

EARLY WARNING REPORT
FORM 62-103F1

REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

Item 1 Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

This report relates to common shares (“Common Shares”) and rights to purchase Common Shares (“Rights”) of MCAN Mortgage Corporation (the “Issuer”).

The Issuer’s address is:

MCAN Mortgage Corporation
200 King Street West, Suite 600
Toronto, ON M5H 3T4

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Common Shares were acquired on the Toronto Stock Exchange and Rights were acquired pursuant to the Rights Offering (defined below).

Item 2 Identity of the Acquiror

2.1 State the name and address of the acquiror.

KingSett Canadian Real Estate Income Fund LP (the “Acquiror”)
Scotia Plaza
40 King Street West, Suite 3700
Toronto, Ontario M5H 3Y2

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On November 29, 2022, the Acquiror acquired beneficial ownership of 165,000 Common Shares of the Issuer, representing approximately 0.5% of the outstanding Common Shares, at a price of \$16.61 per Common Share for an aggregate purchase price of \$2,740,650.00.

As previously disclosed by the Issuer, the Issuer is offering rights (the “Rights Offering”) to eligible holders of its outstanding Common Shares of record at the close of business (Toronto time) on November 24, 2022 (the “Record Date”). Pursuant to the Rights Offering, each holder of Common Shares as of the Record Date will receive one Right for each Common Share held. Every 13 Rights will entitle the holder to acquire one whole Common Share upon payment of a subscription price of \$14.00 per Common Share before the expiry of the Rights.

On November 24, 2022, the Acquiror received 2,978,249 Rights in respect of the 2,978,249 Common Shares held by it as of the Record Date, which Rights entitle the Acquiror to acquire up to 229,096 Common Shares. No consideration was paid by the Acquiror for these Rights. The Acquiror has exercised all of its Rights.

2.3 State the names of any joint actors.

KingSett Capital Inc., an affiliate and the manager of the Acquiror, may be considered to be a joint actor with the Acquiror with respect to the Common Shares held by the Acquiror.

Item 3 Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.

Prior to giving effect to the transactions referred to in Item 2.2 above, the Acquiror beneficially owned 2,978,249 Common Shares, representing approximately 9.3% of the issued and outstanding Common Shares.

On November 29, 2022, the Acquiror acquired beneficial ownership of 165,000 Common Shares of the Issuer on the Toronto Stock Exchange. The Acquiror is also deemed to have acquired and to be the beneficial owner of 229,096 Common Shares underlying 2,978,249 Rights, which Common Shares will become issuable by the Issuer following the exercise by the Acquiror of such Rights. Consequently, after giving effect to such transactions, the Acquiror beneficially owns 3,372,345 Common Shares in the aggregate, representing approximately 10.5% of the outstanding Common Shares.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

See response to Item 3.1 above.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

See response to Item 3.1 above.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

See response to Item 3.1 above.

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

- (c) **the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

- 3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

Item 4 Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

See response to Item 2.2 above.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

Not applicable.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

See response to Item 2.2 above.

Item 5 Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer's business or corporate structure;**
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;**
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**
- (j) a solicitation of proxies from securityholders;**
- (k) an action similar to any of those enumerated above.**

The Acquiror acquired the Common Shares and exercised its Rights for investment purposes. The Acquiror may, from time to time, acquire or dispose of Common Shares, Rights or other securities of the Issuer in the future, either on the open market, in private transactions, through treasury issuances, exercises of convertible securities, or otherwise, in each case, depending on a number of factors, including general market and economic conditions and other available investment opportunities. Depending on market, economic and industry conditions, the Issuer's business and financial condition, and other relevant factors, the Acquiror may develop other plans or intentions in the future relating to one or more of the actions described in items (a) through (k) above.

Item 6 Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 Certification

I, as the Acquiror, certify, or I, as the agent filing this report on behalf of the Acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

DATED November 29, 2022.

KINGSETT CANADIAN REAL ESTATE INCOME
FUND LP, by its general partner, KINGSETT
CANADIAN REAL ESTATE INCOME FUND
GP INC.

“Colin Baryliuk”

Colin Baryliuk
Group Head, Equity Investments