CAPSTREAM VENTURES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Three Months Ended March 31, 2016

Date

The effective date of this MD&A is May 30, 2016.

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Capstream Ventures Inc. ("Capstream" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 Continuous Disclosure Obligations.

This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015, as well as the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at this date, unless otherwise indicated.

As of January 1, 2010, the Company adopted International Financial Reporting Standards ("IFRS"). The condensed consolidated unaudited interim financial statements for the three months ended March 31, 2016, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), and using accounting policies consistent with IFRS. Readers of this MD&A should refer to "Change in Accounting Policies" below for a discussion of IFRS and its effect on the Company's financial presentation.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors.

Additional information about Capstream is available at www.Sedar.com.

Nature of Business and Overall Performance

The Company was incorporated on June 21, 2011, under the laws of British Columbia as a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange ("TSX-V"or the "Exchange"). On December 2, 2011, the shares of the Company commenced trading under the symbol "CSP".

The Company's principal business activity as a CPC was to identify and evaluate business opportunities with the objective of completing a qualifying transaction ("Qualifying Transaction" or "QT") under TSX-V rules. Under these rules, a Qualifying Transaction must be entered into within 24 months of listing and must be accepted by the TSX-V, being March 2, 2014. As the Company did not complete the QT in the allotted time frame, it received shareholder approval at the annual general meeting on March 14, 2014 to transfer to the NEX board. NEX is a separate board of the TSX.V for companies previously listed on the TSX.V or the Toronto Stock Exchange which have failed to maintain compliance with ongoing financial listing standards of those markets. NEX has been designed to provide a forum for the trading of publically listed shell companies while they seek and undertake transactions in furtherance of their reactivation as Companies which will carry on an active business.

Subsequent Events

Subsequent to March 31, 2016, pursuant to the completion and regulatory approval of a Filing Statement in connection with a Qualifying Transaction under the TSX Venture Exchange Policy for Capital Pool Companies, the Company became an Investment Company in accordance with the rules of the Exchange.

By way of completing its QT, the Company executed acquisition agreements with two companies: Axion Games Ltd. ("Axion"), a private company based in Shanghai, China that is an online video games development and publishing company and Innovega, Inc. ("Innovega"), a private company having operations in Bellevue, Washington and San Diego, California that is developing proprietary intellectual property ("IP") based on eyewear and contact lenses that enhance human vision allowing the wearer to access digital media while remaining engaged in daily activities.

Axion Games Ltd.

The Company and certain Axion shareholders entered into a Share Exchange Agreement ("SEA") whereby the Company acquired an ownership interest of 29.29% of the outstanding common shares of Axion in exchange for 117,168,692 common shares of the Company.

The Company also issued an additional 33,000,000 common shares ("Performance Escrow Shares") to certain Axion Games Ltd. shareholders to be held in escrow. The Performance Escrow Shares will be released subject to the following financial performance targets being attained by Axion:

- Generating earnings before interest, taxes, depreciation and amortization ("EBITDA") of US$ 6,000,000 in any fiscal year ending December 31, 2016, 2017 or 2018

- Generating game pre-sales revenue in excess of US$ 10,000,000 in any fiscal year ended December 31, 2016, 2017 or 2018.

The Company also issued 1,000,000 share purchase warrants ("finders' warrants") with an exercise price of $0.25 as a finders' fee for the investment in Axion. Each finders' warrant is exercisable into one common share of Capstream and will expire two years from the date of issuance.

Innovega Inc.

The Company advanced US$350,000 to Innovega in exchange for a Convertible Note ("the Note"). The Note has a term of one year and bears interest at 8% per annum. The Note and the accrued interest thereon will be convertible into shares of Innovega at a price equal to a 15% discount of an eligible future financing event up to a maximum of US$16,500,000. As part of the consideration for the Note, $75,000 of the $350,000 advanced was applied from the Loan made to Innovega as per Note 5 to the financial statements. Therefore the Loan to Innovega has been extinguished with the Company's purchase of the Note.

Equity Financing

In addition to the investments made in Axion and Innovega, the Company completed a concurrent financing ("the Concurrent Financing") which raised $1,150,000 through the issuance of 5,750,000 common shares of the Company at a price of $0.20 per share. $500,000 of the Concurrent Financing was completed by an Agent for which the Agent received a commission of 6% of the gross proceeds raised by the Agent and 2% of the remaining proceeds which totaled $43,000. The Agent also received 150,000 share purchase warrants exercisable at $0.20 for a period of 12 months following the closing of financing. In addition, the Agent received a corporate finance fee of $35,000. The Company also paid $10,000 (4%) in finder's fees on a portion of the $650,000 not raised by the Agent.

Trading in the common shares of the Company on the TSX-V as a Tier 2 Investment Issuer resumed on May 18, 2016 under the trading symbol "CSP".

Stock Option Grants

In connection with the Qualifying Transaction, Capstream granted an aggregate of 700,000 stock options to its directors, officers, employees and consultants with each stock option entitling the optionee to purchase one Capstream common share at a price of $0.25 per share for a period of five years.

Acquisition of Additional Interest in Axion Games Ltd.

Subsequent to the completion of the QT, the Company entered into an agreement to acquire an additional beneficial interest in Axion of approximately 5% by acquiring an additional 85,655 shares of AEIH from an arm's length shareholder of AEIH. Completion of the proposed acquisition will be subject to all required approvals, consents, authorizations and waivers being obtained, including the acceptance by the Exchange. The Company intends on issuing Capstream common shares in exchange for the foregoing interest in Axion at a deemed price of $0.40 per share and providing final terms of the acquisition in due course.

Upon closing the proposed acquisition, the Company will hold the following interests:

- 238,788 shares (or an approximate 58.6% interest in AEIH) of the total 407,600 issued and outstanding shares of AEIH which owns 39,917,691 Axion shares;

- 26,866 shares (or an approximate 53.7% interest in AEH) of the total 50,000 issued and outstanding shares of AEH, which owns 55,000,000 Axion shares (5,000,000 of which are held in trust for other holders and are excluded for interest calculation purposes); and

- 6,625,730 Axion shares directly.

As a result of the foregoing, Capstream will have a beneficial interest in 56,874,513 (or a 34.4% interest) of the total 165,553,290 issued and outstanding Axion shares.

Directors and Officers

In connection with the Qualifying Transaction, certain directors and officers of the Company resigned and were appointed, such that the directors and officers of the Company as of the date of this report are as follows:

Name	**Position**
John Todd Bonner	CEO and Director (Chairman of the Board)
Jonathan Younie	CFO
Erin Walmesley	Corporate Secretary
Paul Larkin	Director
Ravinder (Rob) Kang	Director
Stephen Willey	Director

Selected Financial Information

Quarterly Results

The following are the results for the eight most recent quarters:

For the Quarters ended:	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
	$	$	$	$
Total revenues	-	-	-	-
Comprehensive loss for the period	(71,950)	(71,166)	(33,138)	(16,935)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.00)

For the Quarters ended:	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
	$	$	$	$
Total Revenues	-	-	-	-
Comprehensive Loss for the period	(14,604)	(6,396)	(5,768)	(13,581)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

Results of Operations for the Three Months Ended March 31, 2016

During the three months ended March 31, 2016, the Company continued working towards completing its qualifying transaction. The net loss was $71,950 compared to $14,604 during the three months ended March 31, 2015, an increase of $57,346. The significant expenses for the period include the following:

- Accounting and legal fees were $44,672 (2015 - $9,170) in the current period which were comprised of $20,210 in accounting fees and $24,462 in legal costs, both associated with the QT;

- Consulting and administration fees increased to $12,300 (2015 – $nil) comprised mainly of fees related to the QT ;

- Filing and transfer agent fees of $12,693 (2015 - $2,393) for standard regulatory fees as well as additional Exchange fees related to the new directors who were appointed upon closing of the QT;

- Interest earned of $1,141 (2015 - $Nil) on the promissory note receivable from Innovega.

Liquidity and Capital Resources

As of March 31, 2016, the Company had $74,274 (December 31, 2015 - $222,880) in cash, $9,824 (December 31, 2015 - $5,392) in GST receivable, and $1,250 (December 31, 2015 - $21,250) in prepaid expenses. The Company's accounts payable and accrued liabilities were $43,479 (December 31, 2015 - $32,473).

As of March 31, 2016, the Company had working capital of $145,099 (December 31, 2015 - $217,049). The Company has no assets other than cash deposits, GST receivable, and prepaid expenses, and has not pledged any of its assets as security for loans or otherwise and is not subject to any debt covenants. Management believes that the Company has sufficient working capital to meet its current financial obligations.

Capital Resources

Upon the identification of a potential business or asset acquisition with a view to completing a Qualifying Transaction, the Company may, in order to finance the Company's future development and expansion, seek to raise additional funds until such time as cash flow from its potential acquisition is sufficient to fund internal growth. The timing and ability of the Company to fulfill this objective will depend on the liquidity of the financial markets as well as the willingness of investors to finance such a business. Such future financing may be completed by the issuance of the Company's securities.

Risks Related to Our Business

Investment in the Company is highly speculative due to the proposed nature of the Company's business and its present stage of development. The Company was only recently incorporated and has no active business or assets other than cash. The Company does not have a history of earnings, nor has it paid any dividends and may not generate earnings or pay dividends.

Investors must be prepared to rely entirely on the directors and management of the Company and can afford to risk the loss of their entire investment.

The directors and officers of the Company will devote only part of their time and attention to the affairs of the Company and there are potential conflicts of interest to which some of the directors and officers of the Company will be subject in connection with the operations of the Company.

There can be no assurance that an active and liquid market for the Company's Common Shares will develop and an investor may find it difficult to resell the Common Shares. Until completion of a Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.

The Qualifying Transaction may involve the acquisition of a business or assets located outside of Canada. It may therefore be difficult or impossible to effect service of notice to commence legal proceedings upon any directors, officers and experts outside of Canada and it may not be possible to enforce against such persons or companies judgments obtained in Canadian courts predicated upon the civil liability provisions applicable to securities laws in Canada.

Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously 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. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements were limited to the inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income.

New accounting pronouncements

Effective January 1, 2015, the Company adopted the following new and revised IFRSs that were issued by the IASB.

- Amended standard IAS 24 Related Party Disclosures

  The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- Amended standard IAS 32 Financial Instruments

  The amendments to IAS 32 clarify the requirements for offsetting financial assets and liabilities, the right of offset must be available on the current date and cannot be contingent on a future date. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

The following new standards, amendments and interpretations, which have not been early adopted in these annual financial statements, will or may have an effect on the Company's future results and financial position:

- IFRS 9 Financial Instruments

  IFRS 9, Financial Instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is effective January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

- IAS 1 Presentation of Financial Statements

  The amendments to IAS 1 are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments is January 1, 2016. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

- IFRS 15 Revenue from Contracts with Customers

  IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

- IFRS 16 Leases

  IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company is in the process of evaluating the impact of the new standard.

Financial Risk Management

(a) Overview

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(b) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits its exposure to credit risk on liquid financial assets through investing its cash with high-credit quality financial institutions.

The carrying value of the Company’s cash represents the maximum exposure to credit risk. The Company held cash totalling $74,274 at March 31, 2016 (December 31, 2015 - $222,880).

(c) Interest Rate Risk

The Company is subject to interest rate risk with respect to its investments in cash. The Company’s current policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash mature impact interest income earned.

(d) Liquidity Risk

The Company is subject to liquidity risk with respect to its financial obligations. Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company has not generated any revenue since inception. As at March 31, 2016, the Company has incurred losses since inception and has working capital of $145,099.

(e) Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors.

There were no changes in the Company's approach to capital management during the period.

(f) Fair Value

The fair value of the Company’s financial assets and liabilities approximate their carrying value due to their short term nature.

Related Party Transactions

Management did not receive any compensation during the three months ended March 31, 2016 (March 31, 2015 - $nil). A private company controlled by the President & CEO of the Company was reimbursed $3,000 (2015 - $nil) for office rent expense and charged $1,500 (2015 - $nil) for consulting and administration fees for the preparation of the quarterly financial filings, the AGM material and filings related to the QT. A private company controlled by the Corporate Secretary of the Company charged $4,800 for fees related to the QT. A director was reimbursed $Nil (March 31, 2015 - $3,000) for rent expense for the Company's previous office location.

Significant Accounting Policies

All significant accounting policies are fully disclosed in Notes 3 and 4 of the annual audited financial statements for the year ended December 31, 2015.

Summary of Share Data – as at May 30, 2016

The Company has an authorized share capital of an unlimited number of common shares without par value. The following table describes the issued and outstanding share capital of the Company:

Common shares	162,998,492
Warrants	1,000,000
Agent's Warrants	150,000
Stock Options	700,000
Fully Diluted Shares	164,848,492

CPC Escrow shares:

As at March 31, 2016, 1,415,000 (December 31, 2015 – 1,415,000) common shares were subject to an escrow agreement to be released in accordance with the CPC policy guidelines. Under the escrow agreement, 10% of the shares were released on May 17, 2016 upon the issuance of the Final TSX-V Bulletin (the TSX-V's acceptance of the Qualifying Transaction) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

Value Escrow Shares

Upon closing of the QT, 41,634,797 common shares were issued subject to a Value Security Escrow Agreement. Under this agreement, 10% of the shares will be released from escrow pro rata as to 10% on the date of the Final Exchange Bulletin, and an additional 15% every six months thereafter (expiring 36 months following the Final Exchange Bulletin). Any release, other than in accordance with the above dates, shall only be made with the prior consent of the applicable securities regulatory authorities.

Surplus Escrow Shares

Upon closing of the QT, 53,684,753 common shares were issued subject to a Surplus Security Escrow Agreement. Under this agreement, the common shares will be released as follows: 5% immediately following the issuance of the Final Exchange Bulletin; 5% would be released 6 months thereafter; 10% would be released 12 and 18 months thereafter; 15% will be released 24 and 30 months thereafter and 40% will be released 36 months thereafter. Should the Resulting Issuer be accepted by the Exchange as a Tier 1 Issuer, the Surplus Escrow Shares will be released on the following accelerated schedule: 10% of the Surplus Escrow Shares would be released upon the date of issuance of the Final Exchange Bulletin; 20% would be released 6 months thereafter; 30% would be released 12 months thereafter and 40% would be released 18 months thereafter.

Axion Performance Escrow Shares

Upon closing of the QT, 33,000,000 common shares were issued subject to the Axion Performance Share Escrow Agreement and will be released from escrow following specific Financial Performance Targets being attained by Axion within the next three years. The Financial Performance Targets are as follows:

1. Axion generating EBITDA (earnings before interest, taxes, depreciation and amortization) in excess of US$6,000,000 in any audited fiscal year ending December 31, 2016, 2017 or 2018; or
2. Axion generating game pre-sales in excess of US$10,000,000 in any audited fiscal year ending December 31, 2016, 2017 or 2018.

In the event the Financial Performance Targets are not met by Axion by December 31, 2018, the Axion Performance Escrow Shares shall be cancelled and returned to the treasury of the Resulting Issuer.

Off-Balance Sheet Arrangements

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

Additional Information

Additional information about the Company can be found on www.sedar.com.

Approval

The Board of Directors of Capstream Ventures Inc. has approved the disclosure contained in this MD&A.

Forward Looking Statements

Certain statements contained in this report constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on Capstream's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. In particular, this report contains forward-looking information relating to: (i) the Company's intention to complete the proposed acquisition of an additional interest in Axion; (ii) the Company's intention to issue common shares in exchange for the acquired AEIH shares and to provide updates of the terms of the acquisition; and (iii) the updated shareholdings of Axion and the related holding companies. Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to Capstream. Risk factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information include, among other things: conditions imposed by the Exchange, the failure to obtain Exchange approval; general economic and business conditions; and changes in regulatory regime. Capstream cautions the reader that the above list of risk factors is not exhaustive. The forward-looking information contained in this report is made as of the date hereof and Capstream is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information contained herein. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities in the United States.