

EARLY WARNING REPORT

FORM 62-103F1 REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

The designation of securities to which this report relates is common shares (“**Common Shares**”) in the capital of Itasca Capital Ltd. (the “**Issuer**”).

The address of the head office of the Issuer is:

1800, 510 West Georgia Street
Vancouver, BC
V6B 0M3

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

Fundamental Global Investors, LLC (“**Fundamental**”) is an entity formed in the State of North Carolina with a head office located at 4201 Congress Street, Suite 140, Charlotte, NC 28209, United States. Fundamental is a privately owned investment manager providing services to high net worth individuals, investment advisers, and private funds.

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

Fundamental, acquired ownership of an aggregate of 1,813,889 Common Shares (the “**Acquisition**”) through a private sale pursuant to a letter agreement dated July 30, 2018 (the “**Bid Date**”). The requirement to file this report was triggered on August 7, 2018.

2.3 State the names of any joint actors.

Kyle Cerminara is the Chief Executive Officer, Co-Founder and Partner of Fundamental. Mr. Cerminara is also the Chief Executive Officer and Chairman of Ballantyne Strong Inc. (“**Ballantyne**”). Ballantyne is a company incorporated pursuant to the laws of Delaware and listed on the NYSE American. Fundamental, together with its affiliates, currently holds approximately 28.2% of the currently issued and outstanding Ballantyne shares.

Strong/MDI Screen Systems, Inc. (“**Strong/MDI**”) is a wholly-owned subsidiary of Ballantyne. Strong/MDI is a company incorporated pursuant to the laws of Quebec. Strong/MDI currently holds 7,044,000 Common Shares of the Issuer.

Fundamental, Ballantyne and Strong/MDI may be considered joint actors for the purposes of the transaction.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror's securityholding percentage in the class of securities.

See Items 2.2., 2.3 and 3.4.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.

Fundamental acquired ownership and control over the Common Shares of the Issuer.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Immediately before the completion of the Acquisition, Fundamental did not have ownership or control over any Common Shares. Following the completion of the Acquisition Fundamental will retain direct ownership and control of over 1,813,889 Common Shares of the Issuer representing approximately 8.3% of the Issuer's issued and outstanding Common Shares.

Immediately before the completion of the Acquisition, Ballantyne, through its wholly-owned subsidiary, Strong/MDI, had indirect ownership and control over 7,044,000 Common Shares of the Issuer, representing approximately 32.3% of the Issuer's issued and outstanding Common Shares.

Accordingly, following the completion of the Acquisition Fundamental and Ballantyne will together have direct or indirect ownership of and/or influence over 8,857,889 Common Shares of the Issuer representing approximately 40.6% of the Issuer's issued and outstanding Common Shares.

The foregoing percentages were calculated based on 21,810,626 issued and outstanding Common Shares as at June 30, 2018 as disclosed in the Issuer's condensed consolidated interim financial statements for the six month period ended June 30, 2018.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

See Items 2.3 and 3.4 above.

- (b) ***the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and***

See Item 3.4 above.

- (c) ***the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.***

Not applicable.

- 3.6 *If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.***

Not applicable.

- 3.7 *If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.***

Not applicable.

- 3.8 *If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.***

Not applicable.

Item 4 – Consideration Paid

- 4.1 *State the value, in Canadian dollars, of any consideration paid or received per security and in total.***

The Common Shares were acquired by Fundamental at a price of Cdn\$0.72 per Common Share for total consideration of Cdn\$1,306,000 for the securities disclosed in Item 2.2.

- 4.2 *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.***

See Item 4.1 above.

- 4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.***

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following: the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer; a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries; a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries; a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board; a material change in the present capitalization or dividend policy of the reporting issuer; a material change in the reporting issuer's business or corporate structure; a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company; a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace; the issuer ceasing to be a reporting issuer in any jurisdiction of Canada; a solicitation of proxies from securityholders; an action similar to any of those enumerated above.

Fundamental acquired the Common Shares of the Issuer for strategic purposes and may, depending on market and other conditions, increase or decrease beneficial ownership, control or discretion over, shares or other securities of the Issuer through market transactions, private agreements or otherwise.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Fundamental has the shared power to direct the voting and disposition of the shares held by its funds. As the Chief Executive Officer and Chairman of the Board of Directors of Ballantyne and principal of Fundamental, Mr. Cerminara, and Fundamental, may be deemed to have the shared power to direct the voting and disposition of the Common Shares of the Issuer held by Ballantyne.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Fundamental is relying on the exemption from the requirements in securities legislation applicable to formal takeover bids for the Acquisition found at Section 4.2(1) of National Instrument 62-104 – *Take-Over Bids and Issuer Bids* (“**NI 61-104**”). In connection therewith, Fundamental is purchasing the Common Shares from one purchaser by private agreement, the bid is not made generally to the holders of Common Shares, the Common Shares are listed on a public market, being the TSX Venture Exchange, and the value of the consideration paid for the Common Shares is not greater than 115% of the market price of the Common Shares as at the Bid Date as determined in accordance with Section 1.1 of NI 62-104.

Item 9 – Certification

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated this 8th day of August, 2018.

FUNDAMENTAL GLOBAL INVESTORS, LLC

“Kyle Cerminara”

Name: Kyle Cerminara

Title: Chief Executive Officer