Management's Discussion and Analysis

This interim management's discussion and analysis ("MD&A") for Crosswinds Holdings Inc. ("Crosswinds" or the "Company") includes information designed to help you understand management's perspective of our unaudited condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2017 (the "Interim Statements"). The commentary in this MD&A is presented as at March 31, 2017 and updated based on information available up to May 8, 2017.

We encourage you to read our Interim Statements as you review this MD&A. You can find more information about Crosswinds, including our financial statements and our most recent annual information form dated as at March 28, 2017 (the "AIF"), on our website at www.crosswindsinc.com or on under our profile on The System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Company's common shares ("Shares") are listed and traded on the Toronto Stock Exchange ("TSX") under the symbol "CWI". Unless we have specified otherwise, all dollar amounts in this MD&A are in Canadian dollars. Certain amounts are shown in U.S. dollars ("USD"). The USD to Canadian dollar closing exchange rate on March 31, 2017 was USD $1.00 = CDN $1.3310 and averaged USD $1.00 = CDN $1.3238 for the first three months of 2017 based in each case on the Bank of Canada closing exchange rates for the applicable period. The Company reports its Interim Statements using accounting policies consistent with International Financial Reporting Standards ("IFRS").

FINANCIAL HIGHLIGHTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

- Revenues of $124,636 compared to $106,578 for the same period in 2016;
- Net gain from results of investments of $10,923 compared to $21,550 for the same period in 2016; and
- Net loss of $(430,203) or $(0.06) per Share attributable to Crosswinds' shareholders compared to net loss of $(446,830) or $(0.07) per Share attributable to Crosswinds' shareholders for the same period in 2016.

FINANCIAL POSITION AS AT MARCH 31, 2017

- Cash of $6,016,951 or $0.65 per Share;
- Investment in Monarch of $18,118,288 or $1.97 per Share;
- Investment in Salbro valued at $3,027,140 or $0.33 per Share; and
- Net book value of $27,077,468 or $2.94 per Share[2] of which $24,489,278 or $2.66 per Share[2] is attributable to the shareholders of Crosswinds.

  [2]Net book value per share is a non-IFRS financial measure and is calculated as total shareholders' equity under IFRS divided by the number of Shares outstanding at period-end. The Company has reported two net book value measures: one reflecting net book value on a consolidated basis including non-controlling interests with respect to the Company's investment in Monarch and the other reflecting the net book value attributable solely to the Company's shareholders

without non-controlling interests. See the cautionary statement regarding use of non-IFRS financial measures on page 3 of this MD&A.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains information that is forward-looking and is subject to risks and uncertainties. Forward-looking information includes information concerning the Company's possible or assumed future operations, financial performance, achievements, results, business strategy, plans, goals, and objectives. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "potential" or "continue", similar words or words with similar connotation or the negative thereof. These statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees and there can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur.

Factors which could cause actual results to differ materially from those set forth in the forward-looking statements include (but are not limited to): risks associated with general economic conditions; the Company's dependence on management of portfolio companies and joint venture partners; the limited number and concentration of the Company's investments; equity prices and credit spreads that could negatively impact the investment portfolio of our investee; heavy regulation of the insurance business and risk of changes in regulation which could reduce the profitability of investments and limit growth; concentration of credit risk; ability to maintain minimum capital and surplus requirements for insurance investments; performance of investments being impacted by business cycles in the property and casualty insurance industry; ratings received by investees by insurance rating agencies and the ability of Monarch to maintain financial or claims paying ability ratings; cycles of insurance market and general economic conditions which can substantially influence Monarch and Monarch's competitors premium rates and capacity to write new business; claims activity; stage of development of business and risks of adverse selection; exposure to credit risk in the event reinsurers fail to make payments under reinsurance agreements or the insured or Monarch's general managing agent failing to remit to Monarch premiums owed; timing of claims payments being sooner, or receipt of reinsurance payments being later than anticipated; occurrence of catastrophic events with frequency or severity exceeding our estimates; the Company's dependence on key personnel and contractors; leverage of the businesses in which the Company invests; the market for the Company's Shares, limited liquidity and volatility of the Company's trading price; the trading price of the Company's Shares relative to the net book value (net asset value); risks affecting the Company's investments; the need for the Company to make follow-on investments in portfolio companies; use of investment proceeds; investments by the Company in illiquid securities including private issuers; joint investments with third parties; conflicts of interest; no guaranteed returns; risks associated with the implementation of our business, growth and investment strategies; availability and available terms of any required capital to implement corporate objectives and those of portfolio companies; availability and terms of any required financing; availability and timing for receipt of any required regulatory, shareholder or other approvals; the potential loss of investment in Shares; management of the future prospects of the Company; the availability of suitable acquisition opportunities; competition for investments; the Company's limited operating history in certain segments where it invests; shifts in target exit dates and investment rates of return for investments; tax treatment; fluctuation of currency exchange; remaining eligibility and continued qualification for exchange listing on the stock exchange on which the Company's Shares trade; changes in market variables including foreign exchange rates, and other risks detailed from time to time in the Company's continuous disclosure documents.

The reader should not place undue reliance on forward-looking statements and information because they involve significant and diverse risks and uncertainties. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Unless otherwise stated, all forward-looking statements speak only as of the date of this MD&A. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law. These cautionary statements expressly qualify all forward-looking information in this MD&A.

CAUTIONARY STATEMENT REGARDING THE VALUATION OF INVESTMENT IN SALBRO

In the absence of an active market for its investment in Salbro, fair values for this investment are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private market transaction multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the Company's investments in private entities could be disposed of may differ from the fair value assigned and the differences could be material.

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS FINANCIAL MEASURES

This MD&A makes reference to the net book value per Share, both on a consolidated basis including non-controlling interests with respect to the Company's investment in Monarch and on a non-consolidated basis attributable solely to the Company's shareholders without non-controlling interests. These measures are non-IFRS financial measures. The Company calculates the net book values per Share as it believes it to be an important metric that shareholders use and frequently request and refer to because shareholders often view the Company as a holding company of investments. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to a similar measure presented by other issuers. This classification is not an IFRS measure and should not be considered either in isolation of, or as a substitute for, a measure prepared in accordance with IFRS.

The Company

The following provides a brief overview of the Company and its operations.

Crosswinds is a publicly traded private equity firm and asset manager targeting strategic and opportunistic investments in the financial services sector with a particular focus on the insurance industry.

Crosswinds is working to develop a hybrid structure of traditional private equity and a holding company with a view to future flexibility to attract cost effective capital with which to execute its investment strategies, as further described herein.

The Company has three key segments to its business which have been designed to work together to capture various components of the value chain of the insurance business:

1. Primary Insurance:

The Company's investment in Monarch National Insurance Company ("Monarch Insurance"), a Florida-based property and casualty insurance carrier, represents its platform investment in the insurance sector. In the Company's view, the insurance market in Florida is well positioned for consolidation and greater capital efficiency and presents a number of future opportunities. The Company and Monarch's ability to participate in that consolidation are expected to require additional funding sources.

In March 2015, the Company completed the formation of a joint venture, creating Monarch Insurance, together with Federated National Holding Company ("Federated National"), an insurance holding company (the "Monarch Joint Venture"). Transatlantic Reinsurance Company ("TransRe") has a minority position in the Monarch Joint Venture.

Monarch Insurance is licensed as an admitted carrier in the State of Florida. An admitted carrier is an insurance company that has received a license from the state department of insurance giving the company the authority to write specific lines of insurance in that state. These companies are also bound by rate and form regulations and are strictly regulated.

The Monarch Joint Venture includes the following entities: Monarch Delaware LLC ("Monarch Parent"), Monarch National Holding Company ("Monarch Holding") and Monarch Insurance. Monarch Parent, Monarch Holding and Monarch Insurance are referred to collectively as the "Monarch Entities". The Monarch Entities are a significant investee of the Company. Monarch Parent had an initial equity capitalization of USD $33million. Crosswinds' economic interest in Monarch Parent is approximately 36.4% and Crosswinds controls 50% of the voting rights of Monarch Parent.

2. Reinsurance:

The Company established and licensed Crosswinds Re, a specialty reinsurer in the Cayman Islands during 2016. Crosswinds Re has not commenced active business but expects to do so for wind season in Q2 of 2017.

Reinsurance is the highest cost of goods for the insurance industry. Crosswinds Re is expected to be additive to the Company's primary insurance business and the Monarch Joint Venture, it is intended to profitably enhance the risk management of Monarch and forms an integral part of the Company's future growth and acquisition strategies. The Company plans to use Crosswinds Re to provide servicing capabilities to the Company's investees and to be a capital efficient and risk sensitive vehicle with portions of risk retention being redistributed through various channels such as insurance linked securities and retrocessional markets**.** Initially, Crosswinds Re intends to provide reinsurance to Monarch subject to market conditions and regulatory and other approvals. There can be no assurance that conditions will be favorable or that such approvals will be received.

3. Asset Management:

The Company's wholly-owned subsidiary, Crosswinds AUM LLC ("Crosswinds AUM") conducts its asset management activities. Crosswinds AUM is a registered investment advisor with the United States Securities and Exchange Commission and manages the assets of the Monarch Entities. Subject to the receipt of any required approvals, Crosswinds AUM is expected to manage the assets of Crosswinds Re once it is further capitalized and active in its operations.

The Monarch Entities are party to an Investment Management Agreement (the "Investment Agreement") with Crosswinds AUM. Crosswinds AUM manages the Monarch Entities' investment portfolio for an annual management fee calculated as 0.75% of assets under management up to $100 million; 0.50% of assets under management of more than $100 million but less than $200 million; and 0.30% of assets under management of more than $200 million.

4. Legacy:

The Company continues to be invested in a legacy private equity investment in Salbro Bottle Inc. and related companies (collectively referred to as “Salbro”) and is actively seeking to monetize this position and focus on growing and expanding its core business segments described above.

For a more comprehensive review of the Company and its operations, please refer to other sections of this MD&A including the “Outlook” section and the Company’s most recent annual information form as updated by periodic news releases, all available under the Company’s profile on SEDAR at www.sedar.com.

Operational Review

Consolidated Performance

Crosswinds had a loss of $430,203 attributable to Crosswinds’ shareholders in the first quarter of 2017. While we had anticipated better performance for the quarter, Crosswinds’ results were negatively impacted by Monarch’s performance. Although Monarch achieved marginal profitability in Q1 2017, it has been operating in a challenging environment in Florida, has not grown at the rate initially expected by the Company and has experienced significantly higher than anticipated claims activity in the quarter.

Crosswinds’ legacy investment in Salbro continued to experience strong performance in the quarter continuing to benefit from the implementation of a number of changes to its business since 2015.

Crosswinds continued during the quarter to prepare Crosswinds Re to write active business in 2017 wind season. Crosswinds expects to be in a position to write such business subject to the receipt of various approvals, market conditions and completion of its set up activities.

Primary Insurance

As expected, during the first quarter of 2017, Monarch experienced slower premium growth having stopped writing new business in tri-county (Palm Beach, Broward, Dade) (“**Tri-County**”) where it determined it had an over concentration of policies

Monarch wrote $USD 1.3 million of gross premium for the quarter ended March 31, 2017 (compared to $USD 4.7 million for the quarter ended December 31, 2016) which is below initial investment projections.

The primary market in Florida saw a number of challenges in 2017 including Hurricane Matthew and increased activity around assignment of benefits (AOB). Monarch’s premiums are heavily concentrated in Tri-County and Monarch is working to reduce its concentration in those areas. Going into the remainder of 2017, the Company expects slower premium production to continue as Monarch manages its regional exposures.

This table illustrates the net asset growth Monarch has experienced since year end. While the net assets have increased slightly in USD since December 31, 2016, the net assets in CDN dollars have decreased during the same period due to fluctuations in exchange rates. The Company’s share of the net assets of Monarch have been translated at the period ends using applicable Bank of Canada closing exchange rates. See “Foreign Exchange Risk” below.

Item	December 31, 2016	March 31, 2017
Net Assets of Monarch in USD dollars	$13,606,846	$13,612,529
Period end USD to CDN dollar exchange rate	$1.3427	$1.3310
Net assets of Monarch in CDN dollars	$18,269,925	$18,118,288

Reinsurance

In 2016, the Company formed Crosswinds Re, a new specialty Cayman-domiciled reinsurance company. Crosswinds was issued a license in September 2016 from the Cayman Islands Monetary Authority (CIMA) to operate as a class B(iii) reinsurer.

Crosswinds Re will act as a specialty reinsurer as part of Crosswinds' integrated reinsurance, insurance and asset management structure with an initial focus on the Florida property and casualty market.

Crosswinds Re was formed with an initial USD$200,000 regulatory capital contribution made by Crosswinds through a newly established fund structure, Crosswinds Private Equity Partners (C.I.), L.P. (the "Fund"). The Company is the sole initial limited partner of the Fund and its general partner, Crosswinds Private Equity Partners (C.I.), G.P. is also wholly-owned by Crosswinds.

The Fund is intended to be a vehicle for raising additional capital in the future. Crosswinds intends to capitalize Crosswinds Re with up to approximately $4 million of the proceeds from its rights offering completed in February 2017 to be in a position to write business commencing in Q2 of 2017. Crosswinds Re's ability to write business will be contingent on market conditions and regulatory and other approvals.

Asset Management

Crosswinds AUM continued during Q1 2017 to manage the assets for the Monarch Entities. Crosswinds AUM expects to also manage assets for Crosswinds Re as it begins active business operations in 2017.

Legacy

The Company's investment in Salbro performed well in Q1 2017, continuing to realize the benefit of a number of operational changes implemented following the repositioning of the investment in December 2015.

Material and Significant Events in 2017

The following is a summary of the Company's material and significant events in Q1 2017, updated for any subsequent events to the date hereof.

First Quarter	**Rights Offering**

2017	Crosswinds completed a rights offering (the “Offering”) on February 28, 2017 raising total aggregate gross proceeds of $4,880,115 and net proceeds of $4,815,707. Crosswinds issued 3,904,092 Shares pursuant to the Offering at a price of $1.25 per Share. Following the Offering, Crosswinds has 9,208,099 issued and outstanding Shares

Summary of Investments

The following is a summary of the Company’s investment in private entities including associates as at March 31, 2017 updated to the date hereof.

Investments in Private Entities– Current Portfolio

At March 31, 2017, the Company held one investment in a private entity and one investment in an associate. The investment details are as follows:

Company and Investment Overview

Monarch Joint Venture - Monarch National Insurance Company is a property and casualty insurer in the state of Florida. Monarch National Insurance Company, together with Monarch National Holding Company and Monarch Delaware Holdings LLC, “the Monarch Entities” are a significant equity investee of the Company. Unless otherwise specified, or as the context requires in this MD&A, references to “Monarch” mean any of the Monarch Entities. Monarch began active operations during the second quarter of 2015 following closing of the Monarch investment in March 2015.

Crosswinds’ Investment: USD $12 million representing CDN $15.3 million at the date of investment. Crosswinds made its investment through Crosswinds Investor Monarch LP (“Crosswinds Investor LP”), its majority owned limited partnership into which it invested USD $12 million with a third-party investor funding the remaining USD $2 million for a proportionate minority position in Crosswinds Investor LP. Crosswinds Investor LP is controlled by its general partner, Crosswinds Monarch GP LLC, of which Crosswinds is the sole owner. Crosswinds Investor LP made its investment in Monarch through Monarch Delaware Holdings LLC.

Rationale: To form a property and casualty insurance platform in the state of Florida with strategic partners. Monarch is expected to experience organic growth and provide investment management fees to Crosswinds while providing a platform opportunity for further acquisitive growth in the property and casualty space which management believes is in need of consolidation in the Florida market.

Investment Risks Include: Cyclical nature of insurance and reinsurance businesses including protracted period of minimal hurricane events in Florida, adequacy of reserves and reinsurance, appropriate pricing, government regulation and approvals including of analytic models and rate changes, adverse selection, claims volatility, market acceptance, distribution and concentration of books of business, natural disasters, climate change, foreign exchange and currency fluctuations, newly established player and brand in market requiring acceptance, competition from current and potential new entrants into the market, reliance on related party service providers and independent agents, market events such as assignment of benefits (AOB) and direct to consumer distribution displacing traditional distribution channels.

Original Investment Date: March 2015

Investment Update: Monarch achieved marginal profitability in Q1 2017. As expected, in Q1 2017 as Monarch worked to redistribute its book outside of Tri-County, premium growth has slowed. In Q1 2017, Monarch has turned off production in areas where it has over-concentration. In addition, Florida homeowner insurance companies have been negatively impacted by assignment of benefits (“AOB”), an agreement that, when signed, transfers (“assigns”) a homeowner’s policy rights to a third party such as a contractor. Some contractors have been misusing these provisions to inflate claims. AOB has become an issue for primary insurance companies in Florida as those companies pay inflated claims and also for the insureds as inflated claims costs will likely be passed on in the form of a rate increase to policyholders. Monarch is a relatively new business, but has begun to see a significant increase in claims activity in Q1 2017 which is only partially attributable to AOB. AOB is an issue that can be expected to continue to impact Monarch, until a broader industry wide solution is found. As Monarch’s book of business is relatively new and small, it does not yet have sufficient historical data to determine whether trends seen in Q1 2017 will persist or reverse. Management continues to monitor performance of this investment closely. Monarch’s underperformance impacts Crosswinds’ cash flow as the investment management fees earned by Crosswinds AUM are calculated based on Monarch’s assets. In addition, the Monarch Parent Board will be constrained in its ability to declare a distribution to its members (which is permitted, subject to regulatory and Monarch Parent Board approval, commencing in March 2018) if Monarch’s operating earnings do not improve which would in turn negatively impact Crosswinds’ future cash flow.

Salbro Bottle Inc. and Related Companies (Salbro) is an established designer, manufacturer and distributor of packaging components, specializing in glass and plastic bottles.

Crosswinds’ Investment: Original $4,000,000 investment structured as debentures paying 12% per annum (“Debentures”) and nominal cost common share warrants exercisable into common shares of Salbro (“Warrants”). Following, 2012 and 2015, Salbro made partial repayments to the Company of $1,700,000 and $1,800,000, respectively under the Salbro Debentures. As at March 31, 2017, the aggregate amount outstanding under the Debentures was $1,565,140. The Debentures mature in December 2021 and bear interest at 6% per annum.

Rationale: Growth capital investment in a company with a diversified customer base, an experienced management team, and a combination of complementary manufacturing and distribution businesses to reduce volatility and risk.

Investment Risks Include: Long-term economic slowdown, use of leverage, commodity prices, customer concentration and management execution.

Original Investment Date: February 2008

Investment Update: During Q1 2017, Salbro continued to benefit from the strategic initiatives and efficiencies it implemented in 2016. Overall, management continues to be of the view that Salbro is performing well and is on track to achieve its budgeted objectives. Crosswinds is continuously evaluating opportunities for a realization of its remaining investment in Salbro. Crosswinds wrote up the carrying value of its investment in Salbro by $608,000 at December 31, 2016 and has maintained that value at Q1 2017. This increase in carrying value at year end reflects management’s view of the improved performance and prospects for the business. During the quarter, the Company received $25,000 of principal repayment on its Debentures in addition to interest income of $23,727.

Financial Review

The following is a summary of (a) the Company's financial statements for the three months ended March 31, 2017 and 2016 and (b) the Company's financial position as at March 31, 2017 compared to the year ended December 31, 2016.

Results from Operations for the Year Ended	March 31, 2017	March 31, 2016
Total revenues	$124,636	$106,578
Net results of investments	10,923	21,550
Expenses	(561,988)	(559,158)
Taxes	-	-
Net loss	$(426,429)	$(431,030)

Comprehensive Loss for the Three Months Ended	March 31, 2017	March 31, 2016
Net loss	$(426,429)	$(431,030)
Other comprehensive income (loss)		
Change in unrealized foreign currency translation losses on foreign operations	(151,295)	(1,091,415)
Share of other comprehensive income (loss) of associate	(18,896)	257,805
Other comprehensive loss	(170,191)	(833,610)
Comprehensive loss	$(596,620)	$(1,264,640)

Earnings (loss) Per Share (EPS)		
Loss per share	$(0.06)	$(0.07)

Financial Position as at	Mar 31, 2017	Dec 31, 2016
Cash	$6,016,951	$1,566,053

Total assets	27,371,138	23,089,935
Shareholders' equity attributable to shareholders of Crosswinds	24,489,278	20,202,732
Number of shares outstanding	9,208,099	5,304,007

Net Book Value Per Share[1]		
Net book value per Share[1]	2.94	$ 4.30
Attributable to shareholders of Crosswinds	2.66	3.81
Non-controlling interests	0.28	0.49
Closing market price on TSX	$1.65	$2.20
Market price premium/(discount) to net book value attributable to shareholders of Crosswinds	(38.0) %	(42.3) %

[1]Net book value per Share is a non-IFRS financial measure and is calculated as total shareholders' equity under IFRS divided by the number of Shares outstanding at period-end. The Company has reported two net book value measures: one reflecting net book value on a consolidated basis including non-controlling interests with respect to the Company's investment in Monarch and the other reflecting the net book value attributable solely to the Company's shareholders without non-controlling interests. See the cautionary statement regarding use of non-IFRS financial measures on page 3 of this MD&A.

Results of Operations Highlights

The Company's operating results reflect (i) revenue recognized primarily from the income generated from the Company's investments in private entities including Monarch and related asset management activities; (ii) changes in the value of the Company's assets; and (iii) the expenses required to deploy and manage the Company's invested capital.

For the Three-months Ended

March 31, 2017	March 31, 2016
Revenue $124,636: $96,501 from Crosswinds AUM investment management fees; $23,727 from Salbro interest income and $4,408 from domestic bank interest.	Revenue $106,578: $77,640 from Crosswinds AUM investment management fees; $24,290 from Salbro interest income and $4,648 from domestic bank interest.

March 31, 2017	March 31, 2016
Changes quarter-over-quarter: The Company's interest income from Salbro and domestic bank interest is consistent in 2017 with 2016. The increase in investment management fees in 2017 compared to 2016 is attributable to increased assets under management at Monarch.	
Net results of investments of $10,923 consist of: $26,418 of income from Monarch offset by $(15,495) net foreign exchange loss on the translation of USD denominated assets into CDN dollars due to currency fluctuations.	Net results of investments representing a gain of $21,550 consisting of $89,050 of net foreign exchange loss on the translation of USD denominated assets into CAD offset by $110,600 of income from Monarch.
Expenses of $561,988: consisting primarily of $190,907 salaries and benefits; $45,799 share-based payments expense related to DSUs; $32,725 in consulting fees; $183,449 in general and administration consisting primarily of rent, investor relations and marketing expenses; $41,038 in directors' fees; $48,964 in audit and tax fees and $19,106 of legal fees.	Expenses of $559,158: consisting primarily of $194,077 salaries and short term incentive payments, $123,526 share-based payments related to deferred share unit ("DSU") grants and expense, $49,406 directors' fees, $47,137 audit & tax fees and $134,585 general and administration expenses including rent.
Net loss of $(426,429) or $(0.06) per Share on a basic and fully diluted basis.	Net loss of $(431,030) or $(0.08) per Share on a basic and fully diluted basis.
Changes quarter-over-quarter: The Company's net loss in 2017 is consistent with 2016 however the components making up the losses in each year differ. The share of income from Monarch decreased by $84,182 in 2017 compared to 2016 as Monarch had increased claims activity and slower growth compared to prior periods. General and administration expenses increased by $48,864 over the same period. These negative impacts to net loss were offset by lower share-based payments expense of $77,727 as the Company had fewer DSUs vesting in the period and a smaller net foreign exchange loss of $73,555 in 2017 compared to 2016 due to currency fluctuations.	

Balance Sheet Highlights

As at March 31, 2017, the Company's assets consisted primarily of cash and its investments in Monarch and Salbro. The Company, following the completion of the Offering, had working capital of $5,906,916 for commitments and general working capital purposes. The net proceeds of the Offering will be allocated as described in the Offering circular, a copy of which is available on the Company's profile at www.sedar.com.

In March 2015, the Company, through Crosswinds Investor LP, invested USD $14,000,000 (USD $2,000,000 of which was funded by a third-party investor) in Monarch. In this MD&A, references to equity attributable to Crosswinds refers to the portion of the Monarch investment attributable to Crosswinds, which excludes the third-party investor's minority interest. At the date of funding of the Monarch investment, the total commitment in CDN dollars was $17,876,600, $15,322,800 of which was funded by and attributable to the Company. The Company is subject to the risk of currency fluctuations. See "Risk Factors" below.

March 31, 2017	December 31, 2016
Total assets of $27,371,138	Total assets of $23,089,935

Changes: *The increase in assets from December 2016 to March 2017 was attributable to an increase in cash of $4,815,707 resulting from the net proceeds of the rights offering offset by the payment of corporate expenses.*

Equity attributable to shareholders of Crosswinds $24,489,278	Equity attributable to shareholders of Crosswinds $20,202,732

Changes: *The increase in equity attributable to shareholders of Crosswinds from December 2016 to March 2017 of $4,286,546 is due to the increase in share capital of $4,815,707 resulting from the net proceeds of the rights offering offset by the comprehensive loss attributable to the shareholders of Crosswinds (including the unrealized foreign currency translation loss on the Company's investment in Monarch) of $574,960 offset by an increase in contributed surplus of $45,799 as a result of the share-based payments expense for 2017 related to the issuance of DSUs to directors and officers.*

The Company had no debt during any of the periods noted in the table above.

Carrying Value

Set out below is the carrying value including carrying value per Share of each of the Company's assets and liabilities as at March 31, 2017.

	March 31, 2017	
Asset/(Liability)	Total carrying value	Carrying value per Share
Liquid Net Assets (Working Capital)		
Cash	$6,016,951	$0.65

	March 31, 2017	
Asset/(Liability)	Total carrying value	Carrying value per Share
Due from related parties	97,284	0.01
Interest receivable and prepaid expenses	86,348	0.01
Accounts payable and accrued liabilities	(293,667)	(0.03)
Working Capital	***$5,906,916***	***$0.64***
Investments in Private Entities		
Investment in an associate (Monarch) [1]	$18,118,288	$1.97
Salbro *debentures*	1,565,140	0.17
Salbro *warrants*	1,462,000	0.16
	$27,412,664	***$2.30***
Capital assets, net of accumulated depreciation	***$25,127***	***$0.00***
GRAND TOTAL [2, 3]	***$27,371,138***	***$2.95***

[1] Includes the non-controlling interest in the amount of $2,588,190. For information on the net book value of the non-controlling interest see page 10 above.
[2] Grand total equals the Company's shareholders' equity.
[3] Excludes the Company's tax loss carryforwards of $17,533,645 expected to be available to offset future taxable income.

Results of Operations for the Three Months Ended March 31, 2017

The following is an analysis of the Company's results of operations for the three months ended March 31, 2017 and 2016. This analysis should be read in conjunction with the applicable interim financial statements and the accompanying notes thereto.

Revenues

	Three Months Ended March 31		
	2017	2016	Inc / (Dec)

	Three Months Ended March 31		
	2017	2016	Inc / (Dec)
Legacy Salbro Investment - Interest	$23,727	$24,290	$(561)
Bank Interest	4,408	4,648	(240)
Crosswinds AUM - Investment management fees	96,501	77,640	18,861
Total	$124,636	$106,578	$18,058

The Company's interest income from Salbro and domestic bank interest is consistent in 2017 with 2016. The increase in investment management fees in 2017 compared to 2016 is attributable to increased assets under management at Monarch.

Net Results of Investments

	Three Months Ended March 31		
	2017	2016	Inc / (Dec)
Share of income of Monarch, net of tax	$26,418	$110,600	$(84,182)
Net foreign exchange loss	(15,495)	(89,050)	73,555
Total	$10,923	$21,550	$(10,627)

Net results of investments decreased in 2017 compared to 2016 as the decrease in share of income from Monarch, reflective of Monarch's poorer performance during the quarter, was only partially offset by the decrease in net foreign exchange loss.

Expenses and Income Taxes

	Three months ended March 31		
	2017	2016	Inc / (Dec)
Salaries and benefits	$190,907	$194,077	$(3,171)

	Three months ended March 31		
	2017	2016	Inc / (Dec)
General and administration	183,449	134,585	48,864
Audit and tax fees	48,964	47,136	1,828
Share-based compensation	45,799	123,526	(77,727)
Directors' fees	41,038	49,406	(8,368)
Consulting fees	32,725	-	32,725
Legal fees expense	19,106	10,427	8,679
	561,988	559,158	2,829
Provision for income taxes	-	-	-
Total	$ 561,988	$ 559,158	$2,829

The expenses for 2017 have remained consistent with 2016 however there have been changes in the components making up these expenses. General and administration expenses have increased by $48,864 in 2017 compared to 2016 as a result of increased investor relations and marketing expenses and share-based compensation expense has decreased by $77,727 as the majority of DSUs granted have been expensed.

Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters prepared under IFRS and presented in Canadian dollars.

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	*124,636*	*115,337*	*110,021*	*102,634*	*106,578*	*168,671*	*185,332*	*136,793*
Net results of investment	*10,923*	*698,905*	*116,916*	*121,304*	*21,550*	*(235,047)*	*74,164*	*(163,767)*
Expenses	*(561,988)*	*(635,330)*	*(494,737)*	*(471,720)*	*(559,158)*	*(829,753)*	*(654,763)*	*(1,161,805)*
Tax provision			-	-	-	-	-	-
Net income (loss)	*(426,429)*	*178,912*	*(267,800)*	*(247,782)*	*(431,030)*	*(896,129)*	*(395,267)*	*(1,188,779)*
Weighted avg # of shares Basic and Diluted	*7,104,378*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*
Net income (loss) per share	*(0.06)*	*0.03*	*(0.05)*	*(0.05)*	*(0.08)*	*(0.17)*	*(0.07)*	*(0.21)*
Net book value	*27,077,468*	*22,812,582*	*22,324,270*	*22,287,686*	*22,461,351*	*23,602,465*	*23,914,041*	*22,909,344*
Common shares o/s	*9,208,099*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*
Net book value per common share[1]	*2.94*	*4.30*	*4.21*	*4.20*	*4.23*	*4.45*	*4.51*	*4.32*
Total assets	*27,371,138*	*23,089,935*	*22,475,822*	*22,440,634*	*22,706,227*	*23,970,024*	*24,062,506*	*23,051,887*

[1]Net book value per common share is a non-IFRS financial measure calculated by dividing net book value (shareholders' equity under IFRS) by the number of Shares outstanding at the period-end. See cautionary statement regarding the use of Non-IFRS financial measures on page 3 of this MD&A

As expected, revenues have been trending upward as Crosswinds AUM began earning investment management fees following the closing of the Monarch Joint Venture in Q2 2015. The Company's interest income declined during each of the quarters of 2016 and 2017 compared to the quarters of 2015 as, effective December 2015, the Company's Salbro investment bears cash interest at 6% per annum compared to 12% payment-in-kind per annum in effect during 2015. In addition, this interest is paid on a reduced principal balance as the Company received a principal repayment of $1,800,000 in December 2015 and since that time the Company has received current paying principal and interest payments from Salbro on a monthly basis.

Total assets and number of Shares outstanding increased in Q1 of 2017 following completion of the Offering on February 28, 2017. The net book value per share decreased reflecting the issuance of additional Shares in the Offering.

Net results of investments vary on a quarter-to-quarter basis due to net foreign exchange gains related to USD denominated assets, realized gains or losses on investments and also due to unrealized gains or losses on investments being measured at fair value on the balance sheet.

During 2015, the Company's results reflected a number of one-time expenses including foreign exchange fluctuations and start-up and other one-time costs related to the Monarch Joint Venture which have caused variability in the Company's performance. The non-cash DSU grant also had an impact on the Company's expenses on a declining scale basis in each of the quarters after Q1 2015. Foreign exchange fluctuations have also caused significant variation in reported performance for the Company as described herein.

Liquidity, Capital Resources and Off-Balance Sheet Arrangements

The following is an analysis of the liquidity, capital resources and off-balance sheet arrangements of the Company and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 and 2016 and the corresponding notes thereto.

Liquidity

The Company had working capital of $5,406,916 at March 31, 2017 (December 31, 2016 - $1,463,058). The Company's cash consists of deposits with chartered banks in Canada and the U.S.

The Company calculates its working capital as follows:

Working Capital	March 31, 2017	December 31, 2016
Cash	$6,016,951	$1,566,053
Due from related parties	97,284	89,982
Interest receivable and prepaid expenses	86,348	84,376
Accounts payable and accrued liabilities	(293,667)	(277,353)
Working capital	$5,906,916	$1,463,058
Total per Share	$0.64	$ 0.29

The Company worked on developing a strategy to generate liquidity in 2016 and as a part of that strategy completed the Offering in the first quarter of 2017 raising gross proceeds of $4,880,115 and net proceeds of $4,815,707. See "Operational Review – Material and Significant Events – Rights Offering" above. Following the Offering, the Company believes it now has sufficient working capital to support its medium-term needs including capitalizing Crosswinds Re so it can begin active operations. The Company is expending cash in excess of its revenues as it continues to build out its infrastructure. As the Company works to implement its planned growth activities, management expects it will need to raise new capital and continues to explore options to do so through additional private and/or public fund raising.

The Company established Crosswinds Re during the Q3 2016 and made a regulatory capital contribution through a newly established fund structure, Crosswinds Private Equity Partners (C.I.), L.P. (the "Fund"). Crosswinds is the sole initial limited partner of the Fund. The Fund's general partner, Crosswinds Private Equity Partners (C.I.). G.P. is wholly-owned by Crosswinds. Crosswinds currently intends to use the Fund as a vehicle to raise additional capital for Crosswinds Re to execute its business plan of acting as a specialty reinsurer as part of Crosswinds' integrated insurance, reinsurance and asset management structure with an initial focus on the Florida property and casualty insurance market. There can be no assurance that such funds will be available or if they are available that they will be available on commercially favorable terms.

There are contractual and legal restrictions on the ability of Monarch to transfer funds to its owners including Crosswinds. As Crosswinds regards Monarch as a long-term investment, this is not expected to have an impact on the Company's short term liquidity. Our reinsurance subsidiary, Crosswinds Re, which is domiciled in Cayman Islands, is required by CIMA to maintain minimum capital levels. As of December 31, 2016, the capital maintained by Crosswinds Re was in excess of the regulatory capital requirement in Cayman Islands. USD $200,000 of the amount shown as cash in the table above is required to meet Crosswinds Re's minimum capital requirements and as such is not accessible cash to Crosswinds for such time as Crosswinds desires to maintain its licensed reinsurance entity. The Company intends to invest up to approximately $4 million in Crosswinds Re from the proceeds of the rights offering completed subsequent to year end.

Capital Resources

At March 31, 2017, the Company had no long-term debt or capital lease obligations. The Company entered into a premises lease agreement in Q3 of 2015 for approximately 3,000 square feet of office space located at 14 Wall Street, New York, New York. The Company's payment commitments under the premises lease are set out below:

	Payments due by period				
At March 31, 2017	**TOTAL**	**< 1 year**	**1-2 years**	**3-5 years**	**after 5 years**
Operating lease	$ 730,230	$ 196,827	$ 202,282	$ 331,120	$ -

Share Capital

As at March 31, 2017 and the date hereof, there are 9,208,099 Shares outstanding and as at December 31, 2016, there were 5,304,007 Shares were outstanding. The Company reported a net book value at March 31, 2017 of $27,077,468 (December 31, 2016 – $22,812,582) or $2.94 per Share (December 31, 2016 - $4.30) of which $24,489,278 (December 31, 2016 – $20,202,732) or $2.66 per Share (December 31, 2016 - $3.81) is attributable to shareholders of the Company[1]. See the cautionary statement regarding the use of non-IFRS financial measures on page 3 of this MD&A.

[1] Net book value per share is a non-IFRS financial measure and is calculated as total shareholders' equity under IFRS divided by the number of Shares outstanding at period-end. The Company has reported two net book value measures: one reflecting net book value on a consolidated basis including non-controlling interests with respect to the Company's investment in the Monarch Joint Venture and the other reflecting the net book value attributable solely to the Company's shareholders without non-controlling interests.

The Company has adopted an Option Plan which was approved by the Company's shareholders on June 24, 2016. No options are outstanding under the Stock Option Plan as at March 31, 2017.

The Company also has a DSU Plan. On April 15, 2015, the Company issued an aggregate of 260,000 DSUs to certain of its directors and officers pursuant to the terms of the DSU Plan. As at December 31, 2016, all DSUs from this grant had vested. On November 17, 2016, the Company granted 34,332 units to certain directors as part of their annual retainer fees at a grant price of $2.81. At March 31, 2017, an aggregate of 22,888 DSUs had vested under this grant with the remaining 11,444 DSUs vesting in the second quarter of 2017. On March 30, 2017, the Company granted 14,395 units to certain officers as part of their 2016 short-term incentive bonus at a grant price of $1.32; these units vested immediately.

The maximum number of Shares that can be issued on exercise of options granted under the Option Plan may not exceed 10% of the issued and outstanding Shares of the Company from time to time, less the number of Shares issued under all other security based compensation arrangements of the Company including the DSU Plan.

Off-Balance Sheet Arrangements

Except as otherwise described herein, the Company currently has no off-balance sheet arrangements

Proposed Transactions

The Company has no proposed asset or business acquisitions or dispositions at this time however as disclosed herein the Company is evaluating opportunities for a realization of its remaining investment in Salbro.

Transactions with Related Parties

Investment Management Services Agreement

In conjunction with the closing of the Monarch Joint Venture, Crosswinds AUM, entered into an investment management services agreement with Monarch. Under the agreement, Crosswinds AUM has agreed to act as investment advisor and to manage the assets of the Monarch entities for a management fee paid quarterly in arrears.

For the three months ended March 31, 2017, Crosswinds AUM earned investment management fee income in the amount of $96,501 (2016 - $77,640). As at March 31, 2017, $97,026 (December 31, 2016 - $89,982) was still owed to the Company and was included in due from related parties on the consolidated statements of financial position.

Changes in Accounting Policies and Critical Accounting Estimates

The Company’s financial statements have been prepared in accordance with IFRS.

Critical Accounting Estimates

The Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of its condensed interim consolidated financial statements. In addition, the preparation of financial data requires that the Company’s management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2017 are reflected in note 4 of the Company's audited annual consolidated financial statements for the year ended December 31, 2016, a copy of which is available under the Company’s profile on SEDAR at www.sedar.com**.**

Recent accounting pronouncements

There have been no new accounting pronouncements issued in the first quarter of 2017 that are expected to impact the Company. For a summary of accounting pronouncements, see the accounting pronouncements note (note 5) in the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017.

Factors that May Affect Future Results

Future results of the Company will depend on the strategies it implements from time to time including the Company's ability to execute on its intentions with respect to growth of its complementary business lines and the success of any capital raising activities. The Company will require additional capital to complete some of its initiatives including capitalizing on investment opportunities as they arise and its ability to raise that capital will depend among other things on general economic conditions. As the Company is working to develop additional lines of business, past performance should not generally be viewed as indicative of future results.

The Company continues to seek investment opportunities meeting the criteria set out elsewhere in this MD&A and its AIF. There can be no guarantee that any prospective initiatives or transactions described herein will be successfully executed and, if executed, yield satisfactory risk-adjusted returns. While seeking new investment opportunities, the Company's revenues will be constrained.

Controls and Procedures

Disclosure Controls and Procedures

The Company's controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the time periods specified under securities laws and include controls and procedures that are designed to ensure that information is accumulated and communicated to management including the Chief Executive Officer and Interim Chief Financial Officer (collectively, the Certifying Officers) to allow timely decisions regarding disclosure.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. In addition, a control system, no matter how well conceived and operated can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. As such, the Company's disclosure controls and procedures can only provide reasonable, and not absolute, assurance that the objectives of such controls and procedures are met.

Internal Controls over Financial Reporting

The Company's internal controls over financial reporting are a process designed under the supervision of the Certifying Officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis.

As at March 31, 2017, the Company's Certifying Officers have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 2017, the Company did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. In addition, a control system, no matter how well conceived and operated can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

Outlook

The Company has a number of initiatives it is targeting for advancement for the remainder of 2017 and management views (i) Monarch Insurance company's growth and earnings; (ii) increasing investment management fees; (iii) earnings from Crosswinds Re once actively writing business as all being key to the Company's near term future results. The Company is looking at advancing these initiatives in a manner that will reduce its current cash burn rate.

Monarch's performance is an important component of the implementation of Crosswinds' broader strategy integrating insurance, reinsurance and asset management and the related revenue to be generated by each component of that strategy. Increased market acceptance and premium growth in Monarch will be key to Crosswinds' overall performance in the short term. After some initial benefit in premium writing following the rate decrease in April 2016, concentration of Monarch's book of business has had a negative impact on premium writing and management currently expects slow organic growth for Monarch in 2017. In Q1 2017, significant claims activity impacted Monarch's performance. As an investor, the Company is bottom line oriented and will evaluate all investments and partnerships to ensure that they produce and have the prospect of continuing to produce sufficient returns, in particular having regard for the amount of risk being assumed.

In order to fully execute its acquisition strategy and support the funding of its reinsurance entity, the Company will need to raise significant amounts of additional capital. The Company started this process with the Rights Offering raising net proceeds of $4.8 million the majority of which it plans to deploy in Crosswinds Re. The Company is exploring options to raise additional capital and/or create one or more private equity funds. Without such additional capital, the Company's ability to expand its business and capitalize on identified opportunities will be constrained.

Management believes that Crosswinds Re is well positioned having raised funds for its initial capitalization which should enable it, subject to market conditions and other approvals, to write reinsurance business during 2017.

Following completion of the Monarch Joint Venture, as the majority of the Company's assets are valued in USD, the overall value of the Company expressed in Canadian dollars will fluctuate based on the relative value of the Canadian dollar to the USD.

Results may vary substantially from year to year and quarter to quarter due to the stage of development of the Company's business and its new investment activities.

Risk Factors

The Company manages a number of risks to achieve an acceptable level of risk without appreciably hindering its ability to maximize returns. Management has procedures in place to identify and manage significant operational and financial risks. A discussion of risk factors relating to the Company is found under the heading "Risk Factors" in the Company's Annual Information Form dated as at March 28, 2017 and its annual MD&A for the year ended December 31, 2016. Each of the discussions referred to above is incorporated by reference herein. The documents referred to above are available under the Company's profile on SEDAR at www.sedar.com.

Foreign Exchange Risk

The Company has significant exposure to foreign exchange risk as it has a substantial amount of its capital in USD in the Monarch joint venture. Its investee companies may also have exposure to sudden changes in foreign exchange rates.

CORPORATE DIRECTORY

Board of Directors:

J. Roy Pottle[,2,] Chairman
Thomas Cholnoky[2,6]
J. Mark Gardhouse[4,6]
Bradd Gold[3,4,6]
Colin King
Gaetano Muzio[,4,5,6]
Robert Wolf[1,2,]

Officers:

Colin King, Chief Executive Officer
Susan McCormick, Interim Chief Financial Officer
Helen Martin, Chief Operating Officer and Corporate Secretary

[1]Audit Committee Chairman
[2]Audit Committee Member
[3]Corporate Governance, Compensation and Nominating Committee Chairman
[4] Corporate Governance, Compensation and Nominating Committee Member
[5]Risk Policy Committee Chairman
[6]Risk Policy Committee Member

Auditor:

Deloitte LLP
Toronto, Ontario

Transfer Agent:

Computershare Investor Services Inc.
Toronto, Ontario

Toronto

365 Bay Street, Suite 400
Toronto, ON M5H 2V1
Canada

New York

14 Wall Street, Suite 5D
New York, NY, 10005
United States

Phone: 800.439.5136
Phone: 212.521.1108
Web: crosswindsinc.com
Email: info@crosswindsinc.com