
Axion Ventures Inc.
Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the Three Months Ended
March 31, 2019 and 2018

(Unaudited)

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Administrative information

Directors

Todd Bonner
Grant Kim
Stephen Willey
Yoshihiro Obata

Registered office

800 - 885 West Georgia Street
Vancouver, B.C. V6C 3H1
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

May 30, 2019

Axion Ventures Inc.**Condensed Consolidated Interim Financial Statements (Unaudited)****(Expressed in United States Dollars)****Condensed Consolidated Interim Statement of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018**

		Three months ended March 31,	
	Notes	2019 US\$'000	2018 US\$'000
Revenue	4	1,179	1,218
Cost of sales		<u>(865)</u>	<u>(1,158)</u>
Gross profit		314	60
Research and development expenses		(685)	(375)
Selling and distribution expenses		(179)	(172)
General and administrative expenses		<u>(1,948)</u>	<u>(2,453)</u>
Loss from operations		(2,498)	(2,940)
Other income		2	11
Finance income		2	4
Finance expense		(237)	-
Fair value loss on derivative financial instruments		(279)	(311)
Foreign currency exchange loss		<u>(57)</u>	<u>(39)</u>
Loss before income tax		(3,067)	(3,275)
Income tax expense	8	<u>(31)</u>	<u>-</u>
Loss for the period		(3,098)	(3,275)
Other comprehensive income:			
<i>Item that will or may be reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(92)</u>	<u>143</u>
Other comprehensive income for the period, net of tax		<u>(92)</u>	<u>143</u>
Total comprehensive loss		(3,190)	(3,132)

Axion Ventures Inc.**Condensed Consolidated Interim Financial Statements (Unaudited)****(Expressed in United States Dollars)****Condensed Consolidated Interim Statement of Comprehensive Income****For the Three Months Ended March 31, 2019 and 2018**

		Three months ended March 31,	
	Notes	2019 US\$'000	2018 US\$'000
Loss for the period attributable to:			
Owners of the Company		(2,922)	(2,549)
Non-controlling interests		<u>(176)</u>	<u>(726)</u>
		(3,098)	(3,275)
Total comprehensive loss attributable to:			
Owners of the Company		(2,920)	(2,470)
Non-controlling interests		<u>(270)</u>	<u>(662)</u>
		<u>(3,190)</u>	<u>(3,132)</u>
Loss per share attributable to owners of the Company			
Basic	9	(1.41 cents)	(1.27 cents)
Diluted		(1.41 cents)	(1.27 cents)

See accompanying notes to 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 March 31, 2019 and December 31, 2018

	<i>Notes</i>	March 31, 2019 US\$'000	December 31, 2018 US\$'000
Assets			
Non-current assets			
Intangible assets	10	13,499	12,525
Property, plant and equipment	11	771	780
Other investments	12	-	-
Loan to related parties	17	285	279
Right-to-use assets	3	379	-
Total non-current assets		14,934	13,584
Current assets			
Trade and other receivables	13	2,036	2,216
Derivative financial instruments	16	7	129
Cash and cash equivalents	14	3,969	2,689
Total current assets		6,012	5,034
Total assets		20,946	18,618
Liabilities			
Current liabilities			
Trade and other payables	15	4,959	3,895
Loan from related parties	17	7,272	7,894
Deferred revenue		4,142	4,035
Derivative financial instruments	16	796	638
Total current liabilities		17,169	16,462
Net current liabilities		(11,157)	(11,428)
Non-current liabilities			
Convertible debentures	16	3,280	3,061
Deferred tax liabilities		33	22
Lease liabilities	3	379	-
Total non-current liabilities		3,692	3,083
NET ASSETS/(LIABILITIES)		85	(927)

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(Expressed in United States Dollars)

Condensed Consolidated Interim Statement of Financial Position
As at March 31, 2019 and December 31, 2018

	March 31, 2019 US\$'000	December 31, 2018 US\$'000
Issued capital and reserves attributable to owners of the Company		
Share capital	34,197	30,157
Foreign currency translation reserve	423	421
Share-based payment reserve	2,237	2,085
Accumulated losses	<u>(36,238)</u>	<u>(33,326)</u>
	619	(663)
Non-controlling interests	(534)	(264)
TOTAL EQUITY	<u>85</u>	<u>(927)</u>

See accompanying notes to these unaudited condensed consolidated interim financial statements.

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on May 30, 2019 and were signed on its behalf by:

/s/ John Todd Bonner
John Todd Bonner
Chairman and CEO

/s/ Stephen Willey
Stephen Willey
Director

Axion Ventures Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in United States Dollars)

**Condensed Consolidated Interim Statement of Changes in Equity
For the Three Months Ended March 31, 2019 and 2018**

	Equity attributable to the owners of the Company					Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Foreign currency translation reserve \$'000	Share-based payment reserve \$'000	Other reserve \$'000	Accumulated losses \$'000			
At January 1, 2019	30,157	421	2,085	-	(33,326)	(663)	(264)	(927)
Comprehensive income for the period								
Loss for the period	-	-	-	-	(2,922)	(2,922)	(176)	(3,098)
Exchange difference arising on translation of foreign operations	-	2	-	-	-	2	(94)	(92)
Total comprehensive income for the period	-	2	-	-	(2,922)	(2,920)	(270)	(3,190)
Contributions by and distributions to owners								
Recognition of equity-settled share- based payments	-	-	162	-	-	162	-	162
Forfeiture of share options	-	-	(10)	-	10	-	-	-
Issuance of new shares	4,040	-	-	-	-	4,040	-	4,040
Total contributions by and distributions to owners	4,040	-	152	-	10	4,202	-	4,202
At March 31, 2019	34,197	423	2,237	-	(36,238)	619	(534)	85

Axion Ventures Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

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**Condensed Consolidated Interim Statement of Changes in Equity
For the Three Months Ended March 31, 2019 and 2018**

	Equity attributable to the owners of the Company						Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Foreign currency translation reserve \$'000	Share-based payment reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Total \$'000		
At January 1, 2018	51,665	(605)	1,009	(21,469)	(23,320)	7,280	(121)	7,159
Comprehensive income for the period								
Loss for the year	-	-	-	-	(2,549)	(2,549)	(726)	(3,275)
Exchange difference arising on translation of foreign operations	-	77	1	-	1	79	64	143
Total comprehensive income for the year	-	77	1	-	(2,548)	(2,643)	(662)	(3,305)
Contributions by and distributions to owners								
Recognition of equity-settled share-based payments	-	-	178	-	-	178	-	178
Forfeiture of share options	-	-	(25)	-	25	-	-	-
Issuance of new shares	32	-	(12)	-	-	20	-	20
Total contributions by and distributions to owners	32	-	141	-	25	198	-	198
At March 31, 2018	51,697	(528)	1,151	(21,469)	(25,843)	5,008	(783)	4,225

See accompanying notes to 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 Months Ended March 31, 2019 and 2018**

		Three months ended March 31,	
	Notes	2019 US\$'000	2018 US\$'000
Cash flows from operating activities			
Loss before income tax		(3,067)	(3,275)
Adjustments for:			
Depreciation of property, plant and equipment		53	40
Amortisation of intangible assets		6	3
Share-based payments		162	178
Fair value loss on derivative financial instruments		279	311
Finance income		(2)	(4)
Finance expense		237	-
		<hr/>	<hr/>
Operating cash flows before movement in working capital		(2,332)	(2,747)
Increase in trade and other receivables		180	414
Increase in trade and other payables		1,064	1,956
Increase in deferred revenue		107	869
		<hr/>	<hr/>
Cash (used in)/generated from operations		(981)	492
Income taxes paid		-	-
		<hr/>	<hr/>
Net cash flows (used in)/generated from operating activities		(981)	492
Investing activities			
Additions of internally generated computer software and acquired computer software	10	(962)	(929)
Purchase of property, plant and equipment	11	(31)	(66)
Interest received		2	4
		<hr/>	<hr/>
Net cash used in investing activities		(991)	(991)
Financing activities			
Issue of shares, net of transaction costs		4,040	20
Issue of convertible debentures, net of transaction costs		-	909
Decrease in loan payables from related parties		(622)	-
		<hr/>	<hr/>
Net cash flows generated from financing activities		3,418	929

Axion Ventures Inc.**Condensed Consolidated Interim Financial Statements (Unaudited)****(Expressed in United States Dollars)****Condensed Consolidated Interim Statement of Cash Flows
For the Three Months Ended March 31, 2019 and 2018**

	Notes	Three months ended March 31,	
		2019 US\$'000	2018 US\$'000
Net (decrease)/increase in cash and cash equivalents		1,446	430
Cash and cash equivalents at the beginning of the period		2,689	3,699
Exchange difference on cash and cash equivalents		<u>(166)</u>	<u>116</u>
Cash and cash equivalents at the end of the period		<u>3,969</u>	<u>4,245</u>

See accompanying notes to these unaudited condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2019 and 2018

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 the "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 ("QT") as defined under the policies of the TSX-V. 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 QT as particularly described in its TSX-V filing statement previously filed with Canadian regulatory authorities. As a result of the completion of the QT, 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 are governed by the release provisions of Tier 1 Issuer's escrow.

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

After the completion of the QT, Axion Ventures became an investment issuer primarily focused on investments in the online video gaming sector, as well as other information technology ("IT") sectors.

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, British Columbia, V6C 1T2, Canada.

These condensed consolidated interim financial statements for the three months ended March 31, 2019 and 2018 were authorized for issue by the Board of Directors of the Company on May 30, 2019.

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, 2018.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2019 and 2018

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, 2018 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, 2019, the Company and its subsidiaries (collectively referred to as the "Group") adopted the following new and amended IFRS:

IFRS 16 – Leases

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

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at March 31, 2019, the Group has recognised right-to-use assets of US\$379,000 and lease liabilities of US\$379,000 respectively for its operating leases with lease periods over one years.

Axion Ventures Inc.
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Notes to the Condensed Consolidated Interim Financial Statements
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4. Revenue

	Three months ended March 31,	
	2019 US\$'000	2018 US\$'000
Outsourcing	693	623
Licensing	20	30
Game operation	465	513
Training	1	52
	1,179	1,218

5. Segment information

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 year, executive directors regularly review revenue and operating results derived from outsourcing, licensing, game operation and training consider as one single operating segment.

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

	Three months ended March 31,	
	2019 US\$'000	2018 US\$'000
By country/region		
Canada (Place of domicile)	-	-
China	774	1,110
Rest of the world	405	108
Total revenue	1,179	1,218
	March 31, 2019 US\$'000	December 31, 2018 US\$'000
By country/region		
Canada (Place of domicile)	352	345
China	10,806	10,015
Rest of the world	3,776	3,224
Non-current assets	14,934	13,584

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6. Expenses by nature

	Three months ended	
	March 31,	
	2019	2018
	US\$'000	US\$'000
Amortisation of intangible assets [^]	6	3
Depreciation of property, plant and equipment*	53	42
Employee benefit expenses (Note 7)	3,281	3,076
Provision for bad debts	-	1
Operating lease expense – land and buildings	226	303
Depreciation of right-to-use assets	55	-
	<u>55</u>	<u>-</u>

[^] Amortisation expenses of US\$459 (Three months ended March 31, 2018: US\$687), US\$449 (Three months ended March 31, 2018: US\$316), US\$5,659 (Three months ended March 31, 2018: US\$1,875) and US\$ nil (Three months ended March 31, 2018: US\$524) 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\$2,986 (Three months ended March 31, 2018: US\$3,397), US\$1,355 (Three months ended March 31, 2018: US\$1,021), US\$48,646 (Three months ended March 31, 2018: US\$34,892) and US\$ nil (Three months ended March 31, 2018: US\$1,821) 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	
	March 31,	
	2019	2018
	US\$'000	US\$'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	2,477	2,268
Social welfare costs	549	519
Share-based payment expense	162	233
Other benefits	93	56
	<u>3,281</u>	<u>3,076</u>

Employee benefit expenses of US\$731,000 (Three months ended March 31, 2018: US\$799,000), US\$715,000 (Three months ended March 31, 2018: US\$445,000), US\$113,000 (Three months ended March 31, 2018: US\$108,000), US\$1,519,000 (Three months ended March 31, 2018: US\$1,558,000) and US\$203,000 (Three months ended March 31, 2018: US\$166,000) have been included in cost of sales, research and development expenses, selling expenses, general and administrative expenses and capitalisation of intangible assets respectively.

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8. Income tax expenses

The tax charge on loss comprises:

	Three months ended	
	March 31,	
	2019	2018
	US\$'000	US\$'000
Current tax		
Corporate income tax - China	-	-
Deferred tax		
Corporate income tax - Russia	31	-

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.

9. Loss per share

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

	Three months ended	
	March 31,	
	2019	2018
	US\$'000	US\$'000
Numerator		
Loss for the period and loss used in basic and diluted EPS	<u>(2,922)</u>	<u>(2,549)</u>
Denominator		
Weighted average number of ordinary shares used in basic and diluted loss per share	<u>207,038,308</u>	<u>201,191,506</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\$962,000 (Three months ended March 31, 2018: US\$929,000).

During the period, no intangible assets were disposed (Three months ended March 31, 2018: US\$ nil).

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11. Property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately US\$31,000 (Three months ended March 31, 2018: US\$66,000).

During the period, no property, plant and equipment were disposed (Three months ended March 31, 2018: US\$ nil).

12. Other investments

	March 31, 2019 US\$'000	December 31, 2018 US\$'000
FVTPL investments:		
Red Anchor Trading Corp.	-	-
Innovega Inc.	-	-
	<u>-</u>	<u>-</u>

13. Trade and other receivables

	March 31, 2019 US\$'000	December 31, 2018 US\$'000
Trade receivables	706	1,457
Less: Provision for impairment of trade receivables	<u>(11)</u>	<u>(11)</u>
Trade receivables - net	695	1,446
Deposits	259	254
Prepaid expenses	202	210
Other receivables	858	284
Advances to employees	<u>22</u>	<u>22</u>
Total trade and other receivables	<u>2,036</u>	<u>2,216</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.

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14. Cash and cash equivalents

	March 31, 2019 US\$'000	December 31, 2018 US\$'000
Cash at banks	3,880	2,602
Short term bank deposits	89	87
	<u>3,969</u>	<u>2,689</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

	March 31, 2019 US\$'000	December 31, 2018 US\$'000
Trade payables	352	292
Accrued salaries and benefits	1,671	1,788
Other tax liabilities	417	309
Accrued expenses	356	617
Other payables	2,163	889
	<u>4,959</u>	<u>3,895</u>

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.

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.

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**Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2019 and 2018**

17. Related party transactions

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

Income paid in the period:

	Three months ended March 31,	
	2019	2018
	US\$'000	US\$'000
Outsourcing services fee received from Epic Games International Ltd., a shareholder of the Axion Games	-	38

Key management personnel comprise the directors and the officer of the Company. Their aggregate remuneration comprised:

	Three months ended March 31,	
	2019	2018
	US\$'000	US\$'000
Wages and salaries	211	160
Social welfare costs	1	1
Share-based payments expenses	106	58
	<u>318</u>	<u>219</u>

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17. Related party transactions (continued)

Receivables:

	March 31, 2019 US\$'000	December 2018, US\$'000
<i>Loan to related parties</i>		
Red Anchor (Thailand) Co., Ltd.	285	279
<i>Other receivables</i>		
Coherent Asia, Limited	15	15
	<u>300</u>	<u>294</u>

Payables:

	March 31, 2019 US\$'000	December 2018, US\$'000
<i>Loan from related parties</i>		
Red Anchor Trading Corp.	5,406	6,037
Shareholder of Axion Entertainment Holdings Ltd.	1,066	1,058
Cern One Limited	800	800
<i>Other payables</i>		
Epic Games, Inc.	260	260
Fighter Base Publishing Inc.	58	58
Coherent Asia, Limited	83	83
True Digital Plus Co., Ltd.	-	2
	<u>7,673</u>	<u>8,298</u>

Axion Ventures Inc.

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For the Three Months Ended March 31, 2019 and 2018

18. Events after the reporting date

Issuance of share options

On May 2, 2019, the Company granted 800,000 share options to a Corporate & Business Development consultant to purchase common shares of the Company exercisable at C\$0.94 per share, vesting over a three-year term.