

Canso Select Opportunities Corporation

Management's Discussion and Analysis For the Three Months Ended June 30, 2023

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-month period ended June 30, 2023 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, 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 August 23, 2023. 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 holding company. CSOC's investment objective is to provide capital gains and dividend income to its shareholders. We believe the portfolio of investments will average returns that exceed average market returns in the long term. 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. The investment portfolio consists of public and private equity and debt investments primarily in North America, however, there is no geographic constraint on the investment portfolio.

The Class A common shares held in Lysander Funds Ltd. ("Lysander") will remain a core holding of the Corporation for the foreseeable future and are expected to generate an important source of dividend income for the corporation in the long term. The remainder of the portfolio will be invested in undervalued securities and will be disposed of when their value has been fully realized. The private debt and equity securities we hold are normally in early-stage companies. Such investments are made with the expectation that the average return will meet or exceed that of returns available in the public markets.

Recent Developments

Acquisition of Lysander Shares

On January 13, 2023, CSOC announced the acquisition of 70,000 Class A common shares of Lysander at a purchase price of \$12.25 million. The Corporation issued 2,440,239 Class B subordinate voting shares as consideration for the Lysander shares purchased.

Prior to the acquisition of shares, Lysander's normalized quarterly dividend was \$1.50 per share. If that dividend is maintained, CSOC would receive approximately \$420,000 in dividends from Lysander per annum. We note that, in addition to the normally quarterly dividend, Lysander paid a special dividend for the first quarter of 2023. On May 1, 2023 Lysander declared a total dividend of \$2.50 per share, for shareholders of record on March 31, 2023.

Market Performance

Government bond yields rose in both Canada and the U.S. during the second quarter as economies on both sides of the border demonstrated resilience and expectations for central bank rate cuts were pushed out. Yields on the 5-year government of Canada bond moved higher by 70 basis points to end the quarter at 3.68%, and continued to move higher well into the third quarter, reflecting expectations that persistent inflation will be with us for some time. Similarly in the U.S., 5-year yields moved higher by 59 basis points to end the quarter at 4.16%. The resolution of both the regional banking crisis and the debt-ceiling debate helped push interest rates higher in the U.S.

At the beginning of June, the Bank of Canada surprised the markets by raising its overnight policy rate to 4.75% after not hiking at its previous two meetings, and then made a further hike to 5% in July. The central bank admitted to inflation remaining stubbornly high. The U.S. Fed also raised its overnight rate in July to 5.5%. It remains to be seen whether the central banks will pause for a period of time to allow the effects of interest rate hikes to weave through the economy.

Helping to offset the rise in bond yields, corporate bond spreads tightened in the quarter. Overall the U.S. Corporate Bond Index fell 0.2% in the quarter, but is up 3.2% year-to-date, through the end of June. The U.S. High Yield Bond Index rose 1.6% in the quarter and is up a solid 5.4% year-to-date. The Canadian FTSE Corporate Bond Index rose 0.2% for the quarter and is up 3% year-to-date.

Equity markets were positive in the quarter with the S&P/TSX index higher by about 0.5%, the Dow Jones higher by 3.2% and the S&P 500 higher by about 8.2%. U.S. equity indices are up solidly in the year with each of the S&P 500 and NASDAQ showing double digit returns. The technology sectors in both the U.S. and Canada have experienced significant gains since the beginning of the year in part due to hype surrounding artificial intelligence. Indeed the hype is reminiscent of the recent bubbles in the VC market in 2020 and 2021, as well as with the recent meteoric rise then fall of marijuana stocks in Canada.

Outlook

It seems to us that over the past several years central bankers have learned a very harsh lesson that money does indeed matter, as Monetarist theory predicts. The risk, in our view, is that central bankers will overcorrect, so we think the chances of an often predicted but seldom achieved "Soft Landing" are low. The stock and credit markets continued to show positive momentum heading

into the third quarter but began to soften at the beginning of August. Renewed fears of high inflation returned to the market pushing yields higher and stock prices lower.

We will continue to focus on the long-term prospects for income and capital appreciation for the investments in the portfolio. We currently believe there to be reasonable value in corporate bonds in Canada and the U.S. For the first time in several years yields remain well above 3% in Canada and above 4% in the U.S. across the curve. Investment grade corporate bond spreads are at reasonable long term levels, but the all-in-yields on corporate bonds are looking more attractive than they have in several years. Shorter term and floating rate bonds are also attractive. We are invested in companies that we believe will outperform the market in the long-term and will ignore short term equity price volatility.

Overall Performance

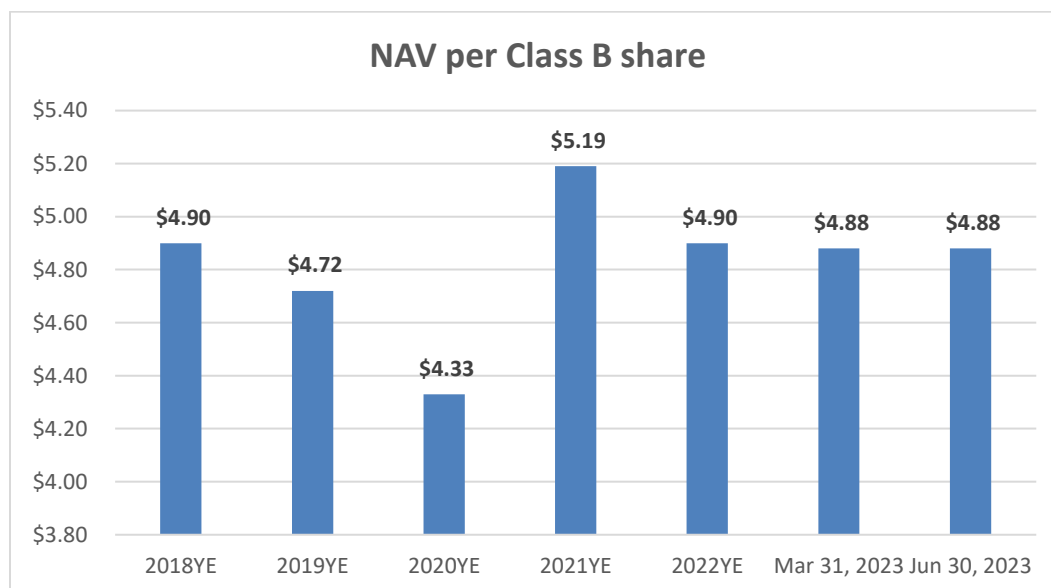
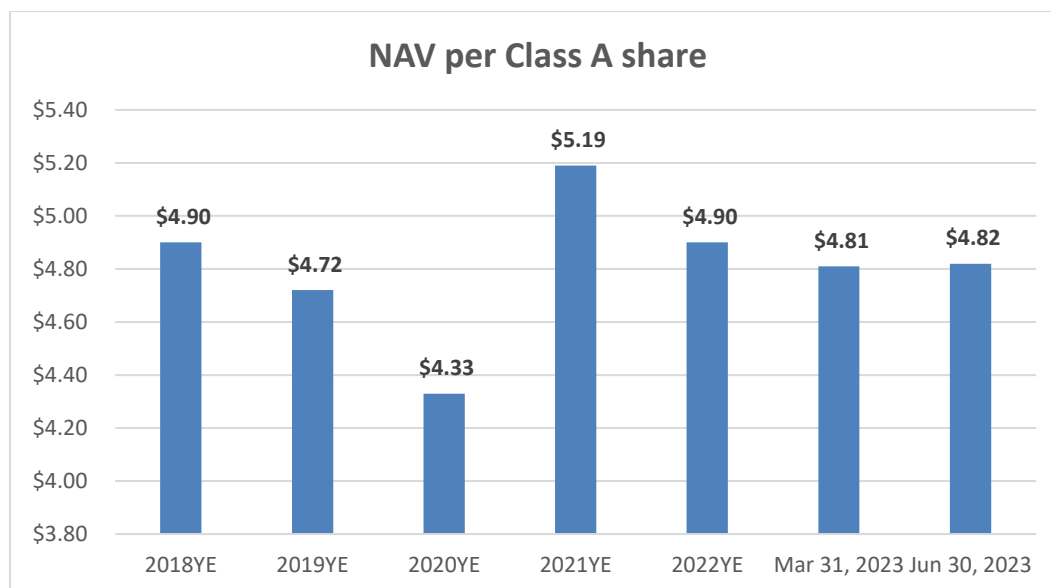
The Corporation's ability to generate income and to pay dividends depends on the performance of the holdings in its portfolio. Each fixed income and equity investment in the portfolio is unique. Portfolio companies vary from early stage start-up enterprises, to private companies in more advanced stages of development and publicly traded companies operating in mature industries.

Investments in corporate bonds and preferred shares are based on relative value analysis versus other securities available in the market. CSOC will invest in corporate bonds and preferred shares where the yield spread above the relevant government benchmark is attractive given the relative risk of the investment.

The performance of equity securities in the investment portfolio depends on a variety of factors, which include but are not limited to, economic conditions, interest rates and investor confidence as indicated by equity market valuations. In addition, for private equity investments, access to capital and improving business performance are key factors to long-term success.

Specific Factors

For the quarter ended June 30, 2023, CSOC shareholders' equity decreased by \$16,378 (June 30, 2022: \$532,936). On a per unit basis, the Class A and Class B shares incurred losses of \$0.00 (June 30, 2022: \$0.19). The increase (decline) in value per share was 0.09% (June 30, 2022: (3.57%)) for the Class A shares and (0.14%) (June 30, 2022: (3.57%)) for the Class B shares. The slight discrepancy in per unit values is based on the price at which the Class B shares were issued in exchange for the Lysander Shares. The overall flat performance of the portfolio was based on a number of positive and negative performers during the quarter as outlined in more detail below.



Summary of Investment Portfolio

CSOC's corporate structure provides a permanent capital base allowing the realization of value from its existing portfolio over time. CSOC's investments with a market value in excess of 10% of portfolio market value are described below.

On January 13, 2023, CSOC announced the acquisition of 70,000 Class A common shares of Lysander at a purchase price of \$12.25 million. The Corporation issued 2,440,239 Class B subordinate voting shares as consideration for the Lysander shares purchased.

Lysander is a multi-asset manager which provides an attractive addition to the CSOC portfolio.

The purpose of the transaction was to diversify the company's portfolio of investments and to increase its cash flows by way of consistent dividends. The primary growth in Lysander funds over the past ten years has come from its partner portfolio manager, Canso Funds, the leading independent corporate bond specialty manager in Canada.

Market outperformance for the key funds at the partner portfolio managers should result in continued growth in assets under management for Lysander, which will translate into higher revenues, profitability and cash flows over time. Given the positive outlook for the business, we believe Lysander is well positioned to increase dividends in time. The expected dividends from Lysander should more than cover the current normalized operating expenses of CSOC estimated at less than \$250,000 per annum.

Prior to the acquisition of shares, Lysander's normalized quarterly dividend was \$1.50 per share. If that dividend is maintained, CSOC would receive approximately \$420,000 in annual dividends from Lysander per annum. We note that, in addition to the normally quarterly dividend, Lysander paid a special dividend of \$1.00 per share for the first quarter of 2023. On May 1, 2023 Lysander declared a total dividend of \$2.50 per share, for shareholders of record on March 31, 2023. In addition, it declared another dividend of \$2.50 per share, including a \$1 per share special dividend with respect to Lysander's second quarter, with the dividend received by CSOC on August 2.

Further information on the transaction, the background and approval process can be found in CSOC's Notice of Meeting and Management Information Circular dated November 30, 2022 available on SEDAR and at www.selectopportunitiescorporation.com.

Investment Activity and Performance in the quarter ended June 30, 2023

Performance in the quarter was relatively flat as there were a number of positive and negative contributors, a small number of which accounted for the bulk of the movements in portfolio value.

The single largest positive contributor to performance in the quarter was the \$175,000 in first quarter dividends that were received from Lysander in May. This included a special dividend of \$1.00 per share or \$70,000. Other sizable positive contributors to performance included the equity positions held in MDA (up 16.9% for the quarter) and Hertz (up 12.9% in the quarter). The convertible bond position held in Air Canada (up 17.6% for the quarter) and the secured bonds of LATAM Airlines (up 3.6% for the quarter) also had a larger positive affect on performance in the quarter.

The more material negative contributors to performance were the common shares held in Fibracast (down 26% in the quarter), the common shares held in Bird Construction (down 7.2%) and Yellow Pages (down 5.2% in the quarter).

Fibracast is a privately held corporation that produces water filtration membranes for large scale water filtration plants, in addition to smaller scale industrial applications. We believe its technology is a world leader in water filtration membrane technology and its medium to long term prospects are very good. We have lowered the price on the common shares as we believe the

company will be raising capital at a lower valuation given the difficulty for private companies to raise capital in the current environment.

A transaction of note in the quarter was a relative value bond trade in which we sold the Air Canada senior secured bond to buy a Bank of Nova Scotia 3.7% alternative tier one note and picked up a small amount in credit spread. We believe there is more upside in the medium term on the BNS notes, but they have a longer duration and could prove more volatile in the medium term.

Detailed Investment Portfolio

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

June 30, 2023

Description	Average Cost \$	Fair Value \$	% of Portfolio
Marketable Investments			
Bank Indebtedness	\$ (8,420)	\$ (6,980)	(0.0%)
Fixed Income Held Long	\$ 2,927,960	\$ 3,027,906	12.3%
AdHawk Microsystems Inc	\$ 466,585	\$ 463,138	1.9%
Air Canada convertible	\$ 207,684	\$ 223,796	0.9%
Bank of Nova Scotia	\$ 563,450	\$ 552,782	2.3%
AMC Entertainment Holdings	\$ 237,219	\$ 174,273	0.7%
UBS Group AG 144A (previously Credit Suisse Group AG 144A)	\$ 811,813	\$ 900,132	3.7%
Latam Airlines Group	\$ 641,209	\$ 713,785	2.9%
Fixed Income Held Short	\$ (1,233,224)	\$ (1,204,473)	(4.9%)
Government of Canada	\$ (514,437)	\$ (500,462)	(2.0%)
US Treasury Note	\$ (718,787)	\$ (704,011)	(2.9%)
Common Equity Held Long	\$ 10,702,606	\$ 6,090,742	24.8%
Aegis Brands Inc. (previously Second Cup Ltd.)	\$ 3,400,936	\$ 383,754	1.6%
Bird Construction Inc.	\$ 1,011,165	\$ 1,261,375	5.1%
Cineplex Inc	\$ 618,090	\$ 646,623	2.6%
Flint Corp (previously ClearStream Energy SVCS Inc.)	\$ 2,012,939	\$ 184,535	0.8%
UBS Group AG (previously Credit Suisse Group AG)	\$ 150,796	\$ 148,542	0.6%
Hertz Global Holdings Inc.	\$ 424,452	\$ 586,469	2.4%
Manulife Financial Group	\$ 671,668	\$ 784,203	3.2%
MDA Ltd.	\$ 879,998	\$ 513,542	2.1%
NorthStar Gaming Holdings Inc (Escrow)	\$ 3,648	\$ 1,951	0.0%
NorthStar Gaming Holdings Inc (Restricted)	\$ 405	\$ 217	0.0%
NorthStar Gaming Holdings Inc (Restricted + Delayed Release)	\$ 4,501	\$ 2,772	0.0%
VerticalScope Holdings Inc	\$ 54,397	\$ 24,406	0.1%
Yellow Pages Limited	\$ 1,469,611	\$ 1,552,353	6.3%
Preferred Shares	\$ 1,779,584	\$ 1,332,220	5.4%
Bombardier Inc.	\$ 379,277	\$ 504,038	2.1%
Canadian Life Companies Split	\$ 78,572	\$ 84,840	0.4%
M-Split Corp	\$ 838,474	\$ 353,227	1.4%
Sun Life Financial Corp	\$ 483,261	\$ 390,115	1.6%
Total Marketable Investments	\$ 14,168,506	\$ 9,239,415	37.7%
Private Investments			
Common Equity Held Long	\$ 13,603,616	\$ 13,484,124	55.0%
Brill Power Limited	\$ 105,560	\$ 292,589	1.2%
Fibracast	\$ 800,000	\$ 621,600	2.5%
Lysander Funds Limited	\$ 12,250,000	\$ 12,250,000	50.0%
Smooth Payment Inc. July 5, 2031 Warrant	\$ -	\$ -	0.0%
TC Fund I LP	\$ 12,541	\$ 12,566	0.1%
Portfolio HiWay Inc.	\$ 50,000	\$ 50,000	0.2%
Reformulary Group Inc.	\$ 200,000	\$ 250,000	1.0%
X-Spectrum 2 Inc. (previously Xplornet Mobile Inc.)	\$ 51,792	\$ -	0.0%
X-Spectrum 1 Inc. (previously Xplornet Wireless Inc.)	\$ 133,723	\$ 7,369	0.0%
Fixed Income Held Long	\$ 1,077,024	\$ 876,980	3.6%
Goldman Sachs	\$ 250,024	\$ 249,980	1.0%
Nordstar Capital LP	\$ 27,000	\$ 27,000	0.1%
Our Home and Miniature Land Inc.	\$ 400,000	\$ 400,000	1.6%
Smooth Payment Inc.	\$ 400,000	\$ 200,000	0.8%
Preferred Shares	\$ 928,567	\$ 925,742	3.8%
BZ Holdings Inc.	\$ -	\$ 2	0.0%
Flint Corp - Preferred (previously ClearStream Energy Services - Preferred)	\$ 729,400	\$ 488,022	2.0%
HashTag Paid Inc.	\$ 199,167	\$ 437,718	1.8%
Total Private Investments	\$ 15,609,207	\$ 15,286,846	62.3%
Total Marketable and Private Assets	\$ 29,777,713	\$ 24,526,261	100.0%
Other Assets, Net of Liabilities		\$ 50,595	
CSOC's Investments at Fair Value		\$ 24,576,856	

Summary of Quarterly Results

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

Description	30-Jun-2023	31-Mar-2023	31-Dec-2022	30-Sep-2022	30-Jun-2022	31-Mar-2022	31-Dec-2021	30-Sep-2021
Total Revenue	\$268,773	(\$510,815)	\$71,413	(\$210,696)	(\$561,770)	(\$20,221)	\$314,395	(\$399,842)
Total Revenue Per Share	\$0.05	(\$0.10)	\$0.03	(\$0.08)	(\$0.20)	(\$0.01)	\$0.11	(\$0.14)
Realized Gains (Losses)	\$0	\$52,169	\$200,381	\$49,943	\$201,696	(\$5,921)	\$213	(\$87,668)
Realized Gains (Losses) Per Share	\$0.00	\$0.01	\$0.07	\$0.02	\$0.07	(\$0.00)	\$0.00	(\$0.03)
Unrealized Gains (Losses)	\$87,987	(\$558,562)	(\$121,315)	(\$255,414)	(\$787,177)	(\$36,762)	\$291,772	(\$334,319)
Unrealized Gains (Losses) Per Share	\$0.02	(\$0.11)	(\$0.04)	(\$0.09)	(\$0.28)	(\$0.01)	\$0.11	(\$0.12)
Shareholders' Equity	\$25,358,365	\$25,374,742	\$13,606,074	\$13,565,387	\$13,793,149	\$14,326,086	\$14,410,546	\$14,190,817
Equity per Class A Share	\$4.82	\$4.81	\$4.90	\$4.88	\$4.96	\$5.16	\$5.19	\$5.11
Equity per Class B Share	\$4.88	\$4.88	\$4.90	\$4.88	\$4.96	\$5.16	\$5.19	\$5.11

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

See “Investment Activity and Performance” above.

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. 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.

Subsequent Events

On July 26, 2023, Lysander Funds declared a regular dividend of \$1.50 per share and a special dividend of \$1.00 per share. The Corporation received a total dividend of \$175,000 on August 2, 2023

Capital Resources

CSOC has no commitments for any capital expenditures as of June 30, 2023.

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 June 30, 2023 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 June 30, 2023, CSOC continued to have the capability to hold derivatives and short positions in an investment portfolio in accordance with its investment mandate. However, at quarter-end no short positions were held and CSOC held two warrants that were issued by the respective companies. The list of all associated risks is disclosed in detail in Notes 3 and Note 10 of the 2022 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 July 31, 2023, no fees are payable for services provided by Canso to CSOC. Subsequent to quarter end, this arrangement was extended for a further 12 months. There were

no management fees charged for the quarter ended June 30, 2023. No management fees have been charged since the completion of the Arrangement on September 4, 2018.

Disclosure of Outstanding Share Data

As at June 30, 2023, there were 1,598,560 Class A Shares and 3,619,877 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. To date, the Corporation has not been served by the plaintiffs with any official documentation regarding the anticipated lawsuit by mail or any other approved means, and we are otherwise unaware of any activity relating to the suit since last year. 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.