



STRATEGEM

CAPITAL

Strength Through Strategy

STRATEGEM CAPITAL CORPORATION

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited – Prepared by Management)

STRATEGEM CAPITAL CORPORATION

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STRATEGEM CAPITAL CORPORATION

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, 2019 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 Chartered Professional Accountants of Canada 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, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		\$ 11,733,825	\$ 2,956,721
Investments	4	22,500	8,441,587
Prepaid expenses and deposits		21,731	23,154
Total current assets		11,778,056	11,421,462
TOTAL ASSETS		\$ 11,778,056	\$ 11,421,462
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 2,975	\$ 32,288
Due to related parties	7	23,130	23,566
Income tax payable		480,766	-
Total current liabilities		506,871	55,854
Non-current liabilities			
Deferred income tax liability		-	394,572
Total non-current liabilities		-	394,572
EQUITY			
Share capital	5	1,096	1,096
Retained earnings		11,270,089	10,969,940
Total equity		11,271,185	10,971,036
TOTAL EQUITY AND LIABILITIES		\$ 11,778,056	\$ 11,421,462

Commitments (Note 8)

These financial statements were authorized for issue by the Board of Directors on October 28, 2019.
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 (LOSS)
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited)

		For the three months ended		For the nine months ended	
	Notes	2019	2018	September 30, 2019	2018
Revenues					
Interest, dividends and other income		\$ 44,747	\$ 111,769	\$ 209,920	\$ 324,245
Gain (loss) on sale of investments, net		(64,674)	151,411	1,468,834	164,065
Unrealized gain (loss) on investments, net		57,242	(184,810)	(1,040,845)	(633,666)
Total revenues (loss)		37,315	78,370	637,909	(145,356)
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
Legal and accounting		11,833	17,170	42,024	59,944
Office and occupancy		4,079	5,836	14,936	20,068
Shareholder information and filing fees		6,664	3,669	19,016	16,794
Total expenses		62,056	66,155	194,416	215,246
Other item					
Foreign exchange gain (loss)		23,150	(35,687)	(57,150)	53,180
Total other item		23,150	(35,687)	(57,150)	53,180
Income (loss) before income taxes		(1,591)	(23,472)	386,343	(307,422)
Income tax recovery (expense)		-	-	(480,766)	-
Deferred income tax recovery (expense)		-	(6,882)	394,572	62,450
Net income (loss) and comprehensive income (loss) for the period		\$ (1,591)	\$ (30,354)	\$ 300,149	\$ (244,972)
Earnings (loss) per share - basic and diluted	6	\$ (0.00)	\$ (0.01)	\$ 0.07	\$ (0.06)
Weighted average number of common shares outstanding		4,321,919	4,321,919	4,321,919	4,321,919

See accompanying notes to the condensed interim financial statements

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

		Class A	Class A	Class B	Class B		
	Notes	Number of	Share	Number of	Share	Retained	Total
		Shares	Capital	Shares	Capital	Earnings	Equity
Issued and outstanding							
Balance as at January 1, 2018 (Audited)		4,321,699	\$ -	220	\$ 1,096	\$ 11,753,808	\$ 11,754,904
Normal course issuer bid	4(d)	-	-	-	-	-	-
Net loss for the period		-	-	-	-	(244,972)	(244,972)
Balance as at September 30, 2018 (Unaudited)		4,321,699	\$ -	220	\$ 1,096	\$ 11,508,836	\$ 11,509,932
Net loss for the period		-	-	-	-	(538,896)	(538,896)
Balance as at December 31, 2018 (Audited)		4,321,699	\$ -	220	\$ 1,096	\$ 10,969,940	\$ 10,971,036
Net income for the period		-	-	-	-	300,149	300,149
Balance as at September 30, 2019 (Unaudited)		4,321,699	\$ -	220	\$ 1,096	\$ 11,270,089	\$ 11,271,185

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,	
	2019	2018
Cash flow from operating activities		
Net income (loss)	\$ 300,149	\$ (244,972)
Adjustments to reconcile to net cash flows from operating activities:		
(Gain) on sale of investments, net	(1,468,834)	(164,065)
Unrealized loss on investments, net	1,040,845	633,666
Deferred income tax (recovery)	(394,572)	(62,450)
	(522,412)	162,179
Changes in non-cash working capital items:		
Prepaid expenses and deposits	1,423	1,035
Accounts payable and accrued liabilities	(29,313)	(21,729)
Due to related parties	(436)	(563)
Income tax payable	480,766	-
	452,440	(21,257)
Changes in other items:		
Proceeds from sale of investments	9,095,615	3,605,432
Purchase of investments	(248,539)	(3,385,195)
	8,847,076	220,237
Net cash provided by operating activities	8,777,104	361,159
Net change in cash and cash equivalents	8,777,104	361,159
Cash and cash equivalents, beginning of the period	2,956,721	3,523,584
Cash and cash equivalents, end of the period	\$ 11,733,825	\$ 3,884,743
Supplemental cash flow information		
Dividends received	\$ 88,318	\$ 293,361
Interest paid	\$ 2,144	\$ 6,881
Interest received	\$ 119,878	\$ 24,643
Trust income distributions	\$ 1,723	\$ 6,240

See accompanying notes to the condensed interim financial statements

STRATEGEM CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited)

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, 2019, the Company reported a net income of \$300,149 (2018 – net loss of \$244,972). At September 30, 2019, the Company had cash and cash equivalents of \$11,733,825 (December 31, 2018 - \$2,956,721) and working capital of \$11,271,185 (December 31, 2018 - \$11,365,608).

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, 2018 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 policies

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, 2018. 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 months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

STRATEGEM CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(EXPRESSED IN CANADIAN DOLLARS)
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4. Investments

At September 30, 2019, the Company held certain illiquid securities with a total cost of \$792,398 and a total fair value of \$22,500

At December 31, 2018, the Company held shares, convertible notes, and mutual funds of certain companies with a total cost of \$8,170,638 and a total fair value of \$8,441,587.

As at December 31, 2018, the Company held the following investments:

	Quantity	Cost	Fair Market Value as at December 31, 2018
			(Audited)
Public companies:			
Altagas Ltd.	15,000	\$ 435,152	\$ 207,000
ARC Resources Ltd	20,000	215,696	161,000
Bank of Nova Scotia	4,000	211,310	271,760
BCE Inc. New	53,344	2,060,840	2,874,708
Blackberry Limited	2,000	84,400	19,420
CDN Natural Res Ltd	5,000	170,850	164,200
CIBC	5,000	372,443	507,400
EFLO Energy Inc.	177,000	157,370	-
Encana Corporation	13,000	352,713	102,310
Enerplus Corporation	20,000	262,615	211,800
Fairfax Financial Holdings Sr1 Pref.	7,500	187,500	132,000
Granite Reit Stapled Unit New	4,000	135,187	211,920
Great West Life-Preferred	10,000	250,000	245,000
ITAFOS	2,666	5,332	2,559
Larentian Bank of Canada	9,000	492,898	342,360
Manulife Financial Corp.	6,000	123,415	116,220
Pan Global Resources Inc.	250,000	50,000	26,250
Petaquilla Minerals Ltd	150,000	84,855	-
PRD Energy Inc.	2,017,000	250,173	-
Rogers Sugar Inc	10,000	54,438	54,300
Royal Bank of Canada	2,500	88,125	233,175
Sun Life Financial Inc.	10,000	298,724	451,500
Telus Corp.	30,000	497,970	1,356,600
Terrace Energy Corp.	50,000	107,500	250
Terrace Energy Corp. - Convertible Notes	250,000	250,000	2,500
Transalta Corp	25,000	399,683	139,250
TransCanada Corp.	7,000	235,662	340,620
US Steel Corp	2,500	85,460	61,798
Vermilion Energy Inc	10,000	331,929	286,600
Various Put and Call 100 Options	(225) ^(a)	(81,602)	(80,913)
TOTAL INVESTMENTS:		\$ 8,170,638	\$ 8,441,587

(a) Negative number denotes short position and represent financial liabilities.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
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(Unaudited)

4. Investments (Continued)

	For the nine months ended	
	September 30, 2019	September 30, 2018
Gain on sale of investments	\$ 1,468,834	\$ 300,850
Loss on sale of investments	-	(136,785)
Gain on sale of investments, net	\$ 1,468,834	\$ 164,065

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, 2019, the Company had 4,321,699 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, 2019 and December 31, 2018.

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) **Normal course issuer bid**

On July 18, 2018, 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 Raymond James Ltd. between August 1, 2018 and July 31, 2019. No purchases were made as of July 31, 2019.

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
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5. Share capital (Continued)

(d) Normal course issuer bid (Continued)

On July 18, 2019, 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 Raymond James Ltd. between August 1, 2019 and July 31, 2020. No purchases have been made as of September 30, 2019.

6. Earnings per share

There were no options and warrants outstanding as of September 30, 2019 and 2018 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:

	2019	2018
Weighted average number of common shares outstanding – basic	4,321,919	4,321,919
Diluted effect of stock options	-	-
Weighted average number of common shares outstanding – diluted	4,321,919	4,321,919

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, 2019

	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 ^(a)
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)	\$42,520	\$Nil	\$Nil	\$Nil	\$Nil	\$42,520

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7. Related party transactions and balances (Continued)

For the nine months ended September 30, 2018

	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 ^(a)
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)	\$44,771	\$Nil	\$Nil	\$Nil	\$Nil	\$44,771

Due to related parties:

	Services for	As at September 30, 2019	As at December 31, 2018
Amounts due to:			
Pacific Opportunity Capital Ltd.	Rent, management, and accounting ^(c)	\$ 3,250	\$ 3,800
Mark T. Brown	Director fee	\$ 3,195	\$ 3,303
Michael Katz	Director fee	\$ 3,500	\$ 3,500
Marc Blythe	Director fee	\$ 3,194	\$ 3,303
Yew Street Capital Corporation	Management ^(a)	\$ 9,991	\$ 9,660
TOTAL:		\$ 23,130	\$ 23,566

- (a) During the nine months ended September 30, 2019, Mr. Morgan was paid management fees of \$86,940 (2018 - \$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 \$42,520 (2018 - \$44,771) for rent, accounting and management fees for an accounting and administrative team of three people during fiscal 2019 and 2018 respectively.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited)

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)).

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, 2019, 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.

9. Financial instruments

The Company’s cash and cash equivalents and investments held for trading 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

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, 2019, would change the Company’s market value of its investments annually by approximately \$200.

STRATEGEM CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
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9. Financial instruments (Continued)

(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 by approximately \$130.

(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 by approximately \$15,700.

(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 September 30, 2019 is as follows:

As at September 30, 2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 11,733,825	\$ -	\$ -	\$ 11,733,825
Investments	22,500	-	-	22,500
	\$ 11,756,325	\$ -	\$ -	\$ 11,756,325

The fair value hierarchy of financial instruments measured at fair value as of December 31, 2018 is as follows:

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,956,721	\$ -	\$ -	\$ 2,956,721
Investments	8,441,587	-	-	8,441,587
	\$ 11,398,308	\$ -	\$ -	\$ 11,398,308

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited)

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 does not have any externally imposed capital requirements.