



MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

Introductory Comment and Overview

Strategem Capital Corporation (“Strategem” or 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.

This MD&A is dated November 21, 2017 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 quarter, there were no significant highlights.

Quarterly Financial Condition

Capital Resources

The Company has adequate working capital to fund its expected operating costs through 2017.

Liquidity

As at September 30, 2017, the Company had total assets of \$11,944,184 and working capital of \$11,917,452 as compared with total assets of \$11,180,076 and working capital of \$11,132,860 at December 31, 2016.

The Company’s cash and cash equivalents decreased by \$2,340,192 from \$4,893,115 as at December 31, 2016 to \$2,552,923 as at September 30, 2017. The decrease was due to (a) \$88,060 used for normal course issuer bid in financing activities, (b) \$21,744 used by operating activities and (c) the purchase of investments of \$3,199,792, which was then offset by (d) \$918,743 cash provided by proceeds from the sale of investments.

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, 2017 compared with the three months ended September 30, 2016:

During the three months ended September 30, 2017, the Company recorded revenues of \$691,985 (2016 - \$432,094), consisting of a gain on sale of investments of \$153,853 (2016 - \$72,725), an unrealized gain on investments of \$444,144 (2016 - \$286,899) and interest, dividends and other income of \$93,988 (2016 - \$72,470).

During the three months ended September 30, 2017, the general expenses were \$71,552, a decrease of \$49,886 from \$121,438 for the same period in 2016. The decrease was mainly due to the decrease in legal and accounting fees of \$16,302 (2016 - \$68,262) related to the discussion with the Canada Revenue Agency ("CRA") regarding the tax disputes in 2016. The other administrative expenditures varied over the periods but the overall effect of these variances was not material.

During the three months ended September 30, 2017, the Company recorded deferred income tax expense of \$182,411 (2016 - \$47,373).

The net income for the three months ended September 30, 2017 was \$445,022 or earnings per share of \$0.10 as compared to \$276,943 or earnings per share of \$0.06 for the same period in 2016.

For the nine months ended September 30, 2017 compared with the nine months ended September 30, 2016:

During the nine months ended September 30, 2017, the Company recorded revenues of \$1,056,367 (2016 - \$1,873,425), consisting of a gain on sale of investments of \$268,489 (2016 - \$409,954), an unrealized gain on investments of \$553,502 (2016 - \$1,246,547) and interest, dividends and other income of \$234,376 (2016 - \$216,924).

During the nine months ended September 30, 2017, the general expenses were \$200,861, a decrease of \$209,334 from \$410,195 for the same period in 2016. The decrease was mainly due to: (a) the decrease in legal and accounting fees of \$35,189 (2016 - \$196,602) related to the discussion with the CRA regarding the tax disputes in 2016, and (b) the decrease in shareholder information and filing fees of \$17,004 (2016 - \$55,423) related to the substantial issuer bid and the normal course issuer bid in 2016. The other administrative expenditures varied over the periods but the overall effect of these variances was not material.

During the nine months ended September 30, 2017, the Company recorded \$nil for income tax recovery from prior years (2016 - tax recovery from prior years of \$2,956,109 for settlement of the tax disputes with the CRA). The Company also recorded deferred income tax expense of \$168,254 (2016 - \$141,082).

The net income for the nine months ended September 30, 2017 was \$704,398 or earnings per share of \$0.16 as compared with net income of \$4,229,419 or earnings per share of \$0.94 for the same period in 2016.



Related Party Transactions

During the quarter, there was no significant change to related party transactions.

Commitments, Expected or Unexpected, or Uncertainties

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.

Risk Factors

In our management discussion and analysis filed on SEDAR March 30, 2017 in connection with our annual financial statements (the "Annual MD&A") we have set out our discussion of the risk factors *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, 2017, the Company had 4,370,999 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 then be cancelled by the Company.

There were no options and warrants outstanding as of September 30, 2017.

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.

As at September 30, 2017, there were 4,370,999 Class A common shares and 220 Class B common shares issued and outstanding and on a fully diluted basis. As at the date of this MD&A, there were 4,321,699 Class A common shares and 220 Class B common shares issued and outstanding on a fully diluted basis.



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 operation 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 investments, the scope of our operations, 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 market values, currency volatility, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.