

Canso Select Opportunities Corporation

Management's Discussion and Analysis For the Three and Nine Months Ended September 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 three and nine month periods ended September 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 November 20, 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 September 30, 2019 CSOC wrote down the value of its holding in Telepath Secured Promissory Notes to \$0 from the previous mark of \$601,105. This decision reflects CSOC management's assessment that Telepath is highly unlikely to successfully execute its business plan. The adjustment resulted in the incurrence of \$601,105 in unrealized losses on the investment.

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 nine months of 2019. This rebound occurred 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 20.6% and 19.1% respectively. Credit risk premiums reflected by U.S. high yield spreads tightened 131bps. Amidst equity and credit market optimism, 10-year U.S. Treasury and Government of Canada bond yields fell 102 and 61bps respectively, price action more indicative of economies sliding towards recession.

U.S. economic expansion continued with preliminary 3rd quarter GDP growing at a 1.9% annual rate and unemployment at 3.6%. In a pre-emptive move the Federal Reserve lowered interest rates twice in the third quarter and again at its October 30 meeting for a total of 75bps. The Bank of Canada adopted a wait and see stance to potential alterations in policy rates.

Specific Factors

For the three and nine month periods ended September 30, 2019 CSOC reported net losses of \$578,247 and \$601,735 or \$0.21 and \$0.22 per Class A Shares and Class B Shares respectively. The net losses were primarily attributable to the writedown of Telepath Secured Promissory Notes.

Summary of Investment Portfolio

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

The conversion of CSOF to CSOC afforded a path to value recognition of several of the less liquid holdings of the Fund. The value realization objective was jeopardized by the overhang of the annual redemption feature of the closed end fund structure, which despite CSOF's positive long-term track record, had substantially reduced capital available to CSOF. CSOC provides permanent capital permitting the realization of value from its existing portfolio. It also provides the opportunity to redeploy capital as it becomes available in unique opportunities.

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.

Thus far in 2019 we have taken additional steps in CSOC's long-term value creation process. These steps include the sale of a portion of CSOC's interest in Hubba Inc. for proceeds of \$2.1 million. This transaction closed at the end of June 2019.

Proceeds from the sale of Hubba were redeployed in income generating assets including Ford Credit Canada floating rate notes, Kraft Heinz long term fixed rate bonds, Stuart Olsen Inc. convertible notes, and preferred shares of BCE, BMO Laddered Preferred Share Index, Enbridge, Manulife Financial Corporation and TC Energy. We also invested in HashTag Paid Inc. a private company. These purchases followed investments made early in 2019 in Brill Power and Reformulary Group, both private companies. These investments were funded from proceeds of a partial redemption of preferred share holdings of BZ Holdings (formerly known as Purch) which occurred at the end of 2018.

Since the conversion from Fund to Corporation we have started to shift 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 evaluate changes to the portfolio composition during the balance of 2019 and in to 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.

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.

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.

Second Cup Ltd.

Second Cup (TSX: SCU) is a Canadian specialty coffee retailer operating under the trade name Second Cup™ in Canada, of which the majority are operated by franchisees.

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

Ford Credit Canada Co.

Ford Credit Canada Co. is the Canadian financing arm for Ford Motor Company. Ford Credit Canada benefits from an unconditional guarantee from Ford Motor Credit Company LLC.

CSOC held \$1,300,000 March 21, 2024 Floating Rates Notes issued by Ford Credit Canada Co.

In previous management reports 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 6 to the Financial Statements provides a segmented breakdown.

Description	Average Cost \$	Fair Value \$	% of Portfolio
Marketable Investments			
Cash & Cash Equivalents	115,320	115,320	0.9%
Common Equity Held Long	8,901,794	3,347,343	26.6%
ClearStream Energy Services Inc.	2,012,939	316,350	2.5%
Second Cup Ltd.	3,400,936	1,352,276	10.7%
Torstar Corporation	1,392,200	223,028	1.8%
Yellow Pages Limited	2,095,719	1,455,689	11.6%
Common Equity Held Short	(185,536)	(291,930)	-2.3%
Genworth MI Canada Inc.	(185,536)	(291,930)	-2.3%
Equity Options	189,628	14,077	0.1%
Genworth MI Canada Inc.	189,628	14,077	0.1%
Preferred Shares	1,003,812	908,832	7.2%
BCE Inc.	4,509	4,458	0.0%
BMO Laddered Preferred Share Index ETF	66,987	67,060	0.5%
Canadian Life Companies Split	78,572	86,268	0.7%
Enbridge Inc.	2,936	2,932	0.0%
Manulife Financial Corporation	6,744	6,684	0.1%
M-Split	838,474	735,900	5.8%
TC Energy Corporation	5,590	5,530	0.0%
Fixed Income Held Long	2,047,411	2,065,737	16.4%
Ford Credit Canada Co.	1,345,240	1,345,090	10.7%
Kraft Heinz Foods Co	645,171	665,482	5.3%
Stuart Olson Inc.	57,000	55,165	0.4%
Fixed Income Held Short	(475,458)	(488,055)	-3.9%
US Treasury Bond	(475,458)	(488,055)	-3.9%
Total Marketable Investments	\$11,596,971	\$5,671,324	45.0%
Private Investments			
Common Equity	\$305,559	\$305,059	2.4%
Brill Power Limited	105,559	105,059	0.8%
Reformulary Group Inc.	200,000	200,000	1.6%
Preferred Shares	\$3,697,416	\$4,930,486	39.1%
BZ Holdings Inc.	918,783	995,799	7.9%
ClearStream Energy Services Inc.	729,400	729,000	5.8%
Hubba, Inc.	2,049,233	3,205,687	25.4%
Warrants	\$141,651	\$1,557,392	12.4%
BZ Holdings Inc.	-	-	0.0%
Telepath Networks, Inc.	-	-	0.0%
Xplornet Communications	141,651	1,557,392	12.4%
Fixed Income	\$1,473,537	\$132,468	1.1%
HashTag Paid Inc.	132,837	132,468	1.1%
Telepath Networks, Inc.	1,340,700	-	0.0%
Total Private Investments	5,618,163	6,925,405	55.0%
Grand Total Marketable and Private Investments	17,215,134	12,596,729	100.0%
Other Assets, Net of Liabilities		(25,226)	
CSOC'S Investments at Fair Value through Profit or Loss		12,571,503	

Selected Financial Information

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

Description	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
Total revenue per share	(\$0.13)	(\$0.58)	\$0.09	(\$0.05)	(\$0.22)
Realized gains (losses) per share	\$0.00	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)
Unrealized gains (losses) per share	(\$0.13)	(\$0.57)	\$0.10	(\$0.05)	(\$0.21)
Total Shareholders' Equity	\$15,141,485	\$13,617,007	\$13,778,870	\$13,593,521	\$13,015,272
Equity per Class A Share	\$5.45	\$4.90	\$4.96	\$4.89	\$4.68
Equity per Class B Share	\$5.45	\$4.90	\$4.96	\$4.89	\$4.68

Revenue and profit during the three month period ending September 30, 2019 was impacted primarily by unrealized losses on the Corporation's investment portfolio, notably Telepath. 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 three and nine month periods ended September 30, 2019 CSOC reported net losses of \$578,247 and \$601,735 or \$0.21 and \$0.22 per Class A Shares and Class B Shares respectively.

The net assets of the Corporation were \$13,015,272 at September 30, 2019 or \$4.68 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. 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 commenced trading on the TSX Venture Exchange under the symbols CSOC.A representing 1,621,460 Class A Shares and CSOC.B representing 1,156,738 Class B Shares.

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 through the elimination of the annual redemption feature of CSOF. 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.

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.

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.

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.

Capital Resources

CSOC has no commitments for any capital expenditures as of September 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 September 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 September 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 were used by CSOC to pursue several investment opportunities 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 related party Transaction.

Disclosure of Outstanding Share Data

As at September 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.