Axion Ventures Inc.
Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the Three Months Ended
March 31, 2020 and 2019

(Unaudited)

Administrative information

Directors	Yasuyo Yamazaki Kunio Hamada Mana Prapakamol Stephen Willey Grant Kim
Registered office	c/o Boughton Law Corporation 700 - 595 Burrard Street Vancouver, B.C. V7X 1S8 Canada

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Vancouver, Canada

December 15, 2021

Condensed Consolidated Interim Statement of Comprehensive Loss
For the Three Months Ended March 31, 2020 and 2019

	Notes	Three months ended March 31, 2020 US$'000	Three months ended March 31, 2019 US$'000
Revenue	3	837	1,179
Cost of sales		(504)	(865)
Gross profit		333	314
Research and development expenses		(395)	(685)
Selling and distribution expenses		(85)	(179)
General and administrative expenses		(935)	(1,948)
Loss from operations		(1,082)	(2,498)
Other income		37	2
Finance income		-	2
Finance expense		(345)	(237)
Fair value loss on derivative financial instruments		11	(279)
Foreign currency exchange gain (loss)		365	(57)
Impairment of intangibles		(38)	-
Loss before income tax		(1,052)	(3,067)
Income tax expense		-	(31)
Loss for the period		(1,052)	(3,098)
Other comprehensive loss:			
Item that will or may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		(221)	(92)
Other comprehensive loss for the period, net of tax		(221)	(92)
Total comprehensive loss		(1,273)	(3,190)

Condensed Consolidated Interim Statement of Comprehensive Loss
For the Three Months Ended March 31, 2020 and 2019

	Notes	Three months ended March 31, 2020 US$'000	Three months ended March 31, 2019 US$'000
Loss for the period attributable to:			
Owners of the Company		(812)	(2,922)
Non-controlling interests		(240)	(176)
		(1,052)	(3,098)
Total comprehensive loss attributable to:			
Owners of the Company		(1,034)	(2,920)
Non-controlling interests		(239)	(270)
		(1,273)	(3,190)
Loss per share attributable to owners of the Company	5		
Basic and diluted		(0.38 cents)	(1.41 cents)

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

Condensed Consolidated Interim Statement of Financial Position
As at March 31, 2020 and December 31, 2019

	Note	March 31, 2020 US$'000	December 31, 2019 US$'000
Assets			
Current assets			
Cash and cash equivalents		6	131
Trade and other receivables	6	603	965
		609	**1,096**
Non-current assets			
Intangible assets		2	41
Property, plant and equipment		490	609
Right-of-use assets		489	895
		981	**1,545**
		1,590	**2,641**
Liabilities			
Current liabilities			
Trade and other payables	7	4,973	5,041
Loans and advances payable	8	9,433	9,553
Deferred revenue		4,184	4,042
Convertible debentures – current	9	4,125	3,954
Lease liabilities – current		368	591
Derivative financial instruments		-	10
		23,083	**23,191**
Non-current liabilities			
Lease liabilities		147	338
		23,230	23,529
Equity (deficiency)			
Share capital		32,317	32,265
Share subscriptions		326	-
Foreign currency translation reserve		88	310
Share-based payment reserve		2,760	2,617
Accumulated losses		(51,870)	(51,058)
		(16,379)	(15,866)
Non-controlling interests		(5,261)	(5,022)
		(21,640)	(20,888)
		1,590	**2,641**

General information and going concern (note 1)
Contingent liabilities (note 12)
Subsequent events (note 13)

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

The unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on December 15, 2021 and were signed on its behalf by:

/s/ Grant Kim	*/s/ Stephen Willey*
Grant Kim	**Stephen Willey**
Director	**Director**

Condensed Consolidated Interim Statement of Changes in Equity
For the Three Months Ended March 31, 2020 and 2019

	Share capital $'000	Share subscriptions $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At January 1, 2020	**32,265**	**-**	**310**	**2,617**	**(51,058)**	**(15,866)**	**(5,022)**	**(20,88**
Comprehensive loss for the period								
Loss for the period	-	-	-	-	(812)	(812)	(240)	(1,05
Exchange difference arising on translation of foreign operations	-	-	(222)	-	-	(222)	1	(22
Total comprehensive loss for the period	**-**	**-**	**(222)**	**-**	**(812)**	**(1,034)**	**(239)**	**(1,27**
Contributions by and distributions to owners								
Recognition of equity-settled share-based payments	-	-	-	143	-	143	-	14
Settlement of convertible debt interest	52	-	-	-	-	52	-	5
Share subscriptions	-	326	-	-	-	326	-	32
Total contributions by and distributions to owners	**52**	**326**	**-**	**143**	**-**	**521**	**-**	**52**
At March 31, 2020	**32,317**	**326**	**88**	**2,760**	**(51,870)**	**(16,379)**	**(5,261)**	**(21,64**

Condensed Consolidated Interim Statement of Changes in Equity
For the Three Months Ended March 31, 2020 and 2019

	Share capital $’000	Share subscriptions $’000	Foreign currency translation reserve $’000	Share-based payment reserve $’000	Accumulated losses $’000	Total $’000	Non-controlling interests $’000	Total equity $’000
At January 1, 2019	**28,157**	**-**	**421**	**2,085**	**(33,326)**	**(2,663)**	**1,736**	**(92**
Comprehensive income for the period								
Loss for the period	-	-	-	-	(2,922)	(2,922)	(176)	(3,09
Exchange difference arising on translation of foreign operations	-	-	2	-	-	2	(94)	(9
Total comprehensive income for the period	-	-	**2**	**-**	**(2,922)**	**(2,920)**	**(270)**	**(3,19**
Contributions by and distributions to owners								
Recognition of equity-settled share-based payments	-	-	-	162	-	162	-	16
Forfeiture of share options	-	-	-	(10)	10	-	-	
Issuance of new shares	4,040	-	-	-	-	4,040	-	4,04
Total contributions by and distributions to owners	**4,040**	-	**-**	**152**	**10**	**4,202**	**-**	**4,20**
At March 31, 2019	**32,197**	**-**	**423**	**2,237**	**(36,238)**	**(1,381)**	**1,466**	**8**

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

Condensed Consolidated Interim Statement of Cash Flows
For the Three Months Ended March 31, 2020 and 2019

	Notes	Three months ended March 31, 2020 US$'000	Three months ended March 31, 2019 US$'000
Cash flows from operating activities			
Loss before income tax		(1,052)	(3,067)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		43	53
Depreciation of right-of-use assets		167	
Amortisation of intangible assets		1	6
Share-based payments		143	162
Impairment of intangibles		38	-
Unrealized foreign exchange		(196)	(166)
Fair value change on derivative financial instruments		(10)	279
Other		2	-
Finance income		-	(2)
Finance expense		285	237
Operating cash flows before movement in working capital		(579)	(2,498)
Increase in trade and other receivables		362	180
Increase in trade and other payables		(107)	1,064
Increase in deferred revenue		142	107
Net cash flows used in operating activities		**(182)**	**(1,147)**
Investing activities			
Additions of internally generated computer software and acquired computer software		-	(962)
Purchase of property, plant and equipment		-	(31)
Interest received		-	2
Net cash used in investing activities		**-**	**(991)**
Financing activities			
Issue of shares, net of transaction costs		-	4,040
Share subscriptions received		326	-
Lease payments		(185)	-
Decrease in loans and advances		(85)	(622)
Net cash flows generated from financing activities		**56**	**3,418**
Net (decrease)/increase in cash and cash equivalents		**(126)**	**1,280**
Cash and cash equivalents at the beginning of the period		131	2,689
Exchange difference on cash and cash equivalents		1	-
Cash and cash equivalents at the end of the period		**6**	**3,969**

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

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

1. General information and going concern

Axion Ventures Inc. (“Axion Ventures” or the “Company”) was incorporated under the British Columbia Business Corporations Act on June 21, 2011, is domiciled in Canada and was originally classified as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSX Venture Exchange (“TSX-V” or the “Exchange").

On August 5, 2020, the British Columbia Securities Commission (“BCSC”) issued a cease trade order against the Company due to lack of timely filing of the audited annual financial statements, management's discussion and analysis and related certifications for the fiscal year ended December 31, 2019 and the interim financial statements, management's discussion and analysis and related certifications for the three-month period ended March 31, 2020, by the respective deadlines. The Company filed its financial statements and management's discussion and analysis for the fiscal year ended December 31, 2019 on November 9, 2021. The Company’s securities have been halted from trading on the TSX Venture Exchange and remain so to date.

The address of the Company’s corporate office and principal place of business is Suite 700 – 595 Burrard Street, Vancouver, British Columbia, V7X 1S8, Canada.

These 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, has a working capital deficiency (current assets less current liabilities) of approximately $22.5 million, and negative cash flows from operations, is in default on certain debts of $1.1 million (note 8) and $0.9 million of convertible debts (note 9), subsequent to March 31, 2020 is in default on another of its convertible debenture debts in the amount of $3.0 million (note 9), is a party to certain legal disputes (notes 12 and 13), is subject to uncertainties related to Covid-19 and the securities of the Company have been cease traded (above). 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 ability to continue as a going concern is dependent upon its ability to generate profits and positive cash flows from operations, obtaining additional funding from financing arrangements (note 14) and successfully resolving certain legal issues (notes 12 and 13). However, there can be no assurance that these activities will be successful or that financing will be available on terms acceptable to the Company. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values and classification of assets and liabilities, and such adjustments could be material.

In mid-March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the operations of the Company are not known at this time. To the extent that operations of the Company are negatively impacted by the COVID-19 outbreak or subsequent waves of the pandemic, this will have a direct negative impact on the current and future revenue earned by the Company. The situation with COVID-19 is evolving and consequently, management cannot predict the effect of unknown adverse changes to its future business plans, including its financial position, cash flows, and results of operations.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

2. Statement of compliance and basis of presentation

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), applicable to preparation of interim financial statements including International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2019.

These condensed consolidated interim financial statements are presented in in thousands of United States Dollars ("US$"), unless otherwise stated. References to Canadian Dollars are indicated by "C$".

These condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019 were authorized for issue by the Board of Directors of the Company on December 15, 2021.

3. Revenue

	Three months ended March 31,	
	2020	**2019**
	US$'000	**US$'000**
Outsourcing	124	693
Licensing	33	20
Game operation	680	465
Training	-	1
	837	**1,179**

4. Segment information

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. During the year, executive directors regularly review revenue and operating results derived from outsourcing, licensing, game operation and training consider as one single operating segment.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

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

	Three months ended March 31, 2020 US$'000	Three months ended March 31, 2019 US$'000
By country/region		
Canada (Place of domicile)	-	-
China	763	774
Rest of the world	74	405
Total revenue	**837**	**1,179**

	March 31, 2020 US$'000	December 31, 2019 US$'000
By country/region		
Canada (Place of domicile)	6	8
China	483	852
Rest of the world	492	685
Non-current assets	**981**	**1,545**

5. Loss per share

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

	Three months ended March 31, 2020 US$'000	Three months ended March 31, 2019 US$'000
Numerator		
Loss for the period and loss used in basic and diluted EPS	(812)	(2,922)
Denominator		
Weighted average number of ordinary shares used in basic and diluted loss per share (000's)	215,894	207,038

The Company has a number of share options in which have not been included in the diluted loss per share calculation, due to their anti-dilutive effect.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

6. Trade and other receivables

	March 31, 2020 US$'000	December 31, 2019 US$'000
Trade receivables	649	953
Less: Provision for impairment of trade receivables	(565)	(583)
Trade receivables - net	84	370
Work-in-progress	85	80
Deposits	187	211
Prepaid expenses	97	186
Other receivables	66	31
Advances to employees	84	87
Total trade and other receivables	**603**	**965**

7. Trade and other payables

	March 31, 2020 US$'000	December 31, 2019 US$'000
Trade payables	758	382
Accrued salaries and benefits	2,459	2,191
Other tax liabilities	18	13
Accrued expenses and other payables	1,738	2,455
	4,973	**5,041**

8. Loans and advances payable

	March 31, 2020 $'000	December 31, 2019 $'000
Red Anchor Trading Corp. (i)	5,074	5,164
Cern One (i)	1,873	1,884
Disputed loans and advances	6,947	7,048
Michael Bonner (ii)	1,300	1,300
Other	116	135
A shareholder of Axion Games Limited (iii)	1,070	1,070
	9,433	**9,553**

(i) The Company's former CEO purportedly entered into loan agreements with two entities that he claimed were controlled by himself and his spouse. The former CEO of the Company entered into

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

these loan agreements without the approval of the full board of directors of the Company. The Company has filed a claim for Breach of Fiduciary Duty Causing Harm for among other things entering into these loans as well as demanding repayment of the loans by a discounted shares for debt exchange (note 13b).

(ii) Subsequently settled (note 12b).

(iii) $400 thousand of this balance is subject to an unsecured loan agreement bearing interest at 8% per annum and due March 9, 2019. As at December 31, 2019, the Company is in default on the payment of the principal balance and the interest payments.

$676 thousand is subject to a series of unsecured loan agreements bearing interest at 8% per annum and due at various dates between May 23, 2018 and September 7, 2019. As at December 31, 2019, the Company is in default on the payment of the principal balances and the interest payments.

9. Convertible debentures

	March 31, 2020 $'000	December 31, 2019 $'000
Convertible debenture 1 ("CB 1") matured on March 2, 2020	909	962
Convertible debenture 2 ("CB 2") maturing on July 19, 2020	3,216	2,992
	4,125	**3,954**

CB 1

On March 2, 2018, the Company issued CB 1 with principal amount of $909 thousand to fund its strategic expansion, research and development costs and working capital. CB 1 was convertible into common shares (each, a "Share") of the Company at a conversion price of C$0.93 per Share. CB 1 matured on March 2, 2020 and continues to bear interest (the "Interest") at the rate of 15% per annum, payable semi-annually in shares with the number of shares determined at the market price (as defined in the policies of the TSXV) on the applicable interest payment date, unless the holder elects not to convert the Interest into shares in which case the interest shall be calculated at a rate of 8% per annum and paid in cash. Any accrued and unpaid Interest on any principal amount being converted, will be convertible into shares at the market price.

During the period ended March 31, 2020, the Company recognized accretion expense of $39 thousand. On January 2, 2020, the Company issued 288,007 common shares to settle the semi-annual interest payment of $52 thousand owing at December 31, 2019. On June 3, 2020, the Company issued a further 114,580 common shares to settle the semi-annual interest payment of $39 thousand, which accrued to the maturity date. The Company accrued a further $11 thousand of interest from the maturity date to March 31, 2020. As at March 31, 2020, the Company is in default on the payment of the principal balance and the semi-annual interest payments.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

<u>CB 2</u>
On July 19, 2018, the Company has issued CB 2 with principal amount of $3 million to fund its strategic expansion, research and development costs and working capital. CB 2 was convertible into common shares (each, a “Share”) of the Company at a conversion price of C$0.90 per Share. CB 2 matured on July 19, 2020 and bears interest (the “Interest”) at the rate of 8% per annum and shall be paid in cash.

During the period ended March 31, 2020, the Company recognized accretion expense of $214 thousand.

	March 31, 2020 $’000	December 31, 2019 $’000
Liability component		
Balance at beginning of the period	3,954	3,061
Accrued effective interest charges	262	961
Settlement of interest through issuance of Shares	(52)	(68)
Transfer accrued interest on matured CB1 to accrued liabilities	(39)	-
Balance at the end of the period	**4,125**	**3,954**
Fair value of embedded derivative component in respect of the call option - financial assets		
Balance at beginning of the period	-	129
Changes in fair value	-	(129)
Balance at the end of the period	**-**	**-**
Fair value of embedded derivative component in respect of the conversion and put option - financial liabilities		
Balance at the beginning of the period	10	638
Changes in fair value	(10)	(628)
Balance at the end of the period	**-**	**10**

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

10. Related party transactions

	Three months ended March 31, 2020 US$'000	Three months ended March 31, 2019 US$'000
Revenues (expenses):		
Royalty and licensing fees revenue – a company related to a key management person	1	1
Sub-contract wages - HotNow (Thailand) Co., Ltd. (i)	-	(25)
Interest expense - a shareholder of Axion Games Limited	(21)	(21)
	(20)	(45)

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

	2020 US$'000	2019 US$'000
Wages and salaries	163	212
Share-based payments expenses	74	106
	237	318

Receivables:

	March 31, 2020 $'000	December 31, 2019 $'000
Advances receivable		
Red Anchor (Thailand) Co., Ltd. (i)	268	293
HotNow (Thailand) Co., Ltd. (i)	3	2
	271	295
Provision for doubtful accounts (ii)	(271)	(295)
	-	-
Other receivables		
Red Anchor Trading Corp. (i)	-	163
A company related to a key management person	3	2
Epic Games, Inc.., a shareholder of the Axion Games	-	4
	3	169

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

	March 31, 2020 $'000	December 31, 2019 $'000
Loans and advances payable		
Red Anchor Trading Corp. (note 8) (i)	5,074	5,164
Cern One Limited (note 8) (i)	1,873	1,884
Disputed loans and advances (notes 12 and 13)	6,947	7,048
A shareholder of Axion Games Limited	1,070	1,070
	8,017	8,118
Other payables		
Salaries, wages and expenses owing to related parties	667	463
Accrued interest owing to a shareholder of Axion Games Limited	171	151
Epic Games, Inc.	337	282
HotNow (Thailand) Co., Ltd. (i)	91	100
Coherent Asia, Limited	-	83
True Internet Corporation	11	4
	1,277	1,083

(i) Entities controlled by the former CEO and/or his spouse.
(ii) The Company has provided a full provision against these amounts as a result of the ongoing litigation (notes 12 and 13). The Company intends to continue to pursue full collection of these amounts.

11. Financial instruments

The Company's financial instruments comprise other investments, cash and cash equivalents, trade and other receivables, derivative financial instruments, trade and other payables, loan from related parties, lease liabilities and convertible debentures.

Financial instruments by category

	March 31,2020 $'000	December 31, 2019 $'000
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	6	131
Trade and other receivables	234	699
Total financial assets	240	830

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

Financial liabilities	March 31,2020 $'000	December 31, 2019 $'000
Financial liabilities at fair value:		
Derivative financial instruments	-	10
Financial liabilities at amortised cost		
Trade and other payables	4,955	5,028
Loans and advances payable	9,433	9,553
Lease liabilities	515	591
Convertible debentures	4,125	3,954
	19,028	18,548
Total financial liabilities	**19,028**	**18,558**

Financial instruments not measured at fair value
Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, and trade and other payables.

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

Financial instruments and related risks
The board of directors 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 the 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.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

Analysed below are 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 demand $'000
At March 31, 2020	
Trade payables	758
Accrued salaries and benefits	2,459
Accrued expenses	1,329
Other payables	409
Lease liabilities	515
Convertible debentures	4,125
Loans and advances	9,433
	19,028

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.

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.

The parent company operates in Canada and has a C$ functional currency but has significant loans and advances receivable and payable, which are denominated in US$.

The Company's subsidiary, Axion Games mainly operates in the PRC and majority of the transactions are settled in RMB. 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. As the functional currency of Axion Games is the RMB, for the China based entities, Axion Games is not exposed to significant foreign currency risk.

The Company's subsidiary, TAI mainly operates in Bangkok, Thailand and the majority of the transactions are settled in THB (Thai Baht). As at March 31, 2020, the Company did not have significant foreign currency risk from its operations.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

The carrying amounts of the Group's foreign currency (as in relation to the functional currency of the relevant group entities) denominated monetary assets and liabilities at the end of the reporting period is as follows:

	Assets (Liabilities)	
	March 31, 2020 $'000	December 31, 2019 $'000
Parent company – U.S. dollar denominated loans/advances receivable	13,430	13,375
Parent company - U.S. dollar denominated loans/advances payable	(6,159)	(6,159)
Net monetary assets receivable	7,271	7,216

The Group does not have a formal foreign currency hedging policy but management monitors the Group's foreign currency exposure in order to minimise the exchange rate risk.

The following table details the Group's sensitivity to a 5% increase and decrease in the U.S. dollar on the net U.S. dollar denominated net monetary assets receivable in the parent company. The 5% sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the net monetary assets at the end of the reporting period. A gain occurs when the U.S. dollar strengthens against the Canadian dollar And a loss occurs when the U.S. dollar weakens against the Canadian dollar.

	March 31, 2020 $'000	December 31, 2019 $'000
	364	361

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, considering its financial position, 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.

12. Contingent liabilities

(a) Bonner claims and petitions

On September 8, 2020, the former CEO and Nithinan Boonyawattanapisut, the spouse of the former CEO (the "Petitioners") filed a petition in the Supreme Court of British Columbia (the "Petition") against the Company and certain of its directors alleging they were entitled to seek relief for oppressive conduct. The Petition sought, among other relief, a declaration that the termination of the former CEO and that of his spouse was a nullity, reinstatement of the former CEO, a declaration that a resolution for a $7,000,000 private placement made on July 27, 2020 was a nullity, and a declaration that the named directors had breached their fiduciary duties to the Company.

On September 14, 2020, the former CEO, the spouse of the former CEO, Cern One Limited, Red Anchor Trading Corp. and Michael Bonner filed a notice of civil claim (the "Debt Claim") in the Supreme Court of British Columbia against the Company and certain of its subsidiaries for the payment of certain specified outstanding loans in the amount of $9,132,000, plus interest and costs. The Petitioners have alleged that certain of these loans and advances are interest bearing and have determined approximately $151,000 of accrued interest to December 31, 2019. The Company has denied liability for these loans and advances in its November 27, 2020 Response to the Debt Claim.

On November 27, 2020, the named directors filed their response to the Petition which demonstrated the absence of any merit to the Petition. On the same day, the Company filed its Response to the Debt Claim denying liability for the alleged loans.

As described below, on January 15, 2021, the Company filed a notice of civil claim in the Supreme Court of British Columbia (the "Breach of Fiduciary Duty Claim"), against the former CEO, his spouse, NextPlay Technologies, Inc., then known as Monaker Group, Inc. ("NextPlay") and their associates, alleging fiduciary breaches and an evolving conspiracy to unlawfully take ownership of the Company's subsidiaries and assets, including intellectual property and corporate opportunities.

On February 1, 2021, the Petitioners filed a Notice of Application in the Petition, seeking, among other orders, an order that the Company call an Annual General Meeting, for the appointment of an independent chair for the meeting, for the publication of certain financial information, and restraining the issuance of securities and the sale of assets without approval of the Board of Directors. On February 11, 2021, the Company gave notice that it would hold its AGM on April 15, 2021.

On February 22, 2021, the Company filed its response to the Petition and the Notice of Application in which the Company also disputed all of the claims made in the Petition and the Notice of Application. On March 31, 2021, the named directors filed their response to the Notice of Application, also disputing the claims made therein.

The Petition and the Notice of Application were heard on April 6, 7, 8 and 13, 2021. At the start of the hearing, the Petitioners confirmed that they had abandoned much of the relief they were seeking, including the claim that the named directors had breached their fiduciary duties and the claim for the reinstatement of the former CEO, The hearing of the Petition was not completed, however, at the conclusion of the proceedings on April 13, 2021, the court dismissed the application for an independent chair with reasons to be issued at a later date. At the AGM held on April 15, 2021, management's slate was elected by a substantial majority.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

On May 20, 2021, the court issued its reasons for judgment for the dismissal of the application for an independent chair. The reasons held that there was no basis for a finding that Mr. Yasuyo Yamazaki should not be the chair of the AGM and that Mr. Yamazaki had a justifiable concern about the conduct of the former CEO.

The hearing of the Petition was completed on August 4 and 5, 2021. The judgment on the Petition was received on October 1, 2021 dismissing the Petition in its entirety in favour of the Company and the Respondent Directors. The Company and the Respondent Directors were granted leave to make submissions on costs to be borne by the Petitioners and the court indicated that it would hear those submissions if the parties could not agree.

The Company has accounted for certain amounts claimed by the plaintiffs as liabilities of the Company as at March 31, 2020, but as a result of the Breach of Fiduciary Duty Claim (note 13b), the Company believes that the amount owing to the parties to the Petition will be less than the amounts recorded.

All claims made for loans to the Company or its subsidiaries are the subject of the Debt Claim and the Breach of Fiduciary Duty Claim.

(b) Michael Bonner claim

On December 2, 2021, the parties agreed to settle all amounts in dispute with Michael Bonner. The Company has provided for the settled amount as a liability of the Company as at March 31, 2020.

(c) NextPlay claim

On September 21, 2021, NextPlay filed a notice of civil claim (the "NextPlay Debt Claim") in the Supreme Court of British Columbia against the Company and certain of its subsidiaries for the payment of certain specified outstanding loans in the amount of $7,657,023, plus interest and costs. NextPlay claims to have acquired these purported loans from the Company's former CEO, his spouse, Cern One Ltd., and Red Anchor Trading Corp.

The Company has accounted for certain amounts claimed by the plaintiffs as liabilities of the Company as at March 31, 2020, but as a result of the Breach of Fiduciary Duty Claim (note 12b), the Company believes that the amount owing to the parties to the Petition (Note 12a) will be less than the amounts recorded.

The NextPlay Debt Claim is largely a duplication of the Bonner Debt Claim (note 12a), which, to the Company's knowledge, remains active and has not been withdrawn. The Company has been advised that such duplication constitutes an abuse of process. As such, the Company has not undertaken any accounting treatment beyond what has already been performed with respect to the Bonner Debt Claim.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

(d) Bagguley and Saft claim

On October 7, 2021, Christopher Bagguley and Mark Henry Saft filed a notice of civil claim (the "Bagguley Claim") in the Supreme Court of British Columbia against the Company for damages for wrongful dismissal.

Both Christopher Bagguley and Mark Henry Saft are defendants in the Breach of Fiduciary Duty Claim initiated by the Company on January 15, 2021, which has been discussed above. The Company believes that any liabilities from the Bagguley Claim shall be eliminated entirely, or in substantial part, as a result of the Breach of Fiduciary Duty Claim. The Company views the Bagguley Claim to be without merit.

13. Subsequent events

(a) On April 2, 2020, the Company closed a non-brokered private placement of 3,251,428 common shares (issued December 8, 2020) at a price of C$0.35 per common share for gross proceeds of C$1,138,000.

(b) On January 15, 2021, the Company filed a Breach of Fiduciary Duty Claim against its former CEO and his spouse, NextPlay, that company's CEO William Kerby, and their associates for an evolving conspiracy to deprive the Company of its assets and subsidiaries.

The Breach of Fiduciary Duty Claim asserts, among other things, that the former CEO and his spouse with the assistance of their associates, caused the unlawful transfer of the Company's assets, including its digital marketing and in-game advertising software and intellectual property to HotPlay (Thailand) Ltd., a company ultimately controlled by the former CEO and his spouse. In 2020, the former CEO and his spouse entered into a further agreement to transfer the Company's assets to NextPlay, including the in-game advertising software, in return for shares of NextPlay. In furtherance of their evolving conspiracy, the former CEO, his spouse and their associates, also conspired to cause the Company's controlling interest in Longroot Limited and its subsidiaries, to be unlawfully transferred to NextPlay.

The Supreme Court of British Columbia hearing of the Fiduciary Duty Claim is set for 19 days commencing June 27, 2022.

(c) On March 30, 2021, the Company was issued a partial revocation order by the BCSC which allows the Company to enter into a C$20 million convertible debenture investment agreement (the "Investment Agreement") and to permit John Todd Bonner and others affiliated with Mr. Bonner to transfer Company shares controlled by Mr. Bonner or shareholders affiliated with Mr. Bonner to shareholders who have asserted that they are the true beneficial owners of over 44 million of those shares in the Company. There can be no assurance that Mr. Bonner will effect such transfers.

(d) On March 30, 2021, the Company entered into the Investment Agreement with KUAM (Hong Kong) Investment 01 Ltd. ("KUAM") for up to C$20 million by way of unsecured convertible debentures (the "Debentures") and completed an initial tranche of C$8,000,000 (the "Initial Tranche") thereunder by June 11, 2021. The maturity date of each tranche will be twelve months from the closing date of each tranche.

The Investment Agreement provides that principal amount of the Debenture will accrue interest at the rate of 4% per annum and the Debenture will be convertible to common shares in Axion at KUAM's discretion until maturity at the conversion price that is equal to the higher of C$0.20 per share and the Discounted Market Price (as such term is defined in the policies of the TSX Venture Exchange (the "Exchange") at the time when the Debenture is issued for each tranche. KUAM has agreed separately that it will not seek any discount to the Market Price in the determination of conversion price of the Debenture.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2020 and 2019

The Debenture and all securities of the Company issued pursuant to closing of the Initial Tranche will be subject to a four month hold period from the closing. Subject to Exchange approval, KUAM agrees to subscribe for two additional tranches of Debentures in mutually agreeable principal amounts per tranche when requested by the Company over a twelve-month period to March 30, 2022.

(e) On July 7, 2021, KUAM exercised its right of conversion and the C$8,000,000 Debenture for the Initial Tranche was cancelled in exchange for the issuance to KUAM of 40 million common shares of the Company.

(f) On October 27, 2021, the Company entered into an agreement with KUAM (Hong Kong) Investment 02 Ltd., a related party, to acquire a 50% interest in H2CI KuniUmi Asia, Inc. for nominal consideration and a trailing earnout as defined in the agreement.