

# **Opta Minerals Inc.**

**Consolidated Financial Statements  
March 31, 2010 and December 31, 2009  
(Unaudited)  
Expressed in Thousands of U.S. Dollars**

**Opta Minerals Inc.**  
**Consolidated Financial Statements**  
**March 31, 2010 and December 31, 2009**  
**(Unaudited)**

**Contents**

Consolidated Balance Sheets	1
Consolidated Statements of Earnings (Loss)	2
Consolidated Statements of Comprehensive Loss	3
Consolidated Statements of Retained Earnings and Accumulated Other Comprehensive Income	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-22

**Opta Minerals Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars**

	March 31, 2010	December 31, 2009 (audited)	March 31, 2009
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 1,856	\$ 781	\$ 1,374
Accounts receivable	10,230	9,422	7,869
Inventories (note 4)	16,590	17,181	18,835
Prepaid expenses and other current assets	785	628	1,843
Assets held for sale	-	-	634
Income taxes recoverable	281	584	439
	<b>29,742</b>	<b>28,596</b>	<b>30,994</b>
<b>Property, Plant and Equipment</b>	<b>17,900</b>	<b>17,796</b>	<b>16,316</b>
<b>Intangible and Other Assets</b> (note 5)	<b>30,386</b>	<b>31,691</b>	<b>31,729</b>
<b>Goodwill</b>	<b>6,019</b>	<b>6,019</b>	<b>13,588</b>
<b>Future Income Taxes</b> (note 6)	<b>2,784</b>	<b>2,779</b>	<b>2,540</b>
	<b>\$ 86,831</b>	<b>\$ 86,881</b>	<b>\$ 95,167</b>
<b>Liabilities</b>			
<b>Current</b>			
Bank indebtedness	4,368	3,355	6,972
Accounts payable and accrued liabilities	7,865	8,544	6,414
Current portion of long-term debt	5,132	4,495	4,105
Current portion of preference shares	46	44	37
	<b>17,411</b>	<b>16,438</b>	<b>17,528</b>
<b>Long-term Debt</b>	<b>18,475</b>	<b>18,912</b>	<b>18,696</b>
<b>Other Long-term Liabilities</b>	<b>1,216</b>	<b>1,387</b>	<b>2,965</b>
<b>Future Income Taxes</b> (note 6)	<b>2,572</b>	<b>2,674</b>	<b>2,786</b>
<b>Future Income Taxes on Intangible Assets</b> (note 7)	<b>8,924</b>	<b>9,213</b>	<b>9,380</b>
	<b>48,598</b>	<b>48,624</b>	<b>51,355</b>
<b>Shareholders' Equity</b>			
<b>Capital Stock</b> (note 8)			
Authorized unlimited number of common shares and preference shares without par value			
Issued -			
18,027,074 (December 31, 2009 - 18,023,193; March 31, 2009 - 18,008,095) common shares	17,616	17,612	17,594
<b>Contributed Surplus</b> (note 8)	<b>2,012</b>	<b>1,950</b>	<b>1,735</b>
<b>Accumulated Other Comprehensive Income</b>	<b>2,436</b>	<b>3,502</b>	<b>3,279</b>
<b>Retained Earnings</b>	<b>16,169</b>	<b>15,193</b>	<b>21,336</b>
	<b>38,233</b>	<b>38,257</b>	<b>43,944</b>
<b>Non-controlling Interest</b>	<b>-</b>	<b>-</b>	<b>(132)</b>
	<b>\$ 86,831</b>	<b>\$ 86,881</b>	<b>\$ 95,167</b>

See accompanying notes

**Approved by the Board of Directors**

*(signed) "Jeremy Kendall"*

Director

*(signed) "Victor Hepburn"*

Director

**Opta Minerals Inc.**  
**Consolidated Statements of Earnings (Loss)**  
**For the Three Month Periods Ended March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars (except per share amounts)**

	2010	2009
<b>Revenue</b>	<b>\$ 17,931</b>	<b>\$ 14,726</b>
<b>Cost of Goods Sold (note 4)</b>	<b>13,337</b>	<b>12,268</b>
<b>Gross Profit</b>	<b>4,594</b>	<b>2,458</b>
<b>Selling, General and Administrative Expenses</b>	<b>2,326</b>	<b>2,266</b>
<b>Earnings Before Undernoted Items, Income Taxes and Non-controlling Interest</b>	<b>2,268</b>	<b>192</b>
Interest expense on long-term debt	347	267
Interest expense	93	157
Amortization of intangible assets	466	437
Stock compensation expense (note 8)	62	70
Other income	-	(171)
Foreign exchange (gain) loss	(72)	199
	<b>896</b>	<b>959</b>
<b>Earnings (Loss) Before Income Taxes and Non-controlling Interest</b>	<b>1,372</b>	<b>(767)</b>
Provision for (recovery of) income taxes (note 6)	396	(309)
<b>Net Earnings (Loss) Before Non-Controlling Interest</b>	<b>976</b>	<b>\$ (458)</b>
Net loss attributable to non-controlling interest	-	(132)
<b>Net Earnings (Loss) Attributable to Opta Minerals Inc.</b>	<b>\$ 976</b>	<b>\$ (326)</b>
Earnings (loss) per share for the period		
- Basic and diluted (note 11)	<b>\$ 0.05</b>	<b>\$ (0.02)</b>

See accompanying notes

**Opta Minerals Inc.**  
**Consolidated Statements of Comprehensive Loss**  
**For the Three Month Periods Ended March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars**

	2010	2009
<b>Net Earnings (Loss)</b>	<b>\$ 976</b>	<b>\$ (326)</b>
<b>Other Comprehensive Income</b>		
Unrealized loss on translation of foreign operations	(1,078)	(925)
Transfer of realized gain on translation of foreign operations	(99)	(224)
Unrealized gain on financial derivative	111	49
<b>Comprehensive Loss</b>	<b>\$ (90)</b>	<b>\$ (1,426)</b>
Comprehensive loss attributable to non-controlling interest	-	(132)
<b>Comprehensive Loss Attributable to Opta Minerals Inc.</b>	<b>\$ (90)</b>	<b>\$ (1,294)</b>

See accompanying notes

**Opta Minerals Inc.****Consolidated Statements of Retained Earnings and Accumulated Other Comprehensive Income  
For the Three Month Periods Ended March 31, 2010 and 2009  
(Unaudited)**

Expressed in Thousands of U.S. Dollars

	2010	2009
Retained Earnings - Beginning of Period	\$ 15,193	\$ 21,662
Net earnings (loss)	976	(326)
<b>Retained Earnings - End of Period</b>	<b>\$ 16,169</b>	<b>\$ 21,336</b>

	Cumulative Translation Adjustments	Unrealized Loss on Financial Derivatives	Three month period ended March 31, 2010
<b>Accumulated Other Comprehensive Income (Loss) – December 31, 2009</b>	\$ 4,419	\$ (917)	\$ 3,502
Unrealized loss on translation of foreign operations	(1,078)	-	(1,078)
Transfer of realized gain on translation of foreign operations	(99)	-	(99)
Unrealized gain on financial derivative	-	111	111
<b>Accumulated Other Comprehensive Income (Loss) – March 31, 2010</b>	<b>\$ 3,242</b>	<b>\$ (806)</b>	<b>\$ 2,436</b>

	Cumulative Translation Adjustments	Unrealized Loss on Financial Derivatives	Three month period ended March 31, 2009
<b>Accumulated Other Comprehensive Income (Loss) – December 31, 2008</b>	\$ 5,670	\$ (1,291)	\$ 4,379
Unrealized loss on translation of foreign operations	(925)	-	(925)
Transfer of realized gain on translation of foreign operations	(224)	-	(224)
Unrealized gain on financial derivative	-	49	49
<b>Accumulated Other Comprehensive Income (Loss) – March 31, 2009</b>	<b>\$ 4,521</b>	<b>\$ (1,242)</b>	<b>\$ 3,279</b>

See accompanying notes

**Opta Minerals Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Three Month Periods Ended March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars**

	2010	2009
<b>Cash Provided By (Used in) -</b>		
<b>Operating Activities</b>		
Net earnings (loss) for the period	\$ 976	\$ (458)
Items not affecting cash		
Amortization of property, plant and equipment	550	551
Amortization of intangible assets	466	437
Other (income) expenses	-	(171)
Stock compensation expense (note 8)	62	70
Future income taxes (recovery) (note 6)	(338)	(446)
Realized foreign exchange gain on foreign operations	(99)	(224)
	<b>1,617</b>	<b>(241)</b>
Changes in non-cash working capital		
Accounts receivable	(862)	1,121
Inventories	718	3,137
Prepaid expenses and other current assets	(156)	(78)
Accounts payable and accrued liabilities	(652)	(1,124)
Income taxes recoverable	294	(82)
	<b>959</b>	<b>2,733</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares - net of issuance costs (note 8)	4	7
Increase (decrease) in bank indebtedness	951	(482)
Proceeds from long-term debt	-	733
Repayment of long-term debt	(350)	(2,038)
	<b>605</b>	<b>(1,780)</b>
<b>Investing Activity</b>		
Acquisition of property, plant and equipment	(461)	(920)
<b>Foreign Exchange Loss on Cash Held in Foreign Currency</b>	<b>(28)</b>	<b>(36)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,075</b>	<b>(3)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of Period	781	1,377
End of Period	\$ 1,856	\$ 1,374
<b>Additional Cash Flows Information:</b>		
Interest paid	\$ 510	\$ 558
Income taxes paid	402	196

See accompanying notes

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
**(Unaudited)**  
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**1. Interim Financial Statements**

The interim consolidated financial statements of Opta Minerals Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles. Accordingly, these financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements, and notes thereto, for the year ended December 31, 2009. In the opinion of management, all adjustments considered necessary for fair presentation have been included, and all such adjustments are of a normal, recurring nature. Operating results for the three-month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010. The accounting policies followed by the Company are the same as those disclosed in the Company's consolidated financial statements, and notes thereto, for the year ended December 31, 2009.

**2. Basis of Presentation and Nature of Operations**

The consolidated financial statements include the accounts of Opta Minerals Inc. (the "Company") and its wholly-owned subsidiaries, Opta Minerals (USA) Inc.; Virginia Materials Inc. (Virginia Materials); International Materials & Supplies Inc. (International Materials); Temisca Inc. (Temisca); Magnesium Technologies Corporation (Magtech); MTI 01-2006 Inc.; OPM 01-2006 Inc.; Bimac, Inc. (Bimac); Newco, a.s. (Newco); Opta Minerals a.s.; Opta Minerals AB and Opta Minerals (Europe) S.A.S. All significant intercompany accounts have been eliminated on consolidation.

The Company is a vertically integrated provider of custom process optimization solutions and related materials for use primarily in the steel, foundry, loose abrasive cleaning and municipal water filtration industries. Further details are disclosed in the Company's Annual Report for the year ended December 31, 2009 that is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**3. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars (except per share amounts)**

**3. Summary of Significant Accounting Policies, cont'd**

**Recently Issued Accounting Pronouncements**

The Canadian Institute of Chartered Accountants ("CICA") has issued the following accounting standards:

- a) CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement" has been amended to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These changes are effective for the Company for its interim and annual financial statements beginning on January 1, 2011.
- b) EIC 175 "Multiple Deliverable Revenue Arrangements", has been issued to address some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. EIC 175 provides guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. Also, there are new disclosure requirements. These changes are effective for the Company for its annual financial statements beginning on January 1, 2011.
- c) In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011.

The Company is currently evaluating the impact of adopting the above accounting standards.

**4. Inventories**

	<b>March 31, 2010</b>	December 31, 2009
Raw materials	<b>\$ 10,602</b>	\$ 11,659
Finished goods	<b>5,988</b>	5,522
	<b>\$ 16,590</b>	\$ 17,181

Included in the cost of goods sold reported by the Company is an expense related to inventory of \$12,282 (for the three months ended March 31, 2009 - \$10,677).

**Opta Minerals Inc.****Notes to Consolidated Financial Statements****March 31, 2010 and 2009****(Unaudited)****Expressed in Thousands of U.S. Dollars (except per share amounts)****5. Intangible and Other Assets**

	Cost	Accumulated Amortization	March 31, 2010 Net Carrying Amount
Customer relationships	\$ 34,078	\$ 5,460	\$ 28,618
Profit sharing agreements	1,088	299	789
Other finite life intangible asset	978	178	800
Long-term supply contract	309	147	162
Patents	146	129	17
	<b>\$ 36,599</b>	<b>\$ 6,213</b>	<b>\$ 30,386</b>

  

	Cost	Accumulated Amortization	December 31, 2009 Net Carrying Amount
Customer relationships	\$ 35,050	\$ 5,168	\$ 29,882
Profit sharing agreements	1,088	281	807
Other finite life intangible asset	948	136	812
Long-term supply contract	300	135	165
Patents	146	121	25
	<b>\$ 37,532</b>	<b>\$ 5,841</b>	<b>\$ 31,691</b>

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
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**6. Income Taxes**

The components of the provision for (recovery of) income taxes are as follows:

	Three month period ended March 31, 2010	Three month period ended March 31, 2009
Current	\$ 734	\$ 137
Future	(338)	(446)
<b>Income tax expense (recovery)</b>	<b>\$ 396</b>	<b>\$ (309)</b>

The effective income tax rate on consolidated earnings is influenced by the items detailed below:

	Three month period ended March 31, 2010	Three month period ended March 31, 2009
Canadian statutory income tax rates	% 31.0	% 31.5
Non-deductible stock compensation expense	1.4	(2.9)
Non-deductible foreign exchange losses	-	(6.8)
Statutory rate differences in other jurisdictions	(12.9)	21.7
Manufacturing and processing credits	(3.5)	-
Valuation reserve	21.0	(1.6)
Other	(8.1)	(1.6)
	<b>% 28.9</b>	<b>% 40.3</b>

Future income tax assets and liabilities of the Company are as follows:

	March 31, 2010	December 31, 2009
Differences in property, plant and equipment basis	\$ (2,121)	\$ (2,130)
Differences in accumulated other comprehensive income	321	384
Non-capital and capital loss carry-forwards	3,740	3,393
Other	(101)	(214)
	<b>1,839</b>	<b>1,433</b>
Valuation allowance	(1,627)	(1,328)
	<b>\$ 212</b>	<b>\$ 105</b>
Future income tax assets – long-term	<b>2,784</b>	<b>2,779</b>
Future income tax liabilities – long-term	<b>(2,572)</b>	<b>(2,674)</b>
	<b>\$ 212</b>	<b>\$ 105</b>

## Opta Minerals Inc.

### Notes to Consolidated Financial Statements

March 31, 2010 and 2009

(Unaudited)

Expressed in Thousands of U.S. Dollars (except per share amounts)

#### 6. Income Taxes, cont'd

As at March 31, 2010, the Company has recognized the tax benefit of available non-capital and capital loss carry-forwards, net of a valuation allowance, in the amount of \$2,113 (December 31, 2009 - \$2,065) which, if not utilized, will expire between 2014 and 2029. The benefit of non-capital losses has been recognized based on projections of future taxable income and the amount of the benefit of these losses ultimately realized is subject to change.

#### 7. Future Income Taxes on Intangible Assets

The Company has recorded future income tax liabilities in the amount of \$8,924 (December 31, 2009 - \$9,213) in relation to intangible assets acquired as part of the Magtech, Bimac and Newco acquisitions. Although the amortization of the intangible assets is not deductible for statutory tax purposes, a future tax liability has been established for the acquired finite life intangibles.

No amount of the future income tax liability upon liquidation of the intangible assets is payable to a tax authority, unless the intangibles were sold separately from the business.

#### 8. Capital Stock and Contributed Surplus

- a) The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preference shares in series.

	Number of common shares	\$
December 31, 2009	18,023,193	17,612
Employee stock purchase plan	3,881	4
March 31, 2010	18,027,074	17,616

The Company established an Employee Stock Purchase Plan ("ESPP") during 2005, pursuant to which 500,000 common shares have been reserved for issuance. The ESPP allows qualifying employees to buy the Company's stock at a discount to the market price.

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
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**8. Capital Stock and Contributed Surplus, cont'd**

b) The movement in contributed surplus is as follows:

Balance – December 31, 2009	\$	1,950
Stock compensation expense		62
Balance – March 31, 2010	\$	2,012

As at March 31, 2010, there are 1,068,000 (December 31, 2009 – 1,068,000) stock options outstanding with exercise prices ranging from \$3.05 to \$4.74 per share. As at March 31, 2010, the weighted average exercise price is \$3.89 and the weighted average remaining contractual life is 4.1 years (December 31, 2009 – 4.3 years).

**9. Capital Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a conservative capital structure. The Company's capital structure is not subject to any capital requirements imposed by a regulator and is composed of:

	March 31, 2010	December 31, 2009
Shareholders' equity	\$ 38,233	\$ 38,257
Bank indebtedness	4,368	3,355
Long-term debt (including current portion)	23,607	23,407
Future income (asset) liability (note 6)	(212)	(105)
Other long-term liabilities	1,216	1,387
	\$ 67,212	\$ 66,301

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue or reacquire shares, acquire or dispose of assets, and adjust the amount of cash and cash equivalents balances relative to bank debt and bank indebtedness.

As part of existing debt agreements, three key financial covenants are monitored on an ongoing basis by management to ensure compliance with the agreements as follows:

- tangible net worth calculation defined as equity less goodwill and intangible assets net of their applicable future income tax liability;
- funded debt to Earnings Before Interest, Income Taxes, Depreciation and Amortization ("EBITDA") calculated on a rolling 12 month basis; and
- working capital ratio, defined as current assets divided by current liabilities.

**Opta Minerals Inc.****Notes to Consolidated Financial Statements****March 31, 2010 and 2009****(Unaudited)****Expressed in Thousands of U.S. Dollars (except per share amounts)****9. Capital Risk Management, cont'd**

	<b>March 31, 2010</b>	December 31, 2009
Shareholders equity	\$ 38,233	\$ 38,257
Goodwill	(6,019)	(6,019)
Intangible and other assets	(30,386)	(31,691)
Future income taxes on intangible assets	8,924	9,213
Tangible net worth	\$ 10,752	\$ 9,760
Bank indebtedness	4,368	3,355
Current portion of long-term debt	5,132	4,495
Long-term debt	18,475	18,912
Funded debt	27,975	26,762
Net earnings (loss)	(4,903)	(6,205)
Provision (recovery of) for income taxes	463	(242)
Interest expense on long-term debt	1,134	1,054
Interest expense	470	534
Amortization of property, plant and equipment	2,007	2,007
Amortization of intangible assets	1,873	1,844
Goodwill Impairment	7,198	7,198
EBITDA	8,242	6,190
Funded debt to EBITDA	3.39	4.32
Current assets	29,742	28,596
Current liabilities	17,411	16,438
Working capital ratio	1.71	1.74

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors including general industry conditions. The annual budget is approved by the board of directors.

As at March 31, 2010, the Company is in compliance with the financial covenants of the credit facilities.

## Opta Minerals Inc.

### Notes to Consolidated Financial Statements

March 31, 2010 and 2009

(Unaudited)

Expressed in Thousands of U.S. Dollars (except per share amounts)

## 10. Financial, Other Instruments and Hedging

### a) Fair Value

The following table presents the carrying amount and the fair value of the Company's financial instruments and non-financial derivatives. Amortized cost is calculated using the effective interest rate method. Fair value is based on quoted market prices. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgement.

	March 31, 2010		December 31, 2009	
	Fair Value	Carrying Value	Category	Carrying Value
Cash and cash equivalents	\$ 1,856	\$ 1,856	HFT	\$ 781
Account receivable	10,230	10,230	L&R	9,422
Bank indebtedness	4,368	4,368	OFL	3,355
Accounts payable and accrued liabilities	7,865	7,865	OFL	8,544
Current portion of long-term debt	5,132	5,132	OFL	4,495
Long-term debt	18,475	18,475	OFL	18,912
Current portion of preference shares	46	46	OFL	44
Other long-term liabilities				
- Interest rate swap derivative	1,216	1,216	OFL	1,387

Financial Instruments category guide:

HFT	Held for trading
L&R	Loans and receivable
OFL	Other financial liabilities

Changes in fair value of commodity contracts and exchange traded derivatives are included in cost of goods sold.

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**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
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**10. Financial, Other Instruments and Hedging, cont'd**

b) Risks and Risk Management

l) Interest rate risk

The following table identifies the Company's financial assets and liabilities which are sensitive to interest rate movements and those which are non-interest rate sensitive as they are either non-interest bearing or bear interest at fixed rates.

	March 31, 2010		December 31, 2009	
	Interest sensitive	Non-interest sensitive	Interest sensitive	Non-interest sensitive
Cash and cash equivalents	\$ 1,856	\$ -	\$ 781	\$ -
Bank indebtedness	(4,368)	-	(3,355)	-
Long-term debt – term loan	(9,105)	-	(8,830)	-
Long-term debt – acquisition facilities	(12,279)	-	(12,362)	-
Promissory notes	-	(2,171)	-	(2,163)
Conditional sales contracts	-	(52)	-	(52)
	<b>\$ (23,896)</b>	<b>\$ (2,223)</b>	<b>\$ (23,766)</b>	<b>\$ (2,215)</b>

The interest sensitive component above has been substantially placed with bankers' acceptances in the amount of Cdn. \$18,948. These banker's acceptance notes have been renewed at 30 day intervals since their initial renewal in August 2008 and are currently at an interest rate of 0.5% plus a margin based on certain financial ratios of the Company. The remaining interest sensitive component accrues interest at the borrower's option based on various reference rates including prime, U.S. dollar base rate or LIBOR plus a margin based upon certain financial ratios of the Company.

The Company uses derivative financial instruments to manage exposure to changes in interest rates. During 2007, the Company entered into an interest rate swap with a notional amount of Cdn. \$17,200 for a term of 5 years. The swap fixes the Company's effective interest rate on this amount at 5.25% plus a margin based on certain financial ratios of the Company. To manage the credit and market risks associated with derivative financial instruments, the Company:

- deals only with counterparties that are highly rated financial institutions; and
- restricts the amount of hedging that can be transacted with any one counterparty.

A one percent annualized change in interest rates would affect the Company's earnings, cash flow and financial position by an amount of \$70 (March 31, 2009 - \$123).

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**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
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**10. Financial, Other Instruments and Hedging, cont'd**

b) Risks and Risk Management, cont'd

I) Interest rate risk, cont'd

If the Company sells or terminates a hedged item, or it matures before the related hedging instrument is terminated, any realized or unrealized gain or loss on the derivative instruments is recognized in earnings. In accounting for this cash flow hedge, changes in fair value of this swap are included in other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive income amounts are allocated to net earnings in the same period in which the hedged item affects net earnings. For all cash flow hedges, to the extent the change in fair value of the derivative is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. The Company's credit exposure to hedges and other derivatives is the current replacement value of any contracts that are in a gain position. For the three month period ended March 31, 2010, the Company's exposure from interest rate swap contracts resulted in a gain net of income tax equal to \$111 (March 31, 2009 - gain of \$49) included in the results of other comprehensive income.

II) Credit risk

The Company's exposure to concentrations of credit risk is limited. The Company places its cash and cash equivalents with institutions of high creditworthiness, and the Company's accounts receivable are not subject to high concentrations of credit risk. Maximum credit risk exposure represents the loss that would be incurred if all of the Company's counterparties were to default at the same time.

As of the balance sheet date, approximately 69% (December 31, 2009 - 60%) of the Company's consolidated accounts receivable are current, while 9% (December 31, 2009 - 9%) of accounts receivable are over 60 days past due. The results are net of allowance for doubtful accounts in the amount of \$370 (December 31, 2009 - \$415).

The Company adjusts trade accounts receivable balances through a provision for doubtful accounts, to the expected realizable value as soon as the account is determined not to be fully collectible, with such adjustments charged to earnings. When a receivable balance is considered uncollectible it is written off against the allowance for doubtful accounts. The Company updates its estimate of the allowance for doubtful accounts based on a customer-by-customer evaluation of the collectibility of the trade receivable balances, taking into account amounts which are past due, the customer's payment history and any available information indicating a customer could be experiencing liquidity problems.

All individual customer balances that are deemed to be impaired have been adequately covered by the allowance for doubtful accounts as at the balance sheet dates.

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars (except per share amounts)**

**10. Financial, Other Instruments and Hedging, cont'd**

b) Risks and Risk Management, cont'd

III) Foreign exchange risk

The Company operates on an international basis, which gives rise to the risk that results of operations and cash flows may be adversely impacted by exchange rate fluctuations on transactions denominated in a foreign currency. Foreign exchange risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates. The Company does not use derivative instruments to manage this risk.

The Company's Canadian operations are exposed to exchange rate changes between the U.S. dollar and the Canadian dollar and the Euro and Canadian dollar. The Company's primary U.S. dollar exposure in Canada relates to the revaluation into Canadian dollars of its U.S. dollar denominated working capital and long-term debt. As of March 31, 2010, fluctuations between the U.S. dollar and the Canadian dollar of +/- 5% would have an effect on earnings before income taxes of approximately +/- \$298 (March 31, 2009 - +/- \$170). The Company's primary Euro exposure in Canada relates to the revaluation into Canadian dollars of its Euro denominated intercompany receivables. As of March 31, 2010, fluctuations between the Euro and the Canadian dollar of +/- 5% would have an effect on earnings before income taxes of approximately +/- \$13 (March 31, 2009 - +/- \$49).

The Company's U.S. and European operations have minimal exposure to exchange rate fluctuations as substantially all of their transactions are denominated in the U.S. dollar and Euro, respectively.

The Company's reporting currency is U.S. dollars. All of the Company's operations are considered self-sustaining operations. The assets and liabilities of the self-sustaining operations are translated at exchange rates in effect at the balance sheet date. Unrealized gains and losses resulting from translating self-sustaining operations are accumulated and reported as a currency translation adjustment in accumulated other comprehensive income. As of March 31, 2010, fluctuations in the exchange rate between the U.S. dollar and Canadian dollar of +/- 5% would have an effect of other comprehensive income of approximately +/- \$445 (March 31, 2009 - +/- \$418) and fluctuations in the exchange rate between the U.S. dollar and Euro of +/- 5% would have an effect on other comprehensive income of approximately +/- \$609 (March 31, 2009 - +/- \$915).

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars (except per share amounts)**

**10. Financial, Other Instruments and Hedging, cont'd**

IV) Liquidity risk

The following table summarizes the Company's contractual maturity for its financial liabilities:

	1 Year	2 Years	3 Years	4 years	5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 7,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,865
Long-term debt	5,132	3,036	3,020	2,814	2,804	6,801	23,607
	\$12,997	\$ 3,036	\$ 3,020	\$ 2,814	\$ 2,804	\$ 6,801	\$ 31,472

In addition to the above, as at March 31, 2010, the Company has recorded \$1,216 as other long-term liabilities relating to the interest rate swap derivative.

c) Collateral

The Company has charged substantially all assets of the Company and certain of its subsidiaries as security for borrowings.

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars (except per share amounts)**

**11. Earnings (Loss) per Share**

Earnings (loss) per share are calculated using the weighted average number of shares outstanding. The following table reconciles the net earnings (loss) and the number of shares for the basic and diluted earnings per share calculations:

	Net earnings (loss) attributed to common shareholders	Weighted average number of shares	Three month period ended March 31, 2010 Per share Amount
Basic	\$ 976	18,024,487	\$ 0.05
Dilutive effect of stock options	-	-	-
	\$ 976	18,024,487	\$ 0.05

	Net earnings (loss) attributed to common shareholders	Weighted average number of shares	Three month period ended March 31, 2009 Per share Amount
Basic	\$ (326)	18,004,987	\$ (0.02)
Dilutive effect of stock options	-	-	-
	\$ (326)	18,004,987	\$ (0.02)

**12. Segmented Information**

**Industry Segments**

The Company operates in two industry segments.

- a) Mill and foundry products and services operations

The Company's mill and foundry products and services operations segment processes and distributes industrial minerals and silica-free abrasives for the steel and foundry industries. Industrial minerals are used in a large range of applications for both the steel and foundry industries. Magnesium and lime are used in the desulphurization process. Bentonites are used for binders in foundry molding sands. Refractory minerals such as chromite and zircon are used to produce cores for high temperature metal casting as well as raw material and alloy agents.

This segment includes the Company's manufacturing, distribution and sales facilities in Walkerton, Indiana; Milan, Michigan; Brantford, Ontario; Kosice, Slovakia and Romans, France.

## **Opta Minerals Inc.**

### **Notes to Consolidated Financial Statements**

**March 31, 2010 and 2009**

**(Unaudited)**

**Expressed in Thousands of U.S. Dollars (except per share amounts)**

## **12. Segmented Information, cont'd**

### **Industry Segments, cont'd**

#### **b) Abrasive products manufacturing and distribution operations**

The Company's abrasive products manufacturing and distribution operations segment processes, distributes and recycles silica-free abrasives, roofing shingle granules and other industrial minerals for the marine, bridge, roofing and other abrasive cleaning; construction and water filtration industries.

This segment includes the Company's manufacturing operations in Norfolk, Virginia; Baltimore, Maryland; Hardeeville, South Carolina; New Orleans, Louisiana; Freeport, Texas; Tampa Bay, Florida; Keeseville, New York; Waterdown, Ontario; Laval and St. Bruno de Guigues, Quebec.

The prior period comparative amounts have been reclassified to conform to the current period's presentation.

Inter-segment revenues are recorded at transaction prices which approximate cost. The Company's assets, operations and employees are located in Canada, the United States and Europe.

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars (except per share amounts)**

**12. Segmented Information, cont'd**

**Industry Segments, cont'd**

The Company accounts for intersegment sales and transfers at the exchange amount which approximates cost.

	<b>Three Month Period Ended March 31, 2010</b>			
	<b>Mill and foundry Products and services</b>	<b>Abrasive Products manu- facturing and Distribution operations</b>	<b>Unallocated</b>	<b>Total</b>
External revenue by market				
Canada	\$ 1,815	\$ 1,335	\$ -	\$ 3,150
U.S.	7,380	4,630	-	12,010
Europe	2,724	-	-	2,724
Other	1	46	-	47
<b>Total revenue from external customers</b>	<b>11,920</b>	<b>6,011</b>	<b>-</b>	<b>17,931</b>
Segment earnings (loss) before interest expense, income taxes and non-controlling interest	1,764	203	(155)	1,812
Interest expense on long-term debt				(347)
Interest expense				(93)
Provision for income taxes				(396)
Net earnings for the period				976
<b>Total assets as at March 31, 2010</b>	<b>55,503</b>	<b>28,870</b>	<b>2,458</b>	<b>86,831</b>
Amortization of property, plant and equipment	296	230	24	550
Amortization of intangible assets	460	6	-	466
Goodwill and intangible assets as at March 31, 2010	32,804	3,601	-	36,405
Expenditures on property, plant and equipment	\$ 37	\$ 303	\$ 121	\$ 461

External revenue by market is attributed to countries based on location of the customer.

Included in the mill and foundry products and services segment is revenue from one customer (2009 - one customer), that individually exceeds 10% of the Company's revenue.

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010 and 2009**  
**(Unaudited)**  
**Expressed in Thousands of U.S. Dollars (except per share amounts)**

**12. Segmented Information, cont'd**

	Three Month Period Ended March 31, 2009			
	Mill and foundry Products and services	Abrasive Products manu- facturing and Distribution operations	Unallocated	Total
External revenue by market				
Canada	\$ 2,192	\$ 800	\$ -	\$ 2,992
U.S	6,360	3,321	-	9,681
Europe	1,918	-	-	1,918
Other	125	10	-	135
<b>Total revenue from external customers</b>	<b>10,595</b>	<b>4,131</b>	<b>-</b>	<b>14,726</b>
Segment earnings (loss) before interest expense, income taxes and non-controlling interest	(364)	72	(51)	(343)
Interest expense on long-term debt				(267)
Interest expense				(157)
Recovery of income taxes				309
Non-controlling interest share of net (earnings) loss				132
<b>Net earnings (loss) for the period</b>				<b>(326)</b>
<b>Total assets as at December 31, 2009</b>	<b>56,661</b>	<b>28,121</b>	<b>2,099</b>	<b>86,881</b>
Amortization of property, plant and equipment	336	200	15	551
Amortization of intangible assets	430	7	-	437
Goodwill and intangible assets as at December 31, 2009	34,105	3,605	-	37,710
Expenditures on property, plant and equipment	\$ 88	\$ 822	\$ 10	\$ 920

External revenue by market is attributed to countries based on location of the customer.

**Opta Minerals Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**March 31, 2009 and 2008**  
**Expressed in Thousands of U.S. Dollars (except per share amounts)**

**12. Segmented Information, cont'd**

**Geographic segments**

The Company's assets, operations and employees are located in Canada, the United States and Europe.

	<b>March 31, 2010</b>			
	<b>Canada</b>	<b>U.S.</b>	<b>Europe</b>	<b>Total</b>
Property, plant and equipment	\$ 7,896	\$ 9,318	\$ 686	\$ 17,900
Goodwill and intangible assets	1,010	22,155	13,240	36,405
Total assets	<b>20,304</b>	<b>48,403</b>	<b>18,124</b>	<b>86,831</b>

  

	<b>December 31, 2009</b>			
	<b>Canada</b>	<b>U.S.</b>	<b>Europe</b>	<b>Total</b>
Property, plant and equipment	\$ 7,672	\$ 9,327	\$ 797	\$ 17,796
Goodwill and intangible assets	1,030	22,402	14,278	37,710
Total assets	<b>19,997</b>	<b>47,389</b>	<b>19,495</b>	<b>86,881</b>

**13. Comparative Amounts**

Certain comparative amounts have been reclassified to conform to the current period's financial statement presentation.