STRATEGEM CAPITAL

Strength Through Strategy

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2015

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INTRODUCTION

This is Management's Discussion and analysis ("MD&A") for Strategem Capital Corporation (the "Company" or "Strategem") has been prepared based on information known to management as of May 25, 2015. This MD&A is intended to help the reader understand the financial statements of Strategem.

The following information should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2015 and the related notes, and the audited financial statement for the year ended December 31, 2014 and the related notes, all of which are prepared in accordance with International Financial Reporting Standards ("IFRS"). Annual references are to the Company's fiscal years, which end on December 31. All dollar figures included therein and in the following management discussion and analysis are quoted in Canadian dollars.

DESCRIPTION OF THE BUSINESS

Strategem is a publicly-traded merchant bank involved in acquiring interests in and developing companies with growth potential. The Company takes early debt and/or equity positions in such growth companies. The Company's focus is on companies that explore or develop natural resources.

There are significant risks associated with the types of opportunities that the Company has been and will be pursuing. Typically, only very few of such investments become successful. The types of investments with which the Company will be involved typically take at least several years to mature into a successful investment, and the failures generally materialize much sooner in the investment cycle. The Company will continue to seek out investment opportunities in emerging companies that have a strong likelihood of becoming successful investments as they mature.

SELECTED FINANCIAL INFORMATION

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Total revenue (loss)	($1,194,062)	$2,091,148	$2,097,231
Earnings (loss) before extraordinary items	($190,620)	($3,433,666)	$1,634,205
Net earnings (loss) for the year	($190,620)	($3,433,666)	$1,634,205
Per Share - basic	($0.04)	($0.65)	$0.31
Per Share – diluted	($0.04)	($0.65)	$0.31
Total assets	$14,978,490	$17,461,367	$16,607,922
Total long-term liability	$458,659	$1,754,488	$848,227
Cash dividends declared per share	N/A	$0.50	N/A

(Expressed in Canadian dollars)

SUMMARY OF QUARTERLY RESULTS

	2015	2014	2014	2014	**2014**	2013	2013	2013
	Mar-31	Dec-31	Sep-30	Jun-30	**Mar-31**	Dec-31	Sep-30	Jun-30
	Q1	Q4	Q3	Q2	**Q1**	Q4	Q3	Q2
Total revenue (loss)	**$ (196,203)**	$ (585,272)	$ (1,285,058)	$ 343,493	**$ 332,775**	$ 633,855	$ 1,340,464	$ (157,419)
Earnings (loss) before extraordinary items	**$ (89,680)**	$ 358,319	$ (899,835)	$ 163,334	**$ 187,562**	$ (2,579,829)	$ 548,696	$ (1,593,763)
Per Share[(1)]	**$ (0.02)**	$ 0.07	$ (0.17)	$ 0.03	**$ 0.04**	$ (0.49)	$ 0.10	$ (0.30)
Per Share – (diluted)	**$ (0.02)**	$ 0.07	$ (0.17)	$ 0.03	**$ 0.04**	$ (0.49)	$ 0.10	$ (0.30)
Net earnings (loss) for the period	**$ (89,680)**	$ 358,319	$ (899,835)	$ 163,334	**$ 187,562**	$ (2,579,829)	$ 548,696	$ (1,593,763)
Per Share[(1)]	**$ (0.02)**	$ 0.07	$ (0.17)	$ 0.03	**$ 0.04**	$ (0.49)	$ 0.10	$ (0.30)
Per Share – (diluted)	**$ (0.02)**	$ 0.07	$ (0.17)	$ 0.03	**$ 0.04**	$ (0.49)	$ 0.10	$ (0.30)

[(1)] Earnings per share is the same for basic and diluted number of shares, because there were no options and warrants outstanding from April 1, 2012 to and including March 31, 2015 and thus, the basic and diluted weighted average number of shares was the same.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

The Company's earnings and losses are expected to fluctuate significantly and will depend on its ability to identify and acquire investments that will appreciate in value (see "Description of the Business", above), and the exchange rate fluctuations.

Three months ended March 31, 2015 and three months ended March 31, 2014

During the three months ended March 31, 2015 the Company recorded loss of $196,203, consisting a loss on redemption of Absolute Core Return Fund of $47,652, unrealized loss on investment of $248,803, offsetting with interest, dividends and other income of $83,279, and gain on sale of investments of $16,973.

During the three months ended March 31, 2014 the Company recorded revenues of $332,775, consisting of interest, dividends and other income of $92,971, gain on sale of investment of $216,801, and unrealized gain on investment of $59,162, offsetting with unrealized loss on Absolute Core Return Fund of $36,159.

Excluding the foreign exchange gain of $174,043 and depreciation of $22, cash-related expenses for the three months ended March 31, 2015 were $127,378, a decrease of $294 from $127,672 for the three months ended March 31, 2014 which excludes the foreign exchange gain of $41,122 and depreciation of $48. The decrease in cash-related expenses was mainly due to decrease on legal and accounting fees of $55,087 (2014 - $61,826) offset by an increase on interest expenses on margin loan of $19,294 (2014 - $6,611). The other administrative expenditures varied over the periods but the overall effect of these variances was not material.

During the three months ended March 31, 2015, the Company recorded deferred income tax recovery of $59,880 (2014 - $58,615 deferred income tax expense). 2014's income tax expenses were mostly related to prior years' taxes that Canada Revenue Agency reassessed. The Company has reviewed the applicable tax law and has received professional advice and believes its application of capital treatment was done correctly. Furthermore, the Company believes that the 2007 tax periods are "statute-barred" and only subject to review under limited circumstances. The Company paid $3,000,000 to CRA in April 2014 and filed Notices of Objection for the 2007 Reassessments on June 18, 2014. The Company also filed Notices of Objection for the 2008 and 2009 tax years disputing the timing of certain losses and hopes to recover interest charged for the 2008 tax year. On January 23, 2015, CRA disallowed all the Company's Notices of Objection and issued Notices of Confirmation of their reassessments. The Company filed an appeal to the Tax Court of Canada on April 22, 2015. There is no assurance that the Company will be successful in its appeal.

(Expressed in Canadian dollars)

The net loss for the three months ended March 31, 2015 was $89,680 or loss per share of $0.02 as compared with net income of $187,562 or earnings per share of $0.04 for the same period of 2014. The increase in net loss for the three months ended March 31, 2015 compared to the same period of 2014 was primarily due to the unrealized loss on investments and a reduction in gain on sale of investments during this period.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, the Company had total assets of $14,454,968 and working capital of $8,571,074 as compared with total assets of $14,978,490 and working capital of $8,720,612 at December 31, 2014. The Company's cash and cash equivalents increased by $3,320,378 from $4,490,590 as at December 31, 2014 to $7,810,968, as at March 31, 2015. The increase was from $3,320,378 cash provided by operating activities.

At March 31, 2015, the Company had drawn $5,790,771 (2014 - $6,194,509) from a margin account provided by a brokerage firm to invest in short-term investments. The margin account is governed by a credit facility agreement and secured by the investments held in an account with a fair market value of $7,854,976 as of March 31, 2015 (December 31, 2014 - $8,344,290).

The Company, at any time, may borrow up to 90% of the fair market value of certain collateral, and up to 70% of other eligible securities. Subsequent to March 31, 2015, the credit facility agreement was closed and the Company's margin arrangement became subject to industry-standard margin requirements, which currently allow the Company to borrow up to 70% of eligible securities.

The margin loan bears the same interest rate as 90-day bankers' acceptance rate issued by the Bank of Montreal from time to time, calculated, compounded and payable monthly until August 31, 2019 when the credit facility agreement terminates. During the three months ended March 31, 2015, the Company paid interest expenses on margin loan of $19,294 (2014 - $6,611). The Company has adequate working capital to fund its expected operating costs through 2015.

ABSOLUTE CORE RETURN FUND

In September 2009, the Company paid $2,340,000 to purchase 234,000 Class A2 units of the Absolute Core Return Fund. The Company classified the units of the Absolute Core Return Fund as long-term assets due to the nature of the fund and its investment activities. During the year ended December 31, 2010, the Company purchased additional 12,462 Fund units. In December 2014, the Absolute Core Return Fund was partially redeemed and certain assets were distributed in kind to the Company at a fair value of $5,545,342, resulting in the Company recognizing a realized loss on redemption of $1,885,337. The Company then reclassified the remaining units in the Absolute Core Return Fund as current assets. During the three months ended March 31, 2015, the remaining units of the Absolute Core Return Fund were redeemed and cash and certain assets of $411,403 were distributed in kind to the Company. The Company recognized a loss on redemption of $47,652.

	Holdings	**Units**	**Original Cost**	**Fair value**
As at January 1, 2014	Absolute Core Return Fund Class A2	246,462	$ 2,562,000	$ 7,889,734
Partial redemption		(227,619)	$ (2,366,127)	$ (5,545,342)
Loss on redemption		-	-	$ (1,885,337)
As at December 31, 2014		**18,843**	**$ 195,873**	**$ 459,055**
Partial redemption		(18,843)	$ (175,540)	$ (411,403)
Loss on redemption		-	-	(47,652)
As at March 31, 2015		**-**	**$ -**	**$ -**

(Expressed in Canadian dollars)

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 (see "Related Party Transactions").

RELATED PARTY TRANSACTIONS

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 three months ended March 31, 2015

	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	$27,600[a]	$Nil	$Nil	$Nil[a]	$Nil	$27,600
Winnie Wong [c] Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Mark T. Brown [b] Director	$3,500	$Nil	$Nil	$Nil	$Nil	$3,500
Michael Katz [b] Director	$3,500	$Nil	$Nil	$Nil	$Nil	$3,500
Marc Blythe [b] Director	$3,500	$Nil	$Nil	$Nil	$Nil	$3,500
Pacific Opportunity Capital Ltd. [c]	$29,329	$Nil	$Nil	$Nil	$Nil	$29,329

For the three months ended March 31, 2014

	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	$12,600[a]	$Nil	$Nil	$Nil[a]	$Nil	$12,600
Winnie Wong [c] Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Mark T. Brown [b] Director	$3,500	$Nil	$Nil	$Nil	$Nil	$3,500
Michael Katz [b] Director	$3,500	$Nil	$Nil	$Nil	$Nil	$3,500
Marc Blythe [b] Director	$3,500	$Nil	$Nil	$Nil	$Nil	$3,500
Pacific Opportunity Capital Ltd. [c]	$17,294	$Nil	$Nil	$Nil	$Nil	$17,294

(Expressed in Canadian dollars)

Related party assets / liabilities

	Services for	As at March 31, 2015	As at December 31, 2014
Amounts due to:			
Pacific Opportunity Capital Ltd.	Rent, management, and accounting [c]	$14,440	$5,565
Mark T. Brown	Director	$3,276	$0
Michael Katz	Director	$3,500	$3,500
Marc Blythe	Director	$3,276	$0
Yew Street Capital Corporation	Management [a]	$9,200	$14,200
TOTAL:		$33,692	$23,265

(a) Mr. Morgan was paid management fees of $27,600 (2014 - $12,600) by the Company to Yew Street Capital Corporation, a company controlled by him. He also has termination benefits (see "Commitments").

(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 $29,329 (2014 - $17,294) for rent, accounting and management fees for an accounting and administrative team of four people during fiscal 2014 and 2013 respectively.

CAPITAL STOCK

- 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.

During the three months ended March 31, 2015, 400 Class B common shares were exchanged for Class A common shares. As at ended March 31, 2015, a total of 220 Class B common shares remained unconverted.

As at March 31, 2015, the Company had 5,255,404 Class A common shares and 220 Class B common shares issued and outstanding. Each remaining Class B common share can be exchanged for one Class A common share and a cash payment of $1.75 per share as a distribution of capital, and the Class B common shares exchanged will then be cancelled by the Company.

Stock option plan

There were no options and warrants outstanding as of March 31, 2015.

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.

As at March 31, 2015 and the date of this MD&A, there were 5,255,624 common shares issued and outstanding and on a fully diluted basis.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's cash and cash equivalents, investments held for trading, and Absolute Core Return Fund are stated at fair value. The fair value of amounts due to related parties, accounts payable and accrued liabilities and margin loan approximates their carrying 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 and Absolute Core Return Fund is represented by their fair values disclosed.

(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 and Absolute Core Return Fund. The Company manages liquidity risk through the management of its capital structure. The Company's current working capital is $8,571,074.

(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 March 31, 2015, would change the Company's market value of its investments annually by approximately $66,400.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of interest-bearing investments and the margin loan 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.

(Expressed in Canadian dollars)

(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 income by approximately $151,200.

(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.

The fair value hierarchy of financial instruments measured at fair value as of March 31, 2015 is as follows:

As at March 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 7,810,968	$ -	$ -	$ 7,810,968
Investments	6,643,742	-	-	6,643,742
	$ 14,454,710	$ -	$ -	$ 14,454,710

The fair value hierarchy of financial instruments measured at fair value as of December 31, 2014 is as follows:

As at December 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 4,490,590	$ -	$ -	$ 4,490,590
Accounts receivable	3,072,365	-	-	3,072,365
Investments	6,955,838	-	-	7,414,893
Absolute Core Return Fund	459,055	-	-	459,055
	$ 14,977,848	$ -	$ -	$ 14,977,848

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:

Critical judgments

- The management's belief that all of the 220 Class B shares will be converted into Class A common shares.

Estimates

- The carrying value of the investments, Absolute Core Return Fund, 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.

OFF – BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Changes in Internal Control Over Financial Reporting ("ICFR")

No changes occurred in the current period of the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

FORWARD-LOOKING STATEMENTS

Certain information regarding the Company as set forth in the MD&A, including management's assessment of the Company's future plans and operations, contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuation, imprecision of reserve estimates, environmental risks, taxation policies, competition from other producers, the lack of qualified personnel or management, stock market volatility and the ability to access sufficient capital from external or internal sources. The actual results, performance or achievement could materially differ from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them does, what benefits the Company will derive there from.

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- The illiquid nature of the units of the Absolute Core Return Fund and the related restrictions on fund redemptions;
- Impairment of long-lived assets;
- The amount of the changes to net income and investments as a result of changes in prevailing interest rates, economic and market conditions and company specific news;
- Conversion of 220 Class B shares into Class A common shares;
- The Company's earnings and loss fluctuation and the ability to identify and acquire investments that will appreciate in value; and

- The Company's adequate working capital to fund its expected operating costs through 2015.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.