



STRATEGEM CAPITAL

Strength Through Strategy

STRATEGEM CAPITAL CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

NOTICE OF NO AUDITOR'S REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Strategem Capital Corporation (the "Company") 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.

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 unaudited condensed financial statements.

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

	Notes	June 30, 2021	December 31, 2020
		(Unaudited)	(Audited)
ASSETS			
Current assets			
Cash and cash equivalents		\$ 6,954	\$ 4,773
Investments	6	20,413	4,661
Total current assets		27,367	9,434
TOTAL ASSETS		\$ 27,367	\$ 9,434
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 13	\$ 15
Due to related parties	9	281	70
Total current liabilities		294	85
EQUITY			
Share capital	7	11,827	1
Retained earnings		15,246	9,348
Total equity		27,073	9,349
TOTAL EQUITY AND LIABILITIES		\$ 27,367	\$ 9,434

These financial statements were authorized for issue by the Board of Directors on August 12, 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)

		Three months ended June 30,		Six months ended June 30,	
	Notes	2021	2020	2021	2020
Revenues					
Interest, dividends and other income		\$ 87	\$ 35	\$ 115	\$ 53
Net gain on sale of investments		355	-	360	-
Net unrealized gain (loss) on investments		(1,802)	23	5,913	136
Total revenues		(1,360)	58	6,388	189
Expenses					
Management fees	9	63	29	353	58
Director and committee fees	9	58	11	71	21
Legal, accounting and audit		16	8	33	44
Office and general		7	4	11	8
Shareholder information and filing fees		3	3	12	13
Commission expense		-	-	11	-
Total expenses		147	55	491	144
Other items					
Foreign exchange gain (loss)		4	(30)	1	36
Income (loss) before income taxes		(1,503)	(27)	5,898	81
Income tax recovery		-	4	-	4
Net income (loss) and comprehensive income (loss) for the period		\$ (1,503)	\$ (23)	\$ 5,898	\$ 85
Earnings (loss) per share - basic	8	\$ (0.22)	\$ (0.01)	\$ 1.07	\$ 0.02
Earnings (loss) per share - diluted	8	\$ (0.22)	\$ (0.01)	\$ 0.86	\$ 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							
Balance as at January 1, 2020	(Audited)	4,321,699	\$ -	220	\$ 1	\$ 11,222	\$ 11,223
Net income for the period		-	-	-	-	85	85
Balance as at June 30, 2020	(Unaudited)	4,321,699	-	220	1	11,307	11,308
Net income for the period		-	-	-	-	(1,785)	(1,785)
Normal course issuer bid		(76,000)	-	-	-	(174)	(174)
Balance as at December 31, 2020	(Audited)	4,245,699	-	220	1	9,348	9,349
Private Placement		5,191,229	11,826	-	-	-	11,826
Net loss for the period		-	-	-	-	5,898	5,898
Balance as at June 30, 2021	(Unaudited)	9,436,928	\$ 11,826	220	\$ 1	\$ 15,246	\$ 27,073

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

	For the six months ended	
	June 30,	
	2021	2020
Cash flow from operating activities		
Net income	\$ 5,898	\$ 85
Adjustments to reconcile to net cash flows from operating activities:		
Gain on sale of investments	(360)	-
Unrealized gain on investments	(5,913)	(136)
Foreign exchange gain	(4)	(30)
	(379)	(81)
Changes in non-cash working capital items:		
Prepaid expenses and deposits	-	20
Accounts payable and accrued liabilities	(2)	-
Due to related parties	211	1
Income tax payable	-	(475)
	209	(454)
Changes in other items:		
Proceeds from sale of investments	4,727	-
Purchase of investments	(14,202)	-
	(9,475)	-
Net cash used in operating activities	(9,645)	(535)
Cash flow from financing activities		
Private placement, net of costs	11,826	-
Net cash provided by financing activities	11,826	-
Effect of exchange rate changes on cash and cash equivalents	-	25
Net change in cash and cash equivalents	2,181	(510)
Cash and cash equivalents, beginning of the period	4,773	9,484
Cash and cash equivalents, end of the period	\$ 6,954	\$ 8,974
Supplemental cash flow information		
Dividends received	\$ 114	\$ 5
Interest received	\$ 1	\$ 48

STRATEGEM CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 and six months ended June 30, 2021, the Company reported a net loss of \$1,503 and net income of \$5,898, respectively (three and six months ended June 30, 2020 - net loss of \$23 and net income of \$85, respectively). As at June 30, 2021, the Company had cash and cash equivalents of \$6,954 (December 31, 2020 - \$4,773) and working capital of \$27.1million (December 31, 2020 - \$9.3 million).

2. Basis of preparation

These condensed interim financial statements are prepared in accordance with IFRS, including International Accounting Standard (“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, except for the addition of the accounting policies related to share capital as included below. These condensed interim financial statements 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 six months ended June 30, 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 and six months ended June 30, 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 AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
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(Unaudited)

3. Significant accounting policies (continued)

Share Capital

The Company records its share capital proceeds from share issuances, net of issue costs. The proceeds from the issuance of units are allocated between common shares and share purchase warrants based on the residual value method. This method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component. The Company measures the common shares at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

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.

STRATEGEM CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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6. Investments

The Company held the following investments as at June 30, 2021:

	Quantity	Cost	Fair Market Value
Public company securities	1,127,500	\$14,563	\$ 20,107
Private company	47,000	310	306
Total Investments		\$14,873	\$ 20,413

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

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

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

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

Class A Shares	Number of Shares	Value
Balance, December 31, 2020	4,245,699	-
Issue of shares, net of costs	5,191,229	\$ 11,826
Balance, June 30, 2021	9,436,928	\$ 11,826

Class B Shares	Number of Shares	Value
Balance, December 31, 2020 and June 30, 2021	220	\$ 1

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") see Note 7(c). The Shares are subject to a four-month holding period expiring September 18, 2021, in accordance with applicable securities legislation.

As at June 30, 2021, the Company had 9,436,928 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.

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7. Share capital (continued)

(c) Warrants

The following table lists the Company's warrants as at June 30, 2021.

	Number of Warrants	Weighted-Average Exercise Price
Balance, December 31, 2020	-	\$ -
Private Placement Warrants	5,191,229	\$ 2.75
Balance, June 30, 2021	5,191,229	\$ 2.75

On May 17, 2021, 5,191,229 common share purchase warrants (the "Warrants") were issued with the private placement (Note 7(b)). Each Warrant entitles the holder to purchase one common share of the Company at a price of \$2.75 per share on or before May 17, 2024. 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. The Warrants are subject to a four-month holding period expiring September 18, 2021, in accordance with applicable securities legislation.

(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 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.

(e) Stock options

There were no options outstanding as of June 30, 2021 and December 31, 2020. See information on the Company's Stock Option Plan in the most recent annual financial statements.

8. Earnings (loss) per share

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Income (loss) attributable to common shareholders	\$ (1,503)	\$ (23)	\$ 5,899	\$ 85
Weighted average shares outstanding - basic	6,812,990	4,321,919	5,536,536	4,321,919
Weighted average shares outstanding - diluted	9,380,082	4,321,919	6,827,173	4,321,919
Earnings (loss) per share - basic	\$ (0.22)	\$ (0.01)	\$ 1.07	\$ 0.02
Earnings (loss) per share - diluted	\$ (0.22)	\$ (0.01)	\$ 0.86	\$ 0.02

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9. Key management compensation

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Management fees	\$ 63	\$ 29	\$ 353	\$ 58
Director fee & committee fees	58	11	71	21
Legal fees	38	-	54	-
Accounting and rent	-	11	-	25
	\$ 158	\$ 51	\$ 478	\$ 104

Key management includes the five directors and two members of the management executive team (three and six months ended June 30, 2020 - three directors and two members of the management executive team). For the six months ended June 30, 2021, three of the five directors have waived their director fees. One director is a partner of McMillan LLP. For the three and six months ended June 30, 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.

As at June 30, 2021, \$31 payable to McMillan LLP and \$250 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. Comparative amounts

Certain comparative amounts for the prior period 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
Dickson Gould

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
Dr. John Waterer, Chief Science Officer & Director of Plant Science¹

Legal

McMillan LLP

Auditor

DeVisser Gray LLP

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

Global Investment Advisory Committee (GIAC)

Honourable Stockwell Day – Canada
Gordon Flatt – Bermuda
Angelina Ho – Hong Kong
William Molson – USA / Canada
Lars Rodert – Sweden
Pablo Vizcaino – Argentina

¹ Effective August 1, 2021