Canso Select Opportunities Corporation

Management's Discussion and Analysis
For the 3 and 6 Months Ended June 30, 2019

Management's Discussion and Analysis ("MD&A") provides a review of Canso Select Opportunities Corporation's ("CSOC" or the "Corporation") interim financial results for the 3 and 6 month periods ended June 30, 2019 and assesses factors that may affect future results. The financial condition and results of operations are analyzed noting the significant factors that impacted the interim statement of financial position, interim statement of comprehensive income, interim statement of changes in equity, and interim statement of cash flows of CSOC. As such, this MD&A should be read in conjunction with the interim financial statements and notes thereto. The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") to provide information about CSOC.

The following MD&A is the responsibility of management and is dated August 21, 2019. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, comprised of independent directors and CSOC's Chief Financial Officer. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Business of the Corporation

CSOC is an Ontario-based investment corporation. CSOC's investment objective is to provide capital gains and dividend income to its shareholders. Consistent with this objective, the Corporation evaluates potential investments in debt, public and private equity and other securities. The deployment of funds to new investments depends on both the attractiveness of new investment opportunities and the availability of capital as generated from the realization of value from existing portfolio investments.

Recent Developments

On June 28, 2019, CSOC closed the previously announced sale of 99,006 Series 4 Class A preferred shares of Hubba Inc. to Skunkworks Investment Corporation, for total cash consideration of $2,100,000 (the "Transaction").

Immediately prior to the closing, the Hubba position accounted for approximately 38.8% of CSOC's assets. As a result of the Transaction, the Hubba position represents approximately 23.4% of CSOC's assets. The gross proceeds of the Transaction will be used by CSOC to pursue several investment opportunities currently under investigation and for general working capital purposes. This Transaction is deemed to be a related party transaction under securities laws. For more details on the nature of the transaction, please see "Transactions between Related Parties" commencing on page 8 below.

Overall Performance

General Factors

The Corporation's ability to generate capital gains and to pay dividends depends on the performance of the holdings in its portfolio. Each company in the portfolio is unique. Portfolio companies vary from early stage start-up enterprises, to private companies in more advanced stages of development and publicly traded companies operating in mature industries. Depending on the company, there may be many paths to long term value creation including, but not limited to, additional funding rounds, initial public offering, acquisition or sale, or general improvement in financial and operating performance.

The performance of these portfolio companies depends on a variety of factors, which include but are not limited to, economic conditions, interest rate levels and investor confidence as indicated by equity market performance.

Following a significant correction in the fourth quarter of 2018 financial markets rebounded in the first half of 2019. This in spite of a backdrop of global economic uncertainty fueled in part by U.S. trade policy. The S&P 500 and S&P TSX Indexes increased ~18% and ~16% respectively. Credit risk premiums reflected by US high yield spreads tightened 130bps. Amidst equity and credit market optimism, 10-year U.S. Treasury and Government of Canada bond yields fell 68 and 50bps respectively, price action more indicative of economies sliding towards recession.

U.S. economic expansion continued with preliminary 2nd quarter GDP growing at a 2.1% annual rate and unemployment at 3.7%. In a pre-emptive move The Federal Reserve lowered rates 25bps at its July 31st meeting. The Bank of Canada appears to have adopted a wait and see stance to potential alterations in policy rates.

Specific Factors

For the 3 and 6 month periods ended June 30, 2019 CSOC reported net losses of $185,349 and $23,486 or $0.07 and $0.01 per Class A Shares and Class B Shares respectively.

Summary of Investment Portfolio

As at June 30, 2019, CSOF's investment portfolio consists of equity and debt securities in 11 different issuers. The portfolio also included cash and cash equivalents.

Description	Average Cost $	Fair Value $	% of Portfolio
Cash & Cash Equivalents	**2,278,224**	**2,278,224**	**17.54%**
Equities Held Long	**13,847,535**	**10,582,019**	**81.48%**
Hubba, Inc.	2,049,233	3,167,710	24.39%
Second Cup Ltd.	3,400,936	1,553,290	11.96%
Xplornet Communications	141,651	1,557,392	11.99%
Yellow Pages Limited	2,095,719	1,256,863	9.68%
BZ Holdings Inc.(Formerly Purch Group Inc.)	918,783	982,825	7.57%
BZ Holdings Inc.(Formerly Purch Group Inc.) - Warrants	-	-	0.00%
ClearStream Energy Services Inc. - Preferred	729,400	729,000	5.61%
M-Split	838,474	664,477	5.12%
Torstar Corporation	1,392,200	238,588	1.84%
Canadian Life Companies Split	78,572	85,176	0.66%
ClearStream Energy Services Inc.	2,012,939	276,803	2.13%
Genworth MI Canada Inc. Jan 20 P27	10,480	1,400	0.01%
Genworth MI Canada Inc. Jan 20 P31	682	135	0.00%
Genworth MI Canada Inc. Jan 20 P37	79,786	23,460	0.18%
Genworth MI Canada Inc. Jan 20 P39	19,380	7,650	0.06%
Genworth MI Canada Inc. Jan 20 P41	17,820	6,850	0.05%
Genworth MI Canada Inc. Jan 21 P35	43,360	22,950	0.18%
Genworth MI Canada Inc. Jan 21 P37	18,120	7,450	0.06%
Telepath Networks, Inc. - Warrants	-	-	0.00%
Equities Held Short	**(382,772)**	**(474,488)**	**(3.65%)**
Genworth MI Canada Inc.	(382,772)	(474,488)	(3.65%)
Fixed Income	**1,340,700**	**601,105**	**4.63%**
Telepath Networks, Inc.	1,340,700	601,105	4.63%
Grand Total	**17,083,687**	**12,986,860**	**100.00%**
Other Assets, Net of Liabilities		**(22,723)**	
CSOF'S Investments at Fair Value through Profit or Loss		**12,964,137**	

As at June 30, 2019, CSOC's investment portfolio consists of equity and debt securities in 2 different issuers.

Description	Average Cost $	Fair Value $	% of Portfolio
Equities Held Long	**200,000**	**200,000**	**65.65%**
Reformulary Group Inc.	200,000	200,000	65.65%
Fixed Income	**105,559**	**104,628**	**34.35%**
Brill Power Limited	105,559	104,628	34.35%
CSOC's Investments at Fair Value through Profit or Loss	**305,559**	**304,628**	**100.00%**

Hubba, Inc.

Hubba is a private company operating a business to business (B2B) product network connecting producers of branded products with retailers and other key influencers. The company facilitates commercial relationships between active members of the Hubba community driving growth in their respective businesses.

CSOF held 149,994 Hubba, Inc. Class A, Series 4 Preferred Shares purchased on September 2, 2015.

Second Cup Ltd.

Second Cup (TSX: SCU) is a Canadian specialty coffee retailer with 252 cafés operating under the trade name Second Cup™ in Canada, of which 28 are company owned with the balance operated by franchisees.

CSOF held 913,700 Second Cup Common Shares with an initial purchase of shares made on January 7, 2015.

Xplornet Communications

Xplornet, a private company, is a Canadian rural-focused broadband service provider of facilities based broadband internet access service and related subscription services to subscribers located in rural areas across Canada that typically do not have access to cable or fibre broadband infrastructure.

CSOF held 3,300 Series C Warrants detached from originally issued bonds.

Yellow Pages Limited

Yellow Pages (TSX: Y), is a digital media and marketing solutions provider in Canada, offering targeted tools to local businesses, national brands and consumers allowing them to interact and transact within today's digital economy.

CSOF held 177,523 common shares with an initial purchase in January 5, 2015.

Clearstream Energy Services Inc.

Clearstream (TSX: CSM) is a fully integrated provider of midstream production services, which includes maintenance and turnarounds, pipeline wear technology, facilities construction, welding and fabrication, and transportation, with current locations across Western Canada.

CSOF held 5,272,434 common shares and 729 preferred shares of Clearstream.

BZ Holdings Inc.

BZ is a private company. On September 4th, 2018 Purch, the predecessor to BZ, closed the sale of its B2C business which included Top Ten Reviews and Space.com to Future plc. Proceeds from the sale approximated US$130 million, a portion of which were used to retire debt and preferred shares. As a result, CSOF's holdings were reduced by US$911,805 on December 21, 2018.

Following the sale of the B2C business, the remaining B2B business was rebranded as Business.com, an interactive marketplace platform that provides millions of small and medium business owners with the tools, services, and expert advice they need to help them grow their business. The Business.com brand includes: Business.com, BuyerZone and Business News Daily.

CSOF held 166,723 Series C Preferred Shares purchased on May 22, 2015.

Selected Financial Information

The following table shows selected financial information in CAD$ about CSOC for the most recently completed four quarters of the Corporation:

Description	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Total revenue per share	($0.13)	($0.58)	$0.09	($0.05)
Realized gains (losses) per share	$0.00	($0.01)	($0.01)	(0.00)
Unrealized gains (losses) per share	($0.13)	($0.57)	$0.10	($0.05)
Total Shareholders' Equity	$15,141,485	$13,617,007	$13,778,870	$13,593,521
Equity per Class A Share	$5.45	$4.90	$4.96	$4.89
Equity per Class B Share	$5.45	$4.90	$4.96	$4.89

Revenue and profit during the 3 month period ending June 30, 2019 was determined primarily by unrealized losses on the Corporation's investment portfolio. The financial data has been prepared in accordance with IFRS and the Canadian Dollar is the presentation and functional currency.

Discussion of Operations

For the 3 and 6 month periods ended June 30, 2019 CSOC reported net losses of $185,349 and $23,486 or $0.07 and $0.01 per Class A Shares and Class B Shares respectively.

The net assets of the Corporation were $13,593,521 at June 30, 2019 or $4.89 per CSOC Class A Share and Class B Share.

Conversion of CSOF to CSOC

On February 1, 2018, Lysander Funds Limited, the manager of Canso Select Opportunities Fund (the "Fund" or "CSOF"), announced its intention to restructure the Fund. As a result of the restructuring CSOF would be held by a publicly listed corporate structure, to be known as CSOC.

The details of the restructuring were outlined in an Arrangement Agreement ("Arrangement") contained in the Management Information Circular dated March 16, 2018. Pursuant to the Arrangement, holders of Class A and Class F units of the Fund could elect to receive either CSOC Class A Multiple Voting Shares ("Class A Shares"), CSOC Class B Subordinate Voting Shares ("Class B Shares") or a combination of both based on the exchange ratio as defined in the Arrangement.

On August 31, 2018, the units of the Fund were delisted from the Toronto Stock Exchange and effective September 4, 2018, the Class A Shares and Class B Shares of CSOC were eligible to commence trading on the TSX Venture Exchange under the symbols CSOC.A representing the Class A Shares and CSOC.B representing the Class B Shares.

Effective September 4, 2018 CSOC closed the Arrangement which, pursuant to elections previously made, resulted in unitholders of the Fund receiving 1,621,460 Class A Shares and 1,156,738 Class B Shares of CSOC in exchange for units of the Fund previously held. As a result of the Arrangement, the Fund is a wholly-owned investment held by CSOC.

Rationale for the Conversion

The decision to restructure CSOF and convert ownership of the Fund to a corporation included, but was not limited to, consideration of the following factors.

- Conversion to Efficient Corporate Model. The Arrangement provided for the pursuit of a more effective long-term investment strategy through greater financial flexibility, the reduction of overhead and administrative costs and increased access to long-term capital. It permits the assumption of larger private positions and less liquid investments including private equity and debt, loans, real estate and infrastructure.
- Illiquidity of Investments. The Fund invested in certain illiquid investments. The realization of value in these investments over the long term conflicted with the Fund's requirement to fund monthly and annual redemptions by unitholders of the Fund.
- Activist Investing. The corporate structure of CSOC enables active and direct involvement in investee companies' activities, known as activist investing, if required to ensure the realization of value from the investment.
- Elimination of Management Fees and Performance Fees. The Arrangement resulted in the elimination of a 1.00% per annum fee payable to the Manager as well as a performance fee payable if certain conditions were met.

Effect of Fund Redemptions prior to the Arrangement

Unitholders of the Fund were permitted to redeem their units at the net asset value ("NAV") per unit on an annual basis every March. Since the Fund anticipated further redemptions in March 2018, it began selling less liquid assets for more liquid ones so as to be able to meet 2018 redemption requests. In March 2018, unitholders redeemed approximately $23.4 million of units following a $30.3 million redemption of units in March of 2017. These redemptions resulted in the Fund selling assets to raise cash to fund the redeemed units. As a result of these redemptions the proportion of less liquid, private placements in the portfolio increased.

CSOC Tax Status

The Fund has a pool of tax loss carry forwards that can be utilized to shelter gains of the Fund so long as the trust continues to be maintained and certain other conditions are met. If the Fund were to be wound-up into CSOC at a time when it had losses, such losses would expire unutilized. Consequently, the current intention is to maintain the continued existence of the Fund until such time as all or substantially all of the losses of the Fund are utilized, or so long as the benefits associated with maintaining and utilizing such losses (e.g. current and potential cash tax savings) outweighs the cost of maintaining the Fund. As the holding period for many of these investments of the Fund is measured in years, and the Fund has tax losses, the “transitional period” could be several months to a year or more. Any new investments will be made directly by CSOC.

Liquidity

Prior to the Arrangement the Fund was a closed-end investment fund which was created to hold a portfolio of securities comprised of global debt and equity securities. Redemptions only occurred monthly, at a discount to NAV, or annually at NAV.

Through its holding in the Fund, CSOC maintains a similar portfolio of investments as did the Fund immediately prior to the Arrangement. Over time the portfolio composition may change significantly in terms of specific company holdings as well as concentration of holdings.

The deployment of funds to new investments depends on both the attractiveness of new investment opportunities and the availability of capital as generated from the realization of value from existing portfolio investments. The availability of funds for dividends depends on the generation of income or capital from existing portfolio investments and the meeting of certain statutory financial requirements permitting the payment of dividends.

Liquidity risk is managed by maintaining a portion of the Corporation’s assets in investments traded in an active market that can be readily sold. All liabilities of the Corporation are due within one year.

The securities of the Corporation are listed on the TSX Venture Exchange under the ticker CSOC.A and CSOC.B and have daily liquidity.

Capital Resources

CSOC has no commitments for any capital expenditures as of June 30, 2019.

Off-Balance Sheet Arrangements

CSOC does not have any off-balance sheet arrangements.

Changes in Accounting Policies Including Initial Adoption

There were no changes during the period ending June 30, 2019 to the Corporation's accounting policies. The Corporation's accounting policies for its financial instruments are disclosed in detail in Note 2 of the Annual Audited Financial Statements.

Financial Instruments and Other Instruments

For the period ended June 30, 2019, CSOC held derivatives and short positions in an investment portfolio in accordance with its investment mandate. The list of all associated risks disclosed in detail in Notes [3] and Note [11] of the Annual Audited Financial Statements.

Transactions between Related Parties

Effective August 1, 2018, CSOC entered into an operational services agreement with Canso Investment Counsel Ltd. ("Canso"). The operational services agreement sets out that Canso will provide day-to-day operational services to carry out the business and affairs of the Corporation.

CSOC does not pay any management or performance fees to Canso.

On June 28, 2019, CSOC closed the previously announced sale of 99,006 Series 4 Class A preferred shares of Hubba Inc. to Skunkworks Investment Corporation, for total cash consideration of $2,100,000 (the "Transaction").

Immediately prior to the closing, the Hubba position accounted for approximately 38.8% of CSOC's assets. As a result of the Transaction, the Hubba position represented approximately 23.4% of CSOC's assets. The gross proceeds of the Transaction will be used by CSOC to pursue several investment opportunities currently under investigation and for general working capital purposes. This Transaction is deemed to be a related party transaction under securities laws.

The Transaction is deemed to be a "related party transaction" as defined under Multilateral Instrument 61-101—*Protection of Minority Security Holders in Special Transactions* ("MI 61-101") since John Carswell, a director of CSOC and Skunkworks, beneficially owns, directly or indirectly, or exercises control or direction over, approximately 45% of the voting rights of CSOC and more than 50% of the securities of Skunkworks.

The Transaction was reviewed by a special committee (the "Special Committee") comprised of members of the board of directors (the "Board") who are independent of CSOC and are not members of management of the Corporation. The Special Committee determined that it was in the best interests of, or fair to, shareholders of CSOC to recommend the Transaction to the Board. The Board reviewed and considered the recommendation of the Special Committee, and provided its approval of the Transaction. John Carswell, Shirley Sumsion and Joe Morin, each a director of the Company and of Skunkworks, abstained from voting with respect to the RP Transaction.

Disclosure of Outstanding Share Data

As at June 30, 2019 and the date hereof, there were 1,621,460 Class A Shares and 1,156,738 Class B Shares of the Corporation outstanding.

Other MD&A Requirements

Additional information relating to the Corporation is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements and information within the meaning of applicable securities legislation. Forward-looking statements can be identified by the words “seeks”, “expects”, “believes”, “estimates”, “will”, “target” and similar expressions. The forward-looking statements reflect the current expectations of CSOC regarding future results or events and are based on information currently available to it. Certain material factors and reasonable assumptions were applied in providing these forward-looking statements. All forward looking statements in this press release are qualified by these cautionary statements. CSOC believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, CSOC can give no assurances that the actual results or developments will be realized. These forward-looking statements are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” in the management information circular dated as of March 16, 2018 (the “Circular”). Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. CSOC undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances except as required by securities laws. These forward-looking statements are made as of the date of this report.

Additional information about CSOC is available under its SEDAR profile at www.sedar.com.