

**ITASCA CAPITAL LTD.
INTERIM MANAGEMENT DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

Background

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) of financial position and results of operation for Itasca Capital Ltd. (the “Company” or “Itasca”) is prepared as at November 17, 2017. This MD&A should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements as at and for the nine months ended September 30, 2017 and with the Company’s audited consolidated financial statements as at and for the year ended December 31, 2016.

Except as otherwise disclosed, all dollar figures included in the consolidated financial statements and in the following Quarterly Highlights are quoted in Canadian dollars, and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following Quarterly Highlights constitute forward-looking statements. Such forward-looking statements may include, but are not limited to statements regarding the Company’s strategy and future cash flows. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors. The outcomes of these factors may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Company Overview

Trading under the symbol “ICL” (previously “KXM”) on the TSX Venture Exchange (“TSXV”), Itasca, historically a mineral exploration company, changed its strategic direction in 2016 by divesting all its exploration related assets and expanding its investment policy to include both natural resource and industrial sectors. As part of its expanded strategy, the Company had been seeking a strategic investment in 2016 that would provide accretive value to the Company’s cash reserves by generating attractive risk-adjusted returns enhanced by Company’s existing tax losses. See “Investment in 1347 Investors LLC”.

On March 30, 2016, the Company entered into a binding Letter of Intent (“LOI”) and other related agreements with Kingsway Financial Services Inc. (“KFSI”), pursuant to which the Company agreed to initiate a Substantial Issuer Bid (“SIB”) and schedule an Annual General and Special Meeting of shareholders (the “Meeting”) for the purposes of approving a new slate of directors, a change in name from “Kobex Capital Corp.” to “Itasca Capital Ltd.” and a Management Services Agreement (“MSA”) with KFSI.

Itasca filed an Offer to Purchase and Bid Circular in connection with the SIB to purchase for cash and cancellation up to 40,809,178 common shares, which number represented approximately 85% of the then issued and outstanding 45,481,387 common shares and 2,150,000 vested and in-the-money options to acquire common shares at a price of \$0.655 per share (the “Offer”). The Offer expired at 5:00 p.m. (Toronto time) on June 6, 2016. Pursuant to the Offer, 25,820,761 common shares had been deposited as at the expiration of the Offer, which were taken up by the Company for purchase and cancellation at a price of \$0.655 per share for an aggregate consideration of \$16,912,598. The Company also incurred SIB related expenses amounting to \$439,590. The shares purchased and cancelled pursuant to the SIB represented approximately 54.2% of the total issued and outstanding common shares as of June 6, 2016. As of September 30, 2017, 21,810,626 shares remained outstanding.

On June 9, 2016, Itasca held the Meeting. All resolutions put to shareholders at the Meeting were duly passed, including; the election of the Company’s new directors: Edward H. Benford, John T. Fitzgerald,

Andrew McIntyre, R. Michael Powell and Larry G. Swets, Jr.; a special resolution authorizing the amendment to the Company's articles to change its name from "Kobex Capital Corp." to "Itasca Capital Ltd."; and an ordinary resolution approving the MSA. On June 23, 2016, the Company announced the appointment of Kyle Cerminara as a director of the Company. Pursuant to the MSA, KFSI will provide, for an annual service fee of \$1.00, management and administrative services to Itasca, including services of Chief Executive Officer, Chief Financial Officer and Corporate Secretary. The former directors did not stand for re-election at the Meeting and the previous management resigned effective June 9, 2016.

Investment in 1347 Investors LLC

In July, 2016, the Company entered into a subscription agreement with 1347 Investors LLC ("1347 LLC") to subscribe for up to 10,000,000 Class A Preference Interests of 1347 LLC (the "Class A Interests") for a purchase price of USD\$1.00 per Class A Interest, for an aggregate total of up to USD\$10,000,000 (the "Investment"). 1347 LLC is a privately held limited liability company formed under the laws of the State of Delaware, USA. 1347 LLC currently holds securities of Limbach Holdings, Inc. ("Limbach"), a publicly traded entity on the Nasdaq Capital Market under the symbol "LMB". In connection with the Investment, the Board of Directors of Itasca amended the investment policy of the Company to include investments in both the natural resource and industrial sectors.

Terms

The Class A Interests in 1347 LLC (100% of which are held by Itasca) rank senior to all classes and series of interests in 1347 LLC outstanding. 1347 LLC shall not issue any other interests or securities convertible into interests of 1347 LLC that rank senior to or pari passu with the Class A Interests without consent of the holders of a majority of the Class A Interests. For so long as any Class A Interests are outstanding, 1347 LLC will not repurchase, redeem or retire any interests of 1347 LLC other than the Class A Interests. Commencing on the date that is five years from the date of issuance of the Class A Interests and on each one-year anniversary of such date thereafter, holders of at least a majority of the then issued and outstanding Class A Interests may request 1347 LLC to redeem their interests at a price equal to USD\$1.00 per Class A Interest, plus an accrued amount equal to 1% per month (non-compounding) on capital balance, whether declared or not (the "Preferential Accrual"). The holders of Class A Interests shall have a preference upon liquidation over all holders of interests of any other class of 1347 LLC ranking junior for an amount equal to USD\$1.00 per Class A Interest plus the Preferential Accrual, and such amount shall be paid before any amount shall be paid or any assets distributed to holders of interests of 1347 LLC ranking junior as to the return of capital to the Class A Interests. After such distribution first to Class A Interest holder(s), 1347 LLC shall make distributions in the following order: i) an aggregate of USD\$3,000,000 plus Preferential Accrual to Class B Interest holders, ii) USD\$2,326,500 to Class C Interest Holders and iii) USD\$5,173,500 to Class D Interest holders and thereafter, once such distributions have been made, 44.44% of any balance to the holders of Class A Interests, 22.22% of any balance to holders of Class B Interests, 10.34% of any balance to holders of Class C Interests, and 23% of any balance to holders of Class D Interests. Each interest across all classes of interests in 1347 LLC represents one vote. Based on a total 20,998,019 interests outstanding, Itasca owns 47.62% of the total outstanding voting interests of 1347 LLC.

In connection with the Investment, Itasca entered into an amended and restated limited liability company agreement (the "Operating Agreement") by and among the existing members of 1347 LLC, which governs, among other things, the rights of the members of 1347 LLC and the management and governance of 1347 LLC. The managers of 1347 LLC are Larry Swets and Kyle Cerminara, both directors of the Company. A manager of 1347 LLC may be removed or replaced at any time, with or without cause, upon the approval of holders of 2/3 of the outstanding interests in 1347 LLC.

Accounting

Itasca owns 47.62% of the total outstanding voting interests of 1347 LLC. Since Itasca owns greater than 20% but less than 50% of the outstanding voting interests of 1347 LLC, it exerts significant influence over 1347 LLC but does not control 1347 LLC. The Company has also considered the provisions of IFRS 10 - Consolidated Financial Statements in order to assess whether control exists even though it owns less than

majority of 1347 LLC's outstanding voting interests and has concluded that it does not exert control over 1347 LLC. Under the provisions of IAS 28 – Investment in Associates and Joint Ventures (“IAS 28”), 1347 LLC is an associate of Itasca (thereby making 1347 LLC a related party to the Company). Itasca does not account for its Investment in 1347 LLC on an equity accounting basis. Instead, the Investment is recorded by the Company at its fair value through profit and loss under the provisions of IAS 28 pertaining to investments in associates held by or held through entities similar to venture capital organizations, mutual fund or unit trusts.

The fair value of the Investment is calculated based on an internally developed valuation model (“Model”) that takes the net equity of 1347 LLC (based on fair valuing the Limbach securities held by 1347 LLC) and distributes that net equity to all classes of membership interests based on the distribution waterfall in the Operating Agreement of 1347 LLC. In other words, this fair value calculated by the Model represents the amount that Itasca and other investors of 1347 LLC would receive if 1347 LLC were to settle all its assets (Limbach securities) and liabilities (external debt) at the given fair value and then distribute the net proceeds to investors in accordance with its Operating Agreement. Management considers such distribution estimate at any given point in time a proxy for the value at which unrelated and willing parties would trade such an investment, hence such distribution estimate represents the fair value of the Investment in 1347 LLC.

Analysis of the Company's Financial Performance and Condition

Itasca does not have any current operations and hence does not generate operating revenue. The Company has started generating investment income in the form of unrealized gains or losses from the Investment in 1347 LLC. As a publicly listed company, Itasca incurred expenses for professional fees and other general and administrative expenses. For the nine months ended September 30, 2017, the Company reported a net loss of \$1,404,426 due to \$1,457,432 foreign exchange loss on the Investment in 1347 LLC, \$236,088 in general and administrative expenses, mitigated by \$289,094 change in unrealized gain on the Investment in 1347 LLC.

As of September 30, 2017, the Company held \$161,246 in cash as compared to \$293,624 held as of December 31, 2016, a decline of \$132,378. This decline is primarily due to various payments related to expense incurred for general and administrative purposes.

The Company has no current source of significant revenue and its ability to continue as a going concern in the long term depends upon whether it develops profitable operations, investment income, or raises adequate financing. The only source of significant revenue and cash of the Company is investment gains from its interest in 1347 LLC. The total unrealized gain associated with the Investment in 1347 LLC amounted to \$10,300,995 as of September 30, 2017, but this gain will not be converted into cash flow until it is realized upon disposition or a distribution from 1347 LLC. The Investment in 1347 LLC is not a publicly traded instrument and is denominated in U.S. dollars, hence it has liquidity and foreign exchange risk associated with it. Management has concluded that the Company has sufficient liquidity resources as of September 30, 2017 to continue as a going concern for at least the next twelve months.

Results of Operations – Three Months Ended September 30, 2017

The Company reported net income of \$3,103,388 (\$0.14 income per share) for the three months ended September 30, 2017 compared to a net loss of \$55,997 (\$0.00 loss per share) for the same period in 2016. The primary contributors to the increase in net income are as follows:

- Change in unrealized gain from the Investment in 1347 LLC recorded during the third quarter of 2017 amounted to \$3,937,083. There was no such unrealized gain recorded for the same period in 2016.
- Professional fee reduced from \$143,317 for the three months ended September 30, 2016 to \$6,188 for the three months ended September 30, 2017 primarily due to approximately \$115,000 legal expenses incurred in prior period pertaining to Company's investment in 1347 LLC.

Partially offsetting the effect of the above stated items were the following changes:

- Foreign exchange loss in the amount of \$747,685 recorded during the third quarter of 2017 primarily related to USD denominated investment in 1347 LLC, as compared to a foreign exchange loss of \$201,976 incurred during the same period in 2016.
- Investment income decreased from \$315,915 for the three months ended September 30, 2016 to \$0 for the three months ended September 30, 2017. The Company was initially recording only Preferential Accrual for its investment in 1347 LLC in third quarter of 2016, which was reported as investment income. The Company finalized the accounting in fourth quarter of 2016 for investment in 1347 LLC to be fair valued pursuant to which the changes in value of the investment were recorded as change in unrealized gains.

Results of Operations – Nine Months Ended September 30, 2017

The Company reported net loss of \$1,404,426 (\$0.06 loss per share) for the nine months ended September 30, 2017 compared to a net loss of \$1,255,719 (\$0.04 loss per share) for the same period in 2016. The primary contributors to the increase in net loss are as follows:

- Foreign exchange loss for the nine months ended September 30, 2017 amounted to \$1,457,432 primarily related to USD denominated investment in 1347 LLC, as compared to a foreign exchange loss of \$202,413 incurred during the same period in 2016.
- Realized gain on sale of marketable securities for the nine months ended September 30, 2016 was \$406,849 compared to \$0 for the nine months ended September 30, 2017. The Company no longer holds any marketable securities.
- Investment interest income decreased from \$435,865 for the nine months ended September 30, 2016 to \$0 for the nine months ended September 30, 2017. The Company did not hold any interest generating investment during the current period.

Partially offsetting the effect of the above stated items were the following changes:

- Change in unrealized gain from the Investment in 1347 LLC for the nine months ended September 30, 2017 amounted to \$289,094. There was no such unrealized gain recorded for the same period in 2016.
- Professional fees declined from \$1,144,173 for the nine months ended September 30, 2016 to \$101,631 for the nine months ended September 30, 2017 primarily due to approximately \$291,000 legal expenses incurred pertaining to negotiating and drafting LOI and related agreements with KFSI, \$176,000 legal expenses pertaining to Meeting and related filings, reimbursement of certain legal expenses to KFSI pertaining to 2015 proxy contest amounting to approximately \$453,000, and approximately \$115,000 legal expenses incurred related to 1347 LLC investment. No such expenses were incurred in current period.
- Transfer agent, exchange listing and shareholder information fee reduced from \$431,171 for the nine months ended September 30, 2016 to \$27,375 for the nine months ended September 30, 2017. This is primarily due to reimbursement to KFSI in prior period of certain shareholder solicitation expenses pertaining to the 2015 proxy contest amounting to approximately \$340,000 as well as expenses related to the Meeting in the prior period.
- Office and corporate administration expenses decreased from \$114,101 for the nine months ended September 30, 2016 to \$15,905 for the nine months ended September 30, 2017 primarily due to cessation of management services agreement with Earlston Management Corp and reduced directors and officers' insurance expense.

- Directors' fee and benefits decreased from \$142,631 for the nine months ended September 30, 2016 to \$45,000 for the nine months ended September 30, 2017 due to the higher fee paid to previous directors.
- Consulting fee decreased from \$63,944 for the nine months ended September 30, 2016 to \$0 for the nine months ended September 30, 2017 due to cessation of previous CEO services.

Related Party Transactions

The Company was party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company related by virtue of providing key management services to the Company. The Earlston agreement was discontinued in June 2016. Per the Earlston agreement, the Company was paying a fee of \$10,000 per month and reimbursing Earlston for expenses incurred in the performance of its services. During the nine months ended September 30, 2016, the Company incurred \$68,807 of such costs for Earlston services.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

The Company incurred the following remuneration for key management personnel:

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
	\$	\$
Consulting fee to former Chief Executive Officer	-	61,543
Fees paid to former Directors	-	114,163
Fees incurred for new Directors	45,000	20,000

On September 7, 2017, the Board of Directors granted 80,000 options to each director, for a total of 480,000 options, under the Company's stock option plan for a term of 10 years with an exercise price of \$1.00 per option. The stock options granted to directors are in lieu of the directors' cash fee that had been accrued and unpaid since the current directors were elected in June 2016. The Company uses Black-Scholes model to calculate the estimated fair value of the options as of the grant date. An aggregate value of \$65,000 was estimated for the 480,000 options granted on September 7, 2017. The issuance of options in lieu of cash payment of Board fee was done to preserve the Company's liquidity.

Management Services Agreement

The Company entered into an MSA with KFSI on June 10, 2016. Pursuant to the MSA, KFSI will provide, for an annual service fee of \$1.00, management and administrative services to Itasca, including services of Chief Executive Officer, Chief Financial Officer and Corporate Secretary. KFSI is a related entity by virtue of providing key management personnel services to Itasca as well as a significant shareholder of Itasca whereby Itasca is an associate of KFSI.

In June 2016, the Company reimbursed to KFSI \$800,000 of expenses incurred by KFSI pertaining to costs incurred by KFSI in connection with the proxy contest that led to the change in composition of the Board of Directors at the Meeting.

Investment in 1347 Investors LLC

As discussed above, the Company closed the Investment on July 18, 2016. The Investment was considered a "related party transaction" under the policies of the TSXV and for the purposes of Multilateral Instrument

61-101 - *Protection of Minority Security Holders in Special Investments* ("MI 61-101") by virtue of the fact that Mr. Larry G. Swets, Jr., the Chief Executive Officer and Chairman of Itasca, is also (a) the Chief Executive Officer, director and shareholder of KFSI, which holds approximately 31% of the issued and outstanding shares of Itasca and which indirectly controls 1347 Capital LLC ("1347 Capital"), which controlled 1347 LLC at the time of the closing of Investment; (b) at the time of closing of the Investment the Chairman and shareholder of 1347 Capital Corp. ("TFSC"), later renamed to Limbach; and (c) the manager of 1347 Capital. In addition, Mr. John T. Fitzgerald, a director of Itasca, is also (a) an officer, director and shareholder of KFSI; (b) an investor in 1347 LLC; (c) a director and shareholder of TFSC at the time of closing of the Investment; and (d) a manager of 1347 Capital. Further, Mr. Mike Powell, a director of Itasca, is managing director of EarlyBirdCapital, Inc., an investment bank engaged by TFSC that received a fee in connection with the completion of the Limbach merger. Mr. Hassan Baqar, the Chief Financial Officer and Corporate Secretary of Itasca, was at the time of closing of the Investment (a) a director, Chief Financial Officer, Corporate Secretary and shareholder of TFSC; (b) the President of 1347 LLC; and (c) the manager of 1347 Capital. The Investment was reviewed and approved by TSXV prior to its closing.