

Consolidated Financial Statements of

C.A. BANCORP INC.

December 31, 2006 and 2005

Auditors' Report

To the Shareholders of
C.A. Bancorp Inc.

We have audited the consolidated balance sheets of C.A. Bancorp Inc. (the "Company") as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Toronto, Ontario
March 1, 2007

C.A. BANCORP INC.

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C.A. BANCORP INC.
Consolidated Balance Sheets

As at December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		Restated (Note 2(a))
CURRENT		
Cash and cash equivalents (Note 6)	\$ 32,904,560	\$ 76,693
Asset management fees receivable (Note 4)	52,158	-
Other receivables	163,360	12,508
Marketable securities (Note 7)	4,137,377	1,082,939
Prepaid expense	20,604	-
	37,278,059	1,172,140
NON-CURRENT		
Investments in capital pool companies (Note 8)	653,026	-
Deferred costs (Note 9)	74,325	130,483
Contingency fund deposit (Note 10)	10,000	10,000
	\$ 38,015,410	\$ 1,312,623
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 665,118	\$ 11,685
Due to related party (Note 16(a))	176,381	184,204
Due to broker (Note 2(d))	140,359	81,641
Due to Petro Assets Inc. (Note 16 (b))	-	1,124,178
	981,858	1,401,708
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 11)	38,592,016	1
Warrants (Note 11)	253,716	-
Contributed surplus (Note 12)	375,319	-
Deficit	(2,187,499)	(89,086)
	37,033,552	(89,085)
	\$ 38,015,410	\$ 1,312,623

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"John F. Driscoll"

..... Director

"Richard J. Zarzeczny"

..... Director

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.
Consolidated Statements of Operations and Deficit
For the years ended December 31, 2006 and 2005

	2006	2005
		Restated (Note 2(a))
REVENUE		
Interest and investment income	\$ 231,850	\$ 2,589
Asset management fees (Note 4)	196,574	-
Realized gain on sale of marketable securities	3,825	-
	432,249	2,589
EXPENSES		
General and administration (Note 5)	824,998	67,596
Stock based compensation (Note 12)	375,319	-
Audit, legal and filing fees	303,786	12,417
Investment management fees (Note 4)	107,222	-
Management fees (Note 5)	73,516	-
Equity participation in capital pool companies (Note 8)	36,974	-
Interest and bank charges	7,334	8,021
	1,729,149	88,034
Unrealized loss on marketable securities (Note 7)	(439,304)	-
LOSS BEFORE INCOME TAXES	(1,736,204)	(85,445)
Provision for income taxes (Note 15)	-	-
NET LOSS	(1,736,204)	(85,445)
Issue costs of Qualifying Transaction (Note 3)	(362,209)	-
DEFICIT, BEGINNING OF PERIOD	(89,086)	(3,641)
DEFICIT, END OF PERIOD	\$ (2,187,499)	\$ (89,086)
LOSS PER SHARE (Note 13)		
Basic	\$ (0.08)	\$ (0.03)
Diluted	\$ (0.08)	\$ (0.03)

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.
Consolidated Statements of Cash Flows

For the year ended December 31, 2006 and 2005

	2006	2005
		Restated (Note 2(a))
OPERATING ACTIVITIES		
Net loss	\$ (1,736,204)	\$ (85,445)
Stock based compensation	375,319	-
Unrealized loss on marketable securities	439,304	-
Realized gain on sale of marketable securities	(3,825)	-
Equity accounting loss on investments in Capital Pool Companies	36,974	-
Net change in non-cash working capital:		
Increase in receivables and prepaid expense	(210,494)	(12,305)
Decrease in current liabilities	257,891	1,326,222
Decrease in deferred costs	98,191	(130,483)
Net cash used in operating activities	(742,844)	1,097,989
INVESTING ACTIVITIES		
Purchase of marketable securities	(3,761,802)	(1,082,939)
Investments in capital pool companies (Note 8)	(690,000)	-
Proceeds on sale of marketable securities	271,885	-
Recovery of Tiverton action costs, net of payments made	26,750	-
Net cash used in investing activities	(4,153,167)	(1,082,939)
FINANCING ACTIVITIES		
Gross proceeds from common shares issued (Note 11)	38,996,785	-
Issue costs paid	(3,315,103)	-
Cash acquired from the Fund (Note 3)	1,590,831	-
Cash and cash equivalents acquired from C.A. Bancorp Inc.	379,365	-
Cash advance received from Petro Assets Inc.	72,000	-
Net cash provided by financing activities	37,723,878	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,827,867	15,050
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	76,693	61,643
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 32,904,560	\$ 76,693
REPRESENTED BY:		
Cash	\$ 1,638,416	\$ 16,814
Cash equivalents (Note 6)	31,266,144	59,879
	\$ 32,904,560	\$ 76,693
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ 7,334	\$ 198

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.

Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

1. ORGANIZATION

C.A. Bancorp Inc. (the “Company”) was incorporated as Master Mines and Metals Inc., pursuant to the provisions of the *Business Corporations Act* (Alberta) on March 29, 2005 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “TSXV”). On April 19, 2005 the Company changed its name to Master West Resources Ltd. and on April 27, 2005 changed its name to Masthead Resources Ltd.

The Company completed its initial public offering on August 22, 2005 issuing 1,500,000 common shares at \$0.20 per share. On September 2, 2005 the Company began trading on the TSXV under the symbol “MTH.P”. On January 26, 2006, the Company completed a Qualifying Transaction (described in Note 3) and changed its name to C.A. Bancorp Inc. and its trading symbol to “BKP”.

On November 27, 2006 the Company closed a secondary public offering raising gross proceeds of \$38,751,177 by issuing 129,170,590 shares at \$0.30 per share.

2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: C.A. Bancorp Ltd. (“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 (see Note 3). The Qualifying Transaction has been recorded as a reverse takeover transaction, 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 CABL, the legal subsidiary. The comparative balance sheet as at December 31, 2005 and the comparative statements of operations and cash flows for the year ended December 31, 2005 are those of CABL. The consolidated statements of operations and cash flows for the year ended December 31, 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.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2006 and 2005

2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(b) Revenue recognition

Asset management fees recorded as revenue are based upon the average net asset value of the Sentry Select Total Strategy Fund (“Total Strategy Fund”) and are recognized on an accrual basis.

Performance fees related to the Total Strategy Fund are recognized when performance thresholds have been satisfied and management is assured of their realization and are recognized on an accrual basis.

Interest income is recognized on an accrual basis as it is earned. Investment income is recorded on the ex-dividend/ex-distribution date.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with maturities of three months or less from the date of their acquisition. Short-term investments are carried at cost plus accrued interest, which approximates market value.

(d) Marketable securities

Investments in marketable securities are carried at lower of cost or market value determined on an individual security basis. The closing prices are used in determining the market value of individual securities within the portfolio.

The Company records security purchases and sales on a trade date basis. Purchases or sales that have not settled at year-end are recorded as “Due from/to broker”.

(e) Investments in capital pool companies

Investments in capital pool companies are accounted for using the equity method as the Company is deemed to exercise significant influence over its investments.

(f) Incentive stock options

The Company has an incentive stock option plan as described in Note 12. The Company follows the fair value method of accounting for the expense associated with the plan, whereby an estimate of the fair value of the stock options granted is measured and recorded as an expense over the vesting period or at the date of grant if options vest immediately, with the related offset recorded as shareholders’ equity. The effect of actual forfeitures of previously granted options is recognized as they occur. Any consideration paid to the Company with respect to the exercise of stock options is credited to share capital. For the purpose of accounting for incentive stock options, directors, officers and direct employees of the Company are considered employees and other parties are considered non-employees.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2006 and 2005

2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(g) Income taxes

The Company uses the asset and liability method to provide for income taxes on all transactions recorded in the financial statements. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax basis. Future income tax assets and liabilities are determined for each temporary difference and unused losses, as applicable, at substantively enacted tax rates expected to be in effect when the assets are realized or the liabilities are settled. A valuation allowance is established to reduce future income tax assets to the amount that is more likely than not to be realized.

(h) Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding for the period. The treasury stock method is used to determine diluted earnings per share.

(i) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. QUALIFYING TRANSACTION

On January 26, 2006, the Company completed the acquisition of (a) the net assets of Sentry Select Focused Wealth Management Fund (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 common shares of CABL and \$9,874 due from Petro Assets Inc. ("PAI"), 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 TSXV.

The Fund was managed by Sentry Select Capital Corp. ("Sentry Select"), which is beneficially owned and controlled by the Chairman of the Board of Directors and CEO of the Company. The net assets of the Fund were comprised of cash of \$1,590,831 and accrued liabilities of \$10,098. The aggregate purchase price was \$1,580,733 allocated to common shares valued at \$1,424,014 and common share purchase warrants valued at \$156,718.

CABL (previously, Capital Access Corporation) was a private company which was indirectly controlled by the Chairman of the Board of Directors and CEO of the Company through Petro Assets Inc. The fair value of the assets and liabilities of CABL on the date of acquisition was \$1,180,093. The aggregate purchase price 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.
Notes to the Consolidated Financial Statements
December 31, 2006 and 2005

3. QUALIFYING TRANSACTION (continued)

The common share purchase warrants issued in connection with the above transactions entitle the holders thereof to purchase one common share of C.A. Bancorp Inc. for \$0.35 for one year following the closing of the transactions. The warrants had an aggregate estimated fair value of \$274,695, or \$0.0347 per warrant, on the date of issuance as determined by the Company using a Black-Scholes option pricing model.

In determining the fair value of the warrants, management was required to make assumptions that have a material impact on the valuation. The following were the significant assumptions: market price per common share of \$0.35; dividend yield of 0%; expected volatility of 20%; risk-free interest rate of 4.01%; and expected life of one year.

The Qualifying Transaction has been accounted for as a reverse takeover transaction (an "RTO"), which does not constitute a business combination. The Qualifying Transaction is measured at the exchange amount. Pursuant to the RTO accounting CABL, the legal subsidiary of the Company, was considered to have acquired the net assets of the Fund and all of the common shares of the Company. Issue costs of \$362,209 incurred in connection with the Qualifying Transaction have been charged to deficit.

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:

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

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2006 and 2005

4. ASSET AND INVESTMENT MANAGEMENT FEES

The Company acts as the manager (the “Manager”) of the Sentry Select Total Strategy Fund – an investment trust listed under the symbol TSF.UN on the Toronto Stock Exchange - for which it earns a management fee (“Asset Management Fees”) in accordance with the terms of the prospectus of the Total Strategy Fund. The Company, in its capacity as Manager, has appointed Sentry Select as the investment manager (“Investment Manager”) and pays a portion of its Asset Management Fees to the Investment Manager in the form of investment management fees (“Investment Management Fees”).

The Company recognized \$196,574 in Asset Management Fees as revenue and \$107,222 of Investment Management Fees as expenses for the year ended December 31, 2006 (2005 – \$Nil).

5. ADMINISTRATION AND MANAGEMENT AGREEMENTS WITH SENTRY SELECT

On May 18, 2006, the independent members of the Board of Directors of the Company approved an Amended and Restated Administration Agreement (the “Administration Agreement”) between the Company and Sentry Select which was effective from July 1, 2006 (replacing the previous administration agreement) and on September 25, 2006, an Amended and Restated Management Agreement (the “Management Agreement”) which was retroactively effective from July 1, 2006.

(a) Administration Agreement

The Administration Agreement was amended to provide Sentry Select with a monthly fee of \$40,000 (from \$35,000 prior to amendment), plus applicable taxes for the provision of administrative services including accounting and recordkeeping, regulatory reporting and compliance, investor relations, office space, equipment and administrative and management personnel, and other administrative and office services.

For the year ended December 31, 2006, \$450,000 was charged to the Company in respect of the Administration Agreement. The consolidated statements of operations includes \$420,645 which has been charged to general and administrative expenses and reflects the prorated amount of such fees since the date of the RTO. As of December 31, 2006 \$nil was due to Sentry Select in respect of such fees.

Prior to the Company’s Administration Agreement referred to above, CABL had a support services agreement dated September 1, 2005 with Sentry Select to provide consulting, administration and accounting services. For the period from September 1, 2005 to December 31, 2005 the fee for administration services was \$67,128 and was due to Sentry Select at December 31, 2005.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2006 and 2005

**5. ADMINISTRATION AND MANAGEMENT AGREEMENTS WITH SENTRY SELECT
(continued)**

(b) Management Agreement

The Management Agreement engages Sentry Select to provide investment management services in respect of the Company's merchant banking business and other investing activities, including searching for, evaluating and screening investment opportunities and conducting due diligence with respect to potential investments, for a quarterly fee of $\frac{1}{4}$ of 1.50% (the "Management Fee"), plus applicable taxes, based on the Company's closing consolidated book value from the previous quarter (subject to certain adjustments in accordance with the Management Agreement).

Sentry Select will also be entitled to a performance bonus ("Performance Bonus") equal to 20% of the amount by which the annual consolidated pre-tax, pre-Management Fee and pre-Performance Bonus net income of the Company, as at December 31 in each year, exceeds the Yearly Bonus Threshold (as defined in the Management Agreement and subject to Clawback Payments and Cumulative Bonus Thresholds also as defined in the Management Agreement) for such year. The Yearly Bonus Threshold is an amount equal to a return of 8% per annum based on the Company's consolidated book value.

For the year ended December 31, 2006 the Company incurred \$73,516 (2005 – \$Nil) in Management Fees to Sentry Select. No Performance Bonus was incurred as the Company has a net pre-tax, pre-Management Fee, pre-Performance Bonus net loss for the year ended December 31, 2006.

6. CASH EQUIVALENTS

As at December 31, 2006 the Company held a Government of Canada Treasury Bill, yielding 3.44% and maturing on January 11, 2007 in the amount of \$171,000 and a term deposit yielding 4.20% and maturing on January 2, 2007. As at December 31, 2005 the Company held a Government of Canada Treasury Bill, yielding 2.63% and maturing on January 26, 2006 in the amount of \$60,000.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2006 and 2005

7. MARKETABLE SECURITIES

In accordance with the Company's accounting policies carrying value adjustments of \$439,304 were recognized in the year ended December 31, 2006 (2005 - Nil) as the market value of certain securities was less than their carrying values prior to the adjustment. The following is a list of marketable securities held at year end. The term "equity" is broadly defined to include, but is not limited to, securities such as common shares and income trust units. As at year-end 2006 the Company had 20 (2005 - 4) investments in publicly traded securities as part of its marketable securities portfolio.

Marketable Securities as at December 31, 2006

<i>Industry Grouping</i>		Cumulative		
Publicly Traded Investment	Cost	Portfolio Cost	Carrying	Market
		Adjustments	Value	Value
Industrials				
Equities	\$ 1,457,353	\$ -	\$ 1,457,353	\$ 1,475,680
	1,457,353	-	1,457,353	1,475,680
Financial Services				
Equities	872,997	(65,492)	807,505	815,109
	872,997	(65,492)	807,505	815,109
Energy & Commodities				
Equity	595,995	(239,108)	356,887	356,887
Investment Trusts (a)	707,321	(127,125)	580,196	584,100
	1,303,316	(366,233)	937,083	940,987
Infrastructure (Pipelines)				
Equity (b)	133,514	-	133,514	135,600
	133,514	-	133,514	135,600
Diversified and Other				
Equities	380,992	(1,079)	379,913	391,540
Investment Trusts	428,509	(6,500)	422,009	434,205
	809,501	(7,579)	801,922	825,745
	\$ 4,576,681	\$ (439,304)	\$ 4,137,377	\$ 4,193,121

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2006 and 2005

7. MARKETABLE SECURITIES (continued)

Marketable Securities as at December 31, 2005

<i>Industry Grouping</i>		Cumulative		Market
Publicly Traded Investment	Cost	Portfolio Cost	Carrying	Value
		Adjustments	Value	
<i>Energy & Commodities</i>				
Equity	\$ 563,179	\$ -	\$ 563,179	\$ 626,312
Investment Trusts	519,760	-	519,760	517,000
	\$ 1,082,939	\$ -	\$ 1,082,939	\$ 1,143,312

- (a) The manager of an investment trust with a carrying value of \$197,600 (2005 - \$279,760) is controlled by the CEO and Chairman of the Company and the investment advisor of an investment trust with a carrying value of \$226,000 (2005 - \$240,000) is controlled by the CEO and Chairman of the Company.
- (b) The CEO and Chairman of the Company is the Chairman of the general partner that manages an equity with a carrying value of \$133,514 (2005 - nil).

8. INVESTMENTS IN CAPITAL POOL COMPANIES

The Company had the following investments in capital pool companies ("CPCs") as at December 31, 2006:

Capital Pool Company Investment	Percent		Cumulative	Carrying
	Ownership	Cost	Adjustments	Value
Charter Realty Holdings Ltd.	41.7%	\$ 500,000	\$ (11,320)	\$ 488,680
Universal Infrastructure Corp.	27.1%	95,000	(12,987)	82,013
Global Alternative Investments Inc.	27.1%	95,000	(12,667)	82,333
Total Cost and Carrying Value		\$ 690,000	\$ (36,974)	\$ 653,026

On September 14, 2006 the Company purchased 2.5 Million common shares of Charter Realty Holdings Ltd. ("Charter") in a private placement transaction. Charter is a publicly traded CPC (CRH.P on the TSX Venture).

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2006 and 2005

8. INVESTMENTS IN CAPITAL POOL COMPANIES (continued)

The Company, along with its CEO/Chairman as well as two other board members founded two CPCs: Universal Infrastructure Corp. (“Universal”) and Global Alternative Investments Inc. (“Global”) on August 2, 2006. Each CPC was seeded with \$200,000 in gross proceeds (2,000,000 shares at \$0.10). Universal and Global separately completed an initial public offering on December 5, 2006 raising \$300,000 in gross proceeds by issuing 1,500,000 shares at \$0.20. On January 10, 2007 Universal and Global began trading on the TSX Venture under the symbols UIC.P and GLI.P respectively.

Charter, Universal and Global are each considered related parties to the Company and the Company is considered to have significant influence over the CPCs at year-end for accounting purposes.

In accordance with the equity method of accounting for investments carrying value adjustments of \$11,320 (Charter), \$12,987 (Universal) and \$12,667 (Global) were taken based on the Company’s percentage ownership and the amount of time during the year that the Company was deemed to have significant influence over these CPCs.

9. DEFERRED COSTS

As at December 31, 2006 the Company had aggregate deferred costs of \$74,325 related primarily to legal fees incurred for the drafting of an offering memorandum related to a proposed private equity fund (“Private Equity Fund”) that it expects to launch in fiscal 2007. Any deferred costs related to the Private Equity Fund which are not expected to be recoverable will be expensed when that determination is made.

As at December 31, 2005 the Company had deferred costs of \$130,483, \$49,816 of which related to a corporate action suit against Tiverton Petroleums Ltd, in an effort to replace its Board of Directors. In 2006 the Company recovered these costs from Arsenal Energy Inc.

10. CONTINGENCY FUND DEPOSIT

The Company is required by the Ontario Securities Commission (the “OSC”) to maintain a contingency fund deposit of \$10,000 with CIBC Mellon Trust Company. The funds in the plan are invested and any interest may be used to settle with creditors of any bankrupt OSC participant and to pay registrant related legal fees.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
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11. SHAREHOLDERS' EQUITY

(a) *Share capital*

Authorized:

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of First Preferred Shares without nominal or par value.

The following is a continuity of the share capital of the Company:

<u>Common shares</u>	<u>Prior to RTO</u>		<u>After RTO</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
C.A. Bancorp Ltd., outstanding as at January 1, 2006	1	\$ 1	-	\$ -
Conversion of amounts due to PAI 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 PAI	-	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	-	-	4,516,379	1,424,014
Post Qualifying Transaction Common Shares issued during the year as a result of:			11,416,285	2,851,497
Secondary public offering			129,170,590	35,494,911
Warrants exercised			604,595	211,608
Agent's option exercised			150,000	30,000
Incentive stock options exercised			20,000	4,000
As at December 31, 2006			141,361,470	\$ 38,592,016

(b) *Warrants*

<u>Common share purchase warrants</u>	<u>Prior to RTO</u>		<u>After RTO</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Issued to Fund unitholders on January 26, 2006 (Note 3)	-	\$ -	4,516,379	\$ 156,718
Issued to C.A. Bancorp Ltd. shareholder on January 26, 2006 (Note 3)	-	-	3,399,906	117,977
Post Qualifying Transaction Warrants exercised during the year	-	-	7,916,285	274,695
	-	-	(604,595)	(20,979)
As at December 31, 2006	-	\$ -	7,311,690	\$ 253,716

The fair value of the outstanding warrants as at December 31, 2006 was \$73,117 or \$0.01 per warrant based upon the last transacted price on the TSXV which occurred on December 29, 2006

C.A. BANCORP INC.
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12. STOCK BASED COMPENSATION

On September 2, 2005, pursuant to the initial public offering, the agent was granted a non-transferable option ("Agent's option") to purchase up to 150,000 Common Shares at \$0.20 per share. The Agent's option was exercisable at any time from issuance to 24 months from the date of listing of the Company's shares on the TSXV. The estimated fair value of this Agent's option on the date of grant was \$6,000 and was charged to share issue costs in the financial statements of C.A. Bancorp Inc., the accounting subsidiary, in the third quarter of 2005 and therefore is not included in the comparative financial statements. The Agent's option was exercised on July 27, 2006.

The Company has a stock option plan (the "Plan") for the benefit of Directors, Officers and employees of and consultants and service providers to the Company. Pursuant to the Plan, the Board of Directors may allocate non-transferable options to purchase up to a maximum of 10% of the outstanding Common Shares of the Company. Options granted pursuant to the Plan are exercisable at a price not less than the market price of the Common Shares on the stock exchange on which such shares are traded less any applicable discounts permitted by the rules of such exchange. The maximum number of Common Shares which may be reserved for issuance to any one person under the Plan is 5% of the Common Shares outstanding at the time of grant.

Pursuant to the Plan and approval by the Board of Directors on September 15, 2005, the Company granted, to Directors, an aggregate of 215,000 options to purchase Common Shares which may be exercised from issuance at a price of \$0.20 per share for a period of five years from the date of grant. The stock option plan and the grant of options there under are subject to regulatory approval and the Escrow Agreement. The estimated fair value of these options on the date of grant was \$14,405 and was charged to incentive stock option compensation on the statement of operations of C.A. Bancorp Inc., the accounting subsidiary, in the third quarter of 2005 and therefore are not included in the comparative financial statements.

Pursuant to the Plan and approval by the Board of Directors on June 22, 2006, the Company granted, to certain directors, officers, employees and consultants an aggregate of 780,000 options to purchase Common Shares which may be exercised from issuance at a price of \$0.33 per share for a period of five years from the date of grant subject to vesting restrictions. One-third of the options vested on the date of grant with the remaining two-thirds vesting equally on June 22, 2007 and June 22, 2008. The estimated fair value of these options on the date of grant was \$107,780 and will be expensed as they vest. On August 24, 2006 a director of the Company resigned and forfeited 20,000 (fair value of \$2,764 on date of grant) of his unvested options related to this grant.

Pursuant to the Plan and approval by the Board of Directors on December 22, 2006, the Company granted, to certain directors, officers, employees and consultants an aggregate of 7,655,000 options to purchase Common Shares which may be exercised from issuance at a price of \$0.31 per share for a period of five years from the date of grant subject to vesting restrictions. One-third of the options vested on the date of grant with the remaining two-thirds vesting equally on December 22, 2007 and December 22, 2008. The estimated fair value of these options on the date of grant was \$939,414 and will be expensed as they vest.

For the year ended December 31, 2006 the Company recorded a total expense of \$375,319 in relation to its fiscal 2006 option grants.

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12. STOCK BASED COMPENSATION (Continued)

The fair value of the incentive stock option grants on the date of grant were estimated using a Black-Scholes option pricing model. In determining the fair value of options, management was required to make assumptions that could have a material impact on the valuation. For the purposes of assuming a dividend yield management assumed a rate of 0%. Other assumptions used on the dates of grant including the risk-free rate and the expected volatility are disclosed in the following table which summarizes information about the stock options outstanding as of December 31, 2006:

Optionee Type	# of Optioned Shares Outstanding	Vested at December 31, 2006	Expiry Date	Exercise Price	Risk-Free Rate	Volatility Assumption	Value at Grant
September 15, 2005 Grant							
Employees	215,000	215,000	September 15, 2010	\$ 0.20	3.82%	30%	\$ 14,405
June 22, 2006 Grant							
Employees	460,000	143,333	June 22, 2011	\$ 0.33	4.45%	40%	56,654
Non-Employees	300,000	100,000	June 22, 2011	\$ 0.33	4.45%	40%	48,363
	760,000	243,333					105,017
December 22, 2006 Grant							
Employees	5,655,000	1,885,000	December 22, 2011	\$ 0.31	3.80%	38%	693,976
Non-Employees	2,000,000	666,667	December 22, 2011	\$ 0.31	3.80%	38%	245,438
	7,655,000	2,551,667					939,414
	8,630,000	3,010,000					\$ 1,058,836

As at December 31, 2006, the weighted average contractual remaining life of the options was 4.92 (December 31, 2005 – 3.46) years.

13. LOSS PER SHARE

The weighted average numbers of shares outstanding for the period ended December 31, 2006 and loss per share were as follows:

	Year Ended December 31, 2006		Year Ended December 31, 2005	
	Weighted Average Number of shares	Loss Per Share	Weighted Average Number of Shares	Loss Per Share
Basic	23,054,785	\$ 0.08	3,399,906	\$ 0.03
Diluted *	23,054,785	\$ 0.08	3,399,906	\$ 0.03

* The incentive stock options and warrants were excluded from the calculations of diluted earnings per share because they were anti-dilutive.

14. FINANCIAL INSTRUMENTS

Except as disclosed elsewhere in these consolidated financial statements, the carrying value of the Company's financial instruments approximates their fair value.

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15. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future income tax assets (liabilities) as at December 31, 2006 are as follows:

	As at December 31, 2006
Future income tax assets	
Non-capital loss carryforwards	\$ 604,681
Unrealized loss investments	158,677
Cumulative eligible capital pool	27,921
	791,279
Valuation allowance	(791,279)
Net future tax asset	\$ -

As at December 31, 2006, the Company and its subsidiaries had non-capital losses available to be carried forward to offset income in future years of \$1,674,088. A valuation allowance against the benefit of these losses has been recognized in these financial statements but these losses are still available to offset future taxable income up to the date of their expiry. These losses expire as follows:

Year	
2014	\$ 641
2015	187,490
2026	1,485,957
	\$ 1,674,088

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to income before income taxes as follows:

	For the year ended December 31,	
	2006	2005
Loss before income taxes	\$ (1,736,204)	\$ (85,445)
Combined federal and provincial income tax rate	36.12%	36.12%
Expected recovery of income taxes	627,117	30,863
Permanent differences	(108,964)	(18,920)
Temporary difference on unrealized loss on marketable securities	158,677	-
Other temporary differences	(2,102)	-
Unrecognized benefit of tax losses	(674,728)	(11,943)
	\$ -	\$ -

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16. OTHER RELATED PARTY TRANSACTIONS

Unless mentioned elsewhere in the notes to these consolidated financial statements the following are additional disclosures regarding related party transactions.

(a) Reimbursement of expenses

As at December 31, 2006 \$178,920 (December 31, 2005: \$117,076) was due to Sentry Select for reimbursement of third party expenses of the Company paid for by Sentry Select. The amount is due on demand and is non-interest bearing. The balance as at December 31, 2006 is included in "Due to related party" and is offset by net items receivable from Sentry Select of \$2,539.

(b) Due to Petro Assets Inc.

As at December 31, 2005, Petro Assets Inc. ("PAI"), a company controlled by the Chairman of the Board of Directors and CEO, was the sole shareholder of CABL. As at December 31, 2005, CABL had the following amounts due to PAI:

- (i) \$39,181 due to PAI in respect of reimbursement of third party expenses of the Company paid for by PAI.
- (ii) Pursuant to a loan agreement dated October 24, 2005, CABL had a loan payable to PAI in the amount of \$1,000,000 plus accrued interest of \$7,497 thereon. The loan was payable on demand and bears interest at the prime rate.
- (iii) Pursuant to a subordinated debt agreement dated September 1997, CABL had a loan payable to PAI in the amount of \$77,500 which is unsecured, non-interest bearing and payable on demand.

The amounts due to PAI by CABL as at January 25, 2006, immediately prior to the Qualifying Transaction, were converted into common shares of CABL.