

**ITASCA CAPITAL LTD.
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

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 October 18, 2018. 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, 2018 and with the Company’s audited consolidated financial statements as at and for the year ended December 31, 2017.

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” 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.

Itasca has no current operations and its primary asset comprises of investment in 1347 Investors LLC, which was made in July 2016 in the amount of USD\$10,000,000. See “Investment in 1347 Investors LLC”. The Company operates via a management services agreement with Kingsway Financial Services Inc. (“MSA”). Pursuant to the MSA, Kingsway Financial Services Inc. (“KFS”) provides, 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 and is entitled to expense reimbursement of up to \$40,000 per annum for use of KFS’s other staff and resources.

Effective June 4, 2018, Lewis M. Johnson was appointed to the Company’s Board of Directors and D. Kyle Cerminara, an existing director, was appointed as Chairman of the Board.

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.

On February 16, 2018, Itasca received a distribution of USD\$4,000,000 from 1347 LLC as a partial return of capital distribution out of the total USD\$10,000,000 originally invested.

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 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, 2018, the Company reported a net loss of \$2,770,427 due to \$3,206,464 unrealized loss on the Investment in 1347 LLC, \$201,373 in general and administrative expenses, mitigated by \$637,410 foreign exchange gain.

As of September 30, 2018, the Company held \$1,793,693 in cash as compared to \$87,800 held as of December 31, 2017, an increase of \$1,705,893. This increase is primarily due to USD\$4,000,000 (C\$5,016,000) distribution from 1347 LLC as a partial return of capital, mitigated by C\$3,271,594 special cash dividend paid to the shareholders.

On July 13, 2018, the Company's Board of Directors declared a special cash dividend of \$0.15 per each common share, which amounted to \$3,271,594 for 21,810,626 outstanding common shares.

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 for the Company is investment gains and distributions from its interest in 1347 LLC. The total unrealized gain associated with the Investment in 1347 LLC amounted to \$7,416,859 as of September 30, 2018, 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, 2018 to continue as a going concern for at least the next twelve months.

Results of Operations – Three Months Ended September 30, 2018

The Company reported net loss of \$1,107,042 (\$0.05 loss per share) for the three months ended September 30, 2018 compared to net gain of \$3,103,388 (\$0.14 gain per share) for the same period in 2017. The primary contributors to the increase in net loss are as follow:

- Change in unrealized loss from the Investment in 1347 LLC recorded during the three months ended September 30, 2018 amounted to \$705,036 as compared to a change in unrealized gain of \$3,937,083 during the same period in 2017.

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

- Foreign exchange loss in the amount of \$316,386 recorded during the three months ended September 30, 2018 as compared to foreign exchange loss of \$747,685 for the same period in 2017. This change is related to USD denominated investment in 1347 LLC as well as USD cash balance held.
- Total general and administrative expenses reduced from \$86,010 for the three months ended September 30, 2017 to \$85,620 for the three months ended September 30, 2018.

Results of Operations – Nine Months Ended September 30, 2018

The Company reported a net loss of \$2,770,427 (\$0.13 loss per share) for the nine months ended September 30, 2018 compared to a net loss of \$1,404,426 (\$0.06 loss per share) for the same period in 2017. The primary contributors to the change in net loss are as follows:

- Change in unrealized loss from the Investment in 1347 LLC for the nine months ended September 30, 2018 amounted to \$3,206,464 as compared to a change in unrealized gain of \$289,094 during the same period in 2017.

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

- Foreign exchange gain for the nine months ended September 30, 2018 amounted to \$637,410 related to USD denominated investment in 1347 LLC and USD cash balance held, as compared to a foreign exchange loss of \$1,457,432 incurred during the same period in 2017.
- Total general and administrative expenses reduced from \$236,088 for the nine months ended September 30, 2017 to \$201,373 for the nine months ended September 30, 2018.

Related Party Transactions

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, 2018	Nine Months Ended September 30, 2017
	\$	\$
Fees incurred for Directors	48,333	45,000

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 as of June 30, 2017. 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 KFS on June 10, 2016. Pursuant to the MSA, KFS provides, 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 and is entitled to expense reimbursement of up to \$40,000 per annum for use of KFS's other staff and resources. KFS 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 KFS.