



MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

Introductory Comment and Overview

Strategem is a publicly - listed investment holding company whose investment objective is to own and manage operating businesses. The Company trades under the symbol “SGE” on the TSX Venture Exchange (the “TSX-v” or the “Exchange”).

This MD&A is dated November 25, 2020 and discloses specified information up to that date. 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. We recommend that readers consult the “Cautionary Statements” on the last page of this report. Additional information related to Strategem is available for view on SEDAR at www.sedar.com.

Quarterly Highlights

During the current period, the Company continued to look for investments with the potential for growth and where it could be actively involved in management or have a position of control.

Quarterly Financial Condition

Capital Resources

The Company has adequate working capital to fund its expected operating costs through 2020.

Liquidity

As at September 30, 2020, the Company had total assets of \$11.3 million and working capital of \$11.3 million as compared with total assets of \$11.7 million and working capital of \$11.2 million as at December 31, 2019.

The Company’s cash and cash equivalents decreased from \$9.4 million as at December 31, 2019 to \$8.9 million as at September 30, 2020. The decrease was mainly due to \$619 thousand spent on operating activities including \$475 thousand paid to Canada Revenue Agency for 2019 income taxes.

As of the date of this MD&A, the Company has no other outstanding commitments other than disclosed under “Commitments, Expected or Unexpected, or Uncertainties” section below. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

Operations

For the three months ended September 30, 2020 compared with the three months ended September 30, 2019:

During the three months ended September 30, 2020, the Company recorded revenue of \$43 thousand (2019 – \$30 thousand), consisting of an unrealized gain on investments of \$33 thousand (2019 – \$18 thousand) and interest, dividends and other income of \$10 thousand (2019 - \$46 thousand). The prior year comparable period also includes a loss on sale of investments of \$34 thousand.

During the three months ended September 30, 2020, general expenses were \$55 thousand, a slight increase from \$54 thousand for the prior year comparable period. The expenses are consistent with prior year with no increase in professional fees (2020 - \$8 thousand; 2019 - \$8 thousand), an increase in filing fees for the period due to the timing of certain costs (2020 - \$4 thousand; 2019 - \$1 thousand), and a decrease in office and occupancy costs (2020 - \$4 thousand; 2019 - \$5 thousand).

During the three months ended September 30, 2020, the Company recorded income tax expense of \$Nil (2019 – income tax recovery of \$18 thousand).

The net loss for the three months ended September 30, 2020 was \$28 thousand or loss per share of \$0.01 as compared to net loss of \$48 thousand or loss per share of \$0.01 for the prior year comparable period.

For the nine months ended September 30, 2020 compared with the nine months ended September 30, 2019:

During the nine months ended September 30, 2020, the Company recorded revenue of \$233 thousand (2019 – \$638 thousand) consisting of an unrealized gain on investments of \$169 thousand (2019 – unrealized loss on investments of \$1 million) and interest, dividends and other income of \$64 thousand (2019 – \$210 thousand). The prior year comparable period includes a gain on sale of investments of \$1.5 million.

During the nine months ended September 30, 2020, the general expenses were \$199 thousand, a slight increase from \$194 thousand for prior year comparable period. The increase was mainly due to the increase in legal and accounting fees (2020 - \$52 thousand; 2019 - \$42 thousand). The other administrative expenditures varied over the period, but the overall effect of these variances was not material.

During the nine months ended September 30, 2020, the Company recorded income tax expense of \$Nil (2019 – \$481 thousand) and deferred income tax recovery of \$Nil (2019 – \$395 thousand).

The net income for the nine months ended September 30, 2020 was \$58 thousand or earnings per share of \$0.01 as compared with net income of \$300 thousand or earnings per share of \$0.07 for the prior year comparable period.

Related Party Transactions

During the quarter, there were no significant changes to related party transactions.

Commitments, Expected or Unexpected, or Uncertainties

As at September 30, 2020, the Company was committed to pay \$250 thousand upon termination of a management consulting services agreement with a company controlled by the former CEO of the Company. See subsequent events.

In March 2016, the Company was advised about legal claims asserted against a former officer in Panama as a result of his position as CFO and director of an investee company, Petaquilla Minerals Ltd. The claimants assert that they have ownership rights to a mining exploration property located in Panama. The Company entered into indemnification agreements (“IA”) to provide indemnification as permitted by the Business Corporations Act (British Columbia). On January 26, 2018, pursuant to the IA, the Company entered into an escrow agreement whereby it will deposit \$250 thousand to an escrow agent for the payment legal fees. See subsequent events.

Risk Factors

In our management discussion and analysis filed on SEDAR April 1, 2020 in connection with our annual financial statements (the “Annual MD&A”) we have set out our discussion of the risk factors *Exploration risks, Market risks and Financing risk* which we believe are the most significant risks faced by Strategem. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company’s undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

Disclosure of Outstanding Share Data

As at September 30, 2020, the Company had 4,321,699 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 September 30, 2020. As at September 30, 2020, there were 4,321,919 common shares issued and outstanding and on a fully diluted basis. As at the date of this MD&A, there were 4,321,919 common shares issued and outstanding on a fully diluted basis.

Subsequent Events

Subsequent to the quarter end, the Company paid severance payments to the former CEO and one former director. The Company also entered into an indemnification release agreement with the former CEO to release and discharge the Company from the Indemnification Agreements mentioned in the Commitments, Expected or Unexpected, or Uncertainties section above.

Subsequent to quarter end, the Company purchased 76,000 Class A Shares at \$2.29 per share.



STRATEGEM CAPITAL

Strength Through Strategy

Cautionary Statements

This document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.