

AMENDED AND RESTATED



AXION VENTURES INC.

Amended and Restated Management's Discussion and Analysis

For the Three Months Ended March 31, 2017

INTRODUCTION

This amended and restated management discussion and analysis ("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, 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 was dated May 30, 2017 and was prepared with information available as of May 30, 2017. However, this MD&A has been amended and restated as of July 12, 2018 to reflect the Company's amended and restated unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2017. Those financial statements have been amended and restated to reflect certain accounting adjustments identified during the preparation of the Company's audited consolidated financial statements for the years ended December 31, 2017 and December 31, 2016 (as restated). The adjustments are summarised in the Company's press release dated July 12, 2018 and in the notice to reader of the amended and restated unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017.

This MD&A should be read in conjunction with the amended and restated unaudited condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2017 and with the audited consolidated financial statements for the year ended December 31, 2016 (as restated) 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 make reference to those risk factors referenced in the "Risk Factors" section below.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the business of 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; TAI's Game Academy (as defined herein); 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 and trading in the common shares of the Company resumed on May 18, 2016 under the trading symbol "CSP". Since completion of the QT, the Company has been an investment company focused primarily on investments in the online video gaming and other information technology sectors.

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 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\$4,000,000 by way of the rights offering, issuing 44,147,670 preference shares in the process, of which the Company acquired 30,686,275 preference shares for a purchase price of US\$2,780,330.

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 is currently 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, augmented reality, 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 (formerly True Axion Games)

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 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 without prior consent of the Company. In addition, in connection with the True Private Placement, True Incube has the right to appoint a director to the Board.
- *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.

INVESTMENTS/ACQUISITIONS – Subsequent to March 31, 2017**Red Anchor Trading Corp. - 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. In connection with the investment, the Company received: (i) participation rights in any future security offering of Red Anchor that will allow it to maintain its proportionate interest in Red Anchor; (ii) tag-along rights in the event of certain share transfers; (iii) information rights to monthly management reports and financial statements of Red Anchor; (iv) inspection rights; and (v) for so long as the Company holds at least 5% of the outstanding shares of Red Anchor, the right to appoint at least one non-executive director to the Red Anchor board of directors.

Axia Corporation Limited

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, 2017Axion Games Limited

Axion Games owns two studios in PRC, one in Shanghai and a smaller one in Suzhou, with a combined total of approximately 314 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 forth is to lead PRC and Southeast Asia in the development of virtual reality ("VR") games and augmented reality applications ("AR").

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

Products

To date, Axion Games has made three commercially viable games, Fat Princess (Sony PS3, action strategy), MARS (PC online shooting), and Kingdom (mobile action role playing), all of which have generated 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"), "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.

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.

Subsequent to March 31, 2017: (i) 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; (ii) 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%; and (iii) at the end of June 2018, Axion Games commercially launched Rising Fire in China through Tencent's distribution network, WeGame.

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.

TAI's operations officially commenced on or around March 1, 2017, whereby the shareholders and board of TAI approved and initiated its business plan and budget. To begin with, TAI entered into a 3-year lease with the Rungrojthanakul Building, located next to True Tower, True Corporation's head office in Bangkok. The new office will be able to accommodate approximately 125 developers and 4 classrooms for TAI's Game Academy (discussed below). TAI's plan is to fully occupy the space by the end of 2018.

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

- Hired experienced game designers, illustrators, and programmers (currently approximately 125 developers). 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 enhances 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 March 31, 2017, the Company owned

216,295 Innovega preference shares, representing 10.8% of Innovega's issued and outstanding preference shares and 1.81% of Innovega's total issued and outstanding shares (common and preference).

Innovega management opened its first quarter for the period ended March 31, 2017 with three key objectives:

1. Increase its investor and retail profile by launching a new website and product brand, "emacula" (www.emacula.io).
2. Meet with the U.S. Food and Drug Administration (the "FDA") to discuss the pre-submission documents for the emacula contact lens and determine the pre-clinical testing and clinical investigation needed for market clearance for the new indication of viewing near eye displays.
3. Define a North American launch market and complete prototype test glasses that will serve to evaluate how effectively Innovega will penetrate this market.

During this period, the following was accomplished:

1. Innovega management successfully launched a new product brand (www.emacula.io), which attracted immediate online and editorial support as well as high quality web traffic.
2. Innovega management assembled a team of highly accomplished regulatory advisors and met with the FDA ophthalmic device team. Innovega gained clarity on the formal testing and clinical investigation plan for market clearance. Innovega began assessment of registration requirements for other key markets including China and Europe.
3. Innovega's go-to-market plan includes a launch in North America, followed by a ramp outside of North America. The North America launch will target a use case that is well-defined, underserved, and where Innovega's unique panoramic glasses offer a tangible benefit over competitive products. Management will target the 5 million visually impaired patients in North America as its launch market. Innovega engineering staff began developing prototype glasses and lenses that will be used during Q3 2017 to assess the efficacy of its low vision eyewear solution. The National Institutes of Health is offering important support. It is intended that wearer testing will be conducted at the Ohio State University.

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.

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For the three months ended March 31, 2017

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

	March 31, 2017 (US\$'000s)	March 31, 2016 (US\$'000s)
By country/region		
China	1,326	3,106
Rest of the world	74	142
Total Revenue	<u>1,400</u>	<u>3,248</u>

	March 31, 2017 (US\$'000s)	December 31, 2016 (US\$'000s)
By country/region		
Canada	957	371
China	5,443	4,731
Rest of the world	1,286	-
Non-current assets	<u>7,686</u>	<u>5,102</u>

The Company's most significant investment to date is in Axion Games, which is being consolidated in the financial statements. Therefore, the consolidated financial statements are a continuation of the financial statements of Axion Games, while the capital structure is that of the Company.

At March 31, 2017, the Company had US\$10,106 thousand (December 31, 2016 - US\$7,166 thousand) of cash and cash equivalents and total current assets of US\$11,129 thousand (December 31, 2016 - US\$8,459 thousand). The increase in total current assets was due primarily due to the True Private Placement.

The True Private Placement, which closed on January 18, 2017, was used in part to fund the initial contribution investment in TAI, which is a non-current asset. Some of these funds are still in the form of cash.

Current liabilities at March 31, 2017 totalled US\$6,828 thousand (December 31, 2016 - US\$7,142 thousand). The decrease in current liabilities of US\$314 thousand is primarily as a result of a decrease in trade and other payables which decreased by US\$510 thousand, primarily because of the decrease of approximately US\$313 thousand in advances from customers during the period.

Shareholders' equity is comprised of share capital of US\$63,717 thousand (December 31, 2016 - US\$56,568 thousand), a foreign currency translation reserve of negative US\$1,050 thousand (December 31, 2016 - negative US\$978 thousand), a share-based payment reserve of \$596 thousand (December 31, 2016 - US\$412 thousand), other reserve of negative US\$33,543 thousand that remained unchanged and accumulated losses of US\$18,372 thousand (December 31, 2016 - US\$17,055 thousand) for total equity attributable to the shareholders of Axion Ventures of US\$11,348 thousand (December 31, 2016 - US\$5,404 thousand). The increase in equity is again primarily as a result of the True Private Placement referred to above.

Working capital, which is comprised of current assets less current liabilities, was US\$4,301 thousand at March 31, 2017 compared to a working capital of US\$1,317 thousand at December 31, 2016. The increase in working capital is primarily from the additional cash that came in from the True Private Placement.

During the three months ended March 31, 2017, the Company reported a net loss of US\$1,838 thousand (\$0.012 basic and diluted loss per share) compared to a net income of US\$563 thousand (\$0.002 basic and diluted profit per share) during the three ended March 31, 2016.

The Company's revenue decreased approximately US\$1,848 thousand for the three months ended March 31, 2017 compared to the three months ended March 31, 2016. This decrease mainly due to Dalian Wanda Group ("Wanda") outsourcing revenue and was primarily due to an accounting estimate change last year (2016), whereby Axion Games determined that the percentage of completion method is not a reliable way to estimate revenue recognition. Axion Games took 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 recognize the revenue difference in subsequent periods.

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

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.

DISCUSSION OF OPERATIONS

Axion Ventures

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

US\$'000s except for percentage amounts	Q1 2017	Q1 2016	Variance	% change
Revenue	1,400	3,248	(1,848)	(57%)
Gross Profit	617	2,250	(1,633)	(73%)
Research & Development Expenses	(557)	(468)	(89)	19%
Selling and Distribution Expenses	(452)	(385)	(67)	17%
General and Administrative Expenses	(1,500)	(872)	(628)	72%

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Other Operating Income	54	38	16	42%
(Loss)/Profit before taxation	(1,838)	563	(2,401)	(426%)
Income tax expense	-	-	-	N/A
Net (Loss)/Profit	(1,838)	563	(2,401)	(426%)

Revenue

Revenue for the period ended March 31, 2017 was US\$1,400 thousand compared to US\$3,248 thousand in the same quarter in the prior year.

Revenue for the 2017 first quarter were materially impacted and decreased (as noted below):

	March 31, 2017	March 31, 2016
	\$	\$
Outsourcing:		
Wanda	182	1,463
Non-Wanda outsourcing	459	832
Licensing	48	13
Game operation	668	821
Training	43	119
	<u>1,400</u>	<u>3,248</u>

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 three months ended March 31, 2017, Wanda outsourcing revenue was US\$182 thousand versus US\$1,463 thousand for the three months ended March 31, 2016. This decrease 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 is not a reliable way to estimate revenue recognition. Axion Games took 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 recognize the revenue difference in subsequent periods.

Non-Wanda outsourcing revenue was US\$459 thousand in the three months ended March 31, 2017 versus US\$832 thousand for the three months ended March 31, 2016. The decrease of approximately US\$373 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 US\$48 thousand in the quarter ended March 31, 2017 versus US\$13 thousand in the quarter ended March 31, 2016. There was no material change in the array of Axion Games' global publishing partners, and MARS, now a 5 years-old online game, normally exhibits declines in its overseas (outside China) licensing revenues. However, in the quarter ended March

31, 2017, there was more demand (unexpected demand from MARS customers), resulting in an increase of approximately US\$35 thousand.

Game Operation Revenue. Revenue from game operation was US\$668 thousand in first quarter of 2017, down approximately US\$153 thousand from the quarter ended March 31, 2016 (US\$821 thousand). Most of this decline was attributable to an expected decline in MARS 1 & MARS 2 revenues as the online game becomes more dated.

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 US\$43 thousand for the quarter ended March 31, 2017 versus US\$119 thousand for the quarter ended March 31, 2016. The school revenue decrease of \$76 thousand was a result of a business model paradigm shift to online learning. The Company is exploring 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 March 31, 2017 was US\$783 thousand and \$998 thousand for the same period ended March 31, 2016. The decrease of approximately US\$215 thousand was due to the decrease in revenue during the quarter. Higher gross margin was resulted from the higher revenue recognized from Wanda outsourcing contract for the three months ended March 31, 2016 compared to the three months ended March 31, 2017.

	March 31, 2017 US\$'000	March 31, 2016 US\$'000
Research & Development Expenses	557	468
Selling and Distribution Expenses	452	385
General and Administrative Expenses	1,500	872
	<u>2,509</u>	<u>1,725</u>

Operating expenses were US\$2,509 thousand for the three months ended March 31, 2017 compared to US\$1,725 for the three months ended March 31, 2016. Expenses for the period include the following:

- Increase in research & development expenses of approximately US\$89 thousand was due to additional staff resources being allocated to the development of new games.
- Selling and distribution expenses increased by US\$67 thousand during the period.
- General and administrative expenses increased by US\$628 thousand, which was mostly attributable to the increase in the expenses arising from the operation of Axion Ventures, the listed parent company.

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.

Axion Ventures Inc.

AMENDED AND RESTATED

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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 financial statements published for operations for the Axion Games during the last eight quarters are as follows:

Quarter ended	Total Revenues US\$'000	Gross Profit /(Loss) US\$'000	Net (Loss)/Income US\$'000	(Loss)/Earnings per share US\$
March 31, 2017	1,400	617	(1,838)	(0.012)
December 31, 2016	(608)	(1,624)	(4,704)	(0.006)
September 30, 2016	2,104	1,133	(635)	(0.001)
June 30, 2016	2,361	1,477	(1,517)	(0.004)
March 31, 2016	3,248	2,250	563	0.002
December 31, 2015	3,675	727	(2,555)	(0.015)
September 31, 2015	6,817	3,190	1,927	0.012
June 30, 2015	4,202	4,074	910	0.005

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

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

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 so as to ensure it will have sufficient liquidity to pay its obligations when due.

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

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	Mar 31, 2017 US'000	Dec 31, 2016 US'000	Variance	% Change
Current Assets				
Cash and cash equivalents	10,106	7,166	2,940	41%
Trade and other receivables	1,023	1,293	(270)	(21%)
	11,129	8,459		
Current Liabilities				
Trade and other payables	4,010	4,520	(510)	(11%)
Deferred revenue	2,818	2,622	196	8%
	6,828	7,142		
Working Capital	4,301	1,317	2,984	227%

As of March 31, 2017, the Company had US\$10,106 thousand in cash and cash equivalents (December 31, 2016 - US\$7,166 thousand) and working capital of US\$4,301 thousand (December 31, 2016 - US\$1,317 thousand). The foregoing is mainly due to an increase in cash as a result of the True Private Placement. See "INVESTMENTS/ACQUISITIONS – True Axion Interactive".

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 three months ended March 31, 2017, the Company had the following transaction with related parties:

- Other receivable from Red Anchor (Thailand) Co. Ltd., an 11% shareholder of TAI, totalled US\$280 thousand as of March 31, 2017 (December 31, 2016: US\$nil). The balance due is unsecured, interest-bearing at 1% per annum and repayable in year 2022.

The transaction was considered 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. The Company also closed a transaction subsequent to the quarter ended March 31, 2017 that may be considered a related party transaction, which is described above under "INVESTMENTS/ACQUISITIONS – Subsequent to March 31, 2017 – Red Anchor Trading Corp - HotNow".

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 flows 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 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, 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).

During the quarter ended March 31, 2017, the Company held investments consisting of preference shares of Innovega and shares in TAI which were classified as available for sale and recognised at cost. The investments were recognised at fair value at the transaction date, this being the equal to the consideration transferred in exchange for the investment.

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 settlement of trade and other payables, and also in respect of its cash flow management. The Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Company manages its liquidity needs by carefully monitoring forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Company maintains cash and short-term bank deposits to meet its liquidity requirements for 30-day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

The liquidity policies have been followed by the Company since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Company's remaining contractual maturities for its non-derivative financial liabilities at each of the reporting dates. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Company can be required to pay.

**Within one
year or on
demand
US\$'000**

At March 31, 2017

Trade payables	853
Accrued salaries and benefits	1,801
Accrued expenses	226
Other payables	56
	<hr/>
	2,936
	<hr/>

**Within one
year or on
demand
US\$'000**

At December 31, 2016

Trade payables	825
Accrued salaries and benefits	1,953
Accrued expenses	284
Other payables	152
	<u>3,214</u>

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash.

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 1.90%.

Currency risk

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

The operating subsidiary, Axion Games mainly operates in the PRC and the majority of the transactions are settled in RMB (Chinese Yuan Renminbi). Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. At March 31, 2017, the Company did not have significant foreign currency risk from its operations. At March 31, 2017, the Company's beneficial ownership of Axion Games was 51.01%.

Another operating subsidiary, True Axion Interactive mainly operates in the Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht). Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. At March 31, 2017, the Company did not have significant foreign currency risk from its operations. At March 31, 2017, the Company and its affiliates beneficially owned 60% of TAI.

At March 31, 2017, the third operating associate company, Innovega, mainly operates in the Bellevue, Seattle and the majority of the transactions are settled in USD (U.S. Dollars). Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. At March 31, 2017, the Company did not have significant foreign currency risk from its operations. At March 31, 2017, the Company held 10.8% of Innovega's issued and outstanding preference shares and 1.81% of Innovega's total issued and outstanding shares (common and preference).

Credit risk

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

Axion Ventures Inc.

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 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 new standard is not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments

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

IFRS 7 Financial Instruments Disclosure

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

IFRS 2 Share-Based Payment

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

- i. Effects that 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.

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

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' authorized 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 March 31, 2017 and July 12, 2018, there were 236,972,450 and 238,288,044 common shares issued and outstanding, respectively, as a result of the following:

	Issued Common Shares
At January 1, 2017	216,972,450
Shares issued in connection with the True Private Placement	20,000,000
At March 31, 2017	236,972,450
Shares issued in connection with partial warrant exercise	20,000
Shares issued in connection with remaining warrant exercise	130,000
At December 31, 2017	237,122,450
Shares issued in connection with ex-director option exercise	100,000
Shares issued in connection with QT finder warrant exercise	1,000,000
Shares issued in connection with payment in kind interest	65,594
At July 12, 2018	238,288,044

Escrow

On November 1, 2016, the Company was approved for upgrade to Tier 1 Issuer status from Tier 2 by the TSXV, which resulted in accelerating and retroactively adjusting to the TSXV Tier 1 release schedules for outstanding TSXV escrow agreements. The foregoing contemplates adjustments to TSXV Tier 1 release schedules:

TSXV CPC Escrow: Prior to completion of the QT, Axion Ventures had 1,415,000 shares held pursuant to a TSXV CPC escrow agreement. Pursuant to the CPC escrow agreement, 25% were releasable when the Company received final TSXV approval of the QT by way of the Final Exchange Bulletin on May 17, 2016 (released), 25% 6 months from the Final Exchange Bulletin (released), 25% 12 months from the Final Exchange Bulletin (released) and 25% 18 months from the Final Exchange Bulletin.

TSXV Surplus Escrow: Pursuant to the QT, 53,684,753 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were deposited directly into TSXV Surplus escrow. Pursuant to the Surplus escrow agreement, 10% were releasable when the Company received the Final Exchange Bulletin (released), 20% 6 months from the Final Exchange Bulletin (released), 30% 12 months from the Final Exchange Bulletin (released) and 40% 18 months from the Final Exchange Bulletin.

TSXV Value Escrow: Pursuant to the QT, 41,634,797 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were deposited directly into TSXV Value escrow. Pursuant to the Value escrow agreement, 25% were releasable when the Company received the Final Exchange Bulletin (released), 25% 6 months from the Final Exchange Bulletin (released), 25% 12 months from the Final Exchange Bulletin (released) and 25% 18 months from the Final Exchange Bulletin.

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.

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

As a result of the foregoing, as at March 31, 2017 and July 12, 2018, 103,828,310 and 33,000,000 shares, respectively, were subject to TSXV or voluntary escrow.

Stock Options

As at December 31, 2016, there were a total of 14,150,000 stock options outstanding. During the three months ended March 31, 2017, Axion Ventures issued no stock options. Subsequent to the three months ended March 31, 2017, 900,000 stock options were expired and unexercised, 100,000 stock options were exercised and 2,000,000 stock options were granted. As a result, as of March 31, 2017 and July 12, 2018, there were 14,150,000 and 15,150,000, respectively, stock options outstanding.

Warrants

As at December 31, 2016, there were a total of 1,150,000 warrants outstanding. During the period ended March 31, 2017, Axion Ventures issued no additional warrants and no warrants were exercised or expired. Subsequent to the three months ended March 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 actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative.

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

APPROVAL

The Board has approved the disclosure contained in this MD&A as of June 28, 2018.