2016 Information
Amended and Restated

AXION VENTURES INC.

Management's Discussion and Analysis

For the Years Ended December 31, 2017 and 2016

2016 RESTATEMENT

Information for year ended December 31, 2016 has been amended and restated to reflect a restatement of the Company's audited consolidated financial information as at and for the year ended December 31, 2016. That financial information has been amended and restated at the request of the British Columbia Securities Commission's ("BCSC"), as a result of the BCSC's conclusion that the Company's former auditors did not meet the professional standards relating to independence as summarized in the Company's press release dated February 9, 2018. In connection with the re-audited 2016 financial information, the Company identified the following adjustments:

	As previously reported USD'000	Restatement #1 USD'000	Restatement #2 USD'000	Restatement #3 USD'000	Restatement #4 USD'000	As restated USD'000
Non-current assets	5,102	-	-	-	-	5,102
Total current assets	8,872	-	-	-	-413	8,459
Total assets	13,974	-	-	-	-413	13,561
Total current liabilities	8,363	-	-580	-228	-413	7,142
Net assets	5,611	-	580	228	-	6,419
Equity attributable to owners of the parent	6,203	-1,610	658	153	-	5,404
Non-controlling interests	-592	1,610	-92	89	-	1,015
Total equity	5,611	-	580	228	-	6,419
Revenue	6,854	-	-	228	23	7,105
Gross profit	2,377	-	-	228	631	3,236
Loss from operations	-5,262	-	-237	228	-3	-5,274
Loss for the year	-6,915	631	-237	228	-	-6,293

1. Management revisited the accounting treatment of "recapitalisation" incurred from the QT (as defined below) and made a correction between equity attributable to owners of the parent, and equity attributable to non-controlling interests.

2. Management re-assessed the provision for social security funds and made a correction for an overstatement of provision for social security funds.

3. Management re-determined the average gamer life by using the active player data for the past three years and as at December 31, 2016, the average gamer life changed from 410 days to 336 days as at January 1, 2016 and 484 days to 379 days as at December 31, 2016.

4. Management re-assessed the nature of these balances and determined to re-present the Company's consolidated financial statements for presentation of a correct classification in order to conform with the presentation for the year ended December 31, 2017.

For a more detailed list of adjustments, please see Note 2.1 of the audited consolidated financial statements of the Company as at and for the years ended December 31, 2017 and 2016 from page 11 - 14.

INTRODUCTION

This management discussion and analysis ("MD&A") is dated May 31, 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 years ended December 31, 2017 and 2016. 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 audited consolidated financial statements of the Company as at and for the years ended December 31, 2017 and 2016, along with related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in 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. The 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 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 ("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 December 31, 2017

Axion Games

Axion Games owns two studios in PRC, one in Shanghai and a smaller one in Suzhou, with a combined total of approximately 380 employees as of December 31, 2017. Axion Games commenced operations in 2006 and for several years focused primarily on providing premium outsourcing services and licensing game development technology to third-party customers. Axion Games was originally formed as a joint venture between Epic Games International Ltd. (USA) ("Epic Games") and AEH, a holding company established by Axion Games' founders. Initially, Axion Games provided outsourcing services to Epic Games and worked on several of Epic Games' major hits. Axion Games subsequently expanded its reach and became an outsourcing developer to numerous other high-profile game developers and publishers. Axion Games has delivered tens of thousands of premium game assets (including small assets such as virtual weapons or characters; larger assets such as game levels, maps or prototypes to show game dynamics; and even complete games) to dozens of clients, and its assets have contributed to several major global titles.

Outsourcing has been critical in training and conditioning Axion Games' developers. Axion Games' outsourcing clients are mostly premium international publishers and have stringent requirements with respect to quality, cost, and prompt delivery. In order to meet these requirements, Axion Games' developers must use the latest techniques and technologies, and by continually challenging Axion Games' developers to meet stringent requirements of its outsourcing clients, Axion Games believes its outsourcing business has both served as an excellent training platform for its developers and also created a culture of excellence, efficiency and accountability. In addition, Axion Games' engineering capabilities have benefitted from its partnership with Epic Games and Epic Games' UnReal Engine, a leading global software platform for game developers that includes advanced physics and graphics engines. As a result of this licensing relationship, Axion Games' engineers have a high degree of competency in advanced game engine design, which has allowed Axion Games to develop proprietary technology, called Atlas, that enables massively multiplayer online games, including server management tools and game asset generators, to populate large virtual worlds with game objects. A key strategy of Axion Games going forward is to lead PRC and Southeast Asia in the development of VR games and AR applications.

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

Products

To date, Axion Games has developed three commercially viable games, Fat Princess (Sony PS3, action strategy), MARS (PC online shooting), and Kingdom (mobile action role-playing), all of which have generated 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. As of December 31, 2017, the Company held 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 in undiluted basis).

Innovega management began the year with two key objectives:

- Continue development of its smart glasses / smart lens eyewear and independently test the efficacy of proposed product and application relating to a wearable display product for the U.S. market of 5 million low-vision patients.

- Open discussions with at least one contact lens contract manufacturer and one glasses manufacturer that could support the proposed forecast initial volumes to low vision patients.

During this period, the following was accomplished:

- Innovega refined a go-to-market plan activities relating to a display aid for low-vision patients in North America. Such plan included strategies around distribution to eye-care practitioners who would dispense the low vision aid.

- Follow-up meetings were held with a leading smart glasses supplier that had indicated strong interest in co-developing and fabricating Innovega low-vision display eyewear. In the same manner, discussions were initiated with a contact lens supplier that could manufacture initial volumes of lenses for the potential launch into the low-vision patient market.

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 HotNow team emphasis for the year ended December 31, 2017 has been spent on product and customer focus and on financing efforts.

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 is a regional insurance and wealth management technology startup that currently consists of three legal entities in three countries. Axia Corporation Limited is a holding company incorporated in Hong Kong on November 14, 2016 with operating subsidiaries in Thailand and Singapore. Axia Corporation (Thailand) Limited is a wholly-owned subsidiary incorporated in Thailand on November 29, 2016 that provides software development, operations, marketing and design services for Axia HK. Axia Technologies Pte Ltd is a wholly-owned subsidiary incorporated in Singapore on July 19, 2017 and hosts the regional insurance management team.

Axia is building the first full-stack customer-to-capital markets insurance company. The proprietary risk-transfer technology is being implemented in Bangkok with guidance from the regional insurance management team in Singapore. Axia started the year with 3 staff and quickly grew to 21 staff by the end of the year with 18 staff in Bangkok and 3 staff in Singapore. Axia began discussions with the Monetary Authority of Singapore regarding insurance licensing in August 2017 and with the Hong Kong Insurance Authority in October 2017 and is expected to go to market in 2018.

ADOPTION OF EXCEPTION TO CONSOLIDATION FROM IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS"

According to the quarterly filing of the unaudited consolidated condensed financial statements for the three and nine months ended September 30, 2017 dated November 29, 2017, the Company considered itself an investment entity by satisfying the following definition and characteristics of an investment entity set out in IFRS 10:

- It obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- It commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- It measures and evaluates the performance of substantially all of its investments on a fair-value basis.
- It has more than one investment;
- It has more than one investor;
- It has investors who are not related parties of the entity; and
- It has ownership interests in the form of equity or similar interests.

As a result, the Company ceased to consolidate its subsidiaries as at September 30, 2017 and measured its subsidiaries and other investments at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments".

During the the audit of the consolidated financial statements of the Company as at and for the years ended December 31, 2017 and 2016, the Company re-assessed its investment entity status with the assistance from its professional advisors and determined that the Company had not yet changed to investment entity status from the perspective of accounting standards. Therefore, no exception to consolidation should be adopted during the period ended September 30, 2017 or the year ended December 31, 2017.

The Company considers itself an investment entity since the completion of QT in May 2016 and seeks to upgrade to a robust financial and internal control procedures with external professional advisors in an effort to fully comply with the requirements from IFRS 10 for the exception to consolidation during the current 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 Company's revenues from external customers and its non-current assets are divided into the following geographical areas:

	December 31, 2017 (US$'000s)	December 31, 2016 (US$'000s)
By country/region		
China	5,025	5,511
Rest of the world	1,638	1,594
Total Revenue	6,663	7,105

	December 31, 2017 (US$'000s)	December 31, 2016 (US$'000s)
By country/region		
Canada	314	371
China	7,352	4,731
Rest of the world	2,560	-
Non-current assets	10,226	5,102

As at December 31, 2017, the Company had US$3,699 thousand (December 31, 2016: US$7,166 thousand) of cash and cash equivalents, and total current assets of US$4,986 thousand (December 31, 2016: US$8,459 thousand). The decrease in total current assets was primarily due to the addition of research and development costs of Rising Fire (US$3.2 million), the investment made in Red Anchor (BVI) (US$1.5 million) and increase in operating expenses (mainly salaries of employees) of Axion Ventures and subsidiaries (see "Discussion of Operations" below).

Current liabilities at December 31, 2017, totalled US$8,050 thousand (December 31, 2016: US$7,142 thousand). The increase is primarily due to the capital injected from True (US$7.1 million).

As at December 31, 2017, Shareholders' equity comprised of share capital of US$63,739 thousand (December 31, 2016: US$56,568 thousand); foreign currency translation reserve of -US$603 thousand (December 31, 2016: -US$978 thousand); a share-based payment reserve of US$1,009 thousand (December 31, 2016: US$412 thousand); other reserve of -US$33,543 thousand (December 31, 2016: -US$33,543 thousand); and accumulated losses of US$23,319 thousand (December 31, 2016: US$17,055 thousand); for total equity attributable to the shareholders of Axion Ventures of US$7,283 thousand (December 31, 2016: US$5,404 thousand).

Working capital, comprised current assets less current liabilities, was -US$3,064 thousand on December 31, 2017 (December 31, 2016: US$1,317 thousand). During the year ended December 31, 2017, the Company reported a net loss of US$7,749 thousand (-US$0.0418 basic and diluted earnings per share) compared to a net loss of US$6,293 thousand (-US$0.0099 basic and diluted earnings per share) during the year ended December

31, 2016. The foregoing change is primarily due to the decrease in revenue and increase in operating expenses (see “Discussion of Operations” below).

The Company's revenue decreased approximately US$442 thousand for the year ended December 31, 2017 compared to the year ended December 31, 2016. The decrease is due to the falling of revenue from MARS game as MARS game has reached the decline stage of its life-cycle.

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

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.

SELECTED ANNUAL INFORMATION

The following table sets out selected annual information for the years ended December 31, 2017, 2016 and 2015:

	December 31, 2017 (US$’000s)	December 31, 2016 (US$’000s)	December 31, 2015 (US$’000s)
Revenue	6,663	7,105	14,049
Gross profit	3,011	3,236	9,674
Operating expenses	(11,275)	(8,510)	(9,381)
Other income (expenses)	515	(1,006)	173
Income tax	-	(13)	(5)
Net income (loss)	(7,749)	(6,293)	461
Total assets	15,212	13,561	8,919
Total current liabilities and total liabilities	8,050	7,142	6,866
Basic and Diluted (Loss)/Earnings per share	(4.18) cents	(0.99) cents	0.28 cents

The Company did not pay any dividends in respect of the years ended December 31, 2017 and 2016 and does not expect the payment dividends in the current year.

See "Discussion of Operations" below for discussion and analysis.

DISCUSSION OF OPERATIONS

The following table sets out revenue, profit and expenses of the Company and includes variances and percentage changes for the years ended December 31, 2017 and 2016:

	Year Ended December 31,			
US$'000s (except for percentage amounts)	**2017**	**2016**	**Variance**	**% change**
Revenue	**6,663**	**7,105**	**(442)**	**(6%)**
Gross profit	**3,011**	**3,236**	**(225)**	**(7%)**
Research and development expenses	(1,625)	(2,384)	759	(32%)
Selling and distribution expenses	(1,116)	(1,509)	393	(26%)
General and administrative expenses	(8,534)	(4,617)	(3,917)	85%
Listing fee	-	(1,032)	1,032	(100%)
Other income	515	26	489	1881%
Income loss on ordinary activities before taxation	**(7,749)**	**(6,280)**	**(1,469)**	**23%**
Income tax	-	(13)	13	100%
Net loss	**(7,749)**	**(6,293)**	**(1,456)**	**23%**

Revenue

Revenue for the year ended December 31, 2017 was US$6,663 compared to US$7,105 thousand in the prior year and consisted of the following:

	Year Ended December 31,	
US$'000s	**2017**	**2016**
Outsourcing	3,398	3,118
Game operations	2,444	2,978
Licensing	487	403
Training	334	606
Total revenue	**6,663**	**7,105**

Outsourcing Revenue: For the year ended December 31, 2017, outsourcing revenue was US$3,398 thousand with a slight increase compared to US$3,118 thousand for the year in December 31, 2016.

Game Operation Revenue. Revenue from game operations was US$2,444 thousand for the year ended December 31, 2017 with a decrease of US$534 thousand (or 18%) compared to the year ended December 31, 2016. The decrease is primarily due to the falling of revenue from MARS game as MARS game has reached the decline stage of its life cycle.

Licensing Revenue: Licensing revenue represents the licensing revenue from video games. There was a small increase from US$403 thousand for the year ended December 31, 2016 to US$487 thousand for the year ended December 31, 2017.

Training Revenue. Training revenue was received from the students attending courses of games design, programming and graphic design organised by Axion Games. A decrease of US$272 thousand (or 45%) between the year ended December 31, 2017 and December 31, 2016 was due to the decrease in students.

Gross profit

Gross profit for the year ended December 31, 2017 was US$3,011 thousand which was kept the approximate level of the year ended December 31, 2016.

Expenses and other income

Expenses and other income consisted of the following:

	Year Ended December 31,	
US$'000s	**2017**	**2016**
Research and development expenses	(1,625)	(2,384)
Selling and distribution expenses	(1,116)	(1,509)
General and administrative expenses	(8,534)	(4,617)
Other income	515	26
Listing fee	-	(1,032)
	(10,760)	(9,516)

Operating expenses were US$10,760 thousand for the year ended December 31, 2017 with an increase of US$1,244 thousand (or 13%) compared to the year ended December 31, 2016. Details of operating expenses for the years are illustrated below:

- Research and development expenses decreased by US$759 thousand in the year ended December 31, 2017 compared to last year as more development expenses were capitalised for Rising Fire, which is expected to launch in the current year.

- There was a decrease in selling and distribution expenses of US$393 thousand for the year ended December 31, 2017 compared to last year because less marketing expenses were used for MARS game due to it having reached its decline stage of life cycle.

- General and administrative expenses increased significantly to US$8,534 thousand for the year ended December 31, 2017 (December 31, 2016: US$4,617 thousand). The increase was mainly attributable to the increase in operating expenses in the Company and the set up of new operations in Southeast Asia including the following items: salaries of US$4,185 thousand (December 31, 2016: US$3,463 thousand), stock option expenses of US$723 thousand (December 31, 2016: US$287 thousand), consulting fees of US$981 thousand (December 31, 2016: US$228 thousand), management fees of US$934 thousand (December 31, 2016: US$426 thousand) (see "Related Party Transactions"), professional fees of US$355 thousand (December 31, 2016: US$131 thousand) and other miscellanous expenses of US$1,356 thousand (December 31, 2016: US$82 thousand).

- The listing fee (non-cash transaction) in 2016 resulted from the reverse acquisition from the completion of QT calculated in accordance with IFRS 2 Share-Based Payment.

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$	Earnings (Loss) per share US$
December 31, 2017	3,295	2,085	(3,639)	(0.0357)
September 30, 2017	1,096	170	(1,538)	(0.0159)
June 30, 2017	1,169	268	(1,546)	(0.0882)
March 31, 2017	1,103	488	(1,026)	(0.0085)
December 31, 2016	1,460	236	(4,280)	(0.0250)
September 30, 2016	1,668	765	(541)	(0.0022)
June 30, 2016	1,783	960	(1,656)	(0.0042)
March 31, 2016	2,194	1,275	184	0.0005

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 considering 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	**December 31, 2017**	**December 31, 2016**	**Variance**	**% Change**
Current Assets				
Cash and cash equivalents	3,699	7,166	(3,467)	(48%)
Trade and other receivables	1,287	1,293	(6)	(0%)
	4,986	8,459	(3,473)	(41%)
Current Liabilities				
Accounts payable and accrued liabilities	5,216	4,520	696	15%
Deferred revenue	2,834	2,622	212	8%
	8,050	7,142	908	13%
Working Capital	**(3,064)**	**1,317**	**(4,381)**	**(333%)**

As of December 31, 2017, the Company had US$3,699 thousand in cash and cash equivalents (December 31, 2016: US$7,166 thousand) and working capital of -US$3,064 thousand (December 31, 2016: US$1,317 thousand).

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 year ended December 31, 2017, the Company completed the following transactions with related parties:

(i) Axion Games continues to provide outsourcing services to Epic Games, which also remains a shareholder of Axion Games. During the year ended December 31, 2017, Axion Games received fees of US$589 thousand (December 31, 2016: US$354 thousand).

(ii) During the year ended December 31, 2017, the Company paid or accrued management fees of US$934 thousand (December 31, 2016: US$426 thousand) to key management (subsidiaries and associates) ('C' level employees, certain executives and control persons) of the Company for their services to the Company.

(iii) During the year ended December 31, 2017, the Company accrued an expense of US$723 thousand (December 31, 2016: US$287 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 from related parties totalled US$442 thousand as of December 31, 2017 (December 31, 2016: US$38 thousand) including (a) the receivable from Epic Games for the provision of outsourcing services of US$130 thousand (December 31, 2016: US$38 thousand) (See (i)); (b) the receivable from Red Anchor (Thailand) Co. Ltd., an 11% shareholder of TAI, of US$297 thousand (December 31, 2016: US$Nil) for the establishement of TAI and (c) the receivable from Coherent Asia Limited, a 30% shareholder of Axia, of US$15 thousand (December 31, 2016: US$Nil).

(v) Accounts payable to related parties totalled US$870 thousand as of December 31, 2017 (December 31, 2016: US$593 thousand) including (a) the payable to Epic Games of royalty payment for the use of Unreal Engine of US$224 thousand (December 31, 2016: US$589 thousand); and (b) the payable to shareholders of Axion Entertainment Holdings Ltd. of US$559 thousand (December 31, 2016: US$Nil thousand) and (c) the payable from Coherent Asia Limited, a 30% shareholder of Axia, of US$83 thousand (December 31, 2016: US$Nil).

FOURTH QUARTER

No fourth quarter events or items affected the Company’s financial condition, financial performance or cash flows, year-end and other adjustments, seasonal aspects of the Company’s business, or dispositions of business segments.

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 December 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).

As of the year ended December 31, 2017, 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.

	Within one year or on-demand US$'000
At December 31, 2017	
Trade payables	451
Accrued salaries and benefits	1,638
Accrued expenses	227
Other payables	884
	3,200

	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
	3,214

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 December 31, 2017, 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 December 31, 2017 and was 54.22% as of May 31, 2018.

Another operating subsidiary, TAI mainly operates in Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht). At December 31, 2017, the Company did not have significant foreign currency risk from its operations. At December 31, 2017, the Company, and its affiliates beneficially own 60% of TAI.

At December 31, 2017, the third operating associate company, Innovega, operates from Bellevue, Washington, and San Diego, California, and the majority of the transactions are settled in USD (U.S. Dollars). At December 31, 2017, 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 December 31, 2017, the fourth operating associate company, Red Anchor, mainly operates in the Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht) and USD (U.S. Dollars). At December 31, 2017, the Company did not have significant foreign currency risk from its operations. The Company currently holds issued and outstanding preference shares and 15% of Red Anchor Trading Corp total issued and outstanding common shares.

At December 31, 2017, the fifth operating subsidiary company, Axia, mainly operates in the Bangkok, Thailand and Hong Kong and the majority of the transactions are settled in HKD (Hong Kong Dollars), USD (U.S. Dollars) and THB (Thai Baht). At December 31, 2017, the Company did not have significant foreign currency risk from its operations. The Company currently holds issued and outstanding preference shares and 70% of Axia's total issued and outstanding common shares.

Credit risk

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

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

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

SIGNIFICANT NEW IFRS ACCOUNTING POLICIES

Axion Ventures

Adoption of new/revised IFRSs – first effective on 1 January 2017

In the current year, the Company has applied for the first time the following new and revised standards issued by the IASB, which are relevant to and effective for the Company's financial statements for the annual period beginning on January 1, 2017:

Amendments to International Accounting Standards ("IAS") 7 Disclosure Initiative
Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IFRS 12, Disclosure of Interests in Other Entities

New standards and interpretations

<u>Amendments to IAS 7 – Disclosure Initiative</u>

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, Note [13, 14, 21 and 27].

<u>Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 12, Disclosure of Interests in Other Entities:</u>

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of IFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to IFRS 12 has no impact on the financial performance, and the financial position of the Company as the amendments affect only disclosure. In addition, there are no interests in other entities classified as held for sale or discontinued operations at the end of the reporting period.

New / revised IFRSs that have been issued but are not yet effective:

At the date of authorisation of these financial statements, the following new/revised IFRSs, potentially relevant to the Company's financial statements, have been issued but are not yet effective and have not been early adopted by the Company. The Company's current intention is to apply these changes on the date they become effective.

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures[1]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)[1]
IFRIC–Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures [2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to: IFRS 3, Business Combinations; IFRS 11 Joint Arrangements; IAS 12, Income Taxes; and IAS 23 Borrowing Costs[2]
IFRS 16	Leases[2]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[2]

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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 debts and equity instruments are measured at fair value through profit or loss ("FVTPL"). The Company 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 Company's financial assets currently classified as "available-for-sale", these are investments in equity investments which the Company may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on the transition to IFRS 9.

At December 31, 2017, the Company held available-for-sale equity investments at cost amounted to USD1,890K. The Company plans to recognise any fair value changes in respect of all the available-for-sale equity investments in other comprehensive income (i.e. FVTOCI) as they arise. This will give rise to a change in accounting policies as before adopting IFRS 9; the Company only recognises 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 will have an impact on the Company's net assets and total comprehensive income and will increase volatility in profit or loss in 2018.

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 may result in an earlier recognition of credit losses on the Company's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

In addition, IFRS 9 introduces new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. However, the Company currently does not have any hedging relationship, and therefore it will not have any impact on the Company's financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. The Company currently does not have any financial liabilities designated at FVTPL, and therefore this new requirement will not have any impact on the Company on adoption of IFRS 9.

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 recognise 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 five 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: Recognise 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 Company is currently assessing the impacts of adopting IFRS 15 on its financial statements and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Company.

Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of IFRS 15 in the future will not have a material impact on the amounts reported in the consolidated financial statements of the Company in the future, based on the existing business model of the Company as at 31 December 2017.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

The amendments clarify that pre-payable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met – instead of at FVTPL.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, 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.

As at 31 December 2017, the Company's total future minimum lease payments under the non-cancellable operating lease of [$1,892] as disclosed in Note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirement may result in changes in measurement, presentation and disclosure as indicated above.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Company has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Company. Except as described above, the directors of the Company anticipate that the application of other new/revised IFRSs will have no material impact on the Company's financial performance and financial position and/or the disclosures to the financial statements of the Company.

OUTSTANDING SHARE DATA

Axion Ventures Inc.

Common Shares

Axion Ventures' authorised share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. Prior to completion of the QT, Axion Ventures had a total of 7,079,800 issued and outstanding common shares. As at December 31, 2016, there were 216,972,450 common shares issued and outstanding as a result of the following:

	Issued Common Shares
At January 1, 2016	7,079,800
Exchange shares issued in connection with the QT	150,168,692
Shares issued in QT concurrent private placement	5,750,000
Exchange shares issued in connection with August share exchanges	33,581,358
Shares issued in connection with August private placement	20,242,600
Shares issued in connection with stock option exercises	150,000
At December 31, 2016	**216,972,450**

As at December 31, 2017, there were 237,122,450 common shares issued and outstanding 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
Shares issued in connection with partial QT private placement warrant exercise	20,000
Shares issued in connection with remaining QT private placement warrant exercise	130,000
At December 31, 2017	**237,122,450**

As at May 31, 2018, there were 238,222,450 common shares issued and outstanding 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
Shares issued in connection with QT finder warrant exercise	1,000,000
May 31, 2018	**238,222,450**

Escrow Shares

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 at the QT TSXV final exchange bulletin on May 17, 2016 (released), 25% 6 months from TSXV bulletin (released), 25% 12 months from TSXV bulletin and 25% 18 months from 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 at the QT TSXV final exchange bulletin (released), 20% 6 months from TSXV bulletin (released), 30% 12 months from TSXV bulletin and 40% 18 months from 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 at the QT TSXV final exchange bulletin (released), 25% 6 months from TSXV bulletin (released), 25% 12 months from TSXV bulletin and 25% 18 months from 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 were released as follows: 25% on closing; and 25% released 6, 12, and 18 months thereafter. The other 10,133,189 of the 33,581,358 Axion Ventures shares were released in one tranche on February 10, 2017 (released).

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

2016

Prior to completion of the QT, Axion Ventures had no stock options outstanding. During the fiscal year ended December 31, 2016, Axion Ventures issued the following stock options:

- In connection with the QT, Axion Ventures granted an aggregate of 700,000 stock options to its directors, officers, employees and consultants with each stock option entitling the optionee to purchase one Axion Ventures common share at a price of C$0.25 per share for a period of five years.

- On June 6, 2016, Axion Ventures granted 500,000 stock options to its new CFO with each stock option entitling the optionee to purchase one Axion Ventures common share at a price of C$0.45 per share for a period of five years.

- On December 30, 2016, Axion Ventures granted an aggregate of 13,300,000 stock options to its directors, officers, employees and consultants with each stock option entitling the optionee to purchase one Axion Ventures common share at a price of C$0.50 per share for a period of five years and vesting over 3 years.

As a result of the exercise and expiry of certain options, as at December 31, 2016 there were a total of 14,150,000 stock options outstanding.

2017

During the fiscal year ended December 31, 2017 no additional stock options were granted. As a result of the exercise and expiry of certain options, as at December 31, 2017 there were a total of 13,250,000 stock options outstanding.

2018

Since the fiscal year ended December 31, 2017, an Ex-director exercised 100,000 stock options and the Company has issued an additional 2,000,000 stock options; Therefore, as at May 31, 2018, there are a total of 15,150,000 stock options outstanding.

<u>Warrants</u>

2016

Prior to completion of the QT, Axion Ventures had no share purchase warrants outstanding. In connection with the QT, the following warrants were issued:

- The Company issued 1,000,000 non-transferable share purchase warrants to the QT finder, entitling the finder to acquire up to 1,000,000 common shares of Axion Ventures at an exercise price of C$0.25 per share exercisable within 24 months of the closing.

- The Company issued the QT concurrent financing broker 150,000 non-transferable share purchase warrants exercisable at C$0.20 per Axion Ventures common share for a period of 12 months following the closing.

As at December 31, 2016, all 1,150,000 issued warrants remain outstanding.

2017 and Current

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.

<u>Convertible Note</u>

On March 2, 2018, the company issued convertible debentures in the principal amount of US$910 thousand. The debentures are convertible into common shares at a conversion price of C$0.93 per share. The debentures mature two years from the date of the closing and bear interest at the rate of 15% per annum, payable semi-annually in shares with the number of shares determined at the Market Price (as defined in the Policies of the TSXV) on the applicable interest payment date, unless the holder elects not to convert the interest into shares in which case the interest shall be calculated at a rate of 8% per annum and paid in cash.

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 31, 2018.