

Canso Select Opportunities Corporation

Management's Discussion and Analysis For the Three and Nine Months Ended September 30, 2020

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 three and nine month periods ended September 30, 2020 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 statements of financial position, interim statements of comprehensive income, interim statements of changes in equity, and interim statements 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 November 24, 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 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 September 25, 2020 Bird Construction Inc. acquired Stuart Olson Inc. As part of this transaction the Corporation's holdings in Stuart Olson convertible bonds were exchanged for Bird common shares. CSOC subscribed for additional common shares of Bird as part of this transaction.

On August 10, 2020 Nordstar Capital LP acquired all of the outstanding common shares of Torstar Corporation for \$0.74 per share. As part of this transaction CSOC tendered its holdings consisting of 259,335 Torstar common shares. CSOC provided \$269,000 in financing to Nordstar through the purchase of a 10% August 5, 2025 bond. Nordstar repaid \$95,000 of CSOC's holding on August 19, 2020.

On June 11, 2019, the shareholders approved a Special Resolution authorizing the reduction of stated capital on the Class A Multiple Voting Shares, and the Class B Subordinate Voting Shares (the "Special Resolution"). The Special Resolution contemplated that the stated capital in respect of: (i) the Class A Multiple Voting Shares be reduced to an amount equal to either: (a) \$4.94 per

Class A Multiple Voting Share, or (b) such amount per Class A Multiple Voting Share as management and the board of directors of the Corporation may determine from time to time, that is not represented by the realizable value of the assets of the Corporation; and (ii) the Class B Subordinate Voting Shares be reduced to an amount equal to either: (a) \$4.94 per Class B Subordinate Voting Share, or (b) such amount per Class B Subordinate Voting Share as management and the board of directors of the Corporation may determine from time to time, that is not represented by the realizable value of the assets of the Corporation. On September 15, 2020, Management of the Corporation by the authority vested upon them by the Board of Directors of the Corporation determined that it was prudent to reduce CSOC's Aggregate Stated Capital to \$11,109,050 (from \$14,863,186) or the equivalent of the net realizable value of the Company's assets as of June 30, 2020 (expressed as the aggregate stated capital maintained in respect of the Class A Multiple Voting Shares, as a class, is \$6,483,656 and expressed as the aggregate stated capital maintained in respect of the Class B Subordinate Voting Shares, as a class, is \$4,625,394). The reduction is consistent with the Board's resolution passed at the Company's August 25, 2020 Board meeting which authorized management to determine the appropriate value for the net realizable value of the Company's assets and to reduce the stated capital account maintained by the Company in respect of each Class A Multiple Voting Share and Class B Subordinate Voting Share by such amount as is not represented by the realizable value of the assets of the Company, being \$5.35 per Class A Multiple Voting Share and \$5.35 per Class B Subordinate Voting Share such that the stated capital amount of each Class A Multiple Voting Share and of each Class B Subordinate Voting Share following such reduction is \$4.00 and \$4.00, respectively.

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 early 2020, as a result of the COVID-19 outbreak, stock markets plummeted and risk premiums soared. The Bank of Canada and Federal Reserve cut overnight rates to 0.25%, levels not seen since the aftermath of the Credit Crisis in 2008. Both Central Banks announced additional measures designed to ensure liquidity in financial markets. Governments around the globe enacted sweeping fiscal policy responses designed to provide near and medium-term relief to individuals and businesses. It remains 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. That said equity and credit markets valuations have substantially recovered from March's distressed levels. Valuations for marketable and private investments in CSOC's portfolio will be impacted to varying degrees by the reduction in economic activity and the duration of the COVID-19 crisis.

Specific Factors

For the three and nine month periods ended September 30, 2020 CSOC reported net income of \$370,216 and net losses of \$1,003,212 or \$0.13 and (\$0.36) per Class A Multiple Voting Shares and Class B Subordinate Voting Shares respectively. The three month gain was predominately the result of \$572,853 in unrealized gains on holdings of Second Cup, the two Xplornet Spincos and Yellow Pages, offset partially by \$117,968 in realized losses on the redemption of CSOF units by CSOC. For the nine month period the loss was predominately due to unrealized losses on investments in BZ Holdings, Clearstream Energy Services Inc., M-Split and Second Cup Ltd.

Summary of Investment Portfolio

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. Thus far in 2020 we continued the long-term value creation process through the reduction of CSOC's holding in Hubba, the sale of Maxar Technologies Inc. 2023 bonds and the Xplornet sale to Stonepeak. These transactions raised substantial capital for CSOC to explore new investment opportunities. The investment in Fibracast and Nordstar are two such opportunities.

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. As a result of changes in portfolio composition executed during 2020 ~69% of CSOC's portfolio investments comprise marketable investments, up substantially from ~36% as of March 31, 2020.

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

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. At September 30th CSOC held 177,523 common shares with an initial purchase in January 5, 2015.

Prior to September 30, 2019 we presented 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 6 to the Interim Financial Statements provides a segmented breakdown.

Description	Average Cost \$	Fair Value \$	% of Portfolio
Total Marketable Investments	13,100,596	7,833,172	68.75%
Cash	3,146,046	3,146,131	27.61%
Common Equity Held Long	8,021,206	3,415,719	29.98%
Bird Construction Inc.	511,612	478,413	4.20%
ClearStream Energy Services Inc.	2,012,939	144,992	1.27%
Second Cup Ltd.	3,400,936	804,056	7.06%
Yellow Pages Limited	2,095,719	1,988,258	17.45%
Options	61,480	9,500	0.08%
Genworth MI Canada Inc.	61,480	9,500	0.08%
Fixed Income Held Long	962,982	1,079,344	9.47%
Exxon Mobil	317,811	376,551	3.30%
Kraft Heinz Foods Co.	645,171	702,793	6.17%
Fixed Income Held Short	(721,931)	(812,211)	-7.13%
US Treasury	(721,931)	(812,211)	-7.13%
Preferred Shares	1,630,813	994,689	8.73%
BCE Inc.	44,010	36,275	0.32%
BMO Laddered Preferred Share ETF	137,387	131,328	1.15%
Bombardier Inc.	299,124	257,575	2.26%
Canadian Life Companies Split	78,572	78,792	0.69%
Enbridge Inc.	220,912	191,014	1.68%
Manulife Financial	6,744	6,416	0.06%
M-Split	838,474	288,964	2.54%
TC Energy Corporation	5,590	4,325	0.04%
Total Private Investments	3,570,536	3,559,001	31.24%
Common Equity Held Long	705,564	995,138	8.73%
Brill Power	105,559	110,994	0.97%
Neptune Acquisition GP Inc.	400,000	400,000	3.51%
Nordstar Capital Inc. LP	5	4,884	0.04%
Reformulary Group Inc.	200,000	250,000	2.19%
Xplornet Mobility Inc.	0	51,792	0.45%
Xplornet Wireless Inc.	0	177,468	1.56%
Fixed Income Held Long	174,000	171,922	1.51%
Nordstar Capital Inc. LP	174,000	171,922	1.51%
Warrants	400,000	400,000	3.51%
BZ Holdings Inc.	0	0	0.00%
Fibracast Special Warrant	400,000	400,000	3.51%
Preferred Shares	2,290,972	1,991,941	17.48%
BZ Holdings Inc.	918,783	509,984	4.48%
ClearStream Energy Services Inc.	729,400	510,300	4.48%
HashTag Paid Inc.	132,837	166,580	1.46%
Hubba, Inc.	509,952	805,077	7.07%
Grand Total Marketable and Private Investments	\$16,671,132	\$11,392,173	99.98%
Other Assets, Net of Liabilities		1,896	0.02%
CSOC'S Investments at Fair Value		\$11,394,069	100.00%

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

Description	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Total Revenue Per Share	(\$0.58)	\$0.09	(\$0.05)	(\$0.22)	\$0.06	(\$0.49)	(\$0.04)	\$0.17
Realized Gains(Losses) Per Share	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.05)	\$0.02	(\$0.06)	(\$0.04)
Unrealized Gains(Losses) Per Share	(\$0.57)	\$0.10	(\$0.05)	(\$0.21)	\$0.11	(\$0.52)	\$0.02	\$0.21
Total Shareholder's Equity	\$13,617,007	\$13,778,870	\$13,593,521	\$13,015,272	\$13,114,933	\$11,888,578	\$11,741,502	\$12,111,721
Equity per Class A Share	\$4.90	\$4.96	\$4.89	\$4.68	\$4.72	\$4.28	\$4.23	\$4.36
Equity per Class B Share	\$4.90	\$4.96	\$4.89	\$4.68	\$4.72	\$4.28	\$4.23	\$4.36

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.

Discussion of Operations

For the three and nine month periods ended September 30, 2020 CSOC reported net income of \$370,216 and net losses of \$1,003,212 or \$0.13 and (\$0.36) per Class A Multiple Voting Shares and Class B Subordinate Voting Shares respectively. The three month gain was predominately the result of \$572,853 in unrealized gains on holdings of Second Cup, the two Xplornet Spincos and Yellow Pages, offset partially by \$117,968 in realized losses on the redemption of CSOF units by CSOC. For the nine month period the loss was predominately due to unrealized losses on investments in BZ Holdings, Clearstream Energy Services Inc., M-Split and Second Cup Ltd.

The net assets of the Corporation were \$12,111,721 at September 30, 2020 versus \$13,114,933 at December 31, 2019 or \$4.36 per CSOC Class A Share and Class B Share versus \$4.72 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, the "transitional period" could be several months to a year or more. Any new investments will be made directly by CSOC.

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.

Subsequent Events

There are no subsequent events.

Capital Resources

CSOC has no commitments for any capital expenditures as of September 30, 2020.

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 September 30, 2020 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 September 30, 2020, 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

On 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 the day-to-day operational services to carry out the business affairs of CSOC. At September 4, 2020, this arrangement was extended for another 12 months that no fees will be payable for services provided by Canso to CSOC. There were no management fees charged for the nine months ended September 30, 2020 (September 30, 2019: \$0).

At CSOC's Annual General and Special Meeting on May 26, 2020 minority shareholders of CSOC approved the sale of certain of its assets consisting of 112,668 Series 4 Class A Preferred Shares of Hubba Inc. to Skunkworks Investment Corporation for a total cash consideration of US\$1,823,249.91 (the "Transaction"). The Transaction closed on May 28, 2020.

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"). Minority shareholders approved the Transaction at CSOC's Annual General and Special Meeting on May 26, 2020. The TSX Venture Exchange also approved the Transaction as required.

The Transaction was 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.

Disclosure of Outstanding Share Data

As at September 30, 2020 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.