

Canso Select Opportunities Corporation

Management's Discussion and Analysis For the Three Months Ended March 31, 2022

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 months ended March 31, 2022 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 (loss) 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 May 26, 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 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 April 5, CSOC sold a small amount (about 5%) of its holdings in the AMC Entertainment Holdings 7.5% Feb 15, 2029 bond.

On May 5, CSOC purchased \$1,050,000 of a Canada bond with a 0.25% coupon maturing November 1, 2022. The bond was purchased at a slight discount to par because of its low coupon. The price will move back to par as the bond approaches maturity in November and that gain is expected to be a capital gain for tax purposes. That is beneficial for CSOC.

On May 10, CSOC added another \$15,000 par value to the existing Air Canada 4% Jul 1, 2025 convertible bond. This brings the total par value to \$79,000 for this convertible that is trading well above par because of the recovery in the Air Canada stock price.

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. For each 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.

On May 4, the U.S. Federal Reserve raised overnight rates for the first time since 2018. They also decided to begin reducing their holdings of Treasury securities and agency debt and agency mortgage-backed securities on June 1. The Fed acknowledged stubbornly elevated inflation caused by high energy prices and demand-supply imbalances related to the pandemic. The invasion of Ukraine by Russia rattled already stretched supply chains and is expected to create additional upward pressure on inflation. Strong job gains and a declining unemployment rate support the market's bearish sentiment on yields. Fed guidance indicates there will be several additional interest rate hikes this year, continuing into next year.

The Bank of Canada raised the overnight rate to 1% in two separate rate hikes. Economic growth is strong in Canada and household spending strengthened after lifting of public health restrictions. Poor harvests and higher transportation costs are adding to pervasive price pressures. Bank of Canada guidance indicates further rate hikes to curb inflation and they are considering when to begin their balance sheet reduction programme.

As a result, bond markets suffered their worst quarter in four decades as yields spiked up. Equity markets are also down year-to-date through May 16. The more resource-weighted Canadian market has done generally better and the more technology-heavy NASDAQ has been one of the worst performers.

Specific Factors

During the period ended March 31, 2022, CSOC reported a net (loss) income of (\$84,460) (March 31, 2021: \$1,389,189) or (\$0.03) (March 31, 2021: \$0.50) per CSOC Class A and B share. This is primarily the result of a small unrealized loss on the overall portfolio and higher than usual professional fees. The equity holdings generally performed well in a challenging market environment with the Cenovus warrants the strongest performer.

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. CSOC management also believes the current environment is one where it is most important to protect the value of its capital through adverse market moves. This is why a portion of the portfolio has been kept in Government of Canada bonds.

CSOC's available liquid resources of cash, T-bills, and Canadian and US Government bonds totalled almost \$3 million as of March 31, 2022 or 21% of the market value of the portfolio. These liquid resources give CSOC the ability to take full advantage of potential future opportunities.

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 March 31st 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.

March 31, 2022

Description	Average Cost \$	Fair Value \$	% of Portfolio
<u>Marketable Investments</u>			
Cash & Cash Equivalents	\$ 2,905,396	\$ 2,897,068	20.7%
Fixed Income Held Long	\$ 376,934	\$ 367,635	2.6%
Air Canada convertible	\$ 114,344	\$ 117,830	0.8%
AMC Entertainment Holdings	\$ 262,590	\$ 249,805	1.8%
Common Equity Held Long	\$ 9,325,656	\$ 5,351,795	38.3%
Aegis Brands Inc. (previously Second Cup Ltd.)	\$ 3,400,936	\$ 689,844	4.9%
Bird Construction Inc.	\$ 511,612	\$ 679,747	4.9%
ClearStream Energy SVCS Inc.	\$ 2,012,939	\$ 316,346	2.3%
Hertz Global Holdings Inc	\$ 424,452	\$ 666,769	4.8%
MDA Ltd.	\$ 879,998	\$ 648,684	4.6%
Yellow Pages Limited	\$ 2,095,719	\$ 2,350,405	16.8%
Warrants			
Cenovus Energy Inc Warrant	\$ 102,179	\$ 410,350	2.8%
Preferred Shares	\$ 1,779,584	\$ 1,589,179	11.4%
Bombardier Inc	\$ 379,277	\$ 480,151	3.4%
Canadian Life Companies Split M-Split	\$ 78,572	\$ 85,848	0.6%
Sun Life Financial Corp	\$ 838,474	\$ 587,555	4.2%
Total Marketable Investments	\$ 14,489,749	\$ 10,616,027	75.8%
<u>Private Investments</u>			
Common Equity Held Long	\$ 1,291,079	\$ 1,480,747	10.6%
Brill Power Limited	\$ 105,559	\$ 105,822	0.8%
Fibracast	\$ 800,000	\$ 840,000	6.0%
Nordstar Capital LP	\$ 5	\$ 109,913	0.8%
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	\$ 984,000	\$ 984,000	7.0%
Nordstar Capital LP	\$ 144,000	\$ 144,000	1.0%
Our Home and Miniature Land	\$ 440,000	\$ 440,000	3.2%
Smooth Payment Inc.	\$ 400,000	\$ 400,000	2.9%
Warrants			
Smooth Payment Inc. Warrant	\$ -	\$ 64,184	0.5%
Preferred Shares	\$ 862,237	\$ 852,405	6.1%
ClearStream Energy Services - Preferred	\$ 729,400	\$ 499,190	3.6%
HashTag Paid Inc.	\$ 132,837	\$ 353,215	2.5%
Total Private Investments	\$ 3,137,316	\$ 3,381,336	24.2%
Total Marketable and Private Assets	\$ 17,627,065	\$ 13,997,363	100.0%
Other Liabilities, Net of Assets		\$ (12,590)	
CSOC's Investments at Fair Value		\$ 13,984,773	

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

Description	31-Mar-2022	31-Dec-2021	30-Sep-2021	30-Jun-2021	30-Mar-2021	31-Dec-2020	30-Sep-2020	30-Jun-2020
Total Revenue	(\$20,221)	\$314,395	\$ (399,842)	\$1,370,532	\$1,656,214	\$(36,802)	\$ 469,488	\$ (107,387)
Total Revenue Per Share	(\$0.01)	\$0.11	\$ (0.14)	\$0.49	\$0.60	\$(0.01)	\$0.17	\$(0.04)
Realized Gains (Losses)	(\$5,921)	\$213	\$(87,668)	\$(85,362)	\$389,268	\$(20,020)	\$ (117,968)	\$ (168,973)
Realized Gains (Losses) Per Share	\$0.00	\$0.00	\$(0.03)	\$(0.03)	\$0.14	\$(0.01)	\$(0.04)	\$(0.06)
Unrealized Gains (Losses)	(\$36,762)	\$291,772	\$ (334,319)	\$1,437,592	\$1,255,462	\$ (21,652)	\$578,577	\$61,163
Unrealized Gains (Losses) Per Share	(\$0.01)	\$0.11	\$(0.12)	\$0.52	\$0.45	\$(0.01)	\$0.21	\$0.02
Total Shareholder's Equity	\$14,326,086	\$14,410,546	\$14,190,817	\$14,575,540	\$13,422,765	\$12,033,576	\$12,111,721	\$11,741,502
Equity per Class A Share	\$5.16	\$5.19	\$5.11	\$5.25	\$4.83	\$4.33	\$4.36	\$4.23
Equity per Class B Share	\$5.16	\$5.19	\$5.11	\$5.25	\$4.83	\$4.33	\$4.36	\$4.23

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

During the period ended March 31, 2022, CSOC reported a net (loss) income of (\$84,460) (March 31, 2021: \$1,389,189) or (\$0.03) (March 31, 2021: \$0.50) per CSOC Class A and B share. This is primarily the result of interest income offset by small unrealized losses and expenses.

The net assets of the Corporation were \$14,326,086 at March 31, 2022 versus \$14,410,546 at December 31, 2021 or \$5.16 per CSOC Class A Share and Class B Share versus \$5.19 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 also be many years.

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 March 31, 2022.

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 March 31, 2022 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 March 31, 2022, 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. 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 quarter ended March 31, 2022 (March 31, 2021: \$0).

Disclosure of Outstanding Share Data

As at March 31, 2022 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, 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.