

Canso Select Opportunities Corporation

Annual Management's Discussion and Analysis For the Year Ended December 31, 2019

Management's Discussion and Analysis ("MD&A") provides a review of Canso Select Opportunities Corporation's ("CSOC" or the "Corporation") audited financial results for the year ended December 31, 2019 and the period from incorporation (February 18, 2018) to December 31, 2018 and assesses factors that may affect future results. The financial condition and results of operations are analyzed noting the significant factors that impacted the statements of financial position, statements of comprehensive income, statements of changes in equity, and statements of cash flows of CSOC. As such, this MD&A should be read in conjunction with the audited financial statements and notes thereto. The audited 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 April 13, 2020. 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 March 11, 2020 CSOC announced an agreement to sell certain of its assets consisting of 112,668 Series 4 Class A Preferred Shares of Hubba Inc. to Skunkworks Investment Corporation, a related party, for a total cash consideration of US\$1,823,249.91 (the "Transaction"). The Transaction is subject to minority shareholder approval which is expected to take place at CSOC's Annual General and Special Meeting scheduled for May 26, 2020.

The purpose of the Transaction is to free up capital and provide the Corporation with more funds with which to diversify its portfolio base. As at December 31, 2019, the Hubba position accounted for approximately 24.75% of the Corporation's portfolio assets. The Transaction is intended to reduce the Hubba position to 6% of the Corporation's portfolio assets. The Corporation plans to reduce this position and use the gross proceeds of the Transaction to pursue several investment opportunities currently under investigation and for general working capital purposes. See "Subsequent Events" for more information.

On February 27, 2020 Xplornet Communications Inc. announced Stonepeak had entered into a binding agreement with Xplornet and its shareholders, through which Stonepeak agreed to acquire a controlling stake in Xplornet. The transaction is subject to regulatory approval. CSOC owns 3,300 Series C Warrants of Xplornet and plans to exercise these warrants and subsequently tender its shares to the Stonepeak bid. The transaction is expected to close in 2020.

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.

In 2019 Canada reported economic activity as measured by GDP growth of 1.9%, unemployment of 5.6% and inflation of 2.4%. The U.S. reported economic growth of 2.1%, unemployment of 3.5% and CPI of 2.3%. The Bank of Canada overnight rate remained at 1.75% while 10-year Government of Canada bond yields fell 0.27% to 1.70%. In the U.S. the Fed Reserve lowered the Fed Funds rate by 0.75%, in a series of "pre-emptive moves" and U.S. 10-year Treasury yields fell 0.77% to 1.90%. Risk premiums on investment grade and high yield bonds in both markets tightened and ended the year at 112 and 101bps respectively. The SP&P/TSX returned 19% and the S&P 500 31%. 2019 closed with credit and equity markets in an ebullient mood while government bond markets and central bankers adopted a more somber outlook.

In response to the COVID-19 outbreak the Bank of Canada reduced overnight rates by 1.50% to 0.25% and the Federal Reserve reduced rates 1.50% to bring the Fed Funds rate to an 0.25% in 2020. Both Central Banks have announced additional measures designed to ensure liquidity in financial markets. Governments around the globe are enacting sweeping fiscal policy responses designed to provide near and medium-term relief to individuals and businesses. Financial markets responded with a plunge in equity valuations, falling government bond yields and skyrocketing risk premiums. At this point it is uncertain at what point economic activity will return to pre-crisis levels.

It is impossible to predict the length and severity of the COVID-19 crisis. Companies in which CSOC is invested will be impacted to varying degrees by the reduction in economic activity. Recent selloffs in equity and credit markets indicate dramatically lower valuations for public equities and corporate bonds. Valuations for marketable investments in CSOC's portfolio are likely to be impacted by these events. Valuations for private investments in CSOC's portfolio are also likely to be impacted by these events.

Specific Factors

For the year ended December 31, 2019 and the period from incorporation (February 18, 2018) to December 31, 2018 CSOC reported net losses of \$502,074 and \$1,816,593 or (\$0.18) and (\$0.65) per Class A Multiple Voting Shares and Class B Subordinate Voting Shares respectively. The loss in 2019 is the result of \$151,441 unrealized losses on investments primarily on Telepath Notes. The loss in 2018 is the result of \$1,952,467 in unrealized mark to market losses primarily on public equity holdings of Second Cup Ltd., Yellow Pages Limited, and M-Split.

Summary of Investment Portfolio

CSOC is in its second year as a public company following the delisting on August 31, 2018 of the Canso Select Opportunities Fund (the "Fund") and the listing of CSOC on September 4, 2018.

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.

CSOC's corporate structure provides a permanent capital base allowing the realization of value from its existing portfolio over time. In 2019 we continued the long-term value creation process. The redemption of a portion of CSOC's investment in BZ Holdings at the end of 2018 and the sale of a portion of our holdings in Hubba in mid-2019 generated cash proceeds of \$3.3 million. CSOC deployed these proceeds across a range of investments. These investments included preferred shares of high-quality companies BCE, Enbridge and Manulife, bonds of Ford Credit Canada, Kraft Heinz, Maxar Technologies and Stuart Olsen and common shares of private companies Brill Power, HashTag Paid and Reformulary Group.

A strategic priority is shifting the mix of the portfolio from a majority of private investments to a more balanced mix of public and private investments. We expect to continue to effect changes to the portfolio composition during 2020.

CSOC's investments with a market value in excess of 10% of portfolio market value are described below.

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

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. CSOC held 177,523 common shares with an initial purchase in January 5, 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. CSOC held 3,300 Series C Warrants detached from originally issued bonds.

Second Cup Ltd.

Founded in 1975, The Second Cup Ltd. is a Canadian specialty coffee retailer operating franchised and company owned cafes across Canada. CSOC held 913,700 Second Cup Common Shares with an initial purchase of shares made on January 7, 2015.

Prior to September 30, 2019 we showed CSOC and CSOF's portfolios separately. From a practical point of view the portfolio is managed on a consolidated basis. As such the table on the next page is the consolidated CSOC portfolio. Note 8 to the Financial Statements provides a segmented breakdown.

	Average Cost \$	Fair Value \$	% of Portfolio
Total Marketable Investments	11,523,113	5,856,786	46.11%
Cash	58,273	58,273	0.46%
Common Equity Held Long	8,901,794	3,492,148	27.49%
ClearStream Energy Services Inc.	2,012,939	237,260	1.87%
Second Cup Ltd.	3,400,936	1,535,016	12.08%
Torstar Corporation	1,392,200	111,514	0.88%
Yellow Pages Limited	2,095,719	1,608,358	12.66%
Common Equity Held Short	(185,536)	(315,351)	-2.48%
Genworth MI Canada Inc.	(185,536)	(315,351)	-2.48%
Options	189,628	7,098	0.06%
Genworth MI Canada Inc.	189,628	7,098	0.06%
Fixed Income Held Long	1,702,322	1,794,602	14.13%
Ford Credit Canada Co.	351,832	349,806	2.75%
Kraft Heinz Foods Co.	645,171	681,333	5.36%
Maxar Technologies Inc.	648,319	711,713	5.60%
Stuart Olsen Inc.	57,000	51,750	0.41%
Fixed Income Held Short	(475,458)	(453,007)	-3.57%
US Treasury	(475,458)	(453,007)	-3.57%
Preferred Shares	1,332,090	1,273,023	10.02%
BCE Inc.	44,010	44,632	0.35%
BMO Laddered Preferred Share ETF	137,788	141,768	1.12%
Canadian Life Companies Split	78,572	88,452	0.70%
Enbridge Inc.	220,912	234,493	1.85%
Manulife Financial	6,744	6,964	0.05%
M-Split	838,474	750,599	5.91%
TC Energy Corporation	5,590	6,115	0.05%
Total Private Investments	5,618,163	6,846,136	53.89%
Common Equity Held Long	305,559	310,898	2.45%
Brill Power	105,559	110,898	0.87%
Reformulary Group Inc.	200,000	200,000	1.57%
Fixed Income Held Long	1,473,537	129,668	1.02%
HashTag Paid Inc.	132,837	129,668	1.02%
Telepath Networks, Inc.	1,340,700	-	0.00%
Warrants	141,651	1,557,392	12.26%
BZ Holdings Inc.	-	-	0.00%
Telepath Networks, Inc.	-	-	0.00%
XplorNet Communications	141,651	1,557,392	12.26%
Preferred Shares	3,697,416	4,848,178	38.17%
BZ Holdings Inc.	918,783	975,304	7.68%
ClearStream Energy Services Inc.	729,400	729,000	5.74%
Hubba, Inc.	2,049,233	3,143,874	24.75%
Grand Total Marketable and Private Investments	17,141,276	12,702,922	100.00%
Other Assets, Net of Liabilities		(20,277)	
CSOC's Investments at Fair Value		12,682,645	

Selected Annual Information

The following table shows selected annual information about CSOC for the two most recently completed financial years of the Corporation:

Description	2018 (CAD\$)	2019 (CAD\$)
Total Revenue (Loss)	(\$1,986,235)	(\$352,609)
Net Loss For the Period		
Total	(\$1,816,593)	(\$502,074)
Per Share	(\$0.65)	(\$0.18)
Diluted Per Share	(\$0.65)	(\$0.18)
Total Assets	\$13,708,509	\$13,151,418
Total Non-Current Financial Liabilities	\$0	\$0

Total Revenue and Net Loss during 2019 were primarily the result of unrealized losses on investments on Telepath Notes. Total Revenue and Net Loss during the period February 16, 2018 to December 31, 2018 was the result of unrealized losses on public equity holdings of Second Cup Ltd., Yellow Pages Limited, and M-Split. 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 year ended December 31, 2019 and the period from February 18, 2018 to December 31, 2018 CSOC reported net losses of \$502,074 and \$1,816,593 or (\$0.18) and (\$0.65) per Class A Shares and Class B Shares respectively. The loss in 2019 is the result of \$151,441 unrealized losses on investments primarily on Telepath Notes. The loss in 2018 is the result of \$1,952,467 in unrealized mark to market losses primarily on public equity holdings of Second Cup Ltd., Yellow Pages Limited, and M-Split.

The net assets of the Corporation were \$13,114,933 at December 31, 2019 versus \$13,617,007 at December 31, 2018 or \$4.72 per CSOC Class and Class B Share versus \$4.90 per CSOC Class A Share and Class B Share.

CSOC Tax Status

On September 4, 2018, the Fund completed a plan of arrangement (the "Arrangement") with the Corporation whereby the Corporation issued Class A Multiple Voting Shares and Class B Subordinate Voting Shares of CSOC in exchange for the outstanding units of the Fund and the Fund became a wholly-owned investment of CSOC.

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, this time period could be several months to a year or more.

Liquidity

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.

Summary of Quarterly Results

The following table shows selected financial information about CSOC for the most recently completed six quarters of the Corporation:

Description	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Total Revenue Per Share	(\$0.13)	(\$0.58)	\$0.09	(\$0.05)	(\$0.22)	\$0.06
Realized Gains (Losses) Per Share	\$0.00	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.05)
Unrealized Gains (Losses) Per Share	(\$0.13)	(\$0.57)	\$0.10	(\$0.05)	(\$0.21)	\$0.11
Total Shareholders' Equity	\$15,141,485	\$13,617,007	\$13,785,727	\$13,593,521	\$13,015,272	\$13,114,933
Equity per Class A Share	\$5.45	\$4.90	\$4.96	\$4.89	\$4.68	\$4.72
Equity per Class B Share	\$5.45	\$4.90	\$4.96	\$4.89	\$4.68	\$4.72

The variations shown in the table above relate to the timing of investment decisions and do not reflect any general trends or seasonality. For each quarterly period, the financial data has been prepared in accordance with IFRS and the Canadian Dollar has been the presentation and functional currency.

Subsequent Events

On March 11, 2020 CSOC announced an agreement to sell certain of its assets consisting of 112,668 Series 4 Class A Preferred Shares of Hubba Inc. to Skunkworks Investment Corporation ("Skunkworks"), a related party of the Corporation, for a total cash consideration of US\$1,823,249.91. The Transaction is subject to minority shareholder approval which is expected to take place at CSOC's Annual General and Special Meeting scheduled for May 26, 2020.

The purpose of the Transaction is to free up capital and provide the Corporation with more funds with which to diversify its portfolio base. As at December 31, 2019, the Hubba position accounted for approximately 24.75% of the Corporation's portfolio assets. The Transaction is intended to reduce the Hubba position to 6% of the Corporation's assets. The Corporation wanted to reduce this position and use the gross proceeds from the Transaction to pursue several investment opportunities currently under investigation and for general working capital purposes.

John Carswell, a director of CSOC, beneficially owns, directly or indirectly, or exercises control or direction over, approximately 45% of the voting rights of CSOC. In addition, John Carswell, a

director of Skunkworks, directly and indirectly beneficially owns, in the aggregate, more than 50% of the securities of Skunkworks. As such, 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"). The Transaction is exempt from the formal valuation requirements of MI 61-101 pursuant to subsections 5.5(b) of MI 61-101 as the Corporation is not listed on a specified market. However, pursuant to MI 61-101, the Transaction is subject to minority shareholder approval (i.e., approval by a majority of the votes cast at a meeting of shareholders excluding any shares held by the directors and officers of CSOC, its affiliates and joint actors) (collectively, "Minority Approval"). The Corporation will seek Minority Approval at a meeting of shareholders scheduled to be held on May 26, 2020. Closing of the Transaction is also subject to the approval of the TSX Venture Exchange. If both Minority Approval and Exchange approvals are obtained, the Transaction is expected to close on or about May 28, 2020.

The Transaction has been reviewed by both the Corporation's investment committee as well as 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 is in the best interests of, or fair to, shareholders of the Corporation 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 Corporation and of Skunkworks, declared their interest in accordance with the *Business Corporations Act* (Ontario) with respect to the Transaction.

On February 27, 2020 Xplornet Communications Inc. announced Stonepeak had entered into a binding agreement with Xplornet and its shareholders, through which Stonepeak agreed to acquire a controlling stake in Xplornet. The transaction is subject to regulatory approval. CSOC owns 3,300 Series C Warrants of Xplornet and plans to exercise these warrants and subsequently tender its shares to the Stonepeak bid. The transaction is expected to close in 2020.

Capital Resources

CSOC has no commitments for any capital expenditures as of December 31, 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 year ended December 31, 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 year ended December 31, 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 for total cash consideration of \$2,100,000 (the "Sale Transaction").

The Sale Transaction is deemed to be a "related party transaction" as defined under 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 Sale 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 Sale Transaction to the Board. The Board reviewed and considered the recommendation of the Special Committee, and provided its approval of the Sale Transaction. John Carswell, Shirley Sumsion and Joe Morin, each a director of the Corporation and of Skunkworks, abstained from voting with respect to the related party Sale Transaction. The Sale Transaction was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 pursuant to subsections 5.5(b) and 5.7(a) of MI 61-101 as Hubba Inc. was not listed on a specified market and the fair market value of the consideration received from interested parties did not exceed 25% of the Hubba's market capitalization. Closing of the Sale Transaction was subject to the approval of the TSX Venture Exchange.

Disclosure of Outstanding Share Data

As at December 31, 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.