STRATEGEM
CAPITAL

Strength Through Strategy

STRATEGEM CAPITAL CORPORATION

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited – Prepared by Management)

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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 nine months ended September 30, 2017 have been prepared by the management of the Company and approved by the Company's Audit 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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	Notes	September 30, 2017	December 31, 2016
		(Unaudited)	(Audited)
ASSETS			
Current assets			
Cash and cash equivalents		$ 2,552,923	$ 4,893,115
Investments	4	9,388,847	6,285,807
Prepaid expenses and deposits		2,414	1,154
Total current assets		11,944,184	11,180,076
TOTAL ASSETS		$ 11,944,184	$ 11,180,076
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,570	$ 25,245
Due to related parties	7	25,162	21,971
Total current liabilities		26,732	47,216
Non-current liabilities			
Deferred income tax liability		554,287	386,033
Total non-current liabilites		554,287	386,033
EQUITY			
Share capital	5	1,096	1,096
Shares to be cancelled	5	(88,060)	-
Retained earnings		11,450,129	10,745,731
Total equity		11,363,165	10,746,827
TOTAL EQUITY AND LIABILITIES		$ 11,944,184	$ 11,180,076

Commitments (Note 8)

These financial statements were authorized for issue by the Board of Directors on November 21, 2017. They are signed on the Company's behalf by:

"Kenneth W. Morgan" Director "Mark T. Brown" Director

See accompanying notes to the condensed interim financial statements

STRATEGEM CAPITAL CORPORATION

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(EXPRESSED IN CANADIAN DOLLARS)

(Unaudited)

	Notes	For the three months ended 2017	For the three months ended 2016	For the nine months ended 2017	For the nine months ended 2016
Revenues					
Interest, dividends and other income		$ 93,988	$ 72,470	$ 234,376	$ 216,924
Gain on sale of investments, net		153,853	72,725	268,489	409,954
Unrealized gain on investments, net		444,144	286,899	553,502	1,246,547
Total revenues		691,985	432,094	1,056,367	1,873,425
Expenses					
Consulting and management fees	7	28,980	28,980	86,940	86,940
Director fees	7	10,500	10,500	31,500	31,500
Office and occupancy		9,934	9,441	30,228	39,730
Legal and accounting		16,302	68,262	35,189	196,602
Shareholder information and filing fees		5,836	4,255	17,004	55,423
Total expenses		71,552	121,438	200,861	410,195
Other item					
Foreign exchange gain (loss)		7,000	13,660	17,146	(48,838)
Total other item		7,000	13,660	17,146	(48,838)
Income before income taxes		627,433	324,316	872,652	1,414,392
Income tax recovery		-	-	-	2,956,109
Deferred income tax (expense)		(182,411)	(47,373)	(168,254)	(141,082)
Net income and comprehensive income for the period		$ 445,022	$ 276,943	$ 704,398	$4,229,419
Earnings per share - basic and diluted	6	$ 0.10	$ 0.06	$ 0.16	$ 0.94
Weighted average number of common shares outstanding		4,371,219	4,371,219	4,371,219	4,507,464

See accompanying notes to the condensed interim financial statements

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

Issued and outstanding	Notes	Class A Number of Shares	Class A Share Capital	Class A Share to be Cancelled	Class B Number of Shares	Class B Share Capital	Retained Earnings	Total Equity
Balance as at January 1, 2016 (Audited)		4,963,556	$ -	$ -	220	$1,096	$ 7,055,916	$ 7,057,012
Substantial issuer bid	5(d)	(592,557)	-	-	-	-	(592,557)	(592,557)
Net income for the period		-	-	-	-	-	4,229,419	4,229,419
Balance as at September 30, 2016 (Unaudited)		4,370,999	-	-	220	1,096	10,692,778	10,693,874
Net income for the period		-	-	-	-	-	52,953	52,953
Balance as at December 31, 2016 (Audited)		4,370,999	-	-	220	1,096	10,745,731	10,746,827
Normal course issuer bid - shares to be cancelled	5(e)	-	-	(88,060)	-	-	-	(88,060)
Net income for the period		-	-	-	-	-	704,398	704,398
Balance as at September 30, 2017 (Unaudited)		4,370,999	$ -	$ (88,060)	220	$1,096	$ 11,450,129	$ 11,363,165

See accompanying notes to the condensed interim financial statements

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

	For the nine months ended September 30, 2017	2016
Cash flow from operating activities		
Net income	$ 704,398	$ 4,229,419
Adjustments to reconcile to net cash flows from operating activities:		
Gain on sale of investments, net	(268,489)	(409,954)
Unrealized gain on investments, net	(553,502)	(1,246,547)
Deferred income tax expense (recovery)	168,254	141,082
	50,661	2,714,000
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(1,260)	11,982
Income tax receivable	-	(2,776,176)
Accounts payable and accrued liabilities	(23,675)	(56,139)
Due to related parties	3,191	2,069
	(21,744)	(2,818,264)
Changes in other items:		
Proceeds from sale of investments	918,743	1,225,329
Purchase of investments	(3,199,792)	(795,165)
	(2,281,049)	430,164
Net cash used in by operating activities	(2,252,132)	325,900
Cash flow from financing activities		
Normal course issuer bid - shares to be cancelled	(88,060)	-
Substantial issuer bid - shares cancelled	-	(592,557)
Net cash used in financing activities	(88,060)	(592,557)
Net change in cash and cash equivalents	(2,340,192)	(266,657)
Cash and cash equivalents, beginning of the period	4,893,115	1,516,477
Cash and cash equivalents, end of the period	$ 2,552,923	$ 1,249,820
Supplemental cash flow information		
Dividends received	$ 196,793	$ 208,996
Interest paid	$ 11,797	$ 10,906
Interest received	$ 16,706	$ 2,043
Trust income distributions	$ 20,877	$ 5,884

See accompanying notes to the condensed interim financial statements

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 1500, 1055 W Georgia Street, Vancouver B.C. V6E 4N7, Canada. The Company is a publicly-traded merchant bank whose investment objective is to provide capital growth through investments in a broad spectrum of diversified investment assets. These investment assets may include securities, mutual funds, government treasury issues, real estate or other related opportunities. Its investments shall be focused, high growth opportunities in private or public companies. The Company trades under the symbol "SGE" on the TSX Venture Exchange (the "TSV-V" or "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 nine months ended September 30, 2017, the Company reported a net income of $704,398 (2016 - $4,229,419). At September 30, 2017, the Company had cash and cash equivalents of $2,552,923 (December 31, 2016 - $4,893,115) and working capital of $11,917,452 (December 31, 2016 - $11,132,860).

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of preparation

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2016 annual financial statements.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, 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 condensed interim financial statements do not include all of the information required for full annual financial statements.

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

3. Significant accounting polices

These unaudited interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2016. 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 nine-month period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

4. Investments

At September 30, 2017, the Company holds shares, convertible notes, warrants and mutual funds of certain companies with a cost of $7,919,387 (December 31, 2016 - $5,388,796) and a fair value of $9,388,847 (December 31, 2016 - $6,285,807).

As at September 30, 2017, the Company held the following investments:

	Quantity	Cost	Fair Market Value as at September 30, 2017
			(Unaudited)
Public companies:			
Bank of Nova Scotia	4,000	$ 211,310	$ 320,800
BCE Inc. New	53,344	2,060,840	3,116,890
Blackberry Limited	2,000	84,400	27,820
CIBC	5,000	372,443	545,800
EFLO Energy Inc.	177,000	157,370	-
Encana Corporation	13,000	352,713	190,840
Fairfax Financial Holdings Sr1 Pref.	7,500	187,500	153,300
Granite Reit Stapled Unit New	4,000	135,187	198,520
Great West Life-Preferred	10,000	250,000	254,200
ITAFOS	2,666	5,332	4,399
Manulife Financial Corp.	6,000	123,415	151,860
Pan Global Resources Inc.	250,000	50,000	31,250
Petaquilla Minerals Ltd	150,000	84,855	-
PRD Energy Inc.	2,017,000	250,173	2,017
Rogers Sugar Inc	10,000	54,438	63,200
Royal Bank of Canada	2,500	88,125	241,250
Sun Life Financial Inc.	10,000	298,724	496,700
Telus Corp.	30,000	497,970	1,346,100
Terrace Energy Corp.	50,000	107,500	750
Terrace Energy Corp. - Convertible Notes	250,000	250,000	3,825
Transalta Corp	25,000	399,683	182,500
TransCanada Corp.	7,000	235,662	431,410
US Steel Corp	53,700	1,902,074	1,713,333
Various Put and Call 100 Options	(1,662) [(a)]	(240,327)	(87,917)
TOTAL INVESTMENTS:		**$ 7,919,387**	**$ 9,388,847**

(a) Negative number denotes short position.

4. Investments (Continued)

As at December 31, 2016, the Company held the following investments:

	Quantity	Cost	Fair Market Value as at December 31, 2016
			(Audited)
Public companies:			
Bank of Nova Scotia	4,000	$ 211,310	$ 299,040
BCE Inc. New	29,700	995,640	1,722,600
Blackberry Limited	2,000	84,400	18,460
CIBC	5,000	372,443	547,800
EFLO Energy Inc.	177,000	157,370	-
Encana Corporation	13,000	352,713	204,880
Fairfax Financial Holdings Sr1 Pref.	7,500	187,500	138,000
Granite Reit Stapled Unit New	4,000	135,187	179,280
Great West Life-Preferred	10,000	250,000	255,700
Manitoba Telecom Services Inc.	35,000	1,065,316	1,326,500
Manulife Financial Corp.	6,000	123,415	143,400
Pan Global Resources Inc.	250,000	50,000	7,500
Petaquilla Minerals Ltd	150,000	84,855	-
PRD Energy Inc.	2,017,000	250,173	2,017
Rogers Sugar Inc	10,000	54,438	67,900
Royal Bank of Canada	2,500	88,125	227,175
Stonegate Agricom Ltd	333,333	92,333	3,333
Sun Life Financial Inc.	10,000	298,724	515,400
Telus Corp.	30,000	497,970	1,279,800
Terrace Energy Corp.	50,000	107,500	3,000
Terrace Energy Corp. - Convertible Notes	250,000	250,000	10,075
Transalta Corp	25,000	399,683	185,500
TransCanada Corp.	7,000	235,662	423,570
US Steel Corp	(23,300) [(a)]	(673,554)	(1,033,966)
Various Put and Call 100 Options	(444) [(a)]	(282,407)	(241,157)
TOTAL INVESTMENTS:		**$ 5,388,796**	**$ 6,285,807**

(a) Negative number denotes short position.

5. Share capital

(a) Authorized: share capital is as follows:

- 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 September 30, 2017, the Company had 4,370,999 Class A common shares and 220 Class B common shares issued and outstanding. Each Class B common shares can be exchanged for one Class A common share, and the Class B common shares exchanged will then be cancelled by the Company.

(c) Stock options

There were no options outstanding as of September 30, 2017 and December 31, 2016.

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.

(d) Substantial issuer bid

On December 18, 2015, the Company authorized a substantial issuer bid ("Offer") to purchase for cancellation up to 600,000 of its issued and outstanding Class A common shares ("Shares") at a purchase price of $0.90 per Share in cash. On January 28, 2016, the Company increased the purchase price of the Shares to $1.00 per Share and increased the number of Shares that the Company may purchase to up to 750,000 Shares. The Offer was also extended to February 16, 2016.

In February 2016, the Company announced the results of its substantial issuer bid. All the terms and conditions of the Offer had been compiled with and 592,557 Class A Shares at a purchase price of $1.00 per Share were properly tendered to the Offer and not withdrawn. After giving effect to the Offer, the number of issued and outstanding Class A Shares was reduced to 4,370,999.

(e) Normal course issuer bid

On August 1, 2017, the Company obtained an approval from the Exchange to undertake a normal course issuer bid to allow the Company to purchase of up to 218,549 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 Raymond James Ltd. between August 2, 2017 and July 31, 2018.

During the period ended September 30, 2017, 47,600 Class A common shares were purchased for $88,060 by the Company and the shares were subsequently cancelled and returned to treasury. Subsequent to September 30, 2017, another 1,700 Class A common shares were purchased by the Company and cancelled and returned to treasury.

6. Earnings per share

There were no options and warrants outstanding as of September 30, 2017 and 2016 therefore basic and diluted weighted average numbers of common shares outstanding are equal. The table below is a reconciliation of the denominator used in the calculation of basic and diluted earnings per share for the periods ended:

	2017	**2016**
Weighted average number of common shares outstanding – basic	**4,371,219**	**4,507,464**
Diluted effect of stock options	**-**	**-**
Weighted average number of common shares outstanding –diluted	**4,371,219**	**4,507,464**

7. Related party transactions and balances

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

For the nine months ended September 30, 2017

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Kenneth W. Morgan Chief Executive Officer, President and Director	$86,940[a]	$Nil	$Nil	$Nil[a]	$Nil	$86,940
Winnie Wong [c] Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Mark T. Brown [b] Director	$10,500	$Nil	$Nil	$Nil	$Nil	$10,500
Michael Katz [b] Director	$10,500	$Nil	$Nil	$Nil	$Nil	$10,500
Marc Blythe [b] Director	$10,500	$Nil	$Nil	$Nil	$Nil	$10,500
Pacific Opportunity Capital Ltd. [c]	$38,378	$Nil	$Nil	$Nil	$Nil	$38,378

For the nine months ended September 30, 2016

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Kenneth W. Morgan Chief Executive Officer, President and Director	$86,940[a]	$Nil	$Nil	$Nil[a]	$Nil	$86,940
Winnie Wong [c] Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Mark T. Brown [b] Director	$10,500	$Nil	$Nil	$Nil	$Nil	$10,500
Michael Katz [b] Director	$10,500	$Nil	$Nil	$Nil	$Nil	$10,500
Marc Blythe [b] Director	$10,500	$Nil	$Nil	$Nil	$Nil	$10,500
Pacific Opportunity Capital Ltd. [c]	$52,949	$Nil	$Nil	$Nil	$Nil	$52,949

7. Related party transactions and balances (Continued)

Related party assets / liabilities

	Services for	As at September 30, 2017	As at December 31, 2016
Amounts due to:			
Pacific Opportunity Capital Ltd.	Rent, management, and accounting [(c)]	$ 5,408	$ 2,247
Mark T. Brown	Director fee	$ 3,297	$ 3,282
Michael Katz	Director fee	$ 3,500	$ 3,500
Marc Blythe	Director fee	$ 3,297	$ 3,282
Yew Street Capital Corporation	Management [(a)]	$ 9,660	$ 9,660
TOTAL:		$ 25,162	$ 21,971

(a) During the nine months ended September 30, 2017, Mr. Morgan was paid management fees of $86,940 (2016 - $86,940) by the Company to Yew Street Capital Corporation, a company controlled by him. He also has termination benefits (Note 8).

(b) The Company pays director fees of $3,000 per quarter and $500 per meeting to each independent director.

(c) Pacific Opportunity Capital Ltd., a company controlled by a director of the Company, charged $38,378 (2016 - $52,949) for rent, accounting and management fees for an accounting and administrative team of three people during fiscal 2017 and 2016 respectively.

8. Commitments

The Company is committed to pay $250,000 upon termination of a management consulting services agreement with a company controlled by the CEO of the Company (Note 7(a)).

9. Financial instruments

The Company's cash and cash equivalents and investments held for trading are stated at fair value. 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, liquidity 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.

9. Financial instruments (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations, on time or at a reasonable price. The Company exposure to liquidity risk is limited to all the investments. The Company manages liquidity risk through the management of its capital structure. The Company's current working capital is $11,917,452.

(c) Market risk

The Company invests its marketable securities in various industries, including mineral resource, telecom and energy sectors. Changes in the future pricing and demand of these commodities can have a material impact on the market value of the 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 September 30, 2017, would change the Company's market value of its investments annually by approximately $93,900.

(d) 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, other interest-earning instruments and the margin loan 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 by approximately $130.

(e) 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 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's annual net loss by approximately $2,500.

(f) 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.

9. Financial instruments (Continued)

The fair value hierarchy of financial instruments measured at fair value as of September 30, 2017 is as follows:

As at September 30, 2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,552,923	$ -	$ -	$ 2,552,923
Investments	9,388,847	-	-	9,388,847
	$ 11,941,770	$ -	$ -	$ 11,941,770

The fair value hierarchy of financial instruments measured at fair value as of December 31, 2016 is as follows:

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,893,115	$ -	$ -	$ 4,893,115
Investments	6,285,807	-	-	6,285,807
	$ 11,178,922	$ -	$ -	$ 11,178,922

10. 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 investment 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 expects its current capital resources will be sufficient to continue investing in emerging companies and operations through its current operating period.

The Company does not have any externally imposed capital requirements.