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 nine months ended September 30, 2017 (the "Interim Statements"). The commentary in this MD&A is presented as at September 30, 2017 and updated based on information available up to November 9, 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 September 30, 2017 was USD $1.00 = CDN $1.2480 and averaged USD $1.00 = CDN $1.3074 for the first nine 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 SEPTEMBER 30, 2017

- Revenues of $105,468 compared to $110,021 for the same period in 2016;
- Net loss from results of investments of $(2,512,999) compared to income of $116,916 for the same period in 2016; and
- Net loss of $(2,593,144) or $(0.28) per Share attributable to Crosswinds' shareholders compared to net loss of $(282,230) or $(0.05) per Share attributable to Crosswinds' shareholders for the same period in 2016.

FINANCIAL HIGHLIGHTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

- Revenues of $360,962 compared to $319,233 for the same period in 2016;
- Net loss from results of investments of $(3,113,561) compared to income of $259,770 for the same period in 2016; and
- Net loss of $(3,961,054) or $(0.47) per Share attributable to Crosswinds' shareholders compared to net loss of $(994,502) or $(0.17) per Share attributable to Crosswinds' shareholders for the same period in 2016.

FINANCIAL POSITION AS AT SEPTEMBER 30, 2017

- Cash of $7,899,469 or $0.86 per Share;
- Investment in Monarch of $14,255,377 or $1.55 per Share;
- Net book value of $22,208,798 or $2.41 per Share[2] of which $20,172,434 or $2.19 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 or are ultimately 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: primary insurance, reinsurance and asset management.

<u>1. Primary Insurance</u>:

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 debt and/or equity funding sources and will depend on market conditions and investment performance. The Company may seek a different platform investment and/or partner with which to pursue any consolidation opportunities.

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.

<u>2. Reinsurance</u>:

Crosswinds Re, a wholly-owned subsidiary of the Company is a specialty reinsurer established in the Cayman Islands.

Reinsurance is the highest cost of goods for the insurance industry. Crosswinds Re has not yet written any business but is intended to be additive to the Company's primary insurance business including the Monarch Joint Venture. It has been designed with the intention that it profitably enhance the risk management of primary insurance interests held by the Company (currently, Monarch and in the future, any other primary carriers acquired) 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 its primary insurance assets, currently, Monarch, subject to market conditions and any required approvals including regulatory approval. For 2017, Crosswinds received the required regulatory approval to provide reinsurance to Monarch however market conditions were such that Crosswinds Re chose not to write any business. 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. During the quarter, Crosswinds AUM began managing the assets of Crosswinds Re.

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. During Q3 and for the balance of 2017, the Company was and 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 $(2,593,144) attributable to Crosswinds' shareholders in the third quarter of 2017. This loss was almost entirely driven by negative performance on its investment at Monarch as a result of losses from Hurricane Irma which made landfall in Florida in September 2017 combined with weak underwriting performance.. Foreign exchange translation had a minor contributory effect on the loss. Monarch's elevated loss ratio experienced during Q2 has continued in Q3. Crosswinds views Monarch's underwriting performance and these losses as unacceptable and in excess of Monarch's trends and projections leading to a significant loss for Crosswinds in Q3. Monarch's attritional losses in Q3 2017 were compounded by catastrophe losses from an active hurricane season. Management is actively working to manage this investment within the constraints of the contractual provisions governing the Joint Venture. Crosswinds is in discussions regarding a sale of its Joint Venture investment in Monarch to its Joint Venture partner. There can be no assurance such discussions will result in a transaction and any such transaction would be conditioned on definitive documentation and regulatory approval. See "Outlook" below.

Crosswinds Re had expected to write some business for wind season in 2017. However, Crosswinds Re reviewed available business opportunities, with input from its strategic advisor, Trans Re, 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. In hindsight, with an active hurricane season in Florida, this was an appropriate choice. During Q3, Crosswinds Re began to invest its available cash in bonds with a view to earning interest income to offset some of its operational expenses.

Primary Insurance

During the third quarter of 2017, Monarch experienced flat premium growth, having stopped writing new business as of the beginning of the year in the tri-county area of Florida (Palm Beach, Broward, Dade) ("Tri-County"), where it determined it had an over concentration of policies.

Monarch wrote approximately USD $4.46 million of gross premiums for the quarter ended September 30, 2017 (compared to USD$3.0 million for the quarter ended June 30, 2017 and USD $1.3 million for the quarter ended March 31, 2017), all of which are below initial investment projections. Monarch has experienced challenges writing premium outside of Tri-County as a newly established player in a competitive environment trying to set appropriate premium rates Increases in gross premiums from Q1 to Q2 2017 reflected normal seasonality related to volume of home sales which traditionally peak in Q2 of each year.

The primary market in Florida continued to experience a number of challenges in the quarter including sustained activity around assignment of benefits ("AOB"). In addition, the primary market in Florida experienced an active hurricane season with Hurricane Irma making landfall in Florida in September. As a result of Hurricane Irma, Monarch incurred a loss equal to its full retention amount of USD$3.4 million. Actual losses were higher but are expected to be covered by Monarch's reinsurance program. Assets on Monarch's balance sheet have increased in the quarter in part to reflect a receivable of USD$6.6 million from the reinsurers on Monarch's reinsurance program who, based on current loss estimates, are contractually obligated to cover Monarch's Irma exposures in excess of Monarch's USD$3.4 million retention. Although Monarch has reduced its Tri-County exposures from a high of 72% of in-force premiums to 56% at the end of Q3 2017, its premiums remain heavily concentrated in Tri-County and Monarch continues to work to reduce its Tri-County concentration. As Tri-County exposures decrease, the average premium per policy earned by Monarch also decreases as Tri-County exposures tend to have higher associated premiums. Going into the remainder of 2017, the Company expects flat premium production to continue as Monarch manages its regional exposures and attempts to strategically realign its risks.

The table below illustrates the net asset changes Monarch has experienced since year end. The net assets have decreased in USD since June 30, 2017. 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	June 30, 2017	September 30, 2017
Net Assets of Monarch in USD dollars	$13,606,846	$13,292,390	$11,422,568
Period end USD to CDN dollar exchange rate	$1.3427	$1.2977	$1.2480
Net assets of Monarch in CDN dollars	$18,269,925	$17,249,546	$14,255,377

The following table illustrates the differing impact of attritional losses and foreign exchange fluctuations on the value of the Company's investment in Monarch from March 2015, when the investment was initially made, to the end of Q3 2017.

Item	Date	Amount (CAD)
Investment in Monarch	March 2015	$17,876,600
Cumulative Operating Losses	March 2015-September 30, 2017	(3,216,635)
Unrealized Foreign Exchange Loss	March 2015-September 30, 2017	(404,588)
Investment in Monarch	September 30, 2017	$14,255,377

Reinsurance

In 2016, the Company formed Crosswinds Re, a specialty Cayman-domiciled reinsurance company. Crosswinds Re 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 second 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. At the end of the quarter, Crosswinds Re began investing the funds allocated for its reinsurance activities in bonds with a view to earning interest income to partially offset its operational expenses for the year.

Asset Management

Crosswinds AUM continued during Q3 2017 to manage the assets for the Monarch Entities. Crosswinds AUM also began to manage assets for Crosswinds Re in Q3.

Material and Significant Events in Q3 2017

The following is a summary of the Company's material and significant events in Q3 2017, updated for any subsequent events to the date hereof.

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July 2017	***Monarch National Completes 2017-2018 Reinsurance Placement*** In July 2017, Crosswinds' Joint Venture investee, Monarch Insurance agreed upon the terms of its excess of loss catastrophe reinsurance treaties for the 2017-2018 hurricane season. Crosswinds has an indirect 36% interest (50% voting) in Monarch Insurance. These treaties were designed to reimburse Monarch Insurance for property losses under its homeowners' insurance policies resulting from covered events such as Hurricane Irma. 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 was designed to coordinate coverage provided under various treaties with various retentions and limits. Monarch Insurance's private market excess of loss treaties were effective July 1, 2017 and continue through June 30, 2018 and all private layers have prepaid automatic reinstatement protection, which affords Monarch Insurance additional coverage. These private market excess of loss treaties structure coverage into layers, with a cascading feature such that substantially all layers attach after USD$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 had an A.M. Best Company or Standard & Poors rating of A- or better, or 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 was 75% for the 2017 wind season. The cost and amounts of reinsurance were based on Monarch management's analysis (at the time of binding the coverage) 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 Monarch-initiated changes in retentions, limits and reinsurance premiums as a result of increases or decreases in Monarch Insurance's exposure level.

September 2017	***Impact of Hurricane Activity on Monarch Investment*** On September 10, 2017, Hurricane Irma made its initial landfall as a Category 4 hurricane in Florida. Based on information provided by Federated National Holding Company ("Federated"), the Company's Joint Venture partner and managing general agent for Monarch Insurance, together with post-landfall catastrophe model estimates, Monarch estimates that its losses from Hurricane Irma, net of reinsurance, should not exceed its first event pre-tax retention amount of USD$3.4 million. Monarch Insurance's reinsurance program affords Monarch Insurance approximately USD$109.8 million of aggregate coverage with a maximum single event coverage totaling approximately USD$68.9 million. Monarch Insurance's existing reinsurance program remains in force for future events through the end of its contract period, June 30, 2018. All private market layers of reinsurance protection for Monarch Insurance have prepaid automatic reinstatement protection, which affords Monarch Insurance additional coverage for subsequent events without incurring incremental premium beyond the original cost of its program. The reinsurance program for Monarch Insurance also embodies a cascading structure such that substantially all layers attach above the per event retention.
September 2017	***Crosswinds Commenced Normal Course Issuer Bid*** The Toronto Stock Exchange ("TSX") approved Crosswinds' notice of intention to make a normal course issuer bid for up to 460,404 of its common shares ("Common Shares"), being 5% of its 9,208,099 issued and outstanding Common Shares as of September 13, 2017. Purchases were able to commence on September 18, 2017 and will terminate on September 17, 2018. The average daily trading volume of the Common Shares was 8,081 on the TSX over the last six completed calendar months prior to the notice of intention. Accordingly, under the policies of the TSX, the Company is entitled to purchase, during any one trading day, up to 2,020 Common Shares. The Company is entitled to purchase a larger number of Common Shares per calendar week, subject to the maximum number that may be acquired under the normal course issuer bid, if the transaction meets the block purchase exemption under the TSX rules. Purchases will be made at prevailing market prices. All Common Shares purchased by Crosswinds under the normal course issuer bid will be purchased through the TSX for cancellation. The Directors and management of the Company are of the opinion that from time to time the purchase of its Common Shares at the prevailing market price would be a worthwhile investment and in the best interests of the Company and its shareholders. Crosswinds intends to fund the purchases out of available cash. See "Share Capital" in this MD&A for further information on purchases made to date.

Summary of Investments

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

Investments in Private Entities– Current Portfolio

At September 30, 2017, the Company held 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 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 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:

- As discussed under "Operational Review", Crosswinds is in discussions regarding a sale of its Joint Venture investment in Monarch to its Joint Venture partner. There can be no assurance such discussions will result in a transaction and any such transaction would be conditioned on definitive documentation and regulatory approval.

- After achieving marginal profitability in Q1 2017 and a loss in Q2 2017, Monarch experienced a more significant loss of USD $(4.4 million) for Q3 2017 primarily due to the impact of catastrophe losses from Hurricane Irma which made landfall in Florida in September 2017 and as a result of which Monarch incurred losses in the amount of its full retention of USD$3.4 million. Monarch's gross losses are higher and closer to approximately USD$10 million however based on Monarch's reinsurance program, Monarch's uncovered losses will be limited to its retention amount of USD$3.4M.
- The attritional losses Monarch experienced in Q3 were largely consistent with Q2 at approximately USD$1 million, which when combined with catastrophe losses from Hurricane Irma amounted to an aggregate loss for Monarch of USD$4.4 million. The paid claims and case reserves have trended slightly downward from Q2 reflecting a marginal improvement in the trend.
- As expected, in Q3 2017 as Monarch continued to work to redistribute its book outside of Tri-County, with the Tri-County book now making up 56% of Monarch's total exposures from a high of 72%, net premium growth has remained constant with the slowed trend seen in recent prior quarters.
- Monarch has seen high renewal rates but low new business growth. While net premium growth was up in Q2 2017 compared to Q1 2017, some of this increase was related to new home purchase seasonality causing an uptick in homeowner insurance being bound. Premium growth is also negatively impacted by writing business in areas outside of Tri-County, where premiums tend to be lower.
- In Q3, Monarch's results have also been negatively impacted by its reinsurance spend as Q3 is the first quarter in 2017 in which the full impact of the increased reinsurance spend is reflected in its results and in addition reinsurance costs were higher this year than prior year due to growth in premiums and risks.
- 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 had over-concentration.
- Florida homeowner insurance companies have continued to be 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 increased in Q2 2017 including as a result of rain storm activity in June and further increased in Q3 2017 as a result of Hurricane Irma. 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 actuarially determine whether trends seen in the first three quarters of 2017 will persist or reverse however the Company's Joint Venture partner expects that the Monarch book will remain relatively flat for the remainder of 2017.
- Management continues to have 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' earnings and cash flow as the investment management fees earned by Crosswinds AUM are calculated based on Monarch's assets. A continued investment in Monarch is expected to continue to yield poor performance absent changes being implemented by the Joint Venture partner.
- Currently, Monarch is planning to shrink its book of business in Q1 and Q2 of 2018. In addition, it is expected that post-Hurricane Irma, reinsurance rates will rise industry wide which would result in increased costs for Monarch.
- 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.

Investment Exit: 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 nine months ended September 30, 2017 and 2016 and (b) the Company's financial position as at September 30, 2017 compared to the year ended December 31, 2016.

Results from Operations for the Three Months Ended	September 30, 2017	September 30, 2016
Total revenues	$ 105,468	$ 110,021
Net results of investments	(2,512,999)	116,916
Expenses	533,163	(494,737)
Taxes	-	-

Net loss	$ (2,940,694)	$ (267,800)

Comprehensive Loss for the Three Months Ended	September 30, 2017	September 30, 2016
Net loss	$ (2,940,694)	$ (267,800)
Other comprehensive income (loss)		
Change in unrealized foreign currency translation gains (losses) on foreign operations	(610,130)	259,902
Share of other comprehensive income (loss) of associate	(3,290)	(7,662)
Other comprehensive income (loss)	(613,420)	252,240
Comprehensive loss	$ (3,554,114)	$ (15,560)

Earnings (loss) Per Share (EPS)		
Loss per share	$ (0.28)	$ (0.05)

Results from Operations for the Nine Months Ended	September 30, 2017	September 30, 2016
Total revenues	$ 360,962	$ 319,233
Net results of investments	(3,113,561)	259,770
Expenses	(1,626,458)	(1,525,615)
Taxes	-	-
Net loss	$ (4,379,057)	$ (946,612)

Comprehensive Loss for the Nine Months Ended	September 30, 2017	September 30, 2016
Net loss	$ (4,379,057)	$ (946,612)
Other comprehensive income (loss)		
Change in unrealized foreign currency translation losses on foreign operations	(1,231,955)	(917,030)
Share of other comprehensive income of associate	70,297	325,184
Other comprehensive loss	(1,161,658)	(591,845)
Comprehensive loss	(5,540,715)	$ (1,538,457)

Earnings Per Share (EPS)		
Loss per share	$(0.47)	$ (0.17)

Financial Position as at	September 30, 2017	December 31, 2016
Cash	$ 7,899,469	$ 1,566,053
Total assets	22,360,212	23,089,935
Shareholders' equity attributable to shareholders of Crosswinds	20,172,434	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]	$ 2.41	$ 4.30
Attributable to shareholders of Crosswinds	2.19	3.81
Non-controlling interests	0.22	0.49
Closing market price on TSX	$ 1.10	$2.20
Market price premium/(discount) to net book value[1] attributable to shareholders of Crosswinds	(49.8) %	(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 (defined below) 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

September 30, 2017	September 30, 2016
Revenue $105,468: $92,787 from Crosswinds AUM investment management fees; Nil interest income from Salbro as the investment was fully monetized in Q2 2017 and $12,681 from domestic bank interest.	Revenue $110,021: $82,717 from Crosswinds AUM investment management fees; $24,102 from Salbro interest income and $3,202 from domestic bank interest.
Changes quarter-over-quarter: The Company did not earn any interest income from Salbro during Q3 2017 as the investment was fully monetized in Q2 2017. The domestic bank interest earned in Q3 2017 is greater than Q3 2016 due to higher bank balances as a result of the rights Offering 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 of $(2,512,999) consist of: $(2,432,855) of loss from Monarch and $(80,144) net foreign exchange loss on the translation of USD denominated assets into CDN dollars.	Net results of investments representing a gain of $116,916 consisting of $101,008 of income from Monarch and $15,908 net foreign exchange gain on the translation of USD denominated assets into CDN dollars.
Expenses of $533,163: consisting primarily of $162,620 salaries and benefits; $64,705 share-based payments expense related to DSUs; $59,848 in consulting fees; $ 112,911 in general and administration consisting primarily of rent, investor relations and marketing expenses; $77,655 in directors' fees; $ 37,500 in audit and tax fees and $17,924 of legal fees.	Expenses of $494,737: consisting primarily of $170,104 salaries and benefits, $52,145 share-based payments related to deferred share unit ("DSU") grants, $40,443 directors' fees, $32,618 consulting fees, $82,091 audit and tax fees and $106,582 general and administration expenses including rent.
Net loss of $(2,940,694) or $(0.28) per Share on a basic and fully diluted basis.	Net loss of $(267,800) or $(0.05) per Share on a basic and fully diluted basis.
Changes quarter-over-quarter: The increase in net loss in Q3 2017 compared to the same period in 2016 is due primarily to the share of loss from Monarch of $(2,432,855) incurred in Q3 2017 compared to the share of income from Monarch of $101,008 in Q3 2016 for reasons explained elsewhere in this MD&A, resulting in an increase to net loss of $2,533,863. The total expenses in Q3 2017 increased marginally from Q3 2016 due to expenses incurred at Crosswinds Re.	

Nine Months Ended	
September 30, 2017	September 30, 2016
Revenue $360,962: $288,169 from Crosswinds AUM investment management fees; $47,079 from Salbro interest income and $25,714 from domestic bank interest.	Revenue $319,233: $234,787 from Crosswinds AUM investment management fees; $72,590 from Salbro interest income and $11,856 from domestic bank interest.
Changes nine months-over-prior year nine months: The Company did not earn any interest income from Salbro during Q3 2017 as the investment was fully monetized in Q2 2017. The domestic bank interest earned in 2017 is greater than 2016 due to higher bank balances as a result of the rights Offering (defined below) 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 of $(3,113,561) consists of: $(2,926,022) of loss from Monarch; net loss on the disposal of the investment in Salbro of $(32,350) and $(155,189) 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 $259,770 consisting of $(75,462) net foreign exchange loss on the translation of USD denominated assets into CDN dollars offset by $335,232 of income from Monarch.
Expenses of $1,626,458: consisting primarily of $540,173 salaries and benefits; $121,224 share-based payments expense related to DSUs; $134,252 in consulting fees; $477,140 in general and administration consisting primarily of rent, investor relations and marketing expenses; $180,400 in directors' fees; $108,319 in audit and tax fees and $64,950 of legal fees.	Expenses of $1,525,615: consisting primarily of $260,262 share-based compensation expense, $535,432 salaries and benefits, $63,586 consulting fees, $335,024 general and administration, $143,981 directors' fees, audit and tax fees $158,434 and legal fees $28,896.
Net loss of $(4,379,057) or $(0.47) per share on a basic and fully diluted basis.	Net loss of $(946,612) or $(0.17) per Share on a basic and fully diluted basis.
Changes nine months-over-prior year nine months: The increase in net loss for the nine months ended September 30, 2017 compared to the same period in 2016 is due primarily to the share of loss from Monarch of $(2,926,022) incurred in 2017 compared to the share of income from Monarch of $335,232 in 2016, resulting in an increase to net loss of $3,261,255. General and administration expenses increased by $142,116 in 2017 over the same period in 2016 due primarily to increased investor relations expenses. Consulting fees increased by $70,666 in 2017 over the same period in 2016 as the Company engaged additional consultants during 2017 and the amount in 2016 reflects the reversal of a 2015 accrual. These negative impacts to net loss were offset by a decrease in share-based payments expense of $139,038 in 2017 compared to 2106 as the Company had fewer DSUs vesting in 2017.	

Balance Sheet Highlights

As at September 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 pursuant to which the Company issued 3,904,092 Common Shares at $1.25 per Common Share (the "Offering") and the monetization of its investment in Salbro in June 2017, had working capital of $7,931,186 for commitments and general working capital purposes. Approximately $4.8 million of those funds were net proceeds of the Offering and have been allocated as described in the Offering circular, a copy of which is available on the Company's profile at www.sedar.com and as follows:

Use of Funds	**Amount Stated in Offering Circular**	**Deployed as at September 30, 2017**
General Working Capital	$600,000	Nil
Capitalizing Crosswinds Re	$4,065,707	$2,656,600
InsurTech	$150,000	Nil
Total	$4,815,707 (amount raised less fees and expenses of the Offering)	$2,656,600

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.

September 30, 2017	December 31, 2016
Total assets of $ 22,360,212	Total assets of $ 23,089,935

Changes: *The decrease in assets from December 2016 to September 2017 was attributable to a decrease in the value of the investment in Monarch, payment of corporate expenses and foreign exchange translation offset by an increase in cash of $7,793,239 resulting from the net proceeds of the Offering and the monetization of the Salbro investment.*

Equity attributable to shareholders of Crosswinds $20,172,434	Equity attributable to shareholders of Crosswinds $ 20,202,732

September 30, 2017	December 31, 2016

Changes: *The small decrease in equity attributable to shareholders of Crosswinds from December 2016 to September 2017 of $(30,298) 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 $(4,967,229) offset by an increase in contributed surplus of $121,224 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 September 30, 2017.

Asset/(Liability)	September 30, 2017 Total carrying value	 Carrying value per Share
Liquid Net Assets (Working Capital)		
Cash	$ 7,899,469	$0.86
Due from related parties	92,628	0.01
Interest receivable and prepaid expenses	90,503	0.01
Accounts payable and accrued liabilities	(151,414)	(0.02)
Working Capital	***$ 7,931,186***	***$0.86***
Investments in Private Entities		
Investment in an associate (Monarch) [1]	$14,255,377	$1.55
	$ 22,186,563	***$2.41***

	September 30, 2017	
Asset/(Liability)	Total carrying value	Carrying value per Share
Capital assets, net of accumulated depreciation	***22,235***	***$0.00***
GRAND TOTAL [2, 3]	***$ 22,208,798***	***$2.41***

[1] Includes the non-controlling interest in the amount of $2,036,364. 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 September 30, 2017

The following is an analysis of the Company's results of operations for the three months ended September 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 September 30,		
	2017	2016	Inc / (Dec)
Legacy Salbro Investment - Interest	$ -	$ 24,102	$ (24,102)
Bank Interest	12,681	3,202	9,479
Crosswinds AUM - Investment management fees	92,787	82,717	10,070
Total	$ 105,468	$ 110,021	$ (4,553)

The Company fully monetized its investment in Salbro in June 2017 and as a result there was no interest earned in Q3 2017. The Company earned more bank interest in 2017 due to higher balances reflecting the proceeds from the Offering. The increase in investment management fees in 2017 compared to 2016 is attributable to increased assets under management relating to Monarch.

Net Results of Investments

	Three Months Ended September 30,		
	2017	2016	Inc / (Dec)
Share of income (loss) of Monarch, net of tax	$ (2,432,855)	$ 101,008	$ (2,533,863)
Realized gain on sale of investment in private entity	-	-	-
Reversal of previously recognized unrealized gain on investment in private entity	-	-	-
Net foreign exchange gain (loss)	(80,144)	15,908	(96,052)
Total	$ (2,512,999)	$ 116,916	$ (2,629,915)

Net results of investments decreased in 2017 compared to 2016 as Monarch incurred a large loss in 2017 due to performance at Monarch including low net premium production, increased claims activity including catastrophe claims from Hurricane Irma and increased loss reserves compared to 2016. There was an increase of $96,052 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 September 30,		
	2017	2016	Inc / (Dec)
Salaries and benefits	$ 162,620	$ 170,104	$ (7,484)
General and administration	112,911	106,582	6,329
Directors' fees	77,655	40,443	37,212
Consulting fees	59,848	32,618	27,230
Share-based compensation	64,705	52,145	12,560
Audit and tax fees	37,500	82,091	(44,591)
Legal fees	17,924	10,754	7,170
	533,163	494,737	38,426

	Three months ended September 30,		
	2017	2016	Inc / (Dec)
Provision for income taxes	-	-	-
Total	$533,163	$ 494,737	$ 38,426

The expenses for 2017 have increased slightly over 2016 due mainly to expenses incurred at Crosswinds Re as it prepared to write business in 2017.

Results of Operations for the Nine Months Ended September 30, 2017

The following is an analysis of the Company's results of operations for the nine months ended September 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

	Nine Months Ended September 30,		
	2017	2016	Inc / (Dec)
Legacy Salbro investment - interest	$ 47,079	$ 72,590	$ (25,511)
Bank interest	25,714	11,856	13,858
Crosswinds AUM – investment management fees	288,169	234,787	53,382
Total	$ 360,962	$ 319,233	$41,729

The Company fully monetized its investment in Salbro in June 2017 and as a result there was no interest earned in Q3 2017. The Company earned more bank interest in 2017 due to increased balances from 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 related to Monarch.

Net Results of Investments

	Nine Months ended September 30,		
	2017	2016	Inc / (Dec)
Share of income (loss) of Monarch, net of tax	$ (2,926,022)	$ 335,232	$(3,261,254)
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	(155,189)	(75,462)	(79,727)
Total	$(3,113,561)	$ 259,770	$(3,373,331)

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 including catastrophe claims from Hurricane Irma 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 $79,727 in the net foreign exchange loss in 2017 compared to 2016.

Expenses and Income Taxes

	Nine Months ended September 30,		
	2017	2016	Inc / (Dec)
Salaries and benefits	540,173	$ 535,432	4,742
General and administration	477,140	335,024	142,116
Directors' fees	180,400	143,981	36,419
Consulting fees	134,252	63,586	70,666
Share-based compensation	121,224	260,262	(139,038)
Audit and tax fees	108,319	158,434	(50,115)
Legal fees	64,950	28,896	36,053

	Nine Months ended September 30,		
	2017	2016	Inc / (Dec)
	1,626,458	1,525,615	100,843
Provision for income taxes	-	-	-
Total	$ 1,626,458	$ 1,525,615	$100,843

The expenses for 2017 have increased slightly over 2016. General and administration expenses have increased by $142,116 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 $139,038 as the majority of DSUs granted have been expensed in prior periods.

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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	105,468	130,859	124,636	115,337	110,021	102,634	106,578	168,671
Net results of investment	(2,512,999)	(611,485)	10,923	698,905	116,916	121,304	21,550	(235,047)
Expenses	(533,163)	(531,306)	(561,988)	(635,330)	(494,737)	(471,720)	(559,158)	(829,753)
Tax provision					-	-	-	-
Net income (loss)	(2,940,694)	(1,011,932)	(426,429)	178,912	(267,800)	(247,782)	(431,030)	(896,129)
Weighted avg # of shares Basic and Diluted	9,208,099	9,208,099	7,104,378	5,304,007	5,304,007	5,304,007	5,304,007	5,304,007
Net income (loss) per share	(0.28)	(0.10)	(0.06)	0.03	(0.05)	(0.05)	(0.08)	(0.17)
Net book value	22,208,798	25,698,209	27,077,468	22,812,582	22,324,270	22,287,686	22,461,351	23,602,465
Common shares o/s	9,208,099	9,208,099	9,208,099	5,304,007	5,304,007	5,304,007	5,304,007	5,304,007
Net book value per common share[1]	2.41	2.79	2.94	4.30	4.21	4.20	4.23	4.45
Total assets	22,360,212	25,901,652	27,371,138	23,089,935	22,475,822	22,440,634	22,706,227	23,970,024

[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 losses in Q3 2017 and Q2 2017 were significantly higher than previous quarters due to an increase in the share of loss in Monarch. Monarch's losses for the quarters were a result of increased attritional losses combined with a significant increase in case reserves based on actuarial analysis and loss activity during the quarters. In Q3 2017, Monarch increased reserves by USD$10 million including USD$3.4 million reflecting its full retention amount which is not covered by reinsurance and for which Monarch is responsible as a result of claims from Hurricane Irma.

Revenues trended upward during 2016 as Monarch's assets grew and Crosswinds AUM earned asset management fees thereon. The Company's interest income declined during each of the quarters of 2016 and 2017 as, effective at the end of 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 fully monetized its investment in Salbro for cash consideration of approximately $3.0 million and no longer received any interest or principal repayments related thereto in Q3 2017.

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 following the Offering 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 from Q4 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 and nine months ended September 30, 2017 and 2016 and the corresponding notes thereto.

Liquidity

The Company had working capital of $7,931,186 at September 30, 2017 (December 31, 2016 - $1,463,058). The Company's cash consists of deposits with chartered banks in Canada, the Cayman Islands and the U.S.

The Company calculates its working capital as follows:

Working Capital	September 30, 2017	December 31, 2016
Cash	$7,899,469	$ 1,566,053
Due from related parties	92,628	89,982
Interest receivable and prepaid expenses	90,503	84,376
Accounts payable and accrued liabilities	(151,414)	(277,353)
Working capital	$7,931,186	$ 1,463,058
Total per Share	$0.86	$ 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 and make it operational, 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). In Q3 2017, Crosswinds Re invested these funds in bonds with a view to earning interest income to partially offset its expenses.

There are contractual and legal restrictions on the ability of Monarch to transfer funds to its owners including Crosswinds. As Crosswinds has generally regarded Monarch as a long-term investment, this was not expected to have an impact on the Company's short-term liquidity. However, as the Company looks at alternative structures for its Monarch Joint Venture, this will need to be reassessed. Our reinsurance subsidiary, Crosswinds Re, which is domiciled in Cayman Islands, is required by CIMA to maintain minimum capital levels. As of September 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.

Capital Resources

At September 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 September 30, 2017	**TOTAL**	**< 1 year**	**1-2 years**	**3-5 years**	**after 5 years**
Operating lease	$ 593,468	$ 187,079	$ 192,269	$ 214,120	$ -

Share Capital

As at September 30, 2017, there were 9,208,099 Shares outstanding. As at the date hereof, following some repurchases under the normal course issuer bid, there are 9,204,099 Shares outstanding. 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 September 30, 2017 of $22,208,798 (December 31, 2016 – $22,812,582) or $2.41 per Share (December 31, 2016 - $4.30) of which $20,172,434 (December 31, 2016 – $20,202,732) or $2.19 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.

In Q3 2017, the Company implemented a normal course issuer bid (the "Bid"). See "Material and Significant Events in Q3 2017" above for the terms of the Bid. To date, and post quarter end, the Company has repurchased 4,000 Common Shares under the Bid at an average price of $1.16.

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 September 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. 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. As at September 30, 2017, 23,178 of these DSUs had vested.

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 regarding discussions in respect of a sale of Monarch, 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 nine months ended September 30, 2017, Crosswinds AUM earned $92,787 (2016 - $82,717) and $288,169 (2016 - $234,787), respectively, in investment management fees. As at September 30, 2017, $92,628 (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.

Crosswinds AUM also manages the assets of Crosswinds Re pursuant to an investment management agreement.

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 nine months ended September 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 during the third 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 nine months ended September 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's ability to come to terms on a suitable option for this investment will substantially determine the future results of the Company. A continued investment in Monarch is expected to continue to yield poor performance absent changes being implemented by the Joint Venture partner. Currently, Monarch is planning to shrink its book of business in Q1 and Q2 of 2018. In addition, it is expected that post-Hurricane Irma, reinsurance rates will rise industry wide which would result in increased costs for Monarch. Increased reinsurance rates could however have a positive impact on opportunities for Crosswinds Re. . 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 and build out its 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 September 30, 2017, the Company’s Certifying Officers have certified that the disclosure controls and procedures are effective and that during the quarter ended September 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 or a suitable restructuring of the investment; (ii) increasing investment management fees; and (iii) earnings from Crosswinds Re once actively writing business as all being key to the Company’s future results. The Company is looking at advancing these initiatives in a manner that will reduce its current cash burn rate.

Monarch’s performance has been 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 would be required for Crosswinds’ overall performance to improve 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 flat growth for Monarch for the remainder of 2017. In the first three quarters of 2017, significant claims and reserve activity negatively impacted Monarch’s performance which became substantially worse in Q3 when catastrophe claims from Hurricane Irma compounded the impact of rising attritional losses by an additional USD$3.4 million. A continued investment in Monarch is expected to continue to yield poor performance absent changes being implemented by the Joint Venture partner. Currently, Monarch is planning to shrink its book of business in Q1 and Q2 of 2018. In addition, it is expected that post-Hurricane Irma, reinsurance rates will rise industry wide which would result in increased costs for Monarch. Increased reinsurance rates could however have a positive impact on opportunities for Crosswinds Re. 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 previously indicated it was considering whether its Monarch investment can be restructured as it is not content with the status quo. Crosswinds is in discussions regarding a sale of its Joint Venture investment in Monarch to its Joint Venture partner. There can be no assurance such discussions will result in a transaction and any such transaction would be conditioned on definitive documentation and regulatory approval.

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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