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 and six months ended June 30, 2017 (the "Interim Statements"). The commentary in this MD&A is presented as at June 30, 2017 and updated based on information available up to August 11, 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 June 30, 2017 was USD $1.00 = CDN $1.2977 and averaged USD $1.00 = CDN $1.3343 for the first six 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 JUNE 30, 2017

- Revenues of $130,859 compared to $102,634 for the same period in 2016;
- Net loss from results of investments of $(611,485) compared to income of $121,304 for the same period in 2016; and
- Net loss of $(937,706) or $(0.10) per Share attributable to Crosswinds' shareholders compared to net loss of $(265,442) or $(0.04) per Share attributable to Crosswinds' shareholders for the same period in 2016.

FINANCIAL HIGHLIGHTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

- Revenues of $255,494 compared to $209,212 for the same period in 2016;
- Net loss from results of investments of $(600,562) compared to income of $142,854 for the same period in 2016; and
- Net loss of $(1,367,909) or $(0.17) per Share attributable to Crosswinds' shareholders compared to net loss of $(712,272) or $(0.12) per Share attributable to Crosswinds' shareholders for the same period in 2016.

FINANCIAL POSITION AS AT JUNE 30, 2017

- Cash of $8,426,695 or $0.92 per Share;
- Investment in Monarch of $17,249,546 or $1.87 per Share;
- Net book value of $25,698,209 or $2.79 per Share[2] of which $23,234,117 or $2.52 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

For the periods prior to the sale of its investment in Salbro, fair values for this investment were 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 has been exploring 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 a candidate for consolidation and greater capital efficiency and may present a number of future opportunities. The Company and Monarch's ability to participate in that consolidation are expected to require additional private equity funding sources and will depend on market conditions and investment performance.

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" or "Monarch". 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.

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 and in 2017 to date, market conditions have been such that no business has been written. See "Operational Review - Reinsurance" below.

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. Crosswinds AUM is expected to manage the assets of Crosswinds Re, subject to the receipt of any required approvals.

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 monetized its legacy private equity investment in Salbro Bottle Inc. and related companies (collectively referred to as "Salbro") at the end of Q2 2017 and looking forward to the balance of 2017, the Company will be focused on 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 $(937,706) attributable to Crosswinds' shareholders in the second quarter of 2017. This loss was largely driven by a loss at Monarch Parent. Foreign exchange translation and a small adjustment on the unrealized gain upon the sale of Salbro also contributed to the loss. Management had expected to see a reasonable profit from Monarch during the second quarter of 2017. However, management has instead been presented by the Joint Venture with what it views as unacceptable losses well in excess of trends and projections leading to a significant loss for Crosswinds in Q2. Rising attritional losses have negatively impacted Monarch. In management's view, the underwriting performance for Monarch has been unacceptable. Management is actively working to manage this investment within the constraints of the contractual provisions governing the Joint Venture. See "Outlook" below.

At the end of Q2, Crosswinds monetized its legacy investment in Salbro resulting in net proceeds of approximately $3.0 million to the Company.

Crosswinds continued during the quarter to prepare Crosswinds Re to write active business. During Q2 2017, Crosswinds and Crosswinds Re entered into an underwriting services agreement with Trans Re (the "Underwriting Agreement") pursuant to which Trans Re agreed to act as strategic advisor to Crosswinds Re providing information on structuring, pricing, risk assessment and market conditions for reinsurance business being assessed by Crosswinds Re. Crosswinds Re has not yet written any business. Crosswinds Re had expected to do so for wind season in Q2 2017 however, Crosswinds Re reviewed business opportunities, with input from its strategic advisor, to provide coverage to a couple of primary Florida insurance carriers for the 2017-2018 treaty year and passed on those opportunities after determining that they did not meet its risk-return criteria.

Primary Insurance

As expected, during the second quarter of 2017, Monarch continued to experience slower premium growth having stopped writing new business as of the beginning of the year in the tri-county area (Palm Beach, Broward, Dade) ("Tri-County"), where it determined it had an over concentration of policies.

Monarch wrote approximately USD $3.0 million of gross premiums for the quarter ended June 30, 2017 (compared to USD$1.3 million for the quarter ended March 31, 2017 and USD $4.7 million for the quarter ended December 31, 2016), all of which are below initial investment projections. Increases in gross premiums from Q1 to Q2 2017 reflects normal seasonality related to volume of home sales which traditionally peaks in Q2 of each year. In addition, notwithstanding growth seen in premiums, many premiums are made up of renewal business such that Monarch's overall book of business has generally not grown in 2017.

The primary market in Florida continued to experience a number of challenges in the quarter including increased activity around assignment of benefits ("AOB"). Monarch's premiums are heavily concentrated in Tri-County and Monarch has been working to reduce its concentration in Tri-County, and it has experienced moderate success with that reduction initiative to date. Going into the remainder of 2017, the Company expects slower premium production to continue as Monarch manages its regional exposures.

The table below illustrates the net asset changes Monarch has experienced since year end. The net assets have decreased in USD since March 31, 2017 after a slight increase at March 31, 2017 compared to year end. However the net assets in CDN dollars have decreased disproportionately during the same period due to fluctuations in foreign 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 the first page of this MD&A for these rates. See "Foreign Exchange Risk" below.

Item	December 31, 2016	March 31, 2017	June 30, 2017
Net Assets of Monarch in USD dollars	$13,606,846	$13,612,529	$13,292,390
Period end USD to CDN dollar exchange rate	$1.3427	$1.3310	$1.2977
Net assets of Monarch in CDN dollars	$18,269,925	$18,118,288	$17,249,546

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 was formed to 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.

During the quarter, the Company capitalized Crosswinds Re with an additional USD$2 million (CDN$2,656,600) with a view to writing reinsurance business. Crosswinds Re reviewed business opportunities to provide coverage to a couple of primary Florida insurance carriers for the 2017-2018 treaty year and determined that the available opportunities did not meet its risk-return criteria. Other opportunities may present themselves during wind season which typically runs through to the end of October although there can be no certainty that will be the case. In the meantime, Crosswinds Re is looking at appropriate opportunities to invest the funds allocated for its reinsurance activities in order to partially offset its operational expenses for the year.

Asset Management

Crosswinds AUM continued during Q2 2017 to manage the assets for the Monarch Entities. Crosswinds AUM expects to also manage assets for Crosswinds Re in the second half of 2017 subject to legal and regulatory compliance.

Legacy

Crosswinds monetized its legacy investment in Salbro resulting in net proceeds of approximately $3.0 million to the Company during the quarter.

Material and Significant Events in 2017

The following is a summary of the Company's material and significant events in Q2 2017, updated for any subsequent events to the date hereof.

June 2017	***Annual and Special Meeting*** Crosswinds held its annual and special meeting of shareholders on June 15, 2017. At the Meeting, shareholders vote in favour of all items of business. In particular, each of the seven nominees proposed as directors of the Company were elected. Complete voting results are available under the Company's SEDAR profile at www.sedar.com.
June 2017	***Monetization of Interests in Salbro*** The Shareholders of Crosswinds' investee, Salbro entered into a definitive agreement with TricorBraun, an international packaging solutions company for the acquisition of Salbro (the "Transaction"). Upon closing of the Transaction on June 30, 2017, Crosswinds fully monetized its remaining investment in Salbro which consisted of debentures and warrants exercisable into 7.5% of the Salbro enterprise. Crosswinds received total cash consideration on closing of the Transaction of $2,985,865 representing $1,556,215 in respect of its debentures and $1,429,650 in respect of its warrants.

June 2017	***Reinsurance Activities*** ***Capitalizing Crosswinds Re*** Crosswinds capitalized its reinsurance subsidiary, Crosswinds Re, with an additional USD$2 million. Crosswinds Re reviewed business opportunities to provide coverage to primary Florida insurance carriers for the 2017-2018 treaty year and determined that the available opportunities did not meet its risk-return criteria. Other opportunities may present themselves during wind season which typically runs through to the end of October 2017 although there can be no certainty that will be the case. In the meantime, Crosswinds Re intends to look at appropriate opportunities to invest the funds allocated for its reinsurance activities in order to partially offset its operational expenses. ***Underwriting Services Agreement*** Crosswinds and Crosswinds Re entered into an underwriting services agreement (the "Underwriting Agreement") with Trans Re pursuant to which Trans Re has agreed to act as strategic advisor to Crosswinds Re providing information on structuring, pricing, risk assessment and market conditions for reinsurance business being assessed by Crosswinds Re. The Underwriting Agreement is for an initial term of 5 years with the option to renew for successive 2-year terms, subject to earlier termination. As compensation for its services, Trans Re receives a management fee calculated at a rate of 2% of the underwriting capital utilized by Crosswinds Re in an applicable year. For 2017, Trans Re is entitled to a stand by fee of USD$50,000 in a year where Crosswinds Re does not write any reinsurance business. Trans Re is also entitled to an incentive fee equal to 10% of the gross increase in enterprise value over a 7% compounded highwater mark on the occurrence of a liquidity event for Crosswinds Re or to a termination fee in certain circumstances. This summary is qualified in its entirety by the full terms of the Underwriting Agreement, a copy of which is available under the Company's profile on SEDAR at www. sedar.com.

Subsequent to Quarter end – July 2017	***Monarch National's 2017-2018 Reinsurance Program*** Crosswinds' joint venture investee, Monarch Insurance agreed upon the terms of its excess of loss catastrophe reinsurance treaties for the 2017-2018 hurricane season. The Company has an indirect 36% interest (50% voting) in Monarch Insurance. These treaties are designed to reimburse Monarch National for property losses under its homeowners' insurance policies resulting from covered events. Monarch Insurance utilizes reinsurance to reduce exposure to catastrophic risk and to help manage capital, while lessening earnings volatility and improving shareholder return, and to support the required statutory surplus requirements. Monarch Insurance's catastrophe reinsurance program has been designed to coordinate coverage provided under various treaties with various retentions and limits. Monarch Insurance's private market excess of loss treaties are effective July 1, 2017 continuing through June 30, 2018 and all private layers have prepaid automatic reinstatement protection, which affords Monarch Insurance's additional coverage. These private market excess of loss treaties structure coverage into layers, with a cascading feature such that substantially all layers attach after $3.4 million for Monarch Insurance's exposure. If the aggregate limit of the preceding layer is exhausted, the next layer drops down (cascades) in its place. Additionally, any unused layer protection drops down for subsequent events until exhausted. These treaties are with reinsurers that currently have an A.M. Best Company or Standard & Poors rating of A- or better, or have fully collateralized their maximum potential obligations in dedicated trusts. The total estimated cost of USD$5.17 million to Monarch Insurance is comprised of approximately USD$3.23 million for the herein referenced private reinsurance products including prepaid automatic premium reinstatement protection on all layers with approximately USD$1.94 million payable to the Florida Hurricane Catastrophe Fund ("FHCF"). The combination of private and FHCF reinsurance treaties will afford Monarch Insurance with approximately USD$109.81 million of aggregate coverage with a maximum single event coverage totaling approximately USD $68.89 million, exclusive of retentions. Monarch Insurance's FHCF participation is 75% for this wind season. The cost and amounts of reinsurance are based on management's current analysis of Monarch Insurance's exposure to catastrophic risk. Monarch Insurance's data will be subjected to exposure level analysis as of various dates during the period ending December 31, 2017. This analysis of its exposure level in relation to the total exposures in the FHCF and excess of loss treaties may produce changes in retentions, limits and reinsurance premiums as a result of increases or decreases in Monarch Insurance's exposure level.

Summary of Investments

The following is a summary of the Company's investment in private entities including associates as at June 30, 2017 updated to the date hereof.

Investments in Private Entities– Current Portfolio

At June 30, 2017, the Company held one investment in an associate having divested on the same date of its one investment in a private entity. 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 was 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 and adequate pricing and case reserves, government regulation and approvals including of analytic models and rate changes, adverse selection, claims volatility, 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, joint venture management, conflicts of interest, market events such as assignment of benefits (AOB) and direct to consumer distribution displacing traditional distribution channels.

Original Investment Date: March 2015

Investment Update: After achieving marginal profitability in Q1 2017, Monarch experienced a loss of USD $(918,000) for Q2 2017 due to increased losses and increased reinsurance costs. As expected, in Q2 2017 as Monarch continued to work to redistribute its book outside of Tri-County, net premium growth has slowed. While net premium growth is up in Q2 2017 compared to Q1 2017, some of this increase is related to new home seasonality causing an uptick in homeowner insurance being bound.

In addition, Monarch's book of business has not grown on a net basis in 2017 as many of the premiums written now reflect renewal business. In January 2017, Monarch 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. This claims activity has further increased in Q2 2017 including as a result of rain storm activity in June. AOB is an issue that can be expected to continue to negatively 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 and Q2 2017 will persist or reverse. However, management has concerns with the underwriting quality of the Monarch business to date given trends on reserves and attritional losses. Management continues to monitor performance and options for 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 of Managers 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. See "Outlook".

Investments in Private Entities– Dispositions

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 and Return: 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"). Over the lifecycle of its investment, Crosswinds received a return in excess of twice its original investment.

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.

Original Investment Date: February 2008

Exit Date: June 2017

Investment Update: On June 30, 2017, Crosswinds monetized its investment in Salbro receiving cash consideration of $2,985,865 representing $1,556,215 in respect of its Debentures and $1,429,650 in respect of its Warrants. At December 31, 2016, the carrying value of the Salbro investment was $3,052,140. During 2017, the Company received $50,000 in principal payments under its Debenture. The Company recorded a small realized loss of $32,350 upon completion of the monetization.

Financial Review

The following is a summary of (a) the Company's financial statements for the three and six months ended June 30, 2017 and 2016 and (b) the Company's financial position as at June 30, 2017 compared to the year ended December 31, 2016.

Results from Operations for the Three Months Ended	June 30, 2017	June 30, 2016
Total revenues	$130,859	$102,634
Net results of investments	(611,485)	121,304
Expenses	(531,306)	(471,720)
Taxes	-	-
Net loss	$(1,011,932)	$ (247,782)

Comprehensive Loss for the Three Months Ended	June 30, 2017	June 30, 2016
Net loss	$(1,011,932)	$(247,782)
Other comprehensive income (loss)		
Change in unrealized foreign currency translation losses on foreign operations	(470,530)	(85,516)
Share of other comprehensive income of associate	92,483	75,042
Other comprehensive loss	(378,047)	(10,474)
Comprehensive loss	$(1,389,979)	$ (258,256)

Earnings (loss) Per Share (EPS)		
Loss per share	$(0.10)	$(0.04)

Results from Operations for the Six Months Ended	June 30, 2017	June 30, 2016
Total revenues	$255,494	$209,212
Net results of investments	(600,562)	142,854
Expenses	(1,093,293)	(1,030,878)
Taxes	-	-
Net loss	$(1,438,361)	$(678,812)

Comprehensive Loss for the Six Months Ended	June 30, 2017	June 30, 2016
Net loss	$(1,438,361)	$ (678,812)
Other comprehensive income (loss)		
Change in unrealized foreign currency translation losses on foreign operations	(621,825)	(1,176,931)
Share of other comprehensive income of associate	73,587	332,847
Other comprehensive loss	(548,238)	(844,084)
Comprehensive loss	(1,986,599)	(1,522,896)

Earnings Per Share (EPS)		
Loss per share	$(0.17)	$ (0.12)

Financial Position as at	June 30, 2017	Dec 31, 2016
Cash	$8,426,695	$1,566,053
Total assets	25,901,652	23,089,935
Shareholders' equity attributable to shareholders of Crosswinds	23,234,117	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]	$2.79	$ 4.30
Attributable to shareholders of Crosswinds	2.52	3.81
Non-controlling interests	0.27	0.49
Closing market price on TSX	$1.37	$2.20
Market price premium/(discount) to net book value[1] attributable to shareholders of Crosswinds	(45.6) %	(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.

Net book value declined following completion of the Offering and issuance of additional Shares. The Company's Shares trade at a substantial discount to net book value.

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

June 30, 2017	June 30, 2016
Revenue $130,859: $98,882 from Crosswinds AUM investment management fees; $23,353 from Salbro interest income and $8,624 from domestic bank interest.	Revenue $102,634: $74,430 from Crosswinds AUM investment management fees; $24,204 from Salbro interest income and $4,000 from domestic bank interest.
Changes quarter-over-quarter: The Company's interest income from Salbro and domestic bank interest is consistent quarter over quarter. 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 $(611,485) consist of: $(519,585) of loss from Monarch; net loss on the disposal of the investment in Salbro of $(32,350) and $(59,550) net foreign exchange loss on the	Net results of investments representing a gain of $121,304 consisting of $123,623 of income from Monarch offset by $(2,319) net foreign exchange loss on the translation of USD denominated assets into CDN dollars.

June 30, 2017	June 30, 2016
translation of USD denominated assets into CDN dollars.	
Expenses of $531,306: consisting primarily of $186,647 salaries and benefits; $10,720 share-based payments expense related to DSUs; $41,679 in consulting fees; $180,780 in general and administration consisting primarily of rent, investor relations and marketing expenses; $61,706 in directors' fees; $21,855 in audit and tax fees and $27,919 of legal fees.	Expenses of $471,720: consisting primarily of $171,251 salaries and benefits, $84,591 share-based payments related to deferred share unit ("DSU") grants, $54,133 directors' fees, $30,968 consulting fees, $29,206 audit and tax fees and $93,857 general and administration expenses including rent.
Net loss of $(1,011,932) or $(0.10) per Share on a basic and fully diluted basis.	Net loss of $(247,782) or $(0.04) per Share on a basic and fully diluted basis.

Changes quarter-over-quarter: The increase in net loss in Q2 2017 compared to the same period in 2016 is due primarily to the share of loss from Monarch of $(519,585) incurred in Q2 2017 compared to the share of income from Monarch of $123,623 in Q2 2016, resulting in an increase to net loss of $643,208. General and administration expenses increased by $86,923 over the same period due to investor relations and marketing expenses combined with Crosswinds Re expenses. These negative impacts to net loss were offset by lower share-based payments expense of $73,871 as the Company had fewer DSUs vesting in the period.

Six Months Ended

June 30, 2017	June 30, 2016
Revenue $255,494: $195,382 from Crosswinds AUM investment management fees; $47,079 from Salbro interest income and $13,033 from domestic bank interest.	Revenue $209,212: $152,070 from investment management fees; $48,488 from Salbro interest income and $8,654 from domestic bank interest.

Changes six months-over-prior year six months: 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 $(600,562) consists of: $(493,167) of loss from Monarch; net loss on the disposal of the investment in Salbro of $(32,350) and $(75,045) 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 $142,854 consisting of $91,369 net foreign exchange loss on the translation of USD denominated assets into CDN dollars offset by $234,223 of income from Monarch.

June 30, 2017	June 30, 2016
Expenses of $1,093,293: consisting primarily of $377,553 salaries and benefits; $56,519 share-based payments expense related to DSUs; $74,404 in consulting fees; $364,229 in general and administration consisting primarily of rent, investor relations and marketing expenses; $102,744 in directors' fees; $70,819 in audit and tax fees and $47,025 of legal fees.	Expense $1,030,878: consisting primarily of $208,117 share-based compensation expense, $365,328 salaries, $30,968 consulting fees, $228,442 general and administration, $103,539 directors' fees, audit and tax fees $76,343 and legal fees $18,141.
Net loss of $(1,438,361) or $(0.17) per share on a basic and fully diluted basis.	Net loss of $(678,812) or $(0.12) per share on a basic and fully diluted basis.

Changes six months-over-prior year six months: The increase in net loss for the six months ended June 30, 2017 compared to the same period in 2016 is due primarily to the share of loss from Monarch of $(493,167) incurred in 2017 compared to the share of income from Monarch of $234,223 in 2016, resulting in an increase to net loss of $727,390. General and administration expenses increased by $135,787 over the same period due to primarily to increased investor relations expenses. These negative impacts to net loss were offset by lower share-based payments expense of $151,598 as the Company had fewer DSUs vesting in 2017.

Balance Sheet Highlights

As at June 30, 2017, the Company's assets consisted primarily of cash and its investment in Monarch. The Company, following the completion of the rights offering in February 2017 (the "Offering") and the monetization of its investment in Salbro in June 2017, had working capital of $8,424,687 for commitments and general working capital purposes. Approximately $4.8 million of those funds were net proceeds of the Offering and are expected to 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.

June 30, 2017	December 31, 2016
Total assets of $25,901,652	Total assets of $23,089,935

Changes: *The increase in assets from December 2016 to June 2017 was attributable to an increase in cash of $6,860,642 resulting from the net proceeds of the Offering and the monetization of the Salbro investment offset by the payment of corporate expenses and the decrease in the value of the investment in Monarch.*

Equity attributable to shareholders of Crosswinds $23,234,117	Equity attributable to shareholders of Crosswinds $20,202,732

Changes: *The increase in equity attributable to shareholders of Crosswinds from December 2016 to June 2017 of $3,031,385 is due to the increase in share capital of $4,815,707 resulting from the net proceeds of the 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 $(1,840,841) offset by an increase in contributed surplus of $56,519 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 June 30, 2017.

	June 30, 2017	
Asset/(Liability)	Total carrying value	Carrying value per Share
Liquid Net Assets (Working Capital)		
Cash	$8,426,695	$0.92
Due from related parties	95,732	0.01
Interest receivable and prepaid expenses	105,703	0.01

Asset/(Liability)	June 30, 2017 Total carrying value	 Carrying value per Share
Accounts payable and accrued liabilities	(203,443)	(0.02)
Working Capital	***$8,424,687***	***$0.92***
Investments in Private Entities		
Investment in an associate (Monarch) [1]	$17,249,546	$1.87
	$17,249,546	***$1.87***
Capital assets, net of accumulated depreciation	***23,976***	***$-***
GRAND TOTAL [2, 3]	***$25,698,209***	***$2.79***

[1] Includes the non-controlling interest in the amount of $2,464,092. For information on the net book value of the non-controlling interest see page 15 above.
[2] Grand total equals the Company's shareholders' equity.
[3] Excludes the Company's tax loss carryforwards of $16,319,300 expected to be available to offset future taxable income.

Results of Operations for the Three Months Ended June 30, 2017

The following is an analysis of the Company's results of operations for the three months ended June 30, 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 June 30		
	2017	2016	Inc / (Dec)
Legacy Salbro Investment - Interest	$23,353	$24,204	$(851)
Bank Interest	8,624	4,000	4,624
Crosswinds AUM - Investment management fees	98,882	74,430	24,452

	Three Months Ended June 30		
	2017	2016	Inc / (Dec)
Total	$130,859	$102,634	$28,225

The Company's interest income from Salbro is consistent in 2017 with 2016. The Company earned more bank interest in 2017 due to proceeds from the Offering. 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 June 30		
	2017	2016	Inc / (Dec)
Share of income (loss) of Monarch, net of tax	$(519,585)	$123,623	$(643,208)
Realized gain on sale of investment in private entity	849,650	-	849,650
Reversal of previously recognized unrealized gain on investment in private entity	(882,000)	-	(882,000)
Net foreign exchange loss	(59,550)	(2,319)	(57,231)
Total	$(611,485)	$121,304	$(732,789)

Net results of investments decreased in 2017 compared to 2016 as Monarch incurred a large loss in 2017 due to low net premium production, increased claims activity and increased loss reserves compared to 2016. A small net loss of $(32,350) on the monetization of the Salbro investment was recognized during the quarter of 2017 as well as an increase of $57,231 in the net foreign exchange loss in 2017 compared to 2016 due to currency fluctuation as the Canadian dollar strengthened.

Expenses and Income Taxes

	Three months ended June 30		
	2017	2016	Inc / (Dec)
Salaries and benefits	$186,647	$171,251	$15,396
General and administration	180,780	93,857	86,923
Directors' fees	61,706	54,133	7,573
Consulting fees	41,679	30,968	10,711
Audit and tax fees	21,855	29,206	(7,351)
Share-based compensation	10,720	84,591	(73,871)
Legal fees	27,919	7,714	20,205
	531,306	471,720	59,586
Provision for income taxes	-	-	-
Total	$531,306	$471,720	$59,586

The expenses for 2017 have increased slightly over 2016. General and administration expenses have increased by $86,923 in 2017 compared to 2016 as a result of increased investor relations and marketing expenses combined with Crosswinds Re expenses while share-based compensation expense has decreased by $73,871 as the majority of DSUs granted to date have been expensed.

Results of Operations for the Six Months Ended June 30, 2017

The following is an analysis of the Company's results of operations for the six months ended June 30, 2017 and 2016 prepared on an IFRS basis of presentation. This analysis should be read in conjunction with the applicable financial statements and the accompanying notes thereto.

Revenues

	Six Months Ended June 30		
	2017	2016	Inc / (Dec)
Legacy Salbro investment - interest	$47,079	$48,488	$(1,409)
Bank interest	13,033	8,654	4,379
Crosswinds AUM – investment management fees	195,382	152,070	43,312
Total	$255,494	$209,212	$46,282

The Company's interest income from Salbro is consistent in 2017 with 2016. The Company earned more bank interest in 2017 due to proceeds from the Offering completed in Q1 2017. The increase in investment management fees in 2017 compared to 2016 is attributable to increased assets under management at Monarch.

Net Results of Investments

	Six Months ended June 30		
	2017	2016	Inc / (Dec)
Share of income (loss) of Monarch, net of tax	$(493,167)	$234,223	$(727,390)
Realized gain on sale of investment in private entity	849,650	-	849,650
Reversal of previously recognized unrealized gain on investment in private entity	(882,000)	-	(882,000)
Net foreign exchange loss	(75,045)	(91,369)	16,324
Total	$(600,562)	$142,854	$(743,416)

Net results of investments decreased in 2017 compared to 2016 as Monarch incurred a large loss in 2017 due to low net premium production, increased claims activity and increased loss reserves compared to 2016. A small net loss of $(32,350) on the monetization of the Salbro investment was recognized in June 2017 which was partially offset by a decrease of $16,324 in the net foreign exchange loss in 2017 compared to 2016.

Expenses and Income Taxes

	Six Months ended June 30		
	2017	2016	Inc / (Dec)
Salaries and benefits	$ 377,553	$365,328	$12,225
General and administration	364,229	228,442	135,787
Directors' fees	102,744	103,539	(795)
Consulting fees	74,404	30,968	43,436
Audit and tax fees	70,819	76,343	(5,524)
Share-based compensation	56,519	208,117	(151,598)
Legal fees	47,025	18,141	28,884
	1,093,293	1,030,878	62,415
Provision for income taxes	-	-	-
Total	$ 1,093,293	$ 1,030,878	$62,415

The expenses for 2017 have increased slightly over 2016. General and administration expenses have increased by $135,787 in 2017 compared to 2016 as a result of increased investor relations and marketing expenses combined with Crosswinds Re expenses while share-based compensation expense has decreased by $151,598 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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	130,859	124,636	115,337	110,021	102,634	106,578	168,671	185,332
Net results of investment	(611,485)	10,923	698,905	116,916	121,304	21,550	(235,047)	74,164
Expenses	(531,306)	(561,988)	(635,330)	(494,737)	(471,720)	(559,158)	(829,753)	(654,763)
Tax provision				-	-	-	-	-
Net income (loss)	(1,011,932)	(426,429)	178,912	(267,800)	(247,782)	(431,030)	(896,129)	(395,267)
Weighted avg # of shares Basic and Diluted	9,208,099	7,104,378	5,304,007	5,304,007	5,304,007	5,304,007	5,304,007	5,304,007
Net income (loss) per share	(0.10)	(0.06)	0.03	(0.05)	(0.05)	(0.08)	(0.17)	(0.07)
Net book value	25,698,209	27,077,468	22,812,582	22,324,270	22,287,686	22,461,351	23,602,465	23,914,041
Common shares o/s	9,208,099	9,208,099	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]	2.79	2.94	4.30	4.21	4.20	4.23	4.45	4.51
Total assets	25,901,652	27,371,138	23,089,935	22,475,822	22,440,634	22,706,227	23,970,024	24,062,506

[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

The net loss in Q2 2017 was significantly higher than previous quarters due to an increase in the share of loss in Monarch. Monarch's loss for the quarter was a result of increased attritional losses combined with a significant increase in case reserves based on actuarial analysis and loss activity during the quarter.

Revenues trended 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 paid cash interest at 6% per annum compared to 12% payment-in-kind per annum in effect during 2015. In addition, this interest on Salbro was paid on a reduced principal balance as the Company received a principal repayment of $1,800,000 in December 2015 and the Company received principal and interest payments from Salbro on a monthly basis until the end of Q2 2017 when the Company exited the investment. During Q2 2017, the Company monetized its investment in Salbro for cash consideration of approximately $3.0 million.

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.

The Company's first non-cash DSU grants have also had an impact on the Company's expenses on a declining scale basis in each of the quarters in 2015 through to the end of 2016. Subsequent DSU grants, being smaller in size, have had a lesser impact. 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 June 30, 2017 and 2016 and the corresponding notes thereto.

Liquidity

The Company had working capital of $8,424,687 at June 30, 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	June 30, 2017	December 31, 2016
Cash	$8,426,695	$1,566,053
Due from related parties	95,732	89,982
Interest receivable and prepaid expenses	105,703	84,376
Accounts payable and accrued liabilities	(203,443)	(277,353)
Working capital	$8,424,687	$1,463,058
Total per Share	$0.92	$ 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. With the monetization of its interests in Salbro in Q2 2017, the Company generated another approximately $3.0 million. Following the Offering and the monetization of Salbro, the Company believes it has sufficient working capital to support its medium-term needs. The

Company is expending cash in excess of its revenues as it continues to build out its infrastructure, has experienced slow growth at Monarch and has not yet engaged in active business at Crosswinds Re. As the Company works to implement its planned 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 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. During Q2 2017, the Company capitalized Crosswinds Re with an additional USD$2 million (CDN $2,656,600).

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 June 30, 2017, 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. In Q2, 2017, the Company capitalized Crosswinds Re with an additional USD $2 million from the proceeds of the Offering completed subsequent to year end.

Capital Resources

At June 30, 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 June 30, 2017	**TOTAL**	**< 1 year**	**1-2 years**	**3-5 years**	**after 5 years**
Operating lease	$664,531	$193,216	$198,574	$272,741	$-

Share Capital

As at June 30, 2017 and the date hereof, there are 9,208,099 Shares outstanding and as at December 31, 2016, prior to the Offering, there were 5,304,007 Shares were outstanding. The Company reported a net book value at June 30, 2017 of $25,698,209 (December 31, 2016 – $22,812,582) or $2.79 per Share (December 31, 2016 - $4.30) of which $23,234,117 (December 31, 2016 – $20,202,732) or

$2.52 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 June 30, 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 DSUs to certain directors as part of their annual retainer fees at a grant price of $2.81. At June 30, 2017, all DSUs from this grant had vested. On March 30, 2017, the Company granted 14,395 DSUs to certain officers as part of their 2016 short-term incentive bonus at a grant price of $1.32; these DSUs vested immediately. Subsequent to quarter end, on July 5 2017, the Company granted 15,452 DSUs to certain directors as part of their annual retainer fees at a grant price of $1.34. None of these DSUs have vested as at June 30, 2017.

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. The maximum number of DSUs to be issued under the DSU Plan shall not exceed 10% of the issued and outstanding Shares from time to time less the number of Shares issuable under all outstanding incentives under the Company's other security-based compensation arrangements.

Off-Balance Sheet Arrangements

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

Proposed Transactions

Other than as described herein, the Company has no proposed asset or business acquisitions or dispositions at this time.

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 and six months ended June 30, 2017, AUM earned $98,880 (2016 - $74,430) and $195,381 (2016 - $152,070), respectively, in investment management fees. As at June 30, 2017,

$95,732 (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 and six months ended June 30, 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 second 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 and six months ended June 30, 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 is currently focused on the performance of its primary investment in the Monarch Joint Venture and assessing options with respect to this investment given its performance has follow on effects for Crosswinds' other business segments. 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 regulatory 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 June 30, 2017, the Company's Certifying Officers have certified that the disclosure controls and procedures are effective and that during the quarter ended June 30, 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 views (i) Monarch Insurance company's performance 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, proper underwriting discipline 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 for the remainder of 2017. In Q1 and Q2 2017, significant claims and reserve activity negatively 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. The Company is considering whether its Monarch investment can be restructured as it is not content with the status quo. The Company is also evaluating options to potentially improve investment performance. As the Company cannot unilaterally effect change in the Joint Venture, it is in active dialogue with its Joint Venture partner to try to address the challenges being experienced.

In order to fully execute its acquisition strategy and support the further capitalization of its reinsurance entity, the Company will need to raise significant amounts of additional capital. The Company started this process with the Offering raising net proceeds of $4.8 million, $2,656,600 of which has been used to capitalize Crosswinds Re as at the date hereof. 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.

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/Currency 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.

Other Risks

As the Company seeks to invest its capital in Crosswinds Re, the Company may be exposed to public market security risks, leverage and hedging.

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:

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