

C.A. BANCORP INC.
(Previously, Masthead Resources Ltd.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 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 nine-month period ended September 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 three-month and nine-month periods ended September 30, 2006.

This MD&A is dated November 24, 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, the Company's launch of the Sentry Select Total Strategy Fund ("Total Strategy Fund"), and the Company's filing of a prospectus ("Prospectus") in relation to the Company's forthcoming treasury offering ("Offering") – see section on Subsequent Events.

OVERVIEW

Background

The Company was incorporated on March 29, 2005 pursuant to the *Business Corporations Act* (Alberta). 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 company ("CPC") and consequently there was minimal business activity until it completed its Qualifying Transaction.

On August 8, 2005, the Company filed a prospectus for an initial public offering ("IPO") 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 Qualifying 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.

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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.

General Description of the Business

C.A. Bancorp is a merchant bank established to provide investors with access to a range of private equity and other investment opportunities typically available only to large institutional and high net worth investors. C.A. Bancorp is focused on investments, either directly, or through entities managed and/or sponsored by C.A. Bancorp, in public and private companies across a broad range of industries.

John F. Driscoll, the Chief Executive Officer of the Company, formed the Company in 2005. Mark Gardhouse joined C.A. Bancorp as President in January 2006. Mr. Gardhouse was previously Managing Director of Corporate Finance of Roynat Capital Inc. In April 2006, Mark MacDonald joined C.A. Bancorp as Managing Director, Private Investments. Mr. MacDonald was previously Vice-President of Teachers' Private Capital, the private equity arm of Ontario Teachers' Pension Plan Board. Messrs. Gardhouse and MacDonald have significant experience investing in private and public companies in Canada and are principally responsible for investing C.A. Bancorp's funds.

The Company is an affiliate of Sentry Select, a portfolio manager and mutual fund dealer engaged in the business of sponsoring and managing investment funds in Canada. As at August 31, 2006, Sentry Select had approximately \$8.5 billion in gross assets under management. The Company entered into management and administration agreements with Sentry Select in order to access Sentry Select's investment advisory and administrative expertise as well as Sentry Select's strong relationships within the Canadian public capital markets. Pursuant to these agreements, Sentry Select provides the full-time services of Messrs. Gardhouse and MacDonald and others to provide certain management services to C.A. Bancorp, including searching for, evaluating and screening investment opportunities and conducting due diligence with respect to potential investments. The management agreement between the Company and Sentry Select also provides C.A. Bancorp with access to the expertise and experience of Sentry Select's portfolio managers, portfolio advisers and research analysts. Sentry Select may also develop structured products to be managed by C.A. Bancorp.

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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 three-month and nine-month periods ended September 30, 2006 are those of CABL. The consolidated statements of operations and cash flows for the three-month and nine-month periods ended September 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.

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

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

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

For the three-month period ended September 30, 2006 the Company had a net loss of \$428,181 (2005 – net income of \$77). This represented a loss of \$0.04 (2005 - \$0.00) per share on a basic and fully diluted basis.

The Company had total revenue of \$74,636 (2005 - \$326), comprised of: asset management fees of \$52,349 (2005 – Nil); interest and investment income in the amount of \$19,398 (2005 - \$326) earned on its cash and cash equivalents and portfolio of marketable securities; and \$2,889 (2005 - \$Nil) of realized gains on the sale of portfolio marketable securities.

The Company incurred total expenses of \$341,153 (2005 - \$249), comprised of: general and administrative expenses of \$200,197 (2005 - \$297); audit, legal and filing charges of \$89,850 (2005 - \$150); and stock based compensation of \$13,127 (2005 – Nil) and interest and bank charges of \$95 (2005 – (\$198)). Included in general and administrative expenses are \$120,000 in administration fees paid to Sentry Select pursuant to an administration agreement (“Administration Agreement”) between the Company and Sentry Select dated January 26, 2006 (see section on Related Parties).

Also included in total expenses are \$28,554 (2005 – Nil) of investment management fees (“Investment Management Fees”) paid to Sentry Select and \$9,330 (2005 – Nil) of management fees (“Management Fees”) paid to Sentry Select. The Investment Management Fees are attributed to the Company’s hiring of Sentry Select, in its capacity as Manager of the Total Strategy Fund, as the Investment Manager of Total Strategy Fund. The management fees relate to the management agreement between the Company and Sentry Select (see section on Related Parties)

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In addition to total expenses of \$341,153 in accordance with the Company's accounting policies a carrying value adjustment of \$161,664 was recognized in the three-month period ended September 30, 2006 (2005: Nil) as the market value of certain securities was less than their carrying value prior to the adjustment.

Results of Operations for the nine-month periods ended September 30, 2006 and 2005

For the nine-month period ended September 30, 2006 the Company had a net loss of \$817,387 (2005 - \$889). This represented a loss of \$0.08 (2005- \$ 0.00) per share on a basic and fully diluted basis.

The Company had total revenue of \$124,902 (2005 - \$939) comprised of asset management fees of \$52,349, interest and investment income in the amount of \$68,728 (2005 - \$939) earned on its cash and cash equivalents, and \$3,825 (2005 - Nil) of realized gain on sale of marketable securities.

The Company incurred total expenses of \$745,701 (2005 - \$1,828), comprised of general and administrative expenses of \$495,970 (2005 - \$297), audit, legal and filing charges of \$155,646 (2005 - \$1,531); and interest and bank charges of \$7,147 (2005 - Nil). Included in general and administrative expenses are \$300,645 in administration fees paid to Sentry Select pursuant to the Administration Agreement. As the Administration Agreement is 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 September 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 \$49,054 (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 addition to total expenses of \$ 745,701 and in accordance with the Company's accounting policies a carrying value adjustment of \$196,588 (2005 - Nil) was recognized in the nine-months period ended September 30, 2006 as the market value of certain securities was less than their carrying value prior to the adjustment.

Balance Sheet and Liquidity

As at September 30, 2006, the Company had total assets of \$2,717,376 (December 31, 2005- \$1,312,623), total liabilities of \$569,204 (December 31, 2005 - \$1,401,708) and total shareholders' equity of \$2,148,172 (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)

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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 September 30, 2006 of \$2,717,376 (December 31, 2005 - \$1,312,623) were primarily comprised of cash and cash equivalents of \$415,461 (December 31, 2005 - \$76,693), other receivables of \$230,150 (2005 - \$12,508), marketable securities of \$949,167 (December 31, 2005 - \$1,082,939) and deferred costs of \$321,150 (December 31, 2005 - \$130,483)

As at September 30, 2006, the Company had deferred costs of \$321,150 (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. (see section on Investment Activities). In 2006 the Company recovered these costs from Arsenal Energy Inc.

The Company's total current liabilities of \$569,204 (December 31, 2005: \$1,401,708) were comprised entirely of accounts payable and accrued liabilities. 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 amount 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 & Exercise of Warrants and Options to Purchase Common Shares

On July 27, 2006 a non-employee agent option to purchase 150,000 common shares was exercised at a 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 September 21, 2006 604,595 warrants were exercised at a price of \$0.35 providing the Company with \$211,608 in proceeds.

The number of outstanding common shares of the Company increased to 12,170,880 as a result of these transactions.

The following is a continuity of the Company's share capital (common shares):

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Common shares	Prior to RTO		After RTO	
	Number	Amount	Number	Amount
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
As at June 30, 2006			11,416,285	2,851,497
Common Shares issued in the third quarter as a result of:				
Agent option exercised			150,000	30,000
Warrants exercised			604,595	232,588
As at September 30, 2006			12,170,880	\$ 3,114,085

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

Common share purchase warrants	Prior to RTO		After RTO	
	Number	Amount	Number	Amount
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
As at June 30, 2006	-	-	7,916,285	274,695
Warrants exercised during the third quarter	-	-	(604,595)	(20,979)
As at September 30, 2006	-	\$ -	7,311,690	\$ 253,716

As at September 30, 2006 a total of 12,170,880 common shares were outstanding with total share capital of \$3,114,085 and 7,311,690 common share purchase warrants were outstanding with a total carrying value of \$253,716.

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.).

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INVESTMENT ACTIVITIES

Marketable Securities

In accordance with the Company's accounting policies a carrying value adjustment of \$161,664 was recognized in the three-month period ended September 30, 2006 (2005 - Nil) as the market value of three of the securities was less than their carrying values prior to the adjustment.

A similar carrying value adjustment of \$34,924 was recognized in the preceding six-month period ended June 30, 2006 (2005 - Nil) bringing the cumulative portfolio cost adjustments charged to income for the nine-month period ended September 30, 2006 to \$196,588 (2005 - Nil).

<u>Investment Name</u>	<u>Number of shares/ units</u>	<u>September 30, 2006</u>	
		<u>Carrying Value</u>	<u>Market Value</u>
CAPVEST Income Corp. - Debentures	2,000	\$ 196,020	\$ 200,000
CAPVEST Income Corp. - Common shares	400,000	65,000	60,000
Arsenal Energy Inc. - Common Shares	457,547	594,811	457,547
Strategic Energy Fund - Trust units	20,000	255,000	235,600
Carrying value prior to portfolio cost adjustment		1,110,831	953,147
Portfolio cost adjustment		(161,664)	-
Carrying value of securities per financial statements		\$ 949,167	\$ 953,147

<u>Investment Name</u>	<u>Number of shares/ units</u>	<u>December 31, 2005</u>	
		<u>Carrying Value</u>	<u>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
		\$ 1,082,939	\$ 1,143,312

On November 8, 2005, C.A. Bancorp Ltd., together with Strategic Energy Fund requisitioned a special shareholder meeting with Tiverton Petroleums 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.

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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.

Pursuant to the acquisition of Tiverton by 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.

The Company has begun to liquidate the shares into the market to raise capital for other projects. During the three-month period ended September 30, 2006, 175,000 shares of Arsenal were sold for net proceeds of \$230,389 and a net realized gain of \$2,889. For the nine-month period ended September 30, 2006, 206,200 shares of Arsenal were sold for net proceeds of \$271,885 and a gain of \$3,825.

As at September 30, 2006 C.A. Bancorp Ltd. held 457,547 shares of Arsenal at an average cost of \$1.30 per share and an average carrying value and market value of \$1.00 per share.

During the quarter ended September 30, 2006 CABL took advantage of the Capvest Income Corp. rights offering and purchased an additional 200,000 common shares at \$0.15 a share for a total cash outlay of \$30,000. This brought CABL's total investment in Capvest Income Corp. common shares to 400,000 shares at an average cost of \$0.175 per share and a carrying value and market value of \$0.15 per share.

As at September 30, 2006 CABL also continued to hold 2,000 CAPVEST Income Corp. debentures at a carrying value of \$98.01 per \$100 face value unit and cost and market value of \$100 per \$100 face value unit.

Investments in Capital Pool Companies ("CPCs")

During the quarter the Company made investments in three CPCs which are all considered to be related entities to the Company by virtue of common control by the Company's majority shareholder.

As at September 30, 2006 these investments were: 1. Charter Realty Holdings Ltd. ("Charter"); 2. Universal Infrastructure Corp. ("Universal"); and 3. Global Alternative Investments Inc. ("Global").

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<u>Capital Pool Company Investment</u>	<u>Number of Shares</u>	<u>September 30, 2006 Ownership %</u>	<u>Cost</u>
Charter Realty Holdings Ltd.	2,500,000	41.7%	\$ 500,000
Universal Infrastructure Corp.	950,000	47.5%	95,000
Global Alternative Investments Inc.	950,000	47.5%	95,000
Total Cost and Carrying Value			\$ 690,000

Investment in Charter

Charter is a TSXV listed (symbol CRH.P) CPC which continues to look for a qualifying transaction in the real estate industry. On September 14, 2006 C.A. Bancorp Inc. purchased 2.5 million shares of Charter at \$0.20 a share for a total cost of \$500,000 in a private placement transaction. Approval was obtained from the independent members of the Board of Directors of Charter and the Company as well as the TSXV. As a result of the private placement transaction Charter had 6.0 million shares outstanding as at September 30, 2006.

The Company's percentage interest in the outstanding common shares of Charter as at September 30, 2006 was 41.7%.

As at September 30, 2006 Charter reported:

- Assets of \$841,284;
- Liabilities of \$22,926; and
- Shareholders' Equity of \$818,358.

For the three-months and nine-months periods ended September 30, 2006 Charter reported:

- Revenue of \$4,789 and \$12,004 respectively; and
- Expenses of \$36,488 and \$91,558 respectively.

Investments in Universal and Global

The Company along with its CEO/Chairman (acting through other controlled entities) each contributed \$95,000 to each of Universal and Global as founders' capital to the CPCs. An additional \$10,000 was raised as founders' capital from the Company's directors which brought the total founders' capital raised in each CPC to \$200,000 (2 million common shares were issued at \$0.10 per share). As a result of these transactions C.A. Bancorp Inc. held a 47.5% interest in the outstanding common shares of Universal and Global as at September 30, 2006.

Universal and Global each filed a preliminary prospectus on September 26, 2006 to separately raise \$300,000 in an initial public offering ("IPO") by issuing 1.5 million shares at \$0.20 per share.

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As at September 15, 2006 - the date of the balance sheet for each of Universal and Global in their respective prospectuses – Universal and Global each reported:

- Assets of \$212,950;
- Liabilities of \$12,950; and
- Shareholders' Equity of \$200,000.

The final prospectuses are dated November 20, 2006, were filed on November 22, 2006 and the IPOs are scheduled to close on December 1, 2006.

If the IPO is fully subscribed C.A. Bancorp's percentage interest in each of Universal and Global's outstanding common shares will fall to 27.1%.

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SUMMARY OF QUARTERLY RESULTS

The following is a summary of the quarterly results for the last seven quarterly periods:

	Q1-2005	Q2-2005	Q3-2005	Q4-2005	Q1-2006	Q2-2006	Q3-2006
Total revenues	320	293	326	1,650	24,794	25,472	74,636
Expenses (excluding unrealized loss on securities)	(1,220)	(359)	(249)	(86,206)	(122,877)	(281,671)	(341,153)
Unrealized loss on securities	-	-	-	-	-	(34,924)	(161,664)
Net income (loss)	(900)	(66)	77	(84,556)	(98,083)	(291,123)	(428,181)
Net loss per share-basic	0.00	0.00	0.00	(0.03)	(0.01)	(0.03)	(0.04)
Net loss per share –diluted	0.00	0.00	0.00	(0.03)	(0.01)	(0.03)	(0.04)

Q1-2005 is defined as the three-months ended March 31, 2005

Q2-2005 is defined as the three-months ended June 30, 2005

Q3-2005 is defined as the three-months ended September 30, 2005

Q4-2005 is defined as the three-months ended December 31, 2005

Q1-2006 is defined as the three-months ended March 31, 2006

Q2-2006 is defined as the three-months ended June 30, 2006

Q3-2006 is defined as the three-months ended September 30, 2006

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 September 30, 2006 the Company had \$415,461 in cash and cash equivalents and \$949,167 in marketable securities (on a carrying value basis – the market value of same securities is \$953,147).

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 the public offering which is currently underway as well as private equity placements, the exercise of stock options and warrants or other capital offerings to achieve its corporate strategy.

TRANSACTIONS WITH RELATED PARTIES

The Qualifying Transaction

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

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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. Immediately 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.

Administration and Management Agreements

On January 26, 2006 Sentry Select and the Company entered into an administration agreement ("Original Admin Agreement") which was effective retroactively to January 1. Pursuant to the Original Admin Agreement Sentry Select provided 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 (and subsequently amended on a retroactive basis on September 25, 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 management agreement (the "Management Agreement") and amended the Original Admin Agreement (the new agreement hereby referred to as the "Administration Agreement"), each effective as of July 1, 2006.

The amended Administration Agreement amends and restates the Original Admin Agreement. Effective as of July 1, 2006 under the Administration Agreement Sentry Select provides 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. The monthly fee paid to Sentry Select for the provision of such services increased from \$35,000 (pre-July 1, 2006) to \$40,000 (post-July 1, 2006). The Administration Agreement will immediately terminate upon the termination for any reason of the Management Agreement.

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

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“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.

Copies of the Administration Agreement and Management Agreement are available on www.SEDAR.com under material contracts.

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SENTRY SELECT TOTAL STRATEGY FUND

C.A. Bancorp Inc. is the manager of the *Sentry Select Total Strategy Fund* (the "Total Strategy Fund"). 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 is 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 is invested in equity and equity-related securities of Canadian small and middle-market private and public companies.

The Fund units began trading on the Toronto Stock Exchange on August 25, 2006 under the symbol TSF.UN after the Fund issued 5,000,000 units for total gross proceeds of \$50,000,000. On September 18, 2006 the Company announced that the Fund had issued an additional 500,000 units for gross proceeds of \$5,000,000 pursuant to the exercise by the agent of their over-allotment options.

The Company is the Manager of the Fund and has begun to earn Asset 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 in turn pays a portion of the Asset Management Fees earned from the Fund to Sentry Select as a Investment Management Fee as defined in the IMA.

For the three-month and nine-month periods ended September 30, 2006 the Company recognized revenue from Asset Management Fees of \$52,349 and recognized expenses of \$28,554 in Investment Management Fees.

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CORPORATE STRATEGY AND OUTLOOK

General Description of the Business

C.A. Bancorp's business model is based on two types of revenue generating investment activities:

- (i) direct investing, to generate capital gains realized from the sale of investments and interest payments, management fees, syndication fees and dividends paid by portfolio companies; and
- (ii) fund management, to generate management fees and performance bonuses paid by private equity funds and structured products managed and/or sponsored by C.A. Bancorp.

C.A. Bancorp's direct investing activities will be focused on private equity investments in the small to mid-market private and public markets will emphasis on:

- Industrials (manufacturing, distribution and service sectors),
- Real Estate (specialized, industrial, retail, commercial, hospitality, healthcare and retail properties),
- Infrastructure (power generation, transportation and utilities), and
- Financial Services (asset managers and investment counselors).

C.A. Bancorp's management team and affiliated companies have strategic relationships across these industry segments, having successfully completed investments in a variety of these industries. It is expected that C.A. Bancorp's dedicated management team will enable it to acquire, develop and manage a portfolio of diverse investments.

As part of its direct investing activities, C.A. Bancorp may make "private investments in public entities" or "PIPES", and catalyst/activist investments. PIPES typically involve negotiated, illiquid investments in public companies to fund expansions, acquisitions or restructuring events. Catalyst/activist investing involves making a significant minority investment in what is perceived to be an under valued public company, with a view to working with the company's board and management team to effect change and create value.

C.A. Bancorp's investments may be made to finance acquisitions, expansions, restructuings, refinancings, privatization and management buy-outs. C.A. Bancorp will seek to invest \$500,000 to \$20 Million of its own capital in each transaction. Although the Company cannot provide any assurances in respect of future performance, C.A. Bancorp will pursue investments that are expected to offer a minimum return of 1.5 times invested capital, with a typical range of 1.5 to 3.0 times invested capital (representing approximately 15% to 30% annual returns depending upon the length of time that the investment is held). In order to finance its direct investing activities, C.A. Bancorp intends to raise capital as required.

As part of its fund management activities, C.A. Bancorp intends to manage and/or sponsor private equity funds for institutional and high net worth investors. It is anticipated that C.A. Bancorp will make investments through or in conjunction with such funds. C.A. may establish investment vehicles to complete specific acquisitions or to carry out a specific mandate to seek out investment opportunities.

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C.A. Bancorp also intends to manage and/or sponsor structured products, which may be offered in conjunction with Sentry Select, designed to provide investors with exposure to investments that are not generally available through traditional public markets. In September 2006, C.A. Bancorp's first structured product, Sentry Select Total Strategy Fund, an investment trust focused on investments in public and private companies, completed raising \$55 Million, up to 25% of which may be invested in private equity investments.

The private equity funds and structured products managed and/or sponsored by C.A. Bancorp will generally follow the same investment strategy and investment process as C.A. Bancorp's direct investing activities.

This combination of direct investing and fund management is designed to leverage: (i) the combined private and public equity investment expertise of C.A. Bancorp and Sentry Select; (ii) deal flow arising from management's extensive experience and business relationships; and (iii) management's experience in structuring and completing investments.

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.

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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 [Revised Annual Information Form dated October 19, 2006 on the Company's SEDAR profile at \[www.SEDAR.com\]\(http://www.SEDAR.com\)](#).

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.