

AXION VENTURES INC.

Investment Policy/Charter

Investment Objective

The investment objective of Axion Ventures Inc. (“Axion”) is to provide investors with long-term capital growth by investing in a portfolio of undervalued IT investment opportunities.

Investment Strategy

The following shall be the guidelines for Axion’s investment strategy:

1. Axion’s primary focus will be to seek superior returns by making investments in internet technologies (“IT”). Axion may also invest in projects or in equity, debt or other securities of public or private companies in the high growth technology based business area, with emphasis on game development, software and hardware. Surplus working capital funds may also be invested to generate superior returns.
2. Investments shall be focused in the IT market. It is expected that such investments shall primarily include game development software, hardware or IT related products.
3. The investment portfolio may be comprised of securities of both public and private issuers primarily in the IT sector, but may also include investments in certain other IT hardware, software or product sectors.
4. Target investments shall encompass companies at all stages of development, including pre-initial public offering and/or early stage software or hardware companies requiring start-up or development capital, as well as intermediate and senior companies where opportunities are available.
5. Initial investments of equity, debt or a combination thereof may be made through a variety of financial instruments including, but not limited to, private placements, participation in initial public offerings, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, net profit interests and other hybrid instruments, which will be acquired and held both for long-term capital appreciation and shorter-term gains.
6. The nature and timing of Axion’s investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to Axion.
7. A key aspect of the investment strategy shall be seeking undervalued companies backed by strong management teams and solid business models that can benefit from macro-economic trends. Notwithstanding this requirement, consideration will be given to opportunities where existing management may need the infusion of high level guidance, direction and expertise from Axion. In such situations, Axion intends to work closely with an investee company’s management and board of directors to structure and deliver the strategic and financial resources to help such company best take advantage of its prospective or estimated potential and to mature into a successful commercial enterprise.

8. In general, the investment activities of Axion are expected to be passive. However, Axion may, from time to time, seek a more active role in situations where involvement is expected to make a significant difference to success and resulting appreciation. Axion may seek equity participation in situations to which it can potentially add value by its involvement, not only financially but also by the contribution of guidance and additional management expertise.

9. In the IT sector, the primary focus of Axion will be to invest in securities or debt instruments of issuers which have quality proven or prospective potential which management of Axion believes are, or will become, amenable to development of the potential. In any other sectors, Axion expects to invest in securities of issuers which it believes have competitive advantages in an area with a large potential market.

10. Immediate liquidity shall not be a requirement, but each investment shall be evaluated in terms of a clear exit strategy designed to maximize the relative return in light of changing fundamentals and opportunities.

11. Subject to applicable laws, there are no restrictions on the size or market capitalization with respect to Axion's investments in the equity securities of public or private issuers.

12. Cash reserves may, from time to time as appropriate, be placed into high quality money market investments, including Canadian Treasury Bills or corporate notes rated at least R-1 by DBRS Limited, each with a term to maturity of less than one year. Surplus working capital funds may also be invested to generate superior returns.

13. Subject to the full approval of the board of directors of Axion (the "**Board**"), the investment committee (the "**Investment Committee**") established by Axion may consider certain special investment situations, including assuming a controlling or joint-controlling interest in an investee company, which may also involve the provision of advice to management and/or board participation.

14. All investments shall be made in full compliance with applicable laws in relevant jurisdictions, and shall be made in accordance with and governed by the rules and policies of applicable regulatory authorities.

From time to time, the Board may authorize such additional investments outside of the guidelines described herein as it sees fit for the benefit of Axion and its shareholders.

Asset Allocation

In determining the sector weighting of the investment portfolio, the Investment Committee shall analyze the current economic conditions and trends in North American and global economies and shall seek to respond quickly to such changes. The investment portfolio shall be positioned in accordance with the market view of the Investment Committee from time to time. Sector allocations may vary significantly over time.

Rebalancing

Asset allocations will be reviewed by the Investment Committee on a monthly basis. Reallocations are anticipated to be required infrequently except during extremely volatile market periods.

Implementation

The officers, directors and management of Axion shall work jointly and severally to uncover appropriate investment opportunities. These individuals have a broad range of business experience and their own networks of business partners, financiers, venture capitalists and finders through whom potential investments may be identified.

Prospective investments will be channeled through the Investment Committee. The Investment Committee shall make an assessment of whether the proposal fits with the investment and corporate strategy of Axion in accordance with the investment evaluation process below, and then proceed with preliminary due diligence, leading to a decision to reject or move the proposal to the next stage of detailed due diligence. This process may involve the participation of outside professional consultants.

Once a decision has been reached to invest in a particular situation, a short summary of the rationale behind the investment decision should be prepared by the Investment Committee and submitted to the Board. This summary should include guidelines against which future progress can be measured. The summary should also highlight any finder's or agents' fees payable.

All investments shall be submitted to the Board for final approval. The Investment Committee will select all investments for submission to the Board and monitor the Issuer's investment portfolio on an ongoing basis, and will be subject to the direction of the Board. One member of the Investment Committee may be designated and authorized to handle the day-to-day trading decisions in keeping with the directions of the Board and the Investment Committee.

Negotiation of terms of participation is a key determinant of the ultimate value of any opportunity to Axion. Negotiations may be on-going before and after the performance of due diligence. The representative(s) of Axion involved in these negotiations will be determined in each case by the circumstances.

Investment Evaluation Process

The Investment Committee shall use both a top-down and bottom-up approach in identifying and submitting investments to the Board for approval. The investment approach will be to develop a macro view of a sector, build a position consistent with such view by identifying investment opportunities within that sector, and devise an exit strategy designed to maximize the relative return in light of changing fundamentals and opportunities.

In selecting opportunities for the investment portfolio of Axion, the Investment Committee will consider various factors in relation to any particular investment, including:

- (a) inherent value of Target's assets or potential;
- (b) proven management, clearly-defined management objectives and strong technical and professional support;
- (c) future capital requirements to develop the full potential of its business and the expected ability to raise the necessary capital;
- (d) anticipated rate of return and the level of risk;

- (e) financial performance; and
- (f) exit strategies and criteria.

Conflicts of Interest

Axion has assembled a strong Board and management team, with diverse backgrounds and significant business expertise and experience. In assembling a Board with these characteristics, Axion has two primary goals:

- (a) to gain exposure to a wide variety of potential investments, including investments that Board members may already be familiar with or that come to their attention through other business dealings; and
- (b) where a Board member has a personal interest in a potential investment, to ensure that Axion has independent, qualified directors available to conduct an independent assessment.

Axion has no restrictions with respect to investing in companies in which a Board member may already have an interest. Any potential investments where there is a material conflict of interest involving an employee, officer or director of Axion may only proceed after receiving approval from disinterested directors of the Board. Axion is also subject to the “related party” transaction policies of the TSX Venture Exchange Inc., which mandates disinterested shareholder approval to certain transactions.

Management Participation

Axion may, from time to time, seek a more active role in the companies in which it invests, and provide such companies with financial and personnel resources, as well as strategic counsel. Axion may also ask for board representation in cases where it makes a significant investment in the business of an investee company. Axion’s nominee(s) shall be determined by the Board as appropriate in such circumstances.

Monitoring and Reporting

Axion’s Chief Financial Officer shall be primarily responsible for the reporting process whereby the performance of each of the Issuer’s investments is monitored. Quarterly financial and other progress reports shall be gathered from each corporate entity, and these shall form the basis for a quarterly review of Axion’s investment portfolio by the Investment Committee. Any deviations from expectation are to be investigated by the Investment Committee, and if deemed to be significant, reported to the Board.

With public company investments, Axion is not likely to have any difficulty accessing financial information relevant to its investment. In the event Axion invests in private enterprises, it shall endeavor in each case to obtain a contractual right to be provided with timely access to all books and records it considers necessary to monitor and protect its investment in such private enterprises.

A full report of the status and performance of Axion’s investments is to be prepared by the Investment Committee and presented to the Board at the end of each fiscal year.