



Canso Select Opportunities Corporation

2020 ANNUAL REPORT

Corporate Information

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TRANSFER AGENT & REGISTRAR:

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Toronto, ON M5C 2V6

AUDITOR:

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Bay Adelaide Centre, East Tower
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CUSTODIAN:

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1 York Street, Suite 500
Toronto, Ontario M5J 0B6

LEGAL COUNSEL:

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 3400
Toronto, ON M5H 4E3

DIRECTORS, OFFICERS & COMMITTEE MEMBERS OF THE CORPORATION:

Brian Carney
Director, Chairman, President & CEO
Investment Committee member

Shirley Sumsion
Director, Chief Financial Officer
Investment and Audit Committee member

Neda Bizzotto
Director, Vice President & Corporate Secretary

John Carswell
Director & Investment Committee member

Joseph Morin
Director & Investment Committee member

Thomas Fernandes
Director & Audit Committee member

Stephen Klubi
Director & Audit Committee member

Tony MacDougall
Director & Audit Committee member

Brenda Burns
Director & Audit Committee member

Heather Mason-Wood
Investment Committee Member

Canso Select Opportunities Corporation Class A Multiple Voting Shares and Class B Subordinate Voting Shares are listed for trading on the TSX Venture Exchange.

Ticker Symbols:
CSOC.A (Class A Multiple Voting Shares)
CSOC.B (Class B Subordinate Voting Shares)

Website: www.selectopportunitiescorporation.com



Canso Select Opportunities Corporation

March 25, 2021

CSOC Shareholders...

It is my pleasure to provide you with the 2020 Annual Report of Canso Select Opportunities Corporation.

This is CSOC's third Annual Report operating as a publicly traded company. Its publication comes as the world continues to deal with the physical, emotional and economic challenges and devastation of COVID-19. The ultimate human and economic toll exacted by the Coronavirus is still being calculated and the final total will only be known months, if not years, from now. At CSOC, working remotely and self isolating, we continue to focus on the execution of our mission, creating long-term value for CSOC's shareholders.

Consistent with this mission the Corporation's Investment Committee evaluates potential investments in debt, public and private equity and other securities. The deployment of funds to new investments depends on the valuation of new investment opportunities and the availability of capital generated from the realization of proceeds from existing portfolio investments. The generation of capital through portfolio sales, combined with interest and dividend income earned should permit the eventual return of capital to shareholders through dividends over the long-term.

To that end, on September 15 Management of CSOC, by the authority vested upon them by the Board and further to your approval given at our last Special Meeting, determined that it was prudent to reduce CSOC's Aggregate Stated Capital to \$11,109,050 from \$14,863,186. Importantly, CSOC's liquidity and operations are not impacted by this reduction. The reduction increases the prospect of the Company meeting, and maintaining, the legislative requirement for paying a dividend. This is a critical, but by no means the only, input to the Board of Directors deliberations of the appropriateness of paying a dividend. At this time no dividend is contemplated.

In 2020 CSOC made significant strides in the long-term value creation process. CSOC's corporate structure provides a permanent capital base allowing the realization of value from its existing portfolio and the redeployment of that value into new investments, or possibly, to the payment of dividends to shareholders. Proceeds from the sale of BZ Holdings Inc. and Xplornet, combined with the further reduction of the Hubba Inc. position, added to CSOC's considerable liquidity position. At December 31, 2020 CSOC held \$3.6 million of cash for potential opportunities. This is after deploying cash into Fibracast and Nordstar Capital LP during the year.

I would like to thank the Officers and Directors of CSOC for their efforts on behalf of CSOC and CSOC shareholders this year. I would like to thank shareholders for their continued patience and support of CSOC's management team.

I am confident that in the months and years to come the marketplace will come to value CSOC's shares commensurate with the value and potential value of CSOC's investment holdings. Importantly Officers and Directors of CSOC, through direct and indirect holdings, comprise the most significant shareholder group of CSOC aligning their interests with all shareholders. Our focus is creating value over the long-term and as such while not pleased with CSOC's current share price we are not despondent either.



We made progress during 2020. We look forward to continuing this progress during 2021. I thank all of you for your interest in, and support of, Canso Select Opportunities Corporation.

On behalf of CSOC's Board of Directors

(signed) "Brian Carney"

Sincerely,
Brian Carney
President and CEO

Forward-Looking Statements

Certain information contained in this Annual Report constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of CSOC, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. For important information regarding forward-looking statements, please refer to CSOC's most recently filed MD&A under the heading "Forward-Looking Statements".

Canso Select Opportunities Corporation

Annual Management's Discussion and Analysis For the Year Ended December 31, 2020

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, 2020 and December 31, 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 statements of financial position, statements of comprehensive 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 25, 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 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

CSOC added two investments to its portfolio holdings subsequent to year-end. Cenovus Energy Inc. Warrants, issued as part of the acquisition of Husky Energy Inc., were added in a series of transactions. Cenovus is an integrated oil and natural gas company located in Calgary, Alberta. CSOC also participated in a 5 year Note issue by Our Home and Miniature Land. Our Home and Miniature Land is developing Little Canada, a soon to be opened tourist destination in downtown Toronto.

Also, subsequent to year-end CSOC closed out its position in Kraft Heinz Foods Co. bonds and covered the associated short position in long US Treasuries.

During January 2021, the Board of Directors of Hubba Inc. sent out an investor update that Hubba, Inc. would be shut down at the end of January 2021. It is anticipated that there will be no remaining assets available for distribution to their shareholders. Under International Accounting Standards ("IAS") 10, information that is received subsequent to year end that indicates that the asset was impaired at the reporting date, should be adjusted at that reporting date. As a result, CSOC's investment in Hubba Inc. was written down to \$nil at December 31, 2020.

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.

In early 2020, as a result of the COVID-19 outbreak, stock markets plummeted and risk premiums soared. The Bank of Canada and Federal Reserve cut overnight rates to 0.25%, levels not seen since the aftermath of the Credit Crisis in 2008. Both Central Banks announced additional measures designed to ensure liquidity in financial markets. Governments around the globe enacted sweeping fiscal policy responses designed to provide near and medium-term relief to individuals and businesses.

Financial markets rebounded quickly from the Pandemic induced selloff and equity and credit markets finished the year in positive territory. 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.

Specific Factors

During the year ended December 31, 2020, CSOC reported a net loss of \$1,081,357 (2019: \$502,074) or (\$0.39) (2019: (\$0.18)) per CSOC Class A and B shares. This is primarily the result of \$453,652 (2019: \$211,033) realized losses on redemption of CSOF units and \$678,094 (2019: \$151,441) net unrealized mark to market loss primarily on CSOF's equity holding of Hubba Inc.

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 2020 we continued the long-term value creation process through the sale of BZ Holdings Inc., the further reduction of CSOC's holding in Hubba, the sale of Maxar Technologies Inc. 2023 bonds and the XplorNet sale to Stonepeak. Subsequent to year-end Kraft Heinz bonds were sold.

The transactions noted raised substantial capital for CSOC to explore new opportunities.

Investments in Fibracast and Nordstar Capital LP and the Cenovus Energy and Our Home and Miniature Land purchases subsequent to year-end, are examples of such opportunities.

A strategic priority involved shifting the portfolio mix away from a majority of private investments. As a result of changes in portfolio composition executed during 2020 ~80% of CSOC's portfolio investments comprise marketable investments, up substantially from ~32% as of September 4, 2018.

CSOC's available cash resources total \$3.8 million as of December 31, 2020.

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 in January 5, 2015.

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

Description	Average Cost \$	Fair Value \$	% of Portfolio
Total Marketable Investments	13,580,056	9,038,199	80.2%
Cash	3,625,732	3,624,125	32.1%
Common Equity Held Long	8,021,206	3,792,394	33.7%
Aegis Brands Inc. (previously Second Cup Ltd.)	3,400,936	840,604	7.5%
Bird Construction Inc.	511,612	595,616	5.3%
ClearStream Energy Services Inc.	2,012,939	131,811	1.2%
Yellow Pages Limited	2,095,719	2,224,363	19.7%
Options	61,480	10,900	0.1%
Genworth MI Canada Inc.	61,480	10,900	0.1%
Fixed Income Held Long	962,982	1,114,865	9.9%
Exxon Mobil	317,811	374,982	3.3%
Kraft Heinz Foods Co.	645,171	739,883	6.6%
Fixed Income Held Short	(721,931)	(744,449)	-6.6%
US Treasury	(721,931)	(744,449)	-6.6%
Preferred Shares	1,630,587	1,240,364	11.0%
BCE Inc.	44,010	40,944	0.4%
BMO Laddered Preferred Share ETF	137,161	141,408	1.3%
Bombardier Inc.	299,124	293,381	2.6%
Canadian Life Companies Split	78,572	84,336	0.7%
Enbridge Inc.	220,912	205,333	1.8%
Manulife Financial	6,744	7,320	0.1%
M-Split	838,474	462,892	4.1%
TC Energy Corporation	5,590	4,750	0.0%
Total Private Investments	2,881,013	2,247,455	19.8%
Common Equity Held Long	934,824	996,521	8.8%
Brill Power	105,559	112,377	1.0%
Neptune Acquisition GP Inc.	400,000	400,000	3.5%
Nordstar Capital Inc. LP	5	4,884	0.0%
Reformulary Group Inc.	200,000	250,000	2.2%
Xplornet Mobility Inc.	51,792	51,792	0.5%
Xplornet Wireless Inc.	177,468	177,468	1.6%
Fixed Income Held Long	174,000	181,153	1.6%
Nordstar Capital Inc. LP	174,000	181,153	1.6%
Warrants	400,000	400,000	3.5%
Fibrecast Special Warrant	400,000	400,000	3.5%
Preferred Shares	1,372,189	669,781	5.9%
ClearStream Energy Services Inc.	729,400	510,300	4.5%
HashTag Paid Inc.	132,837	159,481	1.4%
Hubba, Inc.	509,952	0	0.0%
Grand Total Marketable and Private Investments	\$16,461,069	\$11,285,654	100.0%
Other Assets, Net of Liabilities		(3,811)	0.0%
CSOC'S Investments at Fair Value		\$11,281,843	100.0%

Selected Annual Information

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

Description	2020 (CAD\$)	2019 (CAD\$)
Total Revenue (Loss)	(\$1,041,793)	(\$352,609)
Net Loss For the Period		
Total	(\$1,081,357)	(\$502,074)
Per Share	(\$0.39)	(\$0.18)
Diluted Per Share	(\$0.39)	(\$0.18)
Total Assets	\$12,068,696	\$13,151,418
Equity per Class A Share	\$4.33	\$4.72
Equity per Class B Share	\$4.33	\$4.72

During the year ended December 31, 2020, CSOC reported a net loss of \$1,081,357 (2019: \$502,074) or (\$0.39) (2019: (\$0.18)) per CSOC Class A and B shares. This is primarily the result of \$453,652 (2019: \$211,033) realized losses on redemption of CSOF units and \$678,094 (2019: \$151,441) net unrealized mark to market loss primarily on CSOF's equity holding of Hubba Inc.

Discussion of Operations

During the year ended December 31, 2020, CSOC reported a net loss of \$1,081,357 (2019: \$502,074) or (\$0.39) (2019: (\$0.18)) per CSOC Class A and B shares. This is primarily the result of \$453,652 (2019: \$211,033) realized losses on redemption of CSOF units and \$678,094 (2019: \$151,441) net unrealized mark to market loss primarily on CSOF's equity holding of Hubba Inc.

The net assets of the Corporation were \$12,033,576 at December 31, 2020 versus \$13,114,933 at December 31, 2019 or \$4.33 per CSOC Class A and Class B Share versus \$4.72 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.

Summary of Quarterly Results

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

Description	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total Revenue	(\$36,802)	\$469,488	(\$107,387)	(\$1,367,092)	\$161,144	(\$609,964)	(\$147,155)	\$243,367
Total Revenue Per Share	(\$0.01)	\$0.17	(\$0.04)	(\$0.49)	\$0.06	(\$0.22)	(\$0.05)	\$0.09
Realized Gains (Losses)	(\$20,020)	(\$117,968)	(\$168,973)	(\$86,436)	(\$139,532)	(\$32,813)	(\$7,249)	(\$32,010)
Realized Gains(Losses) Per Share	(\$0.01)	(\$0.04)	(\$0.06)	(\$0.03)	(\$0.05)	(\$0.01)	(\$0.00)	(\$0.01)
Unrealized Gains (Losses)	(\$21,652)	\$578,577	\$61,163	(\$1,295,341)	\$295,653	(\$579,488)	(\$144,082)	\$275,377
Unrealized Gains(Losses) Per Share	(\$0.01)	\$0.21	\$0.02	(\$0.47)	\$0.11	(\$0.21)	(\$0.05)	\$0.10
Total Shareholder's Equity	\$12,033,576	\$12,111,721	\$11,741,502	\$11,888,578	\$13,114,933	\$13,015,272	\$13,593,521	\$13,778,870
Equity per Class A Share	\$4.33	\$4.36	\$4.23	\$4.28	\$4.72	\$4.68	\$4.89	\$4.96
Equity per Class B Share	\$4.33	\$4.36	\$4.23	\$4.28	\$4.72	\$4.68	\$4.89	\$4.96

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 two investments to its portfolio holdings subsequent to year-end. Cenovus Energy Inc. Warrants, issued as part of the acquisition of Husky Energy Inc., were added in a series of transactions. Cenovus is an integrated oil and natural gas company located in Calgary, Alberta. CSOC also participated in a 5 year Note issue by Our Home and Miniature Land. Our Home and Miniature Land is developing Little Canada, a soon to be opened tourist destination in downtown Toronto.

Also, subsequent to year-end CSOC closed out its position in Kraft Heinz Foods Co. bonds and covered the associated short position in long US Treasuries.

During January 2021, the Board of Directors of Hubba Inc. sent out an investor update that Hubba, Inc. would be shut down at the end of January 2021. It is anticipated that there will be no remaining assets available for distribution to their shareholders. Under International Accounting Standards ("IAS") 10, information that is received subsequent to year end that indicates that the asset was impaired at the reporting date, should be adjusted at that reporting date. As a result, CSOF's investment in Hubba Inc. was written down to \$nil at December 31, 2020.

Capital Resources

CSOC has no commitments for any capital expenditures as of December 31, 2020.

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, 2020 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, 2020, CSOC held derivatives and short positions in an investment portfolio in accordance with its investment mandate. 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. Until September 4, 2020, no fees will be payable for services provided by Canso to CSOC. At September 4, 2020, this arrangement was extended whereby no fees will be payable for services provided by Canso to CSOC for a further 12 months. There are no management fees charged for the year ended December 31, 2020 (December 31, 2019: \$0).

CSOC repaid the advance from Canso in January 2020 in the amount of \$11 relating to the computer software expense that Canso paid on behalf of CSOC. As such, the advance from Canso balance is \$nil at December 31, 2020 (December 31, 2019: \$11).

On May 28, 2020, CSOC closed the sale of 112,668 Series 4 Class A preferred shares of Hubba Inc. ("Hubba") to Skunkworks Investment Corporation ("Skunkworks"), a related party, for total cash consideration to the Company of US\$1,823,249.91 pursuant to a share transfer agreement dated March 11, 2020 (the "2020 Transaction"). The 2020 Transaction provided the Company with funds with which to diversify its portfolio base. As at December 31, 2019, the Hubba position accounted for approximately 25.6% of the Company's assets. The 2020 Transaction reduced the Hubba position to 6% of the Company's assets. The Company intends to use the gross proceeds of the 2020 Transaction to pursue several investment opportunities currently under investigation and for general working capital purposes. The 2020 Transaction was reviewed and approved 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 Company.

On June 28, 2019, CSOC closed the sale of 99,006 Series 4 Class A preferred shares of Hubba to Skunkworks for total cash consideration of \$2,100,000 (the "2019 Transaction"). The 2019 Transaction resulted in a realized capital gain of \$747,370. Immediately prior to the closing, the

Hubba position accounted for approximately 38.8% of CSOC's assets. As a result of the 2019 Transaction, the Hubba position represented approximately 23.4% of CSOC's assets. The gross proceeds of the 2019 Transaction were used by CSOC to pursue several investment opportunities and for general working capital purposes. The 2019 Transaction was reviewed and approved by a Special Committee comprised of members of the Board who are independent of CSOC and are not members of management of the Company.

Both Transactions are 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. Pursuant to MI 61-101, the 2020 Transaction was subject to minority shareholder approval, which required approval by a majority of the votes cast at a meeting of shareholders excluding any shares held by the directors and officers CSOC, its affiliates and joint actors (collectively, "Minority Approval"). The Company received Minority Approval at its annual and special meeting of shareholders held on May 26, 2020. The 2019 Transaction was exempt from the minority shareholder approval requirements of MI 61-101. In addition, both Transactions received approval of the TSX Venture Exchange prior to closing.

Disclosure of Outstanding Share Data

As at December 31, 2020 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.

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Financial Statements of

Canso Select Opportunities Corporation

December 31, 2020 and 2019

Table of contents

Independent Auditor's report	1 - 3
Statements of financial position	4
Statements of comprehensive loss	5
Statements of changes in equity	6
Statements of cash flows	7
Notes to financial statements	8 - 22

Management's Responsibility for Financial Reporting

The accompanying Financial Statements have been prepared by Management. Management is responsible for the information and representations contained in these Financial Statements. Management has maintained appropriate processes to ensure that relevant and reliable financial information is produced. The Financial Statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts based on estimates and assumptions. The significant accounting policies that management believes are appropriate for Canso Select Opportunities Corporation ("CSOC") are described in Note 2 to the Financial Statements.

The Board of Directors is responsible for reviewing and approving CSOC's Financial Statements, overseeing management's performance of its financial reporting responsibilities and engaging the independent auditors. For all share classes of CSOC, the Financial Statements have been reviewed and approved by the Board of Directors.

Approved by the Board of Directors

(signed) "Brian Carney"

Director

(signed) "Shirley Sumsion"

Director

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Canso Select Opportunities Corporation

Opinion

We have audited the financial statements of Canso Select Opportunities Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Darroch.



Chartered Professional Accountants
Licensed Public Accountants
March 25, 2021

Canso Select Opportunities Corporation
Statements of Financial Position
As at December 31, 2020 and 2019

	2020	2019
	\$	\$
Assets		
Current Assets		
Investment in Canso Select Opportunities Fund, FVTPL (Note 8)	9,756,931	11,530,366
Investments through FVTPL (Note 8)	1,524,912	1,152,279
Cash and cash equivalents	180,992	45,820
Prepaid expenses (Note 7)	11,871	11,921
Total Current Assets	11,474,706	12,740,386
Non-current Asset		
Deferred tax assets (Note 9)	593,990	411,032
Total Assets	12,068,696	13,151,418
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	35,120	36,474
Advances from Canso Investment Counsel Ltd. (Note 6)	-	11
Total Current Liabilities	35,120	36,485
Shareholders' Equity		
Share capital (Note 5)	11,109,050	14,863,186
Contributed surplus	4,324,550	570,414
Deficiency	(3,400,024)	(2,318,667)
Total Shareholders' Equity	12,033,576	13,114,933
Total Liabilities and Shareholders' Equity	12,068,696	13,151,418
Shareholders' Equity		
Class A Multiple Voting Shares	\$7,023,244	\$7,654,364
Class B Subordinate Voting Shares	\$5,010,332	\$5,460,569
Number of Shares Outstanding		
Class A Multiple Voting Shares	1,621,460	1,621,460
Class B Subordinate Voting Shares	1,156,738	1,156,738
Total Shareholders' Equity per Share		
Class A Multiple Voting Shares	\$4.33	\$4.72
Class B Subordinate Voting Shares	\$4.33	\$4.72

Approved by the Board of Directors

(signed) "Brian Carney"

Director

(signed) "Shirley Sumsion"

Director

The accompanying notes are an integral part of these financial statements.

Canso Select Opportunities Corporation
Statements of Comprehensive Loss
For the years ended December 31, 2020 and 2019

	2020	2019
	\$	\$
Revenue		
Dividend income	1,270	-
Interest income	27,588	11,536
Realized loss on investment (Note 8)	(453,652)	(211,033)
Realized foreign exchange gain (loss)	60,255	(570)
Change in unrealized foreign exchange gain (loss)	840	(1,101)
Change in unrealized loss on investments	(678,094)	(151,441)
Total Revenue	(1,041,793)	(352,609)
Expenses (Notes 6 and 7)		
Directors fees	126,006	117,970
Administration	33,282	42,417
Bank charges	616	800
Insurance	18,410	18,227
Professional fees	44,208	84,185
Total Expenses	222,522	263,599
Net loss before income taxes	(1,264,315)	(616,208)
Income tax recovery		
Current	-	-
Deferred (Note 9)	(182,958)	(114,134)
Total Income tax recovery	(182,958)	(114,134)
Net loss and comprehensive loss for the year	(1,081,357)	(502,074)
Net loss, by class		
Class A Multiple Voting Shares	(\$631,120)	(\$293,029)
Class B Subordinate Voting Shares	(\$450,237)	(\$209,045)
Net loss, per share		
Class A Multiple Voting Shares	(\$0.39)	(\$0.18)
Class B Subordinate Voting Shares	(\$0.39)	(\$0.18)

The accompanying notes are an integral part of these financial statements.

Canso Select Opportunities Corporation
Statements of Changes in Equity
For the years ended December 31, 2020 and 2019

	2020			
	\$	\$	\$	\$
	Share capital	Contributed surplus	Deficit	Total
<u>Class A Multiple Voting Shares</u>				
Opening balance, January 1, 2020	8,674,710	332,915	(1,353,261)	7,654,364
Net Loss for the year	-	-	(631,120)	(631,120)
Capital transaction:				
Stated capital reduction	(2,191,054)	2,191,054	-	-
Balance at December 31, 2020	6,483,656	2,523,969	(1,984,381)	7,023,244
<u>Class B Subordinate Voting Shares</u>				
Opening balance, January 1, 2020	6,188,476	237,499	(965,406)	5,460,569
Net Loss for the year	-	-	(450,237)	(450,237)
Capital transaction:				
Stated capital reduction	(1,563,082)	1,563,082	-	-
Balance at December 31, 2020	4,625,394	1,800,581	(1,415,643)	5,010,332
Total	11,109,050	4,324,550	(3,400,024)	12,033,576

	2019			
	\$	\$	\$	\$
	Share capital	Contributed surplus	Deficit	Total
<u>Class A Multiple Voting Shares</u>				
Opening balance, January 1, 2019	8,674,710	332,915	(1,060,232)	7,947,393
Net Loss for the year	-	-	(293,029)	(293,029)
Balance at December 31, 2019	8,674,710	332,915	(1,353,261)	7,654,364
<u>Class B Subordinate Voting Shares</u>				
Opening balance, January 1, 2019	6,188,476	237,499	(756,361)	5,669,614
Net Loss for the year	-	-	(209,045)	(209,045)
Balance at December 31, 2019	6,188,476	237,499	(965,406)	5,460,569
Total	14,863,186	570,414	(2,318,667)	13,114,933

The accompanying notes are an integral part of these financial statements.

Canso Select Opportunities Corporation
Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	2020	2019
	\$	\$
Operating Activities		
Net loss	(1,081,357)	(502,074)
Adjustments for:		
Realized loss on investment	453,652	211,033
Realized foreign exchange gain on investment	(59,081)	-
Interest income receivable	(21,838)	(11,536)
Change in unrealized foreign exchange (gain) loss on investments	(840)	1,101
Change in unrealized depreciation on investments	678,094	151,441
Purchase of investments	(1,086,107)	(1,086,715)
Proceeds from sale of investments	1,436,922	1,210,035
Prepaid expenses	50	6,771
Deferred tax assets	(182,958)	(114,134)
Accounts payable and accrued liabilities	(1,354)	(4,271)
Advances from Canso Investment Counsel Ltd.	(11)	(50,746)
Net Cash Generated by (Used In) Operating Activities	135,172	(189,095)
Cash and cash equivalents — Beginning of year	45,820	234,915
Cash and cash equivalents — End of year	180,992	45,820

The accompanying notes are an integral part of these financial statements.

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

1. General Information

Canso Select Opportunities Corporation ("CSOC" or "Company") was incorporated by articles of incorporation under the Ontario Business Corporations Act on February 16, 2018. Effective September 4, 2018, the Class A Multiple Voting Shares and Class B Subordinate Voting Shares of CSOC were eligible to commence trading on the TSX Venture Exchange under the symbols CSOC.A representing the Class A Multiple Voting Shares and CSOC.B representing the Class B Subordinate Voting Shares. Canso Select Opportunities Fund ("CSOF") is a wholly-owned investment held by CSOC. CSOC indirectly holds all of the investments of CSOF through its ownership of CSOF.

CSOC is an Ontario-based investment corporation. The Company's registered head office is 100 York Blvd., Suite 550, Richmond Hill, Ontario, L4B 1J8. CSOC's investment objective is to provide capital gains and dividend income to its shareholders. Consistent with this objective, the Company 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.

2. Basis of Presentation and Significant Accounting Policies

These financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and as required by Canadian securities legislation and the Canadian Accounting Standards Board. The Company qualifies as an Investment Entity under IFRS 10 'Consolidated Financial Statements' ("IFRS 10"). Entities that meet the definition of an investment entity within IFRS 10, are required to measure their subsidiaries at Fair Value Through Profit or Loss ("FVTPL") rather than consolidate them. The criteria which define an investment entity are as follows: 1) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services; 2) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and 3) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis. In the judgement of management, CSOC meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

The following significant accounting policies were used in the preparation of these financial statements:

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Deferred Income Taxes

The Company accounts for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using substantively enacted income tax rates and laws that are expected to be in effect when the differences are expected to reverse. Income tax expense for the period is the tax payable for the period and any change during the period in the deferred tax assets and liabilities. A valuation allowance is provided to the extent that it is not probable that deferred tax assets will be realized.

Shareholders' Equity

CSOC classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. CSOC's Class A multiple voting shares, and Class B subordinate voting shares do not contain a redemption feature, are therefore not puttable and are classified as equity under IAS 32, Financial Statements.

Foreign Currency

CSOC's functional and presentation currency is the Canadian dollar. Foreign-denominated investments and other foreign-denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses relating to cash and other financial assets and liabilities are presented as 'Foreign exchange gain (loss) on cash and other net assets'.

Income Recognition

Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Interest income is measured using the effective interest rate method.

2. Basis of Presentation and Significant Accounting Policies (Cont'd)

Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Share Capital

Share capital of the Company as stated in the financial statements is the same as the Company's legal stated capital.

IFRS 9 Financial Instruments ("IFRS 9")

Since its inception, CSOC has applied IFRS 9, Financial Instruments, which deals with the recognition, derecognition, classification and measurement of financial instruments. IFRS 9 contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, cash, prepaid expenses and accounts payable and accrued liabilities are all carried at amortized cost. All other financial assets would be measured at fair value. IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income. The ECL impairment model does not have a material impact on the Company's financial assets given that the majority of the Company's financial assets are measured at Fair value through profit or loss.

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss ("FVTPL")

Assets

CSOC classifies its investments in debt and equity securities and investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. These financial assets are managed and their performance is evaluated on a fair value basis. CSOC also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income ("FVOCI") has not been taken. Consequently, these financial assets are mandatorily measured at FVTPL.

Liabilities

CSOC may make short sales in which a borrowed security is sold in anticipation of a future decline in its market value or used as an arbitrage strategy.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking. All derivatives and short positions are included in this category and mandatorily measured at FVTPL.

Financial Assets and Financial Liabilities at Amortized Cost

The financial assets and financial liabilities measured at amortized cost include cash, accrued income, prepaid expenses and other short-term receivables and payables.

Fair Value Hierarchy

CSOC classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. Basis of Presentation and Significant Accounting Policies (Cont'd)
Fair Value Hierarchy (Cont'd)

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. Management assesses transfers at the time of an event that may cause reason for re-assessment of levelling. The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes observable data requires significant judgment by the investment committee. CSOC considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Fair Value Measurements

CSOC measures its investment in CSOF at FVTPL, which is determined based on the fair value of CSOF's assets and liabilities. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and securities) are based on quoted market prices at the close of trading on the period-end date. The quoted market price used for financial assets and financial liabilities of CSOF is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs. Management uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Where available, valuation techniques use market observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, management selects the non-market-observable inputs to be used in its valuation techniques, based on a combination of historical experience, derivation of input levels based on similar products with observable price levels and knowledge of current market conditions and valuation approaches.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

Unlisted debt securities are valued based on observable inputs such as the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

Management uses widely recognized valuation techniques for determining the fair value of financial and non-financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include: i) discounted value of expected cash flows, ii) relative value, iii) option pricing methodologies, iv) private placement financing techniques, and v) internally developed models. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value.

2. Basis of Presentation and Significant Accounting Policies (Cont'd)
Fair Value Measurements (Cont'd)

Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models.

Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued.

Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation).

For more complex instruments and instruments for which there is no active market, fair values may be estimated using a combination of observed transaction prices, if any, consensus pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services.

Private placement financings are instances where a company raises capital through an offering of additional securities in the private markets. Pertinent details of such offering, including the terms of such offering, the issue price, and total capital raised are considered when assessing the reasonability that the issue price of such offering approximates fair value. In contrast to public offerings on a recognized exchange, private placement financings are not available to the general public. The Company also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation.

Recognition, Derecognition and Measurement

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Dividend or interest income earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or CSOC has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Investment transactions are accounted for on a trade date basis. Interest income is recorded on an accrual basis. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are determined on an average cost basis and are included in the statement of comprehensive income.

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gains or losses from disposition of the related investments at the exercise price of the option.

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

2. Basis of Presentation and Significant Accounting Policies (Cont'd)

Accounting Estimates

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The most significant estimates relate to the valuation of investments. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to use judgement in applying its accounting policies and to make estimates and assumptions about the future. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

The following discusses the most significant accounting judgements that the company has made in preparing the financial statements:

i. Fair value measurement of derivatives and securities not quoted in an active market

CSOC may hold financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is the area with the most significant accounting judgements and estimates CSOC has made in preparing financial statements. See Note 10 for more information on the fair value measurements of CSOC's financial statements.

ii. Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income, together with further tax planning strategies.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are current in nature and will be paid within the next 3 months. The breakdown of the account is as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Accounts payable and accrued liabilities	25,986	27,361
Government remittances	9,134	9,113
	35,120	36,474

5. Share Capital

The Company is authorized to issue an unlimited number of shares of a class designated as Class A Multiple Voting Shares, an unlimited number of shares of a class designated as Class B Subordinate Voting Shares, and an unlimited number of shares of a class designated as Preference Shares. Share capital of the Company as stated in the financial statements is the same as the legal stated capital.

Class A Multiple Voting Shares

The rights, privileges, restrictions and conditions attaching to the Class A Multiple Voting Shares are as follows:

Dividends - The holders of Class A Multiple Voting Shares shall be entitled to receive and the Company shall pay thereon, as and when declared from time to time by the Board of Directors of the Company (the "Board") out of moneys of the Company properly applicable to the payment of dividends, dividends in such amount as the Board shall in its sole discretion determine. Provided, however, that the Board may not declare a dividend on the Class A Multiple Voting Shares without also concurrently declaring a dividend on the Class B Subordinate Voting Shares, and provided further that any time that a dividend is declared on the Class A Multiple Voting Shares and the Class B Subordinate Voting Shares, the dividend on the Class B Subordinate Voting Shares shall be in an amount per share which is \$0.05 per share higher than the amount of the dividend declared on the Class A Multiple Voting Shares.

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

5. Share Capital (cont'd)

Conversion - The Class A Multiple Voting Shares are convertible, at any time, at the option of the holder and without payment of additional consideration, into Class B Subordinate Voting Shares on the basis of one Class B Subordinate Voting Share for each one Class A Multiple Voting Share so converted. A holder of Class A Multiple Voting Shares may convert less than all of the Class A Multiple Voting Shares held, but only a whole number of Class A Multiple Voting Shares may be converted.

Voting - The holders of the Class A Multiple Voting Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company, in person or by proxy, save and except meetings at which only holders of another class or series of shares are entitled to vote, and each such Class A Multiple Voting Share shall confer the right to thirty (30) votes.

Liquidation - The holders of the Class A Multiple Voting Shares shall be entitled, in the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for purposes of winding-up its affairs, but subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Company ranking in priority to the Class A Multiple Voting Shares in respect of return of capital on dissolution or winding-up, to share ratably, on a share for share basis, with the holders of Class B Subordinate Voting Shares, in such assets of the Company as are available for distribution.

Class B Subordinate Voting Shares

The rights, privileges, restrictions and conditions attaching to the Class B Subordinate Voting Shares are as follows:

Dividends - The holders of Class B Subordinate Voting Shares shall be entitled to receive, and the Company shall pay thereon, as and when declared from time to time by the Board out of moneys of the Company properly applicable to the payment of dividends, dividends in such amount as the Board shall in its sole discretion determine. Provided, however, that the Board may not declare a dividend on the Class B Subordinate Voting Shares without also concurrently declaring a dividend on the Class A Multiple Voting Shares, and provided further that any time that a dividend is declared on the Class A Multiple Voting Shares and the Class B Subordinate Voting Shares, the dividend on the Class B Subordinate Voting Shares shall be in an amount per share which is \$0.05 per share higher than the amount of the dividend declared on the Class A Multiple Voting Shares.

Conversion - In the event that an Exclusionary Offer is made for the Class A Multiple Voting Shares, the Class B Subordinate Voting Shares are, subject to certain conditions, convertible at the option of the holder into Class A

Multiple Voting Shares on a one for one basis for purposes of the holder tendering such converted shares to the Exclusionary Offer.

“Exclusionary Offer” means an offer to purchase Class A Multiple Voting Shares that:

(A) must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class A Multiple Voting Shares are listed, be made to all or substantially all holders of Class A Multiple Voting Shares who are residents of a province of Canada to which the requirement applies; and

(B) is not made concurrently with an offer to purchase Class B Subordinate Voting Shares that is identical to the offer to purchase Class A Multiple Voting Shares in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the offer by the Class A Offeror, and in all other material respects (except with respect to the conditions that may be attached to the offer for Class A Multiple Voting Shares), and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class A Multiple Voting Shares, and for the purposes of this definition if an offer to purchase Class A Multiple Voting Shares is not an Exclusionary Offer as defined above but would be an Exclusionary Offer if it were not for this sub-clause (B), the varying of any term of such offer shall be deemed to constitute the making of a new offer unless an identical variation concurrently is made to the corresponding offer to purchase Class B Subordinate Voting Shares.

Voting - The holders of the Class B Subordinate Voting Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company, save and except meetings at which only holders of another class or series of shares are entitled to vote, and each such Class B Subordinate Voting Share shall confer the right to one (1) vote in person or by proxy.

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

5. Share Capital (cont'd)

Class B Subordinate Voting Shares (cont'd)

Liquidation - The holders of the Class B Subordinate Voting Shares shall be entitled, in the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for purposes of winding-up its affairs, but subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Company ranking in priority to the Class B Subordinate Voting Shares in respect of return of capital on dissolution or winding-up, to share rateably, on a share for share basis, with the holders of Class A Multiple Voting Shares, in such assets of the Company as are available for distribution.

Preference Shares - The Preference Shares may at any time and from time to time be issued in one or more series, to consist of such number of shares as may, before issuance of such series, be fixed by the Board by Articles of Amendment in accordance with the procedure set forth in the Business Corporations Act (Ontario) (the "OBCA") respecting the issuance of shares in series. The Board may, subject to the limitations set forth in the OBCA, fix by Articles of Amendment the designation of each series of Preference Shares and the rights, privileges, restrictions and condition assigned to such series. There are no Preference Shares issued as of December 31, 2020.

At December 31, 2020 share capital consists of the following:

	Number of shares #	Amount \$
1,621,460 Class A Multiple Voting Shares		6,483,656
1,156,738 Class B Subordinate Voting Shares		4,625,394
		<u>11,109,050</u>

Class A Multiple Voting Shares:

Class A multiple voting shares outstanding, January 1, 2020	1,621,460	8,674,710
Class A multiple voting shares - stated capital reduction	-	(2,191,054)
Class A multiple voting shares outstanding, December 31, 2020	<u>1,621,460</u>	<u>6,483,656</u>

Class B Subordinate Voting Shares:

Class B subordinate voting shares outstanding, January 1, 2020	1,156,738	6,188,476
Class B subordinate voting shares- stated capital reduction	-	(1,563,082)
Class B subordinate voting shares outstanding, December 31, 2020	<u>1,156,738</u>	<u>4,625,394</u>
	<u>2,778,198</u>	<u>11,109,050</u>

At December 31, 2019 share capital consisted of the following:

	Number of shares #	Amount \$
1,621,460 Class A Multiple Voting Shares		8,674,710
1,156,738 Class B Subordinate Voting Shares		6,188,476
		<u>14,863,186</u>

Class A Multiple Voting Shares:

Class A multiple voting shares outstanding, January 1, 2019	1,621,460	8,674,710
Class A multiple voting shares issued	-	-
Class A multiple voting shares outstanding, December 31, 2019	<u>1,621,460</u>	<u>8,674,710</u>

Class B Subordinate Voting Shares:

Class B subordinate voting shares outstanding, January 1, 2019	1,156,738	6,188,476
Class B subordinate voting shares issued	-	-
Class B subordinate voting shares outstanding, December 31, 2019	<u>1,156,738</u>	<u>6,188,476</u>
	<u>2,778,198</u>	<u>14,863,186</u>

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

5. Share Capital (cont'd)

On June 11, 2019, the shareholders approved a Special Resolution authorizing the reduction of stated capital on the Class A Multiple Voting Shares, and the Class B Subordinate Voting Shares (the "Special Resolution"). The Special Resolution contemplated that the stated capital in respect of: (i) the Class A Multiple Voting Shares be reduced to an amount equal to either: (a) \$4.94 per Class A Multiple Voting Share, or (b) such amount per Class A Multiple Voting Share as Management and the Board may determine from time to time, that is not represented by the realizable value of the assets of the Company; and (ii) the Class B Subordinate Voting Shares be reduced to an amount equal to either: (a) \$4.94 per Class B Subordinate Voting Share, or (b) such amount per Class B Subordinate Voting Share as Management and the Board may determine from time to time, that is not represented by the realizable value of the assets of the Company. On September 15, 2020, Management of the Company by the authority vested upon them by the Board determined that it was prudent to reduce CSOC's Aggregate Stated Capital to \$11,109,050 (from \$14,863,186) or the equivalent of the net realizable value of the Company's assets as of June 30, 2020 (expressed as the aggregate stated capital maintained in respect of the Class A Multiple Voting Shares, as a class, is \$6,483,656 and expressed as the aggregate stated capital maintained in respect of the Class B Subordinate Voting Shares, as a class, is \$4,625,394). The reduction is consistent with the Board's resolution passed at the Company's August 25, 2020 Board meeting which authorized Management to determine the appropriate value for the net realizable value of the Company's assets and to reduce the stated capital account maintained by the Company in respect of each Class A Multiple Voting Share and Class B Subordinate Voting Share by such amount as is not represented by the realizable value of the assets of the Company, being \$5.35 per Class A Multiple Voting Share and \$5.35 per Class B Subordinate Voting Share such that the stated capital amount of each Class A Multiple Voting Share and of each Class B Subordinate Voting Share following such reduction is \$4.00 and \$4.00, respectively.

6. Related Party Transactions

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. Until September 4, 2020, no fees will be payable for services provided by Canso to CSOC. At September 4, 2020, this arrangement was extended whereby no fees will be payable for services provided by Canso to CSOC for a further 12 months. There are no management fees charged for the year ended December 31, 2020 (December 31, 2019: \$0).

CSOC repaid the advance from Canso in January 2020 in the amount of \$11 relating to the computer software expense that Canso paid on behalf of CSOC. As such, the advance from Canso balance is \$nil at December 31, 2020 (December 31, 2019: \$11).

On May 28, 2020, CSOC closed the sale of 112,668 Series 4 Class A preferred shares of Hubba Inc. ("Hubba") to Skunkworks Investment Corporation ("Skunkworks"), a related party, for total cash consideration to the Company of US\$1,823,249.91 pursuant to a share transfer agreement dated March 11, 2020 (the "2020 Transaction"). The 2020 Transaction provided the Company with funds with which to diversify its portfolio base. As at December 31, 2019, the Hubba position accounted for approximately 25.6% of the Company's assets. The 2020 Transaction reduced the Hubba position to 6% of the Company's assets. The Company intends to use the gross proceeds of the 2020 Transaction to pursue several investment opportunities currently under investigation and for general working capital purposes. The 2020 Transaction was reviewed and approved 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 Company.

On June 28, 2019, CSOC closed the sale of 99,006 Series 4 Class A preferred shares of Hubba to Skunkworks for total cash consideration of \$2,100,000 (the "2019 Transaction"). The 2019 Transaction resulted in a realized capital gain of \$747,370. Immediately prior to the closing, the Hubba position accounted for approximately 38.8% of CSOC's assets. As a result of the 2019 Transaction, the Hubba position represented approximately 23.4% of CSOC's assets. The gross proceeds of the 2019 Transaction were used by CSOC to pursue several investment opportunities and for general working capital purposes. The 2019 Transaction was reviewed and approved by a Special Committee comprised of members of the Board who are independent of CSOC and are not members of management of the Company.

Both Transactions are 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. Pursuant to MI 61-101, the 2020 Transaction was subject to minority shareholder approval, which required approval by a majority of the votes cast at a meeting of shareholders excluding any shares held by the directors and officers CSOC, its affiliates and joint actors (collectively, "Minority Approval"). The Company received Minority Approval at its annual and special meeting of shareholders held on May 26, 2020. The 2019 Transaction was exempt from the minority shareholder approval requirements of MI 61-101. In addition, both Transactions received approval of the TSX Venture Exchange prior to closing.

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

7. Prepaid Expenses

Prepaid expenses substantially consist of a Directors and Officers insurance policy which has an expiry date of August 23, 2021 (2019: August 23, 2020) and is being expensed over the term of the policy.

8. Investments

In determining whether CSOC has control or significant influence over an investment, CSOC assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. CSOC qualifies as an investment entity under IFRS 10, and therefore accounts for investments it controls at fair value through profit and loss. CSOC's primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in the Circular to meet those objectives. CSOC also measures and evaluates the performance of any investment on a fair value basis. As described in note 1, CSOF is a wholly owned investment of CSOC.

During the year ended December 31, 2020, CSOC reported a net loss of \$1,081,357 (2019: \$502,074) or (\$0.39) (2019: (\$0.18)) per CSOC Class A and B shares. This is primarily the result of \$453,652 (2019: \$211,033) realized losses on redemption of CSOF units and \$678,094 (2019: \$151,441) net unrealized mark to market loss primarily on CSOF's equity holding of Hubba Inc.

As at December 31, 2020, CSOC's investment portfolio consists of equity and debt securities in seven different issuers.

Description	Average Cost \$	Fair Value \$	% of Portfolio
Equities Held Long	1,255,503	1,343,759	88.12%
Brill Power Limited	105,559	112,377	7.37%
Bombardier Inc	17,102	17,017	1.12%
Fibracast Special Warrant	400,000	400,000	26.23%
HashTag Paid Inc.	132,837	159,481	10.46%
Neptune Acquisition GP Inc.	400,000	400,000	26.23%
Nordstar Capital LP	5	4,884	0.32%
Reformulary Group Inc.	200,000	250,000	16.39%
Fixed Income	174,000	181,153	11.88%
Nordstar Capital LP	174,000	181,153	11.88%
CSOC's Investments at Fair Value through Profit or Loss	1,429,503	1,524,912	100.00%

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

8. Investments (Cont'd)

As at December 31, 2020, CSOF's investment portfolio consists of equity and debt securities in 19 different issuers. The portfolio also included cash and cash equivalents.

Description	Average Cost \$	Fair Value \$	% of Portfolio
Cash & Cash Equivalents	3,625,732	3,624,125	37.15%
Equities Held Long	11,164,783	5,766,201	59.06%
Aegis Brands Inc. (previously Second Cup Ltd.)	3,400,936	840,604	8.61%
BCE Inc.	44,010	40,944	0.42%
Bird Construction Inc.	511,612	595,616	6.10%
BMO Laddered Preferred Share Index ETF	137,161	141,408	1.45%
Bombardier Inc.	282,022	276,364	2.83%
Canadian Life Companies Split	78,572	84,336	0.86%
ClearStream Energy Services Inc.	2,012,939	131,811	1.35%
ClearStream Energy Services Inc. - Preferred	729,400	510,300	5.23%
Enbridge Inc.	220,912	205,333	2.10%
Genworth MI Canada Inc. Jan 21 P27	43,360	8,100	0.08%
Genworth MI Canada Inc. Jan 21 P29	18,120	2,800	0.03%
Hubba, Inc.	509,952	-	0.00%
Manulife Financial Corp	6,744	7,320	0.07%
M-Split	838,474	462,892	4.74%
TC Energy Corp	5,590	4,750	0.05%
Xplornet Mobile Inc.	51,792	51,792	0.53%
Xplornet Wireless Inc.	177,468	177,468	1.82%
Yellow Pages Limited	2,095,719	2,224,363	22.79%
Fixed Income	962,982	1,114,865	11.42%
Exxon Mobil Corp.	317,811	374,982	3.84%
Kraft Heinz Foods Co	645,171	739,883	7.58%
Fixed Income Held Short	(721,931)	(744,449)	(7.63%)
US Treasury Bond	(721,931)	(744,449)	(7.63%)
Grand Total	15,031,566	9,760,742	100.00%
Other Assets, Net of Liabilities		(3,811)	
CSOC's investment in CSOF at Fair Value Through Profit or Loss		9,756,931	

Subsequent to year end, during January 2021, the Board of Directors of Hubba Inc. sent out an investor update that Hubba, Inc. would be shut down at the end of January 2021. It is anticipated that there will be no remaining assets available for distribution to their shareholders. Under International Accounting Standards ("IAS") 10, information that is received subsequent to year end that indicates that the asset was impaired at the reporting date, should be adjusted at that reporting date. As a result, CSOF's investment in Hubba Inc. was written down to \$nil at December 31, 2020. Given that this information was not available on December 31, 2020, CSOF's transactional net asset value was not adjusted at December 31, 2020 and therefore is \$0.62 higher than CSOF's financial statement net asset value at December 31, 2020.

9. Income Taxes

CSOC, as a public corporation, is subject to income taxes on its net investment income and net realized gain on investments at rates of approximately 26.50% and 13.25%, respectively. Taxable dividends from taxable Canadian corporations, as defined by the Income Tax Act (Canada), are excluded from taxable income. The effective income tax rates for deferred income taxes are approximately 26.50% on investment income and 13.25% on net realized gains/losses.

The Company's recovery of income taxes for the years ended December 31, 2020 and 2019 are summarized as follows:

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

9. Income Taxes (Cont'd)

	December 31, 2020		December 31, 2019	
	\$	%	\$	%
Net loss before income taxes	(1,264,315)	100.0%	(616,208)	100.0%
Expected taxes recoverable at future rates - 26.5%	(335,043)	26.5%	(163,295)	26.5%
Income tax effect of the following:				
Non-deductible expenses	3	(0.0%)	95	0.0%
Return to provision adjustments	10,221	(0.8%)	0	0.0%
Non-taxable portion of realized capital loss (gain)	52,125	(4.1%)	(48,194)	7.8%
Non-taxable portion of unrealized capital loss	89,736	(7.1%)	97,260	(15.8%)
	(182,958)	14.5%	(114,134)	18.5%

The income tax recovery is represented as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Current tax expense	-	-
Deferred tax recovery	(182,958)	(114,134)
	(182,958)	(114,134)

As at December 31, 2020, CSOC had a deferred tax asset of \$593,990 (2019: \$411,032) relating to non-capital losses and a realized and unrealized losses on its investments. The components of the Company's deferred income tax asset are as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Non-Capital Losses	93,326	56,704
Realized Capital Losses	56,599	-
Unrealized Losses	444,065	354,328
	593,990	411,032

CSOC has non-capital losses of \$352,176 (2019: \$213,979) available to offset future taxable income, and if not utilized, will expire as follows:

	\$
2038	86,277
2039	72,246
2040	193,653
	<u>352,176</u>

CSOC also has realized capital losses of \$427,165 (2019: nil) which can be applied against future capital gains that do not have an expiry date.

10. Fair Value Hierarchy

The following fair value hierarchy table presents information about CSOF's assets and liabilities measured at fair value, as described in Note 2, as at December 31, 2020 and 2019. During the year ended December 31, 2020, there were no transfers between levels (December 31, 2019: nil).

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

10. Fair Value Hierarchy (Cont'd)

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Fixed Income - CSOF	\$ 1,114,865	\$ -	\$ -	\$ 1,114,865
Equities - CSOF	5,026,641	-	739,560	5,766,201
Fixed Income held in CSOC	-	-	181,153	181,153
Equities held in CSOC	17,017	-	1,326,742	1,343,759
Total	\$ 6,158,523	\$ -	\$ 2,247,455	\$ 8,405,978

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Fixed income - CSOF	(744,449)	-	-	\$ (744,449)
Equities - CSOF	-	-	-	-
Total	\$ (744,449)	\$ -	\$ -	\$ (744,449)

As at December 31, 2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Fixed Income - CSOF	\$ 1,082,889	\$ -	\$ -	\$ 1,082,889
Equities - CSOF	4,772,266	-	6,405,573	11,177,839
Fixed Income held in CSOC	-	711,713	129,668	841,381
Equities held in CSOC	-	-	310,898	310,898
Total	\$ 5,855,155	\$ 711,713	\$ 6,846,139	\$ 13,413,007

As at December 31, 2019	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Fixed income - CSOF	\$ (453,007)	\$ -	\$ -	\$ (453,007)
Equities - CSOF	(315,351)	-	-	(315,351)
Total	\$ (768,358)	\$ -	\$ -	\$ (768,358)

	December 31, 2020	December 31, 2019
Level 3 Reconciliation		
Balance, beginning of year	\$ 6,846,139	\$ 9,431,610
Purchases - held in CSOC	1,069,005	438,396
Purchases - held in CSOF	229,260	-
Sales - CSOC	(95,000)	-
Sales - CSOF	(4,721,409)	(2,100,000)
Realized gains, net - CSOF	780,994	-
Change in unrealized depreciation - CSOF	(1,954,858)	(926,037)
Change in unrealized appreciation - held in CSOC	93,324	2,170
Balance, end of year	\$ 2,247,455	\$ 6,846,139

The fair value of each Level 3 financial instrument is generally measured using unobservable market inputs with the best information available at the time. Various valuation techniques are utilized, depending on a number of factors including key inputs and assumptions, which are company specific and may include estimated discount rates and expected price volatilities.

The table below presents investments in CSOC and CSOF whose fair values are determined based in valuation techniques that utilize unobservable market inputs. The effects of changing one or more of those inputs are indicated in the table below:

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

10. Fair Value Hierarchy (Cont'd)

Fair Value \$	Valuation Technique	Unobservable Input	Reasonable Possible Change in Input	Impact on Fair Value \$
510,300	CSOF's investments - Private placement financing technique	Price of last capital raise	+/-30%	153,090
1,326,742	CSOC's investments - Private placement financing technique	Price of last capital raise	+/-30%	398,023
181,153	CSOC's investments - Cost approach	Price of last paid	+/-30%	54,346
229,260	CSOF's investments - Relative value technique	The primary unobservable inputs for these securities were taken from financial data provided by the company's management and government publications.	+/-40%	91,704

11. Risk Management

CSOC's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk (including interest rate risk, currency risk, and price risk). The value of the investments in the Company's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to manage risk, the investment committee will diversify the portfolio based on industry and credit rating category. As at December 31, 2020, the financial risks are coming from CSOC's investment in CSOF and its other investments. Significant risks that are relevant to the Company are discussed below.

Credit Risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Company's main exposure to credit risk consists of investments in debt instruments, such as bonds. To manage this risk, the investment committee monitors the Company's credit exposure and counterparty ratings. The Company measures credit risk and lifetime expected credit losses related to the trade receivables using historical analysis and forward-looking information in determining the expected credit loss. As at December 31, 2020, the only credit risks are coming from CSOC's investment in CSOF and 2 different issuers.

CSOF had directly invested long (short) in debt instruments with the following credit ratings:

As a % of CSOF's net assets	December 31, 2020		December 31, 2019	
Credit Exposure	\$	%	\$	%
AAA	(744,449)	(7.6%)	(453,007)	(3.9%)
AA	374,982	3.8%	-	0.0%
BB+	739,883	7.6%	-	0.0%
BBB-	-	0.0%	1,031,139	8.9%
Not Rated	-	0.0%	51,750	0.4%

CSOC had directly invested in debt instruments with the following credit ratings:

As a % of CSOC's net assets	December 31, 2020		December 31, 2019	
Credit Exposure	\$	%	\$	%
B	-	0.0%	711,713	61.8%
Not Rated	181,153	11.9%	129,668	11.3%

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations. Liquidity risk is managed by investing a significant portion of the Company's assets in investments that are traded in an active market and that can be readily sold. All liabilities of CSOC are due within one year.

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

11. Risk Management (Cont'd)

Liquidity Risk (Cont'd)

The following table presents CSOF's liabilities according to their maturity date as at December 31, 2020:

	Less than a month	1-3 months	3 months - 1 Year	> 1 year
Liquidity Risk				
Equity securities sold short	\$ -	\$ -	\$ -	\$ -
Fixed income securities sold short	-	-	-	746,541
Other Accrued Expenses	-	16,578	-	-

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of an asset will fluctuate because of changes in market interest rates. To manage interest rate risk, the investment committee monitors exposures and maintains the portfolio duration within the limits specified in the investment policies and objectives of the Company. As at December 31, 2020, the interest rate risk is coming from CSOC's investment in CSOF and its other fixed income investments.

The table below summarizes CSOF's exposure to interest rate risk based on the remaining term to maturity as at December 31, 2020:

	Less than 1 year	1-5 years	> 5 years	Total
Interest Rate Exposure				
Fixed Income securities	\$ -	\$ -	\$ 370,416	\$ 370,416

The table below summarizes CSOC's exposure to interest rate risk based on the remaining term to maturity as at December 31, 2020:

	Less than 1 year	1-5 years	> 5 years	Total
Interest Rate Exposure				
Fixed Income securities	\$ -	\$ 174,000	\$ -	\$ 174,000

Market Risk

If interest rates had increased or decreased by 1% at December 31, 2020 with all other variables remaining constant, net assets of the interest-bearing financial instruments of CSOF would have decreased or increased by approximately \$33,108 (2019 - \$12,541); net assets of the interest-bearing financial instruments of CSOC would have decreased or increased by approximately \$3,217 (2019 - \$25,551). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency Risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. The currency risk will typically be hedged by entering into foreign currency forward contracts if required, however some moderate currency exposure may be assumed if deemed to be beneficial to the Company. As at December 31, 2020, the currency risk is coming from CSOC's investment in CSOF and its other investments.

The table below summarizes CSOF's net exposure to currency risk as at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Currency Exposure		
USD	4%	10%

The table below summarizes CSOC's net exposure to currency risk as at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Currency Exposure		
USD	10%	73%
GBP	7%	10%

As at December 31, 2020, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, CSOF's net assets may have decreased or increased by 0.04%

Canso Select Opportunities Corporation
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

11. Risk Management (Cont'd)

Currency Risk (Cont'd)

(2019 – 0.11%) and CSOC's net assets may have decreased or increased by 0.18% (2019 – 0.82%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. This risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio.

As at December 31, 2020, the price risk is coming from CSOC's investment in CSOF and its other investments, as approximately 59% of CSOF's net assets were invested in these asset types and 88% of CSOC's net assets were invested in these asset types. If prices of these investments had increased or decreased by 5% with all other factors remaining constant, CSOF's net assets would have increased or decreased, by approximately \$288,310 (2019 - \$543,124); CSOC's net assets would have increased or decreased, by approximately \$67,188 (2019 - \$15,545). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

12. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on March 24, 2021.



Canso Select Opportunities Corporation

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