

C.A. BANCORP INC.
(Previously, Masthead Resources Ltd.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

This *Management's Discussion and Analysis* ("MD&A") presents an analysis of the financial condition of C.A. Bancorp Inc. (referred to herein as the "Company" and formerly called Masthead Resources Ltd.) for the six month period ended June 30, 2006. The following information should be read in conjunction with the unaudited interim consolidated financial statements of the Company as at and for the six month period ended June 30, 2006.

This MD&A is dated August 22, 2006 and presents material information up to this date. This information includes discussion and analysis of the Company's qualifying transaction (the "Qualifying Transaction"), which was completed on January 26, 2006.

OVERVIEW

The Company was incorporated on March 29, 2005 pursuant to the Business Corporations Act (Alberta) as Master Mines and Metals Inc. The Company initially issued 2,000,000 shares at \$0.10 per share for total gross proceeds of \$200,000. The Company was formed as a Capital Pool Corporation and consequently there was minimal business activity until it completed its Qualifying Transaction.

On April 27, 2005, the Company filed articles of Amendment to change its name to Masthead Resources Ltd.

On August 8, 2005, the Company filed a prospectus for an Initial Public Offering of 1,500,000 common shares at \$0.20 per share. This Offering was successfully completed on August 22, 2005, raising additional capital of \$300,000. The costs of the public offering were \$92,106 and were charged against share capital.

On September 2, 2005, the Company began trading on the TSX Venture Exchange under the symbol "MTH.P".

THE QUALIFYING TRANSACTION

On December 17, 2005, the Company proposed to acquire i) 100 per cent of the net assets of Sentry Select Focused Wealth Management Fund (the "Fund"), and ii) 100 per cent of the outstanding common shares in C.A. Bancorp Ltd. ("CABL"), in exchange for common shares and common share purchase warrants of the Company.

The Fund was managed by Sentry Select Capital Corp. ("Sentry Select"), a corporation beneficially owned and controlled by the Chairman of the Board of Directors and CEO of the Company. CABL was a private company, registered as a limited market dealer in Ontario and was inactive in prior years leading up to this transaction. CABL was, prior to the Qualifying Transaction (described below), indirectly controlled by the Chairman of the Board of Directors and CEO of the Company.

On January 26, 2006, the Company completed the qualifying transaction acquiring (a) the net assets of the Fund in exchange for 4,516,379 common shares and 4,516,379 common share purchase warrants of the Company, and (b) 100 per cent of the outstanding shares of CABL and \$9,874 due from Petro Assets Inc., the sole shareholder of CABL, in exchange for 3,399,906 common shares and 3,399,906 common share purchase warrants of the Company. The acquisitions constituted the Company's "Qualifying Transaction" pursuant to Policy 2.4 of the TSX Venture Exchange.

Each of the warrants issued for the above transactions entitle the holders thereof to purchase one common share of the Company for \$0.35 until January 26, 2007. After the completion of the Qualifying Transaction, the Company changed its name from Masthead Resources Ltd. to C.A. Bancorp Inc. and its trading symbol on the TSX Venture Exchange to BKP.

RESULTS OF OPERATIONS

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: CABL and C.A. Bancorp Financial Ltd. ("CABFL"). CABFL, which was incorporated on March 15, 2006, has been inactive since incorporation and has no assets, liabilities, revenues or expenses. CABL was acquired on January 26, 2006 as part of the Qualifying Transaction.

The Qualifying Transaction has been recorded as a reverse takeover transaction ("RTO"), which does not constitute a business combination, in accordance with Abstract No 10 of the Emerging Issues Committee ("EIC-10") of the Canadian Institute of Chartered Accountants. Therefore, the consolidated financial statements are issued under the name of C.A. Bancorp Inc., the legal parent company, but are considered to be a continuation of the financial statements of C.A. Bancorp Ltd., the legal subsidiary.

The comparative balance sheet as at December 31, 2005 and the comparative statements of operations and cash flows for the six month period ended June 30, 2005 are those of CABL. The consolidated statements of operations and cash flows for the six month period ended June 30, 2006 include the results of operations and cash flows of CABL from January 1, 2006 and of the Company since January 26, 2006. All intercompany transactions and balances have been eliminated in these consolidated financial statements

Acquisition of the Fund's net assets

The net assets of the Fund were comprised of cash of \$1,590,831 and accrued liabilities of \$10,098. The aggregate purchase price by the Company for the net assets of the fund was \$1,580,733, allocated to common shares valued at \$1,424,015 and common share purchase warrants valued at \$156,718.

Acquisition of the common shares of CABL

The estimated fair value of the assets and liabilities of CABL on the date of acquisition was \$1,180,093. The aggregate purchase price for the shares of CABL was \$1,189,967, including \$9,874 due from Petro Assets Inc., allocated to common shares valued at \$1,071,990 and common share purchase warrants valued at \$117,977.

C.A. Bancorp Inc. net assets on January 26, 2006

The following table summarizes the estimated fair value of the assets and liabilities and the costs of the Qualifying Transaction of the Company immediately prior to the RTO.

	As at January 26, 2006
ASSETS	
Cash and cash equivalents	\$ 379,365
Accounts and other receivables	7,920
Total current assets	387,285
Deferred costs of the Qualifying Transaction	362,209
	749,494
LIABILITIES	
Accounts payable and accrued liabilities	410,086
NET ASSETS	\$ 339,408

Costs of \$362,209 incurred in connection with the Qualifying Transaction have been charged to deficit.

Results of Operations for the three-month periods ended June 30, 2006 and 2005

For the three-month period ended June 30, 2006 the Company had a net loss of \$291,123. This represented a loss of \$0.03 per share on a basic and fully diluted basis. For the three-month period ended June 30, 2005 the Company had a net loss of \$66.

The Company had total revenue of \$25,472 (2005: \$293) comprised of interest income in the amount of \$24,536 (2005: \$293) earned on its cash and cash equivalents and \$936 (2005: \$nil) of investment income earned on its portfolio of marketable securities.

The Company incurred total expenses of \$281,671 (2005:\$359), comprised of general and administrative expenses of \$189,403 (2005: \$nil), audit, legal and filing charges of \$54,883 (2005: \$260); and interest and bank charges of \$1,458 (2005: \$99). Included in general and administrative expenses are \$105,000 in administration fees paid to Sentry Select pursuant to an administration agreement between the Company and Sentry Select dated January 26, 2006 (the "Administration Agreement").

Also included in total expenses was a charge for stock-based compensation in the amount of \$35,927 (2005: nil) relating to the grant of 780,000 employee and non-employee stock options on June 22, 2006. One third of the options vested immediately on grant with the remaining two-thirds vesting equally on the one-year and two-year anniversaries of the grant. The options have an expiry date of June 22, 2011 and an exercise price of \$0.33.

In accordance with the Company's accounting policies a carrying value adjustment of \$34,924 was recognized in the three-months and six-months periods ended June 30, 2006 (2005: Nil) as the market

value of the securities, on a portfolio basis, was less than the cost of the marketable securities prior to the adjustment.

Results of Operations for the six-month periods ended June 30, 2006 and 2005

For the six month period ended June 30, 2006 the Company had a net loss of \$389,206. This represented a loss of \$0.04 per share on a basic and fully diluted basis. For the six-month period ended June 30, 2005 the Company had a net loss of \$966.

The Company had total revenue of \$50,266 (2005: \$613) comprised of interest income in the amount of \$28,765 (2005: \$293) earned on its cash and cash equivalents and \$21,501 (2005: \$nil) of investment income earned on its portfolio of marketable securities.

The Company incurred total expenses of \$404,548 (2005:\$1,579), comprised of general and administrative expenses of \$295,773 (2005: \$nil), audit, legal and filing charges of \$65,796 (2005: \$1,381); and interest and bank charges of \$7,052 (2005: \$198). Included in general and administrative expenses are \$180,645 in administration fees paid to Sentry Select pursuant to the Administration Agreement. The Administration Agreement was effective retroactively to January 1, 2006 and pursuant to the agreement Sentry Select provides administrative services to the Company for a monthly fee of \$35,000 plus applicable taxes. As the Administration Agreement was with C.A. Bancorp Inc., the accounting subsidiary, the fees are reflected in the consolidated statement of operations on a prorated basis for the period from January 26, 2006 (the date of the RTO) to June 30, 2006.

The Company has non-capital losses for tax purposes which are available to be used in future years to offset taxable income for which it has not recognized a future income tax asset as, at the present time, it is uncertain when and whether the losses will be utilized.

Also included in total expenses was a charge for stock-based compensation in the amount of \$35,927 (2005: nil) relating to the grant of 780,000 employee and non-employee stock options on June 22, 2006. One third of the options vested immediately on grant with the remaining two-thirds vesting equally on the one-year and two-year anniversaries of the grant. The options have an expiry date of June 22, 2011 and an exercise price of \$0.33.

In accordance with the Company's accounting policies a carrying value adjustment of \$34,924 was recognized in the three-months and six-months periods ended June 30, 2006 (2005: Nil) as the market value of the securities, on a portfolio basis, was less than the cost of the marketable securities prior to the adjustment.

Balance Sheet and Liquidity

As at June 30, 2006, the Company had total assets of \$2,472,745 (December 31, 2005: \$1,312,623), total liabilities of \$151,127 (December 31, 2005: \$1,401,708) and total shareholders' equity of \$2,321,618 (December 31, 2005 – shareholders' deficiency of \$89,085). The largest factor contributing to these increases was the completion of the Qualifying Transaction whereby the Company acquired (a) net assets from the Fund of \$1,580,733, comprised of cash of \$1,590,831 and accrued liabilities of \$10,098; and (b) 100% of the common shares of CABL valued at \$1,180,903 and \$9,874 receivable from the shareholder

of CABL. However, as the Qualifying Transaction was accounted for as a reverse takeover, the consolidated financial statements reflect CABL, the legal subsidiary, as the deemed acquirer of the net assets of the Fund and of C.A. Bancorp Inc. C.A. Bancorp Inc. had net assets of \$339,408 as at the date of the Qualifying Transaction comprised primarily of cash and cash equivalents of \$379,365, deferred costs of \$362,209 related to the Qualifying Transaction and accounts payable and accrued liabilities of \$410,086.

The Company's total assets as at June 30, 2006 of \$2,472,745 (December 31, 2005: \$1,312,623) were primarily comprised of cash and cash equivalents of \$986,337 (December 31, 2005: \$76,693), marketable securities of \$1,308,331 (December 31, 2005: \$1,082,939) and deferred costs of \$88,509 (December 31, 2005: \$130,483)

Marketable securities are carried on the consolidated balance sheet at the lower of cost or market value determined on an aggregate portfolio basis. The following tables summarize the investments held as at June 30, 2006 and December 31, 2005:

<u>Investment Name</u>	<u>Number of securities</u>	<u>June 30, 2006 Cost</u>	<u>June 30, 2006 Market Value</u>
CAPVEST Income Corp. - Debentures	2,000	\$ 200,000	\$ 196,020
CAPVEST Income Corp. - Common shares	200,000	40,000	35,000
Arsenal Energy Inc. - Shares	632,547	823,495	822,311
Strategic Energy Fund - Trust units	20,000	279,760	255,000
		<u>1,343,255</u>	<u>1,308,331</u>
Portfolio cost adjustment		(34,924)	-
Balance per financial statements		\$ 1,308,331	1,308,331

<u>Investment Name</u>	<u>Number of securities</u>	<u>Dec. 31, 2005 Cost</u>	<u>Dec. 31, 2005 Market Value</u>
CAPVEST Income Corp. - Debentures	2,000	\$ 200,000	\$ 200,000
CAPVEST Income Corp. - Common shares	200,000	40,000	38,000
Tiverton Petroleums Ltd. - Class A shares	2,020,360	563,179	626,312
Strategic Energy Fund - Trust units	20,000	279,760	279,000
		<u>\$ 1,082,939</u>	<u>\$ 1,143,312</u>

Pursuant to the acquisition of Tiverton Petroleums Ltd. ("Tiverton"), by Arsenal Energy Inc. ("Arsenal"), which closed on March 13, 2006, the Company received 0.23 of an Arsenal common share for each (1) Tiverton share held.

The manager of Strategic Energy Fund and the investment advisor of CAPVEST Income Corp. are controlled by the Chairman of the Board of Directors and CEO of the Company.

As at June 30, 2006, the Company had deferred costs of \$88,509 (December 31, 2005: \$130,483), which consist primarily of professional fees incurred in connection with the development of an investment fund.

These costs will be recovered from the investment fund if the Company successfully completes an offering of the fund. Also, as at December 31, 2005 the Company had deferred costs of \$49,816 related to a shareholders' requisition to replace the Board of Directors of Tiverton Petroleum Ltd. In 2006 the Company recovered these costs from Arsenal Energy Inc.

The Company's total current liabilities of \$151,127 (December 31, 2005: \$1,401,708) were comprised primarily of accounts payable and accrued liabilities of \$98,565 (December 31, 2005: \$11,685), \$41,357 (December 31, 2005: \$81,641) of margin loan for the acquisition of marketable securities, \$7,780 (December 31, 2005: \$117,076) due to Sentry Select for the reimbursement of third party expenses of the Company paid for by Sentry Select. The Company had no long-term debt. The amount due to Petro Assets Inc. decreased significantly from \$1,124,178, at December 31, 2005, as a result of the conversion of the amounts due to Petro Assets Inc., as at January 25, 2006, of \$1,196,177 to common shares of CABL immediately prior to the Qualifying Transaction.

Shareholders' Equity

The following is a continuity of the Company's share capital and common share purchase warrants:

Common shares	Number	Amount	Number	Amount
C.A. Bancorp Ltd., outstanding as at January 1, 2006	1	\$ 1	-	\$ -
Conversion of amounts due to Petro Assets Inc. to common shares	120	1,196,177	-	-
C.A. Bancorp Ltd., outstanding as at January 26, 2006	121	1,196,178	3,368,590	1,078,201
Contribution from Petro Assets Inc.	-	9,874	31,316	9,874
	121	1,206,052	3,399,906	1,088,075
C.A. Bancorp Inc., outstanding as at January 26, 2006	3,500,000	407,894	3,500,000	339,408
Issued to Fund unitholders in exchange for net assets of Fund	-	-	4,516,379	1,424,014
As at June 30, 2006			11,416,285	\$ 2,851,497

Common share purchase warrants	Number	Amount	Number	Amount
Issued to Fund unitholders on January 26, 2006	-	\$ -	4,516,379	\$ 156,718
Issued to C.A. Bancorp Ltd. shareholder on January 26, 2006	-	-	3,399,906	117,977
As at June 30, 2006	-	\$ -	7,916,285	\$ 274,695

As at June 30, 2006 a total of 11,416,285 common shares were outstanding with total share capital of \$2,851,497, and 7,916,285 common share purchase warrants were outstanding with total capital of \$274,695. As at December 31, 2005 CABL had 1 common share issued and outstanding with total share capital of \$1 and C.A. Bancorp Inc. had 3,500,000 common shares outstanding with total share capital of \$407,894. The share structure of the Company under reverse takeover accounting continues to be that of the legal acquirer (C.A. Bancorp Inc.). As at the date of this report there have been no changes to the number of outstanding common shares and common share purchase warrants and there has been no change in the amount of outstanding stock options.

INVESTMENT ACTIVITIES

On November 8, 2005, C.A. Bancorp Ltd., together with Strategic Energy Fund requisitioned a special shareholder meeting with Tiverton Petroleum Ltd. ("Tiverton"). The meeting was called to remove the existing board of directors and replace such board with nominees of the Company. Following the requisition, Tiverton agreed to amalgamate with Arsenal Energy Inc. ("Arsenal") subject to shareholder approval.

At Tiverton's shareholders' meeting, held on February 22, 2006, CABL's motion to replace the Board of Directors was defeated and the meeting was adjourned to consider the amalgamation with Arsenal.

Following the meeting, the Company negotiated a higher exchange ratio, and Arsenal agreed to reimburse all expenses incurred by the Company to a maximum of \$700,000.

The Tiverton action was a success in the opinion of management of the Company. Although, the Company did not achieve its goal to remove the board of directors, its actions caused Tiverton management to locate a strategic partner to enhance shareholder value. The Company negotiated a higher share exchange ratio and Arsenal agreed to cover all expenses of the transaction.

The Company has begun to liquidate the shares into the market to raise capital for other projects. During the three-month period ended June 30, 2006, 31,200 shares of Arsenal were sold for net proceeds of \$41,496 and a net realized gain of \$936. As at June 30, 2006 C.A. Bancorp Ltd. held 632,547 shares of Arsenal at an average cost of \$1.30 per share.

SUMMARY OF INTERIM RESULTS

The following is a summary of the interim results for the three-month and six-month periods ended June 30, 2006 and 2005 respectively:

Three-month period

	<u>2006</u>	<u>2005</u>
Revenues	\$ 25,472	\$ 293
Expenses	(281,671)	(359)
Unrealized loss	(34,924)	-
Net loss	<u>\$ (291,123)</u>	<u>\$ (66)</u>
Loss per share - basic	\$ (0.03)	\$ -
Loss per share - diluted	\$ (0.03)	\$ -

Six-month period

	<u>2006</u>	<u>2005</u>
Revenues	\$ 50,266	\$ 613
Expenses	(404,548)	(1,579)
Unrealized loss	(34,924)	-
Net loss	<u>\$ (389,206)</u>	<u>\$ (966)</u>
Loss per share - basic	\$ (0.04)	\$ -
Loss per share - diluted	\$ (0.04)	\$ -

LIQUIDITY AND CAPITAL RESOURCES

The Company has maintained a significant portion of its total assets in cash and cash equivalents and marketable securities. As at June 30, 2006 the Company had \$986,337 in cash and cash equivalents and \$1,308,331 in marketable securities (on a market value basis).

The Company has no long-term debt, no capital lease obligations and no other long-term obligations. Under such conditions, the Company has sufficient working capital to maintain current operations for at least twelve months. The Company anticipates that additional funds will be secured through public offerings, private equity placements, the exercise of stock options and warrants or other capital offerings to achieve its corporate strategy.

TRANSACTIONS WITH RELATED PARTIES

The acquisitions of the net assets of the Fund and CABL were related party transactions. John Driscoll, the President and Chief Executive Officer of Sentry Select Capital Corp. ("Sentry Select"), is also an officer and director of the Company. Sentry Select was the portfolio manager of the Fund. At December 31, 2005, a corporation beneficially owned by the Driscoll Children's Trust (a trust of which Mr. Driscoll is the trustee and a beneficiary) beneficially owned 54.29% of the outstanding common shares of the Company. The Driscoll Children's Trust also owned 15,000 trust units (3.92%) of the Fund. After the completion of the Qualifying Transaction, Mr. Driscoll maintained a controlling interest representing 51.46%.

The Company believes that any conflicts of interest that arose in the course of the transaction were dealt with in a manner that is generally acceptable in corporate transactions. Specifically:

1. Sentry Select made full disclosure to unitholders of the Fund of these conflicts; and
2. None of the common shares of the Company or trust units of the Fund beneficially owned by Driscoll Children's Trust were voted at the meetings called to approve the transactions.

Sentry Select applied to the Canadian Securities Administrators ("CSA") for relief from the application of the provisions of securities legislation that would have prevented the transaction from taking place on account of these conflicts of interest. The CSA granted the requested relief on the condition that the transaction was approved by unitholders in accordance with the Declaration of Trust of the Fund.

On January 26, 2006 Sentry Select and the Company entered into an administration agreement which was effective retroactively to January 1, 2006 (the "Administration Agreement"). Pursuant to the Administration Agreement Sentry Select will provide staffing including the services of the Company's President, accounting and administration, compliance, marketing, and office space for a fixed fee of \$35,000 per month plus applicable taxes.

On May 18, 2006, as a result of the expansion of the scope and nature of the Company's business, the Board of Directors of the Company approved a new management agreement (the "Management Agreement") and an amendment to the January 26, 2006 Administration Agreement (the "Amended Administration Agreement"), each effective as of July 1, 2006.

Pursuant to the Management Agreement, among other things, Sentry Select will manage the Company's merchant banking business, including searching for, evaluating and screening investment opportunities and conducting due diligence with respect to potential investments. For the provision of its services pursuant to the Management Agreement, the Company will pay Sentry Select a quarterly fee (the "Management Fee") of 1/4 of 1.50% of the Net Asset Value (i.e. the total net asset value less the Company's liabilities) calculated as at the close of business on the last business day of each calendar quarter. In addition to the Management Fee, Sentry Select will be entitled to be paid a performance bonus (the "Performance Bonus") equal to 20% of the amount by which the annual Net Pre-Tax Profits of the Company (i.e. the non-consolidated net income of the Company before income taxes and such Performance Bonus) calculated as at December 31 in each year exceeds a threshold of an 8% per year return earned on the Company's Net Asset Value (determined in accordance with the Management Agreement). The initial term of the Management Agreement commenced on July 1, 2006 and expires on December 31, 2011. The Management Agreement will renew automatically for successive five-year terms following the initial term, provided that there has been no breach or material default of the terms of the agreement by Sentry Select, subject to termination on any expiry date upon not less than 180 days prior written notice from the Company or Sentry Select to the other. In the event that the Company terminates the Management Agreement, Sentry Select will be entitled to receive from the Company an amount equal to five times 1.5% of the Net Asset Value calculated as at the close of business on the last business day of the term of the Management Agreement and five times the Performance Bonus paid in respect of the calendar year immediately preceding the date of termination of the Management Agreement. The Management Agreement may also be terminated by either party upon the occurrence of certain events.

The Amended Administrative Agreement amends and restates the Administrative Agreement. Effective as of July 1, 2006, Sentry Select will provide certain management and administrative services to the Company, including the provision of office space, equipment and all management and investment staff, and all accounting, clerical, secretarial, corporate and administrative services as may be reasonably necessary to perform its obligations under the Amended Administrative Agreement. The monthly fee paid to Sentry Select for the provision of such services will increase from \$35,000 to \$40,000. The Amended Administrative Agreement will immediately terminate upon the termination for any reason of the Management Agreement.

EXERCISE OF NON-EMPLOYEE AGENT OPTIONS (SUBSEQUENT EVENT)

On July 27, 2006 150,000 non-employee agent options were exercised at an exercise price of \$0.20 per share providing the Company with \$30,000 in proceeds and share capital.

During the period from August 4, 2006 to August 22, 2006 139,000 warrants were exercised providing the Company with \$48,650 in proceeds.

The number of outstanding common shares of the Company increased to 11,705,285 as a result of these transactions.

LAUNCH OF SENTRY SELECT TOTAL STRATEGY FUND (SUBSEQUENT EVENT)

On July 31, 2006 the Company announced that a final prospectus for *Sentry Select Total Strategy Fund* (the "Total Strategy Fund") had been filed with the securities regulatory authorities in each of the provinces and territories of Canada.

The Total Strategy Fund's investment objective is to maximize the total return to unit holders. At least 75% of the assets of the Total Strategy Fund will generally be invested in a diversified portfolio of primarily Canadian equity and equity-related securities, including income trusts. Up to 25% of the Total Strategy Fund's assets will be invested in equity and equity-related securities of Canadian small and middle-market private and public companies.

The closing occurred on August 25, 2006 and the Fund issued 5,000,000 units for total gross proceeds of \$50,000,000.

The Company is the Manager of the Fund and is expected to earn management fees in accordance with the terms provided for in the prospectus of the offering. Sentry Select is the Investment Manager of the Fund as defined in the Investment Management Agreement ("IMA") made between the Fund, the Company and Sentry Select. The Company will in turn pay a portion of the management fees earned from the Fund to Sentry Select as a Base Investment Management Fee as defined in the IMA.

CORPORATE STRATEGY

C.A. Bancorp is a merchant bank focused on investments in the mid-market sector, principally in Canada. C.A. Bancorp intends to focus on a range of transactions, with both public and private companies, across a broad range of industries. Its management team has strategic relations across many different industry segments and has particular knowledge and expertise in the sectors of manufacturing, business services, financial services, media, transportation, industrial products, food, consumer products and chemicals.

C.A. Bancorp will conduct its business through three areas of focus: (1) Direct Investing; (2) Fund Management; and (3) Financial Services. The structure is designed to leverage:

- the combined private and public equity investment expertise of C.A. Bancorp and its affiliates;
- high quality deal flow resulting from management's extensive experience and business relationships;
- and

- management's experience in structuring and completing transactions.

C.A. Bancorp will make investments utilizing its own capital and also through or in conjunction with sponsored public and private institutional investment funds.

C.A. Bancorp is a participant in the Canadian private equity market. Transactions in this market are typically event driven, including buy-outs, acquisitions, expansions, restructurings/refinancings, privatizations and management buy-outs. C.A. Bancorp will focus on the smaller end of the private equity market, seeking to invest \$0.5 to \$20 million in any one transaction.

C.A. Bancorp's business model is based on three revenue streams:

- (1) Direct Investing - interest payments, management fees, syndication fees and dividend payments paid by portfolio companies and capital gains realized from the sale of investments.
- (2) Fund Management - management fees and performance bonuses paid to C.A. Bancorp from managed funds.
- (3) Financial Services - the income stream paid from management fees earned as a result of owning and managing acquired businesses.

Management of the Company believes, based on its past experience, that there a large number of investment opportunities in the Canadian marketplace that meet C.A. Bancorp's general investment criteria. C.A. Bancorp's intends to raise additional capital in the future as required to fund future investments and opportunities.

OUTLOOK

The Company continues to develop a strategy to raise its first private equity related fund. We also continue to actively pursue investment opportunities using our direct contacts and sourcing opportunities through Sentry Select.

Management of the Company is currently exploring its options and determining their long-term business plan.

The Company plans for the remainder of 2006 are to invest a majority of the capital that is raised both inside the Company and in any funds the Company manages.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Company Factors

Future financial performance will be influenced by the Company's ability to raise additional funds and the successful evaluation and acquisitions of potential businesses as well as the Company's ability to build and successfully manage its assets under management.

Non-Company factors

The Canadian mid market private equity space has been relatively undercapitalized in recent years and this is due to the significant change in the market participants. During the previous five years the main

bank sponsored private equity groups that have been active in the space have either exited the business or significantly scaled back their investment activities. In addition Canada has its own unique regulatory, tax and capital market environment. These unique characteristics favor local firms.

RISK MANAGEMENT

The Company is looking for opportunities as outlined in 'Corporate Strategy' above. The merchant banking business is affected by a number of economic factors, including changing economic environments, capital markets and interest rates.

The Company will manage the risks associated with its merchant banking business and investment portfolio through planning and significant due diligence of investment opportunities and active involvement in its investments.

Private equity securities are less liquid than public securities as there is no readily available market for an investment to sell. There is a possibility that when the investment is to be sold, the price received may not be equal to the management calculated value.

Currently, the Company has assets invested in cash and cash equivalents as well as in marketable securities. Therefore interest rates will affect income derived from the cash and cash equivalent investments and general risk such as commodity prices, the business environment and company specific risks will affect the value of the marketable securities. It is the Company's policy to invest any short-term reserves in securities highly rated by well recognized rating agencies and to continuously monitor all marketable securities.

For general risk factors affecting the Company see the section "Risk Factors" included in the Management Proxy Circular of the Company dated December 16, 2005 available on the Company's SEDAR profile at www.SEDAR.com.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A and other public announcements by the Company may contain information that is forward-looking and is subject to risks and uncertainties. Forward-looking information includes information concerning the Company's future financial performance, business strategy, plans, goals, and objectives. These statements involve known and unknown risks, uncertainties and other factors that could cause actual results or events to differ materially from those anticipated in such forward-looking statements, including, among other things: the ability of the Company to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits; competitive conditions in the businesses in which the Company participates; the outcome of pending legal proceedings, if any exist; general economic conditions and normal business uncertainty; interest rate fluctuations and other changes in borrowing costs; and changes to the laws, rules, and regulations applicable to the Company or the markets in which the Company operates. The Company intends the forward-looking information to speak only as of the first time made and does not undertake to update or revise it whether as a result of new information, future events or otherwise, except as required by law.