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NEWS RELEASE

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CAPSTREAM UPDATES QUALIFYING TRANSACTION

Vancouver, British Columbia - Capstream Ventures Inc. (“**Capstream**” or the “**Company**”) is pleased to provide an update to its news releases dated October 6, 2015 and May 12, 2015 and provide information on recent amendments to its Qualifying Transaction.

Proposed Qualifying Transaction

Capstream confirms that it plans to become an Investment Company under the rules of the TSX Venture Exchange (“**TSXV**”) and acquire two initial investments to meet the Initial Listing requirements as stated in TSXV Policy 2.1. As disclosed in the Company’s news release dated October 6, 2015, Capstream is proposing to make an investment in Innovega Inc. (“**Innovega**”) by way of a convertible promissory note in the amount of US\$350,000 (the “**First Transaction**”). Innovega and its strategic partners are designing natural eyewear-centric platforms based on the patented iOptik™ display system that promise to thrill users and transform how the world uses and shares social media. The accelerating performance of mobile devices together with the availability of HD and 3D content are catalysts for new and compelling social media user experiences.

Capstream has determined that the second investment announced in its news release dated October 6, 2015 will not be completed at this time. Accordingly, the letter of intent entered into between Capstream and Red Anchor Trading Corp. (“**Red Anchor**”), has been suspended pending completion of the Qualifying Transaction.

As the second investment to meet the initial listing requirements, Capstream is pleased to announce that it has now entered into a revised Letter of Intent (“**Axion LOI**”) with certain beneficial shareholders (the “**AG Shareholders**”) of Axion Games Limited (“**AG**”) which outlines the terms and conditions of a proposed transaction pursuant to which Capstream will acquire a minimum beneficial ownership interest of 25.48% of the issued and outstanding shares of AG in exchange for common shares of Capstream (the “**Second Transaction**”). The Second Transaction will be completed through the acquisition by Capstream of 144,839 common shares (34.15% interest) of Axion Entertainment International Holdings Limited (“**AEIH**”) which owns 44,844,290 shares of Axion and 24,424 common shares (48.85% interest) of Axion Entertainment Holdings Ltd (“**AEH**”), which owns 55,000,000 common shares of Axion, giving Capstream a beneficial interest in 42,182,978 shares (25.48% Interest) of Axion’s 165,553,290 issued and outstanding common shares as part of its Qualifying Transaction. The Axion Agreement was negotiated at arm’s length and is effective as of December 22, 2015. (Some decimal point rounding of share numbers occurs)

Subject to TSXV approval, Capstream has negotiated an acquisition valuation of \$20,384,000 for 25.48% of AG. Pursuant to the terms of the Axion LOI, Capstream will acquire 25.48% of AG in consideration of the issuance of 101,920,000 Capstream shares (“Axion Exchange Shares”) (based on a calculation of 1% of AG for 4,000,000 Capstream shares valued at \$0.20 per share). Capstream will also issue 33,000,000 performance escrow shares (the “Escrow Shares”) to be released to the AG Shareholders subject to the following specific financial performance targets (the “**Financial Performance Targets**”) being attained by AG:

1. AG 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. AG generating game pre-sales revenue 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 AG by December 31, 2018, the Escrow Shares shall be cancelled and returned to the treasury of the Company.

Capstream is a Capital Pool Company listed on the NEX board of the TSXV. Capstream has not commenced commercial operations and has no assets other than cash. A finder’s fee is payable on the above Second Transaction subject to TSXV guidelines.

Upon completion of the Qualifying Transaction, Capstream may continue to pursue the acquisition of an investment interest in Red Anchor.

The Investments

Innovega Inc. (First Transaction)

Innovega, with offices in San Diego, California and Bellevue, Washington, is developing proprietary display technology based on eyewear and contact lenses that enhance human vision allowing the wearer to simultaneously access digital media while remaining fully engaged in their normal activities. Specifically, Innovega’s display technology aims to enhance the user’s normal vision to make it possible to view virtual and augmented (“**VR & AR**”) reality images in the same way the user views the real world. The business model is to license patented video eyewear technology and platforms to digital media and consumer product companies, enabling them to deliver high-performance personal displays in a more compact and less invasive manner. The resulting products and platforms will offer unique benefits that include transparent optics, panoramic fields of view, and full HD/3D, VR & AR performances, while enabling stylish and highly functional eyewear designs. Similarly, Innovega will outsource and license the manufacture of iOptik™ contact lenses. Innovega’s business model will offer contact lens manufacturers the opportunity to develop new and larger consumer segments that are not presently served by today’s contact lens industry. Strategic partners / customers will benefit from Innovega’s strong patents and other intellectual property based on Innovega being the first commercial designer of products in this new display category. Other supply-chain opportunities will exist for those companies that wish to participate in the manufacture of Innovega’s personal eyewear platforms.

Axion Games Limited (Second Transaction)

Axion Games, a private Cayman Islands corporation with primary operations in Shanghai, China, is an online video games development and publishing company, uniquely positioned as one of the lowest cost and highest quality independent video game development studios in the world. Due to a high failure rate in video games, Axion specializes in and focuses on building high production value online multiplayer games where Axion can capitalize on its competitive advantages. In making games of higher production

value and complexity, Axion has a distinct advantage versus studios in developed countries with respect to cost, and versus studios in emerging markets with respect to skills. Axion traces its advantages to its joint venture roots with industry renowned, US based, Epic Games International Ltd. (“**Epic**”) that was established in October 2006. Early on, Axion focused on two businesses: (i) licensing and supporting Epic’s Unreal Engine to third party developers in China and select countries in S.E. Asia (discontinued in 2014), which led to a high degree of competency in advanced game engine usage and design; (ii) providing outsourcing development services to Epic, initially on Epic’s hit “Gears of War 2”, followed by other prominent Epic titles, which helped establish Axion as one of the leading video game developers globally. Axion has since worked on numerous other triple A titles of various developers and publishers, allowing it to develop skillsets typically reserved for the top stratum of the industry. While amassing the in-house capabilities, Axion began developing proprietary titles, and in 2009, Axion completed and commercialized its first product, *Fat Princess*, an action strategy game on the PlayStation 3 platform, which was published by Sony Computer Entertainment in North America, Europe, and Japan. *Fat Princess* became a commercial success. Two additional products have since been commercialized, one of which is *Mars*, a PC platform, third person shooting game which Axion self-published in China, currently entering a long-run fifth year of operations. Axion also recently signed its fourth commercial development product with Tencent Holdings Limited¹ for a third person shooting game code named *Mercury* for the PC licensing rights for China. Including *Mercury*, Axion holds a five hundred plus man-years development portfolio of on-going game assets over six game titles which it plans to self-publish or license with strategic partners over the next one to three years. Key strategic areas of business going forward for Axion are: (i) the development of virtual reality games to address maturing gaming audiences’ raising expectations of better game experiences; (ii) increasing the proportion of publishing and licensing business activities vs non-strategic outsourcing development, to grow the business and capture higher margins; and (iii) expanding its development and publishing base to S.E. Asia to address escalating development cost issues driven by continuous computing power upgrades and advances in the speed of Internet connectivity.

Concurrent Financing

As disclosed in the Company’s news release dated October 6, 2015, Capstream has retained Canaccord Genuity, an investment banker, to conduct a concurrent brokered private placement in the amount of \$500,000, as part of a larger private placement of \$1,150,000.

It is proposed the private placement will close concurrently with the completion of the Qualifying Transaction. These funds will be raised by Capstream issuing 5,750,000 shares at a price of \$0.20 per share. Finder’s fees of 6% cash and 6% warrants will be payable to Canaccord Genuity on the brokered portion of the private placement, and a 2% fee will also be payable to Canaccord Genuity on the balance of the concurrent financing, in accordance with the policies of the TSXV. Capstream has also agreed to pay a \$35,000 corporate finance fee to Canaccord Genuity, in support of the Qualifying Transaction and brokered private placement due diligence process.

Sponsorship of a Qualifying Transaction can be required by the TSXV, unless exempted in accordance with TSXV policies, as Canaccord Genuity will be providing a due diligence letter with respect to the brokered financing, sponsorship may be exempted by the TSXV.

¹ Tencent Holdings Limited is a Chinese investment holding company whose subsidiaries provide media, entertainment, internet and mobile phone value-added services, and operate online advertising services in China. Current Market Cap of US \$180 billion. [Wikipedia](#)

Change in Board of Directors

As disclosed in the Company's news release dated October 6, 2015, Capstream intends to appoint Mr. John Todd Bonner, Mr. Steve Willey and Mr. Ravinder (Rob) Kang as Directors of the Company upon completion of the Qualifying Transaction. Current Directors Mr. Robert Thast and Mr. Ken Holmes have agreed to step down from the Board.

On behalf of Capstream Ventures Inc.

Paul Larkin

President and Chief Executive Officer

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Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange Requirements, majority of the minority shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.