CAPSTREAM VENTURES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Three and Six Months Ended June 30, 2016

DATE

The effective date of this MD&A is August 29, 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 and six months ended June 30, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 Continuous Disclosure Obligations.

This MD&A should be read in conjunction with the condensed interim financial statements for the three and six months ended June 30, 2016 and related notes thereto which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") of International Financial Reporting Standards ("GAAP" or "IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars, unless otherwise noted. References to the US$ are to United States dollars. 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.

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.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk and Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

NATURE OF BUSINESS AND CORPORATE DEVELOPMENTS

The Company was incorporated under the British Columbia Business Corporations Act on June 21, 2011, and was classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange ("TSXV"). On December 2, 2011, the shares of the Company commenced trading under the symbol "CSP". The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). On March 24, 2014, the Company moved from the TSXV to the NEX board trading under the symbol "CSP.H".

In May 2016, pursuant to the completion and regulatory approval of a Filing Statement in connection with a QT under the TSXV Policy for a CPC, the Company became an Investment Company in accordance with the rules of the Exchange. On May 18, 2016, upon completion of the QT, trading resumed in the common shares of the Company on the TSXV as a Tier 2 Investment Issuer under the trading symbol "CSP". Capstream is now an investment company focused on investments in the online video gaming and other IT sectors.

During the second quarter of 2016, the period under review, the Company achieved a number of milestones both as a CPC and as a regularly listed TSXV Company. As a CPC, the Company completed its QT, and graduated its transitional CPC status to become a full-fledged TSXV listed Tier 2 investment issuer. In its short existence as an investment company, the Company was able to expand the size of its investments in an area of particular focus, specifically in the online video gaming sector, in a company that management deems undervalued and expects contribution in maximizing future returns for the Company, which in turn should enhance shareholder value.

QT INVESTMENTS

On May 11, 2016, the Company made investments as part of the QT into the following two companies:

(i) Investment in Axion Games

As part of the QT, the Company made investments into Axion Games Limited ("Axion" or "AG"), a Cayman Island private company with primary operations in the online video gaming space in Shanghai, People's Republic of China. Axion focuses on cross platform development of high production value, triple-A quality online video games. Axion's advantage lies in its rare combination of being a low cost provider with extremely high quality production capabilities, traits evidenced by a track record of development contributions to numerous global franchise game titles for the top video gaming companies of the world. Axion has, however, been defocusing from this third party outsourcing development model, and is just now entering the next phase of its business plan from several years of preparation via intensive investments in proprietary games/intellectual properties ("IP") and related supporting technologies. The portfolio of IPs that has been created should provide Axion with a strong foray into a potentially much larger and more lucrative publishing and licensing business going forth. In fact, one of the main IP that has been developed, "Rising Fire", a massively multiplayer online, third person shooting, role playing game, has been selected by Tencent Holdings Limited ("Tencent") for co-development and publishing on the PC platform for the Chinese market. In the recent Chinajoy game show, Rising Fire was on prominent display at Tencent's booth, and is currently undergoing closed beta testing with the publisher. China is the largest market globally for PC online video games, in addition to its overall video gaming market which is expected to surpass that of the U.S. in 2016.

The Investment in Axion occurred through a share exchange with certain Axion shareholders (the "Axion Shareholders") whereby the Company acquired a beneficial interest of 29.29% of the outstanding 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 to the Axion Shareholders in the form of Performance Escrow Shares, to be held in escrow until certain financial performance targets are attained by Axion, such as realizing an earnings before interest, taxes, depreciation and amortization ("EBITDA") of US$6,000,000 or attaining game pre-sales revenue in excess of US$10,000,000 in any calendar year by December 31 2018. The Company also issued 1,000,000 share purchase warrants at an exercise price of $0.25 per share as a finder's fee for the investment, which expire on May 11, 2018.

(ii) Investment in Innovega

In addition, the Company made a second investment associated with the QT in Innovega Inc. ("Innovega"), a private Delaware company with offices in Bellevue, Washington, and San Diego, California, that is developing next generation digital eyewear that leverage contact lens and nanotechnology to uniquely deliver rich virtual reality, augmented reality, and mixed reality experiences from stylish glasses. The business model of Innovega is to supply proprietary components and licenses to digital media, consumer electronics, and contact lens OEMs. Innovega has completed clinical / human trials using its advanced lenses and glasses and recently submitted regulatory documents to the U.S. Food and Drug Administration.

The Company invested US$350,000 in Innovega's Convertible Promissory Note (the "Note"), which bears interest at 8% per annum and has a maturity date of October 19, 2016 (the "Maturity Date"). Upon the earlier of the Maturity Date or successful equity financing of US$1,000,000 or more in new preferred shares (the "Qualified Equity Financing" or "QEF"), the principal of the Note and accrued interests thereof will automatically convert into new preferred shares, with the number of preferred shares being issued to be dependent upon whether a QEF takes place or not, as well as its timing. No conversion has taken place to date. The total investment consisted of:

(i) An outstanding bridge loan to Innovega of US$75,000, which was converted into the Note as part of the total on May 11, 2016 with the QT; and

(ii) A payment of US$275,000 to Innovega for the remaining consideration of the Note on May 11, 2016 associated with QT.

CONCURRENT FINANCING WITH THE QT

As part of the QT, the Company also completed a concurrent financing ("the Concurrent Financing") for $1,150,000 from the issuance of 5,750,000 common shares of the Company at a price of $0.20 per share. In addition, 150,000 share purchase warrants were issued to an agent at a price of $0.20 and expire on May 11, 2017.

CHANGE IN DIRECTORS AND OFFICERS

In connection with the QT and the Annual General Meeting held on July 22, 2016, 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)
Shogo Suzuki	CFO
Erin Walmesley	Corporate Secretary
Grant Kim	Director
Ravinder (Rob) Kang	Director
Stephen Willey	Director

The new and continuing directors and management of the Company have a broad range of business experience, including those in the relevant sectors of the Company's potential areas of investments. They bring with them their acumen and own networks of business partners, financiers, venture capitalists, and finders to assist in uncovering appropriate investments for the Company. With respect to the Company's current investments, the CEO, John Todd Bonner, is the founder and current board member of Axion, and the Company's Director, Stephen Willey, is the founder and current CEO of Innovega. Both individuals are expected to serve a key role in helping to guide the Company's investments in the respective investees, which should result in superior returns to the Company.

ACQUISITION OF ADDITIONAL INTERESTS IN AXION GAMES SUBSEQUENT TO JUNE 30, 2016

Between May 26 and August 4, 2016, the Company was presented with opportunities to make further investments into Axion, and consequently announced entering into 8 separate agreements to acquire additional direct and beneficial interests in the existing investee. All of the share acquisition announced received Exchange approval and were completed on August 23, 2016 through share exchanges of Axion's shares and Axion Entertainment International Holdings Limited’s (“AEIH”) shares for newly issued shares of the Company. Capstream issued common shares in exchange for the interests in Axion which were issued at a price of $0.40 per share. The number of shares exchanged for each of the transactions and the total of the transactions are shown below. All transactions were consummated with arm's length individuals and entities.

Date of Exchange	Shares of Entity Exchanged	Number of Shares Exchanged	New Capstream Shares Issued
May 26 2016	AEIH	85,655	10,133,189
June 10 2016	AG	1,119,554	1,352,500
June 10 2016	AG	2,468,750	2,982,423
July 6 2016	AG	12,445,163	15,034,631
July 6 2016	AG	622,250	751,722
August 4 2016	AEIH	7,030	831,723
August 4 2016	AEIH	2,340	276,847
August 4 2016	AEIH	18,750	2,218,323
Total		**113,745 AEIH Shares 16,655,717 AG Shares**	**33,581,358**

The Company issued a total of 33,581,358 common shares, which represent 15.5% of outstanding common shares on an undiluted basis and 15.3% on a fully diluted basis as at August 29, 2016. The Company's shares outstanding after giving effect to the QT were 162,998,492 and after giving effect to the additional share exchanges the shares outstanding were 196,579,850 on an undiluted basis and 198,929,850 on a fully diluted basis.

The balance of direct and beneficial interests in Axion increased from 48,488,579 to 76,286,679 shares, or 29.29% to 46.08% of the 165,553,290 issued and outstanding shares of Axion and its holding companies Axion Entertainment Holdings Limited (“AEH”) and AEIH.

Company	Shares Held Post QT	Share Exchanges	Shared Held Post Share Exchange	% of Company	Direct / Beneficial Interest in AG	Direct / Beneficial % Interest in AG
AG	6,625,730	16,655,717	23,281,447	14.1%	23,281,447	14.1%
AEH	26,866	–	26,866	53.7%	26,866,000	16.2%
AEIH	153,133	113,775	266,908	65.5%	26,139,232	15.8%
Total					**76,286,679**	**46.1%**

NEW COMMON SHARE ISSUANCE THROUGH BROKERED AND NON-BROKERED PRIVATE PLACEMENT

On August 29, 2016, the Company announced that it raised gross proceeds of $10,121,300 of new capital through a $4,121,300 brokered and $6,000,000 non-brokered private placement of 20,242,600 common shares at a price of $0.50 per share. This represents 9.3% of outstanding common shares on an undiluted basis and 9.2% on a fully diluted basis as at August 29, 2016. Commissions of 6% totaling $247,278 were paid to PI Financial Corp. acting as the agent on the brokered portion of the private placement. No commission was paid on the non-brokered portion. The common shares issued are subject to a mandatory four (4) month hold period that expires on December 30, 2016. The capital raised will be used for general corporate purposes of the Company and to pursue additional investments in accordance with the Investment Policy with the aim of maximizing the returns for the Company over the long term. The Directors and management of the Company, with the support of its shareholders, aim to maintain the momentum that has been built over this short but defining period of the Company to establish a strong foundation and foothold from which the Company aims to enhance long term shareholder value.

SELECTED FINANCIAL INFORMATION

Quarterly Results

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

For the Quarters Ended:	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
	$	$	$	$
Total Assets	31,220,561	188,578	249,522	300,762
Comprehensive and net loss	(445,839)	(71,950)	(71,166)	(33,138)
Loss per Share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)

For the Quarters Ended:	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
	$	$	$	$
Total Assets	327,784	351,163	358,419	369,515
Comprehensive and net loss	(16,935)	(14,604)	(6,396)	(5,768)
Loss per Share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

Total Assets

The total assets have primarily been made up of cash for all quarters except for the three months ended June 30, 2016, which included the Company's investment in its associate entity Axion with a carrying value of $30,060,136 of the total assets.

Comprehensive Loss for the Period

The rising trend of the comprehensive loss towards the three months ended June 30, 2016 is the result of the Company undertaking due diligence to evaluate the respective investments of the QT while it was a CPC. The QT was completed on May 11, 2016, and the related QT expenditures, concurrent financing costs, and share-based payment expense from stock options awarded to new directors and management were responsible for the increase in the Comprehensive loss for the three months ended June 30, 2016.

REVIEW OF QUARTERLY FINANCIAL RESULTS

THREE AND SIX MONTHS ENDED JUNE 30, 2016 COMPARED TO THREE AND SIX MONTHS ENDED JUNE 30, 2015

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
EXPENSES				
Accounting and legal	38,348	4,000	83,020	13,170
Consulting and administration	16,943	8,000	29,243	8,000
Filing and transfer agent fees	39,310	1,929	52,003	4,322
Investor relations	740	-	740	-
Management fees	16,250	-	16,250	-
Office and rent expense	3,625	3,006	7,051	6,047
Share-based compensation expense	242,000	-	242,000	-
Share of loss in associate	75,302	-	75,302	-
Travel and business development	38,852	-	38,852	-
Total Expenses	(471,370)	(16,935)	(544,461)	(31,539)
Other items				
Interest earned	6,181	-	7,322	-
Consulting income	19,350	-	19,350	-
Comprehensive and net loss	$ (445,839)	$ (16,935)	$ (517,789)	$ (31,539)

Net loss for the three and six months ended June 30, 2016 increased by $428,904 and $486,250, respectively, compared to net loss of the three and six months ended June 30, 2015. The loss for the six months ended June 30, 2016 was driven by:

(i) The QT fees incurred during the period are included in the following sub captions above and are mainly associated with: (a) $8,000 in consulting fees; (b) $34,683 in filing and transfer agent fees; and (c) $42,935 in legal and audit fees. The total of these fees are lower than that stated in the QT Filing Statement as a result of classifying some of the costs into "Share Issuance Costs" in the Statement of Change in Equity;

(ii) The share-based compensation expense for the three and six months ended June 30, 2016 related to instruments awarded under Capstream's stock option plan primarily to the new directors and management of the Company, which were non-existent in the same periods of the prior year. Share-based compensation is impacted by the number on instruments granted in a period, the fair value of those instruments and the vesting terms;

(iii) The Company's share of loss in associate relates to the proportionate loss of the Axion investment recognized under the equity method, for the period from May 11, 2016 to June 30, 2016 and were non-existent in the same periods in the prior year; which were offset by

(iv) The interest earned on the Company's bridge loans and convertible promissory which were entered into during the three and six months ended June 30, 2016. The Company also received a one-time fee associated with providing certain consulting services in the six months ended June 30, 2016. Both items were non-existent in the same periods in the prior year.

FINANCIAL POSITION AND LIQUIDITY

As of June 30, 2016, the Company had $447,413 (December 31, 2015 - $222,880) in cash, $28,742 (December 31, 2015 - $5,392) in receivables, and $25,095 (December 31, 2015 - $21,250) in prepaid expenses. The Company's accounts payable and accrued liabilities were $134,216 (December 31, 2015 - $32,473). As of June 30, 2016, the Company had working capital of $1,026,209 (December 31, 2015 - $217,049).

Cash flow used in operating activities increased in the six months ended June 30, 2016 by $96,736 compared to the six months ended June 30, 2015 mainly due to an increase in the net loss for the period offset by an increase in accounts payable and accrued liabilities.

Cash used in investing activities increased solely related to the Company's provision of funds under two agreements. On June 27, 2016, the Company entered into an agreement to provide a non-revolving bridge loan (the "Loan") not exceeding US$150,000 to one of Capstream's current associates. The full Loan bears interest at 6% per annum calculated annually and payable on maturity. The Loan matures in one year from the date of original advance, on June 27, 2017, at which time the principal and any accrued interest will be paid. On May 11, 2016, the Company acquired US$350,000 of Innovega's Convertible Promissory Note as explained in the section "QT Investments: (ii) Investment in Innovega" above.

Cash provided by financing activities related to the Concurrent Financing and were offset by share issuance costs incurred.

On August 29, 2016, the Company closed a private placement and raised gross proceeds of $10,121,300 on the issuance of 20,242,600 common shares of Capstream at a price of $0.50 per share. Issue costs are expected to be approximately $286,283.

Based on the transaction above, management believes that the Company has sufficient working capital to meet its current financial obligations and working capital needs.

OFF BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2016, the Company completed the following transactions with related parties:

(i) Paid or accrued management fees of $16,250 (2015 - $Nil) to the Chief Financial Officer of the Company;

(ii) Paid or accrued $4,800 (2015 - $Nil) in consulting fees for work related to the QT to a private company controlled by the Corporate Secretary of the Company;

(iii) Paid or accrued $8,000 (2015 - $Nil) in consulting fees related to the QT to a Director of the Company;

(iv) Paid or accrued $6,000 (2015 - $Nil) for office rent expense and $4,000 (2015 - $nil) for consulting and administration fees for the preparation of the quarterly financial filings, and filings related to the QT to a private company controlled by the former President & CEO of the Company;

(v) Paid or accrued $Nil (2015 - $6,000) for office rent expense to a private company controlled by a former Director of the Company; and

(vi) Accrued $200,357 (2015 - $Nil) for share-based compensation on granting of stock options under the Company's stock option plan to existing Directors and Chief Financial Officer of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

FINANCIAL INSTRUMENTS RISK EXPOSURE

The Company's exposures to financial risks and how the Company manages each of those risks are described in note 6 to the Company's audited financial statements for the year ended December 31, 2015. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. There were no significant changes to those risks or to the Company's management of exposure to those risks during the six months ended June 30, 2016, except as noted below:

(i) Liquidity risk

During the six months ended June 30, 2016, the Company used operating cash flows of $125,939 (six months ended June 30, 2015 – $29,203). At June 30, 2016, Capstream held cash of $447,413 (December 31, 2015 – $222,880) and had working capital of $1,026,209 (December 31, 2015 - $249,522) which the Company defines as current assets less current liabilities.

(ii) Interest rate risk

During the three months ended June 30, 2016, the Company entered into interest bearing financial instruments and is now exposed to interest rate risk from this source in addition to the interest on cash. As these instruments are at fixed rates over the term their exposure to risk is minimal.

SUMMARY OF SHARE DATA – AS AT AUGUST 29, 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 at August 29, 2016:

Common shares, issued and outstanding	216,822,450
Warrants	1,150,000
Stock Options	1,200,000
Fully Diluted Shares	219,172,450

The following shares are subject to escrow agreements and are included in the above table:

	Number of escrow shares
Balance, January 1, 2016	1,415,000
Share released subject to CPC escrow agreement	(141,500)
Share held subject to value escrow agreement	37,471,318
Share held subject to surplus escrow agreement	51,000,515
Share held subject to performance escrow agreement	33,000,000
Balance, June 30, 2016	122,745,333
Shares held subject to pooling agreements	27,719,320
Balance, August 29, 2016	150,464,653

For each of the CPC and Value escrow shares, 10% of the initial balances were released on May 17, 2016, with an additional 15% to 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.

For the Surplus escrow shares 5% of the initial shares were released on May 17, 2016, with an additional 5% to be released 6 months after the initial release followed by 10% released 12 months and 18 months following the initial release and 15% to be released 24 months and 30 months following the initial release. The final 40% will be released 36 months following the initial release.

Subsequent to June 30, 2016, there were escrow shares subject to pooling agreements which were associated with the issuance of Capstream shares related to the additional acquisition of the Axion interest subsequent to June 30, 2016. Pursuant to the escrow agreements, 23,448,169 of shares will be released as to: 25% on the date of issuance, and thereafter 25% on each date that is 6 months, 12 months and 18 months from the date of issuance unless a change of control of Capstream occurs before these dates in which case all shares will be released. The remaining 10,133,189 shares will be released in one tranche on February 10, 2017 subject to the same change in control rules. All shares are subject to a 4-month holding period.

In May 2016 associated with the closing of the QT, the Company also issued an additional 33,000,000 common shares as explained in the section “QT Investments: (i) Investment in Axion Games” above.

OTHER RISKS AND UNCERTAINTIES

As a result of closing the QT and the related transactions the Company's "*Risks Related to our Business*" as presented in the Company's MD&A for the year ended December 31, 2015 have changed. A detailed discussion of the Company's risks associated with its new structure can be found under the title "*Risk Factors"* on pages 20 to 31 of the Qualifying Transaction Filing Statement dated April 25, 2016 and filed on April 27, 2016. References to "Resulting Issuer" refer to Capstream. The risks represent those of the new business subsequent to the closing of the QT. In addition, this Filing Statement includes specific risks associated with the Axion Interest starting on page 24.

Investors should carefully consider when making an investment decision concerning the Company Shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment.

BASIS OF PRESENTATION

The Company's unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") as issued by the IASB. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted. These unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015. The accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2015, except for the following:

Investments in Associates

The Company conducts a portion of its business through equity interests in associates. An associate is an entity over which the Company has significant influence, and is neither a subsidiary nor a joint arrangement. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies. The Company accounts for its investments in associates and using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate reserves, and for impairment losses after the initial recognition date. The total carrying amount of the Company's investments in associates also include any long-term debt interests which in substance form part of the Company's net investment. The Company's share of an associate losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized in net earnings during the period. Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company's investment. The Company's investments in associates are included in on the Condensed Interim Statements of Financial Position.

Unrealized gains and losses between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associates are not eliminated.

Impairment of investments in associates

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings/loss in the period in which the reversal occurs.

Financial Instruments – Classified as at fair value through profit and loss ("FVTPL")

Financial assets and liabilities classified as at FVTPL are measured at fair value with changes in fair values recognized in net earnings. Financial assets and liabilities are classified as at FVTPL when: (i) they are acquired or incurred principally for short-term profit taking and/or meet the definition of a derivative (held-for-trading); or (ii) they meet the criteria for being designated as at FVTPL and have been designated as such on initial recognition. A contract to buy or sell non-financial items that can be settled net in cash, which include non-financial items that are readily convertible to cash, that has not been entered into and held for the purpose of receipt or delivery of non-financial items in accordance with the Company's expected purchase, sale or use meets the definition of a non-financial derivative.

A contract that will or may be settled in the entity's own equity instruments and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as a financial liability as at FVTPL.

New accounting policies

The Company has adopted the amendments to IFRSs included in the Annual Improvements 2012-2014 cycle and a number of narrow scope amendments to certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2016. The amendments did not have an impact on the Company's unaudited condensed interim financial statements.

CRITICAL JUDGEMENTS AND ESTIMATES

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of the condensed financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates 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. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates and the resulting impact on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

In preparing the Company's unaudited condensed interim financial statements for the three and six months ended June 30, 2016, the Company applied the critical judgments and estimates disclosed in note 2 of its audited financial statements for the period ended December 31, 2015 and the following major estimate/judgment in applying accounting policies:

Determination of control

Judgment is required to determi*ne when the Company has control.* This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making, financing of the investee, and the appointment, remuneration and termination of key management personnel; and when the decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors.

ADDITIONAL INFORMATION

Additional information about the Company can be found on www.sedar.com under "Company Profiles – Capstream Ventures Inc.".

APPROVAL

The Board of Directors of Capstream Ventures Inc. has approved the disclosure contained in this MD&A as of August 29, 2016.