



AXION VENTURES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED
MARCH 31, 2019

Dated May 30, 2019

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

INTRODUCTION

The following management discussion and analysis ("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 ended March 31, 2019. 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 financial statements of the Company as at and for the three months ended March 31, 2019 and with the audited consolidated financial statements for the year ended December 31, 2018, 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; next mass content updates to Tencent (as defined herein); management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

from amounts disclosed; any revenue projections from Rising Fire or other games or operations; strategies regarding VR and AR (both as defined herein); uniqueness of certain video games; TAI's plans for its game, "Invictus: Lost Soul"; revenue shifts to rights sales and royalties; Red Anchor's (as defined herein) ability to understand user spending habits; adopting accounting pronouncements; 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. In May 2016, the Company completed its QT and has since been an investment issuer under the policies of the TSXV, focused primarily on investments in online video gaming and other information technology sectors. The Company's common shares trade on the TSXV in Canada under the symbol "AXV" and 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 1400-400 Burrard Street, Vancouver, British Columbia, V6C 3A6 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 are located.

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 Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

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 remains at 54.22%.

Innovega

As part of the QT, 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 6.1% of Innovega's issued and outstanding preference shares and approximately 1.4% of Innovega's total issued and outstanding shares and granted options (fully diluted basis). The fair value of Innovega as at December 31, 2018 is nil.

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 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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

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

In May 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 Asian countries. Under the terms of a joint venture agreement (the "Axia JVA"), the joint venture is initially operating as a company incorporated under the laws of Hong Kong named "Axia Corporation Limited" ("Axia"), with Axion Interactive to hold 70% interest and Coherent to hold a 30% interest in Axia. Through Axion Interactive and pursuant to the Axia JVA, the Company funded an initial US\$500,000 upon entering into the joint venture, US\$500,000 at the beginning of each of the third and fourth quarters of 2017 (July and October) and a further US\$500,000 on March 1, 2018. There are no further capital commitments under the Axia JVA; however, the Company continues to fund on a monthly basis while Axia's team reviews third party financing opportunities. As a result of certain share release provisions based on an executive's term with Axia, which is complete, as of December 31, 2018, Axion Interactive held 80% of Axia and Coherent held 20% of Axia. Subsequently, effective April 29, 2019, the joint venture was terminated and Coherent transferred its remaining 20% to Axion Interactive at nominal value. Axion Interactive continues to develop the Axia business and continues to review third party financing opportunities.

Longroot

Longroot Limited ("Longroot") was incorporated in 2018 with the primary objective of operating a regulated digital assets business with initial operations in Thailand. Through Axion Interactive, the Company holds a 60% interest in Longroot with the remaining 40% held by the other founding third party partner. Longroot is currently in the process of obtaining regulatory approval such as its local business license.

Trajectory

In the second half of 2018, the Company incorporated a joint venture company called Trajectory Games Ltd. ("Trajectory") with one other founding third party partner. Trajectory is in the Company's core video game development businesses but the founding partners are coordinating post-incorporation matters of the respective entities. However, the game development team located in Russia has "soft-launched" Trajectory's first game, "Fighter Royale", on Steam, a digital distribution platform developed for purchasing and playing video games. Fighter Royale is a WW2-era flying battle royale game built on the Unity game engine for concurrent PC and MMO gaming, with a console version planned as well.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

Overview – Summary of Businesses at March 31, 2019

Axion Games

Axion Games owns two studios in PRC, one in Shanghai and a smaller one in Suzhou, with a combined total of approximately 274 employees as of March 31, 2019. 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 was also initially granted certain non-transferable, royalty-bearing and terminable license rights to distribute, market, use and sublicense Unreal Engine and other game engines developed by or for Epic. Axion Games subsequently expanded its reach and became an outsourcing developer to numerous other high-profile game developers and publishers. Axion Games and its team have 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;

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

- 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 was 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 was completed, whereby over 100,000 users participated. Rising Fire was made commercially available on June 28, 2018 on selected Tencent platform and continues to progress through the early stages of its strategic launch cycle through Tencent's "WeGame" network. Axion Games has delivered Rising Fire content payloads to Tencent approximately every five weeks since the initial launch of the game on June 28, 2018. These updates included content ranging from player skins, weapons, and maps to more technical augmentations to satisfy the market. Axion Games and Tencent have increased the amount of time in between content payloads in order to provide mass content updates, with the next expected delivery scheduled for the first two weeks of June 2019.

True Axion Interactive

As discussed earlier (see "INVESTMENTS/ACQUISITIONS – True Axion Interactive"), in December 2016, the Company and True Corporation (through their respective subsidiaries/affiliates) agreed to form a joint venture.

True Axion Interactive ("TAI") commenced operations in March 2017 and has grown to approximately 80 as of March 31, 2019, 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, with a current specific focus on mobile games. On May 8, 2019, TAI commercially launched its first game, called "Invictus: Lost Soul", which is the first AAA quality, eSports focused mobile game made in Thailand and developed by TAI. Invictus is a real-time, card-controlled PvP fighting game geared for the bulk, 18-35 year-old player market. The game had a very promising start and took a place in both Google and Apple Free Games top-10 charts. The game is also receiving very good initial numerical results with retention levels correlating with best world-wide benchmarks for mobile games. To further support the game TAI introduced a recent update with a clan tournament feature and some monetization content. Further studio plans for the near future include polishing game experience, to widen operational toolset and to deepen e-sport functionality of the game.

Axia Corporation

Axia is building the first completely digital full-stack customer-to-capital markets insurance company. Axia seeks to:

- On the customer side, empower people and organizations with the easiest and fastest way to discover, quote and purchase affordable, comprehensive and highly customizable insurance online anytime, anywhere.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

- On the capital markets side, create a new attractive diversifying asset class under the insurance-linked securities (ILS) category.

On the front end, Axia is a digital direct insurer seeking to generate revenue through insurance premiums. On the back end, Axia is a fund management company transferring insurance risk directly to the capital markets, whereby the company seeks to generate revenue through management and performance fees.

During the 2018 fiscal year and in the period ended March 31, 2019, Axia was in communications with strategic investors and partners to assist the company with licensing matters and go-to-market strategies.

Red Anchor Trading/HotNow

Red Anchor operates HotNow, a marketing automation solution first launched in Thailand in 2017. Red Anchor is an incubator and accelerator for applications that deliver value and lower both search and monetary costs for users.

HotNow provides a solution for both merchants and users. Merchants use HotNow because it provides a means for them to reach relevant customers. Users like HotNow because it acts as a discovery app of local retailers, offering the user the hottest promotions in their area. HotNow gives merchants more control over their marketing activities by allowing them to control their content, timing, customer type, and proximity to their location. Additionally, merchants can create ad hoc marketing opportunities in less than 5 minutes, tailoring their marketing messages to specific customer archetypes.

The next development step 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.

Innovega

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 March 31, 2019, the Company held approximately 6.1% of Innovega's issued and outstanding preference shares and approximately 1.4% of Innovega's total issued and outstanding shares and granted options (fully diluted basis).

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

Longroot & Trajectory

As noted above, Longroot and Trajectory are coordinating initial licenses and corporate structural matters, respectively. However, Longroot has received a seminal operational license and Trajectory has already "soft-launched" its first game, "Fighter Royale", on Steam. The Company shall provide any material updates on both newly formed entities in due course.

OVERALL PERFORMANCE

Axion Ventures

As the Company's most significant asset is Axion Games with TAI considered the Company's second most significant asset, 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 accounting acquirer and Axion Ventures the accounting 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 March 31, 2019 – Axion Games". As a result, a disproportionate effect on revenue may shift again but to the rights sales and royalties parts of the business.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

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 intense 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 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 of resources allocated to Rising Fire's success and the delayed launch of Rising Fire. Rising Fire is an 800+ 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 related increased expenses. Axion Games and Tencent continue to work on the appropriate player retention to merit top tier Tencent marketing resources for its full commercial launch in China.

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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

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

	Three months ended	
	March 31, 2018 (US\$'000s)	March 31, 2017 (US\$'000s)
By country/region		
Canada (Place of domicile)	-	-
China	774	1,110
Rest of the world	405	108
Total Revenue	<u>1,179</u>	<u>1,218</u>
	March 31, 2019 (US\$'000s)	December 31, 2018 (US\$'000s)
By country/region		
Canada	352	345
China	10,806	10,015
Rest of the world	3,776	3,224
Non-current assets	<u>14,934</u>	<u>13,584</u>

As at March 31, 2019, the Company had US\$3,969 thousand (December 31, 2018 – US\$2,689 thousand) of cash and cash equivalents and total current assets of US\$6,012 thousand (December 31, 2018 – US\$5,034 thousand). The increase in cash and cash equivalents and total current assets was primarily due to the net cash inflows generated from the issuance of 5,750,000 shares during the period.

Current liabilities and related party loans as at March 31, 2019 totalled US\$17,169 thousand (December 31, 2018 - US\$16,462 thousand). The increase in current liabilities was primarily due to the increase in other payables.

As at March 31, 2019, shareholders' equity was comprised of share capital of US\$34,197 thousand (December 31, 2018 - US\$30,157 thousand), foreign currency translation reserve of US\$423 thousand (December 31, 2018 - US\$421 thousand), share-based payment reserve of US\$2,237 thousand (December 31, 2018 - US\$2,085 thousand) and accumulated losses of US\$36,238 thousand (December 31, 2018 - US\$33,326 thousand). Total equity attributable to the owners of Axion Ventures was US\$619 thousand (December 31, 2018 – negative US\$663 thousand).

Working capital, which was comprised of current assets less current liabilities, was negative US\$11,157 thousand as at March 31, 2019, compared to a working capital of negative US\$11,428 thousand as at December 31, 2018. Working capital was slightly improved during the period.

During the three months ended March 31, 2019, the Company reported a net loss of US\$3,098 thousand (negative US\$0.0141 basic and diluted loss per share) compared to a net loss of US\$3,275 thousand (negative US\$0.0127 basic and diluted loss per share) during the three months ended March 31, 2018.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

The Company's revenue decreased by US\$39 thousand for the three months ended March 31, 2019, compared to the three months ended March 31, 2018. The decrease was mainly due to the decrease in revenue from game operation.

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

The following table sets out revenue, profit and expenses of the Company and includes variances and percentage changes for the three months ended March 31, 2019 and 2018:

	Three Months Ended			
	March 31,			
	2019	2018	Variance	% of
	US\$'000	US\$'000	US\$'000	change
Revenue	1,179	1,218	(39)	(3%)
Gross profit	314	60	254	423%
Research and development expenses	(685)	(375)	(310)	83%
Selling and distribution expenses	(179)	(172)	(7)	4%
General and administrative expenses	(1,948)	(2,453)	505	(21%)
Other income	2	11	(9)	(82%)
Finance income	2	4	(2)	(50%)
Finance expense	(237)	-	(237)	N/A
Fair value loss on derivative financial instruments	(279)	(311)	32	(10%)
Foreign currency exchange loss	(57)	(39)	(18)	46%
Loss before taxation	(3,067)	(3,275)	208	(6%)
Income tax	(31)	-	(31)	N/A
Net loss	(3,098)	(3,275)	177	(5%)

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

Revenue

Revenue for the three months ended March 31, 2019 was US\$1,711 thousand compared to US\$1,218 thousand in the prior period and included the following segment details:

	Three Months Ended March 31,			
	2019 US\$'000	2018 US\$'000	Variance US\$'000	% of change
Outsourcing:				
Wanda	-	354	(354)	(100%)
Non-Wanda outsourcing	693	269	424	158%
Licensing	20	30	(10)	(33%)
Game operation	465	513	(44)	(9%)
Training	1	52	(51)	(99%)
	1,179	1,218	(39)	(3%)

Wanda Outsourcing Revenue. Wanda outsourcing revenue for the three months ended March 31, 2019 was US\$ nil (for the three months ended March 31, 2018 - US\$354 thousand). The decrease was because the Wanda project was completed in the fourth quarter of 2018.

Non-Wanda Outsourcing Revenue. Non-Wanda outsourcing revenue increased approximately US\$424 thousand as demand increased in 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\$20 thousand for the three months ended March 31, 2019 (for the three months ended March 31, 2018 - US\$30 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 and anticipated resulting revenue in connection therewith.

Game Operation Revenue. Game operation revenue (or "self-publishing" - primarily MARS revenue generated in China) was US\$465 thousand for the three months ended March 31, 2019 (for the three months ended March 31, 2018 - US\$513 thousand). This 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\$1 thousand for the three months ended March 31, 2019 (three months ended March 31, 2018 - US\$52 thousand). The decrease of US\$52 thousand came as the result of the decrease of student enrollment during the period.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

Cost of Sales / Gross Margin

Cost of sales for the three months ended March 31, 2019 was US\$865 thousand compared to US\$1,158 thousand for the three months ended March 31, 2018. The decrease of approximately US\$293 thousand was in line with the decrease in revenue.

Expenses, other income and fair value changes

	For Three Months Ended			
	March 31,			
	2019	2018	Variance	% of
	US\$'000	US\$'000	US\$'000	change
Research and development expenses	(685)	(375)	(310)	83%
Selling and distribution expenses	(179)	(172)	(7)	4%
General and administrative expenses	(1,948)	(2,453)	505	(21%)
Other income	2	11	(9)	(82%)
Finance income	2	4	(2)	(50%)
Finance expense	(237)	-	(237)	N/A
Fair value loss on derivative financial instruments	(279)	(311)	32	(10%)
Foreign currency exchange gain	(57)	(39)	(18)	46%
	(3,381)	(3,335)	(46)	1%

Expenses, other income and fair value changes were US\$3,381 thousand for the three months ended March 31, 2019, compared to US\$3,335 thousand for the three months ended March 31, 2018. Details of significant items are as follows:

- Research and development expenses were US\$685 thousand for the three months ended March 31, 2019 (for the three months ended March 31, 2018 - US\$375 thousand). The increase was because the Company incurred more research and development expenses to explore new games during the period.
- Selling and distribution expenses were US\$179 thousand for the three months ended March 31, 2019 (for the three months ended March 31, 2018 - US\$172 thousand). No significant change was noted.
- General and administrative expenses were US\$1,948 thousand for the three months ended March 31, 2019 (for the three months ended March 31, 2018 - US\$2,453 thousand). The decrease was mostly attributable to the decrease in the operating expenses arising from the restructuring of Axia.
- The decrease in other income was because there was a decrease in government subsidies during the period.
- Finance expense mainly comprised of interest expenses paid to convertible debentures and loans from related parties. No such expense was noted in the prior period.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

- Fair value loss on derivative financial instruments of US\$279 thousand (for the three months ended March 31, 2018 - US\$311) was attributable to the appraisal of fair values of the conversion and call options of the convertible debentures at the reporting date.
- Foreign currency exchange loss was recognized during the period because of the weakening of Renminbi against US dollars during the period.

During the period ended March 31, 2019 (on March 21, 2019), the Company completed a financing, whereby the Company sold 5,750,000 common shares at a price of C\$1.00 per share. The net proceeds from the financing were noted for the development and continued commercial expansion of the Company's flagship game, Rising Fire, development and publishing of other titles in its portfolio, and general working capital purposes. US\$4,040 thousand of the total net proceeds of approximately US\$631 thousand were used to settle a portion of the loan from Red Anchor in order to reduce the current liabilities of the Company. However, Red Anchor used this loan repayment for its operations to work with the Company in the area relating to game development. During the period ended March 31, 2019, the remaining net proceeds were used as disclosed. The Company believes a tabular comparison is not necessary and the impact of such variance does not affect the Company's ability to achieve its business objectives and milestones.

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 gain/(loss) US\$'000	Earnings per share US\$
March 31, 2019	1,179	314	(3,098)	(0.0141)
December 31, 2018	4,644	3,037	930	(0.0018)
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	(2,759)	(0.0139)
September 30, 2017	1,605	579	(2,084)	(0.0112)
June 30, 2017	1,512	624	(1,567)	(0.0096)

Revenue in the fourth quarter of 2018 increased due to the completion of Wanda project.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Axion Ventures

The Company's consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has experienced significant losses since completing its QT on May 11, 2016, has a working capital deficiency, and negative cash flows from operations. These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern, and therefore, the Company may not be able to realise its assets and discharge its liabilities in the normal course of business.

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, funds from capital market financings, 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.

In particular, the directors of the Company have considered the following: (1) cashflow generated from the launch of Rising Fire, Invictus and Fighter Royale in the following quarters sufficient to support the Company's operations in the coming twelve months; (2) loans from significant shareholders and related parties sufficient to support the Company's operating in the coming twelve months along with their continued financial support; and (3) capital market financing in Q1 2019.

	March 31, 2019 US\$'000	December 31, 2018 US\$'000	Variance US\$'000	% of Change
Current Assets				
Cash and cash equivalents	3,969	2,689	1,280	48%
Trade and other receivables	2,036	2,216	(180)	(8%)
Derivative financial instruments	7	129	(122)	(95%)
	6,012	5,034	978	19%
Current Liabilities				
Trade and other payables	4,959	3,895	1,064	27%
Loans from related parties	7,272	7,894	(622)	(8%)
Deferred revenue	4,142	4,035	107	3%

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

	March 31, 2019 US\$'000	December 31, 2018 US\$'000	Variance US\$'000	% of Change
Current Liabilities (cont.)				
Derivative financial instruments	796	638	158	25%
	17,169	16,462	707	4%
Working Capital	(11,157)	(11,428)	271	(2%)

As of March 31, 2019, the Company had US\$3,969 thousand in cash and cash equivalents (December 31, 2018 - US\$2,689 thousand) and working capital of negative US\$11,157 thousand (December 31, 2018 - negative US\$11,428 thousand). Working capital was improved primarily due to the net cash flows generated from the issuance of 5,750,000 shares 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.

TRANSACTIONS BETWEEN RELATED PARTIES

Axion Ventures

During the three months ended March 31, 2019, the Company had the following transaction with related parties:

- Wages and salaries of US\$211 thousand (for the three months ended March 31, 2018 – US\$160 thousand) paid to Ms. Nithinan Boonyawattapisut, spouse of Mr. Todd Bonner who is Chief Executive Officer and Chairman of the Company. Ms. Boonyawattapisut is TAI's CEO and a director and receives compensation for her duties of CEO in the amount of THB2,400,000 (or approximately US\$73,000) per annum. Ms. Boonyawattapisut is also managing director of Axion Interactive and receives a salary of US\$120,000 per annum for her services in that capacity.
- Receivable from Red Anchor Thailand, a company controlled by Ms. Nithinan Boonyawattapisut, amounting to US\$285 thousand as of March 31, 2019 (December 31, 2018: US\$279 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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

- Loans from Red Anchor and Cern One Ltd., companies controlled by Ms. Nithinan Boonyawattapisut), totalled US\$6,206 thousand (December 31, 2018: US\$6,837). The balance due was unsecured, interest-free and repayable on demand. See the Company's AIF (defined herein) dated May 13, 2019 and filed on SEDAR on May 15, 2019 for a full description of the loans and related parties.
- Loan from Axion Entertainment Holdings Ltd., a company controlled by a major shareholder of Axion Games, amounted US\$1,066 thousand (December 31, 2018: US\$1,058). 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 March 31, 2019 (December 31, 2018: 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. Receivable from Coherent, a company controlled by a major shareholder of Axia, amounted US\$15 thousand as of March 31, 2019 (December 31, 2018: US\$15 thousand). The balance due was unsecured, interest-free and repayable on demand and loaned to offset a payable to Coherent noted below. Both parties forgave the respective payables and receivables on April 29, 2019.
- Payables to True Digital Plus Co. Ltd., a company controlled by a major shareholder of TAI, totalled US\$ nil thousand as of March 31, 2019 (December 31, 2018: US\$2 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 has no pending transactions expected to affect financial condition, financial performance, and cash flows not otherwise discussed in this MD&A.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Adoption of new or revised accounting policies - effective January 1, 2019

In the current period, the Company has applied for the first time the following new or revised standards issued by the IASB, which are relevant to and effective for the Company's financial statements for the annual period beginning on January 1, 2019:

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 recognize 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 recognize a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

make lease payments. Accordingly, a lessee should recognize 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 Company has recognized 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 year.

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

IFRS 17	Insurance Contract ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1 and IAS 8	Definition of Material ¹
Amendments to IFRS 3	Definition of a Business ¹

1 Effective for annual periods beginning on or after January 1, 2020

2 Effective for annual periods beginning on or after January 1, 2021

3 Effective date not yet determined

The Company anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning on or after the effective date of the pronouncement. The above new and amended IFRSs are not expected to have a material impact on the Company's consolidated financial statements.

FINANCIAL INSTRUMENTS, OTHER INSTRUMENTS AND RISK EXPOSURE

Axion Ventures

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value, and in the case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

Financial assets are classified into the following categories:

- amortised cost;
- FVTPL; or
- fair value through other comprehensive income.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for expected credit losses of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and other receivables, excluding prepaid expenses, loans to related companies, short term bank deposits and cash and cash equivalents fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 apply. The Company's derivative financial instruments and FVTPL investments fall into this category of financial instrument.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

Fair value information

As at March 31, 2019, the Company's financial instruments were comprised of FVTPL investments, cash and cash equivalents, trade and other receivables, trade and other payables and derivative financial instruments.

The carrying values of these financial instruments approximate their fair values because of their current nature unless otherwise noted.

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 March 31, 2019, 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. Fair value of derivative financial instruments is a level 2 instrument under the fair value hierarchy.

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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

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.

**Within one
year or on
demand
US\$'000**

At March 31, 2019

Trade payables	352
Accrued salaries and benefits	1,671
Accrued expenses	356
Other payables	2,163
Loans from related parties	7,272
	<hr/>
	11,814

**Within one
year or on
demand
US\$'000**

At December 31, 2018

Trade payables	292
Accrued salaries and benefits	1,788
Accrued expenses	617
Other payables	889
Loans from related parties	7,894
	<hr/>
	11,480

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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

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 2.10%.

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 March 31, 2019, the Company did not have significant foreign currency risk from its operations. As at March 31, 2019, 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 March 31, 2019, the Company did not have significant foreign currency risk from its operations. As at March 31, 2019, the Company and its affiliates beneficially owned 60% of TAI.

As at March 31, 2019, 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 March 31, 2019, the Company did not have significant foreign currency risk from its operations. As at March 31, 2019, the Company held approximately 6.1% of Innovega's issued and outstanding preference shares and approximately 1.4% of Innovega's total issued and outstanding shares (common and preference).

As at March 31, 2019, 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 March 31, 2019, 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 March 31, 2019, 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 March 31, 2019, 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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

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 January 1, 2019, there were 239,392,241 common shares issued and outstanding. As at March 31, 2019 and May 30, 2019, there were 245,142,241 common shares issued and outstanding, respectively, as a result of the following:

	Issued Common Shares
As at January 1, 2019	239,392,241
Shares issued in connection with March 21, 2019 private placement	5,750,000
As at March 31, 2019 and May 30, 2019	245,142,241

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.

On April 29, 2019, the performance escrow deadline was extended to include audited fiscal years ending 31 December 2019 and 2020 described in detail under "Particulars of Other Matters to be Acted Upon – Amendment to Performance Escrow Agreement" on pages 26-29 of the Company's Management Information Circular dated November 16, 2018 and filed on www.sedar.com on November 20, 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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2019

Stock Options

As at January 1, 2019 there were a total of 17,627,678 stock options outstanding, which included 15,575,000 Axion Ventures stock options and 2,052,678 Axion Games stock options. On May 2, 2019, 800,000 stock options were granted to a consultant. As a result, there are 18,427,678 currently 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 can be found under "Description of the Business – Axion Ventures – Risk Factors" and "Description of the Business – Axion Games, Foreign Operations & Regulatory Environment and True Axion Interactive – Risk Factors" on pages 11-15, pages 27-38 and pages 38-65, respectively, of the Company's Annual Information Form ("AIF") dated May 13, 2019 and filed on SEDAR on May 15, 2019.

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.

ADDITIONAL INFORMATION & APPROVAL

Additional information relating to the Company, including the Company's AIF, is on SEDAR at www.sedar.com.

The Board has approved the disclosure contained in this MD&A as of May 30, 2019.