

Financial Statements

December 31, 2021

Lysander-Canso Credit Opportunities Fund



Independent Auditor's Report

To the Unitholders of Lysander-Canso Credit Opportunities Fund (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units 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 Fund as at December 31, 2021 and 2020, 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 Fund 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 the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do 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 the Management Report of Fund Performance 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 28, 2022

Lysander-Canso Credit Opportunities Fund

Financial Statements December 31, 2021

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Lysander-Canso Credit Opportunities Fund

Statements of Financial Position

As at	31-Dec-21	31-Dec-20
Assets		
Financial assets at fair value through profit or loss*	\$ 55,964,390	\$ 29,511,105
Cash and cash equivalents	4,565,380	1,324,831
Subscriptions receivable	8,404,921	977,273
Accrued interest	425,943	261,647
Reimbursements receivable	51,084	61,273
Dividends receivable	3,082	578
Receivable from forward exchange contracts	22,144	71,447
Prepaid distributions	–	8,018
Due from investment dealers	–	3,325
Total assets	\$ 69,436,944	\$ 32,219,497
Liabilities		
Financial liabilities at fair value through profit or loss	\$ 7,899,483	\$ 8,797,863
Redemptions payable	93,095	192,776
Accrued expenses	1,059,214	404,113
Total liabilities	\$ 9,051,792	\$ 9,394,752
Net assets attributable to holders of redeemable units	\$ 60,385,152	\$ 22,824,745
Net assets attributable to holders of redeemable units, per series		
Series A	\$ 2,643,911	\$ 988,854
Series C	2,426,610	2,090,691
Series F	55,314,631	19,745,200
Total net assets	\$ 60,385,152	\$ 22,824,745
Number of redeemable units outstanding		
Series A	212,520	84,203
Series C	159,921	152,830
Series F	5,047,372	1,932,671
Net assets attributable to holders of redeemable units per unit		
Series A	\$ 12.44	\$ 11.74
Series C	15.17	13.68
Series F	10.96	10.22
<i>* Financial assets at fair value through profit or loss at cost</i>	\$ 43,714,259	\$ 18,007,803

Statements of Comprehensive Income (Loss)

For the year ended	31-Dec-21	31-Dec-20
Income		
Interest for distribution purposes	\$ 1,318,063	\$ 693,642
Dividend income	139,546	44,149
Other income	25,774	3,636
Realized and unrealized gain (loss) on investments		
Net realized gain on investments sold	1,668,707	71,805
Net realized gain on foreign currency	53,267	541,055
Change in unrealized depreciation on foreign currency	(11,342)	(167)
Change in unrealized (depreciation) appreciation on forward contracts	(49,303)	60,551
Change in unrealized appreciation on securities sold short	234,137	159,136
Change in unrealized appreciation on investments	1,412,182	2,415,336
Total operating income	\$ 4,791,031	\$ 3,989,143
Expenses		
Performance fees	\$ 1,011,486	\$ 370,729
Management fees	291,318	103,484
Bank charges	40,058	25,559
Legal fees	36,513	11,680
Custodial fees	27,631	24,298
Fund administration fees	19,480	6,086
Audit fees	10,233	13,786
Filing fees	9,445	13,538
Regulatory fees expense	3,263	504
Unitholder reporting expense	1,721	1,440
Transaction costs	1,110	2,999
Blended HST expense	533	–
Independent review committee fees	172	117
Total operating expenses	\$ 1,452,963	\$ 574,220
Withholding tax	\$ 947	\$ –
Expense reimbursement	(51,084)	(60,978)
Total net operating expenses	\$ 1,402,826	\$ 513,242
Change in net assets attributable to holders of redeemable units from operations	\$ 3,388,205	\$ 3,475,901
Change in net assets attributable to holders of redeemable units from operations, per series		
Series A	\$ 141,390	\$ 100,193
Series C	335,919	919,737
Series F	2,910,896	2,455,971
Change in total net assets	\$ 3,388,205	\$ 3,475,901
Change in net assets attributable to holders of redeemable units from operations, per unit		
Series A	\$ 1.14	\$ 2.50
Series C	2.18	4.85
Series F	1.05	2.42

Lysander-Canso Credit Opportunities Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

All Series

For the year ended	31-Dec-21	31-Dec-20
Net assets attributable to holders of redeemable units, beginning of year	\$ 22,824,745	\$ 5,763,251
Change in net assets attributable to holders of redeemable units from operations	3,388,205	3,475,901
Distributions to unitholders of redeemable units		
From net investment income	\$ (889,072)	\$ (560,832)
From management fee rebate income	(8,492)	(2,791)
From net capital gains	(890,054)	(661,215)
	\$ (1,787,618)	\$ (1,224,838)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	\$ 1,772,896	\$ 946,471
Series C	–	2,515,000
Series F	37,917,176	13,446,753
Total proceeds	\$ 39,690,072	\$ 16,908,224
Cost of units redeemed		
Series A	\$ (234,715)	\$ (51,059)
Series C	–	(2,472,675)
Series F	(4,802,194)	(583,523)
Total cost	\$ (5,036,909)	\$ (3,107,257)
Reinvested distributions		
Series A	\$ 66,597	\$ 48,305
Series C	106,660	134,126
Series F	1,133,400	827,033
Total reinvested	\$ 1,306,657	\$ 1,009,464
Change in net assets attributable to holders of redeemable units for the year	\$ 37,560,407	\$ 17,061,494
Net assets attributable to holders of redeemable units, end of year	\$ 60,385,152	\$ 22,824,745

Series A

For the year ended	31-Dec-21	31-Dec-20
Net assets attributable to holders of redeemable units, beginning of year	\$ 988,854	\$ –
Change in net assets attributable to holders of redeemable units from operations	141,390	100,193
Distributions to unitholders of redeemable units		
From net investment income	\$ (51,191)	\$ (25,096)
From management fee rebate income	–	–
From net capital gains	(39,920)	(29,960)
Total distributions	\$ (91,111)	\$ (55,056)
Redeemable unit transactions		
Proceeds from redeemable units issued		
	\$ 1,772,896	\$ 946,471
Cost of units redeemed	(234,715)	(51,059)
Reinvested distributions	66,597	48,305
Total redeemable	\$ 1,604,778	\$ 943,717
Change in net assets attributable to holders of redeemable units for the year	\$ 1,655,057	\$ 988,854
Net assets attributable to holders of redeemable units, end of year	\$ 2,643,911	\$ 988,854

Series C

For the year ended	31-Dec-21	31-Dec-20
Net assets attributable to holders of redeemable units, beginning of year	\$ 2,090,691	\$ 1,128,629
Change in net assets attributable to holders of redeemable units from operations	335,919	919,737
Distributions to unitholders of redeemable units		
From net investment income	\$ (65,389)	\$ (72,440)
From management fee rebate income	–	–
From net capital gains	(41,271)	(61,686)
Total distributions	\$ (106,660)	\$ (134,126)
Redeemable unit transactions		
Proceeds from redeemable units issued		
	\$ –	\$ 2,515,000
Cost of units redeemed	–	(2,472,675)
Reinvested distributions	106,660	134,126
Total redeemable	\$ 106,660	\$ 176,451
Change in net assets attributable to holders of redeemable units for the year	\$ 335,919	\$ 962,062
Net assets attributable to holders of redeemable units, end of year	\$ 2,426,610	\$ 2,090,691

Lysander-Canso Credit Opportunities Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

Series F

For the year ended	31-Dec-21	31-Dec-20
Net assets attributable to holders of redeemable units, beginning of year	\$ 19,745,200	\$ 4,634,622
Change in net assets attributable to holders of redeemable units from operations	2,910,896	2,455,971
Distributions to unitholders of redeemable units		
From net investment income	\$ (772,492)	\$ (463,296)
From management fee rebate income	(8,492)	(2,791)
From net capital gains	(808,863)	(569,569)
Total distributions	\$ (1,589,847)	\$ (1,035,656)
Redeemable unit transactions		
Proceeds from redeemable units issued	\$ 37,917,176	\$ 13,446,753
Cost of units redeemed	(4,802,194)	(583,523)
Reinvested distributions	1,133,400	827,033
Total redeemable	\$ 34,248,382	\$ 13,690,263
Change in net assets attributable to holders of redeemable units for the year	\$ 35,569,431	\$ 15,110,578
Net assets attributable to holders of redeemable units, end of year	\$ 55,314,631	\$ 19,745,200

Lysander-Canso Credit Opportunities Fund

Statements of Cash Flows

For the year ended	31-Dec-21	31-Dec-20
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units from operations	\$ 3,388,205	\$ 3,475,901
Adjustments for:		
Foreign exchange loss on cash and cash equivalents	170	3
Net realized gain on sales of investments	(1,668,707)	(71,805)
Change in unrealized appreciation on investments	(1,411,072)	(2,412,338)
Change in unrealized (appreciation) depreciation of investments sold short	(234,137)	6,529,040
Change in unrealized depreciation on foreign currency	11,342	167
Purchases of investments	(39,312,664)	(22,994,957)
Proceeds from sale and maturity of investments	15,274,915	3,727,219
Redemptions payable	(99,681)	192,776
Prepaid distributions	8,018	10,287
Receivable from forward exchange contracts	49,303	(60,551)
Dividends receivable	(2,504)	397,150
Accrued expenses	655,101	554
Reimbursements receivable	10,189	(61,273)
Accrued interest	(164,295)	(213,985)
Subscriptions receivable	(7,427,648)	(977,273)
Due from investment dealers	3,325	(3,325)
Net cash from (used in) operating activities	\$ (30,920,140)	\$ (12,462,410)
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (480,961)	\$ (215,374)
Proceeds from issuances of redeemable units	39,690,072	16,908,224
Amounts paid on redemption of redeemable units	(5,036,909)	(3,107,257)
Net cash from financing activities	\$ 34,172,202	\$ 13,585,593
Foreign exchange loss on cash and cash equivalents	\$ (11,512)	\$ (170)
Change in cash and cash equivalents during the year	3,252,061	1,123,183
Cash and cash equivalents, beginning of the year	1,324,831	201,818
Cash and cash equivalents, end of year	\$ 4,565,380	\$ 1,324,831
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 1,153,767	\$ 479,657
Dividends received	137,042	44,703
Withholding tax	947	-
Interest paid	40,058	25,559

Schedule of Investment Portfolio as at December 31, 2021

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Canadian Equities (1.8%)			
10,643	Bird Construction Inc.	\$ 84,247	\$ 104,514
9,700	Bombardier Inc.	16,999	16,296
55,400	Cenovus Energy Inc Warrant	199,946	526,854
320	ClearStream Energy Services Inc.	-	18
3,929	MDA Ltd.	55,006	37,326
2,342	Nordstar Capital Inc. LP	2	81,299
1,872	Xplore Mobile Inc. (Mobility Spinco)	-	2,134
1,411	Xplornet Wireless Inc. (License Spinco)	-	6,912
22,414	Yellow Pages Limited	272,496	306,175
Total		\$ 628,696	\$ 1,081,528
Canadian Fixed Income (50.0%)			
282,000	Air Canada 4% Jul 1, 2025 (USD) 144A	\$ 416,440	\$ 476,116
3,212,000	Air Canada 4.625% Aug 15, 2029	3,210,023	3,206,647
38,000	Bell Canada 7.85% Apr 2, 2031	44,954	52,264
280,000	BMO (AT1) 4.30% Nov 26, 2025/2080	280,000	291,087
800,000	BMO CB FRN Feb 1, 2023 (3M CDOR + 19)	803,307	802,250
822,000	BNS (AT1) 3.7% Jul 27, 2026/2081	817,400	803,998
200,000	BNS (AT1) 4.65% Oct 12 2022/Perpetual (USD)	249,435	252,492
50,000	BNS FRN Aug 31, 2085 (USD) (SA LIBOR +12.5)	40,669	55,022
1,800,000	BNS FRN Aug 4, 2026 (CORRA +54)	1,800,000	1,796,778
445,000	Bombardier Inc. 7.35% Dec. 22, 2026	340,638	454,336
535,000	Bombardier Inc. 7.45% May 1, 2034 (USD) REGS	654,759	832,975
80,000	Bombardier Inc. 7.50% March 15, 2025 (USD) 144A	73,438	103,290
514,000	Bombardier Inc. 7.875% Apr 15, 2027 (USD) 144A	508,311	675,572

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Lysander-Canso Credit Opportunities Fund

Schedule of Investment Portfolio as at December 31, 2021

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Canadian Fixed Income (50.0%)							
<i>Cont'd</i>							
100,000	Canada Housing Trust FRN Mar 15, 2022 (Q CDOR +16)	100,383	100,100	158,000	Pembina Pipeline Corp 4.74% Jan 21, 2047	152,108	172,175
282,000	Cenovus Energy Inc. 6.75% Nov 15, 2039 (USD)	329,690	485,215	806,000	Pembina Pipeline Corp 4.75% Mar 26, 2048	850,510	881,681
30,000	CIBC FRN Aug 31, 2085 (USD) (\$/A LIBOR+12.5)	23,862	33,621	259,000	Pembina Pipeline Corp 4.81% Mar 25, 2044	252,232	283,580
1,400,000	CIBC FRN Jul 15, 2026 (CORRA +58)	1,400,000	1,397,837	43,632	Postmedia Network Inc. 8.25% Jul 15, 2023	43,636	42,759
1,250,000	CIBC FRN Mar 4, 2025 (CORRA + 46)	1,250,988	1,249,447	1,282,000	RBC (AT1) 4.5% Nov 24, 2025/2080	1,302,891	1,344,402
124,184	ClearStream Energy Services Inc. 8% Mar 23, 2026	124,184	93,138	50,000	RBC FRN Jun 29, 2085(USD)(Q LIMEAN+25)	37,002	55,180
670,000	Enbridge Inc. 4.57% Mar 11, 2044	735,253	731,873	459,000	Shaw Communications Inc. 6.75% Nov 9, 2039	616,986	614,300
1,072,000	Ford Credit Canada Co. FRN Mar 21, 2024 (Q CDOR + 314)	1,025,006	1,103,992	392,000	SNC Lavalin 3.235% Mar 2, 2023	392,140	395,808
329,000	GE Capital Canada 5.73% Oct 22, 2037	336,074	406,948	50,000	Sobeys Inc. 6.06% Oct 29, 2035	51,500	62,429
639,000	Great West Life Co Inc. 3.6% Dec 31, 2026/2081	635,000	628,361	905,000	Suncor Energy Inc. 5% Apr 9, 2030	966,946	1,046,599
335,000	Hertz Litigation, Hertz 5.5% Oct 15, 2024 (USD)	-	4,771	701,000	Sunlife Financial Inc. (AT1) 3.6% Jun 30, 2026/81	697,192	689,610
200,000	Hertz Litigation, Hertz 6% Jan 15, 2028 (USD)	-	16,456	500,000	TD (AT1) 3.6% Oct 31, 2026/2081	486,000	485,499
71,000	Hertz Litigation, Hertz 6.25% Oct 15, 2022 (USD)	-	1,011	587,000	TransCanada Pipelines 4.34% Oct 15, 2049	626,623	629,739
60,000	Hertz Litigation, Hertz 7.125% Aug 1, 2026 (USD)	-	4,937	1,500,000	TransCanada Pipelines FRN Jun 9, 2024 (Q CDOR +29)	1,500,000	1,501,612
1,814,000	Manulife Financial Corp (AT1) 4.1% Mar 19, 2027/2082	1,814,000	1,798,907	705,000	TransCanada Pipelines FRN May 15, 2067 (Q LIBOR+221) (USD)	741,399	765,478
1,000,000	Manulife Financial Corp 3.375% Jun 19, 2026/2081	998,700	970,847	307,000	Videotron Ltee Sr Notes 5.625% Jun 15, 2025	307,661	330,031
442,000	Nav Canada 2.924 Sep 29, 2051	480,394	448,131	Total		\$ 29,026,957	\$ 30,164,671
211,000	Neptune Acquisition GP Inc. 10% Apr 8, 2027	209,223	214,165	Canadian Fixed Income Sold Short (-9.8%)			
1,300,000	Pembina Pipeline Corp 4.49% Dec 10, 2051	1,300,000	1,371,205	(964,000)	Canada 1.25% Jun 1, 2030	\$ (997,683)	\$ (957,006)
				(2,721,000)	Canada 2% Dec 1, 2051	(3,101,022)	(2,928,243)
				(172,000)	Canada 2.5% Jun 1, 2024	(176,025)	(177,931)
				(1,483,000)	Canada 2.75% Dec 1, 2048	(1,759,679)	(1,829,629)

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Lysander-Canso Credit Opportunities Fund

Schedule of Investment Portfolio as at December 31, 2021

Canadian Fixed Income Sold Short (-9.8%)				Foreign Fixed Income (24.8%)			
Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Canadian Fixed Income Sold Short (-9.8%)				Foreign Fixed Income (24.8%)			
<i>Cont'd</i>							
(34,000)	Canada 8% Jun 1, 2027	(51,996)	(45,948)	124,000	Gannett Holdings LLC 6.0% Nov 1, 2026 (USD) 144A	155,970	160,459
				321,000	Hertz 5% 144A Dec 1, 2029 (USD)	403,536	407,410
Total		\$ (6,086,405)	\$ (5,938,757)	6,000	Howmet Aerospace Inc. 6.875% May 1, 2025 (USD)	8,791	8,741
610,000	AMC Entertainment Holdings 10.5% Apr 15, 2025 (USD)	\$ 805,557	\$ 823,145	850,000	JP Morgan Chase FRN (USD) (Q LIBOR+85) Jan 10, 2025	1,096,938	1,085,065
225,000	AMC Entertainment Holdings 10.5% Apr 24, 2026 (USD)	285,419	302,907	44,000	Lehman Bros Hldg Inc 4.85% Sep 3, 2013 (USD)	-	84
1,180,000	American Airlines Inc. 11.75% Jul 15, 2025 (USD) 144A	1,752,629	1,844,826	182,000	Maxar Technologies Inc. 7.54% Dec 31, 2027 (USD)	240,170	243,035
330,000	American Airlines Inc. 5.75% Apr 20, 2029 (USD) 144A	418,553	447,277	626,000	Maxar Technologies Inc. 9.75% Dec 31, 2023 (USD)	839,958	854,621
917,000	AT&T Inc. 4.85% May 25, 2047	966,309	1,040,456	135,000	MPLX LP. 6.875% Feb 15, 2023/2080 (USD)	170,056	172,168
496,000	Avis Budget Car/Finance 4.75% Apr 1, 2028 144A (USD)	628,010	642,910	31,000	Navient Corp 5.625% Aug 1, 2033 (USD)	28,304	37,432
462,000	Avis Budget Car/Finance 5.375% Mar 1, 2029 (USD) 144A	611,645	617,729	81,000	Occidental Petroleum Corp. 3.5% Aug 15, 2029 (USD)	55,668	105,508
294,000	Avis Budget Car/Finance 5.75% Jul 15, 2027 (USD)	372,695	387,239	46,000	Occidental Petroleum Corp. 4.2% Mar 15, 2048 (USD)	30,069	58,322
252,000	Avis Budget Car/Finance 5.75% Jul 15, 2027 (USD) 144A	330,721	331,268	18,000	Occidental Petroleum Corp. 4.3% Aug 15, 2039 (USD)	10,371	22,757
166,000	Boeing Co 5.875% Feb 15, 2040 (USD)	231,450	269,879	22,000	Occidental Petroleum Corp. 4.5% Jul 15, 2044 (USD)	13,781	28,726
5,000	Continental Resources 3.8% Jun 1, 2024 (USD)	4,527	6,613	4,000	Occidental Petroleum Corp. 4.625% Jun 15, 2045 (USD)	2,381	5,261
432,000	Continental Resources 4.375% Jan 15, 2028 (USD)	468,413	592,103	210,000	Occidental Petroleum Corp. 6.2% Mar 15, 2040 (USD)	221,060	327,350
9,000	Continental Resources 4.9% Jun 01, 2044 (USD)	5,629	12,644	17,000	Occidental Petroleum Corp. 6.6% Mar 15, 2046 (USD)	15,376	27,955
172,000	Delta Airlines Inc. 7% May 1, 2025 (USD)	242,326	249,137	453,000	Occidental Petroleum Corp. 6.625% Sept 1, 2030 (USD)	591,343	710,568
270,000	Embraer S.A 5.4% Feb 1, 2027 (USD)	328,152	356,251				
14,000	Embraer S.A 5.696% Sept 15, 2023 (USD) REGS	17,866	18,532				

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Lysander-Canso Credit Opportunities Fund

Schedule of Investment Portfolio as at December 31, 2021

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Foreign Fixed Income (24.8%)				Private Placements (1.3%)			
<i>Cont'd</i>							
53,000	Occidental Petroleum Corp. 7.875% Sep 15, 2031 (USD)	59,120	89,656	120,042	Black Press Group Ltd. 12% Mar 31, 2024	\$ 120,042	\$ 102,036
8,000	Occidental Petroleum Corp. 7.95% Jun 15, 2039 (USD)	5,957	13,381	580,000	Honda Canada Finance Inc. FRN Sep 27, 2024 (Q CDOR +20)	580,000	580,910
5,000	Spirit Aerosystems Inc. 3.85% Jun 15, 2026 (USD)	6,583	6,478	69,000	Nordstar Capital LP. 10% Aug 5, 2025	69,000	69,000
103,000	Spirit Aerosystems Inc. 3.95% Jun 15, 2023 (USD)	113,175	131,408	11,581	Strait Crossing Dev. Inc. (amort) 6.17% Sep 15, 2031	11,608	12,725
849,000	Spirit Aerosystems Inc. 4.6% Jun 15, 2028 (USD)	984,133	1,078,999	Total		\$ 780,650	\$ 764,671
40,000	Spirit Aerosystems Inc. 5.5% Jan 15, 2025 144A (USD)	52,375	52,519	Foreign Equities (2.5%)			
969,000	Spirit Aerosystems Inc. 7.5% Apr 15, 2025 (USD) 144A	1,283,602	1,287,893	49,300	Hertz Global Holdings Inc	\$ 737,340	\$ 1,528,924
71,000	United Airlines Inc. 4.625% Apr 15, 2029 (USD)	88,883	92,869	Total		\$ 737,340	\$ 1,528,924
Total		\$ 13,947,501	\$ 14,951,581	Preferred Shares (5.4%)			
Foreign Fixed Income Sold Short (-3.2%)				6,700	BCE Inc. (BCE.PR.C)	\$ 104,807	\$ 145,658
(830,000)	US Treasury 1.375% Nov 15, 2031 (USD)	\$ (1,023,162)	\$ (1,037,664)	10,200	BCE Inc. (BCE.PR.E)	159,430	209,100
(148,000)	US Treasury 1.75% May 15, 2023 (USD)	(149,248)	(190,452)	4,700	BCE Inc. (BCE.PR.K)	56,416	91,932
(104,000)	US Treasury 1.875% Feb 15, 2051 (USD)	(118,802)	(130,298)	19,200	Cenovus Energy Inc (CVE.PR.A)	115,925	357,888
(433,000)	US Treasury 2.375% Nov 15, 2049 (USD)	(756,540)	(602,312)	4,300	Cenovus Energy Inc (CVE.PR.C)	48,514	103,071
Total		\$ (2,047,752)	\$ (1,960,726)	4,900	CIBC (CM.PR.P)	96,757	118,972
Mortgage Backed Securities (7.0%)				184	ClearStream Energy Services Inc. Series 1 Preferred Share	184,000	117,521
2,078,638	Home Trust NHA MBS (98004844) FRN Nov 1, 2026	\$ 2,079,656	\$ 2,078,298	8	ClearStream Energy Services Inc. Series 2 Pfd (restricted)	8,000	5,110
1,705,720	Merrill Lynch NHA MBS FRN (98004599) Jul 1, 2026(M CDOR-23)	1,698,726	1,698,010	3,900	Enbridge Inc (ENB.PR.F)	53,885	80,613
472,585	RBC Dominion Sec NHA MBS (97517581) 0.6% Aug 1, 2025	471,895	461,656	30,600	Enbridge Inc (ENB.PR.H)	394,515	587,520
Total		\$ 4,250,277	\$ 4,237,964	3,600	Enbridge Inc. (ENB.PR.N)	54,915	77,544
		\$ -	\$ -	29,700	M Split Corp. 7.50% Dec 1, 2024 Series C	65,336	45,144
				100	Manulife Financial (MFC.PR.L)	1,686	2,289
				100	Manulife Financial (MFC.PR.M)	1,563	2,409
				395,000	RBC (AT1) pref 4.2% (5y GoC + 271) Feb 24, 2027	395,000	394,101

Continued on next page ...

Lysander-Canso Credit Opportunities Fund

Schedule of Investment Portfolio as at December 31, 2021

Par Value/Number of Shares Average Cost (\$) Fair Value (\$)

Preferred Shares (5.4%)

Cont'd

11,500	Sun Life Financial Inc. (SLF.PR.K)	237,245	259,900
100	TC Energy Corp (TRP.PR.D)	1,478	2,160
100	TC Energy Corp (TRP.PR.H)	1,023	1,378
3,600	TD Bank (TD.PF.B)	63,473	88,524
13,700	TD Bank (TD.PF.K)	282,631	352,090
10,400	Thomson Reuters Corp (TRI.PR.B)	128,541	162,240
3,800	US Financial 15 Split Corp Pfd.	21,855	29,887
Total		\$ 2,476,995	\$ 3,235,051
Total investment portfolio (79.6%)		\$ 43,714,259	\$ 48,064,907
	Cash and cash equivalents (7.6%)	\$	\$ 4,565,380
	Other assets less liabilities (12.8%)		7,754,865
Net assets		\$	\$ 60,385,152

Foreign Exchange Contracts

Counterparty	Settlement Date	Buy	Par Value	Sell	Par Value	Forward Rate	Current Rate	Unrealized Appreciation (Depreciation)
Royal Bank of Canada	2022-03-10	CAD \$	15,708,851	USD \$	12,411,000	0.791	0.791	\$ 12,873
Royal Bank of Canada	2022-03-10	CAD	2,069,439	USD	1,629,000	0.787	0.791	9,271

Notes

1 Credit rating of counterparty is AA-

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

1. Formation of Fund

The address of the Fund's registered office is 3080 Yonge St., Suite 3037, Toronto, Ontario.

Lysander Funds Limited (the "Manager" or "Lysander") is the manager and trustee of the Fund and is responsible for providing or arranging the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund and its series, preparing all offering documents, unitholder recordkeeping and other administrative services.

Lysander-Canso Credit Opportunities Fund (the "Fund") is an open-end fund formed under the laws of the Province of Ontario by a declaration of trust dated August 14, 2008, which has been subsequently amended and restated into the master declaration of trust dated December 8, 2011, as the same was amended and/or consolidated from time to time. At the time it was formed, the Fund's name was "Canso Credit Opportunities Fund". On December 19, 2008, The Fund commenced operations and offered units pursuant to prospectus exemptions. On May 11, 2020, the Fund became a reporting issuer, with its units qualified for distribution under a simplified prospectus and its name changed to "Lysander-Canso Credit Opportunities Fund".

The Fund's investment objective is to achieve long term capital growth by investing in, or gaining exposure to, a diversified portfolio composed primarily of debt and money market securities. The Fund will use alternative investment strategies such as engaging in short sales and purchasing securities on margin or with borrowed funds.

The portfolio manager of the Fund is Canso Investment Counsel Ltd., ("Portfolio Manager"), a company under common control as the Manager.

2. Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") effective as at December 31, 2021.

The financial statements were authorized for issue by Lysander's board of directors on March 21, 2022.

3. Significant Accounting Policies

The significant accounting policies of the Fund are as follows:

Cash and cash equivalents

Cash and cash equivalents includes 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.

Financial instruments

The Fund accounts for its financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"), which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses.

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL"):

Financial Assets

The Fund classifies its investments in debt and equity securities and open-ended 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. The Fund also manages these financial assets with the objective of realizing cash flows through sales. The Fund has not taken the option to irrevocably designate any of its equity securities at fair value through other comprehensive income ("FVOCI"). Consequently, these financial assets are mandatorily measured at FVTPL.

Financial Liabilities

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 are a part of a portfolio of identified financial instruments that the Fund 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.

The Fund does not apply general hedge accounting to any of its derivatives positions.

Financial assets and financial liabilities at amortized cost:

The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

IFRS 9 requires the expected credit loss model ("ECL") as the impairment model for financial assets measured at amortized cost. At each reporting date, the Fund measures the loss allowance on cash collateral held, amounts due from broker, accrued income and other short term receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12 month expected credit losses. Given the short-term nature of the receivables and the high credit quality, the Fund has determined that the expected credit loss allowances are not material or considered impaired.

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- 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.

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. The Manager 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 requires significant judgment by the Fund. The Fund 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. The classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2021 and 2020, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of Level 3 fair value measurements for the years ended December 31, 2021 and

2020, if applicable, are included in the notes to the financial statements of the Fund.

Recognition/Derecognition

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 year 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 the Fund 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. 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 in addition to the realized gain or losses from disposition of the related investments at the exercise price of the option.

Fair value measurements

The securities in the Fund's Portfolio are measured at FVTPL. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities of the Fund 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, the Fund 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

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

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. The Fund 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, the Fund 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 the Fund holds. 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.

The Fund uses widely recognized valuation techniques for determining the fair value of 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 technique v) internally

developed models and vi) market activity. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value. 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 Fund 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. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

Income recognition

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.

The interest income for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Accounting estimates

In the application of the Fund's accounting policies, the Fund 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each series representing an equal and rateable share in the assets allocated to each series. The management fee rates are different for each of the series. Please refer to Note 6 for discussion of management fee rates. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Units of the Fund may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the applicable series of the Fund on each valuation date.

Net asset value per unit

The net asset value per unit of each series of units of the Fund is computed by dividing the NAV of a series of units by the total number of units of the series outstanding at the time. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

Foreign currency forward contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on forwards in the statement of comprehensive income. Foreign currency forward contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

Taxation

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada). The Fund is subject to tax on its net taxable income, including net realized capital gains, for the calendar year which is not paid or payable to its unitholders as of the end of the calendar year. It is the intention of the Fund to pay all of its net taxable income and net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Therefore, no provision for income taxes has been made in these financial statements.

As at December 31, 2021, the Fund had no net capital losses (December 31, 2020 - Nil) and no non-capital losses (December 31, 2020 - Nil).

Distributions

The Fund makes distributions of net income quarterly and any net realized capital gains annually. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then the Fund uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Fund's subscriptions and redemptions are denominated in Canadian Dollars ("CAD"). Accordingly, the Fund has determined that the functional currency of the Fund is CAD unless noted otherwise.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined as disclosed in Fair Value Measurement section in Note 3.

Future changes in accounting standards

As of December 31, 2021, there are no future standards that could have a material or significant impact on the Fund.

4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income on the accrual basis.

Service fees may be paid by the Manager from the management fees it receives from the Fund. Service fees may be paid to brokers and dealers to compensate them for providing ongoing services to redeemable unitholders holding Series A units, if applicable.

The maximum service fee is 0.50% per annum on the Series A units, exclusive of any applicable taxes.

5. Issuance and Redemption of Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of

which represents an equal undivided interest in the net assets of the Fund. Each unit entitles the holder to the same rights and obligations as a holder of any other unit and no holder of units is entitled to any privilege, priority or preference in relation to any other holder of units. Each holder of units is entitled to one vote for each whole unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their NAV.

During the years ended December 31, 2021 and 2020, the number of units issued, redeemed and outstanding were as follows:

Series A

For the years ended	31-Dec-21	31-Dec-2020
Units outstanding at beginning of year	84,203	-
Redeemable units issued	142,215	84,363
Redeemable units redeemed	(19,289)	(4,353)
Redeemable units issued on reinvestments	5,391	4,193
Units outstanding at end of year	212,520	84,203

Series C

For the years ended	31-Dec-21	31-Dec-2020
Units outstanding at beginning of year	152,830	92,999
Redeemable units issued	-	259,241
Redeemable units redeemed	-	(210,540)
Redeemable units issued on reinvestments	7,091	11,130
Units outstanding at end of year	159,921	152,830

Series F

For the years ended	31-Dec-21	31-Dec-2020
Units outstanding at beginning of year	1,932,671	489,445
Redeemable units issued	3,455,438	1,424,058
Redeemable units redeemed	(445,322)	(63,391)
Redeemable units issued on reinvestments	104,585	82,559
Units outstanding at end of year	5,047,372	1,932,671

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

6. Related Party Transactions

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager pays for the investment management services and provides all administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee.

The Manager may offer a reduced management fee to selected investors who (among other considerations) hold large investments in the Fund. This is achieved by reducing the management fee charged to the Fund based on the assets held by such investors and the Fund distributing the amount of the reduction in additional units of the same series of the Fund to the investor.

At December 31, 2021, the Manager, the majority shareholder of the Manager, the Manager's directors and officers together with certain immediate family members had an ownership interest in the Fund amounting to 4.3% (December 31, 2020 - 9.8%).

The Manager is entitled to receive from the Fund a management fee which is calculated daily and payable monthly at an annualized rate of up to 1.25% on Series A units, 0.50% on Series C units, and up to 0.75% on Series F units, exclusive of applicable taxes, based on the net asset value of each respective series.

During the year ended December 31, 2021, the Manager paid the Portfolio Manager, \$125,058 (December 31, 2020 - \$40,797) for managing the portfolio of the Fund. As at December 31, 2021 the amount payable to the Portfolio Manager was \$16,245 (December 31, 2020 - \$6,799).

Performance Fees:

Subject to certain terms and conditions as described in the Fund's Prospectus, the Manager is entitled to receive a Performance Fee (the "Performance Fee") on Series A and F equal to 20% of the Fund's outperformance of the FTSE All Corporate Bond Index.

Performance fees are calculated and accrued monthly and paid annually, if earned. For the year ended December 31, 2021, the Performance Fee accrued by the Fund was \$1,011,486 (December 31, 2020 - \$370,730).

7. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at December 31, 2021 and 2020:

As at December 31, 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Fixed income	\$ -	\$ 50,049,887	\$ 69,000	\$ 50,118,887
Equities	2,520,107	-	90,345	2,610,452
Preferred Shares	2,718,319	394,101	122,631	3,235,051
Receivable from forward exchange contracts	-	22,144	-	22,144
Total	\$ 5,238,426	\$ 50,466,132	\$ 281,976	\$ 55,986,534
Financial Liabilities				
Fixed income sold short	\$ -	\$ 7,899,483	\$ -	\$ 7,899,483
Total	\$ -	\$ 7,899,483	\$ -	\$ 7,899,483
As at December 31, 2020				
Financial Assets				
Fixed income	\$ 55,185	\$ 26,914,428	\$ 83,000	\$ 27,052,613
Equities	375,312	-	39,192	414,504
Options	865	-	-	865
Preferred Shares	1,908,723	-	134,400	2,043,123
Receivable from forward exchange contracts	-	71,447	-	71,447
Total	\$ 2,340,085	\$ 26,985,875	\$ 256,592	\$ 29,582,552

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

As at December 31, 2020		Level 1	Level 2	Level 3	Total
Financial Liabilities					
Fixed income sold short	\$	-	\$ 8,797,863	\$ -	\$ 8,797,863
Total	\$	-	\$ 8,797,863	\$ -	\$ 8,797,863

As at		31-Dec-21	31-Dec-2020
Level 3 reconciliation			
Balance, beginning of year	\$	256,592	\$ 342,765
Purchases		-	154,023
Sales		(75,350)	(166,584)
Transfers In		-	-
Transfers Out		-	-
Realized gains and losses		36,350	52,379
Change in unrealized appreciation/depreciation		64,384	(125,991)
Balance, end of year	\$	281,976	\$ 256,592

The Portfolio Manager's internal valuation team is comprised of individuals from across the functional areas of the firm (Trading, Settlements, Research, Portfolio Management, Compliance, and Fund Administration) who have broad and deep experience in the fair value techniques for debt and equity investments. The team reports to the Chief Investment Officer of the Portfolio Manager and the internal valuation team's valuation processes and results are reviewed by the Portfolio Manager's management on an ongoing basis. Security valuations are discussed on a case-by-case basis with a view to establish the most suitable valuation method. During the years ended December 31, 2021 and 2020, there were no transfers between levels.

The following sections provides information regarding Level 3 securities. It includes a summary of the valuation techniques used and the sensitivity of the fair value of these securities to changes in input values.

ClearStream Energy Services Inc. Series 1 Preferred Share

Price: \$638.70

Valuation Technique: The relative value technique.

Unobservable Inputs: Clearstream Senior Secured Bond Price (from third party).

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$191.61.

ClearStream Energy Services Inc. Series 2 Pfd (restricted)

Price: \$638.70

Valuation Technique: The relative value technique.

Unobservable Inputs: Clearstream Senior Secured Bond Price (from third party).

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$191.61.

Nordstar Capital Inc. LP

Price: \$34.71

Valuation Technique: Internally developed model.

Unobservable Inputs: The primary unobservable inputs for this security include NordStar's financial statements, its ownership in VerticalScope Holdings Inc., and outstanding units, and the public market price of VerticalScope Holdings Inc.

Change in input values: A reasonably possible change to the value of VerticalScope Holdings Inc. could result in an increase or decrease of 50%, or an increase or decrease in the security price of \$17.36.

Nordstar Capital LP. 10% Aug 5, 2025

Price: \$100.00

Valuation Technique: Cost

Unobservable Inputs: The primary unobservable input for this security is the last price that the security was purchased.

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

Change in input values: A reasonably possible change in the price of the security could result in an increase or decrease of 30% or an increase or decrease in the security price of \$30.00.

Xplore Mobile Inc. ("Mobility Spinco")

Price: \$1.14

Valuation Technique: The relative value technique.

Unobservable Inputs: The primary unobservable inputs for this security were taken from financial data provided by the company's management and government publications.

Change in input values: A reasonably possible change to the value of the assets that make up the business could result in an increase or decrease of 40%, or an increase or decrease in the security price of \$0.456.

Xplornet Wireless Inc. ("License Spinco")

Price: \$4.90

Valuation Technique: The relative value technique.

Unobservable Inputs: The primary unobservable inputs for this security were taken from financial data provided by the company's management and government publications.

Change in input values: A reasonably possible change to the value of the assets that make up the business could result in an increase or decrease of 40%, or an increase or decrease in the security price of \$1.96.

8. Risk Management

The Fund'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. The value of the investments in the Fund'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 Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the Fund 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 Fund's main exposure to credit risk consists of investments in debt instruments, such as bonds. The Fund is also exposed to counterparty risk from other assets, such as amounts due from investment dealer or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty credit ratings.

The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

As at December 31, 2021 and 2020, the Fund had directly invested in debt instruments with the following credit ratings:

As a % of net assets		31-Dec-21		31-Dec-2020
Credit exposure				
AAA	%	(4.6)	%	(32.6)
AA		-		6.9
A		13.1		2.9
BBB		31.7		48.6
BB		14.5		36.7
B		10.6		9.8
CCC		8.0		9.5
Not Rated		2.0		7.1

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current NAV per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

The following table presents the Fund's liabilities according to their maturity date as at December 31, 2021 and 2020:

As at 31-Dec-2021	Less Than One Month		1-3 Months	3 Months – 1 Year	
Liquidity exposure					
Fixed income sold short	\$	-	\$	\$ 7,899,483	
Accrued expenses		-	1,059,214	-	
Redemptions payable		93,095	-	-	
As at 31-Dec-2020					
		Less Than One Month		1-3 Months	3 Months – 1 Year
Liquidity exposure					
Fixed income sold short	\$	-	\$	\$ 8,797,863	
Accrued expenses		-	404,113	-	
Redemptions payable		192,776	-	-	

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a fund asset will fluctuate because of changes in market interest rates. If applicable, to manage interest rate risk, the Portfolio Manager monitors exposures and maintains the portfolio duration within the limits specified in the investment policies and objectives of the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

The table below summarizes the Fund's exposure to interest rate risks based on the remaining term to maturity of the investments:

	Less than 1 year		1-5 years	More than 5 years
Interest rate exposure				
December 31, 2021	\$	1,951,914	\$ 26,512,905	\$ 16,274,862
December 31, 2020		269,439	7,180,488	10,804,824

If interest rates had increased or decreased by 1% at December 31, 2021, with all other variables remaining constant, net assets of the fund would have decreased or increased by approximately \$1,053,002 (December 31, 2020 - \$935,815).

Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. If applicable, the currency risk will typically be hedged by entering into foreign currency forward contracts, however some moderate currency exposure may be assumed if deemed to be beneficial to the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

The table below summarizes the Fund's net exposure (before hedging, if any) to currency risk as at:

	31-Dec-21		31-Dec-2020		
Currency exposure					
US Dollars		%	30.2	%	49.9

As at December 31, 2021, if the CAD had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.3% (December 31, 2020 - 0.5%).

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. If applicable, 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. Exposure to price risk arises from investments in equity securities. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

Lysander-Canso Credit Opportunities Fund

Notes to the financial statements for December 31, 2021 and 2020

As at December 31, 2021, approximately 9.7% (December 31, 2020 - 10.8%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at December 31, 2021 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$292,275 (December 31, 2020 - \$122,925).

9. Libor Transition

Certain of the fund's investments, including its investments in derivatives (if any), as well as any debt issued by the fund and other contractual arrangements of the fund may be based on reference interest rates such as the London Interbank Offered Rate ("LIBOR"). In 2017, the regulatory authority that oversees financial services firms in the United Kingdom announced plans to transition away from LIBOR by the end of 2021. In March 2021, the administrator of LIBOR announced the extension of the publication of the more commonly used U.S. dollar LIBOR settings to the end of June 2023.

Although the full impacts of the transition away from LIBOR are not fully known, the transition may result in, among other things, an increase in volatility or illiquidity of the markets for instruments that currently rely on LIBOR to determine interest rates and this could have an adverse impact on the fund's performance. Management is actively preparing for the cessation of LIBOR and the transition to one or more alternative references rates, including the Secured Overnight Financing Rate (SOFR) and the Sterling Overnight Index Average (SONIA). In order to facilitate a successful LIBOR transition, management has established a cross-functional LIBOR transition working group which has addressed any necessary changes to processes and systems as well as any tax and accounting implications. The working group has completed a comprehensive review of the fund's LIBOR related exposures, including any contractual interest rate fallback language, and has established investment rules to limit the addition to the fund's portfolio of any securities tied to LIBOR that mature after the applicable cessation date.

With respect to the fund's accounting for investments, including its investments in derivatives (if any), as well as any debt issued by the fund and other contractual arrangements of the fund that undergo reference rate-related modifications as a result of the transition, management will rely upon the relief provided by the amendments to IFRS 9, IAS 39: Financial Instruments – Recognition and Measurement and IFRS 7: Financial Instruments – Disclosures under the IASB's Interest Rate Benchmark Reform – Phase 2. The guidance in those amendments permits the fund to disregard the IFRS accounting requirements around certain contract modifications resulting from the LIBOR transition such that for contracts considered in scope, the fund can account for those modified contracts as a continuation of the existing contracts.

The cessation of the one-week and two-month U.S. dollar LIBOR tenors along with certain other non-U.S. dollar denominated LIBOR settings at December 31, 2021 did not have a material impact on the fund. Although still evaluating the impact of the June 30, 2023 planned discontinuation for the remaining LIBOR settings, management believes that the impact will not be material to the fund. As at December 31, 2021, the fund held \$1,939,186 in variable rate bonds linked to U.S. dollar LIBOR settings.



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