,684

	On-demand $'000	**Within one year $'000**	**Total $'000**
At December 31, 2015 (restated)			
Trade payables	-	23	23
Amounts due to related parties	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
	704	**6,269**	**6,973**

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

The operating subsidiary, Axion Games mainly operates in the PRC, and the majority of the transactions are settled in RMB (Chinese Yuan Renminbi). Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. At September 30, 2016, the Company did not have significant foreign currency risk from its operations. The Company's beneficial ownership of Axion Games remains at 51.01% as of September 30, 2016.

At September 30, 2016, the third operating associate company, Innovega, mainly operates in the Bellevue, Seattle and the majority of the transactions are settled in USD (U.S. Dollars). Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. At September 30, 2016, the Company did not have significant foreign currency risk from its operations. The Company currently holds 10.8% of Innovega's convertible note debt. (On October 19, 2016, Axion Ventures owns approximately 10.8% of Innovega's issued and outstanding preference shares and approximately 1.9% of Innovega's total issued and outstanding shares (common and preference).

Credit risk

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

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

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

CRITICAL JUDGEMENTS AND ESTIMATES

Axion Games

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

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

Estimated life of consumable virtual items

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

Estimated average playing period of paying players

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

Estimated inactive players

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

Research and development costs

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

Impairment of property, plant and equipment and intangible assets

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

Depreciation and amortisation

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

Income taxes

Canada income tax

The parent entity, Axion Ventures, had no taxable income for the nine months ended September 30, 2016 or the year ended December 31, 2015, and thus there is no resulting tax provision for current income taxes in Canada.

China income tax

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

Cayman Islands income tax

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

British Virgin Islands ("BVI") income tax

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

Hong Kong profits tax

The Hong Kong profits tax rate is 16.5%. Hong Kong profits tax has not been provided as the relevant subsidiaries had no estimated assessable profits in Hong Kong during the period ended September 30, 2016 and December 31, 2015.

Impairment of receivables

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

Share-based payment

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

Determining control over investees

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

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

NEW SIGNIFICANT ACCOUNTING POLICIES

Axion Ventures and Axion Games

The Company has adopted the amendments to IFRSs included in the Annual Improvements 2012-2014 cycle and a number of narrow scope amendments to certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2017. The amendments did not have an impact on the Company's consolidated financial statements.

New standards and interpretations

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

IAS 7 Statement of Cash Flows

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

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 9 Financial Instruments

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

IFRS 7 Financial Instruments Disclosure

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

IFRS 2 Share-Based Payment

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

i. Effects that 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; and
iii. Classification of share-based payment transactions with net settlement features.

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

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 completed.

OUTSTANDING SHARE DATA

Axion Ventures

Common Shares

Axion Ventures' authorised share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. Prior to completion of the QT, Axion Ventures had a total of 7,079,800 issued and outstanding common shares. As at September 30, 2016, and November 29, 2016, there were 216,897,450 common shares issued and outstanding, respectively, as a result of the following:

	Issued Common Shares
At January 1, 2016	**7,079,800**
Issue of share capital - reverse acquisition (May 11, 2016)	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
Issue of share capital - transaction (August 23, 2016)	33,581,358
Issue of share capital - private placement (August 29, 2016)	20,242,600
Issue of share capital – exercise of shares option (September 2, 2016)	75,000
At September 30, and November 29, 2016	**216,897,450**

Escrow

The following shares are subject to escrow agreements and are included in the above table:

	Original Escrow	Balance
Balance, January 1, 2016	**1,415,000**	**-**
Shares released subject to CPC escrow agreement	-	1,273,500
Shares held subject to performance escrow agreement	33,000,000	33,000,000
Shares held subject to surplus escrow agreement	53,684,753	51,000,515
Shares held subject to value escrow agreement	41,634,797	37,471,317
Shares held subject to pooling agreement	33,581,358	27,719,316
Balance, September 30, 2016	**163,315,908**	**150,464,648**

TSXV CPC Escrow: Prior to completion of the QT, Axion Ventures had 1,415,000 shares held pursuant to a TSXV CPC escrow agreement. Pursuant to the CPC escrow agreement, 10% of the initial balances were released on May 17, 2016, with an additional 15% to be released on each of the dates which are six months, 12 months, 18 months, 24 months, 30 months, and 36 months following the initial release. As at September 30, 2016, 1,273,500 common shares remained subject to this CPC Escrow Agreement.

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

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

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

TSXV Surplus Escrow: Pursuant to the QT, 53,684,753 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were deposited directly into TSXV Surplus Escrow. Pursuant to the Surplus escrow agreement, 5% to be released six months after the initial release followed by 10% released 12 months and 18 months following the initial release and 15% to be released 24 months and 30 months following the initial release. The final 40% will be released 36 months following the initial release. As at September 30, 2016, 51,000,515 common shares remained subject to this Surplus Escrow Agreement.

TSXV Value Escrow: Pursuant to the QT, 41,634,797 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were deposited directly into TSXV Value escrow. Pursuant to the Value escrow agreement, 10% were releasable when the Company received the Final Exchange Bulletin, 15% to be released on each of the dates which are six months, 12 months, 18 months, 24 months, 30 months, and 36 months following the initial release. As at September 30, 2016, 37,471,317 common shares remained subject to this Value Escrow Agreement.

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

Upgrade from a Tier 2 Investment Issuer to a Tier 1 status

On November 1, 2016, the Company was approved for graduation from a Tier 2 Investment Issuer to a Tier 1 Issuer status by the TSXV. With the graduation to a Tier 1 listing, the common shares of Axion Ventures previously deposited into escrow pursuant to the rules of the TSXV will be governed by the release provisions of Tier 1 Issuer's escrow. As such, an aggregate of 9,141,707 common shares were immediately released from escrow on November 4, 2016, to retroactively apply the Tier 1 escrow requirements. The remaining shares in escrow will be released on November 17, 2016, May 17, 2017, and November 17, 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 TSXV will now be governed by the release provisions of Tier 1 Issuer escrow and released as follows.

	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
Balance, November 1, 2016	**150,464,648**	**9,141,708**	**141,322,940**

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

Common Shares Subject to Escrow and Pooling

On November 17, 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 15 in the Q3 financial report. The following common shares were subject to escrow agreements as of November 29, 2016:

	Upgrade Tier 1	**Released Nov 17**	**November 29**
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	31,226,0	10,408,699	20,817,398
Shares held subject to pooling agreement	27,719,316	-	27,719,316
Balance 2016	**141,322,940**	**21,499,400**	**119,823,540**

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 November 4, 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 September 30, 2016, 1,061,250 common shares would have been subject to escrow versus 1,273,500 under previous Tier 2 status. As at November 29, 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 November 4, 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 September 30, 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.

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 November 4, 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 September 30, 2016, 31,226,097 common shares would have been subject to escrow versus 37,471,317 under previous Tier 2 status. As at November 29, 2016, 20,817,398 common shares remained subject to Tier 1 Value Escrow Agreement.

As a result of the foregoing, as at December 31, 2015, nil shares were subject to TSXV or voluntary escrow and as at September 30, 2016 and November 29, 2016, 150,464,658 and 119,823,540 shares, respectively, were subject to TSXV or voluntary escrow.

Stock Options

As at December 31, 2015, there was a total of nil stock options outstanding. During the period ended September 30, 2016, Axion Ventures issued 1,200,000 to officers and directors and immediate vesting (issued 700,000 on May 11, 2016 and 500,000 on September 6, 2016), but one officer exercised 75,000 stock options during the period ended September 30, 2016 and one director forfeited 200,000 stock options during the period ended November 29, 2016. As a result, as of September 30, 2016 and November 29, 2016, there were 1,125,000 and 925,000, respectively, stock options outstanding.

Warrants

During the period ended September 30, 2016, Axion Ventures issued 1,150,000 additional warrants (issued 11 May 2016), and no warrants were exercised or expired. As a result, as of September 30, 2016 and November 29, 2016, 1,150,000 issued warrants remain outstanding. (As at December 31, 2015, there was a total of nil warrants outstanding).

RISK FACTORS

Axion Ventures

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

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

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

ADDITIONAL INFORMATION

Additional information about the Company can be found on www.sedar.com under "Company Profiles – Axion Ventures Inc.".

APPROVAL

The Board has approved the disclosure contained in this MD&A as of October 11, 2017.