

CAPSTREAM VENTURES INC.

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NEWS RELEASE

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CAPSTREAM ANNOUNCES COMPLETION OF QUALIFYING TRANSACTION

Vancouver, British Columbia – Capstream Ventures Inc. (“**Capstream**” or the “**Company**”) is pleased to announce that it has completed its Qualifying Transaction (as defined in Policy 2.4 – Capital Pool Companies of the Corporate Finance Manual (the “**Manual**”) of the TSX Venture Exchange (the “**Exchange**”), as previously described in its press releases dated May 12, 2015, October 6, 2015, December 23, 2015 and May 6, 2016, and more particularly set out in its filing statement dated April 25, 2016 (the “**Filing Statement**”), which is available under the profile of the Company at www.sedar.com. As a result of the completion of the Qualifying Transaction, the Company will cease to be a Capital Pool Company (as defined in the Manual) and following receipt of final Exchange approval, the Company will be listed as a Tier 2 Investment Issuer on the Exchange. The Company expects trading in its common shares to commence on the second business day following receipt by the Company of the final Exchange bulletin in respect of the Qualifying Transaction. The common shares will trade under the symbol “CSP”.

The Company completed the Qualifying Transaction through the acquisition of:

- (i) shares of Axion Games Limited (“**Axion**”) and Axion Entertainment Holdings Ltd. (“**AEH**”) and Axion Entertainment International Holdings Limited (“**AEIH**”), both formed for the sole purpose of holding Axion shares, pursuant to which Capstream acquired an interest of approximately 29.29% of Axion (the “**Axion Investment**”); and
- (ii) an unsecured one year convertible promissory note of Innovega Inc. (“**Innovega**”) in the principal amount of US\$350,000, which bears interest at a rate of 8% and is convertible into shares of Innovega subject to a future eligible financing event and at a predetermined 15% discount to pre money value of such financing event (capped at US\$16.5 million) (the “**Innovega Investment**” and together with the Axion Investment, the “**Transactions**”).

With respect to the Axion Investment, Capstream acquired the ownership interest of approximately 29.29% of Axion through the acquisition by Capstream of: (i) 153,133 shares (or an approximate 37.57% interest in AEIH) of the total 407,600 issued and outstanding shares of AEIH which owns 39,917,691 Axion shares; (ii) 26,866 shares (or an approximate 53.73% 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 (iii) 6,625,730 Axion shares directly, giving Capstream a beneficial interest in 48,489,579 (or an 29.29% interest) of the total 165,553,290 issued and

outstanding Axion shares. In exchange for the foregoing interest in Axion, the Company issued a total of 150,168,692 Capstream common shares (the “**Exchange Shares**”) to the respective selling shareholders.

In addition, in accordance with the policies of the Exchange, the Company issued 1,000,000 non-transferable share purchase warrants (the “**QT Finder Warrants**”), entitling the finder to acquire up to 1,000,000 Capstream common shares at an exercise price of \$0.25 per share exercisable within 24 months of the closing.

Private Placement

Concurrently with closing the Transactions, Capstream completed a private placement financing (the “**Concurrent Financing**”) raising aggregate gross proceeds of \$1,150,000 through the issuance of 5,750,000 Capstream common shares at a price of \$0.20 per share. \$500,000 of the Concurrent Financing was completed by Canaccord Genuity Corp. (“**Canaccord**”) on a commercially reasonable efforts brokered basis. In connection with the Concurrent Financing, Canaccord received a cash commission of 6% of the gross proceeds raised by Canaccord in the brokered portion of the Concurrent Financing and 2% on the balance of the Concurrent Financing. Canaccord was also issued 150,000 non-transferable share purchase warrants (the “**Agent’s Warrants**”), representing 6% of the Capstream common shares sold by Canaccord under the Concurrent Financing. The Agent’s Warrants are exercisable at \$0.20 per Capstream common share for a period of 12 months following the closing. Capstream also paid a corporate finance fee to Canaccord in support of the Qualifying Transaction and the brokered portion of the Concurrent Financing due diligence process. A 4% finder’s fee was also paid on a portion of the non-brokered Concurrent Financing. For the intended use of proceeds of the Concurrent Financing, please see the Filing Statement filed under Capstream’s SEDAR profile at www.sedar.com on April 27, 2016.

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 are now as follows:

<u>Name</u>	<u>Position</u>
Paul Larkin	President, CEO and a Director
Jonathan Younie	CFO
Erin Walmesley	Corporate Secretary
John Todd Bonner	(non-executive) Chairman of the Board
Ravinder (Rob) Kang	Independent Director
Stephen Willey	Independent Director

For further biographical information about the foregoing persons, see the Filing Statement.

Escrow Shares

As disclosed in the Filing Statement, 95,319,550 of the 150,168,692 Exchange Shares have been deposited into an Exchange escrow (either an Exchange surplus escrow agreement or Exchange

value escrow agreement) pursuant to the policies of the Exchange. In addition, 33,000,000 of the 150,168,692 Exchange Shares have been deposited into performance escrow. For further information about the foregoing escrowed Exchange Shares, see the Filing Statement.

Stock Option Grants

In connection with the Qualifying Transaction, Capstream has 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.

Hold Periods

The common shares and the Agent's warrants issued in connection with the Concurrent Financing, the Exchange Shares and the QT Finder's Warrants are all subject to a four month and one day hold period under applicable Canadian securities laws or the policies of the Exchange. None of such securities have been or will be registered under the United States *Securities Act of 1933*, as amended (the "**1933 Act**"), and none of them may be offered or sold in the United States absent registration or pursuant to an applicable exemption from the registration requirements of the 1933 Act and applicable state securities laws.

About the Target Companies

About Axion

Axion, a private Cayman Islands corporation with primary operations in Shanghai, China, is an online video games development and publishing company. 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. that was established in October 2006.

About Innovega

Innovega, a private Delaware corporation 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 reality and augmented reality images in the same way the user views the real world.

On behalf of Capstream Ventures Inc.

Paul Larkin

President and Chief Executive Officer

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Forward Looking Statements

Certain statements contained in this press release 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 release contains forward-looking information relating to the commencement of trading on the Exchange. 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 the required final approval for the Qualifying Transaction; changes in tax laws, general economic and business conditions; and changes in the regulatory regime. Capstream cautions the reader that the above list of risk factors is not exhaustive. The forward-looking information contained in this release 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 press release does not constitute an offer to sell or a solicitation of an offer to buy any securities in the United States.

Investors are cautioned that, except as disclosed in the Filing Statement, any information released or received with respect to the Transactions 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 securities referred to in this news release have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons absent U.S. registration or an applicable exemption from the U.S. registration requirements. This news release does not constitute an offer for sale of securities for sale, nor a solicitation for offers to buy any securities.

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.