



**STRATEGEM**  
**C A P I T A L**

*Strength Through Strategy*

**STRATEGEM CAPITAL CORPORATION**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021**

(Unaudited – Prepared by Management)

Suite 210 - 240 11 Ave. SW, Calgary, Alberta, T2R 0C3

TSX-v: SGE

## **STRATEGEM CAPITAL CORPORATION**

---

### **NOTICE OF NO AUDITOR'S REVIEW OF**

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of Strategem Capital Corporation (the "Company") for the three months ended March 31, 2021 have been prepared by the management of the Company and approved by the Company's Audit & Corporate Governance Committee and the Company's Board of Directors.

Under National Instruments 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 an auditor has not reviewed the financial statements.

The accompanying unaudited 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 standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**STRATEGEM CAPITAL CORPORATION**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 844	\$ 4,773
Investments	<b>6</b>	16,256	4,661
<b>Total current assets</b>		17,100	9,434
<b>TOTAL ASSETS</b>		\$ 17,100	\$ 9,434
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 37	\$ 15
Due to related parties	<b>9</b>	313	70
<b>Total current liabilities</b>		350	85
<b>EQUITY</b>			
Share capital	<b>7</b>	1	1
Retained earnings		16,749	9,348
<b>Total equity</b>		16,750	9,349
<b>TOTAL EQUITY AND LIABILITIES</b>		\$ 17,100	\$ 9,434

These financial statements were authorized for issue by the Board of Directors on May 26, 2021.

They are signed on the Company's behalf by:

(signed) "Hon. Stockwell Day"  
Director

(signed) "Desmond Balakrishnan"  
Director

**STRATEGEM CAPITAL CORPORATION**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)  
(Unaudited)

		<b>Three months ended</b>	
		<b>March 31,</b>	
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Revenues</b>			
Interest, dividends and other income		\$ 28	\$ 19
Gain on sale of investments, net		5	-
Unrealized gain on investments, net		7,715	113
<b>Total revenues</b>		<b>7,748</b>	<b>132</b>
<b>Expenses</b>			
Management fees	<b>9</b>	290	29
Director fees	<b>9</b>	13	11
Legal, accounting and audit	<b>9</b>	17	36
Office and general		4	4
Shareholder information and filing fees		9	10
Commission expense		11	-
<b>Total expenses</b>		<b>344</b>	<b>90</b>
<b>Other items</b>			
Foreign exchange gain (loss)		(3)	66
<b>Total other items</b>		<b>(3)</b>	<b>66</b>
<b>Income before income taxes</b>		<b>7,401</b>	<b>108</b>
<b>Net income and comprehensive income</b>			
<b>for the period</b>		<b>\$ 7,401</b>	<b>\$ 108</b>
Earnings per share - basic and diluted	<b>8</b>	\$ 1.74	\$ 0.02

**STRATEGEM CAPITAL CORPORATION**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)  
(Unaudited)

		Class A	Class A	Class B	Class B		
		Number of	Share	Number of	Share	Retained	Total
		Shares	Capital	Shares	Capital	Earnings	Equity
Issued and outstanding							
<b>Balance as at January 1, 2020</b>	<b>(Audited)</b>	4,321,699	-	220	1	11,222	11,223
Net income for the period		-	-	-	-	108	108
<b>Balance as at March 31, 2020</b>	<b>(Unaudited)</b>	4,321,699	\$ -	220	\$ 1	\$ 11,330	\$ 11,331
Net income for the period						(1,808)	(1,808)
Normal course issuer bid		(76,000)	-	-	-	(174)	(174)
<b>Balance as at December 31, 2020</b>	<b>(Audited)</b>	4,245,699	\$ -	\$ 220	\$ 1	\$ 9,348	\$ 9,349
Net income for the period						7,401	7,401
<b>Balance as at March 31, 2021</b>	<b>(Unaudited)</b>	4,245,699	\$ -	\$ 220	\$ 1	\$ 16,749	\$ 16,750

**STRATEGEM CAPITAL CORPORATION**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)  
(Unaudited)

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flow from operating activities</b>		
Net income	\$ 7,401	\$ 108
Adjustments to reconcile to net cash flows from operating activities:		
Gain on sale of investments, net	(5)	-
Unrealized gain on investments, net	(7,715)	(113)
Foreign exchange loss	(1)	65
	(320)	60
Changes in non-cash working capital items:		
Prepaid expenses and deposits	-	20
Income tax receivable	-	(25)
Accounts payable and accrued liabilities	22	-
Due to related parties	243	4
Income tax payable	-	(475)
	265	(476)
Changes in other items:		
Proceeds from sale of investments	2,802	-
Purchase of investments	(6,675)	-
	(3,873)	-
<b>Net cash used in operating activities</b>	<b>(3,929)</b>	<b>(416)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>(70)</b>
<b>Net change in cash and cash equivalents</b>	<b>(3,929)</b>	<b>(486)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>4,773</b>	<b>9,484</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 844</b>	<b>\$ 8,998</b>
<b>Supplemental cash flow information</b>		
Dividends received	\$ 27	\$ -
Interest received	\$ 1	\$ 14

**STRATEGEM CAPITAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)  
(Unaudited)

---

**1. Nature of operations and continuance of operations**

Strategem Capital Corporation (the “Company” or “Strategem”) is a resource Company listed on the TSX Venture Exchange (the “TSX-V” or the “Exchange”). The Company’s objective since inception in December 1994 is to own and manage operating businesses. The address of the Company’s head office is Suite 210, 240 11 Avenue SW, Calgary, Alberta, T2R0C3. The Company trades under the symbol “SGE” on the TSX Venture Exchange.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the three months ended March 31, 2021, the Company reported net income of \$7,401, (March 31, 2020 - net income of \$108). At March 31, 2021, the Company had cash and cash equivalents of \$844 (December 31, 2020 - \$4.8 million) and working capital of \$16.8 million (December 31, 2020 - \$9.3 million).

**2. Basis of preparation**

These condensed interim financial statements are prepared in accordance with IFRS, including International Accounting Standards (“IAS”) 34 Interim Financial Reporting, as issued by the IASB. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS and include information necessary or useful to understanding the Company’s business and financial statement presentation.

These financial statements have been prepared on a historical cost basis (other than investments using fair value basis). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

**3. Significant accounting policies**

The accounting policies applied in these condensed interim financial statements are consistent with those applied in the preparation of the Company’s annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2020. Areas of judgement that have the most significant effect on the amounts recognized in the interim financial statements are disclosed in Note 2(c) of the Company’s financial statements for the year ended December 31, 2020. There have been no significant changes to the areas of estimation and judgement during the three months ended March 31, 2021.

In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

**STRATEGEM CAPITAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)  
(Unaudited)

---

**4. Management of capital**

The Company manages its common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue suitable equity investments and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company does not have any externally imposed capital requirements.

**5. Financial risk factors**

In the normal course of business, the Company's activities expose it to a variety of financial risks that may affect its operating performance. These risks are credit risk and market risk (including interest rate risk, currency risk and other price risk). The level of risk to which the Company is exposed depends on the type of investments the Company holds. The value of investments can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company specific news.

These condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These statements should be read in conjunction with the annual financial statements as at December 31, 2020. There have been no changes in the risk management or any risk management policies since year end.

**6. Investments**

The Company held the following investments as at March 31, 2021:

	<b>Quantity</b>	<b>Cost</b>	<b>Fair Market Value</b>
Public company securities	700,000	\$ 8,600	\$ 16,256
<b>Total Investments</b>		<b>\$ 8,600</b>	<b>\$ 16,256</b>

The Company held the following investments as at December 31, 2020:

	<b>Quantity</b>	<b>Cost</b>	<b>Fair Market Value</b>
Public company securities	1,002,000	\$ 2,467	\$ 1,991
Money market funds	1,510,854	26,670	2,670
<b>Total Investments</b>		<b>\$29,137</b>	<b>\$ 4,661</b>

All investments are held for trading investments and are classified as Level 1 Financial Instruments.

**STRATEGEM CAPITAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)  
(Unaudited)

---

**7. Share capital**

**(a) Authorized:**

- Unlimited Class A voting common shares without par value;
- Unlimited Class B voting common shares without par value;
- Unlimited Class A non-voting preference shares without par value.

**(b) Issued and outstanding**

As at March 31, 2021, the Company had 4,245,699 Class A common shares and 220 Class B common shares issued and outstanding. Each Class B common share can be exchanged for one Class A common share and the Class B common shares exchanged will be cancelled by the Company. See Note 10 - Subsequent event.

**(c) Stock options**

There were no options outstanding as of March 31, 2021 and December 31, 2020. See information on the Company's Stock Option Plan in the most recent annual financial statements.

**(d) Normal course issuer bid**

On August 27, 2020, the Company obtained an approval from the Exchange to undertake a normal course issuer bid to allow the Company to purchase of up to 216,084 of its Class A common shares, representing approximately 5% of its issued and outstanding shares. Purchases may be made on the open market through the facilities of the Exchange by PI Financial Corp. between September 1, 2020 and August 31, 2021.

During the year ended December 31, 2020, 76,000 Class A common shares were purchased for \$174. In January 2021, these common shares were returned to treasury and cancelled.

**8. Earnings per share**

---

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
Income attributable to common shareholders	\$ 7,401	\$ 108
Weighted average shares outstanding - basic and diluted	4,245,899	4,321,919
<b>Earnings per share - basic and diluted</b>	<b>\$ 1.74</b>	<b>\$ 0.02</b>

---

There were no options and warrants outstanding as of March 31, 2021 and 2020 and therefore basic and diluted weighted average numbers of common shares outstanding are equal. Earnings per share and diluted earnings per share are equal for these periods.

**STRATEGEM CAPITAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)  
(Unaudited)

---

**9. Key management compensation**

	<b>Three months ended</b>	
	March 31 2021	March 31 2020
Management fees	\$ 290	\$ 29
Legal fees	17	-
Director fees	13	9
Accounting and rent	-	14
	<b>\$ 320</b>	<b>\$ 52</b>

Key management includes the four directors and two members of the management executive team (three months ended March 31, 2020 - three directors and two members of the management executive team). For the three months ended March 31, 2021, three of the four directors have waived their director fees. One director is a partner of McMillan LLP. For the three months ended March 31, 2020, management fees were paid to a company controlled by the former CEO and accounting fees and rent were paid to a company controlled by a former director of the Company.

At March 31, 2021, \$14 payable to McMillan LLP, \$13 payable to one director and \$286 payable to the executive management team were included in due to related parties (at December 31, 2020 - \$13 payable to McMillan LLP, \$50 payable to the executive team and \$7 payable to a company controlled by a former director of the Company).

**10. Subsequent events**

Effective May 1, 2021, a new director was appointed to the Company's Board of Directors bringing the total number of directors to five.

On May 17, 2021, the Company closed a non-brokered private placement of 5,191,229 units of the Company (the "Units") at \$2.29 per Unit for aggregate gross proceeds of \$11.9 million. Each Unit consists of one common share of the Company (the "Shares") and one common share purchase warrant (the "Warrants"). Each Warrant entitles the holder to acquire one additional common share at a price of \$2.75 per Warrant for a period of 36 months following the closing of the Offering. If at any time the closing price of the Company's Share is equal to or greater than \$10.00 per share for a period of 15 consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders and in such case, the Warrants will expire on the 30<sup>th</sup> business day after the date on which notice is given by the Company in accordance with its terms. All securities in connection with the private placement are subject to a four month hold period expiring September 18, 2021 in accordance with applicable securities legislation.

**11. Comparative amounts**

Certain comparative amounts for the prior period may have been reclassified to conform to the current period presentation. Such reclassification has no effect on net income or shareholder's equity.



# STRATEGEM CAPITAL

*Strength Through Strategy*

## **Board of Directors**

Honourable Stockwell Day, Chairman  
Desmond Balakrishnan  
Matthew Cicci, CFA  
Gordon Flatt

## **Executive Officers**

Jo-Anne O'Connor, President & Chief Executive Officer  
Carol Fozo, CPA, CMA, Chief Financial Officer and Secretary  
Gordon Flatt, Managing Partner & Chief Investment Strategist

## **Committees**

### **Audit & Corporate Governance Committee**

Desmond Balakrishnan, Chairman  
Matthew Cicci  
Honourable Stockwell Day

### **Office of the President**

Gordon Flatt, Chairman  
Jo-Anne O'Connor

### **Science and Technology Advisory Committee (STAC)**

Graydon Flatt, Chairman  
Dr. John Waterer, PhD  
Gordon Flatt