AXION VENTURES INC.

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2017

INTRODUCTION

This management discussion and analysis ("MD&A") is dated November 29, 2017.

The following MD&A of the financial condition and results of the operations of Axion Ventures Inc. ("Axion Ventures" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2017. This MD&A was written to comply with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations* and Form 51-102F1 *Management Discussion and Analysis.*

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2017, and with the audited consolidated financial statements for the year ended December 31, 2016, along with related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars unless otherwise noted. References to US$ are to United States dollars.

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

Additional information about Axion Ventures is available at www.sedar.com ("SEDAR").

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

NATURE OF BUSINESS AND CORPORATE DEVELOPMENTS

Axion Ventures

The Company was incorporated under the British Columbia *Business Corporations Act* on June 21, 2011 and was classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange ("TSXV" or "Exchange"). On December 2, 2011, the common shares of the Company commenced trading under the symbol "CSP.P". The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT") as defined in Policy 2.4 of the TSXV. On May 11, 2016, the Company completed the transactions for its QT and on May 17, 2016, the Company received final TSXV approval by way of the Final Exchange Bulletin, which constituted "Completion of the Qualifying Transaction" under the TSXV policies. As a result, on May 17, 2016, the Company became an Investment Issuer under the policies of the TSXV. Since completion of the QT, the Company has been an investment company focused primarily on investments in the online video gaming and other information technology sectors.

On November 1, 2016, the Company was upgraded to a Tier 1 Investment Issuer by the TSXV, on March 9, 2017 the Company changed its name from "Capstream Ventures Inc." to "Axion Ventures Inc." and on March 10, 2017, the Company's common shares began trading on the TSXV under the new name and new symbol "AXV".

The address of the Company's corporate head office is 530 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6. The Company also has offices in Bangkok, Thailand, Hong Kong, 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 the beneficial interest of 29.29% of Axion Games. In exchange for the foregoing interest in Axion Games, the Company issued a total of 150,168,692 Company common shares to the respective selling shareholders.

In August 2016, the Company closed eight additional share exchange agreements that were entered into between May 18, 2016 and August 4, 2016, whereby the Company acquired additional interests in AEIH, AEH and Axion Games directly. As a result, the Company acquired an aggregate additional 16.79% beneficial interest in Axion Games, resulting in a total beneficial interest of 46.08% of Axion Games. In exchange for the foregoing interest in Axion Games, the Company issued a total of 33,581,358 Company common shares to the selling shareholders.

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

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

Innovega

As part of the QT completed in May 2016, the Company also completed an investment of US$350,000 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 ("VR"), augmented reality ("AR"), and mixed reality experiences from stylish glasses. The Company currently holds approximately 10.06% of Innovega's issued and outstanding preference shares and approximately 1.87% of Innovega's total issued and outstanding shares (common and preference on an undiluted basis).

True Axion Interactive

On December 27, 2016, the Company and True Incube Co., Ltd. ("True Incube"), a subsidiary of True Corporation Public Company Limited ("True Corporation"), one of Southeast Asia's leading telecommunications, media enterprises and game publishers, agreed to form a joint venture to establish a video game academy and development studio in Thailand. Under the terms of a joint venture and shareholders' agreement (the "JVA"), the joint venture operates as a newly incorporated Thai company named "True Axion Interactive Ltd." ("TAI") (formerly "True Axion Games Ltd."), with a wholly-owned subsidiary of the Company ("Axion Interactive") holding a 49% equity interest in TAI, True Incube holding a 40% equity interest in TAI and Red Anchor (Thailand) Co., Ltd., a limited company organised and existing under Thai law, holding a 11% equity interest in TAI.

The terms of the JVA and other ancillary agreements include, but are not limited to, the following:

- *True Concurrent Investment*. True Incube agreed to invest $10,000,000 into the Company by way of a non-brokered private placement (the "True Private Placement"), whereby the Company agreed to issue 20,000,000 common shares at a price of $0.50 per share. The True Private Placement closed in the first quarter of 2017 (January 18, 2017) and the shares issued pursuant to the True Private Placement are subject to a three (3) year voluntary trading restriction. In addition, in connection with the True Private Placement, True Incube has the right to appoint a director to the Board, which has been exercised.
- *Initial Contributions and Additional Capital*. The capital contribution to TAI will be a total of approximately US$5 million [Thai Baht of 177 million] from the Company. The initial capital

contribution of approximately US$2.5 million [Thai Baht of 89 million] was made on the incorporation and organisation of TAI in early February 2017. The second capital contribution of approximately US$2.5 million [Thai Baht of 89 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 TAI determines that TAI requires additional capital, the JVA sets out the process for providing additional finance.

Red Anchor Trading/HotNow

On October 26, 2016, the Company entered into an investment agreement with Red Anchor Trading Corp. ("Red Anchor"), a company engaged in the business of developing an application known as "HotNow", which is a marketing automation platform for retailers to offer various promotions. The parties closed the transaction on April 4, 2017 and received final TSXV approval on April 7, 2017, 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.

Axia Corporation

On May 2, 2017, the Company formed a joint venture with Coherent Asia, Limited ("Coherent") to research and develop a fintech risk allocation platform business intended to initially service Southeast Asia countries. Under the terms of the agreement, the joint venture initially operates as a Hong Kong company named "Axia Corporation Limited" ("Axia"), with a wholly-owned subsidiary of the Company holding a 70% interest and Coherent holding a 30% interest in Axia. Through its wholly-owned subsidiary and pursuant to the joint venture agreement, the Company funded an initial US$500 thousand upon entering into the joint venture and US$500 thousand at the beginning of the third and fourth quarters (July and October). The Company's last funding obligation of US$500 thousand occurs at the beginning of the first quarter of 2018.

Change in Accounting Treatment

In October 2012, the 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 (an investment entity is prohibited from consolidating its subsidiaries or applying IFRS 3 Business Combinations when it obtains control of another entity[1]).

An investment entity is an entity that meets all of the following criteria (the "definition"):

- It obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- It commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- It measures and evaluates the performance of substantially all of its investments on a fair-value basis.

In assessing whether it meets the definition of an investment entity, an entity is required to consider whether it has the following typical characteristics:

- It has more than one investment;
- It has more than one investor;

[1] IFRS 10 Consolidated Financial Statements

- It has investors who are not related parties of the entity; and
- It has ownership interests in the form of equity or similar interests.

As noted above, the investment entity amendments to IFRS 10 provide an exception from the requirements of consolidation, and instead require investment entities to present their investments in subsidiaries as a net investment that is measured at fair value. The exception means that investment entities will be able to measure all of their investments at fair value, using the requirements in IFRS.

Subsidiary 1: Axion Games (owned 51.01% by Axion Ventures)

The Company engaged an independent valuation firm to determine the fair value of Axion Games only. The independent valuation company estimated discount future income for Axion Games at $333 million (US$267 million). This was determined using discounted cash flow and market approach – enterprise value/revenue multiple methods.

Valuation Q3 2017	100% Investment Valuation $'000	Book Value of Axion Games in Axion Ventures $'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	-

Subsidiary 2: Axia (owned 70% by Axion Ventures)

Axia is currently in a start-up phase and presently no revenue has been generated; therefore, the Company believes the book value method is appropriate. As noted above, Axion Ventures has invested approximately US$1.5 million in three quarterly tranches with its last funding obligation of US$500 thousand due January 2018.

Valuation Q3 2017	30 September 2017 (unaudited) $'000	31 December 2016 $'000
Axia Corporation Limited (70%)	1,247	-

IAS 28 Investments in Associates and Joint Ventures

The 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. See Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2017 and 2016 Note 10: Investments Associates (IFRS 10 exception method "IE" and IAS 28).

Overview – Summary of Businesses at September 30, 2017

Axion Games

Axion Games owns two studios in PRC, one in Shanghai and a smaller one in Suzhou, with a combined total of approximately 329 employees as of September 30, 2017. 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 forward is to lead PRC and Southeast Asia in the development of VR games and AR applications.

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 developed 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 ("IP") currently under development, "Rising Fire", is a multiplayer online, third-person shooting and a role-playing game which 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. In July, Axion Games completed a closed beta test, which is the third public test of Rising Fire in China by Tencent.

Axion Games focuses primarily on developing high production value (30 to 500 man-year) 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.

<u>True Axion Interactive</u>

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

Shortly after forming the joint venture, TAI started assembling a team of developers (currently approximately 55 developers), who are currently working on the preproduction and prototypes of five initial projects (one finished project). All of the projects are mobile-focused on the underlying design and infrastructure that are ready to be extended to multiple platforms shall the games be proven to gain traction in the market. The first game is expected to ship by September 2018.

In August 2017, the TAI team moved into its new office, which can accommodate approximately 125 developers and four classrooms for TAI's Game Academy (discussed below). TAI plans to fully occupy the space within the next 18 months.

TAI has also finished the requisite documentation for the Thai government educational business and TAI expects instruction to begin January 15, 2018.

In summary, the TAI team has initiated or completed the following since its very recent inception:

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

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

- The TAI team has entered into three outsourcing agreements, which include two drone racing and battle games.

<u>Innovega</u>

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 eyewear designs. As of September 30, 2017, the Company held approximately 10.06% of Innovega's issued and outstanding preference shares and approximately 1.87% of Innovega's total issued and outstanding shares (common and preference in undiluted basis).

Innovega management began the recent quarter with two key objectives:

- Continue preparation of smart glasses and sample lenses to test the efficacy of proposed product and application relating to launching wearable display product to the U.S. market of 5 million low-vision patients.

- Further discussions with at least one contact lens contract manufacturer and one glasses manufacturer that could support the proposed launch.

During this period, the following was accomplished:

- Innovega continued to refine a proposed go-to-market plan and initiate activities relating to a display aid for low-vision patients in North America.

- An initial meeting was held with a leading smart glasses supplier that has indicated strong interest in co-developing and fabricating Innovega low-vision display eyewear. In the same manner, discussions began with a contact lens supplier that could manufacture initial volumes of lenses for the potential launch into the low-vision patient market.

<u>Red Anchor Trading/HotNow</u>

Red Anchor is 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 three months ended September 30, 2017 has been HotNow's second full quarter of live operation. However, HotNow has remained on Thailand's Top 10 list of free lifestyle applications on iOS App Store for the third quarter ending September 30, 2017 and is ranked number 6 of Lifestyle applications (ranked number 35 of top 50 on Google Play store in Thailand). The HotNow team emphasis for the entire quarter has been spent on product and customer focus. However, the user base is still somewhat modest (from ~200 thousand downloads to ~550 thousand downloads during the quarter), as it is also a new business model for merchants.

The HotNow team has limited its marketing expenses versus its initial budget to focus on certain design and software tweaks required before soliciting the next wave of customers. The company spent approximately US$200 thousand (Q2 2017 US$120 thousand and Q3 2017 US$80 thousand) in direct marketing cost, from the planned US$250 thousand to US$400 thousand, and managed to increase its user base by roughly 247 thousand users.

The next immediate production development cycle will involve expansion of core features into POS, CRM, and a customer loyalty program to help merchants further strengthen relationships with their customers. These new features are expected to enable the HotNow team to understand further user spending habits, which in turn is expected to allow the team to expand the revenue model into collecting service fees in the form of commission taken out from the top line of sales.

Axia Corporation

Axia continues extensive development of the core insurance risk-transfer technology making significant improvements in both speed and scalability. With software development well underway in Bangkok, Thailand, Axia Technologies Pte Ltd was incorporated in Singapore on July 9, 2017 to expand its distinguished senior management team and refine the go-to-market strategy.

OVERALL PERFORMANCE

Axion Ventures

The Company's most significant investment to date is in Axion Games, which was historically consolidated in the financial statements. The Board and senior management have approved a change in accounting treatment from reverse acquisition accounting to investment company accounting. As a result, Axion Ventures is now an investment entity as defined in IFRS 10 and remains focused on investments in the online video gaming and other IT sectors (see "INVESTMENTS/ACQUISITIONS - Change in Accounting Treatment").

As at September 30, 2017, the Company had $1,287 thousand (December 31, 2016 - $6,028 thousand) of cash and cash equivalents, and total current assets of $5,324 thousand (December 31, 2016 - $11,872 thousand). The decrease in total current assets was primarily due to Axia investments, loans to Axion Games, and includes salaries of Axion Ventures employees.

Current liabilities at September 30, 2017 totalled $69 thousand (December 31, 2016 - $10,605 thousand). The decrease is due primarily to the change in accounting treatment whereby the balance sheets of Axion Games and Axia were deconsolidated.

Shareholders' equity is comprised of share capital of $67,378 thousand (December 31, 2016 - $57,984 thousand); a foreign currency translation reserve of negative $454 thousand (December 31, 2016 - negative $1,177 thousand); a share-based payment reserve of $1,285 thousand (December 31, 2016 - $508 thousand); a reverse acquisition reserve of negative $24,745 thousand that remained unchanged; and retained earnings of $138,141 thousand (December 31, 2016 – negative $23,581 thousand); for total equity attributable to the shareholders of Axion Ventures of $181,605 thousand (December 31, 2016 - $8,989 thousand).

Working capital, which is comprised of current assets less current liabilities, was $5,255 thousand at September 30, 2017, compared to a working capital of $1,267 thousand at December 31, 2016. During the nine months ended September 30, 2017, the Company reported a net income of $112,821 thousand ($0.792 basic and diluted income per share) compared to a net loss of $3,323 thousand (negative $0.090 basic and diluted loss per share, during the period ended September 30, 2016). The foregoing changes are primarily due to a change in the Company's accounting treatment (see "INVESTMENTS/ACQUISITIONS - Change in Accounting Treatment").

The Company's revenue increased approximately $115,739 thousand for the nine months ended September 30, 2017, compared to the period ended September 30, 2016. The increase is due to a change in the Company's accounting treatment (see "INVESTMENTS/ACQUISITIONS - Change in Accounting Treatment").

For further discussion and analysis of the Company's financial condition, financial performance, and cash flows, please see "DISCUSSION OF OPERATIONS" and "CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES" below.

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended September 30, 2017 and 2016

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, 2017 and 2016:

	Three Months Ended September 30,			
$'000s (except for percentage amounts)	**2017**	**2016**	**Variance**	**% change**
Revenue	**121,460**	**2,795**	**118,665**	**4,246%**
Gross profit/(loss)	**119,974**	**1,282**	**118,692**	**9,258%**
Research & development and distribution expenses	(977)	(1,349)	(372)	(28%)
General and administrative expenses	(704)	(353)	351	99%
Corporate administrative expenses	(929)	(335)	594	177%
Share of net loss of associate	(187)	-	187	-
Other income/(loss)	60	(151)	211	140%
Income/(loss) on ordinary activities before taxation	117,237	(906)	118,143	13,040%
Income tax	-	-	-	-
Income/(loss) for the period	**117,237**	**(906)**	**118,143**	**13,040%**

Revenue

Total revenue for the three months ended September 30, 2017 was $121,460 thousand (Q3 2016 - $2,795 thousand) and is comprised of the following:

	Three Months Ended September 30,	
$'000s	**2017**	**2016**
Net Change in Unrealised Gains on Investment	119,703	-
Outsourcing:		
Wanda	527	660
Non-Wanda outsourcing	435	689
Licensing	64	251
Game operation	589	1,063
Training	142	132
Total Revenue	**121,460**	**2,795**

Net Change in Unrealised Gains on Investment. See "INVESTMENTS/ACQUISITIONS - Change in Accounting Treatment".

Outsourcing Revenue. Wanda outsourcing revenue for the three months ended September 30, 2017 was $527 thousand (Q3 2016 - $660 thousand). The decline in revenue compared to the prior year period corresponds to the decrease of Wanda outsourcing revenue as the company focused its development on in-house titles.

Non-Wanda outsourcing revenue decreased approximately $254 thousand, or 37%, as demand grew in smaller-contract outsourcing activity with Smilegate, Zhong Hang Rong Chuang, NC Soft and Epic Games (Epic Games remains a shareholder of Axion Games). This revenue source varies from period to period as customer needs and demands change.

Licensing Revenue. Game Licensing revenue was $64 thousand for the three months ended September 30, 2017 (Q3 2016 - $251 thousand). The decrease was attributable to an expected decline in revenues from MARS 1 & 2, as the online game product ages outside China.

Game Operation Revenue. Game operation revenue (primarily MARS revenue generated in China) was $589 thousand for the three months ended September 30, 2017 (Q3 2016 - $1,063 thousand). All revenue this quarter is from MARS 3.

Training Revenue. Training school revenue was $142 thousand for the three months ended September 30, 2017 (Q3 2016 - $132 thousand). The Company continues to explore ways to expand its game development training in China and Southeast Asia.

Cost of Sales / Gross Margin

Cost of sales for the three months ended September 30, 2017 was $1,486 thousand compared to $1,513 thousand. The decrease of approximately $27 thousand was the net result of ceasing development of MARS 1 & 2 in favour of developing and programming of MARS 3.

Expenses

	Three Months Ended September 30,	
$'000s	**2017**	**2016**
Research, development and distribution expenses	(977)	(1,349)
General and administrative expenses	(704)	(353)
Corporate administrative expenses	(929)	(335)
Share of net loss of associate	(187)	-
Expense	**(2,797)**	**(2,037)**

Operating expenses were $2,797 thousand for the three months ended September 30, 2017, compared to $2,037 thousand for the same period in 2016. Expenses for the period include the following:

- Research, development and distribution costs were $977 thousand for the three months ended September 30, 2017 (Q3 2016 - $1,349 thousand). The decrease compared to the prior year period corresponds to the discontinuation of marketing MARS 1&2 in favour of marketing MARS 3, which launched June 16, 2017.

- General and administrative costs were $704 thousand for the three months ended September 30, 2017 (Q3 2016 - $353 thousand). These general and administrative costs increased as a result of additional salaries, recruiting, and rent expenses related to the Company's Axia joint venture (see "INVESTMENTS/ACQUISITIONS – Axia Corporation").

- Corporate administrative costs were $929 thousand for the three months ended September 30, 2017 (Q3 2016 - $335 thousand). These administrative costs increased due to additional operating expenses arising from the operation of Axion Ventures, the listed parent company, which primarily include the following: $335 thousand of stock option expenses (a cashless transaction), management fees of $187 thousand (see Related Party Transactions below), travel $163 thousand, $172 thousand of financial audit and accounting fees, and consulting fees of $62 thousand.

- The share of net loss of associate equalled $187 thousand for the three months ended September 30, 2017 (Q3 2016 - $Nil). This cost increase relates to Axion Ventures 49% ownership in the newly-formed TAI (see "INVESTMENTS/ ACQUISITIONS – True Axion Interactive"), which began to incur as an expense during the period ended September 30, 2017. The preceding net loss/incurred expense includes the Company's proportionate share of net loss for the salaries and expenditures of developers, artists and programmers.

Comparison of the Nine Months Ended September 30, 2017 and 2016

The following table sets out revenue, profit and expenses of the Company and includes variances and percentage changes for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,			
$'000s (except for percentage amounts)	**2017**	**2016**	**Variance**	**% change**
Revenue	**125,356**	**9,617**	**115,739**	**1,203%**
Gross profit	**121,267**	**5,121**	**116,146**	**2,268%**
Research & development and distribution expenses	(3,358)	(3,729)	(371)	(10%)
General and administrative expenses	(2,022)	(1,729)	293	17%
Corporate administrative expenses	(2,945)	(670)	2,275	340%
Share of net loss in associate	(267)	-	267	-
Listing fee	-	(2,203)	(2,203)	(100%)
Other income / (loss)	147	(96)	243	253%
Income / (loss) on ordinary activities before taxation	112,822	(3,306)	116,128	3,513%

	Nine Months Ended September 30,			
$'000s (except for percentage amounts)	**2017**	**2016**	**Variance**	**% change**
Income taxes	(1)	(17)	16	94%
Net income / (loss)	**112,821**	**(3,323)**	**116,144**	**3,495%**

Revenue

Revenue for the nine months ended September 30, 2017 was $125,356 thousand, compared to $9,617 thousand in the same period in the prior year. The increase was primarily due to investment exception implementation on September 30, 2017 (see "INVESTMENTS/ACQUISITIONS - Change in Accounting Treatment").

	Nine Months Ended September 30,	
$'000s	**2017**	**2016**
Net Change in Unrealised Gains on Investment	119,703	-
Outsourcing:		
Wanda	1,012	3,573
Non-Wanda outsourcing	1,870	2,027
Licensing	161	316
Game operation	2,290	3,170
Training	320	531
Total Revenue	**125,356**	**9,617**

Net Change in Unrealised Gains on Investment. See "INVESTMENTS/ACQUISITIONS - Change in Accounting Treatment".

Outsourcing Revenue. Axion Games has one major outsourcing contracts with Wanda, China's largest real estate developer. Wanda is developing several large format amusement parks throughout China, and Axion Games won two highly competitive bids to create interactive content for two of Wanda's amusement parks. For the nine months ended September 30, 2017, Wanda outsourcing revenue was $1,012 thousand, versus $3,573 thousand for the same period in 2016. The decline in Wanda outsourcing revenue was primarily due to an accounting estimate change last year (2016), whereby Axion Games determined that the percentage of completion method was not a reliable way to estimate revenue recognition. As a result, Axion Games has taken a more conservative view, whereby revenue has been restricted to costs incurred and no profit recognised as the stage of completion of the project cannot currently be reliably estimated. However, upon completion or near completion of the Wanda project, Axion Games expects to recognise the revenue difference in subsequent periods (2018).

Non-Wanda outsourcing revenue was $1,870 thousand for the nine months ended September 30, 2017, versus $2,027 thousand for the same period in 2016. This revenue source can vary from quarter to quarter depending on customer needs and demands.

Licensing Revenue. Video game licensing revenue was $161 thousand for the nine months ended September 30, 2017, compared to $316 thousand for the same period in 2016. There was no material change in the array of Axion Games' global publishing partners, but MARS, now a five-year-old online game, is exhibiting anticipated declines in its overseas (outside China) licensing revenues.

Game Operation Revenue. Revenue from game operation was $2,290 thousand for the nine months ended September 30, 2017, down approximately $880 thousand from the same period in 2016 ($3,170 thousand). The decline relates to the expected decline in MARS 1 & MARS 2 revenues as the online game ages, partially offset by YTD Q3 2017 MARS 3 revenue of $840 thousand.

Training Revenue. To provide qualified employees to its game development studios, Axion Games operates a video game development training school. Training school revenue was $320 thousand for the nine months ended September 30, 2017, versus $531 thousand for the same period in 2016. The decline of $211 thousand resulted from a shift by Axion Games to an online-learning business model in China. The Company is exploring ways to expand its game development training in China and Southeast Asia. In early 2018, the Company plans to offer training courses in VR and AR game and application development.

Cost of Sales / Gross Margin

Cost of sales for the nine months ended September 30, 2017 was $4,089 thousand and $4,496 thousand for the same period in 2016. The decrease of approximately $407 thousand was the result of ceasing development of MARS 1 & MARS 2 in favour of developing and programming of MARS 3.

Expenses

	Nine Months Ended September 30,	
$'000s	**2017**	**2016**
Research & development and distribution expense	(3,358)	(3,729)
General and administrative expense	(2,022)	(1,729)
Corporate administrative expenses	(2,945)	(670)
Share of net loss of associate	(267)	-
Listing fee	-	(2,203)
Expense	(8,592)	(8,331)

Operating expenses were $8,592 thousand for the nine months ended September 30, 2017, compared to $8,331 thousand for the same period in 2016. Expenses for the period include the following:

- Research, development and distribution costs of $3,358 thousand (September 30, 2016 - $3,729 thousand). The decrease is primarily due to a decrease in programming staff level in Shanghai, China.

- General and administrative costs of $2,022 thousand (September 30, 2016 - $1,729 thousand). These general and administrative costs minimally increased due to Axia employee costs, a new venture this year.

- Corporate administrative expenses of $2,945 thousand (September 30, 2016 - $670 thousand). These cost increases relate to operating expenses arising from the operation of Axion Ventures, the listed parent company, which include (among other expenses) the following: $988 thousand of stock option expenses (a cashless transaction), management fees of $537 thousand (see "Related Party Transactions"), travel of $328 thousand, consulting fees of $347 thousand, legal of $90 thousand and $425 thousand of financial audit and accounting fees.

- Share of net loss of associate equalled $267 thousand for the nine months ended September 30, 2017 (September 30, 2016 - $Nil), as a result of Axion Ventures 49% ownership in the newly formed TAI (see "INVESTMENTS/ ACQUISITIONS – True Axion Interactive"), which began to incur costs during the period ended September 30, 2017. The foregoing net loss/incurred expense includes the Company's proportionate share of net loss for the salaries and expenditures of developers, artists and programmers.

- Listing fees were $Nil for the nine months ended September 30, 2017 (YTD September 30, 2016 - $2,203). The fees incurred in the prior year period relate to reverse acquisition fees calculated in accordance with IFRS 2 Share-Based Payment. The foregoing is a non-cash transaction/only shares-based cost transaction recorded in 2016 as result of the Company's QT/TSXV listing.

SUMMARY OF QUARTERLY RESULTS

Axion Ventures

Selected unaudited condensed consolidated interim financial statements published of operations for the Axion Ventures during the last eight quarters are as follows:

Quarter ended ($'000s)	Total Revenues $	Gross Profit (Loss) $	Net Income (Loss) $	Parent Earnings (Loss) per share $
September 30, 2017	121,460	119,974	117,237	0.723
June 30, 2017	2,019	463	(2,672)	(0.017)
March 31, 2017	1,877	830	(1,744)	(0.015)
December 31, 2016	(525)	(1,673)	(5,298)	(0.116)
September 30, 2016	2,795	1,282	(906)	(0.016)
June 30, 2016	2,953	1,590	(2,743)	(0.080)
March 31, 2016	3,869	2,250	325	0.014
December 31, 2015	3,675	1,615	(2,555)	(0.015)

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.

In general, 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. Results for the quarter ended December 31, 2016 differ from other quarters because of the timing of a reclassification between cost of sales and expenses accounts. Results for the quarter ended September 30, 2017 differ from other quarters because of the change in the Company's accounting treatment (see "INVESTMENTS/ACQUISITIONS - Change in Accounting Treatment").

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 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. Rising Fire is expected to commence generating revenue in Q1 or Q2 2018 and this will assist the Company in meeting its ongoing obligations.

$'000s	September 30, 2017	December 31, 2016	Variance	% Change
Current Assets				
Cash and cash equivalents	1,287	6,028	(4,741)	(79%)
Investment (short term)	2,629	3,562	(933)	(26%)
Trade and other receivables	1,408	2,282	(874)	(38%)
	5,324	11,872	(6,548)	(55%)
Current Liabilities				
Accounts payable & accrued liabilities	69	6,779	(6,710)	(99%)
Deferred revenue	-	3,826	(3,826)	(100%)
	69	10,605	(10,536)	(99%)
Working Capital	**5,255**	**1,267**	**3,988**	**315%**

As of September 30, 2017, the Company had $1,287 thousand in cash and cash equivalents (December 31, 2016 - $6,028 thousand) and working capital of $5,255 thousand (December 31, 2016 - $1,267 thousand). The decrease is due primarily to the change in accounting treatment whereby the balance sheets of Axion Games and Axia were deconsolidated.

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 period ended September 30, 2017, 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, 2017, Axion Games received fees of $501 thousand (September 30, 2016 - $350 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, 2017, the Company paid $23 thousand (September 30, 2016 - $17.5 thousand).

(iii) During the nine months ended September 30, 2017, the Company paid or accrued management fees of $602 thousand (September 30, 2016 - $81 thousand) to key management (subsidiaries and associates) ('C' level employees, certain executives and control persons) of the Company for their services to the Company, based on fair value method (arm-length transaction).

(iv) The Company paid or accrued $Nil (September 30, 2016 - $8.1 thousand) in consulting fees (fair value method) for work related to the QT to a private company controlled by the ex-Corporate Secretary of the Company and $Nil (September 30, 2016 - $8 thousand) in consulting fees (fair value method) related to the QT to a Director of the Company.

(v) During the nine months ended September 30, 2017, the Company accrued an expense of $988 thousand (September 30, 2016 - $242 thousand) for share-based compensation with respect to stock option grants to directors and officers of the Company, under the Company's stock option plan.

(vi) Accounts receivable of shareholder transactions totalled $1,378 thousand as of September 30, 2017, versus $237 thousand as of December 31, 2016: (a) Red Anchor (Thailand) Co. Ltd., an 11% shareholder of TAI, owes $373 thousand pertaining to the setup of TAI; and (b) 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.

With respect to the subsidiaries related party transactions: (a) Epic Games owed $38 thousand for the provision of outsourcing services provided to Epic Games (See (i)); and (b) AEH owed $173 thousand pertaining to payments on behalf of AEH by three wholly foreign-owned enterprises ("WFOEs"), which, along with AEH, are consolidated into Axion Games.

(vii) Accounts payable to related party totalled $33 thousand as of September 30, 2017, versus $573 thousand as of December 31, 2016. The Company owed Axion Games $33 thousand for employees' expense.

With respect to the subsidiaries-related party transactions: (a) Epic Games is due $734 thousand pertaining to royalty payments for the use of Unreal Engine; and (b) AEH is due $81 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, 2017, the Company's financial instruments comprise investments, cash and cash equivalents, trade and other receivables and trade and other payables.

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

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

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

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

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

As of the period ended September 30, 2017, the Company held investments consisting of shares in Axion Games, Axia, TAI, Red Anchor and Innovega, which were classified as available for sale and recognised at fair value. The investments were recognised at fair value at September 30, 2017

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

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 which the Company can be required to pay.

	On-demand $'000	Within one year $'000	Total $'000
At September 30, 2017			
Trade payables	-	-	-
Amounts due to related parties	33	-	33
Accrued salaries and benefits	-	-	-
Tax Liabilities	-	-	-
Accrued expenses	-	36	36
Other payables	-	-	-
	33	36	69

	On-demand $'000	Within one year $'000	Total $'000
At December 31, 2016			
Trade payables	-	305	305
Amounts due to related parties	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
	573	6,206	6,779

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Company's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

Interest rate risk

The Company is exposed to interest rate risk on its variable-rate term deposit investment, which attracts interest at a rate of prime minus 2.10% in Canada.

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. 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.

The operating subsidiary, Axion Games mainly operates in the PRC, and the majority of the transactions are settled in RMB (Chinese Yuan Renminbi). At September 30, 2017, the Company did not have significant foreign currency risk from its operations. The Company's beneficial ownership of Axion Games remains at 51.01%.

Another operating subsidiary, TAI mainly operates in Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht). At September 30, 2017, the Company did not have significant foreign currency risk from its operations. At September 30, 2017, the Company, and its affiliates beneficially own 60% of TAI.

At September 30, 2017, the third operating associate company, Innovega, operates from Bellevue, Washington, and San Diego, California, and the majority of the transactions are settled in USD (U.S. Dollars). At September 30, 2017, the Company did not have significant foreign currency risk from its operations. The Company currently holds approximately 10.06% of Innovega's issued and outstanding preference shares and approximately 1.87% of Innovega's total issued and outstanding shares (common and preference, undiluted basis).

At September 30, 2017, the fourth operating associate company, Red Anchor, mainly operates in the Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht) and USD (U.S. Dollars). At September 30, 2017, the Company did not have significant foreign currency risk from its operations. The Company currently holds issued and outstanding preference shares and 15% of Red Anchor Trading Corp total issued and outstanding common shares.

At September 30, 2017, the fifth operating subsidiary company, Axia, mainly operates in the Bangkok, Thailand and Hong Kong and the majority of the transactions are settled in HKD (Hong Kong Dollars), USD (U.S. Dollars) and THB (Thai Baht). At September 30, 2017, the Company did not have significant foreign currency risk from its operations. The Company currently holds issued and outstanding preference shares and 70% of Axia's total issued and outstanding common shares.

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 and True Axion Interactive

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

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

Impairment of receivables

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

Share-based payment

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

Determining control over investees

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

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

SIGNIFICANT ACCOUNTING POLICIES

Axion Ventures

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 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 IFRS 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.

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

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

OUTSTANDING SHARE DATA

Axion Ventures Inc.

Common Shares

Axion Ventures' 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 December 31, 2016, there were 216,972,450 common shares issued and outstanding. As at September 30, 2017 and November 29, 2017, there were 237,122,450 common shares issued and outstanding, respectively, as a result of the following:

	Issued Common Shares
At 1 January 2017	216,972,450
Shares issued in connection with the True Private Placement (January 18, 2017)	20,000,000
Shares issued in connection with partial warrant exercise (April 3, 2017)	20,000
Shares issued in connection with remaining warrant exercise (May 11, 2017)	130,000
At September 30 and November 29, 2017	**237,122,450**

Escrow Shares

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

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 million 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.

As a result of the foregoing, as at December 31, 2016, 119,823,542 shares were subject to TSXV or voluntary escrow, and as at September 30, 2017 and November 29, 2017, 71,098,393 shares and 38,862,043 shares, respectively, were subject to TSXV or voluntary escrow, as applicable.

Stock Options

As at December 31, 2016, there was a total of 14,150,000 stock options outstanding. During the nine months ended September 30, 2017, Axion Ventures issued no stock options during the nine months ended September 30, 2017, but on April 25, 2017 one ex-management had 500,000 stock options expired unexercised. As a result, as of September 30, 2017 and November 29, 2017, 13,650,000 granted stock options remain outstanding.

Warrants

As at December 31, 2016, there was a total of 1,150,000 warrants outstanding. During the nine months ended September 30, 2017, Axion Ventures issued no additional warrants and no warrants expired. However: (i) on April 3, 2017, Axion Ventures issued an aggregate of 20,000 shares as a result of the partial exercise of outstanding financing finder's warrants issued at the closing of the QT; and (ii) on May 11, 2017, Axion Ventures issued an aggregate of 130,000 shares as a result of the remaining exercise of outstanding financing finder's warrants issued at the closing of the QT. As a result, as of September 30 and November 29, 2017, 1,000,000 issued warrants remain outstanding.

RISK FACTORS

Axion Ventures Inc.

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 occur, the financial condition, liquidity, and results of operations of the Company could be materially adversely affected, and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative.

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

APPROVAL

The Board has approved the disclosure contained in this MD&A as of November 29, 2017.