

**360 Capital Financial Services Group Inc.**  
**Management Discussion and Analysis**  
**For the three months ended March 31, 2016**

**DATE OF REPORT: May 30, 2016**

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the consolidated financial statements of 360 Capital Financial Services Group Inc. (“360 Capital” or “Company”) for the three months ended March 31, 2016. All amounts are expressed in Canadian dollars unless otherwise stated. The Company’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). References to notes are with reference to the consolidated financial statements.

The MD&A, may contain forward-looking statements, including statements regarding the business and anticipated future financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company’s actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Company’s required financial statements and filings.

It is the Company’s policies that all forward-looking statements, if any, are based on the Company’s beliefs and assumptions which are based on information available at the time these assumptions are made. The forward looking statements are subject to change, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements that may be contained in this MD&A, may include, but are not limited to, information or statements concerning management’s expectations for the Company’s ability to raise capital and meet our obligations.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in “Risks and Uncertainties” below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

## **DESCRIPTION OF BUSINESS**

360 Capital, formerly Global MGA Financial Inc. (“Global”) was incorporated in British Columbia on February 19, 2009. On September 30, 2013 pursuant to a Plan of Arrangement and Amalgamation Agreement (the “Plan”), Global amalgamated with Carnelian Strategic Capital Corp. (“Carnelian”), which was incorporated in British Columbia on May 3, 2013. Following the Plan, the amalgamated company was named 360 Capital Financial Services Group Inc. The transaction is accounted for as a reverse takeover and the resulting entity is deemed to be a continuation of Global.

On November 27, 2013, shares of 360 Capital were listed on the Canadian Securities Exchange (“CSE”) for trading under the trading symbol TSZ.

The Company, through its subsidiaries, are developing, growing and operating financial services businesses and distribution through acquisition, partnership, joint-venture, and strategic alliance and cooperation – in Canada and Asia Pacific. These financial services include insurance, merchant banking and Advisory services for companies seeking a public listing in Canada.

## DESCRIPTION OF BUSINESS (continued)

The Company has subsidiaries in Hong Kong and China, operates, in Canada, a life insurance brokerage through its subsidiary, Mega Bright Financial Incorporated (“MBF”), and a financial services company, 360 Securities Ltd.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
Global MGA (Hong Kong) Limited	Hong Kong	Holding Company
Zhaoying (Shanghai) Management Consulting Co. Ltd. (China WOFE)	China	Holding Company
Mega Bright Financial Incorporated	British Columbia,	Insurance Agency
360 Securities Ltd.	British Columbia, Canada	Financial Services Company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

The Company owns 2,175,000 shares of Silver Maple Ventures (SMV). SMV main business is Frontfundr, an Equity Crowd Funding Platform registered as an Exempt Market Dealer in 8 provinces in Canada. The Directors of the Company note that the market value of the SMV shares are significantly higher than what is accounted for on the balance sheet based on the progress of the company and its latest round of capital raised.

## SELECTED ANNUAL FINANCIAL INFORMATION

The financial information below is presented in Canadian dollars (except where noted) and is prepared in accordance with IFRS:

	2015	2014
	\$	\$
Revenues	35,798	46,469
Net loss	(506,753)	(512,020)
Total assets	214,043	462,177
Working capital	94,876	341,436
Shareholders' equity	69,855	426,608
Loss per share	(0.01)	(0.01)

## OUTLOOK

As a result of our on-going marketing and business development efforts in Asia-Pacific, we now have the opportunity to provide comprehensive financial services solutions to innovative and growth oriented Asian technology companies seeking to access the Canadian capital and public market. The services include capital raising through Equity Crowd Funding and the Exempt Markets and public listing advisory services. In 2015, we developed the “Funding Escalator” which “connects capital to growth opportunities” and our plan in 2016 is to focus on bringing clients that are innovative growth oriented Asian technology companies to Canada. In the first quarter of 2016, we have been engaged to provide consulting services to an Asian issuer. We expect that through bringing these issuer clients to Canada, we would receive Advisory and Success fees. Although there is no guarantee that we will be successful, we believe that there is sufficient interest in our services to make it financially rewarding for the company. Our challenge is to ensure that we have sufficient working capital to see us through 2016. The management is well aware of the challenges and market conditions for raising capital and in 2016, we plan to reduce our company’s cash expenses while raising working capital. There is no guarantee that market conditions will be conducive to raising additional equity capital.

## RESULTS OF OPERATIONS

In 2016, the Company’s subsidiary continued its operations in the insurance brokerage business. Sales has been slower than expected due to the lack of productive sales agents that can be contracted at favorable commission rates.

## RESULTS OF OPERATIONS (continued)

The Company continues to make progress in the corporate consulting services. The Company was engaged to provide corporate consulting services and subsequently contracted to provide corporate advisory services.

The Company's investment in Silver Maple Ventures (SMV), an Exempt Market Dealer that is registered in British Columbia, Alberta, and Ontario, has been a success as SMV officially launch on May 27, 2015. SMV has gain traction in the Equity Crowdfunding space and has managed to raise additional financing in 2015.

The following table presents the Company's condensed consolidated statement of comprehensive loss for the three months ended March 31, 2016 and 2015. The financial information is presented in Canadian dollars (except where noted) and was prepared in accordance with International Financial Reporting Standards (IFRS).

	Three months ended March 31, 2016 \$	Three months ended March 31, 2015 \$
Revenues	24,765	10,308
Operating expenses	78,645	138,069
Loss from operations	(53,880)	(127,761)
Interest and other income	-	1,757
Comprehensive loss attributable to common shareholders	(53,880)	(126,004)

### *Three months ended March 31, 2016*

The Company's net loss totaled \$53,880 for the three months ended March 31, 2016 (2015: \$126,004), with basic and diluted loss per share of \$0.00 (2015: \$0.00).

Net loss primarily related to salaries expense \$Nil (2015: \$53,557), professional fees of \$46,366 (2015: \$38,677), office expenses of \$20,857 (2015: \$41,227), regulatory and transfer fee expense of \$5,561 (2015: 3,421).

## SELECTED QUARTERLY RESULTS

The quarterly results have been restated to reflect accounting policies consistent with International Financial Reporting Standards ("IFRS"). A summary of selected information for each of the quarters presented below is as follows:

Three Months Ended	Revenues \$	Net Loss \$	Basic and Diluted Loss Per Share \$
March 31, 2016	24,765	(53,880)	(0.00)
December 31, 2015	3,052	(116,991)	(0.00)
September 30, 2015	6,770	(136,487)	(0.00)
June 30, 2015	5,668	(127,271)	(0.00)
March 31, 2015	10,308	(126,004)	(0.00)
December 31, 2014	12,489	(129,515)	(0.00)
September 30, 2014	10,148	(135,490)	(0.00)
June 30, 2014	12,245	(145,702)	(0.00)
March 31, 2014	11,587	(101,313)	(0.00)

## FIRST QUARTER INFORMATION

The Company's net loss totaled \$53,880 for the three months ended March 31, 2016, with basic and diluted loss per share of \$0.00.

## LIQUIDITY AND CAPITAL RESOURCES

	March 31, 2016	March 31, 2015
	\$	\$
Cash used in operating activities	(39,457)	(175,609)
Cash provided by (used in) investing activities	50,000	26,781
Cash provided by financing activities	1,205	139,793
Increase (decrease) in cash	11,748	(9,039)
Cash, beginning	110,361	206,622
Cash, ending	122,109	197,588

### *Cash and Working Capital*

As at March 31, 2016, the Company had cash of \$122,109 (2015 - \$197,588), and a working capital of \$40,996 (2015 - \$388,861).

## OUTSTANDING SHARE DATA

### *Authorized Share Capital*

As at the date of this report, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

### *Issued Share Capital*

As at March 31, 2016, the issued share capital comprised 48,854,112 common shares.

### *Amalgamation of Global and Carnelian*

On September 30, 2013, pursuant to the Plan, Global amalgamated with Carnelian to form 360 Capital. Effective on that date, a total of 43,854,112 common shares of 360 Capital were issued to the former shareholders of Global and Carnelian, of which 41,854,115 common shares of 360 Capital were issued to the former shareholders of Global and 1,999,997 common shares of 360 Capital were issued to the former shareholders of Carnelian.

### *Share Purchase Option Compensation Plan*

As at March 31, 2016, the Company has 3,000,000 options outstanding with a weighted average exercise price and contractual remaining life of \$0.10 and 2.29 years, respectively.

### *Warrants*

As at December 31, 2015, the Company has 6,250,000 warrants outstanding with a weighted average exercise price and contractual remaining life of \$0.20 and 0.16 years, respectively.

## OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

## RELATED PARTIES TRANSACTIONS AND BALANCES

*Details of outstanding balances with related parties including key management personnel are as follows:*

	March 31, 2016	March 31, 2015
	\$	\$
Due from related companies with common shareholders	-	1,769
Due to an officer	(15,447)	(3,433)
	(15,447)	(11,870)

Balances due from (to) related parties are unsecured, do not bear any interest and have no fixed terms of repayments.

Included in accounts payables and accrued liabilities is \$50,000 due to officers and directors for consulting fees and expense reimbursements.

### *Compensation of the executive management team and directors*

The company has identified its directors and senior officers as its key management personnel.

During the three months ended March 31, 2016, the total compensation of \$17,500 (2015: \$150,000), all relating to consulting, was paid to the Company's executive management team and directors.

During the three months ended March 31, 2016, the Company paid consulting fees of \$7,500 (2015: \$15,000) to an officer who is also a director of the Company in lieu of salaries.

During the three months ended March 31, 2016 the Company paid marketing fees of \$Nil to a director of the Company (2015: \$6,000). These amounts are included in office and miscellaneous.

## SUBSEQUENT EVENTS

None

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include:

- the assumptions used in valuing options in share-based payment calculations;
- the determination of deferred income tax assets and liabilities;
- the determination of the useful life of the intangible asset;
- the determination and measurement of the Company's interest in an associate's identifiable net assets at fair value at the date of acquisition of the associate.

## **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- the determination of functional currency of the Company;
- the determination of revenue recognition policy;
- the determination of the nature, extent and financial effects of its interests in associates;
- the assessment of impairment of promissory notes and loan receivable
- the evaluation of the Company's ability to continue as a going concern;
- the determination to apply the pronouncements of IFRS 2 to the accounting for the transaction described in Note 2.
- the consideration of the factors determining the acquisition of the book of agency relationships described in Note 7 as an intangible asset.

### *Provisions*

Provisions represent liabilities of the Company for which the amount or timing is uncertain. A provision is recognized when, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

## **NEW ACCOUNTING PRONOUNCEMENTS ADOPTED DURING THE YEAR**

Effective January 1, 2014, the Company adopted the following new accounting standards and interpretations. The company determined that the adoption of these standards and interpretations did not result in any material changes in the consolidated financial statements.

### IAS 32 Financial Instruments: Presentation

In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

### IAS 36 Impairment of Assets

In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

### IAS 39 Financial Instruments: Recognition and Measurement

In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

### IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

## NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standard will be effective for annual periods beginning on or after January 1, 2017:

### IAS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of consolidated financial statements with more informative, relevant disclosures. The standard provides a single, principle based five-step model to be applied to all contracts with customers.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

### IFRS 9 Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39, the IASB issued the first phase of IFRS 9 that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVOTCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

## FINANCIAL INSTRUMENTS

### *Management of capital*

The Company's objectives for managing capital (defined as all components of shareholders' equity) are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. The Company manages capital by issuing new shares or new debt.

### *Fair values*

The Company's financial instruments consist of cash, short-term investments, promissory notes, accounts payable and due to related parties. The fair values of the Company's financial assets and liabilities approximate their carrying amounts because of their current nature.

	March 31, 2016	March 31, 2015
	\$	\$
<i>Assets:</i>		
Fair value through profit or loss (i)	122,109	297,738
Loans and receivables (ii)	1,908	62,621
<i>Liabilities:</i>		
Other financial liabilities (iii)	150,321	36,807
(i) Cash and short-term investments		
(ii) Other receivable and promissory notes		
(iii) Accounts payable and due to related parties		

## FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
<i>As at March 31, 2016</i>				
Cash	122,109	122,109	-	-
<i>As at March 31, 2015</i>				
Cash	197,588	197,588	-	-
Short-term Investments	100,150	100,150	-	-

### *Currency Risk*

It is management's opinion that the Company is not exposed to significant currency risk as its short-term investments are all denominated in Canadian dollars.

### *Interest Rate Risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company has minimal exposure to interest rates fluctuations on its cash and short-term investment balances due to current low market interest rates.

### *Credit, Liquidity, and Market Risks*

Credit risks associated with cash are minimal as the Company deposits the majority of its cash with a large Canadian financial institution with high credit ratings. As the majority of the Company's receivables relates to taxes recoverable from governments, its credit risks associated with receivables are inherently managed and exposure to potential loss is assessed as minimal. Market risks associated with short-term investments are assessed as minimal as they are considered short-term in nature.

## FINANCIAL INSTRUMENTS (continued)

All of the Company's financial liabilities have maturities of one year or less except for subordinated debt:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
	\$	\$	\$	\$	\$
<i>As at March 31, 2016</i>					
Accounts payable	74,874	(74,874)	(74,874)	-	-
Due to related parties	15,447	(15,447)	(15,447)	-	-
Subordinated debt	60,000	(63,625)	-	(63,625)	-
<b>Total</b>	<b>140,583</b>	<b>(150,321)</b>	<b>(90,321)</b>	<b>(63,625)</b>	<b>-</b>
<i>As at March 31, 2015</i>					
Accounts payable	35,143	(35,143)	(35,143)	-	-
Due to related parties	1,664	(1,664)	(1,664)	-	-
<b>Total</b>	<b>36,807</b>	<b>(36,807)</b>	<b>(36,807)</b>	<b>-</b>	<b>-</b>

## RISKS FACTORS

### *Need for funds to implement our business plan*

The Company will require external capital to implement its business plan of developing, growing and operating insurance and financial services business and distribution in Canada and Asia-Pacific through acquisitions, partnerships, joint-ventures and strategic alliances and cooperation and for its proposed business units. There can be no certainty that the Company can obtain these funds.

### *Dependence on Management Team*

The Company currently depends on certain key senior managers to identify business opportunities and acquisitions. Management who has developed key relationships in the industry is also relied upon to oversee the core marketing, business development, operational and fund raising activities. As the insurance and financial services industries continues to become more competitive, the Company expects the competition for management and other skilled personnel to intensify. Competition for experienced senior management is intense and other companies with greater financial resources may offer a higher and more attractive compensation package to recruit our senior managers. If one or more of our senior managers are unable or unwilling to continue their positions with the company, we may not be able to replace them easily. Failure to attract and retain qualified employees or the loss or departure in the short-term of any member of the senior management may result in a loss of organizational focus, poor operating execution or an inability to identify and execute potential strategic initiatives. This could, in turn, materially and adversely affect the Company's business, financial condition and results of operations.

### *Suitable Acquisition Candidates*

The Company expects a significant and major portion of its future growth to come from acquisitions of high-quality Insurance Agencies, intermediaries, brokers and agents. There is no assurance that the Company can successfully identify suitable acquisition candidates. If suitable candidates are identified, however, the Company may not be able to complete an acquisition on terms that are beneficial and acceptable to the Company. In addition, the Company competes with other entities to acquire quality insurance agencies, brokers and agents. Many of its competitors may have substantially greater financial resources than the Company does and may be able to outbid the Company for these acquisition targets. If the Company is unable to complete acquisitions, its growth strategy may be impeded and its earnings or revenue growth may be negatively affected.

## **RISKS FACTORS (continued)**

### *Insurance regulations*

Insurance distribution is a regulated industry in Canada and in the growth markets the company plans to enter. The insurance regulatory framework is undergoing significant changes in these markets. Some of these changes and the further development of regulations applicable to us may result in additional restrictions on our activities and impede our acquisitions, partnerships, joint-ventures and strategic alliances plans.

### *Competition*

The insurance intermediary industry is highly competitive, and the Company expects competition to persist and intensify. In insurance product distribution, the Company faces competition from insurance companies that use their in-house sales force and exclusive sales agents to distribute their products, and from business entities that distribute insurance products on an ancillary basis, such as commercial banks as well as from other professional insurance intermediaries and other Insurance Agencies. The Company competes for customers on the basis of product offerings, customer services and reputation. Many of its competitors have greater financial and marketing resources and history than our Company and may be able to offer products and services that the Company does not currently offer. If the Company is unable to compete effectively against those competitors, the Company may lose customers and agents and its financial results may be negatively affected.

### *Information Technology Systems*

The Company's business is highly dependent on the ability of its information technology systems to timely process a large number of transactions across different markets and products at a time when transaction processes have become increasingly complex and the volume of such transactions is growing rapidly. The proper functioning of its financial control, accounting, customer database, customer service and other data processing systems is critical to the Company's business and to its ability to compete effectively. There can be no assurances that the Company's business activities would not be materially disrupted in the event of a partial or complete failure of any of these primary information technology or communication systems, which could be caused by, among other things, software malfunction, computer virus attacks or conversion errors due to system upgrading. In addition, a prolonged failure of its information technology system could damage its reputation and materially and adversely affect the Company's future prospects and profitability.

*This Company is only suitable to investors who are willing to rely solely on management of the Company and who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the common shares.*