

**ITASCA CAPITAL LTD. (FORMERLY KOBEX CAPITAL CORP.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Background

This management discussion and analysis ("MD&A") of financial position and results of operation for Itasca Capital Ltd. (the "Company" or "Itasca") is prepared as at March 15, 2017. This MD&A should be read in conjunction 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 audited consolidated financial statements and in the following MD&A 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 MD&A constitute forward-looking statements. Such forward-looking statements include, but are not limited to statements regarding the Company's strategy, cash flows, ability to raise sufficient financing, and financial statement risks. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors such as, but not limited to, foreign exchange volatility, volatile investment markets, and other economic conditions, all of which will influence the Company's ability to identify investment opportunities in the future. Such risks are described in further detail in the MD&A. 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, Substantial Issuer Bid, Annual General and Special Meeting of Shareholders

Trading under the symbol "ICL" (previously "KXM") on the TSX Venture Exchange ("TSXV"), Itasca, historically a mineral exploration company, has 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 December 31, 2016, 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), but 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.

	December 31, 2016
Investment in Class A Interest of 1347 Investors LLC – at cost	\$13,516,363
Unrealized gain	10,011,903
Investment in Class A Interest of 1347 Investors LLC – at fair value	\$23,528,266

Itasca has not received any distributions from 1347 LLC during 2016. For more detailed discussion on the accounting and fair valuation of the Investment, refer to Note 5 – Investment in Associate to the consolidated financial statements for the year ended December 31, 2016.

Selected Annual Financial Information

The following selected financial information is derived from the audited consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 and notes thereto.

	Years Ended December 31,		
	2016	2015	2014
	\$	\$	\$
Total assets	23,828,617	31,251,165	33,646,756
Long-term liabilities	-	-	3,949
Net income (loss) for the year	8,945,390	(2,898,972)	(17,600)
Earnings (loss) per share - basic and diluted	0.28	(0.06)	(0.00)

In 2014, the Company was focused on cost containment, and reduced general and administrative expenses significantly to a point where such expenses were largely offset by interest income on cash and cash equivalents. While the majority of the Company's total assets remained in cash and cash equivalents, in 2014 the Company invested \$5 million in marketable securities.

In 2015, the Company incurred higher net loss primarily due to impairment in the value of marketable securities and increased legal and other professional fees incurred due to the shareholder requisition. In 2016, the Company invested \$12,937,000 (US\$10,000,000) in 1347 LLC's Class A Interest, as discussed above in section Investment in 1347 Investors LLC. The fair value of this Investment at December 31, 2016 is \$23,528,266 with an unrealized gain of \$10,011,903. The net income for 2016 increased substantially primarily due to a change in unrealized gains for the Investment amounting to \$10,011,903 reported through Consolidated Statement of Comprehensive Income (Loss).

Results of Operations

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 from the Investment in 1347 LLC made during 2016. As a publicly listed company, Itasca incurred expenses for professional fees and other general and administrative expenses. During 2016, the Company also incurred additional expenses pertaining to the SIB and the Meeting.

Significant financial statement items are as follows:

	For the three months ended		For the year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	\$	\$	\$	\$
Net income (loss) and total comprehensive income (loss):				
General and administrative expenses				
Professional fees	(56,417)	(893,727)	(1,200,592)	(963,082)
Transfer agent, exchange listing and shareholder information	(3,473)	(280,197)	(434,644)	(346,626)
Directors' fees and benefits	(15,000)	(179,922)	(157,631)	(312,135)
Office and corporate administration expense	(84)	(62,487)	(70,598)	(152,485)
Consulting	-	(46,271)	(63,944)	(151,200)
Share-based compensation expense	-	-	-	(147,555)
Rent and office costs	(4,298)	(58,672)	(47,884)	(71,370)
Change in unrealized gain	9,695,988	-	10,011,903	-
Realized gain on sale of marketable securities	-	-	406,849	-
Foreign exchange gain (loss)	579,354	(640)	376,941	(745)
Investment income	5,041	55,195	124,990	298,672
Other than temporary Impairment of marketable securities	-	(1,052,446)	-	(1,052,446)
Net income (loss) for the period	10,201,111	(2,519,167)	8,945,390	(2,898,972)
Other comprehensive income				
Change in fair value of marketable securities designated as available-for-sale	-	611,388	1,680	(897,030)
Reclassification of impairment loss for the period	-	1,047,030	-	1,047,030
Total comprehensive income (loss) for the period	10,201,111	(860,749)	8,947,070	(2,748,972)
Basic and diluted earnings (loss) per share	0.47	(0.06)	0.28	(0.06)
Cash Flows:				
Operating activities	(27,871)	(1,291,570)	(2,159,518)	(1,792,569)
Investing activities	5,041	55,195	(7,744,606)	(404,316)
Financing activities	-	-	(16,149,688)	-

Results of operations – Year Ended December 31, 2016

The Company reported net income of \$8,945,390 (\$0.28 earnings per share) for the year ended December 31, 2016 compared to a net loss of \$2,898,972 (\$0.06 loss per share) for the same period in 2015. The primary contributors to the difference are as follows:

- Change in unrealized gain from the Investment in 1347 Investors LLC made in 2016 amounting to \$10,011,903.
- Realized loss from impairment of marketable securities during 2015 amounting to \$1,052,446. There was no impairment loss recorded in 2016.
- Realized gain in the amount of \$406,849 recorded in 2016 resulting from sale of marketable securities, while there was no such gain during 2015.
- Foreign exchange gain in the amount of \$376,941 recorded for 2016 as compared to a foreign exchange loss of \$745 incurred during 2015.

The net cash used in operating activities increased from \$1,792,569 during 2015 to \$2,159,518 for 2016 primarily due to changes in non-cash working capital.

The net cash used in investing activities increased from \$404,316 during 2015 to \$7,744,606 for 2016 primarily due to the Investment in the amount of \$12,937,000 in 1347 Investors LLC in 2016, mitigated by \$5,067,404 proceeds from the sale of marketable securities in 2016.

The net cash used in financing activities increased from zero during 2015 to \$16,149,688 for 2016 primarily due to the outflow of \$16,912,598 related to stock repurchase under the SIB and \$439,590 related to SIB expenses, mitigated partially by \$1,202,500 cash inflow from exercise of stock options during 2016.

Fourth Quarter Discussion

Results of operations – Three Months Ended December 31, 2016

The Company reported net income of \$10,201,111 for the three months ended December 31, 2016 compared to a net loss of \$2,519,167 for the same period in 2015. The primary contributors to the increase in net income are as follows:

- Change in unrealized gain from the Investment in 1347 Investors LLC made in 2016 recorded during the fourth quarter of 2016 amounting to \$9,695,988.
- Realized loss from impairment of marketable securities recorded during the fourth quarter of 2015 amounting to \$1,052,446. There was no impairment loss recorded in fourth quarter of 2016.
- General and administrative expenses declined by \$1,442,004 from \$1,521,276 for fourth quarter of 2015 to \$79,272 for the same period in 2016, primarily due to a decline in expenses pertaining to a shareholder requisition (proxy contest) and director fees.
- Foreign exchange gain in the amount of \$579,354 recorded during the fourth quarter 2016 primarily related to USD denominated investment in 1347 Investors LLC, as compared to a foreign exchange loss of \$640 incurred during 2015.

The net cash used in operating activities declined from \$1,291,570 during 2015 to \$27,871 for 2016 primarily due to expenses related to a shareholder requisition and a special meeting of shareholders held on November 17, 2015 (the “2015 Meeting”).

Summary of Quarterly Results

A summary of certain results over the Company’s previous eight quarters is as follows:

For the Three Months Ended	Net Income (Loss) \$	Basic and Diluted Earnings (Loss) Per Share \$
December 31, 2016	10,201,111	0.47
September 30, 2016	(55,997)	(0.00)
June 30, 2016	(955,341)	(0.02)
March 31, 2016	(244,381)	(0.01)
December 31, 2015	(2,519,167)	(0.06)
September 30, 2015	(272,825)	(0.01)
June 30, 2015	(76,025)	(0.00)
March 31, 2015	(30,955)	(0.00)

See “Selected Annual Financial Information” and “Company Overview” above for discussion regarding year over year change in business of the Company. The Company has no operations and has only held passive investments across the eight quarters listed in table above. The increase in net losses of the Company from the quarter ended September 30, 2015 to June 30, 2016 were primarily a result of impairment losses (\$1,052,446 in Q4, 2015) related to marketable securities, as well as additional expenses incurred regarding a shareholder requisition (proxy contest) and the 2015 Meeting and the Meeting held in 2015 and 2016, respectively.

After the strategic changes described in “Company Overview” and “Investment in 1347 Investors LLC” above, the Company has incurred normalized expenses starting third quarter of 2016 and also completed the Investment in 1347 LLC in July 2016. This Investment constitutes 98.74% percent of total assets and 99.06% of the Company’s shareholders’ equity. The primary source of income of Itasca, as recorded for three months ended December 31, 2016, are capital gains from the Investment in 1347 LLC. Since this Investment is denominated in US dollars, the Company will continue to have a foreign currency exposure until the Investment is sold.

Liquidity and Capital Resources

As of December 31, 2016, the Company held \$293,624 in cash as compared to \$26,549,859 held as of December 31, 2015, a decline of \$26,256,235. This decline is primarily due to:

- \$12,937,000 invested in 1347 LLC,
- \$16,912,598 disbursement for the purposes of repurchasing and cancelling tendered common shares pursuant to the SIB and \$439,590 incurred in SIB related expenses,
- \$5,067,404 received from the sale of marketable securities,
- \$1,202,500 received from the exercise of stock options,
- \$800,000 disbursement to KFSI as reimbursement of expenses incurred by KFSI related to the proxy contest, and
- various payments related to expenses incurred for the Meeting, drafting and negotiation of LOI, and general and administration expenses.

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 unrealized gain associated with the Investment in 1347 LLC amounted to \$10,011,903 as of December 31, 2016, 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 US dollars, hence it has liquidity and foreign exchange risk associated with it.

See discussion above in “Summary of Quarterly Results” regarding the trend of expenses. The Company has reduced its expenses considerably starting in the third quarter of 2016 and expects to maintain its general and administrative expenses to such minimum level since the primary activity of the Company is to hold the passive investment in 1347 LLC. Management is not aware of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future, other than any cash flows from the Investment in 1347 LLC.

Itasca does not have any debt or contractual obligations. The Company has \$77,280 of accounts payable and accrued liabilities as of December 31, 2016, which primarily consist of accrued audit fees, director fees, and other general and administrative expenses.

Management has concluded that the Company has sufficient cash as of December 31, 2016 to continue as a going concern for at least the next twelve months.

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. For the year ended December 31, 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 paid the following remuneration to key management personnel:

	2016	2015
	\$	\$
Consulting fee to former Chief Executive Officer	61,543	139,905
Fees paid to former Directors	114,163	305,000
Fees accrued for new Directors	35,000	-
Stock-based compensation to former Directors	-	147,555

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 and expenses 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.

Provision for Onerous Leasing Contract

The Company was party to an office sub-lease agreement, which expired February 2, 2016, with Copper Mountain Mining Corporation who had a director in common with the Company until June 14, 2013 for premises it had vacated. As per the sublease agreement, the Company paid for the premises at a rate of \$25 per square foot per annum. The Company was also party to a sub-sublease, which expired February 1, 2016. Under the terms of the sub-sublease agreement, the Company received rent income at a rate of \$15 per annum per square foot and was required to pay for certain leasehold improvements costing \$131,561.

The Company has recorded a provision for the full difference between the payments to be made under the sublease and the net benefits received from the sub-sublease which is reduced over the lives of the sublease and sub-sublease.

	\$
Provision for onerous leasing contract, December 31, 2014	58,992
Rent expense paid	(212,486)
Rent income received	135,237
2015 adjustment	36,124
Provision for onerous leasing contract, December 31, 2015	17,867
Rent expense paid	(17,867)
Provision for onerous leasing contract, December 31, 2016	-

Critical Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities and provisions, income and expenses and the disclosure of contingent assets and liabilities at the date of these financial statements.

An area requiring the use of management estimates is share-based compensation which is valued using inputs to the Black-Scholes option pricing model that include estimates for expected lives, volatility and forfeiture rates for options granted, and the risk-free interest rate. After the expiry of options in fourth quarter of 2016, the Company does not have any outstanding options as of December 31, 2016.

The Company's management exercises judgment to determine whether its marketable securities and Investment in 1347 LLC have been impaired and, if so, the value of the impairments and whether these impairments are temporary. In exercising such judgment, management considers factors such as its intentions and ability to hold or dispose of such securities; prevailing market prices and general market conditions. As of December 31, 2016, the only investment held by Itasca is its interest in 1347 LLC. Given the materiality of the Investment, the calculation of its fair value is the most significant estimate impacting the consolidated financial statements of the Company as of December 31, 2016. For more detailed discussion on the accounting and fair valuation of the Investment, refer to Note 5 – Investment in Associate to the consolidated financial statements for the year ended December 31, 2016.

The Company's management also exercises judgment regarding the valuation of deferred income tax assets. Specifically, judgments are made as to whether objective evidence exists that the Company will have sufficient future taxable income to realize any benefit from these assets.

Actual results may differ from these estimates and judgments made by the Company's management.

The Company's significant accounting policies are described in Note 3 to the consolidated financial statements for the year ended December 31, 2016.

Financial Instruments and Risk Management

As of December 31, 2016, the Company held investment in an associate amounting to \$23,528,266 and cash in the amount of \$293,624. For a detailed discussion regarding the Investment in 1347 LLC, see "Investment in 1347 Investors LLC" above. In addition to the Investment in 1347 LLC and cash, the financial instruments of the Company comprise of accounts payable & accrued liabilities in the amount of \$77,280 as of December 31, 2016. With the exception of the Investment, all financial instruments are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities.

The levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

Financial instruments measured at fair value on the balance sheet as of December 31, 2016 are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3
	\$	\$	\$
Investment in associate – 1347 LLC	-	\$23,528,266	-

Financial instruments measured at fair value on the balance sheet as of December 31, 2015 are summarized in levels of fair value hierarchy as follows

	Level 1	Level 2	Level 3
	\$	\$	\$
Marketable securities	4,658,875	-	-

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is attributed to the following:

	December 31, 2016	December 31, 2015
	\$	\$
Cash and cash equivalents	293,624	26,549,859
Amounts receivable and prepaid expenses	6,727	42,431
Total	300,351	26,592,290

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2016, the Company's cash balance is sufficient to meet its financial obligations and current operating requirements for the next 12 months.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of December 31, 2016, the Company does not hold any financial instruments that have material exposure to interest rate risk.

Concentration risk

As of December 31, 2016, the Company's Investment in 1347 LLC amounted to \$23,528,266, which represents 98.74% of the Company's total assets and 99.06% of the Company's total shareholders' equity. Given this concentration, Itasca's results are directly correlated with the performance of the Investment in 1347 LLC. 1347 LLC holds securities of Limbach, hence the performance of Limbach impacts value of the Investment. Limbach is a publicly traded entity and details regarding its business and risk factors are available in its public filings.

Currency risk

The Investment in 1347 LLC is denominated in U.S. dollars while the Company reports its financial results in its functional currency Canadian dollars. There is currently no currency hedge in place. Given the concentration described above, the Company has exposure to foreign exchange translation gains and losses. During 2016, the Company generated \$376,941 in net foreign exchange translation gains. During 2015, the Company incurred \$745 in net foreign exchange translation loss. A 1% change in U.S. dollar foreign exchange rate would result in a change of \$235,283 in carrying value of the Investment.

Investor Relations

The Company maintains a website at www.itasca-capital.com, and has not entered into any agreements with investor relations firms.

Share Data Information

As of the date of this MD&A, the Company has 21,810,626 common shares outstanding.

Shareholder Rights Plan

On October 8, 2015, the Company adopted a shareholder rights plan (the "Rights Plan"), pursuant to which the Board authorized the issuance of 45,481,387 rights (each, a "Right"). The Rights were to become exercisable in the event that a shareholder acquired beneficial ownership of common shares which, when aggregated with such person's existing holdings and subject to certain "grandfather" provisions, a total 15%

or more of the Company's outstanding common shares (an "Acquisition Event"). Following an Acquisition Event, all shareholders, other than those triggering the breach, were entitled to acquire additional shares in the Company at a substantial discount to their then prevailing market price.

The Rights Plan was adopted for an initial term of six months and could be extended by shareholder approval prior to expiration. No shareholder approval was sought for the Rights Plan within the six-month period and it expired on April 8, 2016 with no Rights becoming exercisable while the Rights Plan was in effect.