STRATEGEM CAPITAL CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

TSX-v: SGE

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

Independent Auditor's Report

To the Shareholders of Strategem Capital Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Strategem Capital Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Keith Macdonald.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
April 8, 2021

STRATEGEM CAPITAL CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

	Notes		2020		2019
ASSETS					
Current assets					
Cash and cash equivalents		$	4,773	$	9,484
Investments	**3**		4,661		2,234
Prepaid expenses and deposits			-		21
Total current assets			9,434		11,739
TOTAL ASSETS		$	9,434	$	11,739
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	15	$	19
Due to related parties	**6**		70		21
Income tax payable			-		476
Total current liabilities			85		516
EQUITY					
Share capital	**4**		1		1
Retained earnings			9,348		11,222
Total equity			9,349		11,223
TOTAL EQUITY AND LIABILITIES		$	9,434	$	11,739

These financial statements were authorized for issue by the Board of Directors on April 8, 2021.

They are signed on the Company's behalf by:

(signed) "Stockwell Day"
Director

(signed) "Desmond Balakrishnan"
Director

STRATEGEM CAPITAL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)

	Notes	2020	2019
Revenues			
Interest, dividends and other income		$ 74	$ 255
Gain on sale of investments, net		8	435
Unrealized gain on investments, net		31	6
Total revenues		113	696
Expenses			
Management fees	**6**	143	116
Director fees	**6**	34	42
Legal, accounting and audit	**6**	107	67
Office and occupancy	**6**	17	19
Shareholder information and filing fees		26	22
Severance and release payments	**7**	1,450	-
Total expenses		1,777	266
Other items			
Foreign exchange loss		(40)	(97)
Total other items		(40)	(97)
Income (loss) before income taxes		(1,704)	333
Income tax recovery (expense)		4	(476)
Deferred income tax recovery		-	395
Net income tax recovery (expense)	**10**	4	(81)
Net income (loss) and comprehensive income (loss) for the period		$ (1,700)	$ 252
Earnings (loss) per share - basic and diluted	**5**	$ (0.39)	$ 0.06

STRATEGEM CAPITAL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

Issued and outstanding	Notes	Class A Number of Shares	Class A Share Capital	Class B Number of Shares	Class B Share Capital	Retained Earnings	Total Equity
Balance as at January 1, 2019		4,321,699	$ -	220	$ 1	$ 10,970	$ 10,971
Net income for the period		-	-	-	-	252	252
Balance as at December 31, 2019		4,321,699	-	220	1	11,222	11,223
Net income for the period		-	-	-	-	(1,700)	(1,700)
Normal course issuer bid	**4(d)**	(76,000)	-	-	-	(174)	(174)
Balance as at December 31, 2020		4,245,699	$ -	$ 220	$ 1	$ 9,348	$ 9,349

The accompanying notes are an integral part of these financial statements.

STRATEGEM CAPITAL CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

	2020	2019
Cash flow from operating activities		
Net income (loss)	$ (1,700)	$ 252
Adjustments to reconcile to net cash flows from operating activities:		
Gain on sale of investments, net	(8)	(435)
Unrealized gain on investments, net	(31)	(6)
Foreign exchange loss	39	46
Deferred income tax recovery	-	(395)
	(1,700)	(538)
Changes in non-cash working capital items:		
Prepaid expenses and deposits	21	2
Accounts payable and accrued liabilities	(4)	(14)
Due to related parties	49	(2)
Income tax payable	(476)	476
	(410)	462
Changes in other items:		
Proceeds from sale of investments	205	9,096
Purchase of investments	(2,632)	(2,447)
	(2,427)	6,649
Net cash provided by (used in) operating activities	(4,537)	6,573
Cash flow from financing activities		
Normal course issuer bid	(174)	-
Net cash (used in) financing activities	(174)	-
Effect of exchange rate changes on cash and cash equivalents	-	(46)
Net change in cash and cash equivalents	(4,711)	6,527
Cash and cash equivalents, beginning of the period	9,484	2,957
Cash and cash equivalents, end of the period	$ 4,773	$ 9,484
Supplemental cash flow information		
Dividends received	$ 9	$ 90
Interest paid	$ -	$ 2
Interest received	$ 65	$ 164
Trust income distributions	$ -	$ 2

1. Nature of operations and continuance of operations

The Company was incorporated as Dexton Technologies Corporation on December 19, 1994. On November 19, 2001, the Company changed its name to Strategem Capital Corporation. The address of the Company's registered office is Suite 210, 240 11 Avenue SW, Calgary, Alberta, T2R 0C3. The Company 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 "TSV-v" or the "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 year ended December 31, 2020, the Company reported a net loss of $1,700 (2019 – net income of $252). At December 31, 2020, the Company had cash and cash equivalents of $4.8 million (December 31, 2019 - $9.5 million) and working capital of $9.3 million (December 31, 2019 - $11.2 million).

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance and compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC").

(b) Basis of preparation

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.

(c) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

2. Significant accounting policies (Continued)

Estimates

- The carrying value of the investments, the estimated unrealized gains or losses recorded from the fair value fluctuations, and the recoverability of the carrying value which are included in the statements of financial position;
- The provision for income taxes which is included in the statements of comprehensive income (loss) and composition of deferred income tax liabilities included in the statements of financial position; and
- The amount of the changes to comprehensive income (loss) and investments as a result of changes in prevailing interest rates, foreign exchange, economic and market conditions and company specific news.

(d) Functional currency and foreign currency transactions

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(e) Cash and cash equivalents

Cash and cash equivalents consists of balances with banks and investments in financial instruments that are readily convertible into known amounts of cash and have original maturities within 90 days held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. As at December 31, 2020 and 2019, the Company did not have any cash equivalents.

(f) Investments

At each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

Investments in shares of public companies traded on a recognized securities exchange are recorded at the closing bid prices on the last day the security traded on, or prior to, the statement of financial position date.

Derivative financial instruments, including futures contracts, warrants and options not traded on a recognized securities exchange, are recorded at fair value based upon the difference between the exercise price and the closing bid price of the underlying shares, adjusted for time value, volatility and liquidity. Any subsequent changes in the market value are recognized in the current period's statement of comprehensive income (loss).

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments, are recorded as an expense in the statement of comprehensive income (loss). Purchase and sales of securities are accounted for on a trade date basis.

The amounts at which investments in public companies could be disposed of currently may differ from fair values based upon market bid prices, as the value at which significant ownership positions are sold is often different from a quoted market price due to a variety of factors such as premiums paid for large blocks, or discounts due to liquidity.

2. Significant accounting policies (Continued)

(g) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Security transactions - Security transactions are recorded on a trade-date basis. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statements of comprehensive income (loss) and are calculated on an average cost basis.

Interest, dividends, and other income - Interest is recorded on an accrual basis. Other income, including administration and advisory services fees, is received from investee and other companies and is recognized as the services are provided and collection is reasonably assured. Dividends are recorded when proceeds are received.

(h) Earnings (loss) per share

The Company presents the basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies (Continued)

(j) Financial instruments

Financial assets are recognized at fair value and are subsequently classified and measured at amortized cost or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to initial recognition and how changes in value are recorded. The following accounting policies apply to the subsequent measurement of financial assets:

(i) *Financial assets at amortized cost* - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. The Company's cash and cash equivalents are recorded at amortized cost.

(ii) *Financial assets at FVTPL* - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. The Company's investments are recorded at FVTPL.

Financial liabilities are recognized at fair value and are subsequently classified and measured at amortized cost. The Company's accounts payable and accrued liabilities and due to related parties are recorded at amortized cost.

<u>*Disclosure and presentation*</u>

The Company follows IFRS 7 *Financial Instruments – disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages such risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

This IFRS disclosure also requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company discloses additional disclosures for this standard in Note 8.

The Company also follows IAS 32, *Financial Instruments – Presentation,* which establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

3. Investments

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

	Quantity		Cost		Fair Market Value as at December 31, 2020
Public company securities	1,002,000	$	2,467	$	1,991
Money market funds	1,510,854		2,670		2,670
Total Investments		**$**	**5,137**	**$**	**4,661**

The Company held the following investments as at December 31, 2019:

	Quantity		Cost		Fair Market Value as at December 31, 2019
Public company securities	2,844,000	$	792	$	35
Money market funds	1,889,092		2,199		2,199
Total Investments		**$**	**2,991**	**$**	**2,234**

4. 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 December 31, 2020, 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.

(c) Stock options

There were no options outstanding as of December 31, 2020 and December 31, 2019.

The Company has a Stock Option Plan (the "Plan") whereby a maximum of 10% of the issued shares will be reserved for issuance under the Plan. The Plan authorizes the Board of Directors to grant incentive stock options to directors, officers, employees, management companies and consultants of the Company.

The aggregate number of common shares reserved for issuance to any person within any one year may not exceed 5% of the number of outstanding common shares, on a non-diluted basis. The exercise price of the options will be determined by the Board of the Company at the time of grant of the options, such price not to be less than the last daily closing price of the Company's Common Shares on the Exchange prior to the date of grant, less the discount permitted by the policies of the Exchange. The options can be granted for a maximum term of 5 years if the Company is a Tier 2 company or for a maximum term of 10 years if the Company is a Tier 1 company. The vesting schedule of the options shall be determined by the Board of the Company.

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

4. Share capital (Continued)

(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. Subsequent to the year end, the common shares were returned to treasury and cancelled.

5. Earnings (loss) per share

		2020		**2019**
Income (loss) attributable to common shareholders	$	(1,700)	$	252
Weighted average shares outstanding - basic and diluted		4,307,463		4,321,919
Earnings (loss) per share - basic and diluted	**$**	**(0.39)**	**$**	**0.06**

There were no options and warrants outstanding as of December 31, 2020 and 2019 and therefore basic and diluted weighted average numbers of common shares outstanding are equal. Loss per share and diluted loss per share are equal for these periods.

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

6. Related party transactions and balances

The aggregate value of transactions and outstanding balances relating to current and former key management personnel and entities over which they have control or significant influence were as follows:

For the year ended December 31, 2020:

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Severance and release payments	Share-based payments	Management Fees/Legal fees	Total
Kenneth W. Morgan [a] Chief Executive Officer, President and Director	$ 93	$ -	$ -	$ 1,200	$ -	$ -	$ 1,293
Mark T. Brown [b], [c] Director	$ 11	$ -	$ -	$ -	$ -	$ -	$ 11
Michael Katz [b] Director	$ 11	$ -	$ -	$ 250	$ -	$ -	$ 261
Marc Blythe [b] Director	$ 11	$ -	$ -	$ -	$ -	$ -	$ 11
Pacific Opportunity Capital Ltd. [c]	$ 46	$ -	$ -	$ -	$ -	$ -	$ 46
Jo-Anne O'Connor [d] President & Chief Executive Officer	$ -	$ -	$ -	$ -	$ -	$ 25	$ 25
Carol Fozo [d] Chief Financial Officer	$ -	$ -	$ -	$ -	$ -	$ 25	$ 25
McMillan LLP [b]	$ -	$ -	$ -	$ -	$ -	$ 29	$ 29

For the year ended December 31, 2019:

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Severance and release payments	Share-based payments	Total
Kenneth W. Morgan Chief Executive Officer, President and Director [a]	$ 116	$ -	$ -	$ -	$ -	$ 116
Mark T. Brown [b], [c] Director	$ 14	$ -	$ -	$ -	$ -	$ 14
Michael Katz [b] Director	$ 14	$ -	$ -	$ -	$ -	$ 14
Marc Blythe [b] Director	$ 14	$ -	$ -	$ -	$ -	$ 14
Pacific Opportunity Capital Ltd. [c]	$ 52	$ -	$ -	$ -	$ -	$ 52

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

6. Related party transactions and balances (Continued)

Due to current and former related parties:

Amounts due to:	Services for:	As at December 31, 2020	As at December 31, 2019
Pacific Opportunity Capital Ltd.	Rent and accounting (c)	$ 7	$ 2
Mark T. Brown	Director fee (b), (c)	$ -	$ 3
Michael Katz	Director fee (b)	$ -	$ 3
Marc Blythe	Director fee (b)	$ -	$ 3
Yew Street Capital Corporation	Management fee (a)	$ -	$ 10
Jo-Anne O'Connor	Management fee (d)	$ 25	$ -
Carol Fozo	Management fee (d)	$ 25	$ -
McMillan LLP	Legal fees (b)	$ 13	$ -
Total		$ 70	$ 21

(a) During the year ended December 31, 2020, Mr. Morgan was paid management fees of $93 (2019 - $116) and severance of $250 by the Company to Yew Street Capital Corporation, a company controlled by him. In addition, an indemnification release payment of $950 was paid in trust to legal counsel of Yew Street Capital Corporation.

(b) The Company paid director fees of $3 per quarter and $0.5 per meeting to each independent director. The Company also paid one director a severance payment of $250. During the year, Mark Brown, Michael Katz and Marc Blythe resigned. There are four new directors; the new directors waived their director fees for 2020. One of the directors is a partner of McMillan LLP.

(c) Pacific Opportunity Capital Ltd., a company controlled by a former director of the Company, was paid $46 (2019 - $52) for rent and accounting fees during fiscal 2020 and 2019, respectively.

(d) During the year ended December 31, 2020, Jo-Anne O'Connor and Carol Fozo each charged the Company $25 (2019 – $nil) for management services provided.

At December 31, 2020, $7 payable to Pacific Opportunity Capital Ltd., $13 payable to McMillan LLP and $50 payable to the CEO and CFO were included in due to related parties.

7. Severance and release payments

In October 2020, 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/director of the Company to release and discharge the Company from legal claims asserted against him.

8. Financial instruments

The Company's cash and cash equivalents and investments are stated at amortized cost and fair value respectively. The carrying value of amounts due to related parties and accounts payable and accrued liabilities approximate their fair value, due to their short-term nature.

The Company is exposed to a variety of financial instruments risks: 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.

(a) Credit risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The Company is not exposed to significant credit risk on its cash and cash equivalents since they are placed with major financial institutions and brokers. The credit risk exposure of the Company's investments is represented by their fair values disclosed.

(b) Market risk

Market risk is the risk that changes in market factors, such as commodity prices, interest rates or foreign exchange rates, will affect the value of the Company's financial statements. The Company's investment policy states that investments will be made on the basis of investing for purposes of control or for the purpose of being actively involved in management and restricts passive investments. Changes in the future pricing and demand of certain commodities may have a material impact on the market value of the Company's resource, energy, and other investments. The nature of such investments is normally dependent on the invested company being able to raise additional capital to further development and to determine the commercial viability of its resource properties. The value of each investment is also influenced by the outlook of the issuer and by general economic and political conditions. Management mitigates the risk of loss resulting from this concentration by monitoring the trading value of the investments on a regular basis. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value.

A 1% change in future pricing and trading value of its investments as at December 31, 2020, would change the Company's market value of its investments annually by approximately $47.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of interest-bearing investments will fluctuate due to changes in prevailing levels of market interest rates. The Company's exposure is limited to its investments in income trusts and other interest-earning instruments which will be affected by changes in applicable interest rates.

A 1% change in the interest rate would change the Company's annual net income (loss) by approximately $68.

(d) Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the functional currency of the Company. As a result, the Company may be exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates.

A 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's annual net income (loss) by approximately $16.

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

8. Financial instruments (Continued)

(e) Classification of financial instruments

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The fair value hierarchy of financial instruments measured at amortized cost and fair value as of December 31, 2020 is as follows:

As at December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 4,773	$ -	$ -	$ 4,773
Investments	4,661	-	-	4,661
	$ 9,434	$ -	$ -	$ 9,434

The fair value hierarchy of financial instruments measured at amortized cost and fair value as of December 31, 2019 is as follows:

As at December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 9,484	$ -	$ -	$ 9,484
Investments	2,234	-	-	2,234
	$ 11,718	$ -	$ -	$ 11,718

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

9. 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.

10. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

Income (loss) before income taxes	$	(1,704)	$	333
Expected income tax expense (recovery)		(460)		90
Non-deductible items and other		(12)		636
Non-taxable items and other		(11)		(26)
Unrecongnized benefit of non-capital losses		483		-
Recognition of prior year non-capital losses		-		(224)
Deferred income tax recovery		-		(395)
Current income tax recovery		(4)		-
Net income tax (recovery) expense	$	(4)	$	81

The significant components of the Company's deferred income tax assets and liabilities at December 31, 2020 based on a combined statutory tax rate of 27% (2019 – 27%) are as follows:

		2020		2019
Deferred income tax assets:				
Non-capital loss carry-forwards	$	483	$	-
Capital losses carry-forwards		21		21
Unrecongnized benefit of non-capital losses		504		21
Deferred income tax liability:				
Investments		(20)		-
Net deferred income tax asset	$	484	$	21

The Company has elected not to recognize the deferred tax assets. The Company has available for deduction against future taxable income non-capital losses of $1,788 (2019 - $nil).

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
John Waterer, PhD
Gordon Flatt