



**MCAN MORTGAGE CORPORATION**

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

**SEPTEMBER 30, 2008**

# MCAN MORTGAGE CORPORATION

## REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2008

### 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 September 30, 2008 and the audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2007. 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](http://www.sedar.com) and our website at [www.mcanmortgage.com](http://www.mcanmortgage.com). Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2007 remain substantially unchanged. Information has been presented as of November 6, 2008.*

### RESULTS OF OPERATIONS

MCAN Mortgage Corporation ("MCAN", the "Company" or "we") reported net income of \$10.4 million for the third quarter of 2008, up from \$3.1 million a year earlier. Earnings per share for the quarter were \$0.73 compared to \$0.21 last year. Net income for the nine months ended September 30, 2008 was \$20.4 million, up from \$11.7 million a year earlier, while earnings per share in the same period were \$1.44 compared to \$0.89 in 2007.

(in thousands, except for per share amounts)

	For the Quarters Ended September 30		For the Nine Months Ended September 30	
	2008	2007	2008	2007
Net investment income	\$ 12,485	\$ 4,083	\$ 24,611	\$ 14,667
Operating expenses	2,088	1,000	4,183	3,030
Income before income taxes	10,397	3,083	20,428	11,637
Provision for (recovery of) income taxes and large corporation taxes	-	-	-	(26)
Net income	\$ 10,397	\$ 3,083	\$ 20,428	\$ 11,663
Basic and diluted earnings per share	\$ 0.73	\$ 0.21	\$ 1.44	\$ 0.89
Dividends per share	\$ 0.25	\$ 0.23	\$ 0.71	\$ 0.77

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 resulted in significant incremental income in the third quarter. While the net result was a record for quarterly income and earnings per share, 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 September 30		For the Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Investment Income</b>				
Mortgage interest	\$ 9,742	\$ 7,238	\$ 24,786	\$ 20,685
Interest on loans and investments	1,339	1,447	4,484	4,356
Interest on cash and cash equivalents	255	458	926	757
Fees	1,598	858	3,268	2,389
Equity income from MCAP Commercial LP	1,229	946	2,237	1,707
Securitization income	1,688	(141)	4,996	679
Marketable securities	(104)	40	(97)	951
Gain on sale of mortgages	3,475	15	3,475	20
	<b>19,222</b>	<b>10,861</b>	<b>44,075</b>	<b>31,544</b>
<b>Financial Expenses</b>				
Term deposit interest and expenses	5,196	4,856	15,783	13,453
Mortgage expenses	805	888	2,647	2,621
Provision for losses	736	1,034	1,034	803
	<b>6,737</b>	<b>6,778</b>	<b>19,464</b>	<b>16,877</b>
<b>Net Investment Income</b>	<b>\$ 12,485</b>	<b>\$ 4,083</b>	<b>\$ 24,611</b>	<b>\$ 14,667</b>

Net investment income for the third quarter increased by \$8.4 million over 2007 and increased by \$9.9 million for the nine months ended September 30, 2008.

During the quarter, we realized \$1.6 million relating to the partial recovery of purchase price discounts on mortgages that we acquired. A further \$875,000 was earned under a profit sharing arrangement with MCLP, also relating to the partial recovery of purchase price discounts on mortgages that MCLP acquired.

Mortgage interest income for the quarter increased by \$2.5 million from the prior year. The average portfolio size increased by \$56 million as our additional capacity resulting from the rights offering completed in July 2007 was deployed. In addition, the average mortgage yield increased from 7.36% in 2007 to 8.62% in 2008. The increase of \$4.1 million for the nine months ended September 30, 2008 was a combination of a \$56 million increase in the average portfolio and an increase in the average mortgage yield from 7.26% to 7.54%.

The significant increase in yield in the third quarter was a result of higher effective yields on the mortgages in the acquired portfolios. 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. In the third quarter, payout volumes were significantly higher than anticipated.

The prime rate decreased by 1.50% for the twelve months ended September 30, 2008. This decrease has negatively impacted mortgage interest income, as approximately 56% of our mortgages at quarter end were floating rate loans. However, this negative impact has been more than offset by the higher effective yields on the mortgages in the acquired portfolios. Although we have been attempting to reduce our floating rate mortgage portfolio in 2008, it increased significantly in the quarter from 45% at June 30, 2008. We sold a significant portfolio of fixed rate mortgages to create capacity to fund the portfolio acquisitions, of which \$34 million were floating rate at quarter end.

Interest on loans and investments for the quarter and nine months ended September 30, 2008 was comparable to the prior year. A higher average balance in the current year was offset by a significantly lower average prime rate.

Fees increased by \$740,000 over the prior year, primarily due to fees paid by 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 and year to date decreased slightly over 2007 due to a lower payout volume, despite a higher average construction loan balance.

Equity income from our ownership interest in MCLP was \$1.2 million in the quarter compared to \$946,000 in 2007. For the nine months ended September 30, 2008, equity income was \$2.2 million, up from \$1.7 million in 2007. In the third quarter, MCLP recognized significant income from its sharing in the income from the mortgages in the acquired portfolios, both on its own account and from MCAN. For the year to date, MCLP has also earned origination fees from large construction projects and significant income from its single-family operations.

MCAN securitizes insured residential mortgages through the CMB program. We recorded securitization income of \$1.7 million during the quarter, a significant increase from a loss of \$141,000 in the prior year. For the nine months ended September 30, 2008, we recorded securitization income of \$5.0 million, up from \$679,000 in 2007. In the current year, up-front gains from securitization have been significant as a result of wide interest rate spreads between mortgages and government bonds. The loss in the third quarter of 2007 was primarily due to write-downs of interest-only strips as a result of a change in permitted investments for CMB principal collections. Residual securitization income was significantly higher in the current year due to more outstanding CMB issuances.

At quarter end, we recorded a write-down of \$260,000 on the interest-only strips related to the March 2007 and June 2007 CMB issuances. Both issuances have had higher than anticipated principal repayment levels, which has decreased expected future cash flows as the assets in which we reinvest principal collections generally yield less than the securitized mortgages.

We sold our remaining income trust portfolio in the third quarter, resulting in a loss of \$107,000 for the quarter and the year to date. In the prior year, there were gains on sales of \$12,000 in the third quarter and \$667,000 for the year to date.

During the quarter, we earned \$3.5 million from sales of mortgages. These sales related primarily to the acquired portfolios.

Term deposit interest and expenses increased by \$340,000 during the quarter. There was an increase of \$54 million in the average outstanding balance as a result of increased capacity from the rights offering, partly offset by a decrease in the average term deposit interest rate to 4.29% in 2008 from 4.46% in 2007. The increase of \$2.3 million for the nine months ended September 30, 2008 is due to a \$54 million increase in the average outstanding balance and an increase in the average interest rate from 4.33% to 4.51%. 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 and year to date are comparable to the prior year. Although our average mortgage portfolio increased significantly over 2007, the decrease in mortgage expenses from our construction loans (which have a higher servicing rate) was approximately equal to the increase in mortgage expenses from our single-family mortgages, which have a lower servicing rate.

In the third quarter of 2007, we recorded a \$700,000 write-down on an unrated subordinated loan investment in a securitization program which is subject to the proposed restructuring of Third Party ABCP by the Pan-Canadian Investors Committee (the "Montreal Accord"). The write-down was increased to \$794,000 at December 31, 2007. To protect our investment, we acquired the assets of that securitization program in the first quarter of 2008, which included \$4.1 million of commercial paper of a securitization program previously R1 (high) rated which is also subject to the Montreal Accord. We reversed the \$794,000 write-down previously taken on the unrated subordinated loan upon its repayment and recorded a write-down of \$1.2 million on the new commercial paper. We recorded an additional write-down of \$800,000 on the commercial paper in the third quarter of 2008 based on our current estimate of net realizable value. The Montreal Accord restructuring is now scheduled to be finalized by November 30, 2008, although this date has been extended several times.

Allowances for loan losses were decreased by \$64,000 during the quarter, which consisted of a reversal of mortgage provisions of \$106,000, new specific mortgage provisions of \$25,000 and new provisions of \$17,000 related to loans receivable and other investments. There was an increase in allowances of \$334,000 for the same period of 2007, which consisted of mortgage provisions of \$315,000 and provisions on loans receivable and other investments of \$19,000. The \$22 million increase in outstanding mortgages during the quarter consisted of a \$33 million increase in insured mortgages (against which no provisions are required) and an \$11 million decrease in uninsured mortgages, leading to a decrease in allowances. For the nine months ended September 30, 2008, allowances for loan losses were decreased by \$172,000 compared to an increase of \$103,000 in the prior year. Mortgage balances have increased by \$48 million for the year to date compared to a \$19 million increase in 2007.

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 loans 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 0.89% at September 30, 2008 (\$4.3 million), compared to 0.93% (\$4.2 million) at June 30, 2008 and 0.61% (\$2.4 million) at September 30, 2007. We continue to proactively monitor loan arrears and take prudent steps to collect overdue accounts. Total mortgages past due but not impaired increased from \$18 million at June 30,

2008 to \$25 million at September 30, 2008. The increase is consistent with the general deterioration in the Canadian economy. There were no other assets in arrears at quarter end.

Write-offs were \$1,000 for the quarter, unchanged from \$1,000 in the prior year.

### Operating Expenses

(in thousands)

	For the Quarters Ended September 30		For the Nine Months Ended September 30	
	2008	2007	2008	2007
Salaries and benefits	\$ 657	\$ 425	\$ 1,544	\$ 1,367
General and administrative	1,431	575	2,639	1,663
	<b>\$ 2,088</b>	<b>\$ 1,000</b>	<b>\$ 4,183</b>	<b>\$ 3,030</b>

Operating expenses have increased significantly over the prior year for the quarter and nine months ended September 30, 2008, primarily due to incentives payable with respect to the acquisition of mortgage portfolios.

### Income Taxes

(in thousands)

	For the Quarters Ended September 30		For the Nine Months Ended September 30	
	2008	2007	2008	2007
Provision (recovery) against income	\$ -	\$ -	\$ -	\$ (26)
Charge to retained earnings	2,797	167	4,722	1,053
	<b>\$ 2,797</b>	<b>\$ 167</b>	<b>\$ 4,722</b>	<b>\$ 1,027</b>

We have had a significant increase in our future taxes payable during 2008, which are charged directly to retained earnings. This is largely because year to date taxable income has been higher than the dividends which relate to that income. 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. In addition, there was an increase in the future tax liability that arises from the fair valuation of CMB interest rate swaps (when they are in an asset position) and the upfront gains on securitization from the CMB program.

### Cash Flows

Operating activities provided cash flows of \$3.3 million in the quarter and provided \$6.5 million in the prior year. For the nine months ended September 30, 2008, operating activities provided cash flows of \$9.1 million compared to \$11 million provided in 2007. The decreases are a result of lower receivables in 2007.

Investing activities used cash flows of \$23 million in the quarter and used \$45 million in 2007 as a result of higher net mortgage fundings in 2007. Investing activities used cash flows of \$51 million for the nine months ended September 30, 2008 and used \$16 million last year. Net mortgage advances were higher in the current year, and there were \$12 million of marketable securities sales in 2007.

Financing activities provided \$25 million of cash in the quarter and provided \$76 million in 2007. For the nine months ended September 30, 2008, financing activities provided cash flows of \$8 million and provided \$37 million last year. Both decreases are a result of higher net term deposit advances in the prior year plus the funds received from the rights offering.

### Selected Quarterly Financial Data

(in thousands, except for per share amounts)

	2006		2007			2008		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net investment income	\$6,232	\$5,444	\$5,140	\$4,083	\$4,259	\$6,064	\$6,062	\$12,485
Operating expenses	1,080	1,075	955	1,000	1,079	922	1,173	2,088
Income before income taxes	5,152	4,369	4,185	3,083	3,180	5,142	4,889	10,397
Provision for (recovery of) income taxes and large corporations taxes	(54)	(24)	(2)	-	-	-	-	-
Net income	\$5,206	\$4,393	\$4,187	\$3,083	\$3,180	\$5,142	\$4,889	\$10,397
Basic and diluted earnings per share	\$0.42	\$0.35	\$0.33	\$0.21	\$0.23	\$0.36	\$0.35	\$0.73
Dividends per share								
Regular	\$0.21	\$0.19	\$0.23	\$0.23	\$0.23	\$0.12	\$0.23	\$0.25
Capital gains	-	0.12	-	-	-	0.11	-	-
Total	\$0.21	\$0.31	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.25

The fourth quarter of 2006 had significant gains on sales of marketable securities and substantial equity income from MCLP, whose income can be volatile. Quarterly income in the first two quarters 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 third quarter 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.

### FINANCIAL POSITION

As of September 30, 2008, total consolidated assets were \$588 million, an increase of \$36 million from June 30, 2008.

#### Assets

(in thousands)	September 30, 2008		June 30, 2008		December 31, 2007	
Cash and cash equivalents	\$ 20,764	3.5%	\$ 14,993	2.7%	\$ 53,804	9.7%
Mortgages	460,428	78.3	438,656	79.5	412,685	74.0
Loans and investments	78,778	13.4	75,543	13.7	71,286	12.8
Equity investment in MCLP	19,331	3.3	18,103	3.3	17,095	3.1
Marketable securities	-	-	109	-	156	-
Other assets	8,491	1.5	4,608	0.8	2,399	0.4
	<b>\$ 587,792</b>	<b>100.0%</b>	<b>\$ 552,012</b>	<b>100.0%</b>	<b>\$ 557,425</b>	<b>100.0%</b>

Cash increased by \$6 million during the quarter. We manage our cash and cash equivalents in the \$20 to \$30 million range. Although the quarter-end balance was only \$21 million, we have recently been maintaining our cash balances at the higher end of this range to maintain high liquidity levels given current market conditions.

Mortgages increased by \$22 million in the quarter, primarily due to increases of \$22 million in insured single-family mortgages, \$16 million in residential construction loans and \$4 million in commercial mortgages, partially offset by a decrease of \$17 million in uninsured single-family mortgages.

As at September 30, 2008, the Company continues to hold discounted mortgages with an aggregate discount of \$36 million. We are entitled to 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.

MCAN has no exposure to the United States mortgage market. We invest in insured and uninsured single-family mortgages in Canada, which 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.

Loans and investments increased by \$3 million, primarily due to a new investment with a private investor 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, decreased by \$1.9 million during the quarter. The interest-only strips increase (decrease) in value as cash is paid (received). During the quarter, we recognized a new interest-only strip of \$1.7 million upon the closing of this quarter's issuance, however this increase was more than offset by a \$3.1 million downward adjustment in the fair value and a \$260,000 write-down of the interest-only strips. The quarter end balance includes \$2.6 million of non bank-sponsored securitization investments that are subject to the Montreal Accord.

Our equity investment in MCLP increased by \$1.2 million, representing equity income for the quarter.

### Liabilities and Shareholders' equity

(in thousands)

	September 30 2008	June 30 2008	Increase (Decrease)	December 31 2007
<b>Liabilities</b>				
Term deposits	\$ 466,018	\$ 437,255	\$ 28,763	\$ 445,368
Accounts payable and accrued charges	9,432	5,357	4,075	8,089
Future taxes payable	3,585	3,358	227	961
	479,035	445,970	33,065	454,418
<b>Shareholders' equity</b>				
Share capital	97,493	97,337	156	96,370
Contributed surplus	510	510	-	510
Retained earnings	12,286	8,238	4,048	6,654
Accumulated other comprehensive income (loss)	(1,532)	(43)	(1,489)	(527)
	108,757	106,042	2,715	103,007
	<b>\$ 587,792</b>	<b>\$ 552,012</b>	<b>\$ 35,780</b>	<b>\$ 557,425</b>

Term deposits increased by \$29 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.

Share capital increased by \$156,000, which was raised through the dividend reinvestment plan for the September 30, 2008 dividend.

Retained earnings increased by \$4.0 million during the quarter. The increase was a result of quarterly income of \$10.4 million, partially offset by the third quarter dividend of \$3.6 million and a charge to retained earnings of \$2.8 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 due to a significant decrease in the value of available for sale CMB interest-only strips as a result of a decrease in expected future interest rates. In addition, there was a decrease in the fair value adjustment of fixed-rate mortgages due to an increase in market rates during the quarter. The decrease in the fair value of the interest-only strips was offset by an increase in the fair value of the CMB interest rate swaps, which are used to hedge interest rate risk on the interest-only strips. The change in the fair value of the interest rate swaps is recognized through income.

## 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 residential construction loans. Historically, our construction portfolio has an average ratio of total outstanding loan balances to total outstanding commitments of 50%.

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	\$ 438,366	\$ 27,652	\$ -	\$ 466,018
Operating lease	148	443	-	591
Mortgage fundings	81,038	-	-	81,038
CMB obligations	591	1,566	-	2,157
	<b>\$ 520,143</b>	<b>\$ 29,661</b>	<b>\$ -</b>	<b>\$ 549,804</b>

## CHANGES IN ACCOUNTING POLICY

On January 1, 2008, we adopted the new accounting standards of the Canadian Institute of Chartered Accountants ("CICA") as follows: *Capital Disclosures*, *Financial Instruments - Disclosures* and *Financial Instruments - Presentation*. For further details, refer to Note 2 to the consolidated financial statements.

## FUTURE CHANGES IN ACCOUNTING POLICY

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"). The impact of the transition to IFRS on our consolidated financial statements is not yet determinable.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

### Disclosure Controls and Procedures

Company management, with the participation of the Chief Executive Officer and Chief Financial Officer, 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 September 30, 2008 and has concluded that such disclosure controls and procedures are effective.

### Internal Control over Financial Reporting

During the interim period ended September 30, 2008, 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.

## OUTLOOK

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

Decreases in the prime rate during 2008 are expected to have an adverse effect on net investment income over the next several quarters. Subsequent to quarter end, the prime rate decreased by 0.75%. 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 2008 in order to minimize this compression. We are generally targeting fixed rate mortgages, rather than floating rate mortgages. Higher profitability from the CMB program and the acquired portfolios has more than offset the reduction in spread income. As a result, we remain optimistic about our income prospects for the remainder of the year. Subsequent to the end of the quarter, we earned approximately \$1.9 million from the sale of mortgages.

Slower economic activity has moderated housing market activity, compared to last year, and this is expected to continue for the balance of the year. While the credit environment is also less favourable than it was last year, the Canadian residential property market continues to exhibit stable fundamentals.

The disruption in debt markets has not yet resolved itself and this could be several months away. This disruption has not affected the capital or liquidity of the Company.

#### DIVIDENDS

The Board of Directors declared a fourth quarter dividend of \$0.25 per share to be paid January 2, 2009 to shareholders of record as of December 15, 2008.

We expect to pay a special dividend on March 31, 2009 in addition to the regular March 31, 2009 dividend that is sufficient to fully offset 2008 taxable income. Based on results to September 30, 2008, we expect to pay a special dividend of approximately \$0.20, but this special dividend will be revised subject to fourth quarter results.



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 2008 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.