

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**Three Months Ended March 31, 2016 and 2015**

*(Unaudited - Expressed in Canadian Dollars)*

## **NOTICE TO READER**

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

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Vancouver, Canada

May 30, 2016

**CAPSTREAM VENTURES INC.**  
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION  
AS AT MARCH 31, 2016 and DECEMBER 31, 2015  
*(Expressed in Canadian Dollars)*

	<b>As at March 31,</b>	<b>As at December 31,</b>
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 74,274	\$ 222,880
Amounts receivable	9,824	5,392
Promissory note	103,230	-
Prepaid expenses	1,250	21,250
<b>TOTAL ASSETS</b>	<b>\$ 188,578</b>	<b>\$ 249,522</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 43,479	\$ 32,473
<b>TOTAL LIABILITIES</b>	<b>43,479</b>	<b>32,473</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	636,574	636,574
Contributed surplus	73,912	73,912
Accumulated deficit	(565,387)	(493,437)
<b>TOTAL EQUITY</b>	<b>145,099</b>	<b>217,049</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES and EQUITY</b>	<b>\$ 188,578</b>	<b>\$ 249,522</b>

Nature of Operations – Note 1  
Going Concern of Operations – Note 2

**On behalf of the Board:**

\_\_\_\_\_  
*“Todd Bonner”*  
Director

\_\_\_\_\_  
*“Paul Larkin”*  
Director

The accompanying notes are an integral part of these financial statements.

**CAPSTREAM VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015**  
*(Expressed in Canadian Dollars)*

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>EXPENSES</b>		
Accounting and legal	44,672	9,170
Consulting and administration (Note 7)	12,300	-
Filing and transfer agent fees	12,693	2,393
Office and rent expense (Note 7)	3,426	3,041
<b>Total Expenses</b>	<b>73,091</b>	<b>14,604</b>
<b>Other items</b>		
Interest earned	(1,141)	-
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ 71,950</b>	<b>\$ 14,604</b>
<b>Basic And Diluted Loss Per Share</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>Weighted Average Number Of Shares Outstanding, Basic and Diluted</b>	<b>7,079,800</b>	<b>7,079,800</b>

The accompanying notes are an integral part of these financial statements.

**CAPSTREAM VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015**  
*(Expressed in Canadian Dollars)*

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (71,950)	\$ (14,604)
<b>Changes in non-cash working capital items:</b>		
(Increase) decrease in amounts receivable	(4,432)	2,195
Decrease in prepaids	20,000	-
Increase in accounts payable and accrued liabilities	11,006	7,348
Cash used in operating activities	(45,376)	(5,061)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Promissory note receivable	(103,230)	-
Cash used by investing activities	(103,230)	-
<b>Decrease in cash during the period</b>	<b>(148,606)</b>	<b>(5,061)</b>
<b>Cash, beginning of the period</b>	<b>222,880</b>	<b>354,246</b>
<b>Cash, end of the period</b>	<b>\$ 74,274</b>	<b>\$ 349,185</b>

The accompanying notes are an integral part of these financial statements.

**CAPSTREAM VENTURES INC.**  
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015  
*(Expressed in Canadian Dollars)*

	Common shares		Contributed Surplus	Deficit	Total
	Number of Shares	Share Capital			
<b>Balance, December 31, 2014</b>	<b>7,079,800</b>	<b>\$ 636,574</b>	<b>\$ 73,912</b>	<b>\$ (357,594)</b>	<b>\$ 352,892</b>
Net and comprehensive loss for the period	-	-	-	(14,604)	(14,604)
<b>Balance, March 31, 2015</b>	<b>7,079,800</b>	<b>636,574</b>	<b>73,912</b>	<b>(372,198)</b>	<b>338,288</b>
Net and comprehensive loss for the period	-	-	-	(121,239)	(121,239)
<b>Balance, December 31, 2015</b>	<b>7,079,800</b>	<b>636,574</b>	<b>73,912</b>	<b>(493,437)</b>	<b>217,049</b>
Net and comprehensive loss for the period	-	-	-	(71,950)	(71,950)
<b>Balance, March 31, 2016</b>	<b>7,079,800</b>	<b>\$ 636,574</b>	<b>\$ 73,912</b>	<b>\$ (565,387)</b>	<b>\$ 145,099</b>

The accompanying notes are an integral part of these financial statements.

**CAPSTREAM VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

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**1. NATURE OF OPERATIONS**

Capstream Ventures Inc. ("Capstream" or the "Company") was incorporated under the British Columbia Business Corporations Act on June 21, 2011, and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange ("TSX-V"). On December 2, 2011, the shares of the Company commenced trading under the symbol "CSP". The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Company has not commenced commercial operations and has no assets other than cash. Given the nature of the activities, no separate segmented information is reported. On March 24, 2014, the Company moved from the TSX-V to the NEX board trading under the symbol "CSP.H". See Subsequent Event Note 9 for more information.

The address of the Company's corporate office and principal place of business is 530 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6.

**2. BASIS OF PREPARATION**

**Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34").

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Notes 3 and 4 of the financial statements for the year ended December 31, 2015. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015.

**Basis of Presentation**

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The presentation and functional currency of the Company is the Canadian dollar.

**Going Concern of Operations**

These financial statements were prepared on a going concern basis, under the historical cost convention. The Company's ability to continue as a going concern is dependent upon its ability to continue raising equity financing. The acquisition or participation in a QT may be subject to shareholder approval. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As of March 31, 2016, the Company has accumulated losses of \$565,387 since inception, has no source of operating revenues and expects to incur further losses in the development of its business, all of which indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

**CAPSTREAM VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
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**2. BASIS OF PREPARATION (cont'd)**

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds or \$210,000, whichever is less, may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a QT by the Company as defined under the policies of TSX Venture. The Company was required to complete its QT on or before two years from the date the Company received regulatory approval, being March 2, 2014. As the Company did not complete its QT in the allotted time, it received shareholder approval at the annual general meeting to move to the NEX.

**Approval of the financial statements**

The financial statements of Capstream Ventures Inc. for the three months ended March 31, 2016 were approved and authorized for issue by the Board of Directors on May 30, 2016.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Financial Instruments**

Financial Assets

All financial assets are recognized or derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets held include cash, which is classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**CAPSTREAM VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Financial Liabilities

Financial liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Financial liabilities include accounts payable and accrued liabilities.

**Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

**Income Taxes**

Any income tax on profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is recognized in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**Loss per Share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

**CAPSTREAM VENTURES INC.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Segment Reporting**

The Company operates in a single reportable operating segment as a junior capital pool company.

**Share-based Payment Transactions**

The stock option plan allows Company directors, officers and technical consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and the share based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

**Nature and purpose of reserves**

Contributed surplus

Contributed surplus is used to record the fair value of items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital and warrants issued with respect to financings and not classified as liabilities until such time as the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Deficit

Deficit is used to record the Company's change in deficit from earnings and losses from period to period and transactions with related parties.

#### **4. NEW ACCOUNTING STANDARDS AND RECENT 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.

**CAPSTREAM VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
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**4. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS (cont'd)**

▪ **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.

**5. PROMISSORY NOTE**

On February 26, 2016, in accordance with Section 8.5 of TSXV Policy 2.4 and with the approval of the TSXV, Capstream entered into an agreement with Innovega whereby Capstream made a bridge loan of US\$75,000 to Innovega (the “Loan”). The Loan is evidenced by a promissory note and bears interest at the rate of 12% per annum. Innovega will use the proceeds of the Loan to pay for general and administrative costs and expenses associated with the development of its business. If the investment is not completed between Innovega and the Company, the Loan will become payable in full on demand with a 120 day repayment period. See note 9, Subsequent Events

**6. SHARE CAPITAL**

**Authorized Share Capital**

At March 31, 2016, the authorized share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

**Issued Share Capital**

During the three months ended March 31, 2016 and the year ended December 31, 2015, no share capital was issued.

**Escrow Shares**

As at March 31, 2016, 1,415,000 common shares (December 31, 2015 – 1,415,000) are subject to an escrow agreement to be released in accordance with the CPC policy guidelines. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin (the Exchange’s acceptance of the QT) 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.

**CAPSTREAM VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
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**6. SHARE CAPITAL (cont'd)**

**Stock Option Plan**

The Company has established a stock option plan for its directors, officers and technical consultants under which the Company may grant options from time to time to acquire a maximum number of common shares up to 420,000 Common Shares, being 10% of the anticipated Common Shares, issued and outstanding upon completion of the Company's initial anticipated public offering. The exercise price of each option granted under the plan shall be determined by the Board of Directors, provided that such price shall not be lower than the Initial Public Offering ("IPO") share price. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a QT will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted. The stock option plan is subject to regulatory approval.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number	Weighted Average Exercise Price
Balance, at December 31, 2014	105,000	\$ 0.10
Cancelled	(105,000)	0.10
<b>Balance, at March 31, 2016 and December 31, 2015</b>	<b>-</b>	

**7. 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).

**CAPSTREAM VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

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**7. FINANCIAL RISK MANAGEMENT (cont'd)**

(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 matures impact interest income earned. The Company currently has no interest bearing financial instruments.

(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.

The Company is not subject to any externally imposed capital requirements other than as discussed above.

(f) Fair Value

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

**8. RELATED PARTY TRANSACTIONS**

The Company incurred the following transactions with officers, directors and companies controlled by directors of the Company:

	Three Months Ended March 31	
	2016	2015
Consulting fees	4,800	-
Administration	1,500	-
Rent	3,000	3,000
	<u>9,300</u>	<u>3,000</u>

**CAPSTREAM VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**9. SUBSEQUENT EVENTS**

Subsequent to March 31, 2016, pursuant to the completion and regulatory approval of a Filing Statement in connection with a Qualifying Transaction (QT) under the TSX Venture Exchange (“the 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.

**CAPSTREAM VENTURES INC.**  
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**9. SUBSEQUENT EVENTS**

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.

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.