MCAN Mortgage Corporation

MCAN MORTGAGE CORPORATION

ANNUAL

INFORMATION

FORM

MARCH 21, 2007

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CORPORATE STRUCTURE

Name, Address and Incorporation

MCAN Mortgage Corporation (the "Company," "MCAN" or "we") was incorporated under the federal Loan Companies Act, now called the Trust and Loan Companies Act (the "Trust Act"), by Letters Patent dated January 11, 1991. We received our certificate to commence business from the Office of the Superintendent of Financial Institutions ("OSFI") on November 7, 1991. The head and registered office of the Company is located at 200 King Street West, Suite 400, Toronto, Ontario, M5H 3T4.

We conduct our operations so as to continually qualify as a mortgage investment corporation ("MIC") for purposes of the Income Tax Act (Canada) (the "Tax Act"). Our dividend policy is to pay out substantially all of our taxable income to our shareholders. These dividends are deductible for income tax purposes to the Company and are taxable in the shareholders' hands as interest. In addition, a MIC can pay certain capital gains dividends which are taxed as capital gains in the shareholders' hands.

We maintain registration to carry on business in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Newfoundland and Labrador.

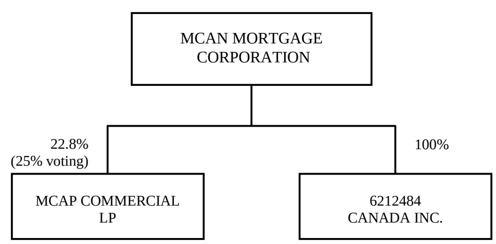
Intercorporate Relationships

The Company consolidates the accounts of its wholly owned subsidiary, 6212484 Canada Inc. ("6212484") and equity accounts for its investment in MCAP Commercial LP ("MCLP").

At December 31, 2006, MCAN held a 22.8% limited partnership interest in MCLP. During 2006, MCLP issued non-voting units to a partnership of certain senior managers of MCLP such that MCAN's interest in MCLP was reduced from 25% to 22.8%. Our voting interest in MCLP remains at 25%.

6212484 is a federally incorporated company. MCLP is provincially registered under the Limited Partnership Act, Ontario.

MCAN MORTGAGE CORPORATION CORPORATE STRUCTURE



A NOTE ABOUT FORWARD LOOKING STATEMENTS
This report may contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company. These statements 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 this Annual Information Form. These and other factors should be considered carefully and undue reliance should not be placed on the Company's forward-looking statements. We do not undertake to update any forward-looking statements.

THREE YEAR HISTORY

On April 14, 2004, CDP Capital - Real Estate Advisory Inc., a subsidiary of the Caisse de dépôt et placement du Québec (the "Caisse"), and the Company entered into an agreement to combine the mortgage origination and servicing business of MCAP Financial Corporation ("MFC") with that of CDP Capital - Mortgages, a subsidiary of the Caisse, and to restructure the ownership of MCLP (the "Business Reorganization"). The related transaction resulted in the reduction of our partnership interest in MCLP from 50% to 25% and the sale of our subsidiaries MTC Leasing Inc. ("MTCL") and MFC. Our indirect ownership interests in MCAP Service Corporation ("MSC") and MCAP Mortgage Corporation ("MMC") were reduced from 20% to 5%.

Prior to the Business Reorganization, we consolidated our interest in MTCL and MFC (and proportionately consolidated MFC's interest in MCLP) and equity accounted for our interest in MSC and MMC. Subsequent to the Business Reorganization, we account for our partnership interest in MCLP on the equity basis.

The Business Reorganization constituted a shift in our operations to a greater emphasis on mortgage lending and investing activities and a lesser emphasis on mortgage origination and servicing.

Prior to November 21, 2005, the Company held its equity investment in MCLP through 6212492 Canada Inc. ("6212492"). On November 21, 2005, the interest was conveyed from 6212492 directly to MCAP Inc. on the dissolution of 6212492.

MCAP Securities Inc. was a subsidiary of 6212484, and was a registered Investment Dealer and a member of the Canadian Investor Protection Fund and the Investment Dealers Association of Canada ("IDA"). In March 2005, MSI deregistered with the IDA as a securities dealer, and it was sold later in that year.

On September 15, 2006, we changed our name from MCAP Inc. to MCAN Mortgage Corporation following the receipt of approval from OSFI. The name change was approved by shareholders on May 4, 2006 at the Annual and Special Meeting of Shareholders.

Concurrent with the name change, we changed the name of our deposit liabilities from debentures to term deposits. Our term deposits remain insured pursuant to the standard terms of coverage set out by the Canada Deposit Insurance Corporation ("CDIC").

There were no acquisitions or dispositions that occurred during the year ended December 31, 2006.

As of December 31, 2006, we had achieved our target asset level of 5.75 times capital as a result of significant asset growth during 2006. We plan to maintain this level while maintaining an asset portfolio with acceptable yields and manageable levels of risk.

Further information regarding the development of the Company and our outlook for 2007 is provided in the Message to Shareholders and Management's Discussion and Analysis in our 2006 Annual Report, which is incorporated by reference in this Annual Information Form. These documents are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

NARRATIVE DESCRIPTION OF THE BUSINESS

MCAN is a public company listed on the Toronto Stock Exchange ("TSX") under the symbol MKP and is a reporting issuer in all provinces and territories in Canada.

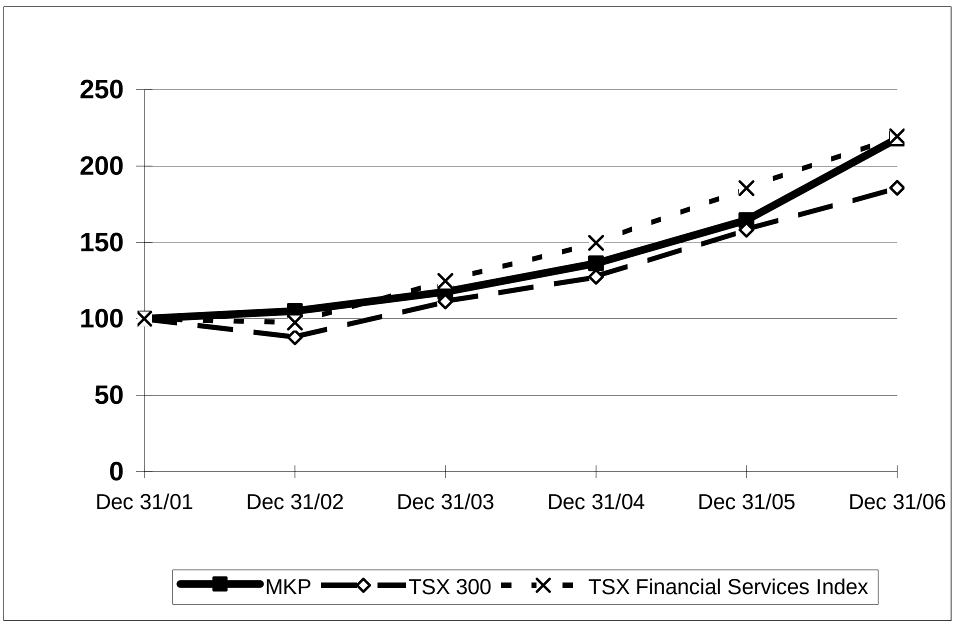
Our objective is to generate a reliable stream of income by investing our funds in a portfolio of mortgages (including single-family residential, residential construction and commercial mortgages), as well as other types of loans, real estate and marketable securities in the form of corporate bonds and real estate investment, income and royalty trusts. We employ leverage by issuing debt obligations up to a maximum of five times capital, on a non-consolidated basis, as permitted by the Tax Act. In addition, we are limited to a 9 to 1 ratio of consolidated regulatory assets to capital. As a MIC, we are entitled to deduct from income for tax purposes 50% of capital gains dividends and 100% of non-capital gains dividends paid by the Company. Such dividends are received by our shareholders as capital gains dividends and interest income respectively.

We fund our operations with term deposits insured under the terms set out by CDIC. The term deposits are sourced through a network of independent financial agents.

Our Board of Directors has ultimate responsibility for the management and investments of the Company. The Board of Directors has established an Investment Committee ("ICB") from among its members consisting of at least three directors, the majority of whom are independent directors. The ICB is responsible for the review and approval of the Company's Investment Policies and Standards ("IPS"), including investment limits, target asset mix and approval authorities. The ICB meets at least quarterly to review the Company's investment program and monitor compliance with the IPS, the Trust Act and the Tax Act.

Performance Graph

The following graph compares MCAN's cumulative total shareholder return (assuming an investment of $100 on December 31, 2001) on the shares during the period from January 1, 2002 to December 31, 2006, with the S&P/TSX Composite Index (Total Return) and the S&P/TSX Financial Services Index (Total Return), assuming reinvestment of all dividends.



	Dec 31 2001	Dec 31 2002	Dec 31 2003	Dec 31 2004	Dec 31 2005	Dec 31 2006	Compound Annual Growth
MCAN	100	105	118	136	164	218	16.9%
TSX	100	88	111	128	158	186	13.2%
TSX Financial Services	100	97	125	150	186	219	17.0%

Note: Dividends declared on MCAN's common shares are assumed to be reinvested at the closing price on the payment date.

Balance Sheet

The following table sets out the composition of our assets as at December 31, 2006:

Assets
As at December 31, 2006
(in thousands)

Cash and Cash Equivalents	$ 17,685
Marketable Securities	12,473
Mortgages	395,788
Loans and Other Investments	53,377
Equity Investment in MCLP	17,340
Other Assets	1,444
	$ 498,107

Existing Mortgage and Loan Portfolio

The following tables set out the composition of our mortgages and loans and other investments as at December 31, 2006:

Mortgage and Loan Analysis by Type
As at December 31, 2006

Type	Outstanding Principal Amount (in thousands)	Percentage of Total Assets	Allowance for Credit Losses (in thousands)
Single family mortgages			
- Uninsured	$ 136,675	27.5%	$ 989
- Insured	40,231	8.1	-
Construction loans			
- Residential	184,604	37.1	2,025
- Non-residential	29	-	-
Commercial	35,606	7.1	593
	397,145	79.8	3,607
Accrued Interest	2,250	0.4	
	399,395	80.2	
Less: Allowance for Credit Losses	(3,607)	(0.7)	
Mortgages	395,788	79.5%	
Loans Receivable	37,298	7.5%	183
Other Investments	15,958	3.2	38
	53,256	10.7	221
Accrued Interest	342	-	-
	53,598	10.7	-
Less: Allowance for Credit Losses	(221)	-	-
Loans and Other Investments	53,377	10.7	-
Total	$ 449,165	90.2%	$ 3,828

Credit Risk and Provisioning

We establish allowances for mortgage loan losses consisting of specific and general provisions that in management's judgment are adequate to absorb all credit related losses in our portfolios. 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. The allowance is increased by provisions for losses, which are charged against income and reduced by write-offs, net of recoveries. 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.

The allowance for credit losses relating to mortgages increased by $850,000 in 2006 to $3,607,000, compared with an increase of $561,000 in 2005. The change in the allowance reflected a $60 million increase in the mortgage portfolio, from $336 million in 2005 to $396 million in 2006, consisting mostly of increases of $34 million in construction loans and $21 million in commercial mortgages. In 2005, the increase in the allowance was mostly due to a $43 million increase in construction loans, although this was partly offset by a $20 million decrease in uninsured residential mortgages. We also recorded an increase in the allowance for credit losses of $77,000 in 2006 to $221,000 relating to loans receivable and other investments, compared to an increase of $43,000 in 2005. Loans receivable requiring a provision grew significantly in 2006 compared to moderate growth in 2005. Write-offs were 0.2 basis points ($6,000) on average mortgage balances, compared to 1.3 basis points ($44,000) in the prior year.

Impaired loans net of specific allowances ended the year at 0.28% of the total loan portfolio, compared to 0.53% at December 31, 2005. We continue to proactively monitor loan arrears, and to take prudent steps to collect overdue accounts.

Borrowing

We derive our net investment income from the investment of our equity and the difference or spread between amounts earned on our mortgages and other investments and the cost of the term deposits that we issue to fund such investments. We have two significant capital tests that must be closely monitored. First, as a MIC, we are limited by the Tax Act to a liabilities to capital ratio of 5:1 (or an assets to capital ratio of 6:1), based on our non-consolidated balance sheet measured at its tax value. Second, as we are a loan company under the Trust Act, OSFI regulates our consolidated regulatory assets to capital. In this regard, OSFI granted us a 9:1 consolidated regulatory assets to capital ratio effective December 28, 2001. We borrow to the extent that we are satisfied that the borrowing and additional investments will increase our overall profitability.

OSFI has issued guidelines to federally regulated companies for capital adequacy, which include meeting a minimum regulatory capital to risk-weighted assets ratio of 10% for total capital and 7% for Tier 1 capital.

Our income tax assets and capital, regulatory assets and capital and maximum assets and ratios over the past three years are as follows:

December 31 (dollars in thousands)	**2006**	**2005**	**2004**
Tax Act Test			
Income Tax Assets	$ 499,714	$ 438,669	$ 461,073
Income Tax Capital	$ 86,245	$ 85,664	$ 80,434
Income Tax Assets to Capital ratio	5.79	5.12	5.73
Maximum Assets (non-consolidated)	$ 517,470	$ 513,984	$ 482,604
Maximum Assets to Capital ratio	6.00	6.00	6.00
Regulatory Test (OSFI)			
Regulatory Assets	$ 505,508	$ 471,841	$ 480,814
Regulatory Capital	$ 81,294	$ 69,460	$ 68,351
Regulatory Assets to Capital ratio	6.22	6.79	7.03
Maximum Regulatory Assets (consolidated)	$ 731,646	$ 625,140	$ 615,159
Maximum Regulatory Assets to Capital ratio	9.00	9.00	9.00
Total Regulatory Capital to Risk-Weighted Assets ratio	17.58%	21.33%	19.07%
Minimum Total Regulatory Capital to Risk-Weighted Assets ratio	10.00%	10.00%	10.00%
Tier 1 Regulatory Capital to Risk-Weighted Assets ratio	18.30%	24.92%	20.92%
Minimum Tier 1 Regulatory Capital to Risk-Weighted Assets ratio	7.00%	7.00%	7.00%

We are limited to the lowest maximum assets amount in the above two asset tests, and the maximum leverage permitted under the Tax Act is more constraining on the Company than the regulatory assets to capital ratio mandated by OSFI. We manage our assets to a level of 5.75 times capital to provide a prudent cushion between the maximum and total actual assets.

We fund the majority of our investments through the issue of CDIC insured term deposits with varying maturities in most provinces of Canada.

Matching

In order to minimize the effect of interest rate movements, our policy is to manage the repricing dates of our invested assets and debt obligations in accordance with Board approved limits. In addition, we endeavour to stagger the maturities of invested assets and term deposits to produce an orderly turnover of assets and liabilities.

Our primary objective is to obtain profitable interest rate spreads rather than to attempt to capitalize on fluctuations in interest rates. To the extent that we are successful in matching the repricing dates of our invested assets and our term deposits, the leveraged portion of our mortgage portfolio will remain largely insensitive to swings in market interest rates.

We have established and maintain liquidity policies which meet the standards set under the Trust Act and any regulations or guidelines issued by OSFI.

Investment in MCAP Commercial LP

At December 31, 2006, we held a 22.8% limited partnership interest in MCLP, which had a book value of $17.3 million. Our investment holds a 25% voting interest. We account for this partnership interest on the equity basis such that our investment in MCLP is increased by equity income and reduced by cash distributions. Pursuant to the MCAP Commercial LP Amended and Restated Limited Partnership Agreement, we are currently entitled to appoint three (of nine) directors to the board of the General Partner of MCLP. Cadcap Inc., a subsidiary of the Caisse, controls the General Partner and is entitled to nominate six directors to the board. We will continue to participate in the growth of the mortgage origination and servicing business through our interest in MCLP.

MCLP, together with MSC, a partly owned company, is the largest originator and servicer of mortgage loans for third party investors in Canada. We outsource the majority of our mortgage and loan origination and servicing to MCLP and MSC.

Investment Policies

Our investment policy objective is to invest shareholders' and depositors' funds in a reasonable and prudent manner to enhance return on capital. We invest funds in a portfolio of mortgages including single-family residential, residential construction and commercial mortgages, as well as other types of loans, real estate and marketable securities in the form of corporate bonds and real estate investment, income and royalty trusts. We may also invest in cash and short-term money market instruments to ensure that we are able to meet liquidity policies and our payment obligations.

Our directors have established, and we adhere to, investment policies, standards and procedures that a reasonable and prudent person would apply to the portfolio to avoid undue risk of loss and to obtain a reasonable return.

Investment Policies and Standards

Management develops and recommends the Company’s IPS to the ICB for review and input. The IPS is approved annually by the Board. The general standards included in the IPS are as follows:

1. The Company shall comply with the investment provisions of the Trust Act and the guidelines, limits and directives of OSFI. The ICB will report deviations from the Trust Act and the guidelines to the Board of Directors.

2. The Company shall conduct its investment activities so as to qualify at all times as a MIC for purposes of the Tax Act.

3. The Company shall maintain an appropriate degree of liquidity in accordance with its liquidity policy and funding policy to enable it to meet its payment obligations.

4. The Company shall manage the financial risk resulting from changes in interest rates within approved limits through its Asset and Liability Management Committee, which is also responsible for managing the Company's liquidity.

5. The Company shall manage its portfolio of invested assets to appropriately diversify risk among borrowers, issuers, properties and types of investments.

6. Management shall establish specific procedures based on a philosophy of prudent management, legislation and regulatory guidelines and input received from the ICB, the Board of Directors and other professionals. These procedures shall meet the standards set out in OSFI's Supervisory Framework.

7. The ICB shall review the asset mix quarterly and recommend changes in emphasis, as deemed appropriate.

8. The Company shall maintain high ethical standards in its investment practices.

9. The Company shall strive to diversify its funding sources to limit financing risk.

10. The Company shall maintain adequate capital as required under legislated and regulated borrowing multiples and capital adequacy tests.

Risk Profile

We take investment and lending risk in accordance with the policies set out in our IPS.

We invest funds in a portfolio of mortgages including single-family residential, residential construction and commercial mortgages, as well as other types of loans, real estate and marketable securities in the form of corporate bonds and real estate investment, income and royalty trusts.

We are authorized to invest in uninsured residential mortgages that do not exceed 75% of the value of the real estate securing such loans. For the purposes of this ratio, value is the appraised value of the property as determined by a qualified appraisal at the time of funding. Residential mortgages insured by Canada Mortgage and Housing Corporation ("CMHC") or Genworth Financial Mortgage Insurance Company Canada ("Genworth") may exceed this ratio.

We have regulatory approval to invest in commercial loans, in an aggregate amount not exceeding our regulatory capital. These investments are not limited to, but may include, the equity and debt instruments of private corporations or trusts, as well as high ratio mortgage loans. In addition, pursuant to our IPS, we limit our investment in each individual commercial loan to $5 million unless it is specifically approved by the Board as recommended by the ICB (such internal limits are hereinafter referred to as "IPS Limit").

We have regulatory approval to invest in conventional construction loans in an aggregate amount not exceeding 250% of regulatory capital. During 2006, OSFI increased our limit from 200% to 250% of regulatory capital. Conventional construction loans include residential construction loans, residential development loans and residential land loans. A single residential loan may not exceed the lesser of $13.5 million or 20% of regulatory capital, unless insured by CMHC or Genworth (IPS Limit). Aggregate commitments for residential construction loans to one borrower or related group shall not exceed the lesser of $17 million (IPS Limit) or 25% of regulatory capital. If the aforementioned commitment is insured by CMHC or Genworth, it may exceed $17 million but still must not exceed 25% of regulatory capital. Non-residential construction loans may also be included within this residential construction loan limit, up to one half of the aggregate limit. A single non-residential loan and/or related group exposure may not exceed the lesser of $13.5 million or 20% of regulatory capital (IPS Limit).

We also have regulatory approval to invest in commercial term mortgages, in an aggregate amount not exceeding our regulatory capital. The maximum single commercial term mortgage may not exceed $10 million (IPS Limit). Aggregate commercial term mortgages to one borrower or related group may not exceed the lesser of $13.5 million or 20% of regulatory capital (IPS Limit).

We may invest in marketable securities to a limit of 70% of regulatory capital and in real property to a limit of 70% of regulatory capital subject to a combined limit of 100% of regulatory capital.

Our largest single investment is our equity interest in MCLP. Based on our ownership interest, we expect that income from MCLP will constitute a significant component of the Company's income in 2007 and future years.

No single exposure may exceed 25% of regulatory capital.

We also monitor the risk profile of our investment portfolio using risk rating guidelines. The ICB reviews and approves the risk rating guidelines at least annually and monitors the risk profile of the investment portfolio at least quarterly.

Risk Factors

We are exposed to a number of risks that can adversely affect our ability to achieve our business objectives or execute our business strategies, and which may result in a loss of earnings, capital or reputation.

The significant risks to which we are exposed are as follows:

Outsourcing risk is the risk incurred when we contract out a business function to a service provider instead of performing the function ourselves, and the service provider performs at a lower standard than we would have under similar circumstances. We outsource the majority of our mortgage and loan origination and servicing to MCLP and MSC. All material outsourcing arrangements are required to comply with OSFI guideline B-10 Outsourcing of Business Activities, Functions and Processes, in particular, OSFI's ability to enforce its supervisory power in respect of the Company. Our Chief Compliance Officer and senior management regularly review outsourcing arrangements to provide reasonable assurances that the outsourcing arrangements are in compliance with OSFI's guideline.

Credit risk is the risk of financial loss resulting from the failure of a counterparty, for any reason, to fully honour its financial or contractual obligations to the Company. Fluctuations in real estate values may increase the risk of default and may also reduce the net realizable value of the collateral property to the Company.

Interest rate risk is the potential impact of changes in interest rates on our earnings and net equity. Interest rate risk arises when our assets and liabilities, both on and off-balance sheet, have mismatched repricing dates.

Liquidity risk is the risk that cash inflows, supplemented by assets readily convertible to cash, will be insufficient to honour all cash outflow commitments (both on and off-balance sheet) as they come due. The failure of borrowers to make regular mortgage payments increases the uncertainties associated with liquidity management, notwithstanding that we may eventually collect the amounts outstanding.

Market risk is the exposure to adverse changes in the value of financial assets. For the Company, market risk factors include interest rates, real estate values, commodity prices and foreign exchange rates, among others.

Our operations and income are a function of the interest rate environment and the availability of mortgage product at reasonable yields. The availability of mortgage products for the Company and the yields thereon are dependent on market competition.

Leverage increases our sensitivity to all risk factors described above.

We recognize that environmental hazards are a potential liability. This risk exposure can result from non-compliance with environmental laws either as principal or lender. We aim to mitigate this risk by complying with all environmental laws and by applying a rigorous environmental policy to our commercial and development lending activities.

Risk Management

We operate in changing regulatory and economic environments. As a result, our management and the Board of Directors are particularly diligent in their consideration of issues of risk. Our goal is not to eliminate risk, as this would result in significantly reduced earnings, but rather to be proactive in our assessment and management of risk, as a means to gain a strategic advantage and ultimately enhance shareholder value. We have established policies and procedures to address the risks outlined above under "Risk Factors."

Our senior management is responsible for the quality of processes, policies, procedures and controls and for internal reporting on a day-to-day basis. Oversight and guidance rests with the Board of Directors.

As discussed above under "Risk Factors," we are exposed to various inherent risks, particularly interest rate risk and credit risk. We mitigate these risks through investment diversification, and by diligent management of assets and liabilities.

We evaluate our exposure to a variety of changes in interest across the term spectrum of our assets and liabilities, including both parallel and non-parallel changes in interest rates. By managing and matching the terms of invested assets and term deposits so that they offset each other, we reduce risks associated with interest rate changes, and in conjunction with liquidity management policies, we also manage cash flow mismatches.

Credit losses occur when a counterparty fails to meet its obligations to the Company and the value realized on sale of the underlying security deteriorates below the carrying amount of the exposure. All members of management are subject to limits on their ability to commit the Company to credit risk. Credit and commitment exposure is closely monitored through a reporting process that includes a formal quarterly review involving senior management and the ICB.

Furthermore, our exposure to credit risk is managed through risk management policies and procedures that emphasize the quality and diversification of our investments. Our policies establish limits on concentration by asset class, risk rating, geographic region, dollar limit and borrower. We use these policies to assess credit risk and portfolio quality.

Market risk on marketable securities is managed through prudent investment selection and diversification by security and industry.

Ultimately, risk management is controlled at the highest level of the Company. Our Asset and Liability Management Committee reviews and manages these risks on a monthly basis. Our Board of Directors reviews and approves all risk management policies and procedures with respect to asset and liability mismatch risk, liquidity risk and credit risk. All other key risk exposures are reported to the Board of Directors by management.

People

As at December 31, 2006, we had twelve employees compared to eleven at December 31, 2005.

Premises

In 2004, we entered into an arrangement with MCLP to sublease space at 200 King Street West, Toronto, Ontario, expiring in 2012.

Systems

We use MCLP's and MSC's systems, including networks, subsystems, and general ledger, and we also receive technology support from MSC. We plan to use the systems of both entities in the foreseeable future. Our term deposit system, which we own, is run on MSC's network.

Branding

On August 12, 2005, we were notified by MCLP that the Transitional Trade-mark and License Agreement that had been in place would not be extended. From the time of the Business Reorganization to MCLP's notification, we had continued to use the "MCAP" name and logo under license from MCLP.

On September 15, 2006, the Company changed its name from MCAP Inc. to MCAN Mortgage Corporation following the receipt of approval from OSFI.

Regulatory Compliance

Our Chief Compliance Officer ensures that management understands the impact of all relevant legislation affecting the business, assesses compliance with current and pending legislation and works with management to address any gaps in policies and procedures. We use a Legislative Compliance Management System that ensures all managers assess their compliance with relevant legislation on a semi-annual basis. Senior management liaises with regulators to keep them apprised of Company progress and changes to our business. Our Chief Compliance Officer reports at least annually to the Chairman of the Conduct Review, Corporate Governance & Human Resources Committee of the Board of Directors.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. Company management, with the participation of the CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as of December 31, 2006 and has concluded that such disclosure controls and procedures are effective.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. During the interim period ended December 31, 2006, the Company did not make any changes in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Internal Audit

We outsource our Internal Audit function to Protiviti - Independent Risk Consulting. The Internal Audit function has unrestricted access to our operations, senior management and the Chairman of the Audit Committee of the Board of Directors. Internal Audit performs an evaluation of business risk and then undertakes internal audits of those areas that are deemed to be of greatest risk. Internal Audit reports quarterly to the Audit Committee of the Board of Directors.

In addition, our External Auditors review the effectiveness of internal controls to the extent necessary to conduct an audit of our annual financial statements, and report to the Audit Committee of the Board of Directors annually on matters that come to their attention.

DIVIDEND POLICY AND RECORD

Our dividend policy is to pay out substantially all of our taxable income to our shareholders. As a MIC, we can deduct dividends paid to shareholders during the year and within 90 days thereafter from income for tax purposes. Consequently, these dividends are taxable in the shareholders' hands as interest. In addition, a MIC can pay certain capital gains dividends which are taxed as capital gains in the shareholders' hands. We intend to continue to declare dividends on a quarterly basis.

Dividends per share over the past three years are as follows:

Fiscal Period	**2006**	**2005**	**2004**
First Quarter	$ 0.55	$ 0.40	$ 0.27
Second Quarter	0.21	0.19	0.17
Third Quarter	0.21	0.19	0.17
Fourth Quarter	0.21	0.19	0.19
Special (November 10, 2004)	-	-	0.31
	$ 1.18	$ 0.97	$ 1.11
Taxable Dividends	$ 1.06	$ 0.855	$ 0.50
Capital Gains Dividends	0.12	0.115	0.61
	$ 1.18	$ 0.97	$ 1.11

Our dividends are regulated by OSFI under Regulatory and Legislative Advisory No. 2003-04, Capital Structure - Declaration and Payment of Dividends. Approval is required from OSFI if a dividend is deemed to be a "Large Dividend" as calculated under this advisory. As a MIC, we pay out substantially all of our taxable income to shareholders, whereas other financial institutions generally pay out only a portion of their taxable income to their shareholders. Over the past three years, we have requested and received dividend approvals from OSFI on numerous occasions. We plan to request approval from OSFI for our dividends in 2007 and future years if required.

The Board of Directors declared a first quarter dividend of $0.31 per share to be paid March 30, 2007 to shareholders of record as of March 15, 2007. This dividend comprises the regular quarterly dividend which the Board increased to $0.23 (from $0.21) and a $0.08 extra dividend. The Board designated $0.12 of this dividend as a capital gains dividend.

Under the Tax Act, we can deduct dividends paid up to 90 days following year-end against the previous year's taxable income. The extra dividend to be paid on March 30, 2007 is necessary to fully offset taxable income in 2006 and reflects a combination of factors, but primarily the capital gains realized on the sales of marketable securities in the latter part of the year. While there will generally be an element of dividend adjustment in the first quarter of each year to equate dividends to taxable income, the amount of such adjustment will depend on factors which cannot be predicted.

Dividend Reinvestment Plan

In 2002, we amended and restated our dividend reinvestment plan (the "Dividend Reinvestment Plan"). Pursuant to the Dividend Reinvestment Plan, cash dividends paid to registered holders of Common Shares are automatically reinvested in Common Shares purchased by Computershare Trust Company of Canada ("Computershare"), as agent, either on the open market at market prices or from treasury at the weighted average trading price for the 20 days preceding such issue, at the option of MCAN. A copy of the Dividend Reinvestment Plan and a form permitting registered shareholders to elect to participate in or withdraw from the Dividend Reinvestment Plan are available by calling the Corporate Secretary at (416) 591-5214. Beneficial owners of Common Shares must make arrangements with the financial institution or stock brokerage through which they hold their Common Shares to become a participant in the Dividend Reinvestment Plan. Once a registered holder or a beneficial owner has enrolled in the Dividend Reinvestment Plan, participation continues automatically unless terminated in accordance with the terms of the Dividend Reinvestment Plan.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized capital consists of an unlimited number of Common Shares with no par value. At December 31, 2006, there were 12,372,939 Common Shares outstanding. As of the date hereof, the number of Common Shares outstanding is 12,444,989. The Common Shares are the only voting securities of the Company. Generally, each Common Share provides one vote per share. However, the Directors are elected by cumulative voting, as required by the Company's by-laws and the Trust Act. The Trust Act requires cumulative voting for the election of directors where more than 10% of the voting shares of a company are beneficially owned, directly or indirectly, by a shareholder. In addition, our by-laws provide for cumulative voting for the election of directors where a shareholder beneficially owns, directly or indirectly, more than 9% of the voting shares of the Company. Under the cumulative voting system, each holder of Common Shares has the right to cast a number of votes equal to the number of votes attached to the Common Shares held by the shareholder multiplied by the number of directors to be elected at the meeting. The shareholder may cast all such votes in favor of one nominee or distribute them among the nominees in any manner.

Pursuant to the Tax Act, if any shareholder or related group of shareholders acquires more than 25% of the Common Shares, the Company will no longer qualify as a MIC.

Changes to our capital over the past two years are set out in Note 15 of our consolidated financial statements for the year ended December 31, 2006 contained in our 2006 Annual Report, which is incorporated by reference in this Annual Information Form.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

As at December 31, 2006, as a group, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over, 4,323,348 common shares, representing a 34.94% interest in the Company.

Directors

Information concerning our directors and their municipalities of residence and principal occupations, is as shown in the table below.

Name and Municipality of Residence	Director Since	Principal Occupation	Common Shares Owned and/or Controlled at December 31, 2006 [11]	Approximate Percentage of Common Shares
DAVID G. BROADHURST [1,2] Toronto, Ontario, Canada	May 14, 1997	President, Poynton Investments Limited (financial consulting and investments) [4]	49,182	0.40%
RAYMOND DORÉ [2] Toronto, Ontario, Canada	May 14, 1997	Corporate Director	1,863,717	15.06%
BRIAN A. JOHNSON [1,3] Toronto, Ontario, Canada	January 10, 2001	President & CEO, Crown Life Insurance Company (insurance company)	77,768	0.63%
DAVID A. MACINTOSH [1,3] Waterloo, Ontario, Canada	January 28, 2000	Corporate Director	25,000	0.20%
DEREK A. NORTON [5] Toronto, Ontario, Canada	July 24, 2000	President & CEO, MCAP Commercial LP (mortgage services provider) [6]	240,535	1.94%

JEAN C. PINARD [2,3,5] Sutton, Québec, Canada	November 3, 2005	Consultant, Pinco Inc. [7] (real estate and structured assets)	Nil	0.00%
ROBERT A. STUEBING [3] Toronto, Ontario, Canada	April 19, 2004	Corporate Director [8]	487,384	3.94%
IAN SUTHERLAND Oro-Medonte, Ontario, Canada	January 11, 1991	Chairman, MCAN Mortgage Corporation [9]	1,448,634	11.71%
BLAINE WELCH Toronto, Ontario, Canada	April 19, 2004	President & CEO, MCAN Mortgage Corporation [10]	103,499	0.84%

1. Member of the Audit Committee.
2. Member of the Conduct Review, Corporate Governance & Human Resources Committee.
3. Member of the Investment Committee.
4. Since August 2001. From June 1998 to July 2001, Mr. Broadhurst was President and Chief Operating Officer, Reeve Court Insurance Limited (financial services).
5. Under the Subscription Agreement dated February 11, 2002 between the Corporation, Bentall Capital II Limited Partnership (now C-Cap II Limited Partnership ("CCLP2")), Cadcap Inc and MFC relating to the investment of CCLP2 in the Company and certain of its subsidiaries, the parties expressed their intention that CCLP2 will be entitled to nominate two nominees of CCLP2 to the board of directors of the Company, subject to CCLP2 owning a minimum of 9% of the Common Shares. This year CCLP2 has nominated Messrs. Norton and Pinard for election to the board of directors.
6. Since April 2004. From July 2000 to April 2004, Mr. Norton was President & CEO, MCAP Inc.
7. Since April 2004. Prior to April 2004, Mr. Pinard was President & Chief Operating Officer of CDP Capital Mortgages.
8. Since July 2006. From April 2004 to June 2006, Mr. Stuebing was Senior Vice President & CFO, MCAP Inc. Prior to April 2004, Mr. Stuebing was Senior Vice President, MFC (financial services).
9. Since May 2006. Mr. Sutherland is also Chairman, North West Company Fund (retailer).
10. Since April 2004. From May 2001 to April 2004, Mr. Welch was Senior Vice President and Chief Risk & Investment Officer, MCAP Inc. Prior to May 2001, Mr. Welch was Vice President, MCAP Inc.
11. The information as to shares owned, directly or indirectly, or over which control or direction is exercised has been furnished by the respective directors.

We do not have an Executive Committee. We are required to have an Audit Committee and a Conduct Review, Corporate Governance and Human Resources Committee. The current term of office of each of the directors ends at the close of the next annual meeting.

Executive Officers

Name and Municipality of Residence	Office	Principal Occupation for the last five years	Common Shares Owned and/or Controlled at December 31, 2006	Approximate Percentage of Common Shares
BLAINE WELCH Toronto, Ontario, Canada	President and CEO	Prior to April 2004, Mr. Welch was Senior Vice President and Chief Risk & Investment Officer, MCAP Inc.	103,499	0.84%
TAMMY OLDENBURG Toronto, Ontario, Canada	Vice President and CFO	Prior to July 2006, Ms. Oldenburg was VP Finance & Controller, MCAP Inc. Prior to February 2005, Ms. Oldenburg was AVP, Finance & Controller, MCAP Inc. Prior to January 2004, Ms. Oldenburg was Controller, MCAP Inc. Prior to August 2002, Ms. Oldenburg was Manager, Reporting & Control, Securitization, Bank of Montreal.	16,340	0.13%
MICHAEL MISENER Mississauga, Ontario, Canada	Vice President, Investments	Prior to April 2006, Mr. Misener was AVP Investment Management, MCAP Financial Corporation - Real Estate Finance Group. Prior to March 2003, Mr. Misener was Senior Manager, Risk Management, MCAP Financial Corporation - Real Estate Finance Group.	11,289	0.09%

Additional Disclosure Relating to Directors and Executive Officers

To our knowledge, no director or executive officer of MCAN or shareholder holding a sufficient number of securities of MCAN to affect materially the control of MCAN is, or has been in the last ten years, a director or executive officer of a company that, while that person was acting in that capacity, (i) was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, (ii) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days, or (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets except for the following:

1. Mr. Johnson, a director of MCAN, was Chairman of the Board of Directors of CrownAg International Inc. ("CrownAg") from 2000 to 2005. During that time, Crown Life Insurance Company was both a shareholder and a secured creditor of CrownAg. In order to realize on its security in 2005, Crown Life Insurance Company, together with two other secured creditors, placed CrownAg into receivership under the *Bankruptcy and Insolvency Act* (Canada).

In addition, to our knowledge, no director or executive officer of MCAN, or a shareholder holding a sufficient number of securities of MCAN to affect materially the control of MCAN has within the last ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Further, no director or executive officer of MCAN, or a shareholder holding a sufficient number of securities of MCAN to affect materially the control of MCAN has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Information relating to Conflicts of Interest may be found in the Indebtedness of Directors and Executive Officers section of our 2005, 2006 and 2007 Management Information Circulars dated March 18, 2005, March 3, 2006 and February 28, 2007, respectively, and filed on SEDAR.

MARKET FOR SECURITIES

MCAN's Common Shares are listed and posted for trading on the TSX under the trading symbol "MKP". The volume of shares traded during 2006 was 1,558,000 compared to 1,610,000 in 2005. The range of trading prices during 2006 was $9.37 to $11.40.

The monthly high and low closing prices and trading volumes for the periods indicated below were as follows:

	Volume Traded	High ($)	Low ($)
January 2006	128,254	9.75	9.53
February	197,076	10.40	9.57
March	178,293	10.48	9.37
April	105,834	10.39	9.99
May	90,405	10.30	10.00
June	98,357	10.30	9.55
July	104,980	10.27	9.86
August	86,300	10.23	9.90
September	145,124	10.50	10.01
October	151,129	10.40	10.03
November	162,033	11.15	10.05
December	109,943	11.40	10.41
January 2007	84,908	11.50	10.62
February	108,072	12.39	11.15

TRANSFER AGENT AND REGISTRAR

Computershare, located in Montreal, Quebec, is our transfer agent and registrar for the Common Shares.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Information relating to Interest of Management and Others in Material Transactions may be found in the Indebtedness of Directors and Executive Officers section of our 2005, 2006 and 2007 Management Information Circulars dated March 18, 2005, March 3, 2006 and February 28, 2007, respectively, and filed on SEDAR.

AUDIT COMMITTEE INFORMATION

The Audit Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of MCAN's financial statements to be provided to shareholders and regulatory bodies; (ii) MCAN's compliance with legal and regulatory requirements; (iii) review of returns specified by OSFI; (iv) the system of internal control procedures and management information systems; (v) the external and internal auditors, including recommending to the Board their appointment, dealing with their independence and qualifications, determining the scope of audits and reviewing their fees. The committee meets with the internal and external auditors and management as required. The mandate of the Audit Committee is attached as Schedule A to this Annual Information Form.

As of December 31, 2006, the members of the Audit Committee were David G. Broadhurst (Chairman), David A. MacIntosh and Brian Johnson. All members of the Audit Committee are, for the purposes of Multilateral Instrument 52-110-Audit Committees, considered to be independent and financially literate. The following is a description of the education and experience of each member of the committee that is relevant to the performance of his responsibilities as a member of the Audit Committee.

Mr. Broadhurst holds a B.A. degree and is a member of the Canadian Institute of Chartered Accountants. He is the President of Poynton Investments Limited. He currently serves on the board and audit committee of the North West Company Fund and on the board of the Arriscraft International Income Fund and a non-public Canadian company.

Mr. MacIntosh holds a M.A. degree. He currently serves on the board of a non-public Canadian company.

Mr. Johnson holds a M.B.A. degree and the CFA designation. He is the President and Chief Executive Officer of Crown Life Insurance Company. He currently serves on the board of multiple non-public Canadian companies.

AUDIT FEES

Fees paid to the Company's auditor, Ernst & Young LLP for the past two years are as follows:

	2006	2005
Audit Fees	$ 121,000	$ 105,000
Audit-Related Fees[1]	6,800	10,477
Tax Fees[2]	21,075	20,571
All Other Fees[3]	3,827	1,885
Total Fees	$ 152,702	$ 137,933

1. Audit-Related Fees include accounting consultations.
2. Tax Fees include tax planning, review of tax returns and tax advice.
3. All Other Fees include various non-audit services.

INTEREST OF EXPERTS

Ernst & Young LLP, the external auditor of the Company, reported on the Company's 2006 consolidated financial statements. At the time of preparing its report on the 2006 consolidated financial statements, Ernst & Young LLP was independent of the Company in accordance with the auditor's rules of professional conduct in Canada.

ADDITIONAL INFORMATION

Additional information about MCAN is available on the Company's web site at www.mcanmortgage.com and on SEDAR.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities, and interests of insiders in material transactions, is contained in our Management Information Circular dated February 28, 2007 in connection with our Annual and Special Meeting of Shareholders scheduled to be held May 3, 2007. Additional financial information is provided in our consolidated financial statements and Management's Discussion and Analysis in our 2006 Annual Report for the year ended December 31, 2006.

Copies of our Annual Information Form, as well as copies of our 2006 Annual Report for the year ended December 31, 2006 and Management Information Circular dated February 28, 2007 may be obtained from:

MCAN Mortgage Corporation
200 King Street West
Suite 400
Toronto, ON M5H 3T4

Attn: Corporate Secretary
Telephone: (416) 591-5214
Fax: (416) 598-4142

SCHEDULE A - MANDATE OF THE AUDIT COMMITTEE

The Mandate of the Audit Committee meets the requirements of Section 198 of the Trust Act as follows:

1. Audit committee - *The audit committee shall consist of at least three directors.*

2. Membership - *A majority of the members of the audit committee must consist of directors who are not persons affiliated with the company and none of the members of the audit committee may be officers or employees of the company or a subsidiary of the company.*

3. Duties of audit committee - *The audit committee shall*

(a) review the annual statement before the annual statement is approved by the directors;

(b) review such returns as the Superintendent may specify;

(c) require the management of the company to implement and maintain appropriate internal control procedures;

(c.1) review, evaluate and approve those procedures;

(d) review such investments and transactions that could adversely affect the well-being of the company as the auditor or any officer of the company may bring to the attention of the committee;

(e) meet with the auditor to discuss the annual statement and returns and transactions referred to in this subsection; and

(f) meet with the chief internal auditor of the company, or the officer or employee of the company acting in a similar capacity, and with management of the company, to discuss the effectiveness of the internal control procedures established for the company.

4. Report - *In the case of the annual statement and returns of a company that under the Trust Act must be approved by the directors, the audit committee, shall report thereon to the directors before the approval is given.*

5. Required meeting of directors - *The audit committee may call a meeting of the directors of the company to consider any matter of concern to the committee.*

Specific Responsibilities:

1. With regard to the external auditors:

(a) review the recommendation of management concerning the reappointment or appointment of external auditors and propose, for approval by the Board, the nomination of external auditors for appointment by the shareholders. If a change in external auditor is proposed, the Committee shall meet with the incumbent auditor to discuss the reasons for the proposed change;

(b) review the engagement letter of the external auditors and ensure the external auditor reports directly to the Committee;

(c) review the scope of the audit to be performed by the external auditors, the qualification of those who will be involved and the degree of co-ordination between the plans of the external and internal auditors. In particular the Committee shall ascertain the extent to which the audit scope can be relied upon to detect control weaknesses, fraud, illegal acts and error;

(d) review, and recommend to the Board for approval, the fees of the external auditors for statutory audit work and any other audit related fees;

(e) pre-approve any material non-audit services and review the fees charged by the external auditors for all work performed by them or their associates over and above the fees for statutory and other audit related work. In particular the Committee shall assess the effect which the nature or magnitude of such work may have on the independence and objectivity of the auditors;

(f) review the external auditors' report to shareholders and letters to management concerning deficiencies, weaknesses and matters of concern and management's response thereto and the resolution of any disagreements with management;

(g) meet separately with the external auditors and report to the Board as appropriate;

(h) review with the external auditors any unadjusted errors in the financial statements;

(i) the chairman of the audit committee should meet at least annually with the audit partner to discuss the engagement; and

(j) review with the auditors the quality and appropriateness of the Company's accounting and financial reporting policies, its treatment of material risk and uncertainties and estimates or judgments made by management.

2. With regard to the internal auditors:

(a) review the scope of the audit to be performed by the internal auditors and the degree of co-ordination between the plans of the internal and external auditors;

(b) review the annual report of the internal auditor;

(c) meet separately with the internal auditor and report to the Board as appropriate; and

(d) annually assess the effectiveness of the internal audit function.

3. With regard to financial reporting:

(a) review both interim and annual consolidated financial statements, prior to their publication, and recommend their approval to the Board;

(b) review outstanding litigation, claims and other contingencies which may have a material impact upon financial statements and the appropriateness of management's disclosure thereof; and

(c) review all financial public disclosure documents including information contained in earnings press releases, the Annual Information Form, the Annual Report including Management's Discussion and Analysis of Operations and the Management Information Circular prior to publication and recommend their approval to the Board.

4. With regard to accounting policies, systems and procedures:

(a) review accounting policies and ensure that they are in accordance with "Generally Accepted Accounting Principles" as set out in the Handbook of the Canadian Institute of Chartered Accountants and that they are appropriate in the circumstances. In particular, review any proposed change in accounting policy, procedure or presentation, the validity of the reasons therefore and its impact upon the financial statements;

(b) review organizational structure, programs, systems, policies and procedures to ensure the adequacy of disclosure controls and internal controls; and

(c) ensure adequate procedures for handling complaints about accounting, internal accounting controls or auditing matters and for confidential, anonymous submissions by employees regarding questionable accounting or auditing matters (whistle blowing).

5. With regard to risk and control environment:

(a) review significant risk management policies, practices and adherence thereto; and

(b) review management's reports on, and adherence to OSFI's risk management guidelines.

6. General:

(a) review letters issued by OSFI, CDIC or any other regulatory body together with management's response;

(b) review annually the adequacy of the Company's insurance, in particular its employee bonding, errors and omissions and directors' and officers' coverage;

(c) review any evidence of employee fraud;

(d) review and approve hiring policies regarding partners, employees and former partners and employees of the present and former external auditor;

(e) review the committee mandate annually;

(f) at the discretion of the committee, retain, oversee, compensate and terminate independent advisors to assist the committee in its activities; and

(g) carry out any other appropriate duties and responsibilities assigned by the board.

Approved: November 2, 2006