
Axion Ventures Inc.
Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the Three and Six Months Ended June 30, 2018 and 2017

(Unaudited)

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Administrative information

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Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, Canada

August 29, 2018

Axion Ventures Inc.**Condensed Consolidated Interim Financial Statements (Unaudited)****(Expressed in United States Dollars)****Condensed Consolidated Interim Statement of Comprehensive Income****For the Three and Six Months Ended June 30, 2018 and 2017**

		Three months ended June 30,		Six months ended June 30,	
	Notes	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Revenue	4	1,850	1,512	3,068	2,912
Cost of sales		<u>(1,134)</u>	<u>(888)</u>	<u>(2,292)</u>	<u>(1,671)</u>
Gross profit		716	624	776	1,241
Research and development expenses		(412)	(216)	(787)	(773)
Selling and distribution expenses		(188)	(173)	(360)	(625)
General and administrative expenses		<u>(2,690)</u>	<u>(1,816)</u>	<u>(5,143)</u>	<u>(3,316)</u>
Loss from operations		(2,574)	(1,581)	(5,514)	(3,473)
Other income		11	7	22	20
Finance income		-	10	4	16
Finance expense		(128)	-	(128)	-
Fair value gain on FVTPL investments		240	-	240	-
Fair value loss on derivative financial instruments		(49)	-	(360)	-
Foreign currency exchange (loss)/gain		<u>(35)</u>	<u>(3)</u>	<u>(74)</u>	<u>32</u>
Loss before income tax		(2,535)	(1,567)	(5,810)	(3,405)
Income tax expense	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Loss for the period		(2,535)	(1,567)	(5,810)	(3,406)
Other comprehensive (loss)/ income:					
<i>Item that will or may be reclassified to profit or loss:</i>					
Exchange difference arising on translation of foreign operations		<u>(214)</u>	<u>358</u>	<u>(71)</u>	<u>427</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(214)</u>	<u>358</u>	<u>(71)</u>	<u>427</u>
Total comprehensive loss		(2,749)	(1,209)	(5,881)	(2,979)
Loss for the period attributable to:					
Owners of the Company		(2,483)	(1,463)	(5,032)	(2,786)

Axion Ventures Inc.**Condensed Consolidated Interim Financial Statements (Unaudited)****(Expressed in United States Dollars)****Condensed Consolidated Interim Statement of Comprehensive Income****For the Three and Six Months Ended June 30, 2018 and 2017**

		Three months ended June 30,		Six months ended June 30,	
	Notes	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Non-controlling interests		<u>(52)</u>	<u>(104)</u>	<u>(778)</u>	<u>(620)</u>
		(2,535)	(1,567)	(5,810)	(3,406)
Total comprehensive loss attributable to:					
Owners of the Company		(2,654)	(1,145)	(5,124)	(2,539)
Non-controlling interests		<u>(95)</u>	<u>(64)</u>	<u>(757)</u>	<u>(440)</u>
		<u>(2,749)</u>	<u>(1,209)</u>	<u>(5,881)</u>	<u>(2,979)</u>
Loss per share attributable to owners of the Company	9				
Basic		(1.21 cents)	(0.96 cents)	(2.48 cents)	(1.99 cents)
Diluted		(1.21 cents)	(0.96 cents)	(2.48 cents)	(1.99 cents)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Axion Ventures Inc.**Condensed Consolidated Interim Financial Statements (Unaudited)**

(Expressed in United States Dollars)

Condensed Consolidated Interim Statement of Financial Position**As at June 30, 2018 and December 31, 2017**

	<i>Notes</i>	June 30, 2018 US\$'000	December 31, 2017 US\$'000
Assets			
Non-current assets			
Intangible assets	10	9,499	7,665
Property, plant and equipment	11	745	743
FVTPL investments	12	1,730	1,521
Trade and other receivables	13	284	297
		<u>12,258</u>	<u>10,226</u>
Current assets			
Trade and other receivables	13	1,261	1,287
Cash and cash equivalents	14	3,352	3,699
		<u>4,613</u>	<u>4,986</u>
Total current assets		<u>4,613</u>	<u>4,986</u>
Total assets		<u>16,871</u>	<u>15,212</u>
Liabilities			
Current liabilities			
Trade and other payables	15	10,463	5,216
Deferred revenue		3,608	2,834
Derivative financial instruments	16	360	-
		<u>14,431</u>	<u>8,050</u>
Total current liabilities		<u>14,431</u>	<u>8,050</u>
Net current liabilities		<u>(9,818)</u>	<u>(3,064)</u>
Non-current liability			
Convertible debentures	16	909	-
		<u>909</u>	<u>-</u>
NET ASSETS		<u>1,531</u>	<u>7,162</u>
Issued capital and reserves attributable to owners of the Company			
Share capital		64,089	63,739
Foreign currency translation reserve		(695)	(603)
Share-based payment reserve		1,266	1,009
Other reserve		(33,543)	(33,543)
Accumulated losses		(28,745)	(23,319)
		<u>2,372</u>	<u>7,283</u>
Non-controlling interests		(841)	(121)
		<u>(841)</u>	<u>(121)</u>
TOTAL EQUITY		<u>1,531</u>	<u>7,162</u>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Axion Ventures Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in United States Dollars)

**Condensed Consolidated Interim Statement of Changes in Equity
For the Six Months Ended June 30, 2018 and 2017**

	Share capital US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Equity attributable to the owners of the Company US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
At January 1, 2018	63,739	(603)	1,009	(33,543)	(23,319)	7,283	(121)	7,162
Comprehensive loss for the period								
Loss for the period	-	-	-	-	(5,032)	(5,032)	(778)	(5,810)
Exchange difference arising on translation of foreign operations	-	(92)	-	-	-	(92)	21	(71)
Total comprehensive loss for the period	-	(92)	-	-	(5,032)	(5,124)	(757)	(5,881)
Contributions by and distributions to owners								
Issuance of new shares	350	-	(88)	-	-	262	-	262
Transaction with non-controlling interests	-	-	-	-	(429)	(429)	37	(392)
Share-based payment expenses	-	-	380	-	-	380	-	380
Forfeiture of share options	-	-	(35)	-	35	-	-	-
Total contributions by and distributions to owners	350	-	257	-	(394)	213	37	250
At June 30, 2018	64,089	(695)	1,266	(33,543)	(28,745)	2,372	(841)	1,531

Axion Ventures Inc.

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**Condensed Consolidated Interim Statement of Changes in Equity
For the Six Months Ended June 30, 2018 and 2017**

	Share capital US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Equity attributable to the owners of the Company US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
At January 1, 2017	56,568	(978)	412	(33,543)	(17,055)	5,404	1,015	6,419
Comprehensive loss for the period								
Loss for the period	-	-	-	-	(2,786)	(2,786)	(620)	(3,406)
Exchange difference arising on translation of foreign operations	-	247	-	-	-	247	180	427
Total comprehensive loss for the period	-	247	-	-	(2,786)	(2,539)	(440)	(2,979)
Contributions by and distributions to owners								
Issuance of new shares	7,656	-	(11)	-	11	7,656	-	7,656
Share issue costs	(485)	-	-	-	-	(485)	-	(485)
Share-based payment expenses	-	-	359	-	-	359	-	359
Forfeiture of share options	-	-	(113)	-	113	-	-	-
Total contributions by and distributions to owners	7,171	-	235	-	124	7,530	-	7,530
At June 30, 2017	63,739	(731)	647	(33,543)	(19,717)	10,395	575	10,970

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Axion Ventures Inc.
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Condensed Consolidated Interim Statement of Cash Flows
For the Three and Six Months Ended June 30, 2018 and 2017

	Notes	Three months ended June 30,		Six months ended June 30,	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Cash flows from operating activities					
Loss before income tax		(2,535)	(1,567)	(5,810)	(3,405)
Adjustments for:					
Depreciation of property, plant and equipment		60	17	100	33
Amortisation of intangible assets		4	27	7	53
Share-based payment		202	170	380	359
Provision for impairment of trade receivables		1	-	1	-
Finance income		-	(10)	(4)	(16)
Finance expense		128	-	128	-
Fair value loss on derivative financial instruments		49	-	360	-
Fair value gain on FVTPL investments		(240)	-	(240)	-
		<u>(2,331)</u>	<u>(1,363)</u>	<u>(5,078)</u>	<u>(2,976)</u>
(Increase)/Decrease in trade and other receivables		(389)	(620)	25	(630)
Increase/(Decrease) in trade and other payables		1,386	(238)	3,342	(748)
(Decrease)/Increase in deferred revenue		<u>(95)</u>	<u>552</u>	<u>774</u>	<u>748</u>
Cash used in operations		<u>(1,429)</u>	<u>(1,669)</u>	<u>(937)</u>	<u>(3,606)</u>
Income taxes paid		-	(1)	-	(1)
Net cash flows used in operating activities		<u>(1,429)</u>	<u>(1,670)</u>	<u>(937)</u>	<u>(3,607)</u>
Investing activities					
Purchase of intangible assets	10	(931)	(631)	(1,860)	(1,386)
Purchase of property, plant and equipment	11	(73)	(314)	(139)	(397)
Addition of FVTPL investments		-	(17)	-	(1,523)
Acquisition of non-controlling interests		(392)	-	(392)	-
Interest received		-	10	4	16
Net cash used in investing activities		<u>(1,396)</u>	<u>(952)</u>	<u>(2,387)</u>	<u>(3,290)</u>
Financing activities					
Issue of shares, net of transaction costs		197	22	217	7,171

Axion Ventures Inc.**Condensed Consolidated Interim Financial Statements (Unaudited)**

(Expressed in United States Dollars)

Condensed Consolidated Interim Statement of Cash Flows**For the Three and Six Months Ended June 30, 2018 and 2017**

		Three months ended June 30,		Six months ended June 30,	
	Notes	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Issue of convertible debentures, net of transaction costs		-	-	909	-
Increase in loans from related parties		1,825	-	1,825	-
Net cash flows generated from financing activities		2,022	22	2,951	7,171
Net (decrease)/increase in cash and cash equivalents		(803)	(2,600)	(373)	274
Cash and cash equivalents at the beginning of the period		4,245	10,106	3,699	7,166
Exchange difference on cash and cash equivalents		(90)	366	26	432
Cash and cash equivalents at the end of the period		3,352	7,872	3,352	7,872

Axion Ventures Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in United States Dollars)

Notes to the Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2018 and 2017

1. General information

Axion Ventures Inc. ("Axion Ventures" or the "Company") was incorporated under the British Columbia Business Corporations Act on June 21, 2011, is domiciled in Canada and was originally classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange ("TSX-V" or "Exchange").

On December 2, 2011, the 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 as defined under the policies of the TSX-V ("QT"). On March 24, 2014, the Company moved from the TSX-V to the NEX board of the TSX-V trading under the symbol "CSP.H".

On May 11, 2016, the Company completed its Qualifying Transaction as particularly described in its TSX-V filing statement previously filed with Canadian regulatory authorities. As a result of the completion of the Qualifying Transaction, the Company ceased to be a CPC, and following receipt of final Exchange approval, the Company was listed as a Tier 2 Investment Issuer on the Exchange on May 18, 2016 under the symbol "CSP".

On November 1, 2016, the Company was approved for graduation from Tier 2 Investment Issuer to Tier 1 Investment Issuer status by the TSX-V. With the graduation to a Tier 1 listing, the common shares of the Company previously deposited into escrow pursuant to the rules of the TSX-V will be governed by the release provisions of Tier 1 Issuer's escrow.

On March 9, 2017, the Company changed its name from "Capstream Ventures Inc." to "Axion Ventures Inc." and effective from March 10, 2017, the Company's common shares traded under the new name and new symbol "AVX" on the TSX-V.

Axion Ventures becomes an investment issuer focused on investments in the online video gaming and other IT sectors after the completion of Qualifying Transaction.

The address of the Company's corporate office and principal place of business is Suite 1500 - 409 Granville Street
Vancouver, BC V6C 1T2, Canada.

These condensed consolidated interim financial statements for the three and six months ended June 30, 2018 and 2017 were authorized for issue by the Board of Directors of the Company on August 29, 2018.

2. Statement of compliance and basis of presentation

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs"), applicable to preparation of interim financial statements including International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2017 except for the adoption of the new and amended IFRSs as disclosed in note 3.

Axion Ventures Inc.

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Notes to the Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2018 and 2017

2. Statement of compliance and basis of presentation (continued)

These condensed consolidated interim financial statements are presented in in thousands of United States Dollars (“US\$”), unless otherwise stated. References to Canadian Dollars are indicated by “CAD” or “C\$”.

3. Applications of new and amended IFRSs

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

IFRS 9 - Financial Instruments

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

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

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

IFRS 15 – Revenue from Contracts with Customers

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

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2018 and 2017

3. Applications of new and amended IFRSs (continued)

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

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

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

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

4. Revenue

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Outsourcing	1,243	798	1,866	1,439
Licensing	28	(22)	58	26
Game operation	535	646	1,048	1,314
Training	44	90	96	133
	<u>1,850</u>	<u>1,512</u>	<u>3,068</u>	<u>2,912</u>

5. Segment information

These condensed consolidated interim financial statements present the financial information of the Company and its subsidiary undertakings (together, the "Group"). An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. During the period, executive directors regularly review revenue and operating results derived from outsourcing, licensing, game operation and training consider as one single operating segment.

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5. Segment information (continued)

The Group's revenue from external customers and information about its non-currents assets by geographical location are detailed below.

	Three months ended June 30,		Six months ended June 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
By country/region				
China	1,455	1,399	2,565	2,725
Rest of the world	395	113	503	187
Total revenue	1,850	1,512	3,068	2,912

	June 30, 2018 US\$'000	December 31, 2017 US\$'000
	By country/region	
Canada	832	314
China	8,764	7,352
Rest of the world	2,662	2,560
Non-current assets	12,258	10,226

6. Expenses by nature

	Three months ended June 30,		Six months ended June 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Amortisation of intangible assets [^]	3	27	6	53
Depreciation of property, plant and equipment*	59	17	97	33
Employee benefit expenses (Note 7)	3,068	2,714	5,955	4,935
Provision for bad debts	-	-	1	-
Operating lease expense - land and buildings	306	237	609	466

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6. Expenses by nature (continued)

^ Amortisation expenses of US\$1,000 (six months ended June 30, 2017: US\$28,000), US\$1,000 (six months ended June 30, 2017: US\$3,000), US\$4,000 (six months ended June 30, 2017: US\$22,000) and US\$1,000 (six months ended June 30, 2017: US\$2,000) have been included in cost of sales, research and development expenses, general and administrative expenses and capitalisation of intangible assets respectively.

* Depreciation expenses of US\$12,000 (six months ended June 30, 2017: US\$8,000), US\$2,000 (six months ended June 30, 2017: US\$4,000), US\$83,000 (six months ended June 30, 2017: US\$21,000) and US\$3,000 (six months ended June 30, 2017: US\$5,000) have been included in cost of sales, research and development expenses, general and administrative expenses and capitalisation of intangible assets respectively.

7. Employee benefit expenses

	Three months ended June 30,		Six months ended June 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Employee benefit expenses (including directors) comprise:				
Wages and salaries	2,364	2,054	4,459	3,605
Social welfare costs	507	492	1,026	935
Share-based payment expense	147	170	380	359
Other benefits	50	(2)	90	36
	<u>3,068</u>	<u>2,714</u>	<u>5,955</u>	<u>4,935</u>

8. Income tax expenses

The tax charge on loss comprises:

	Three months ended June 30,		Six months ended June 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Current tax				
Corporate income tax - China	-	-	-	1

Taxation on profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the company operates.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2018 and 2017

9. Loss per share

The calculation of basic and diluted loss per share is based on the following data:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Numerator				
Loss for the period and loss used in basic and diluted EPS	<u>(2,483)</u>	<u>(1,463)</u>	<u>(5,032)</u>	<u>(2,786)</u>
Denominator				
Weighted average number of ordinary shares used in basic and diluted loss per share	<u>204,789,117</u>	<u>152,445,885</u>	<u>203,007,150</u>	<u>139,907,898</u>

The Company has a number of share options in which have not been included in the diluted loss per share calculation, due to their anti-dilutive effect.

10. Intangible assets

During the period, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to approximately US\$1,860,000 (six months ended June 30, 2017: US\$1,386,000).

During the period, no intangible assets were disposed (six months ended June 30, 2017: US\$ nil).

11. Property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately US\$139,000 (six months ended June 30, 2017: US\$397,000).

During the period, no property, plant and equipment were disposed (six months ended June 30, 2017: US\$ nil).

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12. FVTPL investments

	June 30, 2018 US\$'000	December 31, 2017 US\$'000
Unlisted equity investments:		
Red Anchor Trading Corp.	1,730	1,521
Innovega Inc.	-	-
	<u>1,730</u>	<u>1,521</u>

13. Trade and other receivables

	June 30, 2018 US\$'000	December 31, 2017 US\$'000
Trade receivables	536	619
Less: Provision for impairment	<u>(1)</u>	<u>-</u>
Trade receivables - net	535	619
Loan to a related company (Note)	<u>284</u>	<u>297</u>
	819	916
Total financial assets other than cash and cash equivalents classified as loans and receivables		
Deposits	265	263
Prepaid expenses	274	242
Other receivables	158	140
Advances to employees	<u>29</u>	<u>23</u>
Total trade and other receivables	1,545	1,584
Less: Non-current portion – Loan to a related party	<u>(284)</u>	<u>(297)</u>
Current portion	<u>1,261</u>	<u>1,287</u>

Management considers that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods at inception.

Note:

Loan to a related party represented a loan Red Anchor (Thailand) Co., Ltd., a limited company organised and existing under Thai law in Thailand. The balance due is unsecured, interest-bearing at 1% per annum and repayable in year 2020.

As at June 30, 2018, the Group had provision for impairment of trade receivables amounted to US\$1,000 (December 31, 2017: US\$ nil).

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14. Cash and cash equivalents

	June 30, 2018 US\$'000	December 31, 2017 US\$'000
Cash at banks	3,262	3,639
Short term bank deposits	90	60
	<u>3,352</u>	<u>3,699</u>

Management considered that the fair value of the short-term bank deposits was not materially different from their carrying amount because of the short maturity period at inception.

15. Trade and other payables

	June 30, 2018 US\$'000	December 31, 2017 US\$'000
Trade payables	254	451
Accrued salaries and benefits	1,408	1,638
Other tax liabilities	736	813
Advance from customers	1,965	1,203
Accrued expenses	332	227
Other payables	3,305	325
Loans from related parties (Note)	2,463	559
	<u>10,463</u>	<u>5,216</u>

Note:

Loans from related parties represented loans from Red Anchor Trading Corp., Cern One Ltd. and Axion Investment Holdings Ltd. of US\$1,025,000 (December 31, 2017: US\$ nil), US\$800,000 (December 31, 2017: US\$ nil) and US\$638,000 (December 31, 2017: US\$559,000) respectively. Loans from Red Anchor Trading Corp. and Cern One Ltd. are unsecured, interest-free and repayable on demand while loan from Axion Investment Holdings Ltd. is unsecured, interest-bearing at 8% per annum and repayable on demand.

All amounts are short-term and hence the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of their fair values.

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16. Derivative financial instruments and convertible debentures

On March 2, 2018, the Company closed a non-brokered private placement of convertible debentures in the principal amount of approximately US\$909 thousand (the "Debentures"). The Debentures are convertible into common shares of the Company 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 TSX-V) 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.

Management considers the Debentures issued during the period as hybrid instruments with main debt contract and embedded derivatives options. the Issuer's Call Option and the Holders' Conversion and Put Option are considered by management as derivatives financial instruments in current liabilities measured at fair value through profit or loss.

17. Related party transactions

The Company entered into the following related party transactions during the period.

Expenses paid in the period:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Wages and salaries paid to a related party	<u>27</u>	<u>20</u>	<u>46</u>	<u>20</u>

Receivables:

	June 30,	December 31,
	2018	2017
	US\$'000	US\$'000
Red Anchor (Thailand) Co., Ltd., a company controlled by the major shareholders	284	297
Coherent Asia, Ltd., a company controlled by the shareholder of a subsidiary	56	15
	<u>340</u>	<u>312</u>

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For the Three and Six Months Ended June 30, 2018 and 2017****17. Related party transactions (continued)**

Payables:

	June 30, 2018 US\$'000	December 31, 2017 US\$'000
Red Anchor Trading Corp, a company controlled by the major shareholders	1,025	-
Cern One Ltd, a company controlled by the major shareholders	800	-
Axion Investment Holdings Ltd., a company controlled by the shareholder of a subsidiary	638	559
Coherent Asia, Limited	82	83
True Digital Plus Co. Ltd., a company controlled by the shareholder of a subsidiary	131	71
True Internet Corporation, a company controlled by the shareholder of a subsidiary	5	-
Pantavanij Co., Ltd., a company controlled by the shareholder of a subsidiary	-	1
	<hr/>	<hr/>
	2,681	714

18. Operating leasesThe Group as a lessee

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	Land and buildings	
	June 30, 2018 US\$'000	December 31, 2017 US\$'000
Not later than one year	1,177	1,075
Later than one year and not later than five years	627	709
	<hr/>	<hr/>
Total future minimum lease payments	1,804	1,784

The Group leases a number of properties under operating leases. The leases run for an initial period of one to five years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2018 and 2017

19. Events after the reporting date

Issuance of convertible debentures

On July 19, 2018, the Company closed a non-brokered private placement of convertible debentures in the principal amount of US\$3 million (the "Debentures"). The Debentures are convertible into common shares of the Company at a conversion price of C\$0.90 per share. The Debentures mature two years from the date of the closing and bear interest at the rate of 8% per annum, payable annually. In addition, instead of converting into Shares of the Company, the holder can elect to acquire shares of one of the Company's non-gaming portfolio assets, subject to portfolio company shareholder approval and execution of a shareholder agreement accession agreement. In connection with the issue of the Debentures, the Company paid a cash finder's fee equal to 7% of the gross proceeds.