

Canso Select Opportunities Corporation

Management's Discussion and Analysis For the Three Months Ended March 31, 2021

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, 2021 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 May 26, 2021. 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 May 26, shareholders elected Heather Mason-Wood a Director of the Company at the Annual General Meeting. At the subsequent Board of Director's meeting, Heather was appointed Board Chair, replacing Brian Carney.

On May 18, CSOC purchased \$400,000 8.0% May 18, 2023 Convertible Debentures of Smooth Payment Inc. Smooth, a private company, provides digital ordering solutions for a broad range of clients.

On March 31, Neptune Acquisition GP Inc. completed an initial public offering. Listed on the TSX as MDA Ltd., the offering priced at \$14 per share.

On March 31, CSOC sold USD\$224,000 Exxon Mobil Inc. 4.327% March 19, 2020 senior unsecured bonds purchased March 17, 2020 at a price of \$100 or a spread of +260bps, at a price of \$115.496 or a spread of +108bps.

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.

Vaccine rollouts, unprecedented fiscal stimulus, accommodative monetary policy and pent-up consumer demand, provide a positive underpinning for the Canadian and U.S. economies and financial markets. Investor confidence in a robust post pandemic economic resurgence underpinned positive equity market performance year to date. Inflation concerns continue to push longer term bond yields higher.

Specific Factors

During the period ended March 31, 2021, CSOC reported a net income (loss) of \$1,389,189 (March 31, 2020: (\$1,226,355)) or \$0.50 (March 31, 2020: (\$0.44)) per CSOC Class A and B shares. This is primarily the result of \$479,998 (March 31, 2020: \$(0)) realized gain on the disposition of Neptune Acquisition GP Inc. offset by \$90,730 (March 31, 2020: \$152,376) realized loss on redemption of CSOF units and \$1,258,278 (March 31, 2020: (\$1,306,079)) net unrealized mark to market gain (loss) primarily on CSOF's equity holding of Aegis Brands Inc., ClearStream Energy Services Inc. and M-Split.

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 2021 we continued the long-term value creation process through new investments in Smooth Payment Inc., the MDA Ltd. public offering, and the sale of Exxon Mobil senior unsecured bonds.

CSOC's available cash resources total \$3.6 million as of March 31, 2021.

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.

Description	Average Cost \$	Fair Value \$	% of Portfolio
Total Marketable Investments	14,208,019	10,659,478	82.2%
Cash	3,574,276	3,562,389	27.4%
Common Equity Held Long	9,003,383	5,491,831	42.4%
Aegis Brands Inc. (previously Second Cup Ltd.)	3,400,936	1,151,262	8.9%
Bird Construction Inc.	511,612	666,345	5.1%
Cenovus Energy Inc. Warrants	102,179	141,500	1.1%
ClearStream Energy Services Inc.	2,012,939	474,519	3.7%
MDA Ltd.	879,998	879,998	6.8%
Yellow Pages Limited	2,095,719	2,178,207	16.8%
Preferred Shares	1,630,360	1,605,258	12.4%
BCE Inc.	44,010	47,044	0.4%
BMO Laddered Preferred Share ETF	136,934	156,528	1.2%
Bombardier Inc.	299,124	353,625	2.7%
Canadian Life Companies Split	78,572	87,108	0.7%
Enbridge Inc.	220,912	246,013	1.9%
Manulife Financial	6,744	8,480	0.1%
M-Split	838,474	700,210	5.4%
TC Energy Corporation	5,590	6,250	0.0%
Total Private Investments	2,837,268	2,203,255	16.9%
Common Equity Held Long	491,079	552,227	4.2%
Brill Power	105,559	111,828	0.9%
Nordstar Capital Inc. LP	5	4,884	0.0%
Reformulary Group Inc.	200,000	250,000	1.9%
Xplornet Mobility Inc.	51,792	51,792	0.4%
Xplornet Wireless Inc.	133,723	133,723	1.0%
Fixed Income Held Long	574,000	583,514	4.5%
Nordstar Capital Inc. LP	174,000	176,610	1.4%
Our Home and Miniature Land	400,000	406,904	3.1%
Warrants	400,000	400,000	3.1%
Fibracast Special Warrant	400,000	400,000	3.1%
Our Home and Miniature Land Warrant	0	0	0.0%
Preferred Shares	1,372,189	667,514	5.1%
ClearStream Energy Services Inc.	729,400	510,300	3.9%
HashTag Paid Inc.	132,837	157,214	1.2%
Hubba, Inc.	509,952	0	0.0%
Grand Total Marketable and Private Investments	\$17,045,287	\$12,862,733	99.1%
Other Assets, Net of Liabilities		118,380	0.9%
CSOC'S Investments at Fair Value		\$12,981,113	100.0%

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

Description	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Total Revenue	\$1,656,214	(\$36,802)	\$469,488	(\$107,387)	(\$1,367,092)	\$161,144	(\$609,964)	(\$147,155)
Total Revenue Per Share	\$0.60	(\$0.01)	\$0.17	(\$0.04)	(\$0.49)	\$0.06	(\$0.22)	(\$0.05)
Realized Gains (Losses)	\$389,268	(\$20,020)	(\$117,968)	(\$168,973)	(\$86,436)	(\$139,532)	(\$32,813)	(\$7,249)
Realized Gains(Losses) Per Share	\$0.14	(\$0.01)	(\$0.04)	(\$0.06)	(\$0.03)	(\$0.05)	(\$0.01)	(\$0.00)
Unrealized Gains (Losses)	\$1,255,462	(\$21,652)	\$578,577	\$61,163	(\$1,295,341)	\$295,653	(\$579,488)	(\$144,082)
Unrealized Gains(Losses) Per Share	\$0.45	(\$0.01)	\$0.21	\$0.02	(\$0.47)	\$0.11	(\$0.21)	(\$0.05)
Total Shareholder's Equity	\$13,422,765	\$12,033,576	\$12,111,721	\$11,741,502	\$11,888,578	\$13,114,933	\$13,015,272	\$13,593,521
Equity per Class A Share	\$4.83	\$4.33	\$4.36	\$4.23	\$4.28	\$4.72	\$4.68	\$4.89
Equity per Class B Share	\$4.83	\$4.33	\$4.36	\$4.23	\$4.28	\$4.72	\$4.68	\$4.89

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, 2021, CSOC reported a net income (loss) of \$1,389,189 (March 31, 2020: (\$1,226,355)) or \$0.50 (March 31, 2020: (\$0.44)) per CSOC Class A and B shares. This is primarily the result of \$479,998 (March 31, 2020: \$(0)) realized gain on the disposition of Neptune Acquisition GP Inc. offset by \$90,730 (March 31, 2020: \$152,376) realized loss on redemption of CSOF units and \$1,258,278 (March 31, 2020: \$(1,306,079)) net unrealized mark to market gain (loss) primarily on CSOF's equity holding of Aegis Brands Inc., ClearStream Energy Services Inc. and M-Split.

The net assets of the Corporation were \$13,422,765 at March 31, 2021 versus \$12,033,576 at December 31, 2020 or \$4.83 per CSOC Class A Share and Class B Share versus \$4.33 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 March 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 March 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 March 31, 2021, 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 three months ended March 31, 2021 (March 31, 2020: \$0).

Disclosure of Outstanding Share Data

As at March 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.

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.