



**STRATEGEM**  
**CAPITAL**

*Strength Through Strategy*

**STRATEGEM CAPITAL CORPORATION**

**MANAGEMENT DISCUSSION AND ANALYSIS**

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

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

TSX-v: SGE

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# STRATEGEM CAPITAL CORPORATION

## Management Discussion and Analysis

For the three months ended March 31, 2021

(Expressed in thousands of Canadian dollars, unless otherwise noted)



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## INTRODUCTION

The following is Management's Discussion and Analysis ("MD&A") of the financial results of operations of Strategem Capital Corporation ("Strategem" or the "Company") for the three months ended March 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34, Interim Financial Reporting. This discussion should be read in conjunction with the financial statements and the notes thereto for the same period as noted above (collectively, the "Financial Statements"). Additional Company information, including the Company's most recent Financial Statements, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.strategemcapital.com](http://www.strategemcapital.com).

All financial measures are expressed in thousands of Canadian dollars unless otherwise indicated.

This information is current as of May 26, 2021.

## CAUTIONARY STATEMENTS

Certain information regarding the Company as set forth in the MD&A, including management's assessment of the Company's future plans and operations, contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuation, imprecision of reserve estimates, environmental risks, taxation policies, competition from other producers, the lack of qualified personnel or management, stock market volatility and the ability to access sufficient capital from external or internal sources. The actual results, performance or achievement could materially differ from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them does, what benefits the Company will derive there from.

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- The amount of the changes to net income and investments as a result of changes in prevailing interest rates, economic and market conditions and company specific news;
- Conversion of 220 Class B shares into Class A common shares;
- The Company's earnings and loss fluctuation and the ability to identify and acquire investments that will appreciate in value; and
- The Company's adequate working capital to fund its expected operating costs through 2021.

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### DESCRIPTION OF THE BUSINESS

Strategem is a publicly - listed company with an objective for continued growth through investments in resource exploration and development, mining, and energy production. The Company trades under the symbol “SGE” on the TSX Venture Exchange (the “TSX-v” or the “Exchange”).

The Company is classified as a “venture issuer” for the purpose of National Instrument 51-102. Unless otherwise cited, references to dollar amounts are expressed in Canadian dollars. Throughout this report we refer from time to time to “Strategem”, the “Company”, “we”, “us”, “our”, or “its”. All these terms are used in respect of Strategem Capital Corporation, which is the reporting issuer in this document.

### QUARTERLY HIGHLIGHTS

During the three months ended March 31, 2021, the Company invested in short term securities and have recognized an unrealized gain of \$7,715 for the period. The Company continues to look for investments with the potential for growth and where it could be actively involved in management or have a position of control.

### SELECTED FINANCIAL INFORMATION

The following financial information is derived from the Company’s financial statements for the three months ended March 31, 2021, and March 31, 2020 which have been prepared in accordance with IFRS.

<b>(expressed in \$ thousands, except per share amounts)</b>	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Total Revenues	7,748	132
Net income for the period	7,401	108
Earnings per share – basic and diluted <sup>(1)</sup>	1.74	0.02
Total assets	17,100	9,434
Current Liabilities	350	85
Working capital	16,750	9,349

<sup>(1)</sup> Earnings per share is the same for basic and diluted number of shares, because there were no options and warrants outstanding from January 1, 2021 to and including March 31, 2021 and thus, the basic and diluted weighted average number of shares was the same.

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### SUMMARY OF QUARTERLY RESULTS

(expressed in \$ thousands, except per share amounts)	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Interest, dividends and other income	28	11	10	35	19	45	45	46	119
Gain (loss) on sale of investments	5	8	-	-	-	(1,033)	(65)	(34)	1,567
Unrealized gain (loss) on investments, net	7,715	(138)	33	23	113	1,046	57	18	(1,115)
Total revenues	7,748	(119)	43	58	132	58	37	30	571
Total expenses	344	1,578	55	54	90	72	62	54	78
Foreign exchange gain (loss)	(3)	(59)	(16)	(30)	66	(40)	23	(41)	(39)
Income (loss) for the period	7,401	(1,753)	(28)	(27)	108	(48)	(2)	(48)	350
Earnings (loss) per share – basic and diluted <sup>(1)</sup>	1.74	(0.39)	(0.01)	(0.01)	0.02	(0.01)	-	(0.01)	0.08
Total assets	17,100	9,434	11,321	11,349	11,375	11,739	11,778	11,781	11,869
Working capital	16,750	9,349	11,281	11,308	11,331	11,223	11,271	11,273	11,321

<sup>(1)</sup> Earnings per share is the same for basic and diluted number of shares, because there were no options and warrants outstanding from January 1, 2021 to and including March 31, 2021 and thus, the basic and diluted weighted average number of shares was the same.

### DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

The Company's earnings and losses are expected to fluctuate significantly and will depend on its ability to identify and acquire investments that will appreciate in value (see "Description of the Business", above), and the exchange rate fluctuations.

#### Three months ended March 31, 2021 compared to Three months ended March 31, 2020

During the three months ended March 31, 2021, the Company recorded total revenue of \$7,748, consisting of interest, dividends and other income of \$28, gain on sale of investments of \$5, and unrealized gain on investments of \$7,715.

During the three months ended March 31, 2020, the Company recorded total revenue of \$132, consisting of interest, dividends and other income of \$19 and an unrealized gain on investment of \$113.

For the three months ended March 31, 2021, expenses were \$344 compared to \$90 for the three months ended March 31, 2020. The increase is due to the recognition of management fees payable based on compensation agreements approved by the Company's board of directors. There were changes in administration expenses over the periods, but the overall effect of these variances was not material.

The net income for the three months ended March 31, 2021 was \$7,401 or earnings per share of \$1.74, compared to net income of \$108 or income per share of \$0.02 for the prior year comparable period.

### LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2021, the Company had total assets of \$17,100 and working capital of \$16,750 as compared with total assets of \$9,434 and working capital of \$9,349 at December 31, 2020. The Company's cash position (cash and cash equivalents) at March 31, 2021 was \$844 compared to \$4,773 as at December 31, 2020 due to the investment in short term securities.

The Company has adequate working capital to fund its expected operating costs through 2021.

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## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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.

This MD&A does 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.

### **SIGNIFICANT ACCOUNTING POLICES**

Significant accounting policies are detailed in the Company's MD&A for the year ended December 31, 2020.

### **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The use of significant accounting judgements and estimates are detailed in the Company's MD&A for the year ended December 31, 2020.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

#### *Changes in Internal Control Over Financial Reporting ("ICFR")*

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

### **DISCLOSURE CONTROLS AND PROCEDURES**

The Company's certifying officers are responsible for establishing and maintaining the Company's disclosure controls and procedures. Management, including the certifying officers, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

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## DISCLOSURE OF OUTSTANDING SHARE DATA

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. There were no options and warrants outstanding as of March 31, 2021.

### As at May 26, 2021

Authorized	Unlimited
Issued and outstanding shares	9,436,928
Warrants	5,191,229
Fully diluted	14,628,157

## SUBSEQUENT EVENT

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 30th 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.

## ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).