



AXION VENTURES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED
JUNE 30, 2019

Dated August 28, 2019

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 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 period ended June 30, 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 interim financial statements of the Company as at and for the period ended June 30, 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 effective date of this MD&A is August 28, 2019.

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; TAI game monetization plans; licencing and go-to-market strategies for Axia (as defined herein); machine learning and big data analysis abilities of HotNow (as defined

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herein); vision enhancements for Innovega (as defined herein); portfolio company updates; potential disproportionate effect shift to rights sales and royalties for Axion Games; Axion Games' ability to leverage skill base and control production costs; success of the portfolio of games; player retention to merit marketing resources for Rising Fire (as described herein); anticipated costs and timing of portfolio games noted herein; ability to generate funds from operations/equity from capital markets/related party debt; ability to meet working capital requirements; financing in the coming months; prototype and fee delivery with respect to the MOU (as defined herein); management's general outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; 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. 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

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Games was completed through the acquisition of shares of Axion Games, Axion Entertainment Holdings Ltd. ("AEH") and Axion Entertainment International Holdings Limited ("AEIH"), both formed for the sole purpose of holding Axion Games' shares, pursuant to which the Company acquired the beneficial interest of 29.29% of Axion Games. In exchange for the foregoing interest in Axion Games, the Company issued a total of 150,168,692 Company common shares to the respective selling shareholders.

In August 2016, the Company closed eight additional share exchange agreements that were entered into between May 18, 2016 and August 4, 2016, whereby the Company acquired additional interests in AEIH, AEH, and Axion Games directly. As a result, the Company acquired an aggregate additional 16.79% beneficial interest in Axion Games, resulting in a total beneficial interest of 46.08% of Axion Games. In exchange for the foregoing interest in Axion Games, the Company issued a total of 33,581,358 Company common shares to the selling shareholders.

In September 2016, the Company further increased its beneficial ownership of Axion Games from 46.08% to 51.01% through its cash participation in a rights offering by Axion Games to its existing shareholders. Axion Games raised \$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 \$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 \$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 \$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).

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 an 11% equity interest in TAI.

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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 \$1.5 million investment, Red Anchor issued 9,375 ordinary shares of Red Anchor to the Company at \$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 originally formed a joint venture with a third-party partner 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 holding 70% interest and the third-party partner holding a 30% interest in Axia. Through Axion Interactive and pursuant to the Axia JVA, the Company funded an initial \$500,000 upon entering into the joint venture, \$500,000 at the beginning of each of the third and fourth quarters of 2017 (July and October) and a final \$500,000 on March 1, 2018. As a result of certain share release provisions based on an executive's term with Axia, Axion Interactive's interest increased to 80% during 2018. Effective April 29, 2019, the joint venture was terminated and the third-party partner 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; however, limited resources are currently being allocated to Axia as the Company focuses on its core gaming businesses.

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 structuring and obtaining final regulatory approval to conduct business.

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 with the founding partners coordinating structuring and post-incorporation matters. 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 mobile gaming, with a console version planned as well.

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Overview – Summary of Businesses at June 30, 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 330 employees as of June 30, 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 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;

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- 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 primarily 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 Rising Fire was completed, whereby over 100,000 users participated. Rising Fire was made commercially available (aka "open beta") 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 open beta 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 last delivery in June 2019, whereby the Company delivered 'Season 1' of Rising Fire to Tencent.

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 75 employees as of June 30, 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. In May 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: Lost Soul 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 an update with a clan tournament feature and some monetization content. Further studio plans for the near future include updating game monetization.

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.

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- 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 June 30, 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 that provides a solution for both merchants and users to connect. The platform provides merchants a means to reach relevant customers and users 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.

The next development step remains focused on the 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.

In addition, HotNow has expanded its ecosystem to capture other opportunities in retail, advertising and video games. Its new in-game-advertising technology platform called HOTPLAY, enables in-game assets to be changed in real-time according to audiences' demographics, preferences, and historical behaviours through machine learning and big data analysis.

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 June 30, 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).

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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 and recently added to this PC platform version with IOS and Android platform versions. 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. 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 June 30, 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. For the six months ended June 30, 2019, outsourcing revenue has decreased from \$1.9 million to \$1.0 million as the Company's main focus has been on developing its own internally generated online multiplayer games, such as Rising Fire.

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

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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 820+ 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/open beta launch commenced June 2018), the Company's financial performance has been adversely affected with related increased expenses and less revenue from outsourcing. 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.

There has been no effect of discontinued operations on current operations and the following is a more detailed analysis of the Company's financial condition, financial performance, and cash flows.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
By country/region				
China	1,066	1,455	1,840	2,565
Rest of the world	130	395	535	503
Total revenue	1,196	1,850	2,375	3,068

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Total non-current assets by geographic location:	June 30, 2019	December 31, 2018
	US\$'000	US\$'000
By country/region		
Canada (Place of domicile)	364	345
China	11,153	10,015
Rest of the world	4,269	3,224
Non-current assets	15,786	13,584

As at June 30, 2019, the Company had \$1.0 million (December 31, 2018 – \$2.7 million) of cash and cash equivalents and total current assets of \$3.2 million (December 31, 2018 – \$5.0 million). The decrease in cash and cash equivalents and total current assets was primarily due to the net cash outflows of \$2.4 million cash used in operating activities offset by cash generated from the issuance of 5,750,000 shares with net funds raised of approximately \$4.0 million.

Current liabilities and related party loans as at June 30, 2019 totalled \$17.6 million (December 31, 2018 - \$16.5 million). The increase in current liabilities was a result of the Company's efforts to conserve its cash and cash equivalents.

As at June 30, 2019, shareholders' equity was comprised of share capital of \$34.2 million (December 31, 2018 - \$30.2 million), foreign currency translation reserve of \$480 thousand (December 31, 2018 - \$421 thousand), share-based payment reserve of \$2.3 million (December 31, 2018 - \$2.1 million) and accumulated losses of \$39.8 million (December 31, 2018 - \$33.3 million). Total equity attributable to the owners of Axion Ventures was negative \$2.9 million (December 31, 2018 – negative \$663 thousand).

Working capital, which is comprised of current assets less current liabilities, was negative \$14.4 million as at June 30, 2019, compared to a working capital of negative \$11.4 million as at December 31, 2018. Working capital deficit increased as a result of cash used in operating activities during the six months ended June 30, 2019 offset by cash received from the issuance of shares.

During the six months ended June 30, 2019, net loss remained unchanged at \$5.8 million (negative US\$0.0264 basic and diluted loss per share) compared to the six months ended June 30, 2018 (negative \$0.025 basic and diluted loss per share).

The Company's revenue decreased by \$693 thousand for the six months ended June 30, 2019, compared to the six months ended June 30, 2018. The decrease was mainly due to the decrease in outsourcing revenue of \$870 thousand offset by an increase in licensing revenue of \$273 thousand.

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.

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DISCUSSION OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

The following table sets out revenue, expenses, and profit of the Company and includes variances for the three and six months ended June 30, 2019 and 2018:

	Three months ended June 30,		Six months ended June 30,	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Revenue	1,196	1,850	2,375	3,068
Cost of sales	(838)	(1,134)	(1,703)	(2,292)
Gross profit	358	716	672	776
Research and development expenses	(684)	(412)	(1,369)	(787)
Selling and distribution expenses	(167)	(188)	(346)	(360)
General and administrative expenses	(2,176)	(2,690)	(4,124)	(5,143)
Loss from operations	(2,669)	(2,574)	(5,167)	(5,514)
Other income	97	11	99	22
Finance expense	(246)	(128)	(481)	(124)
Fair value gain on FVTPL investments	-	240	-	240
Fair value loss on derivative financial instruments	242	(49)	(37)	(360)
Foreign currency exchange (loss)/gain	(59)	(35)	(116)	(74)
Loss before income tax	(2,635)	(2,535)	(5,702)	(5,810)
Income tax expense	(24)	-	(55)	-
Loss for the period	(2,659)	(2,535)	(5,757)	(5,810)

The table below provides the detail of revenue for the three and six months ended June 30, 2019 and the comparative periods.

	Three months ended June 30,		Six months ended June 30,	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Outsourcing	303	1,243	996	1,866
Licensing	311	28	331	58
Game operation	555	535	1,020	1,048
Training	27	44	28	96
	1,196	1,850	2,375	3,068

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Revenue

The Company's revenue for the three and six months ended June 30, 2019 as compared to the comparative period has decreased as a result of a decrease in revenue received from outsourcing to third parties. The Company has been focusing more of its attention on developing its own multiplayer games.

Outsourcing Revenue. Outsourcing revenue decreased by \$940 thousand in the three months ended June 30, 2019 (six months ended June 30, 2019 - \$870 thousand) as a result of the noted shift in focus on the Company's own games, such as Rising Fire and Invictus: Lost Soul. In addition, this revenue source varied from period to period when customer needs and demands changed.

Licensing Revenue. Licensing revenue from game publishers was \$331 thousand for the six months ended June 30, 2019 (for the six months ended June 30, 2018 - \$58 thousand). The increase in licensing revenue was primarily attributable to licensing of the Company's games in Thailand. Total licensing revenue earned in the TAI group was \$308 thousand. 2018 licensing revenues were attributable to royalties received from the game publishers of MARS as the product cycle reached decline stage.

Game Operation Revenue. Game operation revenue (or "self-publishing" - primarily MARS revenue generated in China) remained unchanged at \$1.0 million for the six months ended June 30, 2019 (for the six months ended June 30, 2018 - \$1.0 million).

Training Revenue. Training revenue was \$27 and \$28 thousand for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 - \$44 and \$96 thousand). The decrease came as the result of the decrease of student enrollment during the period. The Company does not anticipate any increase of enrollment and revenue from training in the near future and postponed academy operations in May 2019 as a result of the limited enrollment and revenue.

Cost of Sales / Gross Margin

Cost of sales for the three and six months ended June 30, 2019 decreased as compared to the comparative period in 2018. The decreases of approximately \$296 and \$589 thousand for the three and six month periods was in line with the decrease in revenue.

Expenses, other income, and fair value changes

Expenses, other income, and fair value changes were \$3.0 and \$6.4 million for the three months and six months ended June 30, 2019 compared to \$3.3 and \$6.6 million for the three and six months ended June 30, 2018. Details of significant items are as follows:

- Research and development expenses were \$684 thousand and \$1.4 million thousand for the three and six months ended June 30, 2019 (for the three and six months ended June 30, 2018 - \$412 and \$787 thousand). The increase was because the Company incurred more research and development expenses to explore new games during the period.
- Selling and distribution expenses of \$167 and \$346 thousand for the three and six months ended June 30, 2019 were in line with those incurred during the three and six months ended June 30, 2018 of \$188 and \$360 thousand, respectively.

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

- General and administrative expenses were \$2.2 and \$4.1 million for the three and six months ended June 30, 2019 (for the three and six months ended June 30, 2018 - \$2.7 and \$5.1 million). The decrease was mostly attributable to the decrease in the operating expenses arising from the restructuring of Axia.
- Finance expense mainly comprised the accretion of interest on convertible debentures.
- Fair value gain on derivative financial instruments were \$242 thousand in the three months ended June 30, 2019 and a \$37 thousand loss for the six months ended June 30, 2019 (comparative periods in 2018 were \$49 and \$360 thousand loss). The gains and losses were 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 the US dollar against the Canadian dollar.

The Company considers Rising Fire, Fighter Royale, and Invictus: Lost Soul significant projects that have not yet generated significant revenue. See "INVESTMENTS/ACQUISITIONS – Products" for descriptions of each respective project. With respect to Rising Fire, the game remains in the late stages of being 'tuned to the market' in open-beta release by Tencent. The Company is in discussions with Tencent regarding anticipated timing and costs to take the project to the next stage, being commercial launch. PC version of Fighter Royale was launched on Steam and the team recently completed IOS and Android versions to make the game cross platform. It's anticipated that the cross-platform version of Fighter Royale will be ready for publishing by the end of fiscal 2019 and shall cost several hundred thousand dollars to complete. Invictus: Lost Soul is also being updated for potential publishing partners, with emphasis on monetization updates. It is anticipated that such updates will also be complete by the end of fiscal 2019 and shall also cost several hundred thousand dollars to complete. In summary, Rising Fire is being patched to Tencent standards and all three games are being updated for favourable publishing arrangements, which is the next stage of each respective project.

Commitments, events, risks or uncertainties that the Company reasonably believes will materially affect its future performance are set out in various sections of this MD&A. In addition, risks and uncertainties are described in detail in the Company's Annual Information Form ("AIF") dated May 13, 2019 and filed on SEDAR on May 15, 2019.

During the period ended June 30, 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. However, during the period ended June 30, 2019, a total of \$952,000 (\$631,000 during the three months ended March 31, 2019) of the net proceeds were used to settle a portion of the loan from Red Anchor in order to reduce the current liabilities of the Company. The Company believes a comparison in tabular form does not assist readers and such repayment, although reducing the Company's ability to achieve its business objectives and milestones, was necessary because of the lender's demand.

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

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\$
June 30, 2019	1,196	358	(2,659)	(0.0123)
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)

Revenue in the fourth quarter of 2018 increased due to the completion of Wanda project and related revenue recognition accounting.

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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

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) cash flows generated from the launch of Rising Fire, Invictus: Lost Soul 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) future capital market financings. The Company believes a financing (or cash flows generated from its games) is necessary in the coming months.

	June 30, 2019 US\$'000	December 31, 2018 US\$'000	Variance US\$'000
Current Assets			
Cash and cash equivalents	1,049	2,689	(1,640)
Trade and other receivables	2,172	2,216	(44)
Derivative financial instruments	4	129	(125)
	<u>3,225</u>	<u>5,034</u>	<u>(1,809)</u>
Current Liabilities			
Trade and other payables	6,050	3,895	(2,155)
Loans from related parties	6,959	7,894	935
Deferred revenue	4,049	4,035	(14)
Derivative financial instruments	550	638	88
	<u>17,608</u>	<u>16,462</u>	<u>(1,146)</u>
Working Capital	<u>(14,383)</u>	<u>(11,428)</u>	<u>(2,955)</u>

As of June 30, 2019, the Company had \$1.0 million in cash and cash equivalents (December 31, 2018 - \$2.7 million) and working capital of negative \$14.4 million (December 31, 2018 - negative \$11.4 million). Working capital was decreased primarily as a result of the company having a loss of \$5.8 million in the six months ended June 30, 2019 offset by the net cash flows generated from the issuance of 5,750,000 shares during the period.

During the months of July and August 2019, the Company received a total of \$873,000 from Cern One Limited, a related party to the Company as noted below. The loans will be used to fund ongoing expenses, are unsecured, bear interest at 8% per annum, and are payable on their first anniversary.

The Company's ability to continue as a going concern is dependent upon its ability to generate profits and positive cash flows from operations from the launch of PC and mobile games under development, to obtain additional funding from financing arrangements, if and when needed by the Company and the continued support by its related parties.

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

Axion Ventures

During the six months ended June 30, 2019, the Company had the following transaction with related parties:

- Wages and salaries of \$211 thousand (for the six months ended June 30, 2018 – \$46 thousand) paid to Ms. Nithinan Boonyawattapisut, spouse of Mr. Todd Bonner who is Chief Executive Officer and Chairman of the Company, and director and sole shareholder of Cern One Limited, a “control person” 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 \$73,000) per annum. Ms. Boonyawattapisut is also managing director of the Company’s wholly-owned subsidiary, Axion Interactive, and receives a salary of \$120,000 per annum for her services in that capacity.
- Receivable from Red Anchor Thailand, a company controlled by Ms. Nithinan Boonyawattapisut, amounted to \$291 thousand as of June 30, 2019 (December 31, 2018: \$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.
- Loans from Red Anchor and Cern One Limited, companies controlled by Ms. Nithinan Boonyawattapisut, totalled \$5,885 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 and recent press release dated August 16, 2019 for a full description of the loans.
- Loans from Axion Investment Holdings Ltd., a company controlled by a significant shareholder of Axion Games, amounted \$1,074 thousand (December 31, 2018: \$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.
- Payables to True Digital Plus Co. Ltd., a company controlled by a major shareholder of TAI, totalled \$nil as of June 30, 2019 (December 31, 2018: \$2 thousand). The balance due was unsecured, interest-free and repayable on demand evidenced by basic promissory notes.
- During the period ended June 30, 2019, the compensation for the Company’s directors and officers, including the fair value of share-based payments, amounted to \$585 thousand. As at June 30, 2019, the Company had \$54 thousand owing to its directors and officers.

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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

PROPOSED TRANSACTIONS

Other than the following, the Company has no pending transactions expected to affect financial condition, financial performance, and cash flows not otherwise discussed in this MD&A.

On July 21, 2019 (effective July 1, 2019), the Company signed a binding memorandum of understanding ("MOU") with a leading video game developer ("Partner") to begin the joint development of a new video game (the "Game") expected for global distribution on multiple platforms. Under the MOU, Axion and the Partner have agreed to complete a prototype of the Game as an initial milestone with other milestones and joint venture terms to be formalized in a long form co-development/joint venture agreement in due course. IP ownership of the Game shall be split 30%/70% with the Company and Partner, respectively, and the Game prototype is scheduled for completion by the end of Q3 (September 30), 2019. Upon delivery of the prototype, the Company shall receive payment and realize revenue from the Partner for development work completed. Such amount shall affect the financial condition, performance and cash flows of the Company. However, any significant change shall depend on full Game development and release with the Partner, scheduled for the second half of fiscal 2020.

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 Leases sets out the principles for recognition, measurement, presentation, and disclosure of leases. It eliminates the classification of leases as either operating or finance leases required by IAS 17 and introduces a single lessee accounting model.

The Company leases various office spaces. Up until December 31, 2018, all leases of the Company were classified as operating leases and payments made were charged directly to profit or loss.

From January 1, 2019, leases are recognized as a right-to-use asset with a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

On January 1, 2019, the Company recognized total lease liabilities and right-of-use assets of \$434 thousand. During the period ended June 30, 2019, the Company's finance costs and depreciation expense in relation to its lease liabilities and the right-of-use assets combined to \$126 thousand. Readers are directed to the Company's condensed consolidated financial statements as at June 30, 2019 for further details relating to the adoption of IFRS 16.

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

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

Fair value information

As at June 30, 2019, the Company's financial instruments were comprised of 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.

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.

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk in respect of settlement of trade and other payables, and in respect of its cash flow management. The Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Company manages its liquidity needs by carefully monitoring forecast cash inflows and outflows due in the day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Company maintains cash and short-term bank deposits to meet its liquidity requirements for 30-day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

The liquidity policies have been followed by the Company since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Company's remaining contractual maturities for its non-derivative financial liabilities at each of the reporting dates. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Company can be required to pay.

	Within one year or on demand US\$'000
At June 30, 2019	
Trade payables	137
Accrued salaries and benefits	2,128
Accrued expenses	786
Other payables	2,999
Loans from related parties	6,959
	<hr/> 13,009 <hr/>

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

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
	<hr/>

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

Interest rate risk

The Company is exposed to interest rate risk on its variable rate term deposit investment which attracts interest at a rate of prime minus 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 June 30, 2019, the Company did not have significant foreign currency risk from its operations. As at June 30, 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 June 30, 2019, the Company did not have significant foreign currency risk from its operations. As at June 30, 2019, the Company and its affiliates beneficially owned 60% of TAI.

As at June 30, 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 June 30, 2019, the Company did not have significant foreign currency risk from its operations. As at June 30, 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 June 30, 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 June 30, 2019, the Company

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

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 June 30, 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 June 30, 2019, the Company did not have significant foreign currency risk from its operations. The Company currently holds issued and outstanding preference shares and 100% of Axia's total issued and outstanding common shares.

Credit risk

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

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

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

OTHER MD&A REQUIREMENTS - DISCLOSURE OF OUTSTANDING SHARE DATA

Axion Ventures Inc.

Common Shares

Axion Ventures' authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. There are no preferred shares issued and outstanding. As at January 1, 2019, there were 239,392,241 common shares issued and outstanding. The Company's common shares transactions during the period were as follows:

	Issued Common Shares
As at January 1, 2019	239,392,241
Shares issued in connection with March 21, 2019 private placement	5,750,000
Shares issued in connection with semi-annual PIK interest share issuance (July 3, 2019)	97,248
As at August 28, 2019	245,239,489

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

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 \$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 \$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.

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. The following grants and expirations have occurred since January 1, 2019:

- May 2, 2019 – 800,000 stock options of the Company were granted to a consultant of the Company;
- May 31, 2019 – 1,000,000 stock options of the ex-CFO of the Company terminated immediately upon his resignation (the remaining 500,000 vested stock options terminated 3 months from resignation, being August 31, 2019); and
- During the 3-month period ended June 30, 2019, Axion Games stock options were reduced from 2,052,678 to 1,782,678 due to expirations.

As a result of the foregoing, at the period ended June 30, 2019, there were 15,375,000 Axion Ventures stock options outstanding and 1,782,678 Axion Games stock options outstanding, for a total of 17,157,678.

Warrants

There are currently no issued and outstanding warrants.

Axion Ventures Inc.

Management's Discussion and Analysis

For the period ended June 30, 2019

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 AIF (defined herein) 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 August 28, 2019.