CROSSWINDS HOLDINGS INC.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017
(Unaudited)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CROSSWINDS HOLDINGS INC.

Crosswinds Holdings Inc.

Condensed Interim Consolidated Statements of Financial Position *(unaudited)*

(expressed in Canadian Dollars)

As at		March 31, 2018		December 31, 2017
Assets				
Current assets				
Cash	$	**19,137,318**	$	5,807,637
Marketable securities		**1,753,584**		1,700,475
Due from related parties (note 8)		**-**		93,263
Interest receivable and prepaid expenses		**174,124**		87,845
Asset classified as held for sale (note 6)		**-**		13,986,211
		21,065,026		21,675,431
Non-current assets				
Capital assets, net of accumulated depreciation		**18,752**		20,493
		18,752		20,493
	$	**21,083,778**	$	21,695,924
Liabilities				
Accounts payable and accrued liabilities	$	**403,617**	$	255,637
		403,617		255,637
Shareholders' equity				
Share capital (note 7)		**20,010,428**		20,044,736
Contributed surplus		**13,648,737**		13,560,226
Deficit		**(12,925,939)**		(13,837,798)
Accumulated other comprehensive income		**(53,065)**		(324,786)
Total equity attributable to shareholders of Crosswinds		**20,680,161**		19,442,378
Non-controlling interests		**-**		1,997,909
		20,680,161		21,440,287
	$	**21,083,778**	$	21,695,924

Commitment (note 10)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Crosswinds Holdings Inc.

Condensed Interim Consolidated Statements of Income (loss) *(unaudited)*

For the three months ended March 31

(expressed in Canadian Dollars, except per share amounts)		**2018**		2017
Revenue				
Interest and dividend income	**$**	**56,423**	$	28,135
Investment management and consulting fees (note 8)		**94,853**		96,501
		151,276		124,636
Net results of investments				
Unealized gain on change in value of marketable securities		**5,691**		-
Net foreign exchange gain (loss)		**245,379**		(15,495)
		251,070		(15,495)
Expenses				
Salaries and benefits		**176,143**		190,907
General and administration		**145,779**		183,449
Directors' fees		**53,117**		41,038
Consulting fees		**39,985**		32,725
Share-based payments (note 7(d))		**88,511**		45,799
Audit and tax fees		**77,576**		48,964
Legal fees		**31,518**		19,106
		612,629		561,988
Loss before income taxes		**(210,283)**		(452,847)
Current income tax provision		**-**		-
Net loss for the period from continuing operations		**(210,283)**		(452,847)
Income for the period from discontinued operations, net of tax (note 6)		**-**		26,418
Gain on sale from discontinued operations, net of tax (note 6)		**1,325,684**		-
Net income (loss) for the period	**$**	**1,115,401**	$	(426,429)
Attributable to:				
Shareholders of Crosswinds		**911,859**		(430,203)
Non-controlling interests		**203,542**		3,774
	$	**1,115,401**	$	(426,429)
Net income (loss) per share from continuing and discontinued operations				
Basic and diluted	**$**	**0.10**	$	(0.06)
Net loss per share from continuing operations				
Basic and diluted	**$**	**(0.02)**	$	(0.06)
Weighted average number of common shares outstanding				
Basic (note 7(c))		**9,589,701**		7,104,378
Diluted (note 7(c))		**9,608,792**		7,104,378

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Crosswinds Holdings Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (loss) *(unaudited)*

For the three months ended March 31

(expressed in Canadian Dollars)		**2018**		2017
Net income (loss)	**$**	**1,115,401**	$	(426,429)
Other comprehensive income (loss)				
Change in unrealized foreign currency translation gains on foreign operations		**32,315**		7,848
Discontinued operations (note 6)		**265,526**		(178,039)
Other comprehensive income (loss)		**297,841**		(170,191)
Comprehensive income (loss)	**$**	**1,413,242**	$	(596,620)
Attributable to:				
Shareholders of Crosswinds		**1,183,580**		(574,960)
Non-contolling interests		**229,662**		(21,660)
	$	**1,413,242**	$	(596,620)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Crosswinds Holdings Inc.

Condensed Interim Consolidated Statements of Changes in Equity *(unaudited)*

For the three months ended March 31, 2018 and 2017

(expressed in Canadian Dollars)

	Share capital		Contributed surplus	Deficit	Accumulated other comprehensive income	Equity attributable to shareholders of Crosswinds	Non-controlling interests	Total equity
	Number of shares	**Amount**						
Balance - January 1, 2017	5,304,007	$ 15,273,044	$ 13,405,355	$ (9,145,948)	$ 670,281	$ 20,202,732	$ 2,609,850	$ 22,812,582
Shares issued under rights offering	3,904,092							
Net income (loss) for the period	-	-	-	(430,203)	-	(430,203)	3,774	(426,429)
Net proceeds from rights offering		4,815,707				4,815,707		4,815,707
Change in unrealized foreign currency translation gains on foreign operations	-	-	-	-	7,848	7,848	-	7,848
Discontinued operations (note 6)	-	-	-	-	(152,605)	(152,605)	(25,434)	(178,039)
Share-based payments	-	-	45,799	-	-	45,799	-	45,799
Balance - March 31, 2017	9,208,099	$ 20,088,751	$ 13,451,154	$ (9,576,151)	$ 525,524	$ 24,489,278	$ 2,588,190	$ 27,077,468
Balance - January 1, 2018	**9,176,299**	**$ 20,044,736**	**$ 13,560,226**	**$ (13,837,798)**	**$ (324,786)**	**$ 19,442,378**	**$ 1,997,909**	**$ 21,440,287**
Net income for the period	**-**	**-**	**-**	**911,859**	**-**	**911,859**	**203,542**	**1,115,401**
Shares repurchased	**(19,500)**	**(34,308)**	**-**	**-**	**-**	**(34,308)**	**-**	**(34,308)**
Change in unrealized foreign currency translation losses on foreign operations	**-**	**-**	**-**	**-**	**32,315**	**32,315**	**-**	**32,315**
Discontinued operations:								
- change in unrealized foreign currency translation gain on asset held for sale					**156,721**	**156,721**	**26,120**	**182,841**
- elimination of OCI on sale of asset						**-**		**-**
held for sale	**-**	**-**	**-**	**-**	**82,685**	**82,685**	**-**	**82,685**
- distribution of NCI							**(2,227,571)**	**(2,227,571)**
Share-based payments	**-**	**-**	**88,511**	**-**	**-**	**88,511**	**-**	**88,511**
Balance - March 31, 2018	**9,156,799**	**$ 20,010,428**	**$ 13,648,737**	**$ (12,925,939)**	**$ (53,065)**	**$ 20,680,161**	**$ -**	**$ 20,680,161**

Crosswinds Holdings Inc.

Condensed Interim Consolidated Statements of Cash Flows *(unaudited)*

For the three months ended March 31

(expressed in Canadian dollars)	**2018**	2017
Operating activities		
Net income (loss)	**$ 1,115,401**	$ (426,429)
Add (deduct)		
Interest income	**(15,671)**	(25,246)
Gain on sale from discontinued operations, net of tax (note 6)	**(1,325,684)**	-
Depreciation	**1,739**	2,332
Unealized gain on change in value of marketable securities	**(5,691)**	-
Share-based payments (note 7(d))	**88,512**	45,799
Net decrease (increase) in due from related parties	**93,263**	(7,302)
Net (increase) in interest receivable and prepaid expenses	**(86,279)**	(1,972)
Net increase in accounts payable and accrued liabilities	**147,980**	16,317
Cash provided (used) by continuing operations	**13,571**	(396,501)
Share of (income) from discontinued operations (note 6)	**-**	(26,418)
Interest received	**15,671**	25,247
Net cash provided (used) by operating activities	**29,242**	(397,672)
Investing activities		
Proceeds from sale of asset held for sale	**15,577,421**	-
Proceeds from partial debt repayment from private entity	**-**	25,000
Cash provided by investing activities	**15,577,421**	25,000
Financing activities		
Net proceeds from rights offering	**-**	4,815,707
Distribution of non-contolling interest	**(2,227,571)**	-
Common shares repurchased (note 7(b)(i))	**(34,308)**	-
Cash (used) provided by financing activities	**(2,261,879)**	4,815,707
Effect of exchange rate changes on cash	**(15,103)**	7,866
Increase in cash	**13,329,681**	4,450,901
Cash - beginning of period	**5,807,637**	1,566,053
Cash - end of period	**$ 19,137,318**	$ 6,016,954

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Corporate information

Crosswinds Holdings Inc. ("Crosswinds" or the "Company") is a publicly traded private equity firm. The Company is incorporated under the *Business Corporations Act* (Alberta), with its head office at 365 Bay St., Suite 400, Toronto, Ontario M5H 2V1. The registered office of the Company is located at 3700 Canterra Tower, 400 Third Avenue SW, Calgary, Alberta T2P 4H2.

The Company's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "CWI".

These unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2018 were approved and authorized for issue by the Board of Directors of the Company on May 7, 2018.

2. Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of Chartered Professional Accountants of Canada applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. These unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2017.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for marketable securities which are presented at fair value.

3. Summary of significant accounting policies

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2017, with the exception of the adoption of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers. The adoption of these new standards did not have a material impact on the Company's financial results.

4. Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's annual consolidated financial statements for the year ended December 31, 2017.

5. Recent accounting pronouncements

The following is a future change in accounting policy not yet effective as at March 31, 2018:

(a) *IFRS 16 – Leases* – The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company is assessing the impact of this standard.

(Expressed in Canadian dollars except per share amounts or unless otherwise stated)

6. Asset classified as held for sale / Discontinued operations

During the fourth quarter of 2017, the Company began formalizing the process of effecting a sale of its interest in Monarch Delaware Holdings LLC ("Monarch"), which held its interest in Monarch National Insurance Company ("MNIC"). In November 2017, the Company announced that it was in discussions regarding a sale of its investment in Monarch to Federated National Insurance Company ("Federated"), and on November 27, 2017, the Company announced it had entered into a purchase and sale agreement with Federated subject to certain closing conditions and regulatory approval. The Company reclassified its investment in Monarch as held for sale as of November 27, 2017. As the carrying value (net of minority interests) was not more than the fair value less costs to sell both on the date of reclassification as well as at December 31, 2017, no impairment loss was recognized.

For the three months ended March 31, 2017, the income related to Monarch has been reclassified as discontinued operations on the Consolidated Statements of Income (loss) and represents the Company's share of the investment's net income.

The sale of Monarch closed on February 22, 2018. The interests in Monarch were sold by Crosswinds' majority owned subsidiary, Crosswinds Investor Monarch LP ("CIML"), for an aggregate purchase price of USD$12,282,000 paid to CIML. Crosswinds, in its capacity as a majority limited partner of CIML, received approximately USD$10,500,000 of those proceeds and recognized a gain on sale of $1,122,142 as presented below:

	3 months ended March 31, 2018
Consideration received	$ 15,577,421
Net assets disposed of	(14,169,052)
Gain on sale non-controlling interests	(203,542)
Cumulative exchange loss in respect of the net assets of Monarch	(82,685)
	$ 1,122,142

The net loss for the period from continuing operations on the Consolidated Statements of Income (loss) is attributable to the shareholders of the Company. The gain on sale from discontinued operations, net of tax, attributable to the shareholders of the Company is $1,122,142.

Included within discontinued operations in the Consolidated Statements of Comprehensive Income (loss) and the Consolidated Statements of Changes in Equity is the change in unrealized foreign currency translation gain on the Company's consolidation of Crosswinds Investor Monarch LP (the entity which held the Company's investment in Monarch).

7. Share capital

a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of Class A, Class B and Class C preference shares, issuable in series without nominal or par value.

(Expressed in Canadian dollars except per share amounts or unless otherwise stated)

b) Issued and outstanding

Common shares	Number	Amount
Balance - December 31, 2017	**9,176,299**	**$ 20,044,736**
Shares cancelled under normal course issuer bid (i)	(19,500)	(34,308)
Balance – March 31, 2018	**9,156,799**	**$20,010,428**

(i) Normal Course Issuer Bid – The Company announced on September 14, 2017 that the TSX had approved its notice of intention to make a normal course issuer bid for up to 460,404 of its common shares, being 5% of its 9,208,099 issued and outstanding common shares as of September 13, 2017. The Company may purchase common shares at prevailing market prices during the period from September 18, 2017 to September 17, 2018. Purchases will be made at market prices in accordance with the rules and policies of the TSX. Daily purchases will be limited to 2,020 common shares, other than block purchase exemptions and will be made through the facilities of the TSX. All common shares purchased by the Company under the normal course issuer bid will be cancelled.

During the three months ended March 31, 2018, 19,500 shares were purchased and cancelled at an average purchase price of $1.76.

c) Weighted average basic and diluted number of common shares outstanding

	For the three months ended March 31	
	2018	2017
Basic weighted average number of common shares	**9,589,701**	7,104,378
Effect of dilutive deferred share units	**19,091**	-
Diluted weighted average number of common shares	**9,608,792**	7,104,378

The determination of the diluted weighted average number of common shares excluded 297,283 deferred share units that were anti-dilutive for the three months ended March 31, 2017.

(Expressed in Canadian dollars except per share amounts or unless otherwise stated)

d) Deferred share units

Under the Company's Deferred Share Unit Plan, units vested as set out in the chart below:

Grant Date	Number vested in 2018	Price per DSU	Remaining number to vest
July 5, 2017	23,178	$ 1.34	23,178
January 5, 2018	42,923	$ 1.64	-

For the three months ended March 31, 2018, the Company recorded a share-based payments expense of $88,511 (2017 - $45,799).

8. Related party transactions

Investment Management Services Agreement

Crosswinds AUM LLC ("Crosswinds AUM"), a 100% owned subsidiary of the Company, was party to an investment management services agreement with MNIC and its parent Monarch National Holding Company ("MNHC"). Under the agreement, AUM served as an investment advisor and managed the assets of MNHC and MNIC for a management fee paid quarterly in arrears. The investment management services agreement was terminated effective February 21, 2018 as part of the sale of the Company's interests in MNHC and MNIC.

For the three months ended March 31, 2018, AUM earned $94,853 (2017 - $96,501) in investment management and consulting fees. As at March 31, 2018, $Nil (December 31, 2017 - $93,263) was still owed to the Company and was included in due from related parties on the consolidated statements of financial position.

9. Financial risk management

The Company is exposed to a number of risks due to the nature of its activities. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company's risk management policies are approved by the Board of Directors and seek to minimize the potential adverse effects of these risks on the Company's financial performance. The risk management process is an ongoing process of identification, measurement, monitoring and controlling risk.

a) Risk management structure

The Board of Directors is ultimately responsible for the overall risk management within the Company but has delegated the responsibility for identifying and controlling risks to management.

The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

b) Risk mitigation

The Company has not used derivatives or other instruments for trading or risk management purposes.

c) Excessive risk concentration

A concentration of risk exists where: (i) positions in financial instruments are affected by changes in the same risk factor or group of correlated factors; and (ii) the exposure could, in the event of large but plausible adverse developments, result in significant losses.

Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market to realize liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together. Concentrations of counterparty risk may arise when a number of financial instruments or contracts are contracted with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company has a concentration of foreign exchange risk due to its large holding in a U.S. dollar denominated investment - (see 10(g) below).

To manage the concentration of risk, the Company reviews its investment policies and risk management procedures regularly.

d) Liquidity Risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company has made investments in private entities, including Monarch Delaware, which do not typically have an active market. Private investment transactions can be highly structured and the Company takes measures, where possible, to create defined liquidity events and, as part of its strategy, the Company has sought to create or accelerate such liquidity events. However, such liquidity events are rarely expected in the first two or three years of making an investment and may not be realized as expected. The Company seeks to obtain regular cash flow from these investments through interest payments and/or management fees.

All of the Company's accounts payable and accrued liabilities are due within one year.

e) Interest Rate Sensitivity

As at and during the three months ended March 31, 2018, the Company did not have any significant exposure to interest rate risk.

f) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Monarch utilizes reinsurance to mitigate the exposure to losses, manage capacity and protect capital resources. Monarch reinsures (cedes) a portion of written premiums on an excess of loss or a quota share basis in order to limit its loss exposure. To the extent that reinsuring companies are unable to meet their obligations assumed under these reinsurance agreements, Monarch remains primarily liable to its policyholders.

Monarch is selective in choosing reinsurers and considers numerous factors, the most important of which are the financial stability of the reinsurer or capital specifically pledged to uphold the contract, its history of responding to claims and its overall reputation. In an effort to minimize its exposure to the insolvency of a reinsurer, Monarch evaluates the acceptability and reviews the financial condition of the reinsurer at least annually with the assistance of its reinsurance broker.

All purchases and sales of listed securities are settled/paid for upon delivery using approved brokers. The delivery of securities sold is only made once payment has been received by the broker and payment is made on a purchase only after the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The credit risk on cash transactions and transactions involving derivative financial instruments is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, or with high credit-ratings assigned by international credit-rating agencies.

As at March 31, 2018 and December 31, 2017, none of these financial assets was either impaired or past due. The Company does not hold any collateral as security.

The Company has credit exposure related to deposits and securities placed with Canadian, Cayman Islands, Channel Islands and U.S. chartered banks in the amount of $20,890,902 as at March 31, 2018 (December 31, 2017 – $7,508,112 The banks at which the deposits are held have a senior debt rating of AA- from DBRS.

g) Foreign Exchange Risk

The Company has significant exposure to foreign exchange risk relating to transactions and assets denominated in a foreign currency. Presently the Company does not use derivative instruments to hedge its foreign currency exposure. As at March 31, 2018, approximately $9,111,770 (December 31, 2017 - $9,907,516) of the Company's net assets were denominated in U.S. dollars.

Based on U.S. dollar balances as at March 31, 2018, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $455,589 (December 31, 2017 **-** $ 495,376), respectively, on net assets.

Based on U.S. dollar balances as at March 31, 2018, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $4,991 (December 31, 2017 **-** $ 161,386), respectively, on net loss.

Based on U.S. dollar balances as at March 31, 2018, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a unfavourable or favourable impact of approximately $75,065 (December 31, 2017 **-** $ 557,544), respectively, on other comprehensive loss.

10. Commitment

The Company entered into a premises lease agreement in the third quarter of 2015 for approximately 3,000 square feet of office space located at 14 Wall Street, New York, New York. The Company estimates the total obligation remaining under the premises lease to be approximately $516,730 (US $400,753).

Future minimum annual lease commitments under the operating lease are as follows:

Less than one year	$	195,960
1-2 years		201,402
3-5 years		119,368
over 5 years		-
	$	516,730

11. Capital disclosures

The Company's objectives when managing capital are: (a) to safeguard the Company's ability to continue to execute its strategy, so that it can provide returns for shareholders and benefits to other stakeholders; and (b) to provide an adequate return to shareholders by seeking returns on investments that are commensurate with the level of risk on the investments.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may buy back shares or sell assets.

The Company views all shareholders' equity as capital. The Company is not directly subjected to any material externally imposed capital requirement. During the time the Company held its investment in MNIC, MNIC was subject to minimum capital requirements as imposed by the Florida Office of Insurance Regulation. Crosswinds Re is subject to minimum capital requirements as imposed by the Cayman Islands Monetary Authority.