



MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

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 October 24, 2018 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 2018.

Liquidity

As at September 30, 2018, the Company had total assets of \$12,130,636 and working capital of \$12,100,474 as compared with total assets of \$12,460,350 and working capital of \$12,407,896 at December 31, 2017.

The Company's cash and cash equivalents increased by \$361,159 from \$3,523,584 as at December 31, 2017 to \$3,884,743 as at September 30, 2018. The increase was due to \$361,159 cash provided by operating activities.

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, 2018 compared with the three months ended September 30, 2017:

During the three months ended September 30, 2018, the Company recorded revenues of \$78,370 (2017 – \$691,985), consisting of a gain on sale of investments of \$151,411 (2017 – \$153,853), an unrealized loss on investments of \$184,810 (2017 – unrealized gain on investments of \$444,144) and interest, dividends and other income of \$111,769 (2017 - \$93,988).

During the three months ended September 30, 2018, general expenses were \$66,155, a slight decrease of \$5,397 from \$71,552 for the same period in 2017. The decrease was mainly due to the decrease in office and occupancy fees (2018 - \$5,836; 2017 - \$ 9,934). The other administrative expenditures varied over the period but the overall effect of these variances was not material.

During the three months ended September 30, 2018, the Company recorded deferred income tax expense of \$6,882 (2017 – \$182,411).

The net loss for the three months ended September 30, 2018 was \$30,354 or loss per share of \$0.01 as compared to net income \$445,022 or earnings per share of \$0.10 for the same period of 2017.

For the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017:

During the nine months ended September 30, 2018, the Company recorded loss of \$145,356 (2017 – revenues of \$1,056,367), consisting of a gain on sale of investments of \$164,065 (2017 - \$268,489), an unrealized loss on investments of \$633,666 (2017 – unrealized gain on investments of \$553,502) and interest, dividends and other income of \$324,245 (2017 - \$234,376).

During the nine months ended September 30, 2018, the general expenses were \$215,246, a slight increase of \$14,385 from \$200,861 for the same period in 2017. The increase was mainly due to the increase in legal and accounting fees (2018 - \$59,944; 2017 – \$35,189). 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, 2018, the Company recorded deferred income tax recovery of \$62,450 (2017 – income tax expense of \$168,254).

The net loss for the nine months ended September 30, 2018 was \$244,972 or loss per share of \$0.06 as compared with net income of \$704,398 or earnings per share of \$0.16 for the same period in 2017.

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.

In March 2016, the Company was advised by the CEO/director of the Company about legal claims asserted against him 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”) with the directors of the Company to provide indemnification as permitted by the Business Corporations Act (British Columbia). On January 26, 2018, pursuant to the CEO’s IA, the Company entered into an escrow agreement whereby it will deposit \$250,000 to the escrow agent as the initial amount of the escrow fund for the payment of the CEO’s legal fees. The Company may pay additional amounts into the escrow fund from time to time. As at September 30, 2018, no amount has been deposited with the escrow agent. Pursuant to the IA, the Company will pay any income or other taxes that the CEO may become liable for as a result of the indemnified amounts.

Risk Factors

In our management discussion and analysis filed on SEDAR March 28, 2018 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, 2018, 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 then be cancelled by the Company.

There were no options and warrants outstanding as of September 30, 2018.

On July 18, 2018, the Company obtained an approval from the Exchange to undertake a normal course issuer bid (“NCIB”) 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 Raymond James Ltd. starting August 1, 2018, immediately after the current NCIB ends, and will run until July 31, 2019. No purchases have been made as of October 24, 2018.



As at September 30, 2018, 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.

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.