
Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended 30 September 2017 and 2016

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Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Administrative information

Directors

Todd Bonner
Grant Kim
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Stephen Willey

Registered office

530 – 625 Howe Street
Vancouver
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Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Unaudited condensed consolidated interim statement of comprehensive income

For the Three and Nine Months Ended 30 September 2017 and 2016

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 the Company have been prepared by and are the responsibility of the Company's management.

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

Vancouver, Canada

November 29, 2017

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Unaudited condensed consolidated interim statement of comprehensive income For the Three and Nine Months Ended 30 September 2017 and 2016

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|---|--------|------------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| | | 2017 (unaudited) \$'000 | 2016 (unaudited) \$'000 | 2017 (unaudited) \$'000 | 2016 (unaudited) \$'000 |
| Net Change in Unrealised Gains on Investment | 3a, 10 | 119,703 | - | 119,703 | - |
| Games Revenue | | 1,757 | 2,795 | 5,653 | 9,617 |
| Revenue | 6 | 121,460 | 2,795 | 125,356 | 9,617 |
| Cost of sales | | (1,486) | (1,513) | (4,089) | (4,496) |
| Gross profit | | 119,974 | 1,282 | 121,267 | 5,121 |
| Research & development and distribution expenses | | (977) | (1,349) | (3,358) | (3,729) |
| General and administrative expenses | | (704) | (353) | (2,022) | (1,729) |
| Corporate administrative expenses | | (929) | (335) | (2,945) | (670) |
| Share of net loss in associate | | (187) | - | (267) | - |
| Operating income (loss) | | 117,177 | (755) | 112,675 | (1,007) |
| Other income (loss) | | 74 | (123) | 101 | (65) |
| Finance income | | 11 | - | 27 | 4 |
| Finance cost | | (5) | (7) | (9) | (9) |
| Foreign currency exchange loss | | (20) | (21) | 28 | (26) |
| Listing expenses | | - | - | - | (2,203) |
| Income (loss) from ordinary activities before taxation | | 117,237 | (906) | 112,822 | (3,306) |
| Taxation | 7 | - | - | (1) | (17) |
| Income (loss) for the period | | 117,237 | (906) | 112,821 | (3,323) |
| Attributable to: | | | | | |
| The owners of the parent company | | 117,574 | (928) | 113,819 | (3,524) |
| The non-controlling interest | | (337) | 22 | (998) | 201 |
| | | 117,237 | (906) | 112,821 | (3,323) |
| Income (loss) per share: | | | | | |
| Basic and diluted | 15 | 72.29 cents per share | (1.57) cents per share | 79.22 cents per share | (9.00) cents per share |

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Unaudited condensed consolidated interim statement of comprehensive income****For the Three and Nine Months Ended 30 September 2017 and 2016**

| | | <u>Three months ended</u> <u>30 September</u> | | <u>Nine months ended</u> <u>30 September</u> | |
|--|-------------|--|---------------------|---|-----------------------|
| | | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| | | <u>(unaudited)</u> | <u>(unaudited)</u> | <u>(unaudited)</u> | <u>(unaudited)</u> |
| | <u>Note</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Other comprehensive income that may be subsequently reclassified to profit or loss: | | | | | |
| Foreign currency translation differences | | <u>(491)</u> | <u>12</u> | <u>(953)</u> | <u>(65)</u> |
| Attributable to: | | | | | |
| The owners of the parent company | | <u>(493)</u> | <u>18</u> | <u>(956)</u> | <u>16</u> |
| The non-controlling interest | | <u>2</u> | <u>(6)</u> | <u>3</u> | <u>(81)</u> |
| Total comprehensive income (loss) for the periods | | <u><u>116,746</u></u> | <u><u>(894)</u></u> | <u><u>111,868</u></u> | <u><u>(3,388)</u></u> |

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

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Unaudited condensed consolidated interim statement of financial position****As at 30 September 2017 and 31 December 2016**

| | | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|--|----|---|--|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 8 | - | 6,217 |
| Property and equipment | 9 | 12 | 149 |
| Investments | 10 | 176,326 | 485 |
| | | <u>176,338</u> | <u>6,851</u> |
| Non-current asset | | | |
| | | 176,338 | 6,851 |
| Current assets | | | |
| Investments (short-term) | 10 | 2,629 | 3,562 |
| Trade and other receivables | 11 | 1,408 | 2,282 |
| Cash and cash equivalents | 12 | 1,287 | 6,028 |
| | | <u>5,324</u> | <u>11,872</u> |
| Total current assets | | 5,324 | 11,872 |
| Total assets | | <u>181,662</u> | <u>18,723</u> |
| | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | (69) | (6,779) |
| Deferred revenue | | - | (3,826) |
| | | <u>(69)</u> | <u>(10,605)</u> |
| Total Current liabilities | | (69) | (10,605) |
| | | | |
| Long-term liabilities | | | |
| Note payables | | - | - |
| | | <u>-</u> | <u>-</u> |
| Total long-term liabilities | | - | - |
| Total liabilities | | <u>(69)</u> | <u>-</u> |
| | | | |
| Total assets less total liabilities | | <u>181,593</u> | <u>8,118</u> |
| | | | |
| Equity | | | |
| Share capital | 14 | 67,378 | 57,984 |
| Foreign currency translation reserve | | (454) | (1,177) |
| Share-based payment reserve | 14 | 1,285 | 508 |
| Reverse acquisition reserve | | (24,745) | (24,745) |
| Retained earnings | | 138,141 | (23,581) |
| | | <u>181,605</u> | <u>8,989</u> |
| Equity attributable to the owners of the parent company | | 181,605 | 8,989 |
| | | | |
| Non-controlling interest | | <u>(12)</u> | <u>(871)</u> |
| Total equity | | <u>181,593</u> | <u>8,118</u> |

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

These financial statements were approved by the board of directors on November 29, 2017 and signed on its behalf by:

/s/ John Todd Bonner
John Todd Bonner
Chairman and CEO

/s/ Stephen Willey
Stephen Willey
Director

Axion Ventures Inc.
Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
**Unaudited condensed consolidated interim statement of changes in equity
For the Nine Months Ended 30 September 2017 and 2016**

| | Share capital \$'000 | Foreign currency translation reserve \$'000 | Share-based payment reserve \$'000 | Reverse acquisition reserve \$'000 | Retained earnings \$'000 | Equity attributable to the owners of the parent company \$'000 | Non-controlling interest \$'000 | Total equity \$'000 |
|---|-------------------------|---|---|---|--------------------------------|---|---------------------------------------|------------------------|
| At 31 December 2015 (restated) | 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 | 3,614 |
| 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) |
| At 30 September 2016 (unaudited) | 57,974 | (1,201) | 537 | (24,745) | (19,732) | 12,833 | 1,890 | 14,723 |
| Income (loss) for the period | - | - | - | - | (2,472) | (2,472) | (2,827) | (5,299) |
| Other comprehensive income (loss) | - | 24 | - | - | - | 24 | 66 | 90 |
| Total comprehensive income (loss) | - | 24 | - | - | (2,472) | (2,448) | (2,761) | (5,209) |
| Forfeiture of share options | - | - | 427 | - | (427) | - | - | - |
| Share-based payment expense | - | - | 7 | - | - | 7 | - | 7 |
| Exercise of share options | 30 | - | (463) | - | - | (433) | - | (433) |
| Reverse acquisition | - | - | - | - | (950) | (950) | - | (950) |
| Share issue costs | (20) | - | - | - | - | (20) | - | (20) |
| At 31 December 2016 | 57,984 | (1,177) | 508 | (24,745) | (23,581) | 8,989 | (871) | 8,118 |
| | Share capital | Foreign currency | Share-based payment | Reverse acquisition | Retained earnings | Equity attributable to | Non-controlling interest | Total equity |

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

**Unaudited condensed consolidated interim statement of changes in equity
For the Nine Months Ended 30 September 2017 and 2016**

| | | translation reserve | reserve | reserve | | the owners of the parent company | | |
|--|---------------|------------------------|--------------|-----------------|-----------------|--|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 31 December 2016 | 57,984 | (1,177) | 508 | (24,745) | (23,581) | 8,989 | (871) | 8,118 |
| Income (loss) for the period | - | - | - | - | (5,884) | (5,884) | (998) | (6,882) |
| Other comprehensive income (loss) | - | (956) | - | - | - | (956) | 3 | (953) |
| Total comprehensive income (loss) | - | (956) | - | - | (5,884) | (6,840) | (995) | (7,835) |
| Forfeiture of share options | - | - | (136) | - | - | (136) | - | (136) |
| Share-based payment expense | - | - | 991 | - | - | 991 | - | 991 |
| Exercise of share options | - | - | - | - | - | - | - | - |
| Reverse acquisition | - | - | - | - | - | - | - | - |
| Purchase of non-controlling interests | - | - | - | - | - | - | - | - |
| Issue of share capital | 10,030 | - | - | - | - | 10,030 | - | 10,030 |
| Share issue costs | (636) | - | - | - | (30) | (666) | - | (666) |
| 30 September 2017 (unaudited) RTO | 67,378 | (2,133) | 1,363 | (24,745) | (29,495) | 12,368 | (1,866) | 10,502 |
| IFRS 10 exception adjustment | - | 1,679 | (78) | - | 167,636 | 169,237 | 1,854 | 171,091 |
| 30 September 2017 (unaudited) IE | 67,378 | (454) | 1,285 | (24,745) | 138,141 | 181,605 | (12) | 181,593 |

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

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Unaudited condensed consolidated interim statement of cash flows****For the Nine Months Ended 30 September 2017 and 2016**

| | Note | 30 September 2017 (unaudited) \$'000 | 30 September 2016 (unaudited) \$'000 |
|---|------|---|---|
| Operating activities: | | | |
| Net income (loss) before tax | | 112,822 | (3,306) |
| Adjustments for: | | | |
| Net Change in Unrealised Gains on Investment | | (119,703) | - |
| Reverse acquisition before May 11, 2016 | | - | (128) |
| Depreciation and amortisation | | 148 | 420 |
| Share of loss in subsidiary | | 266 | - |
| Share-based payment charge-options | 14 | 872 | 242 |
| Share-based payment charge-warrants | | - | 102 |
| Unrealised foreign currency exchange losses/(gain) | | 14 | - |
| Listing expense | | - | 2,203 |
| Operating cash flow before movement in working capital | | <u>(5,581)</u> | <u>(467)</u> |
| Decrease/(increase) in receivables | | (1,067) | (104) |
| Increase/(decrease) in payables | | (1,733) | (1,299) |
| Income tax paid | 7 | (1) | (17) |
| Net cash flows used in operating activities | | <u>(8,382)</u> | <u>(1,887)</u> |
| Investing activities: | | | |
| Convertible Promissory Note | | - | (470) |
| Loan receivable | | - | 40 |
| Purchase of intangible assets | 8 | (2,668) | (2,684) |
| Purchase of property and equipment | 9 | (14) | (203) |
| Purchase of Investments | | (3,342) | - |
| Redemption of Investments (short term) | | 933 | (3,536) |
| Cash acquired on purchase of subsidiary | | - | 223 |
| Net cash flows used in investing activities | | <u>(5,091)</u> | <u>(6,630)</u> |
| Financing activities: | | | |
| Issue of share capital | | 10,025 | 12,960 |
| Share issue costs | | (600) | (774) |
| Share-based payment reserve | | - | (11) |
| Net cash flows from financing activities | | <u>9,425</u> | <u>12,175</u> |
| Net decrease/(increase) in cash and cash equivalents | | <u>(4,048)</u> | <u>3,658</u> |
| Cash and cash equivalents at the beginning of the year | | 6,028 | 2,940 |
| Plus: Axia Corporation Limited (purchase May 2, 2017) | | 600 | - |
| Effect of exchange rates on cash and cash equivalents | | (408) | (181) |
| Cash and cash equivalents at the end of the period ("RTO") | | <u>2,172</u> | <u>6,417</u> |
| Minus: Axia Corporation Limited (unconsolidated on Sept 30, 2017) | | (562) | - |
| Minus: Axion Games Limited (unconsolidated on Sept 30, 2017) | | (323) | - |
| Cash and cash equivalents at the end of the period ("IE") | | <u>1,287</u> | <u>6,417</u> |

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

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Notes to the unaudited condensed consolidated interim financial statements

For the Nine Months Ended 30 September 2017 and 2016

1. General information

Axion Ventures Inc. (“Axion Ventures” or the “Company”) was incorporated under the British Columbia *Business Corporations Act* on 21 June 2011, is Investment Issuer domiciled in Canada and the Company’s common shares traded under the new name and new symbol “AXV” on the TSX-V. The common shares of the Company previously deposited into escrow pursuant to the rules of the TSX-V will be governed by the release provisions of Tier 1 Issuer’s escrow.

Axion Ventures is an investment entity focused on investments in 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 interim consolidated financial statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

These unaudited condensed consolidated interim financial statements present the financial information of the Company and its subsidiary undertakings and 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.

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

2.2 Going concern

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

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

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

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

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

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Notes to the unaudited condensed consolidated interim financial statements

For the Nine Months Ended 30 September 2017 and 2016

3. Accounting policies

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

(a) Investments in Subsidiaries

In October 2012, the International Accounting Standards Board (IASB) issued an amendment to IFRS 10 Consolidated Financial Statements, to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments.

At September 30, 2017, the Company held a 51.01% interest in its only subsidiary, Axion Games, an exempted company with limited liability which was incorporated on October 9, 2006 and is domiciled in the Cayman Islands. Axion Games' principal place of business is Shanghai, People's Republic of China ("PRC"). Axion Games and its subsidiaries are principally engaged in game software development, game operation, provision of outsourcing services, software license and software training.

Also, on May 2, 2017, the Company formed a joint venture with Coherent Asia, Limited ("Coherent") to research and develop a risk allocation platform intended to initially service Southeast Asia countries. Under the terms of the agreement, the joint venture initially operates as a Hong Kong company named "Axia Corporation Limited" ("Axia"), with a wholly-owned subsidiary of the Company holding a 70% interest and Coherent holding a 30% interest in Axia.

Intercompany assets and liabilities, equity, income, expenses, and cash flows between the Company and its subsidiaries are not eliminated.

(b) IAS 28 Investments in Associates and Joint Ventures

IFRS board clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016

4. Changes in accounting standards

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

New standards and interpretations

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

IAS 7 Statement of Cash Flows

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

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

IFRS 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 of 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.

IFRIC Interpretation 22 Foreign Currency: Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

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

The following standards are effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases

IFRS 16 establishes principles for the recognition, measurement, presentation, and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

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Notes to the unaudited condensed consolidated interim financial statements

For the Nine Months Ended 30 September 2017 and 2016

4. Changes in accounting standards (continued)

leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

Management is currently evaluating any impact that the above standard may have on the Company's consolidated financial statements, and this assessment has not yet been finished.

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 financial statements, and reported results during the reporting period. Actual results may differ from those estimates, as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates and the resulting impact on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

6. Revenue and business and geographical segments

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

| | Three months ended 30 September (unaudited) | | Nine months ended 30 September (unaudited) | |
|---|--|----------------|---|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Net Change in Unrealised Gains on Investment | 119,703 | - | 119,703 | - |
| Outsourcing: | | | | |
| Wanda contract | 527 | 660 | 1,012 | 3,573 |
| Non-Wanda outsourcing | 435 | 689 | 1,870 | 2,027 |
| Licensing | 64 | 251 | 161 | 316 |
| Game operation | 589 | 1,063 | 2,290 | 3,170 |
| Training | 142 | 132 | 320 | 531 |
| Total Revenue | 121,460 | 2,795 | 125,356 | 9,617 |

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

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016****6. Revenue and business and geographical segments (continued)**

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

| | Three months ended 30 September (unaudited) | | Nine months ended 30 September (unaudited) | |
|----------------------|--|----------------|---|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| China | 1,757 | 1,983 | 5,202 | 5,416 |
| Canada | 119,550 | - | 119,550 | - |
| Rest of the world | 153 | 812 | 604 | 4,201 |
| Total Revenue | 121,460 | 2,795 | 125,356 | 9,617 |

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

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|---------------------------|---|-------------------------------|
| China | - | 312 |
| Canada | 169,972 | 499 |
| Rest of the world | 6,366 | 6,040 |
| Non-current assets | 176,338 | 6,851 |

7. Taxation

The tax charge on loss comprises:

| | 30 September 2017 (unaudited) \$'000 | 30 September 2016 (unaudited) \$'000 |
|-----------------------|---|---|
| Current tax | | |
| Corporation China tax | (1) | (17) |
| Total tax | (1) | (17) |

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Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016

7. Taxation (continued)

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

| | 30 September 2017 (unaudited) \$'000 | 30 September 2016 (unaudited) \$'000 |
|--|---|---|
| Income (loss) on ordinary activities before taxation | <u>112,822</u> | <u>(3,306)</u> |
| Tax on income (loss) before taxation, calculated at the rates applicable to losses in the tax jurisdiction concerned | (1,023) | (198) |
| Tax effect of non-deductible expenses | 48 | 59 |
| Tax effect of 50% additional deduction on deductible expenses | (474) | (322) |
| Tax effect of unused tax losses not recognised | 3,340 | 4,168 |
| Tax effect of deductible temporary differences not recognised | 8 | 15 |
| Utilisation of deductible temporary differences previously not recognised | (1,899) | (3,722) |
| Under provision in respect of prior years | (1) | (17) |
| Total tax | <u>(1)</u> | <u>(17)</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 income tax

The parent entity Axion Ventures Inc. had no taxable income for the nine months ended 30 September 2017 or the year ended 31 December 2016, and thus there is no resulting tax provision for current income taxes.

Cayman Islands income tax

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

British Virgin Islands ("BVI") income tax

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

Hong Kong profits tax

The Hong Kong profits tax rate is 16.5% (2016: 16.5%). Hong Kong profits tax has not been provided, as the relevant subsidiaries had no estimated assessable profits in Hong Kong during the period ended 30 September 2017 and 31 December 2016.

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

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

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Notes to the unaudited condensed consolidated interim financial statements For the Nine Months Ended 30 September 2017 and 2016

7. Taxation (continued)

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 periods ended 30 September 2017 and 31 December 2016.

Thailand income tax

A Thai company generally pays tax at 20% of net profit. However, small business, paid-up capital less than 5 million Baht, is entitled to a rate reduction. If the subsidiary has net profit more than 1 million Baht, the corporate income tax is 20%. If the subsidiary has a net profit of 300 thousand Baht and 1 million Baht, the corporate income tax is 15%. Exempt for the incorporate income tax if net profit less than 300 thousand Baht.

Tax losses carried forward

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

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|--------------------------|---|--|
| Axion Ventures Inc. | 5,262 | 2,273 |
| Axion Games Limited | 6,319 | 4,340 |
| Axia Corporation Limited | 564 | - |
| Unutilised tax losses | <u>12,145</u> | <u>6,613</u> |

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.
Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016

8. Intangible assets

| | Acquired computer software \$'000 | Internally generated computer software \$'000 | Total \$'000 |
|--|--|---|-----------------|
| At 1 January 2017 | | | |
| Cost | 964 | 10,914 | 11,878 |
| Accumulated amortisation | (787) | (4,874) | (5,661) |
| Opening carrying amount | <u>177</u> | <u>6,040</u> | <u>6,217</u> |
| Exchange differences | (8) | (432) | (440) |
| Additions | 223 | 2,445 | 2,668 |
| Amortisation | (101) | - | (101) |
| | <u>291</u> | <u>8,053</u> | <u>8,344</u> |
| Cost | 1,179 | 12,927 | 14,106 |
| Accumulated amortisation | (888) | (4,874) | (5,762) |
| Carrying amount at 30 Sept 2017 RTO | <u>291</u> | <u>8,053</u> | <u>8,344</u> |
| Deconsolidated AG, Axia at 30 Sept 2017 | (291) | (8,053) | (8,344) |
| Carrying amount at 30 Sept 2017 IE | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| At 1 January 2016 | | | |
| Cost | 866 | 7,446 | 8,312 |
| Accumulated amortisation | (610) | (4,874) | (5,484) |
| Opening carrying amount | <u>256</u> | <u>2,572</u> | <u>2,828</u> |
| Exchange differences | (17) | (29) | (46) |
| Additions | 115 | 3,497 | 3,612 |
| Amortisation | (177) | - | (177) |
| Carrying amount at 31 December 2016 | <u>177</u> | <u>6,040</u> | <u>6,217</u> |

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

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016****9. Property and equipment**

| | Computer and office equipment \$'000 | Office furniture \$'000 | Leasehold improvements \$'000 | Total \$'000 |
|--|---|----------------------------|-------------------------------------|-----------------|
| At 1 January 2017 | | | | |
| Cost | 861 | 74 | 177 | 1,112 |
| Accumulated depreciation | (747) | (49) | (167) | (963) |
| Opening carrying amount | <u>114</u> | <u>25</u> | <u>10</u> | <u>149</u> |
| Exchange differences | 1 | (1) | (1) | (1) |
| Additions | 22 | - | - | 22 |
| Depreciation | (49) | (8) | (4) | (61) |
| | <u>88</u> | <u>16</u> | <u>5</u> | <u>109</u> |
| Cost | 884 | 73 | 176 | 1,133 |
| Accumulated depreciation | (796) | (57) | (171) | (1,024) |
| Carrying amount at 30 Sept 2017 RTO | <u>88</u> | <u>16</u> | <u>5</u> | <u>109</u> |
| Deconsolidated AG, Axia at 30 Sept 2017 | (76) | (16) | (5) | (97) |
| Carrying amount at 30 Sept 2017 IE | <u>12</u> | <u>-</u> | <u>-</u> | <u>12</u> |
| At 1 January 2016 | | | | |
| Cost | 812 | 59 | 180 | 1,051 |
| Accumulated depreciation | (648) | (48) | (106) | (802) |
| Opening carrying amount | <u>164</u> | <u>11</u> | <u>74</u> | <u>249</u> |
| Exchange differences | (3) | - | (3) | (6) |
| Additions | 55 | 16 | - | 71 |
| Disposals | (3) | (1) | - | (4) |
| Depreciation | (99) | (1) | (61) | (161) |
| Carrying amount at 31 December 2016 | <u>114</u> | <u>25</u> | <u>10</u> | <u>149</u> |

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

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars)

Notes to the unaudited condensed consolidated interim financial statements For the Nine Months Ended 30 September 2017 and 2016

10. Investments

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|--|---|-------------------------------|
| Short-term investment | | |
| Term deposit investment | 2,629 | 3,562 |
| Long-term investments | | |
| Axion Games Limited (51.01%) | 169,960 | - |
| Axia Corporation Limited (70%) | 1,247 | - |
| Investments in True Axion Interactive (TAI) (48.99%) | 2,941 | - |
| Investments in Innovega Inc. (1.87%) | 308 | 485 |
| Investment in Red Anchor Trading Corporation (15%) | 1,870 | - |
| | <u>176,326</u> | <u>485</u> |
| Short and long-term investments | <u>178,955</u> | <u>4,047</u> |

Investments: Subsidiaries (IFRS 10 exception method "IE")

Axion Games Limited (own 51.01% by Axion Ventures, Inc.)

The Company engaged the independent valuation firm to value Axion Games Limited. The independent valuation company estimates discount future income range for Axion Game at \$333 million (US\$267 million, using DCF and market approach – EV/revenue multiple methods).

| | 100% Investment Valuation \$'000 | Book Value of Investment \$'000 | YTD Unrealised Gain/(Loss) \$'000 | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|------------------------------|--|--|--|--|-------------------------------|
| Axion Games Limited (51.01%) | 333,189 | 50,410 | 119,550 | 169,960 | - |

| Axion Games Limited Consolidated Condensed Financial Statements | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|---|---|-------------------------------|
| Revenue | 5,653 | 9,192 |
| Gross Margin | 1,900 | 4,253 |
| Operating Expense | (4,012) | (9,251) |
| Other Income (Expense) | 188 | (9) |
| Net Income | (1,924) | (5,007) |
| Asset | 9,607 | 12,055 |
| Liabilities | (9,972) | (9,946) |
| Shareholders' Equity | 365 | (2,109) |

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

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10. Investments (continued)

Axia Corporation Limited (owned 70% by Axion Ventures, Inc.)

Axia Corporation Limited is in a start-up phase, no revenue has been generated yet, so book value method appropriate. Axion Ventures investment was US\$2 million by contract, in increments of US\$500 thousand in April, July, and October 2017, and future investment in January 2018 of US\$500 thousand.

| | Book Value of Investment \$'000 | 31 December 2016 \$'000 |
|--------------------------------|---------------------------------------|-------------------------------|
| Axia Corporation Limited (70%) | 1,247 | - |

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|--|---|-------------------------------|
| Axia Corporation Limited Consolidated Condensed Financial Statements | | |
| Revenue | - | - |
| Gross Margin | (169) | - |
| Operating Expense | (402) | - |
| Other Income (Expense) | 7 | - |
| Net Income | (564) | - |
| Asset | 639 | 5 |
| Liabilities | (5) | (4) |
| Shareholders' Equity | (634) | (1) |

Investments Associates (IFRS 10 exception method "IE" and IAS 28)

Joint Venture with True Incube Co., Ltd.

On 27 December 2016, the Company announced that it entered into an agreement to form a joint venture with True Incube Co., Ltd. ("True Incube"), a subsidiary of True Corporation Public Company Limited, to establish a video game academy and development studio in Thailand. Under the terms of a joint venture and shareholders' agreement (the "JVA"), the joint venture was contemplated to operate as a newly-incorporated Thai company proposed to be named "True Axion Interactive Ltd." ("True Axion Interactive"), with a wholly-owned subsidiary of the Company holding a 49% equity interest in True Axion Interactive, True Incube holding a 40% equity interest in True Axion Interactive, and Red Anchor (Thailand) Co., Ltd., a limited company organised and existing under Thai law, holding an 11% equity interest in True Axion Interactive.

The capital contribution to True Axion Interactive will be a total of approximately US\$5 million from the Company. The initial capital contribution of approximately US\$2.5 million was made on the incorporation and organisation of True Axion Interactive in early February 2017. The second capital contribution of approximately US\$2.5 million will be made through a capital increase on the date that is 12 months from JVA (December 27, 2017). If the board of directors of True Axion Interactive determines that TAI require additional capital, the JVA sets out the process for providing additional finance.

| | 30 September RTO 2017 (unaudited) | Original Investment \$'000 | YTD Unrealised Gain/(Loss)* \$'000 | 30 September IE 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|---|---|----------------------------------|---|--|-------------------------------|
| Investments in True Axion Interactive (TAI) (49%) | 2,563 | 2,941 | 378 | 2,941 | - |

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Notes to the unaudited condensed consolidated interim financial statements For the Nine Months Ended 30 September 2017 and 2016

10. Investments (continued)

| True Axion Interactive Limited Condensed Financial Statements | 30 September 2017 (unaudited) \$'000 | 31 December 2016 (unaudited) \$'000 |
|---|---|--|
| Revenue | - | - |
| Gross Margin | - | - |
| Operating Expense | (550) | - |
| Other Income (Expense) | 4 | - |
| Net Income | (546) | - |
| Asset | 3,059 | - |
| Liabilities | (294) | - |
| Shareholders' Equity | (2,765) | - |

Preference Share with Innovega Inc.

Innovega's Note was converted on 19 October 2016, the Maturity Date, based upon the "Automatic Conversion upon Maturity" calculation terms of the Note. The Note and accrued interest were converted into 216,195 of newly-issued preference shares, representing 1.54% of the outstanding shares of Innovega on a fully diluted basis as of 30 September 2017. Innovega is a technology company that develops a display technology based on eyewear and contact lenses. The investment in the preference shares of Innovega represents a 1.87% holding (undiluted basis) in the company and is held at fair value through other comprehensive income. Innovega independent valuation is US\$16.5 (\$21) million.

| | 30 September RTO 2017 (unaudited) \$'000 | Investment Valuation \$'000 | Portion Unrealised Gain/(Loss) \$'000 | 30 September IE pm 2017 (unaudited) \$'000 | 31 December 2016 (unaudited) \$'000 |
|---|---|-----------------------------------|--|---|--|
| Investments in Innovega Inc. (1.87%) | 485 | 20,569 | (177) | 308 | 485 |

| Innovega Inc. Condensed Financial Statements | 30 September 2017 (unaudited) \$'000 | 31 December 2016 (unaudited) \$'000 |
|--|---|--|
| Revenue | 195 | 170 |
| Gross Margin | 26 | 128 |
| Operating Expense | (1,042) | (2,001) |
| Other Income (Expense) | (1,106) | (1,873) |
| Net Income | | |
| Asset | 451 | 675 |
| Liabilities | (2,249) | (1,854) |
| Shareholders' Equity | 1,798 | 1,179 |

Axion Ventures Inc.

Unaudited Condensed Consolidated Interim Financial Statements

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Notes to the unaudited condensed consolidated interim financial statements

For the Nine Months Ended 30 September 2017 and 2016

10. Investments (continued)

Investment in Red Anchor Trading Corporation.

On 26 October 2016, the Company entered into an investment agreement with Red Anchor Trading Corp. ("Red Anchor"), a company engaged in the business of developing an application known as "HotNow", which is a marketing automation platform for retailers to offer various promotions. The parties closed the transaction on April 4, 2017 and received final TSXV approval on April 7, 2016, whereby, in consideration for the US\$1.5 million investment, Red Anchor issued 9,375 ordinary shares of Red Anchor to the Company at US\$160 per share, representing 15% of the post-closing issued and outstanding voting shares of Red Anchor on a fully-diluted basis. Red Anchor Trading Corp independent valuation is US\$10 (\$12) million.

In connection with the investment, the Company received: (i) participation rights in any future security offering of Red Anchor that will allow it to maintain its proportionate interest in Red Anchor; (ii) tag-along rights in the event of certain share transfers; (iii) information rights to monthly management reports and financial statements of Red Anchor; (iv) inspection rights; and (v) for so long as the Company holds at least 5% of the outstanding shares of Red Anchor, the right to appoint at least one non-executive director to the Red Anchor board of directors.

| | 30 September RTO 2017 (unaudited) \$'000 | Investment Valuation \$'000 | Portion Unrealised Gain/(Loss) \$'000 | 30 September IE 2017 (unaudited) \$'000 | 31 December 2016 (unaudited) \$'000 |
|---|---|-----------------------------------|--|--|--|
| Investment in Red Anchor Trading Corporation (15%) | 1,919 | 12,466 | (49) | 1,870 | - |

| Red Anchor Trading Condensed Financial Statements | 30 September 2017 (unaudited) \$'000 | 31 December 2016 (unaudited) \$'000 |
|---|---|--|
| Revenue | 2 | - |
| Gross Margin | 2 | - |
| Operating Expense | (857) | (1,402) |
| Other Income (Expense) | - | - |
| Net Income | (855) | (1,402) |
| Asset | 595 | 297 |
| Liabilities | (16) | (18) |
| Shareholders' Equity | (579) | (279) |

Term deposit investment

The term deposit is a twelve-month deposit account held at amortised cost. The \$2,629 thousand investment attracts interest at prime minus 2.10%.

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016****11. Trade and other receivables**

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|--|---|--|
| Amounts falling due within one year: | | |
| Amounts due from customers for contract work | - | - |
| Trade receivables | - | 1,022 |
| Amounts due from related parties (Note 18) | 1,378 | 237 |
| Rental deposit | - | 205 |
| Loan to employees | - | 29 |
| Other receivables | - | 14 |
| Prepaid expenses | 30 | 775 |
| | <u>1,408</u> | <u>2,282</u> |

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

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

The principal amount of the Axion Games loans is US\$1,005 thousand. All loans bear interest at 8% and the maturity date is the earlier of one year or demand. Axion Ventures intends to convert the aggregate balance of the loans provided to Axion Games into shares in Axion Games at the next rights offering by Axion Games.

An addition, \$373 thousand loan to a related party, Red Anchor (Thailand) Co., Ltd., a limited company organised and existing under Thai law, which holds an 11% equity interest in True Axion Interactive Ltd., before the Thailand Board of Investment (BOI) status approved.

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 zero.

The allowance account for trade receivables was as follows:

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|-----------------------------------|---|--|
| At 1 January | (252) | - |
| Decrease in provision in the year | 252 | (252) |
| As at ended period | <u>-</u> | <u>(252)</u> |

As at 30 September 2017 and 31 December 2016, trade receivables that were neither past due nor impaired related to a number of distribution channels nor payment vendors, for whom there was no recent history of default that had a good track record of credit with the Company.

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

Axion Ventures Inc.
Unaudited Condensed Consolidated Interim Financial Statements
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Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016

12. Cash and cash equivalents

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|--------------|---|-------------------------------|
| Cash at bank | 1,287 | 6,028 |

For the nine months ended 30 September 2017, the short-term bank deposits earned prime minus 2.10% in Canada.

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.

13. Trade and other payables

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|---|---|-------------------------------|
| Amounts falling due within one year: | | |
| Trade payables | - | 305 |
| Amounts due to related parties (Note 18) | 33 | 573 |
| Accrued salaries and benefits | - | 1,703 |
| Other tax liabilities | - | 1,750 |
| Advances from customers | - | 492 |
| Accrued expenses | 36 | 1,921 |
| Other payables | - | 35 |
| | 69 | 6,779 |

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.

14. Share capital

| | Company Number of shares |
|---|---|
| At 31 December 2016 | 216,972,450 |
| Issue of share capital – True private placement (18 January 2017) | 20,000,000 |
| Shares issued in connection with partial warrant exercise (3 April 2017) | 20,000 |
| Shares issued in connection with remaining warrant exercise (11 May 2017) | 130,000 |
| At 30 September 2017 | 237,122,450 |

Authorised share capital

At 30 September 2017, the authorised share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

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For the Nine Months Ended 30 September 2017 and 2016

14. Share capital (continued)

Issued and outstanding

At 30 September 2017, there were 237,122,450 common shares of the Company issued and outstanding. Of this amount, 71,098,393 (out of 119,823,541 as of 31 December 2016) common shares were issued but subject to future release under escrow agreements as of 30 September 2017, as described below.

Escrow shares

353,750 CPC Escrow Shares, 21,473,901 Surplus Escrow Shares and 10,408,699 Value Escrow Shares were all released on 17 November 2017. 5,862,042 voluntary pooled/escrowed Shares were released on 23 August 2017 with the final 5,862,043 to be released on 23 February 2018.

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 million 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.

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.

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016****14. Share capital (continued)**

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

| | Number | Weighted Average Exercise Price \$ |
|----------------------------------|-------------------|---|
| Balance at 31 December 2016 | 14,150,000 | 0.49 |
| Granted | - | - |
| Forfeited | (500,000) | (0.45) |
| Exercised | - | - |
| Balance at 30 September 2017 | <u>13,650,000</u> | <u>0.49</u> |
| Exercisable at 30 September 2017 | <u>350,000</u> | <u>0.25</u> |

For the period ended 30 September 2017, share-based compensation was \$988 thousand (2016: \$242 thousand) which was included in share-based compensation expense in the financial statements.

At 30 September 2017, the Company had the following stock options outstanding, entitling the holders thereof to acquire the following common shares in the Company:

| <u>Number of shares</u> | <u>Exercise Price (\$)</u> | <u>Expiry Date</u> |
|-------------------------|----------------------------|--------------------|
| 350,000 | 0.25 | 11 May 2021 |
| <u>13,300,000</u> | 0.50 | 30 December 2021 |
| <u>13,650,000</u> | | |

During the period ended 30 September 2017, the Company issued no stock options, but 500,000 stock options expired unexercised on 24 April 2017. As a result, as of 30 September 2017 there were 13,650,000 stock options outstanding.

The weighted average fair value of stock options granted during the nine months ended 30 September 2017, of \$0.50 per option, was calculated as of the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

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

At 30 September 2017, the weighted average remaining contractual life of the outstanding stock options was 4.25 years.

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

(Expressed in Canadian dollars)

**Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016****14. Share capital (continued)***Share purchase warrants*

Share purchase warrant transactions are summarised as follows:

| | Number of Shares | Weighted Average Exercise Price \$ |
|----------------------------------|---------------------|---|
| Balance at 31 December 2016 | 1,150,000 | 0.24 |
| Issued | - | - |
| Forfeited | - | - |
| Exercised | (150,000) | 0.20 |
| Exercisable at 30 September 2017 | <u>1,000,000</u> | <u>0.25</u> |

Shares issued in connection with partial warrant exercise

On April 3, 2017, the Company issued an aggregate of 20,000 shares as a result of the partial exercise of outstanding financing finder's warrants issued at the closing of the QT.

On May 11, 2017, the Company issued an aggregate of 130,000 shares as a result of the remaining exercise of outstanding financing finder's warrants issued at the closing of the QT. As a result, as of 30 September 2017 there were 1,000,000, warrants outstanding.

The following table summarises warrants outstanding at 30 September 2017:

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

At 30 September 2017, all warrants are exercisable.

- i. The Company issued 1,000,000 share purchase warrants ("finder's warrants",) with an exercise price of \$0.25, as a finder's fee for the investment in Axion Games on 11 May 2016. Each finder's warrant is exercisable into one common share of the Company and will expire two years from the date of issuance. The fair value of the finder's warrants was calculated to be \$102 thousand using the Black-Scholes option pricing model.

The weighted average fair value of warrants issued during the nine months ended 30 September 2017, of \$0.10 per warrant, was calculated as of the date of issue using the Black-Scholes option pricing model using the following weighted average assumptions:

| | 2016 |
|------------------------------|-------------|
| Expected life of options | 1.74 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 |

Axion Ventures Inc.

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Notes to the unaudited condensed consolidated interim financial statements

For the Nine Months Ended 30 September 2017 and 2016

15. Earnings per share

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

| | Three months ended 30 September (unaudited) | | Nine months ended 30 September (unaudited) | |
|---|---|---------------------------|--|---------------------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Earnings for the purposes of basic earnings per share being the net income (loss) attributable to the owners of the Company | 117,574 | (928) | 113,819 | (3,524) |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 162,647,011 | 59,164,436 | 143,677,886 | 39,152,257 |
| Basic and diluted earnings per share | 72.29 cents per share | (1.57) cents per share | 79.22 cents per share | (9.00) 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.

16. Financial instruments

Fair value information

As at 30 September 2017, the Company's financial instruments comprise investments, cash and cash equivalents, trade and other receivables, and trade and other payables.

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

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

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

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

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

As of 30 September 2017, the Company held investments consisting of common shares in Axion Games Limited, Axia Corporation Limited, True Axion Interactive Limited, Red Anchor Trading Corp., and Innovega Inc. which were classified as available for sale and recognised at fair value. The investments were recognised at fair value at the period end.

In addition, the Company also held \$2,629 thousand in short-term deposit investments at a local bank in Vancouver, Canada.

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Notes to the unaudited condensed consolidated interim financial statements For the Nine Months Ended 30 September 2017 and 2016

16. 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 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 30 September 2017 (unaudited) | | | |
| Trade payables | - | - | - |
| Amounts due to related parties (Note 18) | 33 | - | 33 |
| Accrued salaries and benefits | - | - | - |
| Other tax liabilities | - | - | - |
| Accrued expenses | - | 36 | 36 |
| Other payables | - | - | - |
| | <u>33</u> | <u>36</u> | <u>69</u> |

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For the Nine Months Ended 30 September 2017 and 2016

16. Financial instruments (continued)

| | On-demand \$'000 | Within one year \$'000 | Total \$'000 |
|--|---------------------|------------------------------|-----------------|
| At 31 December 2016 | | | |
| Trade payables | - | 305 | 305 |
| Amounts due to related parties (note 18) | 573 | - | 573 |
| Accrued salaries and benefits | - | 1,703 | 1,703 |
| Tax liabilities | - | 1,750 | 1,750 |
| Advances from customers | - | 492 | 492 |
| Accrued expenses | - | 1,921 | 1,921 |
| Other payables | - | 35 | 35 |
| | <u>573</u> | <u>6,206</u> | <u>6,779</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 prime plus minus 2.10%.

Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in its operations

The operating subsidiary, Axion Games mainly operates in the PRC and majority of the transactions are settled in RMB. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. At 30 September 2017, the Company did not have significant foreign currency risk from its operations.

Credit risk

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

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

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

Axion Ventures Inc.

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17. Capital management

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

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

18. Related party transactions

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

Income in the period:

| | 30 September 2017 (unaudited) \$'000 | 30 September 2016 (unaudited) \$'000 |
|--|---|---|
| Outsourcing services fee received from Epic Games International Ltd, a shareholder of the Axion Games* | 501 | 350 |

Expense in the period:

| | 30 September 2017 (unaudited) \$'000 | 30 September 2016 (unaudited) \$'000 |
|---|---|---|
| Office rent, and administration charged to a private company controlled by the former CEO | 23 | 18 |

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

| | 30 September 2017 (unaudited) \$'000 | 30 September 2016 (unaudited) \$'000 |
|---------------------|---|---|
| Management fees | 602 | 81 |
| Consulting fees | - | 16 |
| Share-based payment | 988 | 242 |
| | <u>1,590</u> | <u>339</u> |

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements
For the Nine Months Ended 30 September 2017 and 2016****18. Related party transactions (continued)**

Receivables:

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|--|---|--|
| Red Anchor (Thailand) Co., Ltd., | 373 | - |
| Axion Games Limited (Convertible Loan) | 1,005 | - |
| | <u>1,378</u> | <u>-</u> |

Payables:

| | 30 September 2017 (unaudited) \$'000 | 31 December 2016 \$'000 |
|---------------------|---|--|
| Axion Games Limited | 33 | - |
| | <u>33</u> | <u>-</u> |

*subsidiary income statement or balance sheet accounts

19. Investment companies detail

Axion Interactive Incorporation:

| Name | Country of incorporation | Proportion of issued capital effectively held | Nature of business |
|---------------------------------|-------------------------------------|--|---------------------------|
| Axion Interactive Incorporation | BVI | 100% | Investment holding |

Axia Corporation Limited:

| Name | Country of incorporation | Proportion of issued capital effectively held | Nature of business |
|---------------------------------|-------------------------------------|--|---------------------------|
| Axia Corporation Ltd | Hong Kong | 70% | Investment holding |
| Axia Corporation Ltd (Thailand) | Thailand | 70% | Software development |

True Axion Interactive Limited:

| Name | Country of incorporation | Proportion of issued capital effectively held | Nature of business |
|----------------------------|-------------------------------------|--|---------------------------|
| True Axion Interactive Ltd | Thailand | 49% | Software development |

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements****For the Nine Months Ended 30 September 2017 and 2016****19. Investment companies detail (continued)**

Axion Games Limited:

| Name | Country of incorporation | Proportion of issued capital effectively held | Nature of business |
|---|---------------------------------|--|---|
| Axion Games Ltd | Cayman Islands | 51% (direct and indirect) | 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 |
| Shanghai YingPei Digital Technology Co., Ltd | Shanghai, PRC | 100% | Software development |
| Ying Pei Digital Technology (Suzhou) Co., Ltd. | Suzhou, PRC | 100% | Software development |
| Digital Arts Academy International Group Limited ("DA BVI") | BVI | 100% | Investment holding |
| Taozhi Digital Technology (Shanghai) Co., Ltd. | Shanghai, PRC | 70% | Game academy |
| Shanghai Zhenyou Network Technology Ltd.* | Shanghai, PRC | 100% | Software development and game operation |
| Shanghai Ying Pei Software Co., Ltd.* | Shanghai, PRC | 100% | Software development |

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

Red Anchor Trading Corporation:

| Name | Country of incorporation | Proportion of issued capital effectively held | Nature of business |
|--------------------------------|---------------------------------|--|---------------------------|
| Red Anchor Trading Corporation | BVI | 15% | Investment holding |
| HotNow (Thailand) Co., Ltd | Thailand | 7.35% (15% x 49%) | Software development |

Innovega Incorporation:

| Name | Country of incorporation | Proportion of issued capital effectively held | Nature of business |
|---------------|---------------------------------|--|---------------------------|
| Innovega Inc. | USA | 2% | Lens and nanotechnology |

Axion Ventures Inc.**Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Notes to the unaudited condensed consolidated interim financial statements****For the Nine Months Ended 30 September 2017 and 2016****20. Events after the reporting date***Escrow Shares*

As a result of the release schedule for voluntary escrow, 32,236,350 shares were released on 17 November 2017. Shares were subject to TSXV or voluntary escrow and as at 30 September 2017 and 29 November 2017, 71,098,393 shares and 38,862,043 shares, respectively.

| | 30 September | Released 17 November | 29 November |
|---|---------------------|---------------------------------|--------------------|
| Shares held subject to CPC escrow agreement | 353,750 | 353,750 | - |
| Shares held subject to performance escrow agreement | 33,000,000 | - | 33,000,000 |
| Shares held subject to surplus escrow agreement | 21,473,901 | 21,473,901 | - |
| Shares held subject to value escrow agreement | 10,408,699 | 10,408,699 | - |
| Shares held subject to pooling agreement | 5,862,043 | - | 5,862,043 |
| Balance 2017 | 71,098,393 | 32,236,350 | 38,862,043 |