

Canso Select Opportunities Corporation

Annual Management's Discussion and Analysis For the Year Ended December 31, 2021

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 years ended December 31, 2021 and December 31, 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 statements of financial position, statements of comprehensive income (loss), 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 March 29, 2022. 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 these objectives, 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

Subsequent to year-end, CSOC continued to sell Hertz Global Holdings for a realized gain. Hertz was acquired through a series of transactions when the company emerged from Chapter 11 in the summer of 2021. CSOC also sold or reduced its preferred share positions in Manulife, TC Energy, Enbridge, BCE, TD Bank, and the BMO Laddered Preferred Share ETF. This had the effect of increasing CSOC's cash position to approximately 16% at February 28, 2022.

CSOC also added a bond investment to its portfolio holdings subsequent to year-end. AMC Entertainment is an American movie theater chain headquartered in Leawood, Kansas, and the largest movie theater chain in the world.

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.

Interest rates were generally rising in 2021 as central banks signalled they would be reversing their pandemic-induced easing and bond markets reacted to rising inflation. Equity markets generally performed well until the latter part of the year, when there were some declines, notably in technology related stocks. This continued into 2022 until Russia invaded Ukraine on February 24. In addition to the humanitarian catastrophe, Government bond yields initially declined, commodity prices soared, and equity markets fell. Companies that had been recovering from pandemic related business declines were the most affected. More recently, interest rates have significantly increased and equity markets have recovered somewhat. At time of writing, the first quarter of 2022 will be one of the worst quarters for bond returns for many years. Finally, CSOC has no ownership in the securities of Russian or Ukrainian companies.

Specific Factors

During the year ended December 31, 2021, CSOC reported net income of \$2,376, 970 (\$0.86 per Class A or B share) versus a net loss in 2020 of \$1,081,357 or (\$0.39) per Class A or B share. Most of this revenue came from unrealized gains on investments with Hertz, Cenovus, and the preferred share holdings the largest contributors.

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. In 2021 we continued the long-term value creation process through the sale of Kraft and Exxon bonds and a reduction in the preferred share holdings. These transactions raised capital for CSOC to explore new opportunities and add to existing positions. Investments in Cenovus Energy, Our Home and Miniature Land, and Hertz are examples of such opportunities.

CSOC's available cash resources totalled \$387,155 as of December 31, 2021.

CSOC's investments 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. CSOC held 177,523 common shares with an initial purchase of October 25, 2013.

The table below consolidates CSOC's investments into Marketable and Private.

December 31, 2021

Description	Average Cost \$	Fair Value \$	% of Portfolio
Marketable Investments			
Cash & Cash Equivalents	\$ 315,355	\$ 316,667	2.3%
Common Equity Held Long	\$ 9,923,017	\$ 6,526,709	46.6%
Aegis Brands Inc. (previously Second Cup Ltd.)	\$ 3,400,936	\$ 648,727	4.6%
Bird Construction Inc.	\$ 511,612	\$ 731,119	5.2%
ClearStream Energy SVCS Inc.	\$ 2,012,939	\$ 289,984	2.1%
Hertz Global Holdings Inc	\$ 1,021,813	\$ 1,834,773	13.1%
MDA Ltd.	\$ 879,998	\$ 597,142	4.3%
Yellow Pages Limited	\$ 2,095,719	\$ 2,424,964	17.3%
Warrants			
Cenovus Energy Inc Warrant	\$ 102,179	\$ 269,133	1.9%
Preferred Shares	\$ 3,654,980	\$ 3,556,288	25.2%
BCE Inc.	\$ 44,010	\$ 60,200	0.4%
Bank of Montreal	\$ 479,994	\$ 494,698	3.5%
BMO Laddered Preferred Share Index ETF	\$ 136,214	\$ 166,752	1.2%
Bombardier Inc	\$ 379,277	\$ 467,403	3.3%
Canadian Life Companies Split	\$ 78,572	\$ 86,184	0.6%
Enbridge Inc.	\$ 220,912	\$ 283,937	2.0%
M-Split	\$ 838,474	\$ 507,533	3.6%
Manulife Financial Corp	\$ 497,706	\$ 510,228	3.6%
Sun Life Financial Corp	\$ 483,261	\$ 463,300	3.3%
TC Energy Corp	\$ 5,590	\$ 7,040	0.1%
Toronto Dominion Bank	\$ 490,970	\$ 509,013	3.6%
Total Marketable Investments	\$ 13,995,531	\$ 10,668,797	76.0%
Private Investments			
Common Equity Held Long	\$ 1,291,079	\$ 1,545,087	11.1%
Brill Power Limited	\$ 105,559	\$ 110,535	0.8%
Fibracast	\$ 800,000	\$ 840,000	6.0%
Nordstar Capital LP	\$ 5	\$ 169,540	1.2%
Reformulary Group Inc.	\$ 200,000	\$ 250,000	1.8%
Xplornet Mobile Inc.	\$ 51,792	\$ 41,289	0.3%
Xplornet Wireless Inc.	\$ 133,723	\$ 133,723	1.0%
Fixed Income Held Long	\$ 944,000	\$ 944,000	6.6%
Nordstar Capital LP	\$ 144,000	\$ 144,000	1.0%
Our Home and Miniature Land	\$ 400,000	\$ 400,000	2.8%
Smooth Payment Inc.	\$ 400,000	\$ 400,000	2.8%
Warrants			
Smooth Payment Inc. Warrant	\$ -	\$ 64,184	0.5%
Preferred Shares	\$ 862,237	\$ 823,656	5.8%
ClearStream Energy Services - Preferred	\$ 729,400	\$ 465,612	3.3%
HashTag Paid Inc.	\$ 132,837	\$ 358,044	2.5%
Total Private Investments	\$ 3,097,316	\$ 3,376,927	24.0%
Total Marketable and Private Assets	\$ 17,092,847	\$ 14,045,724	100.0%
Other Liabilities, Net of Assets		\$ (8,268)	
CSOC's Investments at Fair Value		\$ 14,037,456	

Selected Annual Information

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

Description	2021 (CAD\$)	2020 (CAD\$)
Total Revenue (Loss)	\$2,941,299	(\$1,041,793)
Net Income (Loss)		
Total	\$2,376,970	(\$1,081,357)
Per Share	\$0.86	(\$0.39)
Diluted Per Share	\$0.86	(\$0.39)
Total Assets	\$14,453,066	\$12,068,696
Equity per Class A Share	\$5.19	\$4.33
Equity per Class B Share	\$5.19	\$4.33

During the year ended December 31, 2021, CSOC reported net income of \$2,376,970 or \$0.86 per Class A or B share versus a 2020 loss of \$1,081,357 ((\$0.39) per Class A or B share). In 2021, total assets and equity per share both increased by almost 20%.

Discussion of Operations

Most sales in 2021 were in the Bombardier preferred shares and Hertz common equity. In addition, more capital was deployed into convertible debt of Our Home and Miniature Land, and Smooth Payment.

CSOC Tax Status

On September 4, 2018, Canso Select Opportunities Fund (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 a year or more. The Investment Committee will consider any new investment and will take into account whether the investment is best made in CSOF to utilize those tax losses or in 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.

Summary of Quarterly Results

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

Description	31-Dec-2021	30-Sep-2021	30-Jun-2021	30-Mar-2021	31-Dec-2020	30-Sep-2020	30-Jun-2020	31-Mar-2020
Total Revenue	\$ 314,395	\$ (399,842)	\$ 1,370,532	\$ 1,656,214	\$ (36,802)	\$ 469,488	\$ (107,387)	\$ (1,367,092)
Total Revenue Per Share	\$ 0.11	\$ (0.14)	\$ 0.49	\$ 0.60	\$ (0.01)	\$ 0.17	\$ (0.04)	\$ (0.49)
Realized Gains (Losses)	\$ 213	\$ (87,668)	\$ (85,362)	\$ 389,268	\$ (20,020)	\$ (117,968)	\$ (168,973)	\$ (86,436)
Realized Gains (Losses) Per Share	\$ 0.00	\$ (0.03)	\$ (0.03)	\$ 0.14	\$ (0.01)	\$ (0.04)	\$ (0.06)	\$ (0.03)
Unrealized Gains (Losses)	\$ 291,772	\$ (334,319)	\$ 1,437,592	\$ 1,255,462	\$ (21,652)	\$ 578,577	\$ 61,163	\$ (1,295,341)
Unrealized Gains (Losses) Per Share	\$ 0.11	\$ (0.12)	\$ 0.52	\$ 0.45	\$ (0.01)	\$ 0.21	\$ 0.02	\$ (0.47)
Total Shareholder's Equity	\$ 14,410,546	\$ 14,190,817	\$ 14,575,540	\$ 13,422,765	\$ 12,033,576	\$ 12,111,721	\$ 11,741,502	\$ 11,888,578
Equity per Class A Share	\$ 5.19	\$ 5.11	\$ 5.25	\$ 4.83	\$ 4.33	\$ 4.36	\$ 4.23	\$ 4.28
Equity per Class B Share	\$ 5.19	\$ 5.11	\$ 5.25	\$ 4.83	\$ 4.33	\$ 4.36	\$ 4.23	\$ 4.28

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

CSOC added a bond investment to its portfolio holdings subsequent to year-end. AMC Entertainment is an American movie theater chain headquartered in Leawood, Kansas, and the largest movie theater chain in the world.

Also, subsequent to year-end, CSOC continued its sales of preferred shares and Hertz. Proceeds from these sales has not yet been reinvested and CSOC's cash position was approximately 16% of assets at February 28, 2022.

Capital Resources

CSOC has no commitments for any capital expenditures as of December 31, 2021.

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 December 31, 2021 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 December 31, 2021, CSOC continued to have the capability to hold derivatives and short positions in an investment portfolio in accordance with its investment mandate. However, at year-end no short positions were held and CSOC held two warrants that were issued by the respective companies. The list of all associated risks are 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. Under the terms of the agreement, until August 1, 2021, no fees are payable for services provided by Canso to CSOC. On August 1, 2021, this arrangement was extended for a further 12 months. There were no management fees charged for the year ended December 31, 2021 (December 31, 2020: \$0).

Disclosure of Outstanding Share Data

As at December 31, 2021 and the date hereof, there were 1,621,460 Class A Shares and 1,156,738 Class B Shares of the Corporation outstanding.

Litigation

The Corporation may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a determination could adversely affect the Corporation's performance and the market price for the Corporation's securities.

In August 2021, a proposed class action complaint was brought in the Superior Court of the State of California relating to the sale of BZ Holdings, Inc. ("**BZ**"), a Delaware corporation, to Centerfield Media Parent, Inc., which was accomplished by merger approved by BZ's board of directors in December 2020. The proposed representative plaintiffs are three former common shareholders of BZ, purporting to represent a class of other common shareholders. As a result of the merger transaction, which was managed and approved by a special committee of the BZ board of directors, who were advised by sophisticated U.S. legal counsel and an investment banking advisor, the preferred shareholders recovered some, but not all of their investments, and the common shareholders did not receive any compensation. The defendants named in the complaint are BZ's board of directors, certain officers of BZ, BZ's financial adviser, and certain preferred shareholders who the plaintiffs allege promoted and approved the merger. CSOC, was a preferred shareholder of BZ and CDS & Co. is named in the complaint as the registered holder of CSOC's

preferred shares. CDS & Co. has not been served with the complaint. Upon motions by the other defendants, on February 22, 2022, the court stayed the lawsuit on jurisdictional grounds. The Corporation denies the allegations in the complaint and, if necessary, will vigorously defend the action.

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. 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.