TAB A

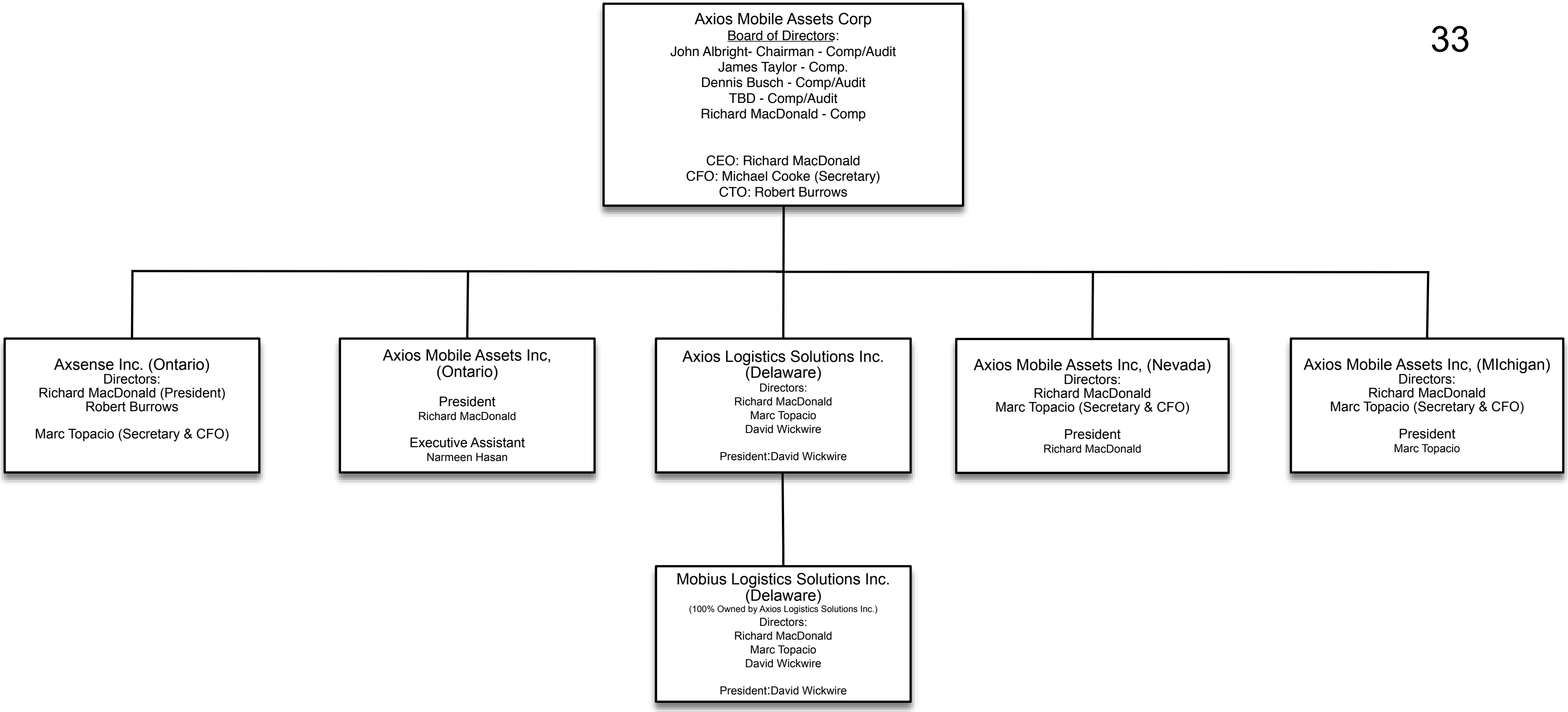
THIS IS EXHIBIT "A" TO

THE AFFIDAVIT OF GEOFF BLEICH

SWORN BEFORE ME THIS 23 DAY OF Feb, 2017

Commissioner for Taking Affidavits
(*or as may be*)

CAROLINE MELIA


Axios Mobile Assets Corp
Board of Directors:
John Albright- Chairman - Comp/Audit
James Taylor - Comp.
Dennis Busch - Comp/Audit
TBD - Comp/Audit
Richard MacDonald - Comp
CEO: Richard MacDonald
CFO: Michael Cooke (Secretary)
CTO: Robert Burrows
Axsense Inc. (Ontario)
Directors:
Richard MacDonald (President)
Robert Burrows
Marc Topacio (Secretary & CFO)
Axios Mobile Assets Inc, (Ontario)
President
Richard MacDonald
Executive Assistant
Narmeen Hasan
Axios Logistics Solutions Inc. (Delaware)
Directors:
Richard MacDonald
Marc Topacio
David Wickwire
President:David Wickwire
Axios Mobile Assets Inc, (Nevada)
Directors:
Richard MacDonald
Marc Topacio (Secretary & CFO)
President
Richard MacDonald
Axios Mobile Assets Inc, (MIchigan)
Directors:
Richard MacDonald
Marc Topacio (Secretary & CFO)
President
Marc Topacio
Mobius Logistics Solutions Inc. (Delaware)
(100% Owned by Axios Logistics Solutions Inc.)
Directors:
Richard MacDonald
Marc Topacio
David Wickwire
President:David Wickwire

TAB B

THIS IS EXHIBIT "B" TO

THE AFFIDAVIT OF GEOFF BLEICH

SWORN BEFORE ME THIS 23 DAY OF Feb, 2017

Commissioner for Taking Affidavits
(*or as may be*)

CAROLINE MELIA

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
1316726	AXIOS MOBILE ASSETS CORP.	1998/09/25

Jurisdiction

ONTARIO

Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE

Registered Office Address

77 KING STREET WEST
TD CENTRE NORTH TOWER, P.O. BOX 95
Suite # 3000
TORONTO
ONTARIO
CANADA M5K 1G8

Mailing Address

77 KING STREET WEST
TD CENTRE NORTH TOWER, P.O. BOX 95
Suite # 3000
TORONTO
ONTARIO
CANADA M5K 1G8

Date Amalgamated	Amalgamation Ind.
NOT APPLICABLE	NOT APPLICABLE

New Amal. Number	Notice Date
NOT APPLICABLE	NOT APPLICABLE

Letter Date

NOT APPLICABLE

Revival Date	Continuation Date
2009/12/23	NOT APPLICABLE

Transferred Out Date	Cancel/Inactive Date
NOT APPLICABLE	NOT APPLICABLE

EP Licence Eff.Date	EP Licence Term.Date
NOT APPLICABLE	NOT APPLICABLE

Number of Directors Minimum	Number of Directors Maximum	Date Commenced in Ontario	Date Ceased in Ontario
00001	00010	NOT APPLICABLE	NOT APPLICABLE

Activity Classification

NOT AVAILABLE

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1316726	AXIOS MOBILE ASSETS CORP.

Corporate Name History	Effective Date
AXIOS MOBILE ASSETS CORP.	2010/03/18
MICROLAB ONLINE INC.	1999/05/18
ACTIVE INVESTOR INC.	1998/09/25

Current Business Name(s) Exist: NO

Expired Business Name(s) Exist: NO

Administrator:
Name (Individual / Corporation)

DENNIS

BAUSCH

Address

20 BURKEBROOK

Suite # 705
TORONTO
ONTARIO
CANADA M4G 0A1

Date Began	First Director	
2010/02/22	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1316726	AXIOS MOBILE ASSETS CORP.

Administrator:

Name (Individual / Corporation)	Address
RICHARD MACDONALD	14955 JANE STREET KING CITY ONTARIO CANADA L4B 1A3

Date Began	First Director	
2010/02/22	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	CHIEF EXECUTIVE OFFICER	

Administrator:

Name (Individual / Corporation)	Address
RICHARD MACDONALD	14955 JANE STREET KING CITY ONTARIO CANADA L4B 1A3

Date Began	First Director	
2010/02/22	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1316726	AXIOS MOBILE ASSETS CORP.

Administrator:
Name (Individual / Corporation)

RICHARD

MACDONALD

Address

14955 JANE STREET

KING CITY
ONTARIO
CANADA L4B 1A3

Date Began	First Director	
2010/02/22	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	PRESIDENT	Y

Administrator:
Name (Individual / Corporation)

JAMES

TAYLOR

Address

1070 W. GUNN ROAD

ROCHESTER
MICHIGAN
UNITED STATES OF AMERICA 48306

Date Began	First Director	
2012/07/20	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		N

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1316726	AXIOS MOBILE ASSETS CORP.

Administrator:

Name (Individual / Corporation)		Address
MARC TOPACIO		2238 CUMBERLAND DRIVE TROY MICHIGAN UNITED STATES OF AMERICA 48085
Date Began	**First Director**	
2016/04/11	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	VICE-PRESIDENT	

Administrator:

Name (Individual / Corporation)		Address
MARC TOPACIO		2238 CUMBERLAND DRIVE TROY MICHIGAN UNITED STATES OF AMERICA 48085
Date Began	**First Director**	
2017/01/27	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	CHIEF FINANCIAL OFFICER	

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1316726	AXIOS MOBILE ASSETS CORP.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	CHANGE NOTICE	1	2017/02/03 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

TAB C

THIS IS EXHIBIT "C" TO

THE AFFIDAVIT OF GEOFF BLEICH

SWORN BEFORE ME THIS 23 DAY OF Feb, 2017

Commissioner for Taking Affidavits
(or as may be)

CAROLINE MEJIA

CORPORATION PROFILE REPORT

Ontario Corp Number
2225891

Corporation Name
AXIOS MOBILE ASSETS INC.

Incorporation Date
2009/12/01

Jurisdiction
ONTARIO

Corporation Type
ONTARIO BUSINESS CORP.

Corporation Status
ACTIVE

Former Jurisdiction
NOT APPLICABLE

Registered Office Address
30 TOPFLIGHT DRIVE
MISSISSAUGA
ONTARIO
CANADA L5S 0A8

Date Amalgamated
NOT APPLICABLE

Amalgamation Ind.
NOT APPLICABLE

New Amal. Number
NOT APPLICABLE

Notice Date
NOT APPLICABLE

Letter Date
NOT APPLICABLE

Mailing Address
77 KING STREET WEST
TD CENTRE NORTH TOWER P O BOX 95
Suite # 3000
TORONTO
ONTARIO
CANADA M5K 1G8

Revival Date
NOT APPLICABLE

Continuation Date
NOT APPLICABLE

Transferred Out Date
NOT APPLICABLE

Cancel/Inactive Date
NOT APPLICABLE

EP Licence Eff.Date
NOT APPLICABLE

EP Licence Term.Date
NOT APPLICABLE

Number of Directors Minimum	Number of Directors Maximum	Date Commenced in Ontario	Date Ceased in Ontario
00001	00010	NOT APPLICABLE	NOT APPLICABLE

Activity Classification
NOT AVAILABLE

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2225891	AXIOS MOBILE ASSETS INC.

Corporate Name History	Effective Date
AXIOS MOBILE ASSETS INC.	2009/12/01

Current Business Name(s) Exist: NO

Expired Business Name(s) Exist: NO

Administrator:

Name (Individual / Corporation)	Address
RICHARD MACDONALD	14955 JANE STREET KING CITY ONTARIO CANADA L7B 1A3

Date Began	First Director	
2009/12/01	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2225891	AXIOS MOBILE ASSETS INC.

Administrator:

Name (Individual / Corporation)	Address
RICHARD MACDONALD	14955 JANE STREET KING CITY ONTARIO CANADA L7B 1A3

Date Began	First Director	
2009/12/01	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	PRESIDENT	Y

Administrator:

Name (Individual / Corporation)	Address
RICHARD MACDONALD	14955 JANE STREET KING CITY ONTARIO CANADA L7B 1A3

Date Began	First Director	
2009/12/01	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	SECRETARY	Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2225891	AXIOS MOBILE ASSETS INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	ANNUAL RETURN 2015	1C	2016/09/25 (ELECTRONIC FILING)

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ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

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TAB D

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Commissioner for Taking Affidavits
(*or as may be*)

CAROLINE MELIA

CORPORATION PROFILE REPORT

Ontario Corp Number
2435347

Corporation Name
AXSENSE INC.

Incorporation Date
2014/09/24

Jurisdiction
ONTARIO

Corporation Type
ONTARIO BUSINESS CORP.

Corporation Status
ACTIVE

Former Jurisdiction
NOT APPLICABLE

Registered Office Address
77 KING STREET WEST
TD CENTRE NORTH TOWER
Suite # 3000
TORONTO
ONTARIO
CANADA M5K 1G8

Date Amalgamated
NOT APPLICABLE

Amalgamation Ind.
NOT APPLICABLE

New Amal. Number
NOT APPLICABLE

Notice Date
NOT APPLICABLE

Letter Date
NOT APPLICABLE

Mailing Address
77 KING STREET WEST
TD CENTRE NORTH TOWER
Suite # 3000
TORONTO
ONTARIO
CANADA M5K 1G8

Revival Date
NOT APPLICABLE

Continuation Date
NOT APPLICABLE

Transferred Out Date
NOT APPLICABLE

Cancel/Inactive Date
NOT APPLICABLE

EP Licence Eff.Date
NOT APPLICABLE

EP Licence Term.Date
NOT APPLICABLE

Number of Directors Minimum	Number of Directors Maximum	Date Commenced in Ontario	Date Ceased in Ontario
00001	00010	NOT APPLICABLE	NOT APPLICABLE

Activity Classification
NOT AVAILABLE

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2435347	AXSENSE INC.

Corporate Name History	Effective Date
AXSENSE INC.	2014/09/24

Current Business Name(s) Exist: NO

Expired Business Name(s) Exist: NO

Administrator:

Name (Individual / Corporation)	Address
ROBERT BURROWS	378 LAKESORE ROAD WEST OAKVILLE ONTARIO CANADA L6K 1G1

Date Began	First Director	
2015/12/21	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2435347	AXSENSE INC.

Administrator:

Name (Individual / Corporation)	Address
RICHARD MACDONALD	14955 JANE STREET KING CITY ONTARIO CANADA L7B 1A3

Date Began	First Director	
2014/09/24	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

Administrator:

Name (Individual / Corporation)	Address
RICHARD MACDONALD	14955 JANE STREET KING CITY ONTARIO CANADA L7B 1A3

Date Began	First Director	
2014/10/04	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	CHAIR	

CORPORATION PROFILE REPORT

Ontario Corp Number	**Corporation Name**
2435347	AXSENSE INC.

Administrator:

Name (Individual / Corporation)	**Address**
RICHARD MACDONALD	14955 JANE STREET KING CITY ONTARIO CANADA L7B 1A3

Date Began	**First Director**	
2015/12/21	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	PRESIDENT	Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2435347	AXSENSE INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	CHANGE NOTICE	1	2017/02/14 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

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TAB E

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(or as may be)

CAROLINE MELIA

CORPORATE ENTITY DETAILS

Searched for: AXIOS MOBILE ASSETS, INC.

ID Num: 02979Q

Entity Name: AXIOS MOBILE ASSETS, INC.
Type of Entity: Domestic Profit Corporation
Resident Agent: MARC TOPACIO
Registered Office Address: 400 GRAND RIVER AVE STE 200 DETROIT MI 48226
Mailing Address: MI
Formed Under Act Number(s): 284-1972
Incorporation/Qualification Date: 12-1-2009
Jurisdiction of Origin: MICHIGAN
Number of Shares: 60,000
Year of Most Recent Annual Report: 16
Year of Most Recent Annual Report With Officers & Directors: 10
Status: ACTIVE **Date:** Present

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TAB F

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Commissioner for Taking Affidavits
(*or as may be*)

CAROLINE MELIA

Department of State: Division of Corporations

Allowable Characters

HOME
About Agency
Secretary's Letter
Newsroom
Frequent Questions
Related Links
Contact Us
Office Location

SERVICES
Pay Taxes
File UCC's
Delaware Laws Online
Name Reservation
Entity Search
Status
Validate Certificate
Customer Service Survey

INFORMATION
Corporate Forms
Corporate Fees
UCC Forms and Fees
Taxes
Expedited Services
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Registered Agents
GetCorporate Status
Submitting a Request
How to Form a New Business Entity
Certifications, Apostilles & Authentication of Documents

Frequently Asked Questions View Search Results

Entity Details

THIS IS NOT A STATEMENT OF GOOD STANDING

File Number:	**5421274**	Incorporation Date / Formation Date:	**10/25/2013** (mm/dd/yyyy)
Entity Name:	**AXIOS LOGISTICS SOLUTIONS INC.**		
Entity Kind:	**Corporation**	Entity Type:	**General**
Residency:	**Domestic**	State:	**DELAWARE**

REGISTERED AGENT INFORMATION

Name:	**DELAWARE BUSINESS INCORPORATORS, INC.**		
Address:	**3422 OLD CAPITOL TRL STE 700**		
City:	**WILMINGTON**	County:	**New Castle**
State:	**DE**	Postal Code:	**19808**
Phone:	**302-996-5819**		

Additional Information is available for a fee. You can retrieve Status for a fee of $10.00 or more detailed information including current franchise tax assessment, current filing history and more for a fee of $20.00.

Would you like ○ Status ○ Status,Tax & History Information [Submit]

[Back to Entity Search]

For help on a particular field click on the Field Tag to take you to the help area.

TAB G

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Commissioner for Taking Affidavits
(*or as may be*)

CAROLINE MAIA

AXIOS MOBILE ASSETS USA INC.

New Search | Printer Friendly | $ Calculate List Fees

Business Entity Information

Status:	Active	File Date:	3/12/2010
Type:	Domestic Corporation	Entity Number:	E0111012010-1
Qualifying State:	NV	List of Officers Due:	3/31/2017
Managed By:		Expiration Date:	
NV Business ID:	NV20101184779	Business License Exp:	3/31/2017

Additional Information

Central Index Key:	

Registered Agent Information

Name:	LAUGHLIN ASSOCIATES, INC.	Address 1:	9120 DOUBLE DIAMOND PKWY
Address 2:		City:	RENO
State:	NV	Zip Code:	89521
Phone:		Fax:	
Mailing Address 1:		Mailing Address 2:	
Mailing City:		Mailing State:	NV
Mailing Zip Code:			
Agent Type:	Commercial Registered Agent - Corporation		
Jurisdiction:	NEVADA	Status:	Active

View all business entities under this registered agent

Financial Information

No Par Share Count:	75,000.00	Capital Amount:	$ 0

No stock records found for this company

Officers Include Inactive Officers

President - RICHARD MACDONALD			
Address 1:	30 TOPFLIGHT DR, #7	Address 2:	
City:	MISSISSAUGA	State:	
Zip Code:	L5S 0A8	Country:	CAN
Status:	Active	Email:	

Secretary - MARC D TOPACIO			
Address 1:	400 GRAND RIVER AVE	Address 2:	
City:	DETROIT	State:	MI
Zip Code:	48226	Country:	USA
Status:	Active	Email:	

Treasurer - MARC TOPACIO			
Address 1:	400 GRAND RIVER AVE	Address 2:	
City:	DETROIT	State:	MI
Zip Code:	48226	Country:	USA
Status:	Active	Email:	

Director - MARC TOPACIO			
Address 1:	400 GRAND RIVER AVE	Address 2:	
City:	DETROIT	State:	MI
Zip Code:	48226	Country:	USA
Status:	Active	Email:	

Actions\Amendments

Click here to view 8 actions\amendments associated with this company

TAB H

THIS IS EXHIBIT "H" TO

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SWORN BEFORE ME THIS 23 DAY OF Feb, 2017

Commissioner for Taking Affidavits
(*or as may be*)

CAROLINE MELIA

CAPITOL SERVICES

REGISTERED ENTITY INFORMATION / STATUS REPORT

Name Searched: MOBIUS LOGISTICS, INC.
Jurisdiction Searched: DE - Secretary of State
Date of Search: 02/22/2017
Reference Number: 73781/45

IMPORTANT: The following information about the entity was obtained from a search of the filing office computerized searchable index and reflected below to the extent that such information is available from the index. Copies of the formation documents and amendments should be obtained to verify the exact name of the organization. A Certificate of Good Standing should also be obtained to verify the state status.

REGISTERED ENTITY INFORMATION

Organization Name: MOBIUS LOGISTICS, INC.
Organization Type: Corporation
Home State: Delaware
Organizational / Charter #: 5433787
Formation / Qualification Date: 11/14/2013
State Status: Good Standing
Registered Agent: National Registered Agent Inc. (NRAI)

ADDITIONAL INFORMATION (IF AVAILABLE)

Other: The company has the following documents are on file:

1. Certificate of Incorporation filed 11/14/2013

TAB I

THIS IS EXHIBIT "I" TO

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SWORN BEFORE ME THIS 23 DAY OF Feb, 2017

Commissioner for Taking Affidavits
(*or as may be*)

CAROLINE MELIA

Axios Mobile Assets Corp.

Interim Unaudited Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2016 and 2015

TABLE OF CONTENTS

The accompanying financial statements for Axios Mobile Assets Corp. have been prepared by management in accordance with International Financial Reporting Standards. These financial statements are unaudited and have not been reviewed by the Company's auditors.

Axios Mobile Assets Corp.

Interim Unaudited Condensed Consolidated Statements of Financial Position
(expressed in thousands of Canadian Dollars, except for per share amounts)

		September 30 2016		December 31 2015
ASSETS				
Current				
Cash	$	**585**	$	11,025
Restricted cash [note 9]		**1,837**		-
Amounts receivable and prepaids		**2,098**		684
Government receivables		**1,059**		566
Total current assets		**5,579**		12,275
Non-current				
Property and equipment [note 7]		**11,632**		7,416
Intangible assets [note 8]		**5,274**		5,862
Goodwill [note 8]		**379**		400
Total non-current assets		**17,285**		13,678
Total assets	$	**22,864**	$	25,953
LIABILITIES				
Current				
Accounts payable and accrued liabilities [note 13]	$	**3,523**		1,528
Convertible debentures [note 10]		**3,072**		2,860
Derivative liability [note 10]		**18**		71
Loans payable [note 9]		**833**		-
Total current liabilities		**7,446**		4,459
Non-current				
Loans payable [note 9]		**7,167**		3,000
Total liabilities		**14,613**		7,459
EQUITY				
Capital stock [note 11]		**32,714**		32,381
Shares to be issued		**42**		46
Contributed surplus		**9,554**		8,710
Accumulated other comprehensive income		**177**		758
Deficit		**(34,236)**		(23,401)
Total equity		**8,251**		18,494
Total liabilities and equity	$	**22,864**	$	25,953

Nature of operations and going concern [note 1]
Commitments [note 16]

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

Approved on behalf of the Board:

"Richard MacDonald"
Director

"John Albright"
Director

Axios Mobile Assets Corp.
Interim Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss
(expressed in thousands of Canadian Dollars, except for per share amounts)

	For the three months ended September 30		For the nine months ended September 30	
	2016	**2015**	**2016**	**2015**
Revenue				
Pallet rental	**$ 729**	$ 360	**$ 1,461**	$ 557
Freight services	**205**	196	**567**	273
Total revenue	**934**	556	**2,028**	830
Operating expenses				
Salaries, wages, and benefits	**926**	575	**2,497**	1,624
Depreciation and amortization	**874**	399	**2,296**	922
Pallet rental	**218**	105	**422**	167
Provision for lost & damaged pallets	**546**	-	**1,206**	-
Freight	**1,070**	362	**2,424**	577
Professional fees	**369**	110	**1,156**	454
Occupancy	**173**	62	**447**	201
Stock based compensation	**321**	270	**898**	1,033
Other	**136**	275	**651**	815
Total operating expenses	**4,633**	2,158	**11,997**	5,793
Operating loss for the period	**(3,699)**	(1,602)	**(9,969)**	(4,963)
Interest expense	**(227)**	(107)	**(586)**	(332)
Accretion expense	**(97)**	(105)	**(333)**	(239)
Gain on change in value of derivative	**31**	212	**53**	159
Net loss	**(3,992)**	(1,602)	**(10,835)**	(5,375)
Other comprehensive income (loss)				
Items that will be subsequently reclassified to profit or loss				
Exchange difference on translating foreign operations	**109**	306	**(581)**	569
Total comprehensive income (loss)	**$ (3,883)**	$ (1,296)	**$ (11,416)**	$ (4,806)
Net loss per share, basic and diluted – in dollars	**$ (0.09)**	$ (0.07)	**$ (0.26)**	$ (0.27)
Weighted average number of shares outstanding - basic and diluted	**42,572,117**	23,403,060	**42,471,099**	19,781,330

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

Axios Mobile Assets Corp.

Interim Unaudited Condensed Consolidated Statements of Changes in Equity
(expressed in thousands of Canadian Dollars, except for per share amounts)

	Share capital	Share to be issued	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance, December 31, 2014	**$ 14,038**	**$ -**	**$ 1,574**	**$ 63**	**$ (14,318)**	**$ 1,357**
Issuance of common shares for cash [note 11]	5,400	-	-	-	-	5,400
Estimated fair value assigned to warrants [note 11]	(1,261)	-	1,261	-	-	-
Share issue expenses [note 11]	(406)	-	(118)	-	-	(524)
Share issue expenses - fair value of broker options	(899)	-	899	-	-	-
Allocation of broker options share issue expense	210	-	(210)	-	-	-
Expense related to shares issued in prior year for consulting fees [note 13]	105	-	-	-	-	105
Shares issued on conversion of debentures [note 11]	1,301	-	-	-	-	1,301
Shares returned to treasury and cancelled [note 11]	-	-	-	-	-	-
Shares issued to settle indebtedness [note 11]	1,715	-	-	-	-	1,715
Estimated fair value assigned to warrants [note 11]	-	-	276	-	-	276
Shares issued to settle convertible debt interest [note 11]	44	-	-	-	-	44
Shares issued on acquisition of Mobius Logistics Solutions Inc. [note 11]	260	-	-	-	-	260
Equity component of convertible debenture	-	-	50	-	-	50
Convertible debenture cash issue costs	-	-	(6)	-	-	(6)
Convertible debenture - fair value of broker units	-	-	(4)	-	-	(4)
Stock-based compensation [note 11]	-	-	1,033	-	-	1,033
Shares issued in connection with the bridge loan [note 11]	27	-	-	-	-	27
Other comprehensive income	-	-	-	569	-	569
Net loss for the period	-	-	-	-	(5,376)	(5,376)
Balance, September 30, 2015	**20,534**	**-**	**4,755**	**632**	**(19,694)**	**6,227**
Balance, December 31, 2015	**$ 32,381**	**$ 46**	**$ 8,710**	**$ 758**	**$ (23,401)**	**$ 18,494**
Shares issued to settle convertible debt interest [note 11]	130	(130)	-	-	-	-
Shares to be issued to settle convertible debt interest [note 11]	-	126	-	-	-	126
Shares issued on conversion of debentures [note 11]	116	-	-	-	-	116
Shares issued on exercise of broker options [note 11]	87	-	(54)	-	-	33
Stock-based compensation [note 11]	-	-	898	-	-	898
Other comprehensive loss	-	-	-	(581)	-	(581)
Net loss for the period	-	-	-	-	(10,835)	(10,835)
Balance, September 30, 2016	**$ 32,714**	**$ 42**	**$ 9,554**	**$ 177**	**$ (34,236)**	**$ 8,251**

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

Axios Mobile Assets Corp.
Interim Unaudited Condensed Consolidated Statements of Cash Flows
(expressed in thousands of Canadian Dollars, except for per share amounts)

	For the nine months ended September 30	
	2016	**2015**
OPERATING ACTIVITIES		
Net loss for the period	$ **(10,835)**	$ (5,376)
Adjustments for non-cash items:		
Depreciation and amortization	**2,296**	922
Convertible debt accretion	**333**	239
Stock-based compensation	**898**	1,033
Interest settled for shares	**126**	-
Consulting fees settled for shares	**-**	105
Provision for lost and damaged pallets	**1,206**	-
Gain on change in value of derivative liability	**(53)**	(159)
Net change in non-cash working capital		
Amounts receivable and prepaids	**(1,414)**	(301)
Inventory	**-**	(137)
Government receivables	**(493)**	(321)
Accounts payable and accrued liabilities	**1,964**	(59)
Cash used in operating activities	**(5,972)**	(4,054)
FINANCING ACTIVITIES		
Proceeds on issuance of shares	**-**	5,400
Proceeds on exercise of broker options	**34**	-
Share issue expenses	**-**	(524)
Proceeds from issuance of convertible debt	**-**	1,375
Proceeds from the issuance of loans	**5,000**	2,002
Convertible debenture issue expenses	**-**	(150)
Loan issue expenses	**-**	(32)
Cash provided by financing activities	**5,034**	8,071
INVESTING ACTIVITIES		
Additions to property and equipment	**(7,471)**	(4,583)
Acquisition of Mobius Logistics Inc., net of cash acquired	**-**	(357)
Cash used in investing activities	**(7,471)**	(4,940)
Net (decrease) increase in cash during the period	**(8,409)**	(923)
Cash & cash equivalents, beginning of period	**11,025**	1,429
Effect of foreign exchange on cash	**(194)**	288
Cash & cash equivalents, end of period	$ **2,422**	$ 794
Cash & cash equivalents, end of period, includes:		
Cash	**585**	794
Restricted cash	**1,837**	**-**
Total cash & cash equivalents	$ **2,422**	$ 794

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

1. Nature of operations and going concern

General information

Axios Mobile Assets Corp. (the "Company" or "Axios") is a logistics enabler featuring a next generation, bio-based pallet technology, which can be bundled with its proprietary cross-platform tracking and information system that helps improve the value chain in the logistics market. The Company's bundled offering aims to provide lower total cost, lighter weight, sanitary pallets, and real time data. The Company is domiciled in Canada and its registered office is located at 30 Topflight Drive, Unit 7, Mississauga, Ontario L5S 0A8.

The interim unaudited condensed consolidated financial statements of the Company for the nine months ended September 30, 2016 and 2015 were authorized for issuance in accordance with a resolution of the Board of Directors on November 9th, 2016.

Going concern

These interim unaudited condensed consolidated financial statements have been prepared using accounting policies applicable to a going concern.

The Company incurred a net loss for the nine months ended September 30, 2016 of $10,835 (September 30, 2015 – $5,375) has an accumulated deficit of $34,236 at September 30, 2016 (December 31, 2015 – $23,401) and has a working capital deficiency of $3,704 at September 30, 2016 (December 31, 2015 – working capital of $7,816). The Company expects that it will require further financing in order to execute on its operating and investing plan. While there is no assurance that additional funds can be raised, the Company believes financing will be available as required. As a result of the above, there is a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern.

The interim unaudited condensed consolidated financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for these consolidated statements, adjustments – which could be material – would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used on the consolidated statements of financial position.

2. Statement of compliance with IFRS

The interim unaudited condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting," as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements have been omitted or condensed. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

3. Functional and presentation currency

The interim unaudited condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company. With the exception of per-share and per-unit references, such as references to net loss per share and exercise price of options and warrants, all dollar amounts have been rounded to the nearest thousand unless otherwise indicated.

4. Significant accounting policies

These interim unaudited condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2015.

Significant accounting judgments and estimates

The preparation of the Company's interim unaudited condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim unaudited condensed consolidated financial statements, the reported amounts of revenues and expenses during the reporting period, and the Company's financial statement disclosures. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the interim unaudited condensed consolidated financial statements are summarized in the Company's annual consolidated financial statements for the year ended December 31, 2015 and remain unchanged for the period ended September 30, 2016.

5. Acquisitions

5.1 Acquisition of Mobius Logistics, Inc. ("Mobius")

On May 1, 2015, the Company acquired 100% of the outstanding common shares of Mobius, a New York (USA) based business that provides distribution logistics services. The acquisition of Mobius was made to advance the Company's strategy of providing an end-to-end solution to its customers.

The acquisition of Mobius was settled in cash and shares amounting to $624. The purchase agreement includes a return of the shares issued if earnings before depreciation and tax for 2016 and 2017 do not meet a target level agreed to by both parties. The fair value of the contingent consideration asset of $nil initially recognized represents the Company's estimate of the fair value of shares to be returned.

Goodwill of $350 is primarily related to growth expectations, expected future profitability, and the substantial skill and expertise of Mobius workforce. Goodwill has been allocated to the Freight Services CGU and is not expected to be deductible for tax purposes.

The acquisition was settled for $300 US dollars plus 200,000 common shares of the Company. The total purchase consideration is detailed below:

(expressed in thousands of Canadian Dollars, except for per share amounts)

	US $	Canadian $
Cash	300	366
Common shares (200,000)	212	258
Total purchase price	**512**	**624**

The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition.

	US $	Canadian $
Cash	7	9
Accounts receivable	57	70
Prepaids and deposits	27	33
Deferred income tax assets	70	85
Intangible asset - customer relationships	226	275
Intangible asset - goodwill	288	350
Accounts payable and accrued liabilities	(75)	(91)
Deferred tax liability	(88)	(107)
Total purchase price	**512**	**624**

5.2 Acquisition of Axsense Inc. ("Axsense")

On December 21, 2015, the Company acquired 100% of the outstanding common shares of Axsense, a company based in Toronto (Canada). The acquisition was made to enhance the technology associated with the Company's pallets. Axsense has developed a sensing device that may be used on the Company's pallets to provide a user with data about that pallet during the shipping process.

The acquisition was settled for 2,777,778 units of the Company. Each unit consisted of one common share and one warrant entitling the holder to purchase one Axios common share at an exercise price of $1.50 Canadian dollars. The warrants expire on December 21, 2018.

Axsense consisted primarily of intellectual property and has been accounted for as a purchase of assets rather than as a business combination under IFRS 3. The value of common shares and warrants issued as purchase consideration has been determined to be $2,531 based on the value of net assets acquired.

	$
Cash	6
Accounts receivable	50
Computer equipment	1
Intangible asset - intellectual property	2,474
Total net assets acquired	**2,531**

(expressed in thousands of Canadian Dollars, except for per share amounts)

6. Segmented information

The Company determined its reportable segments based on how its chief operating decision maker, the President and Chief Executive Officer, regularly reviews the Company's operations and performance. The Company uses operating income or loss as a key measure of profit for the purpose of assessing performance for each segment and to make decisions about the allocation of resources. The Company considers depreciation and amortization, stock based compensation, and all non-operating expenses to be corporate items that are not allocated to its reportable segments for the purposes of determining each segment's operating income or loss.

The Company follows the same accounting policies for its segments as those descibed in the notes to the interim unaudited condensed consolidated financial statements. Intercompany transactions are eliminated for the purposes or evaluating segment results.

Segment results are presented below for the nine months ended September 30, 2016.

	Pallet Rental $	Freight Services $	Total $
Revenue	1,461	567	2,028
Operating expenses			
Salaries, wages, management fees and benefits	2,429	68	2,497
Depreciation and amortization			2,296
Pallet rental	422	-	422
Provision for lost & damaged pallets	1,206	-	1,206
Freight services	-	2,424	2,424
Professional fees	1,069	87	1,156
Occupancy expenses	442	5	447
Stock based compensation			898
Other	634	17	651
Total operating expenses	6,202	2,601	11,997
Operating loss for the period	(4,741)	(2,034)	(9,969)
Interest expense			(586)
Accretion expense			(333)
Gain on change in value of derivative			53
Net loss for the period	**(4,741)**	**(2,034)**	**(10,835)**

(expressed in thousands of Canadian Dollars, except for per share amounts)

Segment results are presented below for the nine months ended September 30, 2015.

	Pallet Rental $	Freight Services $	Total $
Revenue	557	273	830
Operating expenses			
Salaries, wages, management fees and benefits	1,417	207	1624
Depreciation and amortization			922
Pallet rental	167	-	167
Freight services	-	577	577
Professional fees	452	2	454
Occupancy expenses	196	5	201
Stock based compensation			1,033
Other	792	23	815
Total operating expenses	3,024	814	5,793
Operating loss for the period	(2,467)	(541)	(4,963)
Interest expense			(332)
Accretion expense			(239)
Gain on change in value of derivative			159
Net loss for the period	**(2,467)**	**(541)**	**(5,375)**

The Company has four significant customers each accounting for greater than 10% of total consolidated revenues in the nine months ended September 30, 2016. In the Pallet Rental segment, three customers account for 18%, 16% and 11%, respectively, of consolidated revenues. In the Freight Services segment, one customer accounts for 17% of consolidated revenues.

The Company has property and equipment of $1,331 and intangibles assets of $4,798 in Canada (December 31, 2015 – property and equipment of $1,179 and intangible assets of $5,283). All remaining property and equipment, intangible assets, and goodwill are in the US. All of the Company's revenue from external customers is earned in the US.

(expressed in thousands of Canadian Dollars, except for per share amounts)

7. Property and equipment

Property and equipment consists of the following:

	Lease Improve. $	Comp Equip. $	Furn. & Equip. $	Machinery $	Pallet CIP $	Pallet Pool $	Total $
Cost							
December 31, 2014	41	82	-	3,227	90	36	3,476
Currency adjustment	-	16	-	229	-	834	1,079
Additions	72	25	131	73	5,814	-	6,115
Disposals	-	(52)	-	-	-	(826)	(878)
Transfers	-	-	-	-	(5,796)	5,796	-
December 31, 2015	113	71	131	3,529	108	5,840	9,792
Currency adjustment	65	27	7	(76)	-	(453)	(430)
Additions	258	30	78	156	6,949	-	7,471
Disposals	-	-	-	-	-	(1,556)	(1,556)
Transfers	-	-	-	-	(6,629)	6,629	-
September 30, 2016	**436**	**128**	**216**	**3,609**	**428**	**10,460**	**15,277**
Accum. Depreciation							
December 31, 2014	29	35	-	1,265	-	-	1,329
Currency adjustment	-	7	-	107	-	54	168
Depreciation	7	9	6	386	-	558	966
Disposals	-	(38)	-	(13)	-	(36)	(87)
December 31, 2015	36	13	6	1,745	-	576	2,376
Currency adjustment	1	(2)	-	5	-	(110)	(106)
Depreciation	43	11	29	278	-	1,375	1,736
Disposals	-	-	-	-	-	(361)	(361)
September 30, 2016	80	22	35	2,028	-	1,480	3,645
Net Carrying Amount							
December 31, 2015	**77**	**58**	**125**	**1,784**	**108**	**5,264**	**7,416**
September 30, 2016	**356**	**106**	**181**	**1,581**	**428**	**8,980**	**11,632**

Machinery consists primarily of tooling and manufacturing equipment used in the construction of pallets. Pallet construction in progress (CIP) includes pallet materials and parts in the process of being manufactured and assembled. Once those stages are finished, the value of the completed pallets is transferred into the pallet pool account.

Leasehold improvements include the value of $81 in lease incentives received by the Company during the nine months ended September 30, 2016 for two of its facilities. These incentives are recorded as liabilities within Accounts Payable and Accrued Liabilities and will be released to occupancy expense over the term of the facility leases. The balance of the lease incentive liabilities is $73 at September 30, 2016 (December 31, 2015 – $nil).

8. Intangible assets

Software unification platform

On December 15, 2009, the Company acquired a software unification platform from ProcessLink Inc. The Company is utilizing this as the base software platform solution to perform "transactional triangulation" from any and all disparate systems information its customers use, allowing both traceability of palletized loads and reduction in systemic parasitic pallet losses.

Intellectual Property

On December 1, 2009, the Company acquired the intellectual property pertaining to a technology that enables production of a very strong, lightweight and environmentally friendly pallet. In addition to the physical characteristics of the pallet, the developer augmented the pallet with Radio Frequency Identification ("RFID") technology further enhanced through the software unification platform, in order to develop and implement the concept of "transactional triangulation". The developer formulated a concept where the traditional tenets of "Recycle", "Reuse", and "Reduce" are fulfilled and proven with all of the pallets' attributes, but the additional tenets of "Redesign and Re-imagine" have been added.

On December 21, 2015, the Company acquired assets of the intellectual property of Axsense Inc. Axsense has developed a sensor that may be used in the Company's pallet to transit information about the pallet during the shipping process.

Customer Relationships

Customer relationships represents the relationships acquired by the Company through its May 1, 2015, acquisition of Mobius Logistics, Inc. These customer relationships were initially recorded at their fair value based on the present value of expected cash flows.

(expressed in thousands of Canadian Dollars, except for per share amounts)

Activity in the Company's intangible asset accounts is detailed below:

	Software Unification Platform	Intellectual Property	Customer Relationships	Goodwill	Total
	$	$	$	$	$
Cost					
December 31, 2014	**1,332**	**3,008**	**-**	**-**	**4,340**
Currency adjustment	-	66	35	50	151
Additions through acquisitions	-	-	274	350	624
Additions	-	2,497	-	-	2,497
December 31, 2015	**1,332**	**5,571**	**309**	**400**	**7,612**
Currency adjustment	-	(24)	(15)	(21)	(60)
September 30, 2016	**1,332**	**5,547**	**294**	**379**	**7,552**
Accum. amortization					
December 31, 2014	**258**	**574**	**-**	**-**	**832**
Currency adjustment	-	14	-	-	14
Additions	133	333	38	-	504
December 31, 2015	**391**	**921**	**38**	**-**	**1,350**
Currency adjustment	-	(8)	(3)	-	(111)
Additions	99	417	44	-	560
September 30, 2016	**490**	**1,330**	**79**	**-**	**1,899**
Carrying Amount					
December 31, 2015	**941**	**4,650**	**271**	**400**	**6,262**
September 30, 2016	**842**	**4,217**	**215**	**379**	**5,653**

The goodwill acquired in 2015 as part of the Mobius acquisition has been allocated to the Freight Services CGU. Goodwill was tested for impairment in 2015 and no impairment loss was recorded.

9. Loans Payable

9.1 EDC Loans

On November 25, 2015, Axios entered into a $3,000 loan with Export Development Canada ("EDC"). The loan bears interest at an annual rate of Royal Bank of Canada Prime, plus 8% (10.7% at September 30, 2016 and December 31, 2015). Axios Mobile Assets Inc. provided a general security agreement whereby EDC was granted a first ranking priority security interest over all of Axios Mobile Assets Inc.'s present and after-acquired personal and movable property. Guarantees were also provided by Axios, Axios Mobile Assets, Inc., and Axios Logistics Solutions Inc.

On September 19, 2016, Axios entered into a loan with EDC for an additional $2,000 with identical interest and security terms to the original $3,000 loan. The proceeds of the loan must be used for the purchase of equipment. The remaining loan proceeds of $1,837 as of September 30, 2016 have been presented as Restricted Cash on the statement of financial position.

(expressed in thousands of Canadian Dollars, except for per share amounts)

During the nine months ended September 30, 2016, the Company incurred interest expense of $247 (2015 – $nil) related to the EDC loans. At September 30, 2016, the aggregate outstanding balance of the loans was $5,000 (December 31, 2015 – $3,000) and accrued interest on the loans totaled $22 (December 31, 2015 – $27).

The $3,000 EDC loan is repayable in 18 equal monthly instalments of $167 beginning in May 2017. The $2,000 EDC Loan is also repayable in 18 equal monthly installments of $111 beginning in March 2018. Total repayments by year are presented below:

	<1 Year $	1-2 Years $	2-3 years $	Total $
EDC Loan - $3,000	833	2,000	167	3,000
EDC Loan - $2,000	-	778	1,222	2,000
Total	**833**	**2,778**	**1,389**	**5,000**

9.2 Secured Debenture

On July 22, 2016, the Company closed on a $3,000 principal debt financing. The indebtedness bears interest at a rate of 9.5% per annum payable quarterly in arrears and matures on July 22, 2019. The terms of the debt provide that only interest is payable for the first 18 months and thereafter quarterly payments of principal and interest will be made.

The Company provided a general security agreement whereby the debt is secured against all assets and undertakings of the Company. The security is subordinate to the security provided in connection with the EDC Loans.

To the extent that the Company satisfies the requirements of the TSX Venture Exchange for a Shares for Debt (as such term is defined in the TSX Venture Exchange Corporate Finance Manual) transaction, the Company shall have the right and obligation to satisfy $1,000 of the principal amount of the debenture by issuing securities having the same terms as those issued on the next offering of equity securities of the Company, but for a deemed purchase price which shall be equal to a 10% discount to the price of the securities offered under such offering.

Repayments by year are presented below:

	<1 Year $	1-2 Years $	2-3 years $	Total $
Secured Debenture	-	1,333	1,667	3,000

Axios Mobile Assets Corp.
Notes to the Interim Unaudited Condensed Consolidated Financial Statements
September 30, 2016 and 2015
(expressed in thousands of Canadian Dollars, except for per share amounts)

10. Convertible debentures

		Outstanding Principal		Balance to be Accreted	
	Original Principal	September 30 2016	December 31 2015	September 30 2016	December 31 2015
Issuance Date	$	$	$	$	$
December 2014	1,925	1,850	1,850	1,850	1,711
April 2015	1,375	1,240	1,375	1,222	1,149
Total	3,300	3,090	3,225	3,072	2,860

10.1 Convertible debenture offerings

In December 2014 and April 2015, the Company completed offerings of convertible debenture units and raised gross proceeds of $1,925 and $1,375, respectively. Each unit consists of one debenture with a principal amount of $1, along with 500 warrants. The debentures provide for 12% annual interest, paid quarterly in arrears. Interest related to the certain of the issuances is payable in the form of common shares of the Company.

The debentures mature on the third anniversary of their respective issue dates. The holders have the option to convert the debentures to common shares at $1.00 per share at any time on or before the maturity date. Each warrant enables the holder to purchase a common share at an exercise price of $2.00 for a period of three years from the date of issuance of the debentures.

The convertible debentures also included the following terms:

- Regarding the December 2014 debentures, if at any time after March 31, 2015, the Company's volume weighted average share price is $3.50 or more with an average daily volume of 3,000 common shares or more for 60 consecutive trading days, the Corporation may, at its option, require on notice to the holders of the debentures that the debentures be converted into common shares. Regarding the April 2015 debentures, the same conditions apply beginning any time after August 13, 2015.
- The expiry date of the warrants may be accelerated by the Company in the event that the closing price of the outstanding common shares is greater than $7.00 with an average daily volume of at least 3,000 common shares for a period of 60 consecutive trading days at any time after March 31, 2015 for the December 2014 debentures (August 13, 2015 for the April 2015 debentures). In that event, the Company may, at its option, accelerate the expiry date of the warrants by giving notice to the holders thereof that the warrants will expire at 4 p.m. (Toronto time) on the date which is the earlier of: (i) the 30th day after the date on which such notice is given by the Company in accordance with the terms of the warrants; and (ii) the actual expiry date of the warrants.
- The Company may redeem the debentures at any time subsequent to the one-year anniversary of the issuance date at a price that is 104% of the principal amount of the debenture plus accrued but unpaid interest upon the provision of 15 days' notice to the holders of the debentures.
- The holders may call for the redemption of the debentures at any time subsequent to the 18-month anniversary of the issuance date at a price that is equal to the principal amount of the debenture plus accrued but unpaid interest. Therefore, the convertible debentures have been classified as current at September 30, 2016.

(expressed in thousands of Canadian Dollars, except for per share amounts)

10.2 Convertible debenture activity during the nine months ended September 30, 2016 and 2015

During the nine months ended September 30, 2016, debentures and unpaid interest in the amount of $242 were converted by the holders into 304,732 common shares, of which 77,540 were shares to be issued. The debentures converted had a principal face value amount of $135 plus unpaid interest in the amount of $126. At the time of the conversion the discounted value of the debentures redeemed amounted to $116.

During the nine months ended September 30, 2015, debentures and unpaid interest in the amount of $1,299 were converted by the holders into 2,384,804 common shares. The debentures converted had a principal face value amount of $1,337 plus unpaid interest in the amount of $144. At the time of the conversion the discounted value of the debentures redeemed amounted to $1,155.

The difference between the fair value and face value of the debentures is being accreted over the repayment period using the effective interest method.

10.3 Broker units (Derivative liabilities)

In connection with the December 2014 and April 2015 convertible debenture offerings, 241.1 broker units were issued. Each broker unit is exercisable into one debenture unit at the offering price of $1. Each debenture unit is convertible into common shares at a per share price of $1.00, along with 500 common share purchase warrants. Each common share purchase warrant enables the holder to purchase one common share at an exercise price of $2.00. The debenture units and warrants both expire on the third anniversary of the issuance date.

The 241.1 broker units are derivative liabilities and are therefore measured at fair value with changes in fair value recorded in profit or loss. During the nine months ended September 30, 2016, the Company recorded a $53 gain on change in value of this derivative (September 30, 2015 – gain of $159). At September 30, 2016, the Company had a derivative liability of $18 (December 31, 2015 – $71) on its statement of financial position. The derivative liabilities are classified as Level 2 in the fair value hierarchy. The fair value of the broker units was estimated using the binomial model based on the following assumptions:

	April 2015	December 2014
September 30, 2016:		
Share price	$0.44	$0.44
Expected dividend yield	0%	0%
Expected annual volatility	134%	133%
Risk-free interest rate	0.51%	0.51%
Expected average life	1.53 years	1.24 years
December 31, 2015:		
Share price	$0.85	$0.85
Expected dividend yield	0%	0%
Expected annual volatility	122%	122%
Risk-free interest rate	0.48%	0.48%
Expected average life	2.25 years	2.00 years

(expressed in thousands of Canadian Dollars, except for per share amounts)

11. Capital stock

Authorized: Unlimited number of common shares

Issued:

	Number of Shares
Balance as at December 31, 2014	**11,703,096**
Shares issued for cash 11.1 (a)	7,200,000
Shares issued on conversion of debentures 11.1 (b)	2,384,804
Shares returned to treasury	(10,000)
Shares issued to settle indebtedness 11.1 (c)	1,848,026
Shares issued on acquisition of Mobius Logistics, Inc. 11.1 (d)	200,000
Shares issued in connection with the bridge loan 11.1 (e)	266,871
Share adjustment	(1,000)
Shares issued to settle convertible debt interest 11.1 (f)	83,131
Shares issued on acquisition of Axsense Inc. 11.1 (g)	2,777,778
Shares issued for cash 11.1 (h)	15,813,717
Balance as at December 31, 2015	**42,266,423**
Shares issued to settle convertible debt interest 11.1 (i)	138,022
Shares issued on conversion of debentures 11.1 (j)	137,245
Shares issued on exercise of broker options 11.1 (k)	44,800
Balance as at September 30, 2016	**42,586,490**

In November of 2015, the Company enacted a share consolidation whereby ten pre-consolidation common shares were exchanged for one post-consolidation common share. As a result of the consolidation, the warrants and stock options that were outstanding at the time were also reduced in number by a factor of ten and their associated exercise prices were adjusted by a multiple of ten.

All discussion of transactions occurring prior to November 2015 has been adjusted retroactively to reflect the effect of the share consolidation.

11.1 Common shares

The following notes describe the common share activity during the year ended December 31, 2015 and the nine months ended September 30, 2016.

(a) In two transactions on March 25, 2015 and April 13, 2015 the Company closed private placements of 7,000,000 and 200,000 units, respectively, at a price of $0.75 per unit. The transactions raised aggregate gross proceeds of $5,400. Each unit consists of one common share and one warrant to acquire one common share at a price of $1.50 until March 25, 2017.

The proceeds of the private placement were allocated between the common shares and the warrants based on their relative fair value. The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

(expressed in thousands of Canadian Dollars, except for per share amounts)

Share price	$1.90
Expected dividend yield	0%
Expected annual volatility	141%
Risk-free interest rate	0.49%
Expected average life	2 years

As a result of the valuation, $4,138 of the gross proceeds was allocated to common shares and $1,262 was allocated to warrants.

The agents received a cash commission of $432 and broker options with an estimated fair value of $689. The broker options entitle the agents to purchase 576,000 units consisting of one common share and one common share purchase warrants at $0.75 per unit until March 25, 2017. Each underlying common share purchase warrant entitles the holder to acquire one common share at a price of $1.50 at any time on or before March 25, 2017. Legal and other expenses were incurred in the amount of $97. Of the $529 total value of cash share issue expense, $406 was allocated to the common shares and $123 was allocated to the warrants.

The fair value of the broker option was estimated using the binomial model based on the following assumptions:

	March Placement	April Placement
Share price	$1.90	$1.80
Expected dividend yield	0%	0%
Expected annual volatility	141%	141%
Risk-free interest rate	0.53%	0.61%
Expected average life	2 years	2 years

(b) During the year ended December 31, 2015 convertible debentures, including unpaid interest, in the amount of $1,298 were converted by the holders into 2,384,804 common shares.

(c) During the year ended December 31, 2015 outstanding indebtedness of $1,991 was settled in exchange for 1,848,026 common shares and 1,041,794 warrants entitling the holder to purchase one additional common share at a price of $1.50 until March 25, 2017. These transactions were with existing shareholders of the Company and therefore were recorded at carrying value.

(d) During the year ended December 31, 2015 Mobius Logistics, Inc. was acquired. The $260 non-cash component of the purchase price was settled through the issuance of 200,000 common shares.

(e) On September 11, 2015 266,871 common shares were issued to individuals who subscribed for the bridge loan and were valued at $27.

(f) During the year ended December 31, 2015 the Company settled debenture interest in the amount of $90 by the issuance of 83,131 common shares. The shares were valued based on the 20-day volume weighted average trading price of the shares at the interest measurement date.

(expressed in thousands of Canadian Dollars, except for per share amounts)

(g) On December 21, 2015 the Company acquired all of the outstanding shares of Axsense Inc. in exchange for 2,777,778 units of the Company. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share at a price of $1.50 per share until December 21, 2018.

The estimated value of the units was determined to be $2,490, which was the value of assets acquired. That value was allocated between shares ($1,884) and warrants ($606) based on their relative fair value. The fair value of the warrants was estimated using the Black-Scholes valuation model under the following assumptions:

Share price	$0.90
Expected dividend yield	0%
Expected annual volatility	128%
Risk-free interest rate	0.52%
Expected average life	3 years

(h) On December 21, 2015 the company raised gross proceeds of $14,232 under a private placement of 15,813,717 units. Each unit was issued at a price of $0.90 and consisted of one common share and one warrant entitling the holder to purchase one additional common share at a price of $1.50 per share until December 21, 2018.

The proceeds of the private placement were allocated between the common shares and the warrants based on their relative fair value. The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

Share price	$0.90
Expected dividend yield	0%
Expected annual volatility	128%
Risk-free interest rate	0.52%
Expected average life	3 years

As a result of the valuation, $10,765 of the gross proceeds was allocated to common shares and $3,467 was allocated to warrants.

The agents received cash commission of $795, and legal and other expenses in connection with the private placement amounted to $363. The $1,158 total share issue expenses were allocated to common shares ($875) and warrants ($282) based on their relative fair value.

(i) On January 25, 2016 the Company settled debenture interest in the amount of $46 by issuing 48,075 common shares, which had been presented as shares to be issued at December 31, 2015. On May 17, 2016, the Company settled debenture interest of $42 by issuing 39,088 common shares. On July 26, 2016, the Company settled debenture interest of $42 by issuing 50,859 common shares. The shares were valued based on the 20-day volume weighted average trading price of the shares at the interest measurement date, which equaled $0.95 for the shares issued in January, $1.08 for the shares issued in May, and $0.82 for the shares issued in July.

(j) During the nine months ended September 30, 2016 convertible debentures in the amount of $116 were converted by the holders into 137,245 common shares.

(k) During the nine months ended September 30, 2016, 44,800 broker options were exercised into units at a price of $0.75 per unit, resulting in cash proceeds of $34. Each unit includes one common share and a warrant to acquire a common share at a price of $1.50, with the warrants expiring on March 25, 2017.

In addition to the 42,586,490 issued and outstanding shares at September 30, 2016, the Company has presented $42 as Shares to be Issued at September 30, 2016. This relates to 77,540 shares to be issued to settle interest of $42 earned by debenture holders during the three months ended September 30, 2016. The shares were valued at $0.54 per share, which was equal to the 20-day volume weighted average trading price of the shares at the interest measurement date.

11.2 Warrants

In March and April of 2015, in connection with two private placements raising a total of $5,400, 7,200,000 warrants were issued. Each warrant entitles the holder to acquire one common share at a price of $1.50 until March 25, 2017.

In connection with the $1,375 April 2015 convertible debenture issuance, 687,500 warrants were issued. Each warrant entitles the holder to acquire one common share of the Company at a price of $2.00 per common share for three years from the date of issue.

During the year ended December 31, 2015, outstanding indebtedness of $1,991 was settled (see Note 11.1(c)). A portion of the debt was settled with units that included 1,041,794 warrants. Each warrant entitles the holder to acquire one common share at a price of $1.50 until March 25, 2017.

In connection with the December 21, 2015 acquisition of Axsense Inc. 2,777,778 warrants were issued (see Note 11.1(g)). Each warrant entitles the holder to purchase one common share at a price of $1.50 per share until December 21, 2018.

In connection with the December 21, 2015 private placement, 15,813,717 warrants were issued (see Note 11.1(h)). Each warrant entitles the holder to purchase one additional common share at a price of $1.50 per share until December 21, 2018.

During the year ended December 31, 2015, broker options were exercised resulting in the issuance of 10,000 warrants.

During the nine months ended September 30, 2015, broker options were exercised resulting in the issuance of 44,800 warrants.

The following table outlines warrant activity during the year ended December 31, 2015 and the nine months ended September 30, 2016.

(expressed in thousands of Canadian Dollars, except for per share amounts)

	Number of Warrants	Exercise Price $
Outstanding and exercisable, December 31, 2014	**1,050,090**	**2.30**
Expired	(87,590)	5.50
Granted	8,242,794	1.50
Granted	687,500	2.00
Granted	15,813,717	1.50
Granted	2,777,778	1.50
Outstanding and exercisable, December 31, 2015	**28,484,289**	**1.53**
Granted	44,800	1.50
Outstanding and exercisable, September 30, 2016	**28,529,089**	**1.53**

At September 30, 2016, the following warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
962,500	2.00	29-Dec-17
8,287,594	1.50	25-Mar-17
687,500	2.00	13-Apr-18
18,591,495	1.50	21-Dec-18
28,529,089	1.53	

11.3 Broker Options

In connection with the $5,400 private placements in March and April 2015 (Note 11.1(a)), 576,000 broker options were issued. Each broker option is exercisable into one unit at the offering price of $0.75 at any time until March 25, 2017 in respect of 560,000 broker options and April 13, 2017 in respect of 16,000 broker options. Each unit includes one common share and a warrant to acquire a common share at a price of $1.50. Of the 576,000 broker options, 560,000 expire on March 25, 2017 and 16,000 expire on April 13, 2017.

During the nine months ended September 30, 2016, 44,800 broker options were exercised, resulting in cash proceeds of $34.

11.4 Stock options

The Company has an employee stock option plan under which it is authorized to issue stock options to employees, officers, directors and other eligible participants up to 10% of the number of issued and outstanding common shares.

(expressed in thousands of Canadian Dollars, except for per share amounts)

During the nine months ended September 30, 2016, the following options were granted:

Grant Date	Number of Options Granted	Exercise Price $	Vesting Conditions
Mar. 21, 2016	600,000	1.16	20% on 1st anniversary; 80% over 48 months thereafter
Jun. 3, 2016	300,000	0.86	20% on 1st anniversary; 80% over 48 months thereafter

The options are valued using the Black-Scholes option pricing model. The assumptions used for each grant, along with the resulting fair value, are presented below:

Grant Date	Fair Value $	Grant Date Price Per Share $	Dividend Yield	Annual Volatility	Risk-Free Interest Rate	Average Life
Mar. 21, 2016	632	1.16	0%	140%	0.53%	5 Years
Jun. 3, 2016	229	0.86	0%	142%	0.61%	5 Years

During the nine months ended September 30, 2016 stock based compensation in the amount of $898 (September 30, 2015 – $1,033) was recorded.

The following table outlines option activity during the year ended December 31, 2015 and the nine months ended September 30, 2016

	Options	Weighted Average Exercise Price $
Outstanding balance as at December 31, 2014	**622,469**	**2.30**
Expired	(459,972)	2.00
Granted	25,000	2.50
Granted	1,449,972	1.50
Granted	1,426,500	1.00
Outstanding balance as at December 31, 2015	**3,063,969**	**1.36**
Expired	(67,497)	2.00
Forfeited	(50,000)	1.50
Granted	600,000	1.16
Granted	300,000	0.86
Outstanding balance as at September 30, 2016	**3,846,472**	**1.28**

(expressed in thousands of Canadian Dollars, except for per share amounts)

The following table summarizes information about options outstanding and exercisable at September 30, 2016:

Options Outstanding at September 30, 2016	Exercise Price $	Expiry date	Options Exercisable at September 30, 2016
75,000	4.00	1-Jun-17	75,000
20,000	4.50	20-Jul-17	20,000
965,000	1.50	27-Mar-20	603,125
25,000	2.50	27-Apr-20	25,000
434,972	1.50	1-Sep-20	271,858
1,426,500	1.00	23-Dec-20	-
600,000	1.16	21-Mar-21	-
300,000	0.86	3-Jun-21	-
3,846,472	**1.28**		**994,983**

12. Other operating expenses

Other operating expenses consist of the following:

	For the nine months ended September 30 2016 $	2015 $
Travel, meals and entertainment	218	208
Public company costs	100	17
Dues and subscriptions	96	99
Foreign exchange loss (gain)	157	435
Other	80	56
	651	**815**

13. Related party transactions

During the nine months ended September 30, 2016 and 2015, the Company had the following related party transactions:

Director's fees, professional fees and other compensation in the amount of $2,131, which included $857 of stock based compensation (September 30, 2015 – $1,044, including $779 of share-based compensation), was paid to directors and key management personnel in the form of short term salaries and benefits.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

During the nine months ended September 30, 2016:

- The Company earned $178 in freight revenue from a company under significant influence by a member of its key management team.
- The Company incurred professional fees of $279, equipment lease costs of $911, freight expense of $145, rent expense of $43 and administrative expenses of $27 from entities related to the Company through its key management personnel.
- The Company paid $65 of accrued wages owing from prior years to key management personnel.
- A $20 loan made by the Company to one of its key management personnel during 2015 was repaid.

During the nine months ended September 30, 2015:

- The Company loaned an amount of $50 to Mobius Business Solutions, LLC, a company controlled by a director of the Company; the loan was repaid with interest in the amount of $51.
- The Company acquired Mobius Logistics, Inc., a company controlled by a director of the Company.
- The Company entered into various operating leases with an entity controlled by a director of Axios. As of September 30, 2015, the Company leased trucking equipment with a total monthly lease payment of USD $39.
- A loan from Axsense Inc., a company owned approximately 25% by two directors of the Company, was repaid in the amount of $100.
- A director of the Company surrendered 10,000 common shares for nil proceeds. The shares had been issued inadvertently and had not been approved by the stock exchange. Therefore, they were returned to the Company.
- The Company recorded expenses related to shares issued during 2014 for administrative services provided by a company controlled by an officer of the Company. The fair value of the shares granted was recorded over the 1-year period of the arrangement, with $200 recorded in 2014 and $105 recorded in the nine months ended September 30, 2015.

Included in accounts payable and accrued liabilities at September 30, 2016 was $320 (December 31, 2015 – $274) owing to directors, officers, and entities related to the Company through its directors and officers.

Included in accounts receivable at September 30, 2016 was $65 (December 31, 2015 – $27) due from directors, officers, and entities related to the Company through its directors and officers.

Included in prepaids at September 30, 2016 was $879 (December 31, 2015 – $277) advanced to companies under significant influence by a member of Axios' key management team, in prepayment of freight services and operating lease expenses for trucking equipment.

14. Capital risk management

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of development and future growth opportunities; and
- To maximize shareholder return by enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be its equity, convertible debentures and loans which at September 30, 2016 amounted to $19,323 (December 31, 2015 - $24,354).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures and other investing and financing activities. The forecast is updated based on activities related to its operations. Selected information is provided to the Board of Directors. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2016. The Company is not subject to any external capital requirements.

15. Financial risk management

Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximate carrying value due to their current nature.

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and foreign exchange risk).

Risk management is carried out by the Company's management team with guidance from the Board of Directors.

a. Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable and other receivables.

All of the Company's cash is held with well known and established financial institutions. As such, management considers credit risk related to these financial assets to be minimal. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable and other receivables is remote. As at September 30, 2016, the Company had accounts receivable of $318 included within its amounts receivable and prepaids balance on the statements of financial position. The accounts receivable are not considered impaired.

b. Liquidity risk

Liquidity risk is the risk that the Company will not have sufficent cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company currently generates cash flow primarily from its financing activities. As at September 30, 2016, the Company has cash of $585 (December 31, 2015 – $11,025) to settle current liabilities of $7,446 (December 31, 2015 – $4,459).

(expressed in thousands of Canadian Dollars, except for per share amounts)

The Company's outstanding principal owed related to convertible debentures at September 30, 2016 is $1,850 for the December 2014 debenture offering and $1,240 for the April 2015 debenture offering. Each debenture is due to be repaid on the third anniversary of the offering date, though the holder can demand repayment in full any time beginning 18 months after the offering date.

The $3,000 loan from EDC signed in November 2015 is repayable in 18 equal monthly instalments of $167 beginning in May 2017. The $2,000 loan from EDC signed in September 2016 is repayable in 18 equal monthly instalments of $111 beginning in February 2018. The $3,000 secured debenture signed in July 2016 is repayable beginning with a $333 instalment in March 2018, followed by 5 quarterly instalments of $500, and a final $167 instalment in July 2019.

Required repayments on the Company's debt are presented below.

	<1 Year $	1-2 Years $	2-3 years $	Total $
EDC Loan - $3,000	833	2,000	167	3,000
EDC Loan - $2,000	-	778	1,222	2,000
Secured Debenture	-	1,333	1,667	3,000
Convertible Debentures	-	3,090	-	3,090
Total	**833**	**7,201**	**3,056**	**11,090**

All of the Company's financial liabilities, except the secured debenture, convertible debentures and the EDC loans, have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

c. Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

Interest rate risk
The Company has cash balances and its current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Interest is payable on the convertible debentures and secured debenture; however, it is at a fixed rate and so there is no related interest rate risk.

Foreign currency risk
As of September 30, 2016, the Company funds certain operations and administrative expenses in United States on a cash call basis using US Dollar currency converted from its Canadian Dollar bank accounts

(expressed in thousands of Canadian Dollars, except for per share amounts)

held in Canada. The Company maintains US bank accounts and is subject to gains and losses from fluctuations in the Canadian Dollar and US Dollar.

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

i. Cash is subject to fixed interest rates. Management believes interest rate risk is minimal given recent stability in interest rates.
ii. The Company holds balances in foreign currencies, which could give rise to exposure to foreign exchange risk. Management believes a plus or minus 10% change in foreign exchange rate against the US Dollar would have a minimal effect on reported (loss) income given the limited size of balances that are held in non-functional currencies.

16. Commitments

The table and discussion below show the future minimum payments for our contractual commitments that are not recognized as liabilities as at September 30, 2016.

	Less Than 1 Year $	1-3 Years $	4-5 Years $	After 5 Years $	Total $
Operating Leases	1,165	1,428	392	-	2,985

The operating leases relate primarily to office premises in Canada and the United States and trucking equipment used in the Company's Freight Services segment.

Manufacturing and services agreement
In addition to the commitments noted above, the Company entered into a manufacturing and services agreement during 2014, which Axios treated as a sale and lease-back arrangement. Under the agreement, Axios sold tooling equipment to a manufacturer for proceeds of USD $250 and the manufacturer has been granted the exclusive rights to manufacture pallets for Axios. The agreement provides fixed pricing for the pallets acquired and specifies that Axios will pay an additional charge of USD $1.00 per unit on the first 250,000 units manufactured.

Axios will reacquire the tooling at no additional cost once the cumulative lease charge paid by Axios amounts to USD $250. At that time, the manufacturer's exclusive right to manufacture product for Axios will terminate. As at September 30, 2016, Axios had to acquire an additional 66,168 units (December 31, 2015 – 162,994 units) under the agreement before the exclusive rights arrangement would terminate.

Advisory agreement
Under the terms of a financial advisory agreement the Company has agreed to pay up to 300,000 common shares to an advisor if the advisor is successful obtaining three different securities brokers to initiate research reports on the Company. If the advisor is successful it will be paid 100,000 shares for each such securities broker that initiates a research report.

17. Comparative figures
Certain comparative period amounts have been reclassified to conform with current period presentation.

Axios Mobile Assets Corp.
(the "Company" or "Axios")

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Nine Months Ended September 30, 2016

Unless otherwise indicated, all monetary amounts are expressed in thousands of Canadian dollars. In this management's discussion and analysis ("MD&A"), the words "we", "us", "our", or the "Company" mean Axios Mobile Assets Corp. together with its subsidiaries, Axios Mobile Assets Inc. ("Axios Canada"), Axios Mobile Assets, Inc. ("Axios USA"), Axios Logistics Solutions Inc. (“Axios Logistics”), Mobius Logistics, Inc. ("Mobius") and Axsense Inc. (“Axsense”).

Report Date

This MD&A is dated November 9, 2016. It is in respect of the nine months ended September 30, 2016 and should be read in conjunction with the interim unaudited condensed consolidated financial statements for the period then ended.

Overall Performance and Outlook

Overview

The Company provides a holistic supply chain solution featuring a highly engineered and tested composite platform, industry proven service offerings and a proprietary pallet and data management system. The Company's value proposition provides visibility and cost efficiencies to the stakeholders (including suppliers, vendors, manufacturers, retailers, warehouse operators, third party logistics providers and freight and retrieval providers) of any supply chain. Our physical asset and data management solution combined with an innovative sustainability protocol differentiates Axios from the rest of the industry.

The Company started as a pure play pallet manufacturer, set to sell pallets to both users in closed loop and open pool pallet systems. The initial development was focused on design, tooling, materials, product testing and durability. The Company pivoted its business model from a pallet manufacturer to a pallet pooling service provider at the end of 2014. Initial validation came with paid pilot programs starting in Q2 2015, when the first significant rental revenue was realized.

Management efforts from that time have been focused on supporting this service-provider model. The Company has raised capital and made acquisitions to further this service model, as Axios continues to be disruptive to the pooling industry with both technology and service innovation.

The Company's predecessor, Axios Canada, was incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") on December 1, 2009. Axios is a continuing company resulting from a reverse takeover of Microlab Online Inc. ("Microlab") by Axios Canada on March 26, 2010.

Microlab was incorporated under the OBCA on September 25, 1998 as "Active Investor Inc.", filed Articles of Amendment dated May 18, 1999 to change the name of the Company to "Microlab Online Inc." and filed Articles of Amendment dated March 18, 2010 to change the name of the Company to "Axios Mobile Assets Corp."

The Company's subsidiaries are Axios Canada, Axios USA, Axios Logistics, Mobius and Axsense. The subsidiaries are in the business of producing and supplying technology-enabled, engineered logistic product solutions. The first product solution developed is the AXIOS™ edge-rackable pallet, an environmentally friendly and trackable mobile assets platform.

General Updates

During the nine months ended September 30, 2016, the Company continued to execute on its objectives to expand its pallet rental pool and sign new customers within the United States cold storage supply chain.

In the first quarter of 2016, the Company began building a development team to enhance the pallet sensor technology that was acquired by the Company in December 2015 and to build software dashboard capabilities. The Company began rolling out its pallet sensor technology on a pilot basis in July 2016.

In April 2016, the Company announced that the process it developed to sanitize its pallets after each use has obtained Provision of Sanitation and Hygiene Services certification under the Safe Quality Food ("SQF") program, which made Axios the first pallet pooler to achieve SQF certification in that category.

The Company received orders from three new customers in May 2016 and one additional customer in August 2016. These additions increased the number of major egg and egg product producers using Axios pallets and logistics to ten. The Company began rolling out its pallet solution to these new customers in the third quarter, which resulted in a 98% increase in pallet rental revenue from Q2 2016 to Q3 2016.

In July 2016, the Company closed a $3,000 secured debenture to be used for pallet production, working capital and general corporate expenses. Since then, the Company has added 4,000 pallets, bringing total year-to-date production to 47,000 pallets.

In September 2016, the company closed a $2,000 secured loan from Export Development Canada ("EDC"). The proceeds of the loan will be used for manufacturing equipment to increase pallet production capacity. Management expects that the investment in new equipment will produce efficiencies in the production process and reduce overall manufacturing costs. The loan proceeds will also be used for sanitization equipment to be installed at new facilities as the Company continues the roll-out of its pallet solution to new customers and regions. The addition of wash facilities to the Company's network is expected to reduce total mileage required to deliver pallets and to therefore reduce freight expenses.

Given the contracts currently in place and the strong demand for the Axios pallet solution, the Company plans to raise additional capital to finance operations and to further increase the size of the pallet pool so we can continue to onboard new customers and pursue additional issuances with existing customers by fulfilling an increasing proportion of those producers' pooling services.

Outlook

Logistics represent a vast, untapped opportunity for cost efficiencies, and retailers are looking for big data solutions. Axios offers an integrated platform that addresses critical supply chain management needs for tracking, monitoring, data collection, pooling and enabling measurable return on investment.

Management believes Axios is the first to provide both the pooling and pallet markets with a full-service pooling platform with a vertically integrated logistics and data offering. The Company's solution addresses unmet supply-chain needs in a seamless, scalable manner, with comparable capital requirements to that of a wooden pallet pool based on the current and projected asset utilization. The Company has taken the ubiquitous pallet commodity and turned it into a value-add logistics chain enabler for vendors and retailers. Although it is viewed as disruptive to the pooling industry, management believes the market is looking for this type of a technology shift and data solution within a full service offering.

By providing access through client dashboards to data that has never been mined and by introducing new units of measurement, the platform can drive efficiencies and process improvements.

Financial Results

With the exception of per share figures, all financial information presented in the sections below is shown in thousands of Canadian dollars.

Selected Annual Information

Audited data, for fiscal years ended December 31,	2015 $	2014 $	2013 $
Revenue	1,369	73	308
Net loss	9,083	3,100	3,373
Basic & diluted loss per share	0.43	0.28	0.36
Total assets	25,953	7,164	6,405
Total non-current financial liabilities	3,000	2,737	723

Summary of Quarterly Results

Quarter	**9/30/2016 $**	**6/30/2016 $**	**3/31/2016 $**	**12/31/2015 $**	**9/30/15 $**	**6/30/15 $**	**3/31/15 $**	**12/31/14 $**
Revenue	934	551	543	540	556	266	8	(71)
Net loss	3,992	3,476	3,367	3,707	1,602	1,674	2,100	1,367
Net loss per share – basic and diluted	0.09	0.08	0.08	0.14	0.07	0.07	0.16	0.12

Note: The Company completed a share consolidation during 2015 whereby 10 pre-consolidation shares were exchanged for 1 post-consolidation share. The loss per share figures presented above have been adjusted retroactively to reflect the impact of the share consolidation in all comparative periods.

Result of Operations for the Three and Nine Months Ended September 30, 2016

For the three months ended September 30, 2016, the Company recorded revenue of $934 (2015 – $556) and a net loss of $3,992 (2015 — $1,602). For the nine months ended September 30, 2016, the Company recorded revenue of $2,028 (2015 – $830) and a net loss of $10,835 (2015 — $5,375).

The year-over-year increases in revenue, both for the third quarter and year-to-date period, reflect the increased deployment of our pallets in pallet pools supporting our egg contracts. Pallet rental revenue increased from $557 in the nine months ended September 30, 2015 to $1,461 in the same period of 2016. This increase was driven by new customer additions – in particular, the addition of 3 new customers in May 2016 who contributed significantly toward the 98% increase in pallet rental revenue from Q2 2016 to Q3 2016 – and to increases in the number of available pallets, as our pallet rental pool grew to a cost of $10,460 at September 30, 2016 from $4,926 at September 30, 2015.

Freight services revenue for the third quarter of 2016 was $205, a 5% increase from $196 in Q3 2015. Year-to-date freight services revenue increased by 108%, from $273 in 2015 to $567 in 2016, due primarily to the fact that the Company did not earn any freight services revenue in the first four months of 2015. The freight services division arose from the Company’s acquisition of Mobius in May 2015.

The upward trend in quarterly net loss over time is driven by the Company's increase in operating expenses as it builds the operational foundation necessary to expand the business in the United States.

The Company's third quarter and year-to-date operating expenses increased over the same period in the prior year consistent with the increase in the volume of our operations.

	For the three months ended Sept 30		For the nine months ended Sept 30	
	2016	**2015**	**2016**	**2015**
Operating expenses				
Salaries, wages, and benefits	**926**	575	**2,497**	1,624
Depreciation and amortization	**874**	399	**2,296**	922
Pallet rental	**218**	105	**422**	167
Provision for lost & damaged pallets	**546**	-	**1,206**	-
Freight	**1,070**	362	**2,424**	577
Professional fees	**369**	110	**1,156**	454
Occupancy	**173**	62	**447**	201
Stock based compensation	**321**	270	**898**	1,033
Other	**136**	275	**651**	815
Total operating expenses	**4,633**	2,158	**11,997**	5,793

Salaries, wages, and benefits increased due to an increase in headcount to support the year-over-year increase in revenue. In particular, the Company added a development team to enhance the pallet sensor technology and to build software dashboards capabilities. The Company also added a logistics team to fulfil our contracts.

Depreciation and amortization increased primarily as we increased the cost of our pallet rental pool from $4,926 at September 30, 2015 to $10,460 at September 30, 2016.

Pallet rental includes the pallet sort & recovery fees paid to retailers and sanitization costs incurred to wash the pallets after each issuance. These expenses increased sharply over the comparative periods in 2015, which is consistent with the year-over-year increases in pallet rental revenue. In all periods, pallet rental expense has remained at a consistent level of 28%-30% of pallet rental revenue.

In 2016, the provision for lost & damaged pallets was $546 in Q3 and $1,206 year-to-date. This expense reflects management's estimate of potential losses that may arise from pallets identified as being damaged or lost in the rental process. The Company is working to analyze damaged pallets and assess the potential for continued use (where possible) and/or sale of those pallets. The Company is also continuously working to decrease the instance of damaged pallets by considering changes to the materials used in production and by working with customers on best practices for handling pallets during use. There was no comparable expense in 2015 due to the early stage of the Company's pallet pooling operations at the time, having only earned pallet rental revenue for the first time in Q2 2015.

Freight includes all trucking and logistics expenses incurred to deliver and retrieve pallets before and after each use, as well as those expenses incurred to generate third party freight revenue. Examples of freight costs include driver salaries, truck and trailer lease expenses, insurance and fuel. The 320% increase in year-to-date freight costs, from $577 in 2015 to $2,424 in 2016, exceeds the 162% increase in pallet revenue over the same period because the Company has expanded its pallet rentals to new geographic regions in the United States but still returns each pallet to 2 wash facilities – in Ohio and Pennsylvania – for sanitization after each use. The Company has entered into a lease for a new wash facility in Georgia expected to open during Q4 2016 and it has begun production of 2 new sanitization machines to be implemented at facilities the Company plans to open in Florida and Texas during the first half of 2017. The Company expects that the addition of new wash facilities will reduce average mileage driven per pallet issuance and will therefore reduce freight expenses.

Professional fees increased compared to the same periods in 2015 as a result of the general increase in business activity. In addition, the Company incurred fees during 2016 related to its listing on the TSX Venture Exchange, the preparation and audit of its 2015 financial statements, the restatements of 2015 interim financial statements and the preparation of tax returns for prior years.

Stock based compensation expenses for the third quarter increased from $270 in 2015 to $321 in 2016 due to 1.4M options granted in December 2015 and an additional 0.9M options granted in the first nine months of 2016. On a year-to-date basis, stock based compensation expense decreased from $1,033 in 2015 to $898 in 2016. This decrease resulted from the fact that 50% of the 1.0M options granted in March 2015 vested on the grant date, which contributed to a spike in stock based compensation expenses to $671 in the first quarter of 2015. By comparison, options granted in 2016 had no immediate vesting and therefore no expense recorded upfront on the grant date.

Occupancy expenses includes rent, utilities, and miscellaneous office expenses. These costs increased compared to the same periods in 2015 primarily because the Company entered into a new lease agreement for expanded office space at its Mississauga, Ontario head office, as well as lease agreements for new pallet wash facilities in Pennsylvania and Georgia.

Other operating expenses decreased on a year-to-date basis compared to the prior year primarily because foreign exchange losses declined to $157 in 2016 from $435 in 2015. This decrease was partially offset by increases in travel costs, public company costs and dues and subscriptions as the business expanded.

Cash Flows

	For the nine months ended Sept 30	
	2016	**2015**
Cash used in operating activities	(5,972)	(4,054)
Cash provided by financing activities	5,034	8,071
Cash used in investing activities	(7,471)	(4,940)
Effect of foreign exchange on cash	(194)	288
Net increase (decrease) in cash & cash equivalents during the period	(8,603)	(635)

Including the effect of foreign exchange, the Company's cash & cash equivalents balance decreased by $8,603 in the nine months ended September 30, 2016, compared to a decrease of $635 in the same period during 2015. Cash & cash equivalents at September 30, 2016, includes $1,837 of restricted cash, which represents the remaining proceeds from the $2,000 EDC loan closed in September 2016. These loan proceeds must be used for the purchase of equipment.

Cash used in operating activities was $5,972 (2015 – $4,054), consisting of the following items:

- Net loss of $10,835 (2015 – $5,376).

- A $4,806 adjustment for non-cash expenses (2015 – $2,140). The most significant non-cash expenses were depreciation and amortization of $2,296 (2015 – $922), provision for lost and damaged pallets of $1,206 (2015 – $nil) and stock based compensation of $898 (2015 – $1,033). The increase in depreciation and amortization and provision for lost & damaged pallets compared to the prior year are consistent with the sharp increase in the size of the pallet pool over that same period. Stock based compensation has decreased compared to the same period in 2015 due to a grant of 1.0M options in March 2015 with 50% vesting immediately on the grant date.

- A $57 net cash inflow from changes in non-cash working capital (2015 – net cash outflow of $818). The $57 net cash inflow is due to a $1,964 increase in accounts payable and accrued liabilities, partially offset by a $1,414 increase in amounts receivable and prepaids as the Company prepaid freight costs and equipment lease expenses. In addition, the Company's government receivables account, primarily related to HST rebates, increased by $493.

The $5,034 cash provided by financing activities in 2016 consists primarily of a $3,000 secured debenture issued in July 2016 and the $2,000 EDC loan closed in September 2016. The Company also received $34 in proceeds from broker option exercises in the nine months ended September 30, 2016. In the same period of 2015, the Company generated $8,071 of cash, primarily net proceeds of a $5,400 private placement, a $2,000 bridge loan and a $1,375 convertible debenture issuance.

Cash used in investing activities increased from $4,940 in 2015 to $7,471 in 2016. The 2016 figure consists mainly of additions to the pallet rental pool of $6,949, along with $522 of additions to other property and equipment. In 2015, the Company spent $4,399 on additions to the pallet rental pool, $184 on additions to other property and equipment, and $357 on the acquisition of Mobius. The increase in pallet additions compared to the prior year reflects the Company's continued investment in building new pallets to drive revenue growth.

The impact of foreign exchange reduced cash by $194 (2015 – increased cash by $288). The US dollar decreased in value compared to the Canadian dollar during the nine months ended September 30, 2016, which resulted in a decrease in the translated value of cash balances held in US dollars.

Disclosure of Outstanding Share Data

As of November 9, 2016, the Company had 42,644,780 common shares issued and outstanding; 28,529,089 common share purchase warrants issued and outstanding; 531,200 broker options issued and outstanding, each exercisable into units; 239.1 broker units issued and outstanding, each exercisable into convertible debenture units; and 3,896,472 options issued and outstanding. The Company also had convertible debt with an outstanding principal balance of $3,090 and a carrying value of $3,072 on the Company's statement of financial position. Further details regarding the warrants, broker options, broker units, options and convertible debt are set forth below:

a) The warrants outstanding are summarized as follows:

Number of Warrants	Exercise Price $	Expiry Date
962,500	2.00	29-Dec-17
8,287,594	1.50	25-Mar-17
687,500	2.00	13-Apr-18
18,591,495	1.50	21-Dec-18
28,529,089	1.53	

b) The broker options are described as follows:

In connection with the $5,400 private placements in March and April 2015, 576,000 broker options were issued. Each broker option is exercisable into one unit at the offering price of $0.75 at any time until March 25, 2017 in respect of 560,000 broker options and April 13, 2017 in respect of 16,000 broker options. Each unit includes one common share and a common share purchase warrant to acquire a common share at a price of $1.50 at any time on or before March 25, 2017. Of the 576,000 broker options, 560,000 expire on March 25, 2017 and 16,000 expire on April 13, 2017.

During the nine months ended September 30, 2016, 44,800 broker options were exercised, resulting in cash proceeds of $34.

c) The broker units are described as follows:

In connection with the December 29, 2014 convertible debenture offering, 148 broker units were issued. In connection with the April 13, 2015 convertible debenture offering, 93.1 broker units were issued. Each broker unit is exercisable into one debenture unit at the offering price of $1. Each debenture unit is convertible into common shares at a per share price of $1.00, along with 500 common share purchase warrants. Each common share purchase warrant enables the holder to purchase one common share at an exercise price of $2.00. The debenture units and warrants both expire on the third anniversary of the issuance date.

d) The options issued and outstanding are summarized as follows:

Options Outstanding at November 9, 2016	Exercise Price $	Expiry date	Options Exercisable at November 9, 2016
75,000	4.00	1-Jun-17	75,000
20,000	4.50	20-Jul-17	20,000
965,000	1.50	27-Mar-20	603,125
25,000	2.50	27-Apr-20	25,000
434,972	1.50	1-Sep-20	271,858
1,426,500	1.00	23-Dec-20	-
600,000	1.16	21-Mar-21	-
300,000	0.86	3-Jun-21	-
3,846,472	**1.28**		**994,983**

e) The convertible debentures outstanding are as follows:

In December 2014 and April 2015, the Company completed offerings of convertible debenture units and raised gross proceeds of $1,925 and $1,375, respectively. Each unit consists of one debenture with a principal amount of $1, along with 500 warrants. The debentures provide for 12% annual interest, paid quarterly in arrears. Interest related to certain of the issuances is payable in the form of common shares of the Company.

The debenture matures on the third anniversary of the issuance date. The holder has the option to convert the debenture to common shares at $1.00 per share at any time on or before the maturity date. Each warrant enables the holder to purchase a common share at an exercise price of $2.00 for a period of three years from the date of issuance of the debentures.

The convertible debentures also included the following terms:

- Regarding the December 2014 debentures, if at any time after March 31, 2015, the Company's volume weighted average share price is $3.50 or more with an average daily volume of 3,000 common shares or more for 60 consecutive trading days, the Corporation may, at its option, require on notice to the holders of the debentures that the debentures be converted into common shares. Regarding the April 2015 debentures, the same conditions apply beginning any time after August 13, 2015.
- The expiry date of the warrants may be accelerated by the Company in the event that the closing price of the outstanding common shares is greater than $7.00 with an average daily volume of at least 3,000 common shares for a period of 60 consecutive trading days at any time after March 31, 2015 for the December 2014 debentures (August 13, 2015 for the April 2015 debentures). In that event, the Company may, at its option, accelerate the expiry date of the warrants by giving notice to the holders thereof that the warrants will expire at 4 p.m. (Toronto time) on the date which is the earlier of: (i) the 30th day after the date on which such notice is given by the Company in accordance with the terms of the warrants; and (ii) the actual expiry date of the warrants.

- The Company may redeem the debentures at any time subsequent to the one-year anniversary of the issuance date at a price that is 104% of the principal amount of the debenture plus accrued but unpaid interest upon the provision of 15 days' notice to the holders of the debentures.
- The holders may call for the redemption of the debentures at any time subsequent to the 18-month anniversary of the issuance date at a price that is equal to the principal amount of the debenture plus accrued but unpaid interest. Therefore, the convertible debentures have been classified as current at September 30, 2016.

During the nine months ended September 30, 2016, debentures and unpaid interest in the amount of $242 were converted by the holders into 304,732 common shares, of which 77,540 were shares to be issued. The debentures converted had a principal face value amount of $135 plus unpaid interest in the amount of $126. At the time of the conversion the discounted value of the debentures redeemed amounted to $116.

Liquidity and Capital Resources

At September 30, 2016, the Company had cash on hand of $585 (December 31, 2015 – $11,025) and a working capital deficiency of $3,704 (December 31, 2015 — working capital of $7,816). The Company expects that it will require further financing in order to execute on its operating and investing plan. While management has been historically successful in raising the necessary capital, we cannot provide any assurance that such additional financing will be available or that, if available, it can be obtained on terms favourable to our shareholders and the Company. In addition, any equity financing would result in dilution to our shareholders and any debt financing could involve restrictive covenants with respect to future capital raising activities or other financial or operational matters. Our inability to obtain adequate funds will adversely affect our operations and the ability to implement our plan of operation.

Transactions with Related Parties

During the nine months ended September 30, 2016 and 2015, the Company had the following related party transactions:

Director's fees, professional fees and other compensation in the amount of $2,131, which included $857 of stock based compensation (September 30, 2015 – $1,044, including $779 of stock based compensation), was paid to directors and key management personnel in the form of short term salaries and benefits.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

During the nine months ended September 30, 2016:

- The Company earned $178 in freight revenue from a company under significant influence by a member of its key management team.
- The Company incurred professional fees of $279, equipment lease costs of $911, freight expense of $145, rent expense of $43 and administrative expenses of $27 from entities related to the Company through its key management personnel.
- The Company paid $65 of accrued wages owing from prior years to key management personnel.
- A $20 loan made by the Company to one of its key management personnel during 2015 was repaid.

During the nine months ended September 30, 2015:

- The Company loaned an amount of $50 to Mobius Business Solutions, LLC, a company controlled by a director of the Company; the loan was repaid with interest in the amount of $51.
- The Company acquired Mobius Logistics, Inc., a company controlled by a director of the Company.

- The Company entered into various operating leases with an entity controlled by a director of Axios. As of September 30, 2015, the Company leased trucking equipment with a total monthly lease payment of USD $39.
- A loan from Axsense Inc., a company owned approximately 25% by two directors of the Company, was repaid in the amount of $100.
- A director of the Company surrendered 10,000 common shares for nil proceeds. The shares had been issued inadvertently and had not been approved by the stock exchange. Therefore, they were returned to the Company.
- The Company recorded expenses related to shares issued during 2014 for administrative services provided by a company controlled by an officer of the Company. The fair value of the shares granted was recorded over the 1-year period of the arrangement, with $200 recorded in 2014 and $105 recorded in the nine months ended September 30, 2015.

Included in accounts payable and accrued liabilities at September 30, 2016 was $320 (December 31, 2015 – $274) owing to directors, officers, and entities related to the Company through its directors and officers.

Included in accounts receivable at September 30, 2016 was $65 (December 31, 2015 – $27) due from directors, officers, and entities related to the Company through its directors and officers.

Included in prepaids at September 30, 2016 was $879 (December 31, 2015 – $277) advanced to companies under significant influence by a member of Axios' key management team, in prepayment of freight services and operating lease expenses for trucking equipment.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments

Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximates carrying value due to their current nature.

Financial risk

The Company's activities expose it to a variety of financial risks: liquidity risk and market risk (including interest rate risk and foreign exchange risk).

Risk management is carried out by the Company's management team with guidance from the Board of Directors.

a. Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable and other receivables.

All of the Company's cash is held with well known and established financial institutions. As such, management considers credit risk related to these financial assets to be minimal. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable and other receivables is remote. As at September 30, 2016, the Company had accounts receivable of $318 included within its amounts receivable and prepaids balance on the statement of financial position. The accounts receivable are not considered impaired.

b. Liquidity risk

Liquidity risk is the risk that the Company will not have sufficent cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company currently generates cash flow primarily from its financing activities. As at September 30, 2016, the Company has cash of $585 (December 31, 2015 – $11,025) to settle current liabilities of $7,446 (December 31, 2015 – $4,459).

The Company's outstanding principal owed related to convertible debentures at September 30, 2016 is $1,850 for the December 2014 debenture offering and $1,240 for the April 2015 debenture offering. Each debenture is due to be repaid on the third anniversary of the offering date, though the holder can demand repayment in full any time beginning 18 months after the offering date.

The $3,000 loan from EDC signed in November 2015 is repayable in 18 equal monthly instalments of $167 beginning in May 2017. The $2,000 loan from EDC signed in September 2016 is repayable in 18 equal monthly instalments of $111 beginning in February 2018. The $3,000 secured debenture signed in July 2016 is repayable beginning with a $333 instalment in March 2018, followed by 5 quarterly instalments of $500, and a final $167 instalment in July 2019.

Required repayments on the Company's debt are presented below.

	<1 Year $	1-2 Years $	2-3 years $	Total $
EDC Loan - $3,000	833	2,000	167	3,000
EDC Loan - $2,000	-	778	1,222	2,000
Secured Debenture	-	1,333	1,667	3,000
Convertible Debentures	-	3,090	-	3,090
Total	**833**	**7,201**	**3,056**	**11,090**

All of the Company's financial liabilities, except the secured debenture, convertible debentures and the EDC loans, have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

c. Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

Interest rate risk

The Company has cash balances and its current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Interest is payable on the convertible debentures and secured debenture; however, it is at a fixed rate so there is no related interest rate risk.

Foreign currency risk

As of September 30, 2016, the Company funds certain operations and administrative expenses in the United States on a cash call basis using US Dollar currency converted from its Canadian Dollar bank accounts held in Canada. The Company maintains US bank accounts and is subject to gains and losses from fluctuations in the Canadian Dollar and US Dollar.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

- Cash is subject to fixed interest rates. Management believes interest rate risk is minimal.

- The Company holds balances in foreign currencies, which could give rise to exposure to foreign exchange risk. Management believes a plus or minus 10% change in foreign exchange rate against the U.S. Dollar would have a minimal effect on reported (loss) income and comprehensive (loss) income as minimal balances are held in foreign currencies.

Significant accounting judgments and estimates

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset’s recoverable amount. The recoverable amount is the greater of value-in-use and fair value less costs of disposal. Determining the value-in-use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Useful life of property and equipment and intangible assets

Property and equipment and intangible assets are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the period.

Share-based compensation

The Company applies the fair value method of accounting for share-based payments granted to employees and other individuals providing similar services. The fair value of the options is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk free interest rate over the expected life of the option. Each tranche of an option that vests over time is considered a separate award and the fair value of each tranche is expensed over its vesting period with the corresponding credit to contributed surplus.

Warrants

The Company is required to make certain estimates when determining the fair value of warrants. The Company uses the Black-Scholes pricing model to determine the fair value. The Black-Scholes option pricing model requires the input of subjective assumptions, such as stock price volatility.

Convertible debentures

The holders have the right to convert the convertible debentures into equity. Accordingly, the Company bifurcates the debentures between liabilities and equity. The liability component feature is recognized initially at its fair value. In determining the fair value of the liability, the Company estimates the market rate of the liability with the absence of a conversion feature.

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination and asset acquisitions.

The following are the critical judgments that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Provision for lost and damaged pallets

Management records a provision for lost and damaged pallets. The provision is reflected as a reduction to the pallet pool asset, offset to provision for lost & damaged pallets expense. Management considers a number of factors, including historical rates of loss and damage, in determining the provision.

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Going concern

The assessment of the validity of the going concern assumption requires significant judgment by management relating to the Company's ability to achieve profitable operations, raise debt and/or equity financing in the future and meet its obligations as they come due.

Risk Factors

The business of the Company is producing and supplying an environmentally friendly structural and trackable technology enabled mobile assets platform (pallets). There are a number of inherent risks associated with such a business and its development. Many of these risks are beyond the control of the Company.

<u>Stage of Development</u>
The Company is a development stage company, subject to all the risks and uncertainties inherent in a new business and the development and sale of new products. As a result, it still must establish many functions necessary to operate a business, including finalizing its administrative structure, continuing product development, assessing and refining its marketing activities, updating financial systems and controls and personnel recruitment.

Accordingly, investors should consider the Company's prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development. Investors should carefully consider the risks and uncertainties that a company with a limited operating history will face. In particular, potential investors should consider that the Company cannot assure that it will be able to:

- successfully implement or execute its current business plan, or that its business plan is sound;
- maintain its management and advisory team;
- raise sufficient funds in the capital markets to effectuate its business plan;
- determine that the processes and technologies that it has developed are commercially viable;

- attract, enter into or maintain contracts with, and retain customers; and/or
- compete effectively in the extremely competitive environment in which it operates.

If the Company cannot successfully execute any one of the foregoing, the business may not succeed.

Additional Financing Requirements
The Company will require additional capital to fund its operations. The exact amount of future capital requirements will depend on numerous factors. Any future financings may result in substantial dilution to the holdings of current shareholders of the Company and could have a negative impact on the market price of its common shares. There can be no assurance that additional financing, when required, will be available on commercially reasonable terms or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to fund its operations and/or research and development programs or take advantage of strategic opportunities. Such inability to obtain additional financing when needed could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Economic Dependence on a Limited Number of Customers
The Company's revenue is derived from a limited number of customers. The Company's ability to continue to generate revenue depends on its ability to regularly renew these contracts and enter into contracts with new customers. The Company’s ability to renew existing contracts and enter into new contracts in turn depends to a great degree on the quality of product manufactured and technology developed for its customers.

The Company's reputation among customers is critical for the growth and success of its business. Any perception that it does not provide satisfactory customer service, even if factually incorrect or based on isolated incidents, could damage the Company’s reputation, undermine the trust and credibility it has established and have a negative impact on its ability to attract new, or retain existing, customers and enter into new markets or sectors.

Start-Up Losses
The Company is not expected to be profitable in the short term; furthermore, there is no assurance that the Company will ever operate profitably.

Reliance on Management
The success of the Company is currently dependent on the performance of its executive officers. The loss of the services of these persons would have a material adverse effect on the business and prospects in the short term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Conflicts of Interest
Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in the manufacturing and software development industries. To the extent that such other companies may participate in ventures which the Company may participate there exists the possibility for such directors and officers to be in a position of conflict. Such directors and officers have duties and obligations under the applicable corporate and securities laws to act honestly and in good faith with a view to the best interests of the Company and its shareholders. Accordingly, such directors and officers will declare and abstain from voting on any matter in which such director and/or officer may have a conflict of interest.

Market Risk
The Company is in a well-established market with a new product. Consequently, its competitors are the incumbents with each potential customer. The Company has an untried distribution chain, which may not be successful in converting customers to its products.

Failure to Patent the Material Composition
Axios has relied on trade secret protection for its competitive advantage. The Company determined that patent protection could not adequately occupy the entire field and would give its competitors too great an opportunity to see how Axios does what it does, and to design around the patents. There is no assurance that a competitor could not reverse engineer Axios' designs and formulae.

Sales Model

The Company believes that targeting large end users for pallet and pooling sales will enable Axios to penetrate the market for pallets. Axios is required to sell the pallets and pooling services across the entire supply chain enterprise from getting approval to use from retailers to approval of purchase or rental from vendors. There is no assurance the Company's strategy will be successful, and if it is not successful, Axios will be shut out of major markets.

Production Issues

The Company's growth objectives may require the addition of new manufacturing facilities, equipment or production processes as the Company strives to increase its pallet production rates over time. There may be delays in completing the manufacturing facilities and difficulties in scaling production. There is no assurance that such issues will not arise and if they do, they may have a material impact on the financial performance of the Company.

Material Shortages

Axios uses a commercial polyester and/or soy resin, natural structural based materials and calcium carbonate filler. Commodity shortages (weather, shipping delays, labour disruptions, competition for supplies) could affect Axios' ability to scale production or to produce product on a timely basis.

Commodity Price Fluctuations

Our production costs are subject to fluctuations in prices of the natural commodities used in production of pallets. The price of these commodities has fluctuated in recent years and affected by factors beyond the control of the Company.

Protection of Intellectual Property Rights

The Company's success depends, in part, upon non-infringement of intellectual property rights owned by others and being able to resolve claims of intellectual property infringement without major financial expenditures or adverse consequences. Participants that own, or claim to own, intellectual property may aggressively assert their rights. From time to time, the Company may be subject to legal proceedings and claims relating to the intellectual property rights of others.

Future litigation may be necessary to defend the Company or its clients by determining the scope, enforceability and validity of third-party proprietary rights or to establish its proprietary rights. Some third party entities have substantially greater resources and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time. Regardless of whether claims that the Company is infringing patents or other intellectual property rights have any merit, these claims are time-consuming and costly to evaluate and defend and could:

- adversely affect relationships with future clients;
- cause delays or stoppages in providing products or services;
- divert management's attention and resources;
- require technology changes to its products that would cause the Company to incur substantial cost;
- subject the Company to significant liabilities; and
- require the Company to cease some or all of its activities.

In addition to liability for monetary damages, which may be tripled and may include attorneys' fees, or, in some circumstances, damages against clients, the Company may be prohibited from developing, commercializing, or continuing to provide some or all of its products unless it obtains licenses from, and pays royalties to, the holders of the patents or other intellectual property rights, which may not be available on commercially favourable terms, or at all.

Furthermore, the Company may be required to protect its intellectual property rights from being violated which may be a costly and time consuming process and which may have the effect of diverting resources from development of the Company's business resulting in a material adverse effect on the Company's operating results.

Technology Rollout
Axios' tracking technology has been tested on a small scale. Further refinements are ongoing. There are no assurances that the tracking technology will be accepted in the marketplace or that it will achieve the intended results in all physical conditions and uses. Some limitations on the effectiveness of our technology will not be known before we have had significant use of our products in the field.

Management of Growth
The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls and Procedures
Management of the Company has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements of the Company do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented thereby, and (ii) the financial statements of the Company fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented. However, as a venture issuer, the certifying officers of the Company filing such financial statements do not make any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis disclosure controls and procedures, and internal controls over financial reporting, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Lack of Trading
The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price
Market prices for shares of TSX-V companies are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

Management's Responsibility for the Financial Statements

The information provided in this MD&A, including the Financial Statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware of the inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Forward Looking Statements

This MD&A may contain "forward-looking statements" within the meaning of applicable Canadian securities legislation and the *United States Private Securities Litigation Reform Act of 1995*. These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward- looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks related to potential joint venture operations, actual results of current activities, unavailability of financing and other factors. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Additional Information

Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com and the Company's website can be found at www.axiosma.com.