



MCAN MORTGAGE CORPORATION

**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF OPERATIONS**

MARCH 31, 2009

MCAN MORTGAGE CORPORATION

REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

This Management's Discussion and Analysis of Operations ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements and accompanying notes for the quarter ended March 31, 2009 and the audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2008. These items and additional continuous disclosure materials such as the Annual Information Form are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and our website at www.mcanmortgage.com. Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2008 remain substantially unchanged. Information has been presented as of May 12, 2009.

RESULTS OF OPERATIONS

MCAN Mortgage Corporation ("MCAN", the "Company" or "we") reported net income of \$6.4 million for the first quarter of 2009, up from \$5.1 million a year earlier. Earnings per share for the quarter were \$0.45 compared to \$0.36 last year.

(in thousands, except for per share amounts)

For the Quarters Ended March 31	2009	2008
Net investment income	\$ 7,703	\$ 6,064
Operating expenses	1,269	922
Income before income taxes	6,434	5,142
Provision for income taxes and large corporations taxes	-	-
Net income	\$ 6,434	\$ 5,142
Basic and diluted earnings per share	\$ 0.45	\$ 0.36
Dividends per share	\$ 0.68	\$ 0.23

The current turmoil in the general economy, and specifically in the financial and real estate markets, has impacted MCAN both positively and negatively. In our core spread business, decreases in the prime rate that have not been matched by corresponding decreases in the cost of our term deposits have compressed the spread on our mortgage portfolio, of which over 50% is floating rate (prime-based). However, the changing interest rate environment has had a positive impact on our participation in the Canada Mortgage Bonds ("CMB") program. Also, the market turmoil has created opportunities for us, in conjunction with MCAP Commercial LP ("MCLP"), to acquire portfolios from other lenders at favourable pricing, and the aggressive management of these portfolios has led to significant incremental income in the past few quarters. Although earnings per share have been strong in recent quarters, it must be cautioned that the primary contributing activities are significantly more volatile than our core activities.

Net Investment Income

(in thousands)

For the Quarters Ended March 31	2009	2008
Investment Income		
Mortgage interest	\$ 6,716	\$ 7,548
Interest on loans and investments	1,243	1,910
Fees	2,339	799
Equity income from MCAP Commercial LP	149	301
Securitization income	2,274	1,999
Interest on cash and cash equivalents	92	401
Gain (loss) on sale of mortgages	1	(4)
Marketable securities	-	4
	12,814	12,958
Financial Expenses		
Term deposit interest and expenses	4,047	5,358
Mortgage expenses	764	939
Provision for losses	300	597
	5,111	6,894
Net Investment Income	\$ 7,703	\$ 6,064

Net investment income for the first quarter increased by \$1.6 million over the prior year.

During the quarter, we realized \$662,000 relating to the partial recovery of purchase price discounts on several portfolios of discounted mortgages that we acquired in the second half of 2008. We also received \$1.6 million of fees from MCLP from a profit sharing arrangement relating to discounted mortgages acquired by MCLP.

Mortgage interest income for the quarter decreased by \$832,000 from the prior year due to a decrease in the average portfolio size from \$422 million in 2008 to \$390 million in 2009 and a decrease in the average mortgage yield from 7.13% in 2008 to 6.99% in 2009.

The prime rate was 2.50% as at March 31, 2009, a significant decrease from 5.25% as at March 31, 2008. This decrease has negatively impacted mortgage interest income, as approximately 58% of our mortgages at quarter end were floating rate mortgages. However, this negative impact has been mostly offset by the higher effective yields on the mortgages in the acquired portfolios.

The mortgages in the acquired portfolios have higher effective yields than those in our regular portfolio, as they have been acquired at a discount to their par values. The portion of the discount that we expect to recover is amortized into income over the remaining term of the respective mortgages. Upon the payout of a mortgage, the remaining unamortized discount is recognized as income.

Interest on loans and investments decreased by \$667,000 over the prior year, primarily due to the aforementioned decrease in the prime rate. In addition, we received a significant one-time interest payment in 2008 upon the payout of a securitization investment.

Fees increased by \$1.5 million over the prior year, mostly due to fees received from MCLP related to the profit sharing noted above. Fees also include construction commitment fees, which are amortized into income over the term of the related loans. Construction commitment fees earned in the quarter decreased over the prior year due to a lower average construction loan balance.

Equity income from our ownership interest in MCLP was \$149,000 during the quarter compared to \$301,000 in the prior year. In the current year, MCLP recognized significant income from its residential mortgage business, however this income was largely offset by negative fair value adjustments.

MCAN securitizes insured residential mortgages through the CMB program. We recognized securitization income of \$2.3 million during the quarter compared to \$2.0 million in the prior year. Up-front gains from securitization increased from \$1.2 million in the prior year to \$1.9 million in the current year as a result of wider interest rate spreads between mortgages and government bonds. Residual securitization income decreased from \$835,000 in the prior year to \$391,000 in the current year, as fair value adjustments to CMB-related financial instruments had a negative impact to income of \$898,000 (2008 - positive impact of \$599,000). Forward interest rates have been volatile since early 2008, which can lead to unanticipated income variances in either direction. The negative impact of fair value adjustments in the current year has been partly offset by a significant increase in interest rate swap receipts.

Term deposit interest and expenses decreased by \$1.3 million during the quarter due to a decrease of \$39 million in the average outstanding balance and a decrease in the average term deposit interest rate to 3.85% in 2009 from 4.68% in 2008. The interest rate on new term deposits is relatively high, as deposit rate decreases have not kept pace with the declines in the prime rate.

Mortgage expenses for the quarter decreased by \$175,000 over the prior year, consistent with the decrease in the average mortgage portfolio.

Provisions for losses in the current and prior year were as follows:

	2009	2008
Mortgages - general provision	\$ 404,000	\$ 164,000
Mortgages - specific provision (recovery)	(20,000)	4,000
Loans and investments - general provision (recovery)	(84,000)	23,000
Securitization investments - write-down	-	1,200,000
Securitization investments - recovery of write-down	-	(794,000)
	\$ 300,000	\$ 597,000

The allowance for credit losses reduces the carrying value of mortgage assets to provide for an estimate of the principal amounts that borrowers may not repay in the future. In assessing the estimated realizable value of assets, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. A number of factors can affect the amount that we ultimately collect, including the quality of our underwriting process and credit criteria, the diversification of the portfolio, the underlying security relating to the mortgages and the overall economic environment. Specific allowances include all of the accumulated provisions for losses on particular assets required to reduce the related assets to estimated realizable value. The general allowance represents losses that we believe have been incurred but not yet specifically identified. Reserving rates depend on asset class, as different classes have varying underlying risks. Based on our best judgment, we believe that the general allowance is indicative of probable losses within the next two years based on current economic conditions and risk profile. However, future changes in circumstances could materially affect our future provisions for credit losses from those provisions determined in the current period, and there could be a need to increase or decrease the allowance for credit losses.

Impaired loans net of specific allowances were 1.42% (\$6.2 million) at March 31, 2009, compared to 0.80% (\$3.4 million) at December 31, 2008 and 0.76% (\$3.4 million) at March 31, 2008. The current year quarter end balance is comprised as follows: uninsured single family (\$5.0 million, 1.14%), residential construction (\$1.2 million, 0.28%). We continue to proactively monitor loan arrears and take prudent steps to collect overdue accounts. Total mortgages past due but not impaired decreased from \$31 million at December 31, 2008 to \$29 million at March 31, 2009, however total arrears increased by \$1 million during the first quarter from \$34 million to \$35 million. Our current arrears levels are a reflection of the general deterioration in the Canadian economy. There were no other assets in arrears at quarter end.

Write-offs were \$92,000 for the quarter compared to \$1,000 in the prior year. All current year write-offs relate to uninsured single family mortgages.

Operating Expenses

(in thousands)

For the Quarters Ended March 31	2009	2008
Salaries and benefits	\$ 525	\$ 434
General and administrative	744	488
	\$ 1,269	\$ 922

Operating expenses have increased over the prior year, mainly due to increased professional fees incurred during the quarter.

Income Taxes

(in thousands)

For the Quarters Ended March 31	2009	2008
Provision against income	\$ -	\$ -
Charge (recovery) to retained earnings	(1,753)	1,684
	\$ (1,753)	\$ 1,684

Future taxes payable, which are charged directly to retained earnings, decreased during the first quarter of 2009. This decrease is primarily due to the payment of the March 31, 2009 dividend, which was significantly higher than usual. We pay no income tax on taxable income if it is paid out as dividends to our shareholders within 90 days of year end, and we generally make such

distributions. As a result of this, we had a significant future tax liability at December 31, 2008 as the March 31, 2009 dividend, which related to the 2008 tax year, had not yet been paid. The reversal of this liability through the payment of the dividend led to a recovery of future taxes in the first quarter.

Cash Flows

Operating activities used cash flows of \$209,000 in the quarter, compared to \$1.6 million provided in the prior year.

Investing activities provided cash flows of \$211,000 in the quarter and used \$37 million in the prior year. Net mortgage advances offset loan and investment repayments in the current year, while there were significant net mortgage advances in the prior year.

Financing activities used \$27 million of cash in the quarter and used \$8 million in the prior year. Net term deposit repayments and dividends paid increased in the current year.

SELECTED QUARTERLY FINANCIAL DATA

(in thousands, except for per share amounts)

	2009		2008			2007		
	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Net investment income	\$7,703	\$6,064	\$6,062	\$12,485	\$11,471	\$5,140	\$4,083	\$4,259
Operating expenses	1,269	922	1,173	2,088	1,551	955	1,000	1,079
Income before income taxes	6,434	5,142	4,889	10,397	9,920	4,185	3,083	3,180
Provision for (recovery of) income taxes and large corporations taxes	-	-	-	-	-	(2)	-	-
Net income	\$6,434	\$5,142	\$4,889	\$10,397	\$9,920	\$4,187	\$3,083	\$3,180
Basic and diluted earnings per share	\$0.45	\$0.36	\$0.35	\$0.73	\$0.70	\$0.33	\$0.21	\$0.23
Dividends per share								
Regular	\$0.68	\$0.12	\$0.23	\$0.25	\$0.25	\$0.23	\$0.23	\$0.23
Capital gains	-	0.11	-	-	-	-	-	-
Total	\$0.68	\$0.23	\$0.23	\$0.25	\$0.25	\$0.23	\$0.23	\$0.23

Quarterly income in the second quarter of 2007 was higher than previous quarters due to increased interest income from higher mortgage and loan portfolios and securitization income from the CMB program. The third quarter of 2007 was significantly lower due to the write-down of securitization investments and the loss from the CMB program, while the fourth quarter of 2007 had a significant equity loss from MCLP due to write-downs taken on its securitization programs. The first half of 2008 was comparable to the first two quarters of 2007, but with higher securitization income. The second half of 2008 had substantially higher net income than previous quarters due to significant income from the sale of mortgages and income earned as a result of the portfolio acquisitions noted above. Securitization income and income from the acquired portfolios remained strong in the first quarter of 2009.

FINANCIAL POSITION

As of March 31, 2009, total consolidated assets were \$544 million, a decrease of \$26 million from December 31, 2008.

Assets

(in thousands)	March 31, 2009		December 31, 2008		March 31, 2008	
Cash and cash equivalents	\$ 31,014	5.7%	\$ 58,071	10.2%	\$ 9,817	1.8%
Mortgages	407,706	74.9	393,010	68.9	452,210	81.8
Loans and investments	60,670	11.1	75,367	13.2	66,633	12.1
Equity investment in MCLP	17,736	3.3	18,300	3.2	17,396	3.1
Other assets	27,115	5.0	25,406	4.5	6,725	1.2
Marketable securities	-	-	-	-	126	-
	\$ 544,241	100.0%	\$ 570,154	100.0%	\$ 552,907	100.0%

Cash decreased by \$27 million during the quarter. The December 31, 2008 balance was unusually high, however during the quarter our cash balance returned to the \$20 to \$30 million range in which it is normally maintained.

Mortgages increased by \$15 million in the quarter, primarily due to increases of \$30 million in residential construction loans and \$6 million in uninsured single family mortgages, partially offset by a decrease of \$16 million in commercial mortgages.

As at March 31, 2009, we held discounted mortgages with an aggregate discount of \$32 million. We retain 50% of any recoveries of that amount, and we pay the remaining 50% to MCLP. The amount of the discount ultimately recovered is dependent on the value of the real estate securing the mortgage, as well as the financial capacity of the borrower. Additionally, these mortgages have maturity dates ranging from two years for the fixed rate mortgages to 23 years for the floating rate mortgages. As such, it is difficult to accurately estimate the timing and quantum of the discount ultimately recovered. However, we do expect that material amounts will be realized over the next few years.

We do not invest in the United States mortgage market. We invest in insured and uninsured single family mortgages in Canada, which we believe are lower risk than United States sub-prime mortgages. The uninsured mortgages may not exceed 80% of the value of the real estate securing such loans ("LTV") at the time of funding.

A decline in Canadian residential property values of up to 15% in some markets has been predicted by some forecasters. Such a decline and the expected increase in unemployment may result in an increase in arrears and potential loan losses. Loan to property value ratios are generally under 75% in our portfolio and our borrowers have indicated good payment discipline in the past. Our account management and that of our mortgage servicers is proactive in managing arrears. We believe that these factors will mitigate loan losses. We continue to regard residential mortgages as a solid investment asset class.

Loans and investments decreased by \$15 million, primarily due to the payouts of a loan to a private investor and an equity investment during the quarter. The CMB interest-only strips, which are retained interests in the securitized mortgages consisting of the discounted value of future mortgage interest and principal reinvestment interest receipts less coupon interest payments, increased by \$3.0 million during the quarter. The interest-only strips increase (decrease) in value as cash is paid (received). During the quarter, we recognized new interest-only strips of \$4.0 million upon the closing of this quarter's issuances, however this increase was partially offset by a \$1.9 million downward adjustment in the fair value of the interest-only strips.

The restructuring of Third Party Structured Asset-Backed Commercial Paper ("ABCP") by the Pan-Canadian Investors Committee (the "Montreal Accord") was finalized on January 21, 2009. Prior to the finalization of the restructuring for the Montreal Accord, we held securitization investments subject to the Montreal Accord as follows: ABCP of \$2.1 million (net of a \$2.0 million write-down), commercial securitization program investment of \$458,000. The restructuring converted the existing ABCP into Master Asset Vehicle II ("MAV II") investments as follows: class A-1 notes rated A by DBRS (66.7%), class A-2 notes rated A by DBRS (25.7%) and unrated B (4.6%) and C (3.0%) notes. The commercial securitization program investment was converted to Master Asset Vehicle III ("MAV III") unrated class 20 A-1 notes. After performing a valuation of the new notes, we recorded a \$2.0 million write-down on the MAV II investments.

Our equity investment in MCLP decreased by \$564,000, consisting of the net of equity income for the quarter of \$149,000 and distributions received of \$713,000.

Other assets at March 31, 2009 consist almost entirely of interest rate swaps relating to the CMB program. We have entered into "pay-floating, receive-fixed" swaps to hedge against interest rate risk on reinvested CMB principal collections. The fair market value of the swaps increased significantly during 2008 and early 2009 as a result of a substantial decrease in forward interest rates. Other assets also include capital assets, prepaid expenses, accounts receivable and deferred costs.

Liabilities and shareholders' equity

(in thousands)

	March 31	December 31	Increase
	2009	2008	(Decrease)
Liabilities			
Term deposits	\$ 412,164	\$ 426,663	\$ (14,499)
Securitization liabilities	8,112	7,095	1,017
Accounts payable and accrued charges	4,377	12,186	(7,809)
Future taxes payable	5,280	7,601	(2,321)
	<u>429,933</u>	<u>453,545</u>	<u>(23,612)</u>
Shareholders' equity			
Share capital	98,184	97,493	691
Contributed surplus	510	510	-
Retained earnings	15,805	17,313	(1,508)
Accumulated other comprehensive income (loss)	(191)	1,293	(1,484)
	<u>114,308</u>	<u>116,609</u>	<u>(2,301)</u>
	\$ 544,241	\$ 570,154	\$ (25,913)

Term deposits decreased by \$14 million during the quarter. To fund our investment operations, we issue term deposits that are insured pursuant to the standard terms of coverage set out by the Canada Deposit Insurance Corporation. We do not use capital markets (including asset-backed commercial paper) for liquidity.

Securitization liabilities relate to CMB interest-only strips in liability positions. The interest-only strips usually only go into liability positions after a significant decrease in forward rates after issuance, which was the case with certain interest-only strips in late 2008 and early 2009. The decreases in the fair value of the interest-only strips have been offset by increases in the fair value of CMB interest rate swaps (included in other assets).

Share capital increased by \$691,000, which was raised through the dividend reinvestment plan for the January 2, 2009 and March 31, 2009 dividends and the issuance of new shares as part of the Executive Share Purchase Plan.

Retained earnings decreased by \$1.5 million during the quarter. The decrease was a result of the first quarter dividend of \$9.7 million, partly offset by quarterly income of \$6.4 million and a recovery to retained earnings of \$1.8 million relating to current and future income taxes.

Accumulated other comprehensive income (loss) represents the changes in unrealized gains or losses (net of taxes) on available for sale financial assets and cash flow hedges. The change in the quarter is a result of a significant decrease in the fair market value adjustment of available for sale fixed-rate mortgages. During the quarter, we revised the market rates used for this calculation to reflect the minimum mortgage yield required for this asset class. This yield requirement is reviewed continually. The decrease during the quarter reflects a higher minimum yield.

CMB PROGRAM

We participate in the CMB program, which involves the securitization of insured single family mortgages. We participate in the CMB program with MCAP Service Corporation ("MSC"). For accounting purposes, we recognize an up-front gain on securitization, and at that time we recognize an interest-only strip, which is a retained interest in the securitized mortgages. The interest-only strips consist of the discounted value of future mortgage interest and principal reinvestment interest receipts less fixed coupon interest payments. The interest-only strips are generally in asset positions, however they can potentially go into liability positions upon a significant decrease in forward interest rates after issuance, which occurred with certain interest-only strips in 2008. In addition, we recognize liabilities for future mortgage servicing, which we subcontract to MSC, and other costs. For tax purposes, we recognize CMB-related income on the cash basis, wherein the payment of upfront CMB expenses is a deduction from taxable income at the date of issuance, and the ongoing collection of net CMB cash flows, representing the interest-only strips, is recognized in taxable income as received over the duration of the issuance.

In addition, we earn residual securitization income, which includes the net yield earned on the interest-only strips and the CMB liabilities, penalty income, refinancing and renewal gains, interest rate swap receipts (payments) and fair value changes in the interest-only strips and interest rate swaps.

During the quarter, we securitized \$364 million of mortgages through the CMB program. We recorded \$4.0 million of interest-only strips and \$414,000 of liabilities on the respective closing dates.

As part of the CMB program, we enter into "pay-floating, receive-fixed" interest rate swaps. The purpose of these swaps is to hedge interest rate risk on the interest-only strips. We receive interest on reinvested CMB principal collections, the discounted future value of which is included in the interest-only strips. Changes in the fair market value of the interest rate swap assets generally offset the changes in the fair value of the interest-only strips.

CONTRACTUAL OBLIGATIONS

We have contractual obligations to make principal and interest payments on term deposits and an operating lease. In addition, we have outstanding commitments for future fundings of mortgages intended for our own portfolio, almost all of which relate to floating rate construction loans.

As part of the CMB program, we are required to pay servicing expenses on the securitized mortgages and other ongoing costs.

(in thousands)	Less than one year	One to five years	Over five years	Total
Term deposits	\$ 388,897	\$ 23,267	\$ -	\$ 412,164
Operating lease	148	370	-	518
Mortgage fundings	87,956	-	-	87,956
CMB obligations	762	1,871	-	2,633
	\$ 477,763	\$ 25,508	\$ -	\$ 503,271

FUTURE CHANGES IN ACCOUNTING POLICY

International Financial Reporting Standards

For the fiscal year commencing January 1, 2011, we will cease to use Canadian Generally Accepted Accounting Principles ("GAAP") and will adopt International Financial Reporting Standards ("IFRS"). We have commenced a project, the purpose of which is to identify and assess the impact of the transition to IFRS on the consolidated financial statements and to develop a plan to complete the transition. The plan will address key areas such as accounting policies, financial reporting, information systems, education and training, disclosure controls and procedures, internal controls over financial reporting and other business activities.

As part of the plan, we are currently identifying differences in accounting policies on an ongoing basis and with respect to certain choices to effect conversion in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*. We have completed the diagnostic phase of the plan, which has identified the following accounting differences that may potentially have a significant impact:

- First-time adoption of IFRS
- Allowance for credit losses
- Securitization
- Equity investments
- Financial statement preparation, presentation and disclosure

We acknowledge that the above list does not include all possible significant items that will occur upon the transition to IFRS. The impact on our information technology, data systems and processes will be dependent on the magnitude of the change resulting from these and other items.

We are monitoring the potential impact of changes to financial reporting processes, internal controls over financial reporting and disclosure controls and procedures. We have not yet quantified the effects of the potential significant differences between GAAP and IFRS nor their materiality. As the implications of the conversion are identified, continual requirements for infrastructure, expertise, training and education will be assessed. We will continue to assess the impact of adopting IFRS and will update our MD&A disclosures on a quarterly basis to report on the progress of our IFRS plan.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As at March 31, 2009, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of MCAN, along with the assistance of the Company's disclosure committee comprised of members of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to MCAN is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

There were no changes in our internal controls over financial reporting that occurred during the interim period ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The continuing disruption in the financial markets has afforded us with opportunities to acquire mortgages on a profitable basis. While these transactions are opportunistic and cannot be planned, we expect that the disruption in the financial markets will not materially improve for several months, and as such, future acquisition opportunities may present themselves. We plan to retain investment capacity so that we can take advantage of these opportunities.

The decreases in the prime rate from 2008 and early 2009 will continue to have an adverse effect on net investment income over the next several quarters. New term deposit funding rates have not decreased to this extent, which will continue to compress spread income in the near term. With the exception of the floating rate mortgages purchased as part of the portfolio acquisitions, we have increased our fixed rate mortgage portfolio and decreased our floating rate mortgage portfolio in order to minimize this compression. We are generally targeting fixed rate mortgages, rather than floating rate mortgages. For new and existing floating rate mortgages, we are establishing minimum rates whenever possible, to protect our spread income. Higher profitability from the CMB program and the acquired portfolios has more than offset the reduction in spread income.

Slower economic activity has moderated housing market activity, compared to last year, and we expect this to continue for the balance of the year. Arrears on single family mortgages have risen due to job losses and we expect this will also continue throughout the year. Property values have declined over the past year, and we anticipate further declines.

The disruption in the financial markets has not yet resolved itself and this could be several months away. Management does not believe that this disruption has materially affected the capital or liquidity of the Company.

DIVIDENDS

The Board of Directors declared a second quarter dividend of \$0.25 per share to be paid June 30, 2009 to shareholders of record as of June 15, 2009.



Blaine Welch
President and Chief Executive Officer



Tammy Oldenburg
Vice President and Chief Financial Officer

This report may contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company. These forward looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature. These statements are based on current expectations, and are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technology change, global market activity, interest rates, changes in government and economic policy and general economic conditions in geographic areas where the Company operates. Reference is made to the risk factors disclosed in the Company's 2009 Annual Information Form, which are incorporated herein by reference. These and other factors should be considered carefully and undue reliance should not be placed on the Company's forward-looking statements. Subject to applicable securities law requirements, we do not undertake to update any forward-looking statements.

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations," Part 4.3 (3)(a).

The accompanying consolidated interim financial statements of MCAN have not been reviewed by an auditor.

The Company is in compliance with the interim Management's Discussion and Analysis of Operations requirements set out by National Instrument 51-102.