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**Axion Ventures Inc.**  
**Condensed Consolidated Interim Financial Statements**

**(Expressed in United States Dollars)**

**For the Three and Nine Months Ended  
September 30, 2018 and 2017**

**(Unaudited)**

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## **Administrative information**

Directors

Todd Bonner  
Grant Kim  
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Registered office

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Canada

## **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

November 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 Nine Months Ended September 30, 2018 and 2017**

		Three months ended September 30,		Nine months ended September 30,	
	Notes	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<b>Revenue</b>	4	1,203	1,605	4,271	4,517
Cost of sales		<u>(859)</u>	<u>(1,026)</u>	<u>(3,151)</u>	<u>(2,697)</u>
<b>Gross profit</b>		344	579	1,120	1,820
Research and development expenses		(498)	(409)	(1,285)	(1,182)
Selling and distribution expenses		(182)	(278)	(542)	(903)
General and administrative expenses		<u>(3,340)</u>	<u>(2,037)</u>	<u>(8,483)</u>	<u>(5,353)</u>
<b>Loss from operations</b>		(3,676)	(2,145)	(9,190)	(5,618)
Other income		54	70	76	90
Finance income		1	5	5	21
Finance expense		(31)	-	(159)	-
Fair value gain on FVTPL investments		(124)	-	116	-
Fair value loss on derivative financial instruments		(650)	-	(1,010)	-
Foreign currency exchange (loss)/gain		<u>(14)</u>	<u>(14)</u>	<u>(88)</u>	<u>18</u>
<b>Loss before income tax</b>		(4,440)	(2,084)	(10,250)	(5,489)
Income tax expense	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
<b>Loss for the period</b>		(4,440)	(2,084)	(10,250)	(5,490)
<b>Other comprehensive income:</b>					
<i>Item that will or may be reclassified to profit or loss:</i>					
Exchange difference arising on translation of foreign operations		<u>125</u>	<u>175</u>	<u>54</u>	<u>602</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>125</u>	<u>175</u>	<u>54</u>	<u>602</u>
<b>Total comprehensive loss</b>		(4,315)	(1,909)	(10,196)	(4,888)

**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 Nine Months Ended September 30, 2018 and 2017**

		Three months ended September 30,		Nine months ended September 30,	
	Notes	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<b>Loss for the period attributable to:</b>					
Owners of the Company		(3,733)	(1,584)	(8,765)	(4,370)
Non-controlling interests		<u>(707)</u>	<u>(500)</u>	<u>(1,485)</u>	<u>(1,120)</u>
		(4,440)	(2,084)	(10,250)	(5,490)
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		(3,586)	(1,430)	(8,710)	(3,969)
Non-controlling interests		<u>(729)</u>	<u>(479)</u>	<u>(1,486)</u>	<u>(919)</u>
		<u>(4,315)</u>	<u>(1,909)</u>	<u>(10,196)</u>	<u>(4,888)</u>
<b>Loss per share attributable to owners of the Company</b>					
	9				
Basic		(1.82 cents)	(1.12 cents)	(4.30 cents)	(3.58 cents)
Diluted		(1.82 cents)	(1.12 cents)	(4.30 cents)	(3.58 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 September 30, 2018 and December 31, 2017**

	<i>Notes</i>	<b>September 30, 2018 US\$'000</b>	<b>December 31, 2017 US\$'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	10,449	7,665
Property, plant and equipment	11	726	743
FVTPL investments	12	1,617	1,521
Trade and other receivables	13	289	297
		<u>13,081</u>	<u>10,226</u>
<b>Current assets</b>			
Trade and other receivables	13	1,133	1,287
Cash and cash equivalents	14	3,477	3,699
		<u>4,610</u>	<u>4,986</u>
<b>Total current assets</b>		<u>4,610</u>	<u>4,986</u>
<b>Total assets</b>		<u>17,691</u>	<u>15,212</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	11,153	5,216
Deferred revenue		4,037	2,834
Derivative financial instruments	16	1,602	-
		<u>16,792</u>	<u>8,050</u>
<b>Total current liabilities</b>		<u>16,792</u>	<u>8,050</u>
<b>Net current liabilities</b>		<u>(12,182)</u>	<u>(3,064)</u>
<b>Non-current liabilities</b>			
Convertible debentures	16	3,441	-
		<u>3,441</u>	<u>-</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(2,542)</u>	<u>7,162</u>
<b>Issued capital and reserves attributable to owners of the Company</b>			
Share capital		64,089	63,739
Foreign currency translation reserve		(548)	(603)
Share-based payment reserve		1,485	1,009
Other reserve		(33,543)	(33,543)
Accumulated losses		(32,455)	(23,319)
		<u>(972)</u>	<u>7,283</u>
Non-controlling interests		(1,570)	(121)
		<u>(1,570)</u>	<u>(121)</u>
<b>TOTAL EQUITY</b>		<u>(2,542)</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 Nine Months Ended September 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
<b>At January 1, 2018</b>	63,739	(603)	1,009	(33,543)	(23,319)	7,283	(121)	7,162
<b>Comprehensive loss for the period</b>								
(Loss)/Profit for the period	-	-	-	-	(8,765)	(8,765)	(1,485)	(10,250)
Exchange difference arising on translation of foreign operations	-	55	-	-	-	55	(1)	54
<b>Total comprehensive loss for the period</b>	-	55	-	-	(8,765)	(8,710)	(1,486)	(10,196)
<b>Contributions by and distributions to owners</b>								
Issuance of new shares	350	-	(88)	-	-	262	-	262
Transaction with non-controlling interests	-	-	-	-	(429)	(429)	37	(392)
Share-based payment expenses	-	-	622	-	-	622	-	622
Forfeiture of share options	-	-	(58)	-	58	-	-	-
<b>Total contributions by and distributions to owners</b>	350	-	476	-	(371)	455	37	492
<b>At September 30, 2018</b>	<b>64,089</b>	<b>(548)</b>	<b>1,485</b>	<b>(33,543)</b>	<b>(32,455)</b>	<b>(972)</b>	<b>(1,570)</b>	<b>(2,542)</b>



**Axion Ventures Inc.**

**Condensed Consolidated Interim Financial Statements (Unaudited)**

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**Condensed Consolidated Interim Statement of Changes in Equity  
For the Nine Months Ended September 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
<b>At January 1, 2017</b>	56,568	(978)	412	(33,543)	(17,055)	5,404	1,015	6,419
<b>Comprehensive loss for the period</b>								
Loss for the period	-	-	-	-	(4,370)	(4,370)	(1,120)	(5,490)
Exchange difference arising on translation of foreign operations	-	401	-	-	-	401	201	602
<b>Total comprehensive loss for the period</b>	-	401	-	-	(4,370)	(3,969)	(919)	(4,888)
<b>Contributions by and distributions to owners</b>								
Issuance of new shares	-	-	545	-	-	545	-	545
Share issue costs	(485)	-	-	-	-	(485)	-	(485)
Share-based payment expenses	7,656	-	(12)	-	12	7,656	-	7,656
Forfeiture of share options	-	-	(113)	-	113	-	-	-
<b>Total contributions by and distributions to owners</b>	7,171	-	420	-	125	7,716	-	7,716
<b>At September 30, 2017</b>	<b>63,739</b>	<b>(577)</b>	<b>832</b>	<b>(33,543)</b>	<b>(21,300)</b>	<b>9,151</b>	<b>96</b>	<b>9,247</b>

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 Cash Flows  
For the Three and Nine Months Ended September 30, 2018 and 2017**

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<b>Cash flows from operating activities</b>					
Loss before income tax		(4,440)	(2,083)	(10,250)	(5,489)
Adjustments for:					
Depreciation of property, plant and equipment		20	15	117	48
Amortisation of intangible assets		2	24	8	77
Share-based payment		242	186	622	545
Provision for impairment of trade receivables		-	-	1	-
Finance income		(1)	(5)	(5)	(21)
Finance expense		31	-	159	-
Fair value loss on derivative financial instruments		650	-	1,010	-
Fair value loss/(gain) on FVTPL investments		124	-	(116)	-
		<u>(3,372)</u>	<u>(1,863)</u>	<u>(8,454)</u>	<u>(4,840)</u>
Decrease/(Increase) in trade and other receivables		128	623	153	(7)
(Decrease)/Increase in trade and other payables		(2,320)	(72)	1,022	(820)
Increase in deferred revenue		<u>429</u>	<u>14</u>	<u>1,203</u>	<u>762</u>
<b>Cash used in operations</b>		<u>(5,135)</u>	<u>(1,298)</u>	<u>(6,076)</u>	<u>(4,905)</u>
Income taxes paid		-	(1)	-	(1)
<b>Net cash flows used in operating activities</b>		<u>(5,135)</u>	<u>(1,299)</u>	<u>(6,076)</u>	<u>(4,906)</u>
<b>Investing activities</b>					
Purchase of intangible assets	10	(937)	(960)	(2,797)	(2,346)
Purchase of property, plant and equipment	11	(11)	(153)	(150)	(550)
Addition of FVTPL investments		-	(27)	-	(1,550)
Acquisition of non-controlling interests		-	-	(392)	-
Interest received		<u>1</u>	<u>5</u>	<u>5</u>	<u>21</u>
<b>Net cash used in investing activities</b>		<u>(947)</u>	<u>(1,135)</u>	<u>(3,334)</u>	<u>(4,425)</u>

**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 Nine Months Ended September 30, 2018 and 2017**

		Three months ended September 30,		Nine months ended September 30,	
	Notes	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<b>Financing activities</b>					
Issue of shares, net of transaction costs		-	-	217	7,171
Issue of convertible debentures, net of transaction costs		3,000	-	3,909	-
Increase in loans payable		3,010	-	4,835	-
Interest paid		(35)	-	(35)	-
<b>Net cash flows generated from financing activities</b>		<b>5,975</b>	<b>-</b>	<b>8,926</b>	<b>7,171</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(107)</b>	<b>(2,434)</b>	<b>(484)</b>	<b>(2,160)</b>
Cash and cash equivalents at the beginning of the period		3,352	7,872	3,699	7,166
Exchange difference on cash and cash equivalents		232	161	262	593
<b>Cash and cash equivalents at the end of the period</b>		<b>3,477</b>	<b>5,599</b>	<b>3,477</b>	<b>5,599</b>

## **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 Nine Months Ended September 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 "AXV" 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.

On October 25, 2018, the Company's common shares commenced trading on the OTCQX® Best Market in the United States under the symbol "AXNVF".

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 Nine months ended September 30, 2018 and 2017 were authorized for issue by the Board of Directors of the Company on November 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.

## **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 Nine Months Ended September 30, 2018 and 2017**

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

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.

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 Nine Months Ended September 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 September 30,		Nine months ended September 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Outsourcing	615	856	2,481	2,295
Licensing	24	104	82	130
Game operation	512	522	1,560	1,836
Training	52	123	148	256
	<u>1,203</u>	<u>1,605</u>	<u>4,271</u>	<u>4,517</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.

**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 Nine Months Ended September 30, 2018 and 2017****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 September 30,		Nine months ended September 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<b>By country/region</b>				
China	1,035	1,476	3,600	4,201
Rest of the world	168	129	671	316
<b>Total revenue</b>	<b>1,203</b>	<b>1,605</b>	<b>4,271</b>	<b>4,517</b>

	September 30, 2018 US\$'000	December 31, 2017 US\$'000
	<b>By country/region</b>	
Canada	725	314
China	9,443	7,352
Rest of the world	2,913	2,560
<b>Non-current assets</b>	<b>13,081</b>	<b>10,226</b>

**6. Expenses by nature**

	Three months ended September 30,		Nine months ended September 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Amortisation of intangible assets^	2	24	8	77
Depreciation of property, plant and equipment*	20	15	117	48
Employee benefit expenses (Note 7)	3,314	2,735	9,269	7,670
Provision for bad debts	-	-	1	-
Operating lease expense - land and buildings	477	271	780	737

## 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 Nine Months Ended September 30, 2018 and 2017

### 6. Expenses by nature (continued)

^ Amortisation expenses of US\$2,000 (Nine months ended September 30, 2017: US\$42,000), US\$1,000 (Nine months ended September 30, 2017: US\$4,000), US\$5,000 (Nine months ended September 30, 2017: US\$31,000) and US\$2,000 (Nine months ended September 30, 2017: US\$4,000) 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\$16,000 (Nine months ended September 30, 2017: US\$12,000), US\$3,000 (Nine months ended September 30, 2017: US\$6,000), US\$98,000 (Nine months ended September 30, 2017: US\$30,000) and US\$5,000 (Nine months ended September 30, 2017: US\$7,000) 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 September 30,		Nine months ended September 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Employee benefit expenses (including directors) comprise:				
Wages and salaries	2,514	1,930	6,973	5,535
Social welfare costs	504	524	1,530	1,459
Share-based payment expense	242	186	622	545
Other benefits	54	95	144	131
	<u>3,314</u>	<u>2,735</u>	<u>9,269</u>	<u>7,670</u>

### 8. Income tax expenses

The tax charge on loss comprises:

	Three months ended September 30,		September months ended September 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Current tax				
Corporate income tax - China	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>

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.



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

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	2017	2018	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Numerator</b>				
Loss for the period and loss used in basic and diluted EPS	<u>(3,733)</u>	<u>(1,584)</u>	<u>(8,765)</u>	<u>(4,370)</u>
<b>Denominator</b>				
Weighted average number of ordinary shares used in basic and diluted loss per share	<u>205,288,044</u>	<u>141,110,500</u>	<u>203,778,629</u>	<u>121,926,196</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\$2,797,000 (Nine months ended September 30, 2017: US\$2,346,000).

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

**11. Property, plant and equipment**

During the period, the Group acquired property, plant and equipment of approximately US\$150,000 (Nine months ended September 30, 2017: US\$550,000).

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

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**12. FVTPL investments**

	September 30, 2018 US\$'000	December 31, 2017 US\$'000
<b>Unlisted equity investments:</b>		
Red Anchor Trading Corp.	1,617	1,521
Innovega Inc.	-	-
	<u>1,617</u>	<u>1,521</u>

**13. Trade and other receivables**

	September 30, 2018 US\$'000	December 31, 2017 US\$'000
Trade receivables	258	619
Less: Provision for impairment	<u>(1)</u>	<u>-</u>
Trade receivables - net	257	619
Loan to a related company (Note)	<u>289</u>	<u>297</u>
	546	916
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>		
Deposits	259	263
Prepaid expenses	142	242
Other receivables	453	140
Advances to employees	<u>22</u>	<u>23</u>
<b>Total trade and other receivables</b>	1,422	1,584
Less: Non-current portion – Loan to a related party	<u>(289)</u>	<u>(297)</u>
<b>Current portion</b>	<u><u>1,133</u></u>	<u><u>1,287</u></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 September 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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	<b>September 30, 2018 US\$'000</b>	<b>December 31, 2017 US\$'000</b>
Cash at banks	3,385	3,639
Short term bank deposits	92	60
	<u><b>3,477</b></u>	<u><b>3,699</b></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**

	<b>September 30, 2018 US\$'000</b>	<b>December 31, 2017 US\$'000</b>
Trade payables	278	451
Accrued salaries and benefits	1,400	1,638
Other tax liabilities	723	813
Advance from customers	2,387	1,203
Accrued expenses	367	227
Other payables	526	325
Loans from related parties (Note)	5,472	559
	<u><b>11,153</b></u>	<u><b>5,216</b></u>

**Note:**

Loans from related parties represented loans from Red Anchor Trading Corp., Cern One Ltd. and a shareholder of Axion Entertainment Holdings Ltd. of US\$3,956,000 (December 31, 2017: US\$ nil), US\$800,000 (December 31, 2017: US\$ nil) and US\$716,000 (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 a shareholder of Axion Entertainment 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 A"). The Debentures A are convertible into common shares of the Company at a conversion price of C\$0.93 per Share. The Debentures A 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.

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 B"). The Debentures B are convertible into common shares of the Company at a conversion price of C\$0.90 per share. The Debentures B mature two years from the date of the closing and bear interest at the rate of 8% per annum, payable annually.

Management considers the Debentures A and the Debentures B 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 September 30,		Nine months ended September 30,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Wages and salaries paid to a related party	<u>30</u>	<u>20</u>	<u>76</u>	<u>40</u>

Receivables:

	September 30, 2018 US\$'000	December 31, 2017 US\$'000
	Red Anchor (Thailand) Co., Ltd., a company controlled by the major shareholders	289
Coherent Ltd., a company controlled by the shareholder of a subsidiary	56	15
	<u>345</u>	<u>312</u>

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**17. Related party transactions (continued)**

Payables:

	<b>September 30, 2018 US\$'000</b>	<b>December 31, 2017 US\$'000</b>
Red Anchor Trading Corp, a company controlled by the major shareholders	3,956	-
Cern One Ltd, a company controlled by the major shareholders	800	-
Shareholder of Axion Entertainment Holdings Ltd.	716	559
Coherent Asia, Limited	83	83
True Digital Plus Co. Ltd., a company controlled by the shareholder of a subsidiary	162	71
True Internet Corporation, a company controlled by the shareholder of a subsidiary	4	-
Pantavanij Co., Ltd., a company controlled by the shareholder of a subsidiary	-	1
True Properties Co., Ltd., a company controlled by the shareholder of a subsidiary	2	-
	<u>5,723</u>	<u>714</u>

**18. Operating leases**

The 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:

	<b>September 30, 2018 US\$'000</b>	<b>Land and buildings December 31, 2017 US\$'000</b>
Not later than one year	1,142	1,075
Later than one year and not later than five years	<u>356</u>	<u>709</u>
Total future minimum lease payments	<u>1,498</u>	<u>1,784</u>

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.

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**19. Events after the reporting date**

Commencement of trading on OTCQX®

On October 25, 2018, the Company's common shares commenced trading on the OTCQX® Best Market in the United States, under the symbol "AXNVF".

Issuance of share options

On October 26, 2018, the Company granted 500,000 share options to an executive to purchase common shares of the Company exercisable at C\$0.98 per share, vesting over a three-year term.

Exercise of share options

On October 31, 2018, one of the officers exercised his share options to purchase 1,000,000 common shares of the Company at C\$0.50.