AXION VENTURES INC.

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2018

INTRODUCTION

This management discussion and analysis ("MD&A") is dated November 29, 2018.

The following MD&A of the financial condition and results of the operations of Axion Ventures Inc. ("Axion Ventures" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months and nine months ended September 30, 2018. This MD&A was written to comply with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations* and Form 51-102F1 *Management Discussion and Analysis.*

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company as at and for the three months and nine months ended September 30, 2018 and with the audited consolidated financial statements for the year ended December 31, 2017, along with related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in United States Dollars ("US$") unless otherwise noted. References to C$ are to Canadian Dollars.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at this date, unless otherwise indicated. For the purposes of preparing this MD&A, management, in conjunction with the board of directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors.

Additional information about Axion Ventures is available at www.sedar.com ("SEDAR").

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the business of Axion Ventures, Axion Games (as defined herein), TAI (as defined herein) and the Company's other portfolio companies; the video game market; actions of Tencent (as defined herein); management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; any revenue projections; strategies regarding VR and AR (both as defined herein); uniqueness of certain video *games; TAI's initial game shipment projections; Innovega's (as defined herein) test and launch projections; Red Anchor's (as defined herein) ability understand user spending habits; 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"). 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. Since completion of the QT, the Company has been an investment company focused primarily on investments in online video gaming and other information technology sectors.

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

The address of the Company's corporate head office is at Suite 1500 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2 and its registered and records office is at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1. However, the Company also has offices in Bangkok, Thailand, and Shanghai, People's Republic of China ("PRC"), which is where most Company personnel currently reside.

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 cash participation in a rights offering by Axion Games to its existing shareholders. Axion Games raised US$4,000,000 by way of the rights offering, issuing 44,147,670 preference shares in the process, of which the Company acquired 30,686,275 preference shares for a purchase price of US$2,780,330.

In May 2018, the Company further increased its beneficial ownership of Axion Games from 51.01% to 54.22% by acquiring an additional interest of 6,734 shares of AEH, representing a beneficial interest of 6,734,000 shares of Axion Games, in exchange for assuming a US$392,000 shareholder loan owed to Axion Games by 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 6.2% of Innovega's issued and outstanding preference shares and approximately 1.5% of Innovega's total issued and outstanding shares and granted options (fully diluted 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") with a wholly-owned subsidiary of the Company ("Axion Interactive") holding a 49% equity interest in TAI, True Incube holding a 40% equity interest in TAI and Red Anchor (Thailand) Co., Ltd. ("Red Anchor Thailand"), a limited and affiliated company organised and existing under Thai law, holding a 11% equity interest in TAI.

The terms of the JVA and other ancillary agreements include, but are not limited to, the following:

- *True Concurrent Investment*. True Incube agreed to invest C$10,000,000 into the Company by way of a non-brokered private placement (the "True Private Placement"), whereby the Company agreed to issue 20,000,000 common shares at a price of C$0.50 per share. The True Private Placement closed in the first quarter of 2017 (January 18, 2017) and the shares issued pursuant to the True Private Placement are subject to a three (3) year voluntary trading restriction without prior consent of the Company. In addition, in connection with the True Private Placement, True Incube has the right to appoint a director to the Board, which is currently unexercised.

- *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 and was completed in August 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 Axion Interactive holding a 70% interest and Coherent holding a 30% interest in Axia. Through Axion Interactive and pursuant to the joint venture agreement, the Company funded an initial US$500,000 upon entering into the joint venture, US$500,000 at the beginning of the third and fourth quarters (July and October) of 2017 and the Company's last funding obligation of US$500,000 on March 1, 2018. The Company continues to fund on a monthly basis while Axia's team reviews third party financing opportunities.

Overview – Summary of Businesses at September 30, 2018

<u>Axion Games</u>

Axion Games owns two studios in PRC, one in Shanghai and a smaller one in Suzhou, with a combined total of approximately 324 employees as of September 30, 2018. Axion Games commenced operations in 2006 and for several years focused primarily on providing premium outsourcing services and licensing game development technology to third-party customers. Axion Games was originally formed as a joint venture between Epic Games International Ltd. (USA) ("Epic Games") and AEH, a holding company established by Axion Games' founders. Initially, Axion Games provided outsourcing services to Epic Games and worked on several of Epic Games' major hits. Axion Games subsequently expanded its reach and became an outsourcing developer to numerous other high-profile game developers and publishers. Axion Games has delivered tens of thousands of premium game assets (including small assets such as virtual weapons or characters; larger assets such as game levels, maps or prototypes to show game dynamics; and even complete games) to dozens of clients, and its assets have contributed to several major global titles.

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

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

Products

To date, Axion Games has made three commercially viable games, Fat Princess (Sony PS3, action strategy), MARS (PC online shooting), and Kingdom (mobile action role playing), all of which have generated revenues of more than 200% of their development costs. Axion Games derives profits from its proprietary games in three ways:

- publishing (operating) the game itself;
- pre-selling the rights to its games (licensing); and
- royalties from publishers around the world who have purchased the rights to Axion Games' games.

Since 2015, Axion Games has focused on its current large-scale online game, "Rising Fire", 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. As a result, in May 2016 and September 2016, Alpha 1 and Alpha 2 testing on Rising Fire were completed, whereby technical and commercial viability were tested on 2,000 and 4,000 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 Rising Fire was completed, whereby over 100,000 users participated, and month-over-month effective user retention improved to 54.09%. Rising Fire was made commercially available on June 28, 2018 and continues to progress through the early stages of its strategic launch cycle through Tencent's "WeGame" network. Axion Games recently delivered a tuning patch to Tencent in late November, whereby Axion Games specifically focused on PvE (player versus environment) gameplay. The Company expects that Tencent shall collect player data on the recent patch and provide a report in a few weeks, which Axion Games expects will provide clarity on Tencent marketing initiatives.

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.

<u>True Axion Interactive</u>

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.

True Axion Interactive ("TAI") commenced operations in March 2017 and has grown to approximately 80, comprised of experienced game designers, 2D & 3D artists, animators, and software engineers. Like Axion Games, TAI has focused its resources on the development of innovative online PC and mobile games. Currently, TAI has one notable game in its pipeline, called "Invictus", which is the first AAA quality mobile game. Invictus has enhanced high poly graphics and is targeted for mid-core to hard-core players. Core gameplay is PvP (player-versus-player) sword and other weapon fighting controlled by the application of card decks. The current 50+ person Invictus team believes this uniqueness provides an opportunity to play a fighting game not only by players with superior reactionary motor skills, but also by a much more casual player (mid-core). At the same time, the team believes it offers a very high level of tactic variability and strategy planning during the fight. TAI received preliminary results from the game from approximately 700 conference attendees who tested the game at the Thailand Game Show 2018. The soft-launch of Invictus is planned for the Q1 of 2019 with commercial launch later in Q1 or in Q2 of 2019.

<u>Innovega</u>

Innovega is developing proprietary display technology based on eyewear and contact lenses that enhances human vision, allowing the wearer to simultaneously access digital media while remaining fully engaged in their normal activities. Specifically, Innovega's display technology aims to enhance the user's normal vision to make it possible to view VR and AR images in the same way the user views the real world. The business model provides for licensing patented video eyewear technology and platforms to digital media and consumer product companies, enabling them to deliver high-performance personal displays in a more compact and less invasive form-factor. The resulting products and platforms are intended to offer unique benefits that include transparent optics, panoramic fields of view, and full HD/3D performance while enabling stylish and highly functional eyewear designs.

As at September 30, 2018, the Company held approximately 6.2% of Innovega's issued and outstanding preference shares and approximately 1.5% of Innovega's total issued and outstanding shares and granted options (fully diluted basis).

Innovega management began 2018 with four 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.
- Negotiate term-sheet agreements with a lead glasses manufacturer that could support the proposed forecast initial volumes to low vision patients.
- Open discussions with at least one contact lens supplier that could supply lenses in North America and preferably in North America, United Kingdom and Europe.

- Maintain adequate capital to fund key objectives.

During this recent quarter, the following was accomplished:

- Negotiated an MOU with a leading smart glasses supplier.
- Opened business discussions with leading contact lens suppliers.
- After securing an engagement letter with a NY-based banking group, collaborated to finalize sales of all approved and remaining Innovega series seed preferred stock.
- Contracted independent wearer trials of smart lens and glasses with patients whose vision was severely impaired.

<u>Red Anchor Trading/HotNow</u>

Red Anchor is a company engaged in the business of developing an application known as "HotNow", which is a marketing automation platform for retailers to offer various promotions. HotNow is one of Thailand's top 10 list of free lifestyle applications on iOS App Store.

The next immediate production development cycle remains focused on 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.

<u>Axia Corporation</u>

Axia continues extensive development of the core insurance risk-transfer technology making significant improvements in both speed and scalability. Axia is in communications with strategic investors and partners to assist the company with licensing matters and go-to-market strategies.

OVERALL PERFORMANCE

Axion Ventures

As the Company's most significant asset is Axion Games with TAI considered the Company's second most significant asset (although recently incorporated), 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. As a result, Axion Games is consolidated in the financial statements. In addition, the QT and subsequent acquisitions were 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. The video game operating segment has been identified on the basis of internal management reports viewed by the chief operating decision maker, being the senior executive officers 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.

With respect to other parts of the business that may have a disproportionate effect on revenue, profit or loss or cash needs, outsourcing, licensing, and game operation can all have such effect. For example, when Axion Games was established in 2006, its primary business purpose was providing game development services to publishers of online games on an outsourcing basis. The company gradually began changing its primary focus to proprietary game development. However, Axion Games' premium game outsourcing business served three important purposes: (i) to provide cash flows to fund the development of Axion Games' proprietary games; (ii) to provide ample practice and training opportunities for development staff; and (iii) to provide the infrastructure for managing a development studio at scale. As a result, outsourcing historically had a disproportionate effect on revenue and may in the future if Axion Games refocuses on increasing that revenue stream. When MARS, a PC online shooting game of Axion Games, was commercially launched in China in November 2011, the part of the business that began having a disproportionate effect on revenue became game operation. This shift was a result of Axion Games self-publishing MARS and the game eventually ranking as one of the top 10 PC online games in China in 2014, according to the China Game Weight Rank. As a result, revenue from MARS began accounting for the majority of Axion Games' revenue. As a result of the success of MARS and as the product coming to a more mature stage of its life cycle in 2015, Axion Games entered into a licensing agreement with Tencent in 2015 to develop Rising Fire. See "INVESTMENTS/ACQUISITIONS - Overview – Summary of Businesses at September 30, 2018 – Axion Games". As a result, a disproportionate effect on revenue may shift again but to the rights sales and royalties parts of the business.

With respect to parts of the business where there are any legal or other restrictions on the flow of funds from one part of the company's business to another, Axion Games operates the online games business in China through variable interest entities. As a result, although flow of funds may not be affected from one part of the business to another, Axion Games must take the appropriate tax planning measures to ensure funds can flow to parent and subsidiary operating companies with nominal adverse tax consequences.

The company faces typical video game industry and economic factors that can affect performance. 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 the company's 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.

In general, and as discussed in more detail below, the changes that have occurred or expected changes that have not occurred in the Company's financial condition and financial performance are a result resources allocated to Rising Fire's success and the delayed launch of Rising Fire. Rising Fire is a 600+ man-year project and China hosts the largest video game market of any country in the world and Tencent is its' leading video game distributor. Axion Games continues creating new content and optimizing Rising Fire based on continuous feedback that has been provided by Tencent from a current subset of the approximately 1.5 million players that have been able to download the game thus far. As a result of the resources required to successfully launch Rising Fire and the delayed launch (soft-launch commenced June 2018), the Company's financial performance has been adversely affected with only modest existing revenue but increased expenses. However, Rising Fire has now been commercially launched in China, and Axion Games and Tencent continue to work on the appropriate player retention to merit top tier Tencent marketing resources.

With respect to the effect of discontinued operations on current operations, although certain parts of the business have received reduced emphasis, there have been no discontinued operations.

The following is a more detailed analysis of the Company's financial condition, financial performance, and cash flows:

Revenue from external customers and non-current assets are divided into the following geographical areas:

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
By country/region				
China	1,035	1,476	3,600	4,201
Rest of the world	168	129	671	316
Total Revenue	**1,203**	**1,605**	**4,271**	**4,517**

	September 30, 2018	**December 31, 2017**
	US$'00s	**US$'000**
By country/region		
Canada	725	314
China	9,443	7,352
Rest of the world	2,913	2,560
Non-current assets	**13,081**	**10,226**

As at September 30, 2018, the Company had US$3,477 thousand (December 31, 2017 – US$3,699 thousand) of cash and cash equivalents and total current assets of US$4,610 thousand (December 31, 2017 – US$4,986 thousand). The decrease in total current assets was primarily due to the net cash flows used for the operations during the period.

Current liabilities as at September 30, 2018 totalled US$16,792 thousand (December 31, 2017 - US$8,050 thousand). The increase in current liabilities was due to the increase in loans from related parties and deferred revenue, and the recognition of derivative financial instruments.

As at September 30, 2018, shareholders' equity was comprised of share capital of US$64,089 thousand (December 31, 2017 - US$63,739 thousand), foreign currency translation reserve of negative US$548 thousand (December 31, 2017 - negative US$603 thousand), share-based payment reserve of US$1,485 thousand (December 31, 2017 - US$1,009 thousand), other reserve of negative US$33,543 thousand (December 31, 2017 - US$33,543 thousand) and accumulated losses of US$32,455 thousand (December 31, 2017 - US$23,319 thousand). Total equity attributable to the owners of Axion Ventures was negative US$972 thousand (December 31, 2017 - US$7,283 thousand).

Working capital, which was comprised of current assets less current liabilities, was negative US$12,182 thousand as at September 30, 2018, compared to a working capital of negative US$3,064 thousand as at December 31, 2017. The decrease in working capital was primarily due to the net cash flows used for the operations during the period.

During the nine months ended September 30, 2018, the Company reported a net loss of US$10,250 thousand (negative US$0.043 basic and diluted loss per share) compared to a net loss of US$5,490 thousand (negative US$0.036 basic and diluted loss per share) during the nine months ended September 30, 2017.

The Company's revenue decreased by US$246 thousand for the nine months ended September 30, 2018, compared to the same period ended September 30, 2017. The decrease was mainly due to the decrease in revenue from licensing and training.

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.

DISCUSSION OF OPERATIONS

Comparison between the Three Months Ended September 30, 2018 and 2017

The following table sets out revenue, profit and expenses of the Company and includes variances and percentage changes for the three months ended September 30, 2018 and 2017:

	Three Months Ended September 30,			
	2018 US$'000	2017 US$'000	Variance US$'000	% of change
Revenue	1,203	1,605	(402)	(25%)
Gross Profit	344	579	(235)	(40%)
Research & Development Expenses	(498)	(409)	(89)	22%
Selling and Distribution Expenses	(182)	(278)	96	(35%)
General and Administrative Expenses	(3,340)	(2,037)	(1,303)	64%
Other Income (Net)	10	61	(51)	(84%)
Fair value gain on FVTPL investments	(124)	-	(124)	N/A

	Three Months Ended September 30,			
	2018 US$'000	**2017 US$'000**	**Variance US$'000**	**% of change**
Fair value loss on derivative financial instruments	(650)	-	(650)	N/A
Loss before taxation and net loss	**(4,440)**	**(2,084)**	**(2,356)**	**113%**

Revenue

Revenue for the three months ended September 30, 2018 was US$1,203 thousand (three months ended September 30, 2017 - US$1,605 thousand) and included the following segment details:

	Three Months Ended September 30,			
	2018 US$'000	**2017 US$'000**	**Variance US$'000**	**% of change**
Outsourcing:				
Wanda	223	380	(157)	(41%)
Non-Wanda outsourcing	392	476	(84)	(18%)
Licensing	24	104	(80)	(77%)
Game operation	512	522	(10)	(2%)
Training	52	123	(71)	(58%)
	1,203	**1,605**	**(402)**	**(25%)**

Outsourcing Revenue. Wanda outsourcing revenue for the three months ended September 30, 2018 was US$223 thousand (three months ended September 30, 2017 - US$380 thousand). The decrease was because less revenue was recognized at the point of incurring the corresponding cost during the period.

Non-Wanda outsourcing revenue decreased approximately US$84 thousand as demand slightly decreased in smaller-contract outsourcing activities with other customers. This revenue source varied from period to period when customer needs and demands changed.

Licensing Revenue. Licensing revenue from game publishers was US$24 thousand for the three months ended September 30, 2018 (three months ended September 30, 2017 - US$104 thousand). The decrease was attributable to the decrease in royalties received from the game publishers of MARS as the product cycle reached decline stage and because Axion Games continues to update Rising Fire before Tencent marketing resources are allocated and resulting revenue in connection therewith.

Game Operation Revenue. Game operation revenue (or "self-publishing" - primarily MARS revenue generated in China) was US$512 thousand for the three months ended September 30, 2018 (three months ended September 30, 2017 - US$522 thousand). This slight change was primarily attributable to the decrease in in-game sales of MARS as the product cycle reached decline stage.

Training Revenue. Training revenue was US$52 thousand for the three months ended September 30, 2018 (three months ended September 30, 2017 - US$123 thousand). The decrease of US$71 thousand came as the result of the decrease of student enrollment during the period. Currently, the Company is exploring ways to expand its game development training in China and Southeast Asia.

Cost of Sales / Gross Margin

Cost of sales for the three months ended September 30, 2018 was US$859 thousand compared to US$1,026 thousand for the same period ended September 2017. The decrease of approximately US$167 thousand was because less staff resources were deployed to outsourcing activities.

Expenses and fair value changes

	Three Months Ended September 30,			
	2018 US$'000	**2017 US$'000**	**Variance US$'000**	**% of change**
Research and Development Expenses	498	409	89	22%
Selling and Distribution Expenses	182	278	(96)	(35%)
General and Administrative Expenses	3,340	2,037	1,303	64%
Other Income (Net)	(10)	(61)	51	(84%)
Fair value loss on FVTPL investments	124	-	124	N/A
Fair value loss on derivative financial instruments	650	-	650	N/A
	4,784	**2,663**	**2,121**	**80%**

Expenses and fair value changes were US$4,784 thousand for the three months ended September 30, 2018, compared to US$2,663 thousand for the same period ended September 30, 2017. Details are as follows:

- Research and development expenses were US$498 thousand for the three months ended September 30, 2018 (three months ended September 30, 2017 - US$409 thousand). The increase was because the Company started to develop more games during the period.

- Selling and distribution expenses were US$182 thousand for the three months ended September 30, 2018 (three months ended September 30, 2017 - US$278 thousand). The decrease was because less marketing expenses were allocated to MARS, as the Company believes the game has reached its decline stage of product cycle.

- General and administrative expenses were US$3,340 thousand for the three months ended September 30, 2018 (three months ended September 30, 2017 - US$2,037 thousand). The increase was mostly attributable to the increase in the expenses arising from the expansion of operations of Axion Ventures, Axion Interactive, True Axion Interactive and Axia (see "INVESTMENTS/ACQUISITIONS - Axia Corporation").

- Decrease in other income (net) was because there was increase in finance expenses in relation to the convertible debentures.

- Fair value loss during the period resulted from the investment in Red Anchor (three months ended September 30, 2017 - US$ nil).

- Fair value loss on derivative financial instruments during the period was attributable to the appraisal of fair value of the conversion and call options of the convertible debentures at each reporting date (three months ended September 30, 2017 - US$ nil).

Comparison between the Nine Months Ended September 30, 2018 and 2017

The following table sets out revenue, profit and expenses of the Company and includes variances and percentage changes for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,			
	2018 US$'000	**2017 US$'000**	**Variance USS'000**	**% of change**
Revenue	4,271	4,517	(246)	(5%)
Gross Profit	1,120	1,820	(700)	(38%)
Research and Development Expenses	(1,285)	(1,182)	(103)	9%
Selling and Distribution Expenses	(542)	(903)	361	(40%)
General and Administrative Expenses	(8,483)	(5,353)	(3,130)	58%
Other Income (Net)	(166)	129	(295)	(229%)
Fair value gain on FVTPL investments	116	-	116	N/A
Fair value loss on derivative financial instruments	(1,010)	-	(1,010)	N/A
Loss before taxation	(10,250)	(5,489)	(4,761)	87%
Income tax expense	-	(1)	1	(100%)
Net Loss	**(10,250)**	**(5,490)**	**(4,760)**	**87%**

Revenue

Revenue for the nine months ended September 30, 2018 was US$4,271 thousand (nine months ended September 30, 2017 - US$4,517 thousand) and included the following:

	Nine Months Ended September 30,			
	2018 US$'000	**2017 US$'000**	**Variance US$'000**	**% of change**
Outsourcing:				
Wanda	955	812	143	18%
Non-Wanda outsourcing	1,526	1,483	43	3%
Licensing	82	130	(48)	(37%)
Game operation	1,560	1,836	(276)	(15%)
Training	148	256	(108)	(42%)
	4,271	**4,517**	**(246)**	**(5%)**

Outsourcing Revenue. Wanda outsourcing revenue for the nine months ended September 30, 2018 was US$955 thousand (nine months ended September 30, 2017 - US$812 thousand). Despite a decrease in the three months ended September 30, 2018, there was a slight year to date increase because more revenue was recognised in 2018 Q2 than 2017 Q2 based on the percentage of completion method.

Non-Wanda outsourcing revenue increased approximately US$43 thousand as demand grew in smaller-contract outsourcing activities with other customers like Tencent and NetEase, Inc. This revenue source varied from period to period when customer needs and demands changed.

Licensing Revenue. Licensing revenue from game publishers was US$82 thousand for the nine months ended September 30, 2018 (nine months ended September 30, 2017 - US$130 thousand). The decrease was attributable to the decrease in royalties received from the game publishers of MARS as the product cycle reached decline stage and because Axion Games continues to update Rising Fire before Tencent marketing resources are allocated and resulting revenue in connection therewith.

Game Operation Revenue. Game operation revenue (primarily MARS revenue generated in China) was US$1,560 thousand for the nine months ended September 30, 2018 (nine months ended September 30, 2017 - US$1,836 thousand). This slight change was primarily attributable to the decrease in in-game sales of MARS as the product cycle reached decline stage.

Training Revenue. Training school revenue was US$148 thousand for the nine months ended September 30, 2018 (nine months ended September 30, 2017 - US$256 thousand). The decrease of US$108 thousand came as the result of the decrease of student enrollment during the period. Currently, the Company is exploring ways to expand its game development training in China and Southeast Asia.

Cost of Sales / Gross Margin

Cost of sales for the nine months ended September 30, 2018 was US$3,151 thousand compared to US$2,697 thousand for the same period ended September 30, 2017. The increase of approximately US$454 thousand was the result of increased staff costs.

Expenses and fair value changes

	Nine Months Ended September 30,			
	2018 US$'000	**2017 US$'000**	**Variance US$'000**	**% of change**
Research and Development Expenses	1,285	1,182	103	9%
Selling and Distribution Expenses	542	903	(361)	(40%)
General and Administrative Expenses	8,483	5,353	3,130	58%
Other Expenses/(Income) (Net)	166	(129)	295	(229%)
Fair value gain on FVTPL investments	(116)	-	(116)	N/A
Fair value loss on derivative financial instruments	1,010	-	1,010	N/A
	11,370	**7,309**	**4,061**	**56%**

Expenses and fair value changes were US$11,370 thousand for the nine months ended September 30, 2018, compared to US$7,309 thousand for the same period ended September 30, 2017. Details were included as follows:

- Research and development expenses were US$1,285 thousand for the nine months ended September 30, 2018 (nine months ended September 30, 2017 - US$1,182 thousand). The slight increase was because the Company started to develop more games during the period.

- Selling and distribution expenses decreased by US$361 thousand during the period because less marketing expenses were used for MARS game as it reached its decline stage of product cycle.

- General and administrative expenses were US$8,483 thousand for the nine months ended September 30, 2018 (nine months ended September 30, 2017 - US$5,353 thousand). The increase was mostly attributable to the increase in the expenses arising from the expansion of operations of Axion Ventures, Axion Interactive, True Axion Interactive and Axia (see "INVESTMENTS/ACQUISITIONS - Axia Corporation").

- Increase in other expenses (net) was because there was increase in foreign currency exchange loss and finance expenses in relation to the convertible debentures.

- Fair value gain during the period was resulted from the investment in Red Anchor (nine months ended September 30, 2017 - US$ nil).

- Fair value loss on derivative financial instruments during the period was attributable to the appraisal of fair value of the conversion and call options of the convertible debentures at each reporting date (three months ended September 30, 2017 - US$ nil).

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	Total Revenue US$'000	Gross Profit US$'000	Net Loss US$'000	Loss per share US$
September 31, 2018	1,203	344	(4,440)	(0.0182)
June 30, 2018	1,850	716	(2,535)	(0.0121)
March 31, 2018	1,218	60	(3,275)	(0.0127)
December 31, 2017	2,146	1,191	(2,260)	(0.0111)
September 30, 2017	1,605	579	(2,084)	(0.0112)
June 30, 2017	1,512	624	(1,567)	(0.0096)
March 31, 2017	1,400	617	(1,838)	(0.0117)
December 31, 2016	1,460	236	(4,280)	(0.0063)

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

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Axion Ventures

The Company's primary sources of capital available for financing its acquisitions and day-to-day operations are existing working capital, funds generated from the operations of its subsidiaries, equity from the capital markets and related party debt.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to prudently manage its financial position, cash generated from operations and related party debt in such a manner so as to ensure it will have sufficient liquidity to pay its obligations when due.

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

In particular, the directors of the Company have considered the following: (1) cash flow generated from the launch of Rising Fire in the following 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.

	September 30, 2018 US$'000	December 31, 2017 US$'000	Variance US$'000	% of Change
Current Assets				
Cash and cash equivalents	3,477	3,699	(222)	(6%)
Trade and other receivables	1,133	1,287	(154)	(12%)
	4,610	4,986	(376)	(8%)
Current Liabilities				
Trade and other payables	11,153	5,216	5,937	114%
Deferred revenue	4,037	2,834	1,203	42%
Derivative financial instruments	1,602	-	1,602	N/A
	16,792	8,050	8,742	109%
Working Capital	**(12,182)**	**(3,064)**	**(9,118)**	**298%**

As of September 30, 2018, the Company had US$3,477 thousand in cash and cash equivalents (December 31, 2017 - US$3,699 thousand) and working capital of negative US$12,182 thousand (December 31, 2017 - negative US$3,064 thousand). The decrease in working capital was primarily due to the net cash flows used for the operations during the period.

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 nine months ended September 30, 2018, the Company had the following transaction with related parties:

- Wages and salaries of US$76 thousand (nine months ended September 30, 2017 – US$40 thousand) paid to Ms. Nithinan Boonyawattanapisut, spouse of Mr. Todd Bonner who is Chief Executive Officer and Chairman of the Company, for being the Chief Executive Officer of TAI. Ms. Boonyawattanapisut has entered into TAI's standard executive employment agreement established between True Corporation and Axion Ventures. The business purpose for the transaction was a result of Mr. Boonyawattanapisut's video game industry experience and being a Thai citizen and resident.

- Receivable from Red Anchor Thailand, a company controlled by Mr. Todd Bonner and Ms. Nithinan Boonyawattanapisut, amounting to US$289 thousand as of September 30, 2018 (December 31, 2017: US$297 thousand). The balance due was unsecured, interest-bearing at 1% per annum and repayable in year 2022. This receivable is related to the capital structure of TAI to comply with Thai law.

- Receivable from Coherent, a company controlled by a major shareholder of Axia, amounted US$56 thousand as of September 30, 2018 (December 31, 2017: US$15 thousand). The balance due was unsecured, interest-free and repayable on demand and loaned to offset a payable to Coherent noted below.

- Loans from Red Anchor and Cern One Ltd., companies controlled by Mr. Todd Bonner and Ms. Nithinan Boonyawattanapisut), totalled US$4,756 thousand (December 31, 2017: US$ nil). The balance due was unsecured, interest-free and repayable on demand.

- Loan from Axion Entertainment Holdings ltd., a company controlled by a major shareholder of Axion Games, amounted US$716 thousand (December 31, 2017: US$559). The balance due was unsecured, interest-bearing at 8% per annum and repayable on demand. The business reason for these loans is to provide working capital to Axion Games to meet its operating obligations. Both the Company and this shareholder have provided loans on equal terms to meet these obligations.

- Payable to Coherent amounted US$83 thousand as of September 30, 2018 (December 31, 2017: US$83 thousand). The balance due was unsecured, interest-free and repayable on demand and the business reason was a result of an early regulatory capitalization requirement prior to the Company and Coherent establishing the joint venture.

- Payables to True Digital Plus Co. Ltd., True Internet Corporation, Pantavanij Co., Ltd., and True Properties Co., Ltd., companies controlled by a major shareholder of TAI, totalled US$168 thousand as of September 30, 2018 (December 31, 2017: US$72 thousand). The balance due was unsecured, interest-free and repayable on demand evidenced by basic promissory notes.

The transactions and balances were considered in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

PROPOSED TRANSACTIONS

The Company is currently in discussions with an Axion Games shareholder to acquire the shareholder's approximate 16% interest for US$4 million. If the transaction proceeds, the Company shall pursue financing options and the applicable regulatory approval.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Axion Ventures

The Company has adopted the amendments to IFRSs included in the Annual Improvements 2012-2014 cycle and a number of narrow scope amendments to certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2017. The amendments did not have an impact on the Company's consolidated financial statements.

New standards and interpretations

The following standards are effective for annual periods beginning on or after January 1, 2018:

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The new standard is not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments

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

IFRS 7 Financial Instruments Disclosure

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

IFRS 2 Share-Based Payment

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

i. Effects that vesting conditions have on the measurement of a cash-settled share-based payment;
ii. Accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and
iii. Classification of share-based payment transactions with net settlement features.

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

The following standards are effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

Management is currently evaluating any impact that the above standard may have on the Company's consolidated financial statements and this assessment has not yet been finished.

FINANCIAL INSTRUMENTS, OTHER 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 costs

Investments held at costs are classified as available for sale financial assets and are initially recognised at fair value, excluding any transaction costs. They are subsequently measured at costs.

Fair value information

As at September 30, 2018, the Company's financial instruments were comprised of investments, cash and cash equivalents, trade and other receivables, trade and other payables derivative financial instruments and convertible debentures.

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 at September 30, 2018, the Company held investments consisting of common shares in Red Anchor and preference shares of Innovega, which were classified as fair value through profit or loss (FVTPL) and recognized at fair value.

Financial instruments and related risks

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's exposures to financial risks and how the Company manages those risks are set out below.

Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk in respect of settlement of trade and other payables, and 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 when the Company can be required to pay.

At September 30, 2018	Within one year or on demand US$'000
Trade payables	278
Accrued salaries and benefits	1,400
Accrued expenses	367
Other payables	526
Loans from related parties	5,472
	8,043

At December 31, 2017	Within one year or on demand US$'000
Trade payables	451
Accrued salaries and benefits	1,638
Accrued expenses	227
Other payables	325
Loans from related parties	559
	3,200

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

Interest rate risk

The Company is exposed to interest rate risk on its variable rate term deposit investment which attracts interest at a rate of prime minus 1.90%.

Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in its operations. 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). As at September 30, 2018, the Company did not have significant foreign currency risk from its operations. As at September 30, 2018, the Company's beneficial ownership of Axion Games was 54.22%.

Another operating subsidiary, TAI mainly operates in Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht). As at September 30, 2018, the Company did not have significant foreign currency risk from its operations. As at September 30, 2018, the Company, and its affiliates beneficially owned 60% of TAI.

As at September 30, 2018, the third operating associate company, Innovega, operates from Bellevue, Washington, and San Diego, California and the majority of the transactions are settled in USD (U.S. Dollars). As at September 30, 2018, the Company did not have significant foreign currency risk from its operations. As at September 30, 2018, the Company held approximately 6.2% of Innovega's issued and outstanding preference shares and approximately 1.5% of Innovega's total issued and outstanding shares (common and preference).

As at September 30, 2018, the fourth operating associate company, Red Anchor, mainly operates in the Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht). As at September 30, 2018, the Company did not have significant foreign currency risk from its operations. The Company currently holds issued and outstanding preference shares and 15% of Red Anchor total issued and outstanding common shares.

As at September 30, 2018, the fifth operating subsidiary company, Axia, mainly operated in Hong Kong and in Bangkok, Thailand and the majority of the transactions are settled in HKD (Hong Kong Dollars) and THB (Thai Baht). As at September 30, 2018, the Company did not have significant foreign currency risk from its operations. The Company currently holds issued and outstanding preference shares and 70% of Axia's total issued and outstanding common shares.

Credit risk

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

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

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

OTHER MD&A REQUIREMENTS - DISCLOSURE OF OUTSTANDING SHARE DATA

Axion Ventures Inc.

Common Shares

Axion Ventures' authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. There are no preferred shares issued and outstanding. As at December 31, 2017, there were 237,122,450 common shares issued and outstanding. As at September 30, 2018 and November 29, 2018, there were 238,288,044 and 239,288,044 common shares issued and outstanding, respectively, as a result of the following:

	Issued Common Shares
As 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
Shares issued in connection with payment in kind interest	65,594
As at September 30, 2018	**238,288,044**
Shares issued in connection with officer option exercise	1,000,000
As at November 29, 2018	**239,288,044**

Escrow

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.

Stock Options

As at December 31, 2017 there were a total of 13,250,000 stock options outstanding. Since December 31, 2017: (i) an Ex-director exercised 100,000 stock options in January 2018; (ii) 2,000,000 stock options were granted to incoming management in May 2018; (iii) 500,000 stock options were granted to an incoming director in June 2018; (iv) 75,000 stock options were granted to a consultant investor relations firm in July 2018; (v) 350,000 stock options were granted to employees in September 2018; (vi) 500,000 stock options were granted to a consultant in October 2018; and (vii) an officer exercised 1,000,0000 stock options in October 2018. As a result, there are currently 15,575,000 stock options outstanding.

Warrants

There are currently no issued and outstanding warrants.

RISK FACTORS

Axion Ventures Inc.

A detailed discussion of the Company's risks associated with its new structure can be found under the title "Risk Factors" on pages 20 to 31 of the Qualifying Transaction Filing Statement (the "Filing Statement") dated April 25, 2016, and filed on SEDAR on April 27, 2016. References to "Resulting Issuer" refer to the Company. The risks represent those of the new business subsequent to the closing of the QT. In addition, the Filing Statement includes specific risks associated with the Axion Games interest starting on page 24.

Investors should carefully consider when making an investment decision concerning the common shares of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity, and results of operations of the Company could be materially adversely affected, and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative.

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

APPROVAL

The Board has approved the disclosure contained in this MD&A as of November 29, 2018.