

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Itasca Capital Ltd. (the **Company** or **Itasca**)
1800 – 510 West Georgia Street,
Vancouver, British Columbia, V6B 0M3

Item 2 Date of Material Change

October 22, 2020

Item 3 News Release

A press release was disseminated by the Company through Cision Newswire, and subsequently filed on SEDAR, on October 22, 2020.

Item 4 Summary of Material Change

On October 22, 2020, the Company announced that it closed its previously announced non-brokered private placement financing (the **Private Placement**) of 2,000,000 units (the **Units**) at a purchase price of \$0.50 per Unit and of 4,000 convertible debentures (the **Convertible Debentures**) at a purchase price of \$1,000 per Convertible Debenture, for aggregate gross proceeds of \$5,000,000. Concurrently with the closing of the Private Placement, each of Mr. Paul Rivett and Rick Doman were appointed to Itasca's Board. The Company has also issued 160,000 stock options (**Stock Options**) to certain directors of the Company to purchase up to an aggregate of 160,000 common shares of Itasca (a **Common Share**) pursuant to the Company's stock option plan. The Stock Options are exercisable for a period of seven years from the date of grant at an exercise price of \$0.48 per Common Share. All of the Stock Options vested immediately upon being granted.

Each Unit is comprised of one Common Share and one Common Share purchase warrant of Itasca (a **Warrant**). Each Warrant entitles the holder thereof to purchase one Common Share at a purchase price of \$0.60 (increased from the previously announced \$0.535) until the date that is five years after the date that the Warrant is issued. Each Unit is immediately separable into one Common Share and one Warrant upon issuance.

Each Convertible Debenture is secured, and has a maturity date of two years from the date of issuance. The Convertible Debentures bear interest at a rate of 4% per annum until the completion of a Qualified Investment (as defined below) and 2% per annum thereafter; provided that, if the Requisite Approval (as defined below) is not obtained on or before December 31, 2020, the interest rate shall be increased by ten percentage points in each case, to 14% and 12%, respectively. If, prior to the maturity date, Itasca closes an investment in excess of \$25,000,000 (a **Qualified Investment**) the principal amount of each Convertible Debenture will, subject to the limitations described below, automatically convert at maturity into Units at a price of \$0.50 per Unit (provided that the term of any Warrant issued in connection therewith will be limited to 5 years from the date of issuance of the Convertible Debenture). Accrued but unpaid interest on the Convertible Debentures will also automatically convert at maturity into Units upon a Qualified Investment in accordance with the policies of

the TSX Venture Exchange (the **TSXV**) and subject to TSXV approval. Unless and until shareholders of Itasca approve the issuance of the Convertible Debentures in accordance with the policies of the TSXV (the **Requisite Approval**), the Convertible Debentures will only be convertible to the extent that the issuance of the Common Shares issuable on conversion of the Convertible Debentures and exercise of the associated Warrants do not result in the holder thereof holding 20% or more of issued and outstanding Common Shares of Itasca. If the Corporation fails to complete a Qualified Investment prior to the date that is 6 months following the issuance of the Convertible Debenture, the holder thereof may require Itasca to redeem and repurchase the Convertible Debenture for their face amount plus all accrued and unpaid interest.

The securities issued pursuant to the Private Placement will be subject to a statutory hold period, which will expire four months plus a day from the date of issuance.

Item 5 Full Description of Material Change

Please see attached press release dated October 22, 2020 for a full description of the material change.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Larry G. Swets Jr.
Chief Executive Officer
(630) 290-2432

Item 9 Date of Report

October 29, 2020

SCHEDULE "A"

Itasca Closes Previously Announced Capital Raise

And Appoints Paul Rivett and Rick Doman to its Board

VANCOUVER, BC, October 22, 2020 – Itasca Capital Ltd. (TSXV: ICL) (“**Itasca**” or “**Company**”) is pleased to announce that it has closed its previously announced non-brokered private placement financing (the “**Private Placement**”) of 2,000,000 units (the “**Units**”) at a purchase price of \$0.50 per Unit and of 4,000 convertible debentures (the “**Convertible Debentures**”) at a purchase price of \$1,000 per Convertible Debenture, for aggregate gross proceeds of \$5,000,000. Concurrently with the closing of the Private Placement, each of Mr. Paul Rivett and Rick Doman were appointed to Itasca’s Board. The Company has also issued 160,000 stock options (“**Stock Options**”) to certain directors of the Company to purchase up to an aggregate of 160,000 common shares of Itasca (a “**Common Share**”) pursuant to the Company’s stock option plan. The Stock Options are exercisable for a period of seven years from the date of grant at an exercise price of \$0.48 per Common Share. All of the Stock Options vested immediately upon being granted. All amounts in this press release are in Canadian dollars unless indicated otherwise.

Each Unit is comprised of one Common Share and one Common Share purchase warrant of Itasca (a “**Warrant**”). Each Warrant entitles the holder thereof to purchase one Common Share at a purchase price of \$0.60 (increased from the previously announced \$0.535) until the date that is five years after the date that the Warrant is issued. Each Unit is immediately separable into one Common Share and one Warrant upon issuance.

Each Convertible Debenture is secured, and has a maturity date of two years from the date of issuance. The Convertible Debentures bear interest at a rate of 4% per annum until the completion of a Qualified Investment (as defined below) and 2% per annum thereafter; *provided that*, if the Requisite Approval (as defined below) is not obtained on or before December 31, 2020, the interest rate shall be increased by ten percentage points in each case, to 14% and 12%, respectively. If, prior to the maturity date, Itasca closes an investment in excess of \$25,000,000 (a “**Qualified Investment**”) the principal amount of each Convertible Debenture will, subject to the limitations described below, automatically convert at maturity into Units at a price of \$0.50 per Unit (provided that the term of any Warrant issued in connection therewith will be limited to 5 years from the date of issuance of the Convertible Debenture). Accrued but unpaid interest on the Convertible Debentures will also automatically convert at maturity into Units upon a Qualified Investment in accordance with the policies of the TSX Venture Exchange (the “**TSXV**”) and subject to TSXV approval. Unless and until shareholders of Itasca approve the issuance of the Convertible Debentures in accordance with the policies of the TSXV (the “**Requisite Approval**”), the Convertible Debentures will only be convertible to the extent that the issuance of the Common Shares issuable on conversion of the Convertible Debentures and exercise of the associated Warrants do not result in the holder thereof holding 20% or more of issued and outstanding Common Shares of Itasca. If the Corporation fails to complete a Qualified Investment prior to the date that is 6 months following the issuance of the Convertible Debenture, the holder thereof may require Itasca to redeem and repurchase the Convertible Debenture for their face amount plus all accrued and unpaid interest.

The securities issued pursuant to the Private Placement will be subject to a statutory hold period, which will expire four months plus a day from the date of issuance.

No finders’ fees were paid in connection with the Private Placement.

Early Warning Reports

As part of the Private Placement: (i) Mr. Rivett, through his wholly-owned corporation Rivett Capital Syndicate Inc. (1 Yonge Street, 4th Floor, Toronto, Ontario, M5G 1E6), invested \$2,000,000 to acquire 800,000 Units and 1,600 Convertible Debentures; and (ii) Mr. Doman, through his wholly-owned

corporation Timber Country Investment Corporation (3000, 700 - 9th Avenue SW Calgary, Alberta, T2P 3V4), invested \$2,500,000 to acquire 1,000,000 Units and 2,000 Convertible Debentures. Prior to the purchases pursuant to the Private Placement neither Mr. Rivett nor Mr. Doman beneficially owned or controlled any Common Shares. Following the Private Placement, 23,810,626 Common Shares will be outstanding, of which: (i) Mr. Rivett has acquired, and have ownership and control over 800,000 Common Shares, representing approximately 3.4% of the outstanding Common Shares (or 8,000,000 Common Shares, representing approximately 19.1% of the outstanding Common Shares on a partially diluted basis, assuming only the conversion of the Convertible Debentures and the exercise of the Warrants (including the Warrants underlying the Convertible Debentures) held by him); and (ii) Mr. Doman has acquired, and have ownership and control over 1,000,000 Common Shares, representing approximately 4.2% of the outstanding Common Shares (or 10,000,000 Common Shares, representing approximately 23.9% of the outstanding Common Shares on a partially diluted basis, assuming only the conversion of the Convertible Debentures and the exercise of the Warrants (including the Warrants underlying the Convertible Debentures) held by him). As referenced above, each of Messrs. Rivett and Doman have undertaken not to convert any Convertible Debentures if such conversion would result in owning 20% or more of the voting securities of the Company, unless and until shareholders of Itasca approve the issuance of the Convertible Debentures in accordance with the policies of the TSXV.

The Units and Convertible Debentures are being acquired by Messrs. Rivett and Doman, in each case, for investment purposes, and in the future, each of Messrs. Rivett and Doman may discuss with management and/or the board of directors of the Company any of the transactions listed in clauses (a) to (k) of item 5 of Form F1 of National Instrument 62-103 – The Early Warning System and Related Take-over Bid and Insider Reporting Issues and may further purchase, hold, vote, trade, dispose or otherwise deal in the securities of the Company, in such manner as deemed advisable to benefit from changes in market prices of the Company's securities, publicly disclosed changes in the operations of the Company, its business strategy or prospects or from a material transaction of the Company.

Early warning reports will be filed by each of Messrs. Rivett and Doman in accordance with applicable securities laws and will be available on SEDAR at www.sedar.com or may be obtained directly from Itasca upon request at 847-791-6817 (Attention: Hassan Baqar) or mailing the Company at its head office: Itasca Capital Ltd., 1800 – 510 West Georgia Street, Vancouver, British Columbia, V6B 0M3.

Forward Looking Information

Certain information in this news release constitutes forward-looking statements under applicable securities laws. Any statements that are contained in this news release that are not statements of historical fact are forward-looking statements. Forward looking statements are often identified by terms such as "may", "should", "anticipate", "expect", "potential", "believe", "intend", "estimate" or the negative of these terms and similar expressions. Forward-looking statements in this news release include, but are not limited to statements with respect to the Private Placement (including the terms of the securities issued thereunder, the use of net proceeds, the anticipated shareholdings of Messrs. Rivett and Doman and related filings).

Forward-looking statements are based on assumptions, including expectations and assumptions concerning: interest and foreign exchange rates; capital efficiencies, the lumber industry (and its growth and growth rates) in North America, the anticipated benefits resulting from the Private Placement and the Company's future plans and ability to complete future investments. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Readers are cautioned not to place undue reliance on forward-looking statements. In addition, forward-looking statements necessarily involve known and unknown risks, including, without limitation, risks associated with general economic conditions; adverse industry events; future legislative, tax and regulatory developments. Readers are cautioned that the foregoing list is not exhaustive and other risks are set out in the Company's public disclosure record filed under the Company's profile on

www.sedar.com. Readers are further cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this news release are expressly qualified by this cautionary statement and reflect our expectations as of the date hereof, and thus are subject to change thereafter. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Neither TSXV nor its Regulation Services Provider (as that term is defined in policies of the TSXV) accepts responsibility for the adequacy or accuracy of this news release.