AXION VENTURES INC.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2018

INTRODUCTION

This management discussion and analysis ("MD&A") is dated May 30, 2018.

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 months ended March 31, 2018. 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 months ended March 31, 2018, 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 United States Dollars ("US$") unless otherwise noted. References to C$ are to Canadian 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); 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$2,780,000.

In May 2018, the Company further increased its beneficial ownership of Axion Games from 51.01% to 54.22% by acquiring an additional interest of 6,734 shares of AEH, representing a beneficial interest of 6,734,000 shares of Axion Games, in exchange for assuming a US$392,000 shareholder loan owed to an ex-officer of Axion Games.

The Company's beneficial ownership of Axion Games remains at 54.22%.

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 9.9% of Innovega's issued and outstanding preference shares and approximately 1.9% 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 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 C$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 C$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 agreed capital contribution to TAI was 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 [approximately 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 [approximately Thai Baht of 89 million] was due on the date that is 12 months from JVA (February 2018), of which approximately US$696,205 [approximately Thai Baht of 22 million] was contributed in February 2018. The remaining second capital contribution is due on July 23, 2018. 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, US$500 thousand at the beginning of the third and fourth quarters (July and October) and the Company’s last funding obligation of US$500 thousand on March 1, 2018.

Overview – Summary of Businesses at March 31, 2018

<u>Axion Games</u>

Axion Games owns two studios in PRC, one in Shanghai and a smaller one in Suzhou, with a combined total of approximately 380 employees as of March 31, 2018. 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 revenues of 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 May 2016 and September 2016, Alpha 1 and Alpha 2 testing on Rising Fire was completed, whereby technical and commercial viability were tested on 2000 and 4000 users, respectively. From late May 2017 until mid-July 2017, Closed Beta 1 testing of Rising Fire was completed, whereby over 61,000 users participated, and user behaviour was analysed. From late December 2017 until March 10, 2018, Closed Beta 2 testing of was completed, whereby over 100,000 users participated, and month-over-month effective user retention improved to 54.09%. In addition, through one seven-day trial campaign during Closed Beta 2 targeting approximately 77,000 participants, more than 850,000 logins were recorded generating a participation ratio of 68.3%.

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.

True Axion Interactive

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.

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.

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 Games Academy instruction is expected to begin in Q4 2018.

In summary, the TAI team has initiated or completed the following since its 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 games: racing and battle games.

- The TAI team expects its first game, a casual Multiplayer Online Battle Arena game for mobile platforms named “HERO”, to ship by Q4 2018.

Innovega

Innovega is developing proprietary display technology based on eyewear and contact lenses that enhance human vision, allowing the wearer to simultaneously access digital media while remaining fully engaged in their normal activities. Specifically, Innovega's display technology aims to enhance the user's normal vision to make it possible to view VR and AR images in the same way the user views the real world.

The business model provides for licensing patented video eyewear technology and platforms to digital media and consumer product companies, enabling them to deliver high-performance personal displays in a more compact and less invasive form-factor. The resulting products and platforms are intended to offer unique benefits that include transparent optics, panoramic fields of view, and full HD/3D performance, while enabling stylish and highly functional eyewear designs. Innovega management has identified the market of low vision patients as a sensible launch opportunity.

As of March 31, 2018, the Company held approximately 9.6% of Innovega's issued and outstanding preference shares and approximately 1.9% of Innovega's total issued and outstanding shares (common and preference in undiluted basis).

Achievements for the period December 31, 2017 to March 31, 2018 include:

- *Innovega completed JOBS Act 506 (c) Online Offering*. The online campaign plus direct-to-Innovega investment was a success with a total raise of $1.2 Million from more than 100 new accredited investors.

- *Initial discussions with key supply chain partner:* Innovega and a prominent display glasses developer and manufacturer entered discussions with a view to potentially developing a partnership to serve the low vision patient community. Closing of an agreement would be consistent with Innovega's licensing model that leverages company IP and core technology through agreements with strategic partners.

- *Progress on contact lens components and fabrication processes*: Innovega is refining fabrication and testing of lenses based on a new generation of contact lens light polarizing filter component and upon deliver certain required performance key, expects to embark on its next phase of clinical trials and demonstrations.

Red Anchor Trading/HotNow

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. HotNow is one of Thailand's Top 10 list of free lifestyle applications on iOS App Store.

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.

In addition to the continued development of their proprietary risk-transfer technology, Axia formally submitted its license application to the Hong Kong Insurance Authority (HKIA) in February, where a well-received demo of the innovative and highly-customizable health product was presented. Benefits, underwriting and pricing were established with a view toward monetization later in the year.

OVERALL PERFORMANCE

Axion Ventures

The Company’s operating activities are attributable to a single reportable and operating segment focusing primarily on the development and operation of PC and mobile games. The Company’s most significant investment to date is in Axion Games, which is being consolidated in the financial statements. In addition, the QT was accomplished through an exchange of shares which resulted in the former shareholders of Axion Games, AEH and AEIH obtaining control of the Company. Accordingly, the QT was recorded as a reverse acquisition for accounting purposes, as Axion Games was deemed to be the acquirer and Axion Ventures the acquiree. Therefore, the consolidated financial statements are a continuation of the financial statements of Axion Games, while the capital structure is that of the Company. This operating segment has been identified on the basis of internal management reports viewed by the chief operating decision maker, being the executive directors of the Company. The chief operating decision maker reviews the revenue analysis by outsourcing, licensing, game operation and training, and the profit from operation of the Company as a whole when making decisions about allocating resources and assessing performance of the Company.

The consolidated financial statements include the historical operations and assets and liabilities of Axion Games, and those of Axion Ventures from May 11, 2016 to March 31, 2018.

At March 31, 2018, the Company had $4,245 thousand (December 31, 2017 - $3,699 thousand) of cash and cash equivalents and total current assets of $5,125 thousand (December 31, 2017 - $4,986 thousand).

Current liabilities at March 31, 2018 totalled $11,197 thousand (December 31, 2017 - $8,053 thousand). The increase in current liabilities of $3,144 thousand is primarily as a result of due primarily to more accounts payable & accrued liabilities due to new ventures and new projects.

Shareholders' equity is comprised of share capital of $51,697 thousand (December 31, 2017 - $51,665 thousand), a foreign currency translation reserve of negative $528 thousand (December 31, 2017 - negative $605 thousand), a share-based payment reserve of $1,151 thousand (December 31, 2017 - $1,009 thousand), a other reserve of negative $21,469 thousand that remained unchanged and retained earnings negative of $25,843 thousand (December 31, 2017 - negative $23,320 thousand) for total equity attributable to the shareholders of Axion Ventures of $ 5,008 thousand (December 31, 2017 - $7,280 thousand).

Working capital, which is comprised of current assets less current liabilities, was negative $6,072 thousand at March 31, 2018 compared to a working capital of negative $3,067 thousand at December 31, 2017. The decrease in working capital is primarily from more accounts payable & accrued liabilities due to new ventures and projects.

During the quarter ended March 31, 2018, the Company reported a net loss of $3,275 thousand ($0.0441 basic and diluted loss per share) compared to a net loss of $1,839 thousand ($0.0197 basic and diluted income per share) during the quarter ended March 31, 2017.

The Company's revenue decreased approximately $182 thousand for the period ended March 31, 2018 compared to the year ended March 31, 2017. The decrease is primarily due to the falling of revenue from MARS games as MARS games has reached the decline stage of its life cycle.

The Company's revenues from external customers and its non-current assets are divided into the following geographical areas:

	March 31, 2018 (US$'000s)	March 31, 2017 (US$'000s)
By country/region		
China	1,110	1,064
Rest of the world	108	336
Total Revenue	**1,218**	**1,400**

	March 31, 2018 (US$'000s)	December 31, 2017 (US$'000s)
By country/region		
Canada	997	1,022
China	8,071	2,239
Rest of the world	2,516	7,352
Non-current assets	**11,584**	**10,613**

There is fierce competition in the gaming industry. Axion Games and TAI compete with other developers, publishers and operators of games in China and elsewhere globally. The Company believes there are numerous different types of market players using various strategies to compete for a share of the online game market. These include extremely large game developers who focus on individual massive projects, to more traditional retailers and online publishers to large volume publishers who develop or purchase a large number of games with lower production value with the aim of finding one or two hits among them. The Company's strategy to compete is to leverage its existing skill base in sophisticated game technologies and to control production costs to produce high quality online games across platforms. The Company's comparatively low cost structure competes well against the large competitors in developed economies and our skill base in sophisticated technologies creates barriers to entry for the small competitors in developed economies and the competitors in developing economies. The Company currently focuses on the development of premium-quality 3D online games for PC, mobile and console platforms. The Company's portfolio of games and strong pipeline provides a strong base for the Company's proprietary development business. The Company considers that the launch of Rising Fire with Tencent in the current year will generate revenue to the Company to release the working capital demand.

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

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended March 31, 2018 and 2017

The following table sets out revenue, profit and expenses of the Company, and includes variances and percentage changes for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,			
$'000s (except for percentage amounts)	**2018**	**2017**	**Variance**	**% change**
Revenue	**1,218**	**1,400**	**(182)**	**(13%)**
Gross profit/(loss)	**60**	**617**	**(557)**	**(90%)**
Research & development expenses	375	557	(182)	(33%)
Selling and distribution expenses	172	452	(280)	(62%)
General and administrative expenses	2,453	1,500	953	64%
Other income/(loss)	(335)	54	(389)	720%
Income/(loss) on ordinary activities before taxation	3,275	1,838	1,437	78%
Income tax	-	1	**(1)**	**-**
Loss for the period	**3,275**	**1,839**	**1,436**	**78%**

Revenue

Revenue for the period ended March 31, 2018 was $1,218 thousand compared to $1,400 thousand in the same quarter in the prior year. The decrease was primarily a result of normal declines in MARS revenue as the product ages, as well as reallocation of significant development resources to work on Rising Fire. As a result of Rising Fire's test results, Tencent has provided design and re-design requirements in order to improve Rising Fire's market appeal. As a result, significant resources were reallocated to Rising Fire to get it market ready for 2018.

Revenue and expenses for the 2018 first quarter were materially impacted and decreased (as noted below):

	March 31, 2018 $	**March 31, 2017 $**
Outsourcing:		
Wanda	354	182
Non-Wanda outsourcing	269	459
Licensing	30	48
Game operation	513	668
Training	52	43
	1,218	1,400

Outsourcing Revenue. Axion Games has two 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 the amusement parks. For the quarter ended March 31, 2018, Wanda outsourcing revenue was $354 thousand versus $182 thousand for the quarter ended March 31, 2017. This increase in Wanda outsourcing revenue was primarily due to Wanda project in the final phase for completion.

Non-Wanda outsourcing revenue was $269 thousand in the quarter ended March 31, 2018 versus $459 thousand for the quarter ended March 31, 2017. The decrease of approximately $190 thousand is attributable to less demand this quarter in smaller-contract outsourcing activity with Smilegate, Zhong Hang Rong Chuang, NC Soft and Epic Games, Inc. (Epic remains a shareholder of Axion Games). While the change is significant, this revenue source can change quarter to quarter and really depends on customer needs and demands.

Licensing Revenue. Video game licensing revenue was $30 thousand in the quarter ended March 31, 2018 versus $48 thousand in the quarter ended March 31, 2017. There was no material change in the array of Axion Games' global publishing partners, and MARS, now a 6 years-old online game, normally exhibits declines in its overseas (outside China) licensing revenues.

Game Operation Revenue. Revenue from game operation was $513 thousand in first quarter of 2018, down approximately $155 thousand from the quarter ended March 31, 2017 ($668 thousand). Most of this decline was attributable to an expected decrease in MARS game revenue.

Training Revenue. In order to provide qualified employees to its game development studios, Axion Games operates a video game development training school. The training school revenue was $52 for the quarter ended March 31, 2018 versus $43 for the quarter ended March 31, 2017.

Cost of Sales / Gross Margin

Cost of sales for the quarter ended March 31, 2018 was $1,158 thousand and $783 thousand for the same period ended March 31, 2017. The increase of approximately $375 thousand was the result of the increase in staff costs.

	March 31, 2018 $	**March 31, 2017 $**
Research and development expenses	375	557
Selling and distribution expenses	172	452
General and administrative expenses	2,453	1,500
	3,000	2,509

Operating expenses were $3,000 thousand for the quarter ended March 31, 2018 compared to $2,509 thousand for the period ended March 31, 2017. Expenses for the period include the following:

- Research & development expenses of $375 thousand (March 31, 2017 - $557 thousand). These research & development and distribution costs decreased due to more staff cost and salaries capitalised for ‘big’ games development.

- Selling and distribution expenses of $172 thousand (March 31, 2017 - $452). These selling and distribution decreases attributable to an expected decline in MARS 1, 2 & MARS 3 revenues as the online game becomes more dated.

- General and administrative costs of $2,453 thousand (March 31, 2017 - $1,500). These general and administrative costs increased because of more staff salaries, new ventures and projects.

Use of Proceeds

The Company's disclosure regarding use of proceeds from financings is generally for Company and portfolio company working capital. However, US$5 million of the C$10 million True Private Placement was disclosed for initial contributions to TAI.

Disclosed Use of True Private Placement	Actual
US$5 million	US$3,196,205

The variance of US$1,803,795 does not impact the Company's or TAI's ability to achieve its respective business objectives and milestones.

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 (US$'000s)	Total Revenue US$	Gross Profit (Loss) US$	Net Income (Loss) US$	Parent Earnings (Loss) per share US$
March 31, 2018	1,217.87	59.48	(3,274.56)	(0.0004)
December 31, 2017	2,309.79	1,715.61	(2,366.37)	(0.0175)
September 30, 2017	1,353.01	208.69	(1,898.99)	(0.0412)
June 30, 2017	1,554.77	356.54	(2,057.63)	(0.0306)
March 31, 2017	1,445.42	639.16	(1,343.00)	(0.0197)
December 31, 2016	(217.19)	(663.79)	(3,762.17)	(0.1095)
September 30, 2016	2,128.06	976.09	(689.81)	(0.0272)
June 30, 2016	2,248.35	1,210.59	(2,088.46)	(0.0559)

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 (and derivative games) 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 reclassification between the cost of sales and expenses accounts.

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 related party debt.

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 related party debt 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.

In particular, the directors of the Company have considered the following: (1) cashflow generated from the launch of Rising Fire in the current year sufficient to support the Company's operations in the coming twelve months; and (2) loans from significant shareholders and related parties sufficient to support the Company's operating in the coming twelve months.

In the opinion of the directors of the Company, after taking into account the financial performance, operation as well as capital expenditure and the above financing arrangements of the Company, the Company is expected to have sufficient liquidity to finance its operations for the next twelve months subsequent to the end of the reporting period.

US$'000s	March 31, 2018	March 31, 2017	Variance	% Change
Current Assets				
Cash and cash equivalents	4,245	3,699	546	15%
Trade and other receivables	880	1,287	(407)	(32%)
	5,125	4,986	139	3%
Current Liabilities				
Accounts payable & accrued liabilities	7,256	5,218	2,038	39%
Deferred revenue	3,621	2,835	786	28%
Derivative financial instruments	320	-	320	100%
	11,197	8,053	3,144	39%
Working Capital	**(6,072)**	**(3,067)**	**3,005**	**98%**

As of March 31, 2018, the Company had $4,245 thousand in cash and cash equivalents (December 31, 2017 - $3,699 thousand) and working capital of negative $6,072 thousand (December 31, 2017 – negative $3,067 thousand). The increase is due primarily to more accounts payable & accrued liabilities due to new ventures and projects.

Management believes that the Company has sufficient working capital to meet its current financial obligations and working capital needs from the continuous financial support obtained from the major shareholders if necessary.

OFF-BALANCE-SHEET ARRANGEMENTS

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

RELATED-PARTY TRANSACTIONS

Axion Ventures

During the period ended March 31, 2018, the Company completed the following transactions with related parties:

(i) Axion Games continues to provide outsourcing services to Epic Games International Ltd, which also remains a shareholder of Axion Games. During the three months ended March 31, 2018, Axion Games received fees of $38 thousand (March 31, 2017 - $75 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 three months ended March 31, 2018, the Company paid $6 thousand (March 31, 2017 - $6 thousand).

(iii) During the three months ended March 31, 2018, the Company accrued an expense of $178 thousand (March 31, 2017 - $189 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.

(iv) Accounts receivable of shareholder transactions totalled $304 thousand as of March 31, 2018, versus $384 thousand as of December 31, 2017: (a) Red Anchor (Thailand) Co. Ltd., an 11% shareholder of TAI, owes $289 thousand pertaining to the setup of TAI (March 31, 2017 - $297 thousand); (b) Coherent Ltd, a company controlled by the shareholder of a subsidiary, Axia, due from $15 thousand(March 31, 2017 - $15 thousand); and (c) Nil balance from Epic Games International Ltd. (March 31, 2017 - $72 thousand)

(v) Accounts payable to related party totalled $1,540 thousand as of March 31, 2017, versus $378 thousand as of December 31, 2017.

With respect to the subsidiaries-related party transactions: (a) Epic Games is due $224 thousand pertaining to royalty payments for the use of Unreal Engine; (b) At March 31, 2017, AEH is due $559 thousand pertaining to payments made by three WFOEs on its behalf. At March 31, 2018, AEH is due $Nil. (c) Due to Coherent Ltd of $82 in 2018 and 2017; (d) loan from shareholder of $1,120 in 2018; (e) True Digital Plus Co., Ltd. a company controlled by the shareholder of a subsidiary, os $113 thousand in 2018 and $70 thousand in 2017; (f) Pantavanij Co., Ltd. a company controlled by the shareholder of a subsidiary, this year of $1 thousand and; True Distribution & Sales Co., Ltd. a company controlled by the shareholder of a subsidiary, last year of $1 thousand.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

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 March 31, 2018, 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).

During the quarter ended March 31, 2018, the Company held investments consisting of shares in Red Anchor (BVI) and Innovega, which were classified as available for sale and recognised at cost basis.

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 US$'000	Within one year US$'000	Total US$'000
At March 31, 2018			
Trade payables	-	95	95
Amounts due to related parties	1,540		1,540
Accrued salaries and benefits	-	2,015	2,015
Other tax liabilities	-	713	713
Advances from customers	-	2,025	2,025
Accrued expenses	-	266	266
Other payables	-	602	602
	1,540	5,716	7,256

	On-demand US$'000	Within one year US$'000	Total US$'000
At December 31, 2017			
Trade payables	-	306	306
Amounts due to related parties	378	-	378
Accrued salaries and benefits	-	1,866	1,866
Other tax liabilities	-	778	778
Advances from customers	-	899	899
Accrued expenses	-	343	343
Other payables	-	648	648
	378	4,840	5,218

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.

Interest rate risk

Other than the interest-bearing bank deposits, the Company has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

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 March 31, 2018, the Company did not have significant foreign currency risk from its operations. The Company's beneficial ownership of Axion Games remained at 51.01%. as of March 31, 2018 and was 54.22% as of May 30, 2018.

Another operating subsidiary, TAI mainly operates in Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht). At March 31, 2018, the Company did not have significant foreign currency risk from its operations. At March 31, 2018, the Company, and its affiliates beneficially own 60% of TAI.

At March 31, 2018, 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 March 31, 2018, the Company did not have significant foreign currency risk from its operations. The Company currently holds approximately 9.9% of Innovega's issued and outstanding preference shares and approximately 1.9% of Innovega's total issued and outstanding shares (common and preference, undiluted basis).

At March 31, 2018, 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 March 31, 2018, 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 March 31, 2018, 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 March 31, 2018, 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.

ADOPTION OF NEW ACCOUNTING POLICIES

Axion Ventures

On January 1, 2018, the Company and its subsidiaries (collectively referred to as the "Group") adopted the following new and amended IFRSs:

IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL"). The Group has assessed that its financial assets currently measured at amortised cost and will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity investments which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9. The Group elected to recognise any fair value changes in respect of all the available-for-sale equity investments in FVTPL as they arise. This will give rise to a change in accounting policies as before adopting IFRS 9, the Group only recognised the identified impairment for available-for-sale equity investments measured at cost in profit or loss. Accordingly, for those available-for-sale are measured at cost less any identified impairment losses at the end of the reporting period, this change in policy had impact on the Group's net assets and total comprehensive income, and increased volatility in profit or loss in the current period.

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. This new impairment model resulted in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5-steps approach to revenue recognition:

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligations in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to each performance obligation
Step 5:	Recognize revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue. The amendments to IFRS 15 also included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of IFRS 15 did not have significant impact on the revenue recognized in the condensed consolidated interim financial statements of the Group during the period.

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. As at March 31, 2018 and May 31, 2018, there were 237,222,450 and 238,222,450 common shares issued and outstanding, respectively, as a result of the following:

	Issued Common Shares
At January 1, 2018	237,122,450
Shares issued in connection with ex-director option exercise	100,000
At March 31, 2018	**237,222,450**
Shares issued in connection with QT finder warrant exercise	1,000,000
At May 30, 2018	**238,222,450**

Escrow Shares

Final voluntary pooled/escrowed 5,862,043 Shares were 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 amortization) in excess of US$6,000,000 in any audited fiscal year ending 31 December 2016, 2017 or 2018; or

B. Axion Games generating game pre-sales in excess of US$10,000,000 in any audited fiscal year ending 31 December 2016, 2017 or 2018.

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

As a result of the foregoing, all TSXV Escrow shares and all Voluntary Pooling/Escrow Shares have been released. The only remaining escrowed shares are the 33,000,000 Performance Escrow Shares.

Stock Options

As at December 31, 2017 there were a total of 13,250,000 stock options outstanding. In January 2018, an Ex-director exercised 100,000 stock options. As a result, as at March 31, 2018, 13,150,000 stock options were outstanding. Subsequent to the quarter ended March 31, 2018, 2,000,000 stock options were granted in May 2018. Therefore, there are currently 15,150,000 stock options outstanding.

Warrants

As at December 31, 2016, 1,150,000 issued warrants were outstanding. During the year ended December 31, 2017, all concurrent financing broker warrants were exercised and in May 2018 all QT finder warrants were exercised. Therefore, there are currently no issued and outstanding warrants.

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 May 30, 2018.