



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

Financial Highlights

(IN 000'S OF U.S. DOLLARS EXCEPT FOR PER SHARE AMOUNTS)

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Consolidated				
Revenue	16,745	29,440	45,810	76,058
Gross profit	4,181	6,372	9,597	18,525
Selling, general and administrative expenses	2,347	2,822	7,039	8,554
EBITDA ¹	2,467	3,818	4,179	11,082
EBIT ²	(5,695)	2,816	(5,821)	8,096
Provision for (recovery of) income taxes	290	642	(248)	1,833
Net earnings (loss) for the period	(6,416)	1,673	(6,821)	4,702
Tangible Net Worth ³			9,221	11,622
Per Share				
Earnings (loss) (basic and fully diluted)	(\$0.36)	\$0.09	(\$0.38)	\$0.26
Cash generated from operations	\$0.06	\$0.15	\$0.08	\$0.42
Cash generated from (used in) operating activities ⁴	\$0.18	(\$0.08)	\$0.42	\$0.02
Shareholders' equity			\$2.12	\$2.61
Number of shares outstanding – weighted average (dilutive)	18,015,917	18,021,597	18,010,386	18,023,297
Number of shares outstanding – period end	18,018,770	17,996,391	18,018,770	17,996,391
Ratios⁵				
Debt to Equity			0.76:1	0.82:1
Current Ratio			1.64:1	1.72:1
Return on Assets			(9.0)%	4.7%
Return on Equity			(21.0)%	11.2%

¹ Earnings before interest, income taxes, depreciation and amortization. See discussion on Non-GAAP measures in management's discussion and analysis found elsewhere in this report.

² Earnings before interest and income taxes. See discussion on Non-GAAP measures in management's discussion and analysis found elsewhere in this report.

³ We calculate Tangible Net Worth as Shareholders' Equity less goodwill and intangibles net of non tax deductible future tax liabilities related to intangibles.

⁴ Cash generated from operating activities excluding changes in non-cash working capital divided by the weighted average number of shares outstanding.

⁵ Formulas for Ratios can be found in the Glossary to this Report.

Management's Discussion and Analysis

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Introduction

The following is a discussion of the consolidated financial position, results of operations and cash flows of Opta Minerals Inc. for the three and nine months ended September 30, 2009 and 2008, prepared in accordance with Canadian generally accepted accounting principles. All amounts are in U.S. dollars unless otherwise stated.

We, us, our, Company and Opta

In this document, “we”, “us”, “our”, “Company” and “Opta” refer to Opta Minerals Inc., its business segments and subsidiaries.

Review and approval by the Board of Directors

The Board of Directors, on the recommendation of the Audit Committee, approved the contents of this MD&A on November 2, 2009. This MD&A includes Opta’s operating and financial results for the three and nine months ended September 30, 2009 and 2008 and should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2008, and interim Financial Statements for the three and nine months ended September 30, 2009 appearing on SEDAR’s website at www.sedar.com.

Other important company documents

The following Opta Minerals public documents include additional information that will be of interest to investors:

- Prior Year Annual Reports;
- Annual Information Form;
- Management Information Circular; and
- Interim reports.

These documents are available on SEDAR’s web site at www.sedar.com.

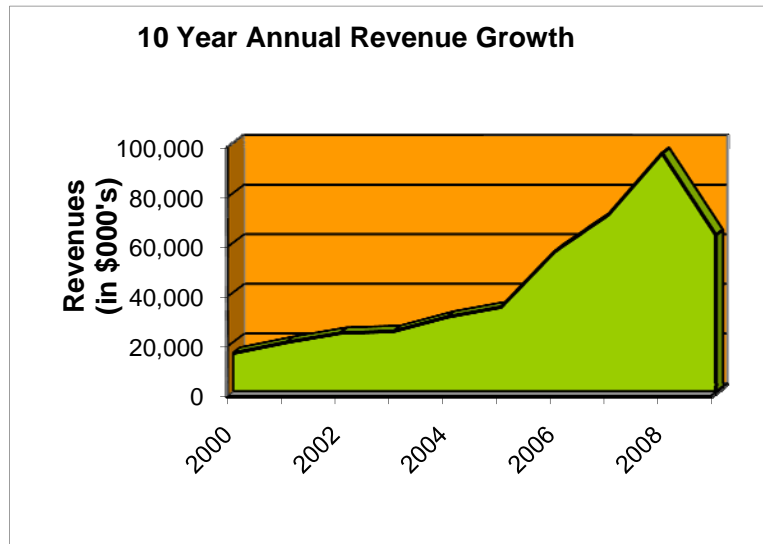
Forward Looking Statements

Certain information included herein may contain “forward-looking statements” which reflect the current expectations of management of the Company regarding the Company’s future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as “may”, “would”, “could”, “should”, “will”, “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “aim”, “endeavour”, “seek”, “predict”, “potential” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management of the Company. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, cancellations of or the failure to renew purchase orders; production and delivery issues; quality, pricing and availability of raw materials; compliance with environmental regulations; exchange rate fluctuations, as well as, the other risks identified in the “Risk Factors” section of the Company’s Annual Information Form and other public filings (copies of which may be obtained at www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by this Management Discussion and Analysis. These factors should be considered carefully and the reader should not place undue reliance on the forward-looking statements. Although any forward-looking statements contained in this interim report are based upon what management currently believes to be reasonable assumptions, the Company cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements, and management’s assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this Management Discussion and Analysis.

1. Our Company

1.1. Overview of the Business

Opta Minerals Inc. (TSX: OPM) 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. The Company has experienced solid growth through a combination of internal growth and successfully integrated strategic acquisitions to become one of the leading regional suppliers of industrial minerals and silica-free loose abrasives in a number of select markets in North America and Europe. This growth is evidenced by the Company's Compound Annual Revenue Growth Rate¹ ("CAGR") of 12.4% for the 10 year period ended September 30, 2009.



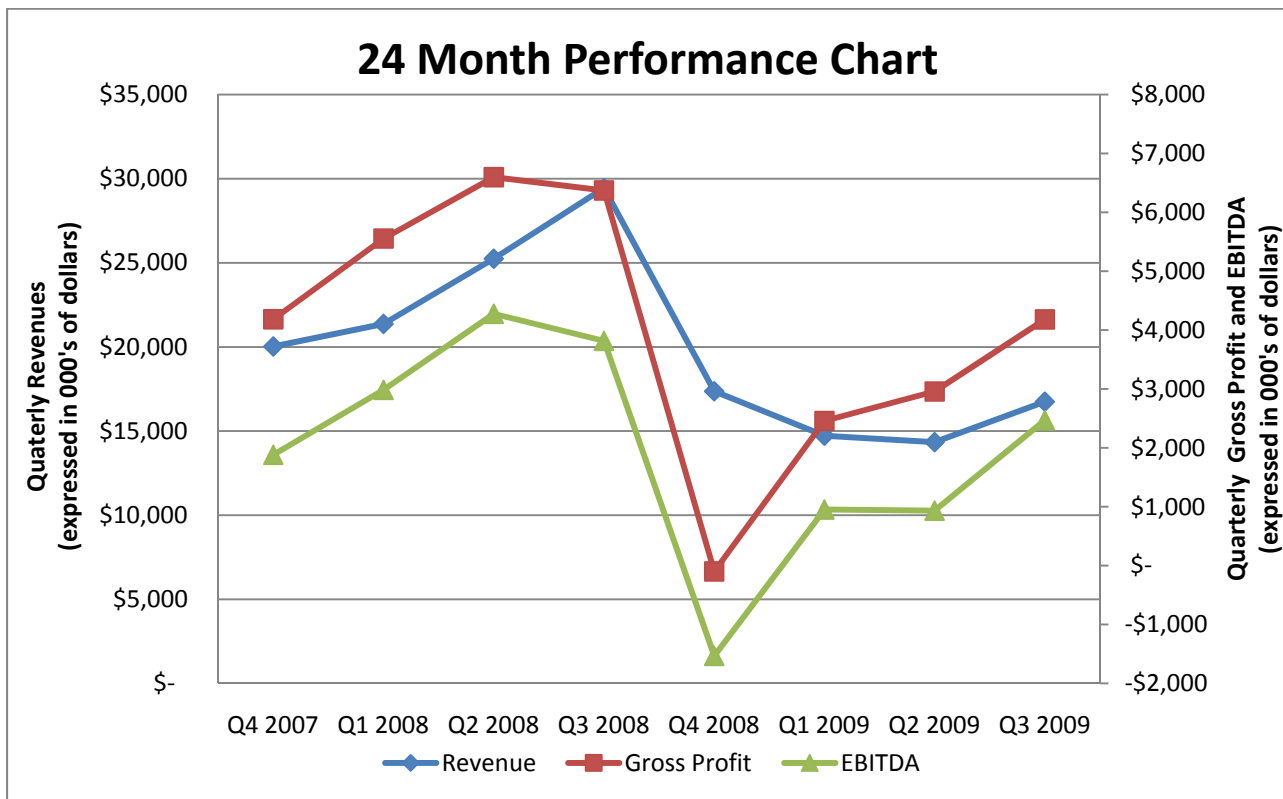
The Company currently has offices, production and distribution facilities in Ontario, Quebec, Louisiana, South Carolina, Virginia, Maryland, Ohio, Michigan, Indiana, New York, Texas, Florida, Slovakia and France and one of the broadest product lines in the industry. Recognizing that the fragmentation and lack of consolidation among suppliers in its industry has provided a strategic growth opportunity, the Company intends to capitalize on this opportunity to become one of the leading global suppliers of industrial minerals and silica-free loose abrasives.

¹ CAGR is a Non GAAP Measure used by management in assessing the performance of the Company. Please see section 9 of this report for a description of the calculation of the Company's CAGR.

2. How we performed

2.1. Performance Highlights and Outlook

Global economic conditions over the past four quarters have been some of the most challenging the Company has ever experienced. Operating in such a difficult environment, the Company's management has responded quickly to adapt production, cut costs, improve cash flow and strengthen the balance sheet. Included in these measures were several facility closures, credit facility renegotiations and a workforce reduction, including an adjustment to the cost sharing of health benefits with employees. These efforts have reduced staffing levels companywide by 33% since January 1, 2008 and, along with additional cost saving initiatives implemented during the year, are expected to reduce annual operating costs by \$4.5 million. Approximately 52% of the annual operating cost savings are attributed to permanent salaried workforce reductions. During August and September, management had seen some initial signs of recovery and, as a result, are now increasing production at some facilities. There remains continued uncertainty surrounding steel and abrasive consuming industries such as automotive, construction, infrastructure and shipyard activity making it very difficult to forecast beyond a very short horizon. Provided that there are no further unexpected economic deteriorations, management expects to see continued gradual improvement throughout the next 6 months, with full recovery to 3rd quarter 2008 levels remaining slow and progressive.



Results for both the three and nine month periods ended September 30, 2009 are significantly below 2008 comparable period results as a result of the dramatic slowdown in industrial activity that has occurred in 2009 versus the first nine months of 2008. However, quarterly results for the Company have gradually improved since the three months ended December 31, 2008. Comparing current quarter results to the three months ended June 30, 2009, the Company had the following performance highlights and significant events:

- Revenues from operations increased 16.8% for the three months ended September 30, 2009, from \$14,339,000 in the second quarter of 2009 to \$16,745,000 for the three month ended September 30, 2009. Gross profit increased 41.3% from \$2,958,000 for the three months ended June 30, 2009 to \$4,181,000 in the third quarter of 2009. These results are substantially due to an increase in demand from steel and foundry customers in the third

quarter combined with the lower operating cost structure now in place at Opta as a result of the restructuring noted above.

- Positive cash flows from operations of \$3,300,000 versus \$1,553,000 for the three months ended June 30, 2009.
- Earnings Before Income Taxes, Goodwill Impairment and Non-controlling Interest for the three months ended September 30, 2009 of \$1,007 versus a Loss of \$381 for the three months ended June 30, 2009.
- The Company recorded a goodwill impairment charge in the amount of \$7,198,000 which is net of a reversal of the contingent consideration accrual in the amount of \$1,110,000. The Company performed its annual impairment test of goodwill on September 30, 2009. During the third quarter, management determined that there were external market conditions and other circumstances that suggested the carrying value of the goodwill of certain operating units may exceed their fair value. The external market conditions included a decrease in operating results as compared to the prior year and a lower than previously anticipated future operating income growth due to the slow recovery in the global economy.

2.2. Selected Quarterly Data

The following is a summary of financial information for the periods indicated.

(expressed in thousands of dollars, except gross margin percentage)	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(unaudited)		(unaudited)	
Income Statement Data				
Revenue	\$	\$	\$	\$
Mill and foundry products and services	10,988	23,163	29,888	58,388
Abrasive products manufacturing and distribution operations	5,757	6,277	15,922	17,670
Total revenue	16,745	29,440	45,810	76,058
Gross profit	4,181	6,372	9,597	18,525
Gross margin %	25.0%	21.6	20.9%	24.4
Selling, general and administrative expenses	2,347	2,822	7,039	8,554
Earnings before the following:	1,834	3,550	2,558	9,971
Interest expense (net)	431	501	1,248	1,561
Amortization of intangible assets	469	441	1,367	1,306
Stock compensation expense	72	91	210	204
Other (income) expenses	21	59	305	59
Foreign exchange (gain) loss	(166)	143	(431)	306
Earnings (loss) before income taxes, goodwill impairment and non-controlling interest	1,007	2,315	(141)	6,535
Provision for (recovery of) income taxes	290	642	(248)	1,833
Net earnings before goodwill impairment and non-controlling interests	717	1,673	107	4,702
Goodwill impairment	7,198	-	7,198	-
Net earnings (loss) before non-controlling interests	(6,481)	1,673	(7,091)	4,702
Non-controlling interests share of net earnings (loss)	(65)	-	(270)	-
Net Earnings (loss)	(6,416)	1,673	(6,821)	4,702

Selected Quarterly Data – Continued	For the three months ended September 30		For the nine months ended September 30		
	<u>2009</u> (unaudited)	<u>2008</u>	<u>2009</u> (unaudited)	<u>2008</u> (unaudited)	
Basic net earnings (loss) per share	(\$0.36)	\$0.09	(\$0.38)	\$0.26	
Diluted net earnings (loss) per share	(\$0.36)	\$0.09	(\$0.38)	\$0.26	
Weighted average shares used in computing basic net earnings per share calculation	<u>18,015,917</u>	<u>17,993,939</u>	<u>18,010,386</u>	<u>17,990,497</u>	
Weighted average shares used in computing diluted net earnings per share calculation	<u>18,015,917</u>	<u>18,021,597</u>	<u>18,010,386</u>	<u>18,023,297</u>	
Balance Sheet Data (unaudited) (expressed in thousands of dollars)	As at				
			<u>Sept 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>	<u>Sept 30,</u> <u>2008</u>
			\$	\$	\$
Cash and cash equivalents			1,161	1,377	3,661
Working capital			11,501	15,832	18,836
Total assets			88,534	101,246	110,068
Bank indebtedness and long-term debt (including current portion)			29,070	32,488	38,407
Shareholders' equity excluding non controlling interests			38,216	45,293	47,047

Quarterly Results of Operations

The following table sets out selected financial information for each of the eight most recent quarters ended September 30, 2009. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements for the years ended December 31, 2008 and 2007.

	Quarters Ended							
	<u>Sept 30,</u> <u>2009</u>	<u>June 30,</u> <u>2009</u>	<u>Mar 31,</u> <u>2009</u>	<u>Dec 31</u> <u>2008</u>	<u>Sept 30,</u> <u>2008</u>	<u>June 30,</u> <u>2008</u>	<u>Mar 31,</u> <u>2008</u>	<u>Dec 31,</u> <u>2007</u>
	(unaudited - expressed in thousands of dollars)							
Revenue	\$16,745	\$14,339	\$14,726	\$17,365	\$29,440	\$25,248	\$21,370	\$20,028
EBITDA¹	2,467	935	777	(1,532)	3,818	4,278	2,986	1,883
Net earnings (loss) for the period	(6,416)	(79)	(326)	(2,224)	1,673	1,930	1,099	235
Basic and diluted earnings (loss) per share	(\$0.36)	\$0.00	(\$0.02)	(\$0.12)	\$0.09	\$0.11	\$0.06	\$0.01

¹ EBITDA is a non GAAP measure used by management to measure performance. Please see section 8 of this report for a discussion on the calculation of EBITDA.

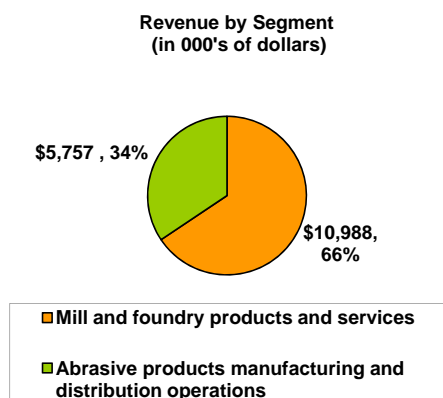
2.3. Three months ended September 30, 2009 compared to three months ended September 30, 2008

The Company's revenues decreased 43.1% for the three months ended September 30, 2009 from \$29,440,000 for the three months ended September 30, 2008 to \$16,745,000. Approximately \$12,105,000 of the current quarter's decrease of revenues is the net effect of slowdown in the steel industry.

Company Wide Revenues

One of the Company's strengths is its geographic reach as a result of having multiple production and distribution facilities in Canada, the U.S. and Europe. These facilities have been grouped into two separate segments in the Company's financial statements based on the nature of their primary customer base. The segments are: mill and foundry products and services and abrasive products manufacturing and distribution operations. While the majority of each facility's revenues are derived primarily from one of the aforementioned segments, its customers' needs can include both abrasive products and foundry and steel products. As a result, management believes Company wide sales of abrasive products, and foundry and steel products and services provides useful information to stakeholders regarding the Company's ability to leverage the strength of its geographic reach and its ability to provide customers with a broad product offering. Company wide sales of abrasive products were \$4,523,000 for the three months ended September 30, 2009, a decrease of 15.8% from sales of \$5,371,000 for the three months ended September 30, 2008. The decrease is primarily driven by decreased sales of steel grit and metallurgical slag. Company wide sales of steel mill and foundry products and services were \$11,106,000 during the three months ended September 30 2009, a decrease of 50.2% from third quarter 2008 sales of \$22,307,000. There was a dramatic decline in production volumes that occurred at mills and foundries during the current period as a result of a decrease in demand for steel in the global marketplace. The remaining variance in revenues between the three months ended September 30, 2009 and 2008 relates to sales of other industrial minerals, products and services. Other products and services decreased 36.7% from \$1,762,000 for the three

months ended September 30, 2008 to \$1,116,000 for the same period ended September 30, 2009.



Performance by Segment

Revenues within the mill and foundry products and services segment decreased by

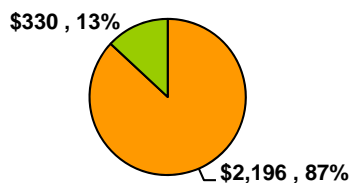
\$12,175,000 or 52.6% for the three months ended September 30, 2009 to \$10,988,000 as compared to \$23,163,000 for the same period in 2008. The results for the segment reflect the significant overall decline in production volumes experienced by steel and foundry customers of the company during the quarter.

Revenues within the abrasive products manufacturing and distribution operations segment also decreased from \$6,277,000 for the three months ended September 30, 2008 to \$5,757,000 during the same period in 2009.

Gross profit decreased by \$2,191,000 to \$4,181,000 or 25.0% of revenues for the three months ended September 30, 2009, compared to \$6,372,000 or 21.6% of sales for the same period in 2008. For the three months ended September 30, 2009 gross profits at the Company's mill and foundry products and services segment decreased by \$1,385,000 from \$4,565,000 or 19.7% of revenues in 2008 to a gross margin of \$3,180,000 or 28.9% of revenues in 2009. The quarter's results in the mill and foundry segment were significantly impacted by the economic slowdown and a decrease in demand for product from major steel mill customers who have idled plants to reduce production. Gross profits within the Company's abrasive products manufacturing and distribution operations segment decreased \$804,000 during the quarter from \$1,807,000 or 28.8% of revenue in 2008 to \$1,003,000 or 17.4% of sales in 2009.

Selling, general and administrative expenses decreased \$475,000, from \$2,822,000 or 9.6% of revenues for the three months ended September 30 2008 to \$2,347,000 or 14.0% of revenues in 2009. The decrease of \$475,000 relates to lower professional fees incurred as well as reduced employee costs resulting from cost reductions measures put in place by management during the year.

**Earnings before income taxes, interest, depreciation and amortization ("EBITDA")
(in 000's of dollars)**



■ Mill and foundry products and services

Earnings (loss) before income taxes, interest, depreciation and amortization ("EBITDA")¹ for the three months ended September 30, 2009 was \$2,467,000 versus \$3,818,000 for the three months ended September 30, 2008. EBITDA for the mill and foundry products and services segment decreased by \$728,000 to \$2,196,000 for the three months ended September 30, 2009 when compared to the same period in

2008. The abrasive products manufacturing and distribution operations segment had EBITDA of \$330,000 for the three months ended September 30, 2009 compared to \$1,658,000 for the same period in 2008.

The effective income tax rate for the three months ended September 30, 2009 was (4.6%) compared to 27.7% for the comparable period in 2008. The change in rate is substantially due to the non-taxable permanent differences generated by the goodwill impairment charge.

Net loss for the three months ended September 30, 2009 was \$6,416,000 or \$0.36 per diluted common share as compared to net earnings of \$1,673,000 or \$0.09 per diluted common share for the same period in 2008.

2.4. Nine months ended September 30, 2009 compared to nine months ended September 30, 2008

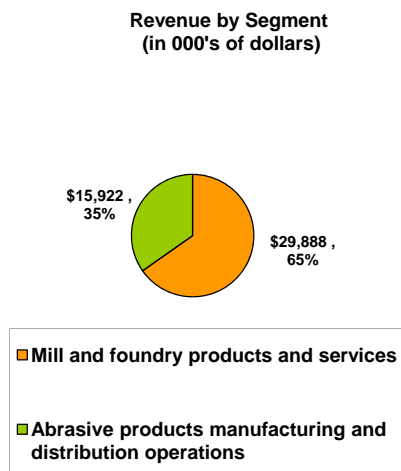
The Company's revenues decreased 39.8% for the nine months ended September 30, 2009 from \$76,058,000 for the nine months ended September 30, 2008 to \$45,810,000. Approximately \$28,500,000 is attributable to slowdown in the steel industry experienced during the first nine months of 2009.

Company Wide Revenues

One of the Company's strengths is its geographic reach as a result of having multiple production and distribution facilities in Canada, the U.S. and Europe. These facilities have been grouped into two separate segments in the Company's financial statements based on the nature of their primary customer base. The segments are: mill and foundry products and services and abrasive products manufacturing and distribution operations. While the majority of each facility's revenues are derived primarily from one of the aforementioned segments, its customers' needs can include both abrasive products and foundry and steel products. As a result, management believes Company wide sales of abrasive products, and foundry and steel products and services provides useful information to stakeholders regarding the Company's ability to leverage the strength of its geographic reach and its ability to provide customers with a broad product offering. Company wide sales of abrasive products were \$13,461,000 in the first nine months of 2009, a

¹ EBITDA is a non GAAP measure used by management to measure performance. Please see section 8 of this report for a discussion on the calculation of EBITDA.

decrease of 8.6% from sales of \$14,731,000 for the nine months ended September 30, 2008. The decrease is primarily driven by decreased sales of steel grit, steel shot and glass beads. Company wide sales of steel mill and foundry products and services were \$29,313,000 during the first nine months of 2009, a decrease of 47.9% from third quarter 2008 year to date sales of \$56,258,000. There was a dramatic decline in production volumes that occurred at mills and foundries during the current period as a result of a decrease in demand for steel in the global marketplace. The remaining variance in revenues between the nine months ended September 30, 2009 and 2008 relates to sales of other industrial minerals, products and services. Other products and services decreased 40.1% from \$5,069,000 for the nine months ended September 30, 2008 to \$3,036,000 for the same period ended September 30, 2009.



Performance by Segment

Revenues within the mill and foundry products and services segment decreased by \$28,500,000 or 48.8% for the nine months ended September 30, 2009 to \$29,888,000 as compared to \$58,388,000 for the same period in 2008. The results for MCP Mg-Serbien, the company acquired in 2008 is included in this segment. Excluding the results of this acquisition, segment revenues from legacy

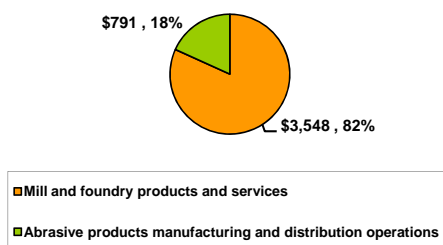
operations decreased by 49.7% in the first nine months of 2009 compared to the nine months ended September 30, 2008. The results for the segment reflect the significant overall decline in production volumes experienced by steel and foundry customers of the company during the quarter.

Revenues within the abrasive products manufacturing and distribution operations segment also decreased from \$17,670,000 for the nine months ended September 30, 2008 to \$15,922,000 during the same period in 2009.

Gross profit decreased by \$8,928,000 to \$9,597,000 or 20.9% of revenues for the nine months ended September 30, 2009, compared to \$18,525,000 or 24.4% of sales for the same period in 2008. For the nine months ended September 30, 2009 gross profits at the Company's mill and foundry products and services segment decreased by \$7,476,000 from \$14,429,000 or 24.7% of revenues in 2008 to a gross margin of \$6,953,000 or 23.3% of revenues in 2009. The period's results in the mill and foundry segment were significantly impacted by the economic slowdown and a decrease in demand for product from major steel mill customers who have idled plants to reduce production. Gross profits within the Company's abrasive products manufacturing and distribution operations segment decreased by \$1,575,000 from \$4,212,000 or 23.8% of revenue in 2008 to \$2,637,000 or 16.6% of sales in 2009.

Selling, general and administrative expenses decreased \$1,515,000, from \$8,554,000 or 11.2% of revenues for the first nine months of 2008 to \$7,039,000 or 15.4% of revenues in 2009. Approximately \$366,000 relates to the first six months of costs incurred by MCP acquired in the third quarter of 2008. Excluding MCP, the decrease of \$1,881,000 relates to lower professional fees incurred as well as reduced employee costs resulting from cost reductions measures put in place by management during the last 12 months.

Earnings before income taxes, interest, depreciation and amortization ("EBITDA")
(in 000's of dollars)



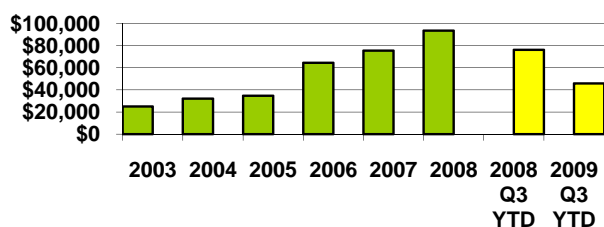
Earnings (loss) before income taxes, interest, depreciation and amortization ("EBITDA")¹ for the nine months ended September 30, 2009 was \$4,179,000 vs. \$11,082,000 for the nine months ended September 30, 2008. EBITDA for the mill and foundry products and services segment decreased by \$6,439,000 to \$3,548,000 for the first nine months of 2009 when

compared to the same period in 2008. The abrasive products manufacturing and distribution operations segment had EBITDA of \$791,000 for the nine months ended September 30, 2009 compared to \$3,578,000 for the same period in 2008.

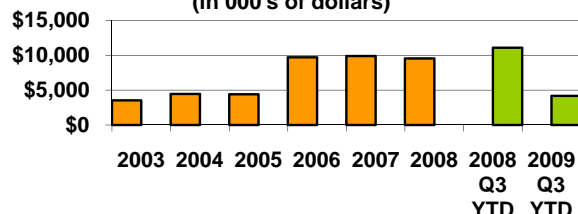
Other income and expenses for the nine month period ended September 30, 2009 in the amount of \$305,000 is comprised of \$353,000 in restructuring severance costs, \$112,000 in lease termination costs related to the consolidation of the operations in Quebec and \$48,000 in costs accrued for the disposal of assets held for sale offset by a gain on sale of fixed assets in the amount of \$208,000. On January 29, 2009, substantially all of the fixed assets comprising the Company's facility in Attica, New York were sold in exchange for a release of the Company's obligations under an existing lease and service agreement. The transaction resulted in a gain on sale of assets in the amount of \$208,000.

The effective income tax rate for the nine months ended September 30, 2009 was 3.3% compared to 28.0% for the comparable period in 2008. The change in rate is substantially due to the non-taxable permanent differences generated by the goodwill impairment charge.

Consolidated Revenue
(in 000's of dollars)



Consolidated net earnings before income taxes, interest depreciation and amortization ("EBITDA")
(in 000's of dollars)



Net loss for the nine months ended September 30, 2009 was \$6,821,000 or \$0.38 per diluted common share as compared to net earnings of \$4,702,000 or \$0.26 per diluted common share for the same period in 2008.

¹ EBITDA is a non GAAP measure used by management to measure performance. Please see section 8 of this report for a discussion on the calculation of EBITDA.

3. Capital Structure and Financing

3.1. Capital Structure

Maintaining our financial flexibility is one of our long-term goals and is imperative to several of the growth initiatives included in our strategic plan. We regularly review our funding plan and capital structure to ensure that we have sufficient funding options to provide us with the financial flexibility to implement the growth initiatives and meet the targets of our Strategic Plan. The current economic slowdown has had a significant effect on our capital structure. We continue to remain focused on cash flow generation in 2009 to rebalance our capital structure and remaining in compliance with bank requirements regarding our debt. During the first 9 months of 2009 we generated significant cash flows from cost reduction initiatives and working capital reductions including a substantial reduction in accounts receivable and inventory. We expect continued positive cash flow from further working capital reductions over the balance of 2009.

Prior to year end the Company's credit facilities were amended to increase flexibility in 2009. Certain bank covenant ratios were eased to provide the Company with ample room to address upcoming market uncertainties. These covenants were further amended during the third quarter. In addition, the Company expanded its credit facilities in France by \$2,500,000 through the assistance of an export development Canada guarantee. The line of credit in France will help the Company's European operations expand their product offering to include finished goods made from our facility in Laval Quebec.

We ended the September 30, 2009 quarter with:

- \$1,161,000 of cash and cash equivalents;
- \$5,517,000 of bank indebtedness;
- 18.9% of our long-term debt due in the next 12 months;
- Long-term debt and bank indebtedness at 127% of total capitalization¹;

For the period ended September 30, 2009, 2008 and December 31, 2008 our capital structure was as follows:

Capital Structure (% of total structure)

	Period Ended		
	September 30, 2009	December 31, 2008	September 30, 2008
Shareholders' Equity	47.4%	48.6%	47.4%
Non-controlling interest	(0.3%)	-	-
Bank indebtedness	6.8%	8.3%	11.3%
Long-term debt	29.2%	26.4%	27.4%
Future income taxes	3.3%	3.0%	3.0%
Future income taxes on intangible assets ⁽¹⁾	11.7%	10.4%	9.8%
Other long-term liabilities	1.9%	3.3%	1.1%
	100%	100%	100%

(1) As at September 30, 2009, approximately \$9,406,000 (September 30, 2008 - \$9,781,000, December 31, 2008 - \$9,695,000) of the Company's future tax liabilities relate to intangibles acquired as part of the Newco, Bimac and Magtech acquisitions. Despite the fact that these intangibles are not deductible for statutory tax purposes and would have a value of \$0 in the event of liquidation, Canadian generally accepted accounting principles require a future tax liability to be established for any finite life intangibles acquired.

¹ Capitalization is defined as market price per common share multiplied by total number of outstanding shares.

Equity

The book value of Common Shares at September 30, 2009 was \$2.12 per share compared to \$2.52 at December 31, 2008 and \$2.61 at September 30, 2008.

Shares outstanding

Common Shares

	Period Ended September 30,	
	2009	2008
Shares outstanding at the beginning of the period	18,003,459	17,981,258
Shares issued under plans ⁽¹⁾	15,311	15,133
Shares outstanding at end of the period	18,018,770	17,996,391

(1) We issue shares under employee stock purchase and stock option plans.

The common shares outstanding as at November 2, 2009 are 18,018,770.

Long term debt and bank indebtedness

As at September 30, 2009, the Company had \$29,070,000 in long-term debt and bank indebtedness owing to third parties versus \$32,488,000 at December 31, 2008. At September 30, 2009, Opta's financing agreements with the Bank of Nova Scotia includes a Cdn \$15,000,000 revolving term operating facility, a Cdn \$14,043,000 revolving term acquisition facility, and a Cdn \$12,500,000 term facility that matures in 2012. In addition to its arrangements with the Bank of Nova Scotia, the Company has a promissory note payable to the former shareholders of Rossborough in the amount of \$1,500,000, and a further non-interest bearing promissory note of \$655,000.

3.2. Funding Program

Funding requirements

We fund our capital expenditures, working capital needs, acquisitions and financing needs such as debt repayments from a combination of sources. For the nine months ended September 30, 2009, the primary sources of funding were:

- \$1,377,000 cash on hand at the beginning of 2009;
- \$795,000 from increasing total long-term debt;
- \$19,000 from the issuance of common shares under the employee share purchase plan; and
- \$651,000 proceeds from disposal of a warehouse facility in Quebec
- \$7,586,000 in cash flow from operating activities.

Summary of Cash flows

(expressed in thousands of dollars)	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2009	2008	2009	2008
Net cash provided by (used in):	(unaudited)		(unaudited)	
	\$	\$	\$	\$
Operating activities	3,300	(1,459)	7,586	349
Investing activities	234	(2,663)	(1,346)	(2,971)
Financing activities	(4,249)	5,123	(6,466)	(3,964)
Foreign exchange (loss) gain on cash held in foreign currency	4	(172)	10	(17)

3.3. Three months ending September 30, 2009 compared to the three months ending September 30, 2008

Operating activities and working capital

Cash generated by operating activities for the three months ended September 30, 2009 was \$3,300,000 compared to a use of \$1,459,000 for the same period in 2008. Positive cash flows for the quarter were primarily due positive cash operating results plus a release of working capital, particularly inventory, other current assets and accounts payable that occurred in the third quarter of 2009 as the Company realigned its purchasing patterns to adjust for the sales volume declines experienced.

Investing Activities

Cash proceeds from investing activities was \$234,000 for the three months ended September 30, 2009 as compared to a use of \$2,663,000 in the comparable period in 2008. Approximately \$234,000 of the \$417,000 in capital investments during the quarter pertains to capital expenditures incurred for new operations in Tampa Florida and Freeport Texas. The remaining amount pertains to maintenance capital spent during the quarter. The Company continues to invest in capital improvements designed to maintain facilities, reduce operating costs or comply with regulatory requirements at its various locations. This amount was offset by net proceeds of \$651,000 from the sales of the Company's warehouse facility in Lachine Quebec

Financing Activities

Cash used by financing activities was \$4,249,000 for the three months ended September 30, 2009. The most significant financing transactions recorded in the period pertains to repayment of \$4,285,000 of long term debt and bank indebtedness.

3.4. Nine months ending September 30, 2009 compared to the nine months ending September 30, 2008

Operating activities and working capital

Cash generated by operating activities for the nine months ended September 30, 2009 was \$7,586,000 compared to \$349,000 generated for the same period in 2008. Positive cash flows for the quarter were primarily due to positive cash results from operations plus a release of working capital, particularly inventory that occurred in the first nine months of 2009 as the Company realigned its purchasing patterns to adjust for the sales volume declines experienced.

Investing Activities

Cash used in investing activities was \$1,346,000 for the nine months ended September 30, 2009 as compared to \$2,971,000 in the comparable period in 2008. Approximately \$1,390,000 of the investments pertains to capital expenditures incurred during the quarter for new operations in Tampa, Florida and Freeport, Texas. The remaining amounts pertain to maintenance capital spent during the quarter. This was partially offset by cash received from the disposition of a warehouse facility in Lachine Quebec for \$651,000.

Financing Activities

Cash used by financing activities was \$6,466,000 for the nine months ended September 30, 2009. The most significant financing transactions recorded in the period pertains to repayment of \$1,500,000 of a promissory note and accrued interest due to former shareholders of Magnesium Technologies Corp. and principle repayments on existing credit facilities offset by a draw on the Company's acquisition facility for certain equipment purchased for the Company's Freeport Texas location.

3.5. Financial Ratios

The following table shows the changes in financial ratios over the past year.

	September 30, 2009	December 31, 2008	September 30, 2008
Ratio of long term debt and bank indebtedness to equity	0.76:1	0.72:1	0.82:1
Ratio of long term debt ⁽¹⁾ and bank indebtedness to total capitalization	1.27:1	0.96:1	0.70:1
Ratio of current assets to current liabilities	1.64:1	1.80:1	1.72:1
Interest coverage ⁽²⁾	3.7 times	3.5 times	5.2 times
Tangible Net Worth ⁽³⁾	\$9,221,000	\$8,364,000	\$11,622,000

(1) Long-term debt includes current portion.

(2) We calculate interest coverage using 12 month earnings before interest, income taxes, non controlling interest, and amortization of intangible assets.

(3) We calculate Tangible Net Worth as Shareholders' Equity less goodwill, intangibles net of non tax deductible future tax liabilities related to intangibles.

3.6. Funding Costs

The table below shows total funding costs for long term debt. The figures include the impact of changes in the borrowing currency, which is part of our interest rate risk management program.

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2009	2008	2009	2008
Interest expense				
Interest expense pertaining to long term debt	\$299,000	\$366,000	\$854,000	\$1,135,000
Interest expense pertaining to bank indebtedness	132,000	135,000	394,000	426,000
Effective blended cost of debt	5.4%	5.6%	5.4%	5.6%

4. Contractual Obligations and Commitments

The Company has the following contractual obligations over the next five fiscal years and thereafter:
(expressed in thousands of dollars)

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>						
	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
Accounts payable and accrued liabilities	\$7,869	\$7,869	\$-	\$-	\$-	\$-	\$-
Long term debt	23,553	4,452	2,920	2,889	2,702	2,692	7,898
Preferred shares	43	43	-	-	-	-	-
Operating leases	6,882	1,627	1,563	1,408	928	810	546
Total contractual obligations	\$38,347	\$13,991	\$4,483	\$4,297	\$3,630	\$3,502	\$8,444

Pursuant to the Bimac purchase agreement, additional contingent consideration not to exceed \$3,850,000 may be payable based on the achievement of certain predetermined earnings targets between October 1, 2006 and September

30, 2016. To date, a cumulative total of \$1,040,000 has been paid. The previously recorded contingent consideration in the amount of \$1,110,000 has been reversed as the goodwill impairment test performed by the Company indicated that the accrual for contingent consideration was not virtually certain. Any future payments with respects to additional consideration will be recorded against goodwill.

5. Transactions with Related Parties

- 1) Pursuant to the appointment of a new director on May 12, 2008, the following transactions and balances are classified as related party:
 - a) Long-term debt
Included in long-term debt as of September 30, 2009 is a promissory note in the amount of \$1,500,000 (December 31, 2008 - \$3,000,000) with annual installments of \$1,500,000 plus interest at 5.6%. The promissory note and accrued interest are payable to the former shareholders of Magnesium Technologies Corporation. As a result of the previous shareholdings, the director receives 26.5% of the total payment.
 - b) Contingent consideration
Pursuant to the purchase agreement of the outstanding shares of Bimac Inc., additional consideration, not to exceed \$3,850,000, may be payable based on the achievement of certain pre-determined earnings targets to September 2016. As a result of the previous shareholdings, the director receives 61.7% of the annual payment. Based on the calculations for the year ended September 30, 2009, the payment in 2009 is \$nil (2008 - \$514,000)

6. Risks and Uncertainties

The Company approaches the management of risk strategically, in order to prudently preserve shareholder value. You should carefully consider the risks described in other information contained in our filings with Canadian securities regulatory agencies, including our audited consolidated financial statements and the notes thereto and the Annual Information Form. These and other information relating to the Company can be obtained from SEDAR at www.sedar.com. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the risks actually occur, our business, financial condition, liquidity or results of operations could be materially harmed.

7. Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses and disclosure of gain and loss contingencies at the date of the consolidated financial statements. The estimates and assumptions made require judgement on the part of management and are based on the Company's historical experience and various other factors that are believed to be reasonable in the circumstances. Management continually evaluates the information that forms the basis of estimates and assumptions as the business of the Company and the business environment generally changes. The use of estimates is pervasive throughout the Company's consolidated financial statements.

We periodically review our financial reporting and disclosure practices and accounting policies to ensure that our financial reporting and disclosures are accurate and informative relative to the current economic and business environment. As part of this process, we have reviewed our selection, application and communication of critical accounting policies and financial disclosures. We note that we have determined that our critical accounting policies relating to our core ongoing business are primarily those disclosed below. Other important accounting policies are described in note 2 of our annual consolidated financial statements as at December 31, 2008 and 2007 and for the years then ended as well as our interim consolidated financial statements for the three and nine months ended September 30, 2009.

Revenue Recognition

Revenues from the Company's operations are recognized when the following four criteria have been satisfied:

- Persuasive evidence of an arrangement exists, such as an executed service agreement or other relevant documentation;
- When services are delivered. For the sale of abrasives and industrial minerals, the Company considers services delivered upon shipment of materials and transfer of title to the customer. For recycling activities, services are considered to be delivered after materials have been processed and the resulting non-hazardous recycled material is either sold or shipped to third parties or is disposed of;
- The price to the customer is either fixed or determinable; and
- Collectability is reasonably assured.

Accounts Receivable

The Company's accounts receivable primarily include amounts due from its customers. The carrying value of each account is carefully monitored with a view to assessing the likelihood of collection. An allowance for doubtful accounts is provided for as an estimate of losses that could result from customers defaulting on their obligation to the Company. In assessing the amount of reserve required, a number of factors are considered including the age of the account, the credit worthiness of the customer, payment terms, the customer's historical payment history and general economic conditions. Because the amount of the reserve is an estimate, the actual amount collected could differ from the carrying value of the receivable.

Inventory

Inventory is the Company's largest current asset. Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. The Company assesses the net realizable value of its inventory on a regular basis by reviewing, on an item-by-item basis, the realizable value of its inventory, net of anticipated selling costs. If it is management's judgment that the selling price of an item must be lowered below its cost in order for it to be sold, then the carrying value of the related inventory is written down to its realizable value. Declines in replacement cost below carrying values for raw material inventories do not require a write down if the finished goods in which they are incorporated are expected to be sold at or above cost. A number of factors are taken into consideration in assessing realizable value including the quantity on hand, age and expiration, historical sales, consumer demand and preferences. Depending on market conditions, the actual amount received on sale could differ from management's estimate.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets and liabilities acquired. The Company assesses at least annually whether there has been an impairment loss in the carrying value of goodwill based on the fair value of its reporting units.

Should the carrying amount of goodwill exceed its estimated fair value, an impairment loss would be recognized at that time and be charged to the statement of earnings. The Company has assessed the carrying value of goodwill for possible impairment and has recorded a goodwill impairment charge as at September 30, 2009 in the amount of \$7.2 million.

Intangible Assets

The Company's finite life intangible assets are amortized on a straight line basis as follows:

Customer relationships	8 – 25 years
Profit sharing agreements	15 years
Long-term supply contract	Over the contract period of 10 years
Patents	Over the useful life of the patent
Other finite life intangible asset	6 years

Income Taxes

The Company uses the asset and liability method of accounting for income taxes whereby future income tax assets are recognized for deductible temporary differences and operating loss carry-forwards, and future income tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the amounts of assets and liabilities recorded for income tax and financial reporting purposes. Future income tax assets are recognized only to the extent that management determines that it is more likely than not those future income taxes will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment. The income tax expense or benefit is the income tax payable or refundable for the period plus or minus the change in future income tax assets and liabilities during the period.

8. Non-GAAP Measures

The following measures included in this MD&A do not have a standardized meaning under Canadian generally accepted accounting principles (GAAP):

- EBIT (earnings before interest and income taxes)
- EBITDA (earnings before interest, income taxes, depreciation and amortization);
- Compound Annual Growth Rate

A reconciliation of EBIT and EBITDA to the most comparable GAAP measure (net earnings) is provided as follows:

	Quarters Ended								Years Ended	
	Sept 30, 2009	June 30, 2009	Mar 31, 2009	Dec 31, 2008	Sept 30, 2008 (unaudited)	June 30, 2008	Mar 31, 2008	Dec 31, 2007	Sept 30, 2009	Sept 30, 2008
	(expressed in thousands of dollars)								(expressed in thousands of dollars)	
Net earnings (loss) for the period	\$(6,416)	\$(79)	\$(326)	\$(2,224)	\$1,673	\$1,930	\$1,099	\$235	\$(9,045)	\$4,937
Interest expense	431	393	424	528	501	494	566	495	1,776	2,055
Provision (recovery) for income taxes	290	(229)	(309)	(799)	642	853	338	118	(1,047)	1,951
Depreciation	495	389	551	550	561	564	555	589	1,985	2,269
Amortization of intangible assets	469	461	437	413	441	437	428	447	1,780	1,754
Goodwill impairment	7,198	-	-	-	-	-	-	-	7,198	-
EBITDA (loss)⁽¹⁾	2,467	935	777	(1,532)	3,818	4,278	2,986	1,884	2,647	12,966
Depreciation, amortization of intangible assets and goodwill impairment	8,162	850	988	963	1,002	1,001	983	1,036	10,963	4,023
EBIT (loss)⁽²⁾	(5,695)	85	(211)	(2,495)	2,816	3,277	2,003	848	(8,316)	8,943

Notes:

(1) The term “EBITDA” refers to earnings before deducting interest expense, provision for income taxes, depreciation and amortization. The Company believes that EBITDA is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation. EBITDA is not a recognized measure under Canadian GAAP, and accordingly, investors are cautioned that EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with Canadian GAAP as an indicator of the financial performance of the Company or as a measure of the Company’s liquidity and cash flows. The Company’s method of calculating EBITDA may differ from other issuers and accordingly, EBITDA may not be comparable to similar measures presented by other issuers.

(2) The term “EBIT” refers to earnings before deducting interest expense and provision for income taxes. The Company believes that EBIT is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration how those activities are financed and taxed. EBIT is not a recognized measure under Canadian GAAP, and accordingly, investors are cautioned that EBIT should not be construed as an alternative to net earnings or loss determined in accordance with Canadian GAAP as an indicator of the financial performance of the Company or as a measure of the Company’s liquidity and cash flows. The Company’s method of calculating EBIT may differ from other issuers and accordingly, EBIT may not be comparable to similar measures presented by other issuers.

Compound Annual Revenue Growth Rate (“CAGR”) - The year-over-year growth rate of the Company’s revenue over a specified period of time. The compound annual revenue growth rate is calculated by taking the nth root of the total percentage revenue growth rate, where n is the number of years in the period being considered.

9. Derivative Instruments

Commencing in 2007, we began to use derivative financial instruments to manage our exposure to changes in interest rates. We do not use derivatives to speculate, but rather as a risk management tool. During 2007, the Company entered into an interest rate swap with a notional amount of Cdn \$17,200,000 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, we:

- deal only with counterparties that are highly rated financial institutions; and
- restrict the amount of hedging we can transact with any one counterparty.

If we sell or terminate a hedged item, or it matures before the related hedging instrument is terminated, we recognize in income any realized or unrealized gain or loss on the derivative instrument. In accounting for this cash flow hedge, changes in fair value of this swap is 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. Our credit exposure to hedges and other derivatives is the current replacement value of any contracts that are in a gain position. As at September 30, 2009, our exposure from interest rate swap contracts was a loss net of income tax equal to \$994,000.

10. Recent Developments in Accounting Standards and Recently Issued Accounting Pronouncements

We have disclosed these matters in note 3 of the consolidated financial statements.

11. Internal Control over Financial Reporting

No changes were made in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

12. Additional Information

Additional information relating to the Company, including its Annual Information Form, is filed on SEDAR, available for review at www.sedar.com.

Glossary

Capitalization

Market price per common share (September 30, 2009 – Cdn. \$1.36) multiplied by total number of outstanding shares of 18,018,770 (December 31, 2008 – 18,003,459), divided by the U.S. dollar exchange rate at the end of the period.

Cash generated from Operations

Cash provided by (used in) operating activities less change in non-cash working capital

Current Ratio

Current assets divided by current liabilities

Debt to Equity

Total debt divided by shareholders' equity

Earnings before interest, income taxes, depreciation and amortization (EBITDA)

Earnings before deducting interest expense, provision for income taxes, depreciation and amortization

Earnings before interest and income taxes (EBIT)

Earnings before deducting interest expense and provision for income taxes.

Interest coverage Ratio

Interest for the twelve months period divided by earnings before interest, income taxes and amortization of intangible assets.

Long term debt and bank indebtedness to capitalization ratio

Total long term debt (including current portion) plus bank indebtedness divided by Capitalization

Return on Assets

Net earnings for the 12 month period divided by the average total assets for the 12 month period

Return on Equity

Net earnings for the 12 month period ended divided by the average shareholders' equity for the 12 month period