

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The following is a discussion of the consolidated financial position, results of operations and cash flows of Opta Minerals Inc. for the year ended December 31, 2005 and 2004, prepared in accordance with Canadian generally accepted accounting principles, and should be read in conjunction with the audited consolidated financial statements and the accompanying notes appearing elsewhere in this report and our audited consolidated audited financial statements as at and for the year ended December 31, 2005. The effective date of management's discussion and analysis is March 27, 2006.

As used in this discussion and analysis, unless the context otherwise requires or indicates, the "Company" or "Opta Minerals" means Opta Minerals Inc., together with each of its subsidiaries and divisions and includes, for the periods prior to the completion of the Company's initial public offering on February 17, 2005, the "Opta Minerals Group" an operating division of SunOpta Inc. ("SunOpta") that was transferred to Opta Minerals immediately prior to the initial public offering.

Certain information included herein may constitute "forward-looking" statements which involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements use such words as "may", "will", "expect", "believe", "plan", "intend" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and in filings made by us with Canadian securities regulatory authorities. Although the forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of the document, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

About Opta Minerals

Opta Minerals Inc. (TSX: OPM) is a vertically integrated producer, manufacturer, distributor and recycler of silica-free loose abrasives, industrial minerals, specialty sands and related products for use primarily in the foundry, steel, marine/bridge cleaning, roof shingle granules and municipal water filtration industries. The Company has experienced solid growth since July 1995, through a combination of internal growth and successfully integrated strategic acquisitions to become one of the dominant regional suppliers of silica-free loose abrasives in a number of select markets on the east coast of North America. These results were achieved while the Company was an operating group of SunOpta and during a period in which SunOpta dedicated the majority of its resources to building its core organic and natural food business.

The Company currently has production and distribution facilities in Ontario, Quebec, Louisiana, South Carolina, Virginia, Maryland and New York 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 it with a strategic growth opportunity, the Company intends to capitalize on this opportunity to become one of the dominant North American suppliers of silica-free loose abrasives while at the same time leveraging this core expertise to expand its breadth of services and product offering in other industrial minerals. In order to achieve this objective, the Company intends to accelerate its revenue and market share growth over the next several years by making a number of additional strategic acquisitions, through geographic expansion and through continued development of new products and services.

Management believes that the Company's outlook for the future is positive with future revenue and earnings growth being driven by a combination of factors including: increased sales of existing product lines, the introduction of new product lines, and entry into new markets via product expansion and/or strategic acquisitions and a continued focus on operating costs.

Performance Highlights and Significant Events

During the year ended December 31, 2005, the Company had the following performance highlights and significant events:

- Year to date earnings before income taxes, interest and stock compensation expense¹ of \$4,359,000 or 10% of revenue.
- Successfully completed the transition from a division to a subsidiary of SunOpta Inc. with an expanded management team to address the needs of an independent corporation with separate reporting, banking and audit requirements from its parent company.
- Completion of the Company's initial public offering on February 17th 2005 with an oversubscription for shares. After underwriter's fees, and other costs of the issue, net cash of \$17,498,000 was received by the Company to assist management in executing its growth strategy and for partial repayment of amounts due to SunOpta, leaving the Company with a strong balance sheet to grow the business in 2006.
- Completed the acquisition of certain production assets of Hillcrest Industries Inc. Assets acquired included a 10 year supply agreement for coal slag which is used to produce abrasive products and granules for roofing shingles. The supply potential from this agreement is estimated to be 30,000 to 40,000 tons annually. The equipment acquired was upgraded to increase capacity to 25,000 to 30,000 net tons per year and allow for the production of roofing shingle granules. Commercial production at this facility began late in 2005. The location of the plant will also allow the Company to cost effectively expand its geographic coverage into Pennsylvania and Ohio. This will allow Opta Minerals to tap into new customers and new geographic markets.
- Completed construction of the Baltimore abrasive facility and began commercial production of roofing shingle granules mid year in 2005. This facility has been profitable since April 2005.
- Completed upgrades to the Hardeeville South Carolina facility and began commercial production of abrasive materials mid year in 2005. This facility continues to be profitable since beginning commercial production.
- We have established a Brantford Ontario distribution centre for resale abrasive, steel and foundry products in mid 2005. This 47,000 ft² facility is well positioned to better service new and existing customers while reducing overall distribution & storage costs.
- Restructured Company debt in Q3 to reduce interest and principle repayments and preserve cash for operations and expansion initiatives.
- The Company has a facility located in New Orleans that was affected by both hurricanes Katrina and Rita. The plant is located in an industrial area where FEMA remediation efforts have been slow and the site only became accessible by vehicle late in the third quarter. Efforts to conduct repairs to the facility have been hampered by the lack of electricity and water which we do not expect to have restored until the first quarter of 2006. Current year earnings before taxes at this facility decreased \$175,000 from results recorded in 2004. Given the rebuilding efforts expected to be incurred in New Orleans in 2006 and 2007, we expect strong revenue growth from this plant once it reopens. Approximately \$478,000 of inventory stored at the New Orleans facility was affected by the floods. Despite minor contaminants found in the materials as a result of the flood, the product still meets QPL standards, and the cost of cleaning and re-drying the material is minimal and therefore the inventory is useable. Based on current assessments, management has not taken any provision against the \$78,000 of buildings and equipment located in New Orleans.

¹ Earnings before income taxes, interest and stock compensation expense is a Non-GAAP measure used by management. See page 8 of this report.

Highlights and Significant Events Continued...

- The Company continued the development and introduction of new products into the marketplace. Bringing new products to market continues to be a very important component of the Company's growth strategy. During the year Opta introduced several new resale products such as Glass Beads, Steel Shot, and Aluminum Oxide. Sales in these markets continue to grow with the help of an expanded sales team. The Company also brought internally produced products to market in 2005. During the year Opta began selling coloured sand for industrial purposes, and the Company's nickel based abrasive; ("PowerBlast") met the QPL standards for Navy Contracts in the U.S. The product is an ideal choice for blasting contracts on flammable surfaces such as oil containers and oil rigs. We expect strong demand for this product along the gulf coast, Norfolk, Michigan and New York areas in 2006.

Results Analysis

Selected Annual and Quarterly Data

The following is a summary of financial information for the periods indicated. The selected financial information for the period prior to the completion of the Company's initial public offering (February 17, 2005) represents the combined financial results of the Company. The combined financial statements presented in this report for periods prior to February 17, 2005 have been "carved out" from the consolidated financial statements of SunOpta Inc. The combined financial statements include the accounts of Opta Minerals, a division of SunOpta, Opta Minerals Inc., Opta Minerals (USA) Inc., Virginia Materials Inc., International Materials & Supplies Inc., Temisca Inc., 9017-0382 Quebec Inc. (Distribution A&L) and 1108176 Ontario Limited, all of which were, up to the completion of the Company's initial public offering, divisions or wholly-owned subsidiaries of SunOpta Inc.

	For the Three Months Ended December 31		For the Twelve Months Ended December 31		
(expressed in thousands of Canadian dollars, except per share amount)	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Income Statement Data	(unaudited)				
Revenue					
Manufacturing & distribution operations	\$9,672	\$9,407	\$40,211	\$39,577	\$32,884
St. Bruno de Guigues quarry operations	378	451	1,806	2,103	1,897
Total revenue	10,050	9,858	42,017	41,680	34,781
Gross profit	1,606	1,734	9,151	8,926	7,175
Gross margin %	16.0	17.6	21.8	21.4	20.6
Selling, general and administrative expenses	1,168	912	4,920	3,966	3,816
Earnings before the following:	438	822	4,231	4,960	3,354
Interest expense (net)	138	103	485	413	591
Other expense (income)	-	334	-	334	(140)
Stock compensation expense	27	-	481	-	-
Foreign exchange (gain) loss	7	82	(128)	9	67
Earnings before income taxes	266	303	3,393	4,204	2,841
Provision for income taxes	127	381	1,492	1,797	1,058
Net earnings (loss) for the period	139	(78)	1,901	2,407	1,783

Selected Annual and Quarterly Data – Continued	For the Three Months Ended December 31		For the Twelve Months Ended December 31		
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(unaudited)				
Basic net earnings (loss) per share	\$0.01	\$(0.01)	\$0.12	\$0.20	\$0.15
Diluted net earnings (loss) per share	\$0.01	\$(0.01)	\$0.12	\$0.20	\$0.15
Weighted average shares used in computing basic net earnings per share calculation	<u>16,950,867</u>	<u>12,000,000</u>	<u>16,279,534</u>	<u>12,000,000</u>	<u>12,000,000</u>
Weighted average shares used in computing diluted net earnings (loss) per share calculation	<u>16,950,867</u>	<u>12,000,000</u>	<u>16,279,534</u>	<u>12,000,000</u>	<u>12,000,000</u>

Balance Sheet Data (expressed in thousands of Canadian dollars)	As at December 31,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$4,077	\$448	\$536
Working capital (excluding current portion of amount due to (from) parent & affiliates)	21,333	12,411	10,649
Total assets	48,079	35,848	34,345
Long-term debt & preference shares (including current portion)	8,092	325	515
Due to (from) parent and affiliates	(29)	15,704	16,516
Shareholders' equity	35,396	14,777	12,843

Year ended December 31, 2005 compared to Year ended December 31, 2004

The Company's revenues increased 0.8% for the year ended December 31, 2005 from \$41,680,000 in 2004 to \$42,017,000. The 2005 results included \$1,409,000 in unfavourable foreign exchange movements between the U.S. and Canadian currency. Company wide sales of abrasive products and roofing granules were \$18,948,000, an increase of 24.1% over 2004 sales of \$15,267,000. A substantial portion of this increase is due to commercial operations at our new facilities in Hardeeville and Baltimore which recorded strong performances during the year with revenues of \$3,077,000. These results were offset by declines in our foundry and chromite sand products. As a group, foundry and chromite sands sales for the year ended December 31, 2005 were \$17,280,000 a 17.2% decrease from sales of 20,868,000 in 2004. The remaining variance in revenues between the 12 month periods ended December 31, 2005 and 2004 relates to sales of other industrial minerals and products which increased \$232,000.

Revenues within the Manufacturing & Distribution Operations segment increased by \$634,000 or 1.6% to \$40,211,000 compared to \$39,577,000. Revenues from the Company's Waterdown, Brantford and Lachine facilities declined \$2,234,000. The decline is primarily due to lower sales volumes of Chromite sands and foundry products. Revenues from the new facilities in Baltimore, Hardeeville and Attica contributed \$3,253,000 for the period ended December 31, 2005. Revenues at the New Orleans and Norfolk locations decreased by \$887,000. During the third quarter the Company's New Orleans facility was shut down as a result of hurricanes Katrina and Rita. FEMA efforts to restore electricity and water to the area where the plant is located have been slow and the facility is not expected to have electricity and water until April 2006. Revenues for the New Orleans plant were \$1,036,000 for the 12 months ended December 31, 2005 versus \$1,713,000 for the same period in 2004. Results at these facilities were also impacted by an unfavourable movement in the U.S. foreign exchange rate during the period. Had the exchange rate remained unchanged, revenues reported from the New Orleans and Norfolk locations would have been \$640,000 higher. Revenue at Distribution A&L increased by \$724,000. Approximately \$408,000 of this increase relates to having a full 12 months of operations reported in the 2005 results versus the eight month period reported in 2004 subsequent to the acquisition of the business. Revenues for all other manufacturing and distribution locations sustained a slight increase when compared to 2004. Revenues within the St. Bruno de Guigues Quarry Operations segment decreased by \$297,000 to \$1,806,000. The decrease in sales is due primarily to a decrease in demand for silica from this facility as a result of increasing freight costs.

Gross profit increased by \$225,000 to \$9,151,000 or 21.8% of revenues for the year ended December 31, 2005 compared to \$8,926,000 or 21.4% of sales for the same period in 2004. For the year ended December 31, 2005 gross profits at the Company's Waterdown, Brantford and Lachine locations decreased by \$515,000 when compared to 2004. The decrease is primarily due to lower Chromite sand and foundry product sales, which was partially offset by an increase in abrasive market sales. Gross profit from the new facilities in Baltimore and Hardeeville were \$978,000 higher for the year ended December 31, 2005 versus the pre-operating results reported for the 12 months ended December 31, 2004. Gross profit pertaining to the St. Bruno de Guigues Quarry Operations decreased by \$212,000 mainly as a result of a decline in sales volume and a move to lower margin products. The Company's new Attica facility had a year to date loss from operations of \$78,000. These costs were incurred while the facility was being upgraded to produce roofing shingle granules. Gross profits from the New Orleans and Norfolk locations were \$243,000 higher than the twelve months ended December 31, 2004. Improved margins at the Norfolk facility were offset by the decline in business at New Orleans due to the hurricanes. Gross profits at all other locations declined \$119,000 when compared to 2004.

Selling, general and administrative expenses increased \$954,000 or 24.1% compared to \$3,966,000 for the year ended December 31, 2004. Approximately \$203,000 in additional SG&A was incurred as a result of the acquisition of Distribution A&L. The remaining increase relates to incremental audit, tax and consulting fees associated with public company reporting, and increases in headcount. Late in 2004, Opta recruited several key employees to supplement the existing management team. All costs associated with executive salary and benefits were then classified to SG&A. The Company also added additional members to the sales team to develop new sales territories in the US. All of Opta's salespeople are paid on a commission structure that is based on gross profit. For the year ended December 31, 2005 SG&A as a percentage of revenues was 11.7%, however the Company remains committed to a long term SG&A rate of no greater than 10% of revenues.

Earnings before income taxes, interest and stock compensation expense² for the year ended December 31, 2005 was \$4,359,000 compared to \$4,617,000 for the year ended December 31, 2004. Earnings before income taxes, interest and stock compensation expense² for the Manufacturing & Distribution Operations decreased by \$71,000 to \$4,125,000 when compared to the same period in 2004. The St. Bruno De Guigues Quarry Operations had earnings before income taxes, interest and stock compensation expense of \$234,000 for the year ended December 31, 2004 compared to \$421,000 in 2005. The most significant component of these

² Earnings before income taxes, interest and stock compensation expense is a Non-GAAP measure used by management. See page 8 of this report.

variances other than the increase in gross profit and SG&A previously discussed relates to the \$334,000 in IPO related expenses incurred in 2004 and included in the manufacturing and distribution operations results.

For the year ended December 31, 2005, the Company recorded \$481,000 in stock compensation expense. Immediately prior to the Company's initial public offering a total of 340,000 options were granted to employees, officers and directors of the Company. Twenty percent of the grant vested immediately with the remaining portion vesting at a rate of 20% per annum over a four year period. In accordance with Canadian GAAP, the Company has recorded compensation expense of \$193,000 during the twelve months ended December 31, 2005 pertaining to the vested options granted. In addition, concurrent with the Company's initial public offering, the Company's parent SunOpta Inc. gifted 75,000 common shares of the Company to certain employees and officers of the Company in recognition of their service and dedication to the organization. The shares gifted to certain officers and employees were from SunOpta's holdings and while the cost of these shares were borne entirely by SunOpta, an expense equal to the fair value of those shares was recorded in Opta Minerals' results. This was considered appropriate given that a benefit was realized by employees of Opta Minerals Inc., a Company under SunOpta's control. Total compensation expense related to the gifting was \$288,000.

The effective income tax rate for the year ended December 31, 2005 was 44.0% compared to 42.7% for the comparable period in 2004. Approximately 5.0% of the effective tax rate increase is due to stock compensation expense recorded in the period that is not deductible for tax purposes. The remaining difference relates to an increased proportion of the Company's income being generated by U.S. operations which incur a higher statutory tax rate, partially offset by changes in the amount of other permanent differences.

Net earnings for the year ended December 31, 2005 were \$1,901,000, compared to \$2,407,000 for the same period in 2004. Current year earnings before stock compensation expense were \$2,382,000 for the year ended December 31, 2005.

Earnings before interest, income taxes, depreciation and amortization ("EBITDA")³ was \$5,358,000 for year ended December 31, 2005 versus \$6,030,000 for the same period ended 2004. Current year EBITDA includes \$481,000 in stock compensation expense incurred as previously described.

Quarterly Results of Operations

The following table sets out selected financial information for each of the eight most recent quarters ended December 31, 2005. 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, 2005 and 2004. Only normal recurring adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results.

	Quarters Ended							
	Dec 31, 2005	Sept 30, 2005	June 30, 2005	Mar 31, 2005	Dec 31, 2004	Sept 30, 2004	June 30, 2004	Mar 31, 2004
	(unaudited - expressed in thousands of Canadian dollars)							
Revenue	\$10,050	\$10,231	\$12,242	\$9,494	\$9,858	\$10,545	\$12,549	\$8,728
EBITDA⁽⁹⁾	816	1,349	2,326	867	843	1,608	2,636	943
Earnings before income taxes and stock compensation expense⁴	293	886	1,867	828	303	1,246	2,148	507
Net earnings (loss) for the period	139	546	1,108	108	(78)	838	1,332	315

³ EBITDA is a Non-GAAP measure used by management. See page 8 of this report.

⁴ Earnings before income taxes and stock compensation expense is a Non-GAAP measure used by management. See page 8 of this report.

The following table reconciles net earnings for the period to EBITDA⁽¹⁾ and earnings before income taxes and stock compensation expense⁽²⁾.

	Quarters Ended							
	Dec 31, 2005	Sept. 30, 2005	June 30, 2005	Mar 31, 2005	Dec 31, 2004	Sept 30, 2004	June 30, 2004	Mar 31, 2004
	(unaudited)							
	(expressed in thousands of Canadian dollars)							
Net earnings (loss) for the period	\$139	\$546	\$1,108	\$108	\$(78)	\$838	\$1,332	\$315
Interest expense	138	115	139	93	103	65	152	93
Provision for income taxes	127	318	733	314	381	408	816	192
Depreciation and amortization	412	370	346	352	437	297	336	343
EBITDA⁽¹⁾	816	1,349	2,326	867	843	1,608	2,636	943
Add (subtract):								
Interest expense	(138)	(115)	(139)	(93)	(103)	(65)	(152)	(93)
Depreciation and amortization	(412)	(370)	(346)	(352)	(437)	(297)	(336)	(343)
Stock compensation expense	27	22	26	406	-	-	-	-
Earnings before income taxes and stock compensation expense⁽²⁾	293	886	1,867	828	303	1,246	2,148	507

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) Earnings before income taxes and stock compensation expense is defined as gross profit less selling general and administrative expenses, interest expense, other income and foreign exchange. The Company believes that earnings before taxes and stock compensation expense 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 income taxes and expenses pertaining to stock option benefits. Earnings before income taxes and stock compensation expense is a non-GAAP earnings measure that does not have standardized measures prescribed by GAAP, and therefore may not be comparable to similar measures presented by other publicly traded companies.

Liquidity and Capital Resources

As at December 31, 2005 the Company had \$8,092,000 in long-term debt and preferred shares owing to third parties. During the year, the Company restructured its long term debt, by replacing the amount due to SunOpta with facility debt from the Bank of Montreal. Terms for the previous SunOpta loan of \$15,704,000 were established once the Company repaid \$5,500,000 from the proceeds of its IPO. The remaining \$10,071,000 was payable over four years, but was repaid on September 30, 2005 without penalty by drawing on a new \$8,000,000 facility from the Bank of Montreal that is payable over 10 years and by utilizing \$2.1 million of cash on hand. The Company’s operating facility was also extended from \$5,000,000 to \$7,500,000 but was not drawn upon for the settlement. As at December 31, 2005, the interest charged by the third party lender was lower than what would be charged by SunOpta. In addition, cash flows over the next four years will be significantly improved as current repayment obligations over that period will be \$3,200,000 rather than the \$10,071,000 that would be due to SunOpta. The Company historically has obtained its financing through cash from operations and advances from SunOpta and its affiliates. Prior to the Company’s initial public offering, Opta participated in a consolidated treasury management system with SunOpta. Advances from affiliates and participation in SunOpta’s treasury management system were terminated concurrent with the Company’s IPO and replaced with a single promissory demand note to SunOpta. Immediately prior to the debt repayment noted above, this note together

with accrued interest totaled \$10,071,000. The remaining long term debt of \$92,000 relates to other long term debt and preferred shares owing to third parties. These liabilities are expected to be substantially paid off in the next two years and relate solely to debt assumed or incurred through acquisitions made by the Company.

As noted on September 30, 2005, the Company amended its credit facility agreement with the Bank of Montreal to repay the SunOpta loan noted above. Our financing arrangements with the Bank of Montreal now include a \$7,500,000 revolving term operating facility, a \$5,000,000 revolving term acquisition facility, and the \$8,000,000 term facility that was drawn upon to repay the SunOpta loan which is repayable over 10 years. Capital resources will be available from cash from the offering, cash available from the new credit facilities and cash from operations. These funds are expected to be sufficient to grow the Company internally, and fund certain targeted acquisitions.

Subsequent to December 31, 2005 the Company further amended its credit facilities to finance the acquisition of Magnesium Technologies Corporation. Opta's financing agreements with the Bank of Montreal now include a \$12,500,000 revolving term operating facility that was drawn upon for the acquisition, a \$5,000,000 revolving term acquisition facility, and an \$11,000,000 term facility that was drawn upon to repay the SunOpta loan and to finance the acquisition of Magtech which is repayable over 10 years.

In order to finance significant acquisitions, the Company may need additional sources of cash which could be obtained through a combination of additional bank or subordinated financing, a private or public share offering or the issuance of shares in relation to an acquisition.

Working Capital

The Waterdown and St. Bruno de Guigues Quarry operations are seasonal and slow down during the winter months due to seasonal application of the products produced at these facilities. As a result, the Company's investment in working capital declines starting in the fourth quarter through the first quarter and increases again in the second quarter.

Many of the products received are transported by ship. In order to economize on freight costs, certain products are purchased in quantities that will take upwards of a year to sell. These purchases can be significant and have a material effect on working capital needs.

The Company has a working capital surplus of \$21,362,000. Due to the bulk shipping requirements noted above as well as investment in working capital for new business, a significant portion of cash resources obtained through the IPO have been invested in working capital and plant equipment.

Available cash and financing on March 31, 2005 following the Company's IPO were approximately \$24,624,000 and as at December 31, 2005 available cash and financing total \$15,526,000, a decrease of \$9,098,000. Since March 31, 2005 the Company generated \$3,437,000 in cash from operations before changes in working capital. This was offset against several significant cash commitments. Approximately \$5,845,000 of the cash used during the nine month period ended December 31, 2005 relates to an increase in inventory to support new business opportunities. During the year, the Company introduced quality steel grit and steel shot products to the markets it currently services. Along with purchasing the initial inventories required at each of Opta's locations, these imported products generally have a long lead time as purchases are settled before beginning approximately six weeks of transport by ship to ports in the Company's area. Management remains confident that as sales of this product develop, the returns will more than justify the investment in inventory. In addition, the Company continues to purchase several raw materials in bulk to economize on freight costs. Two of the most significant bulk purchases made are for chromite sands and specular hematite. The Company has made further investments in chromite sands to capitalize on a new distribution agreement for that product that includes territories in the United States and Mexico. While Opta has not substantially increased the quantity of specular hematite purchased in bulk, a general increase in the commodity price of iron ore and bulk freight has contributed to a higher overall cost for this raw material. These costs are factored into finished goods pricing and is therefore passed on to customers. During 2006, the Company will continue to execute plans to reduce its investment in working capital, particularly inventory while continuing to provide best in class service and availability for our customers. A further \$2,555,000 of cash used subsequent to March 31, 2005 relates to investments in capital throughout the organization. These capital projects are approved based on their ability to reduce operating costs, sustain existing capital, or meet regulatory requirements. The acquisition of assets from Hillcrest Industries Inc. and a contingent payment pertaining to Distribution A&L required cash outlays totaling \$813,000. A further \$2,071,000 was used to repay the SunOpta loan, and \$1,051,000 of the Company's operating facility has been reserved to cover outstanding letters of credit that had previously been maintained by SunOpta Inc. The remaining change in cash and available financing for the nine months ended December 31, 2005 relates to movements in other working capital accounts.

Summary of Cash flows

(expressed in thousands of Canadian dollars)	For the Three Months Ended December 31		For the Year Ended December 31	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net cash provided by (used in):	(unaudited)			
Operating activities	\$1,749	\$1,342	\$(1,747)	\$2,603
Investing activities	(819)	(475)	(3,601)	(2,142)
Financing activities	(101)	(1,365)	9,014	(521)
Foreign exchange loss on cash held in foreign currency	(25)	22	(37)	(28)

Year Ended December 31, 2005 compared to the Year Ended December 31, 2004

Cash used in operating activities for the year ended December 31, 2005 were \$1,747,000 compared to positive cash flows of \$2,603,000 in 2004. The decrease was due to increased investments in working capital, particularly in inventory, as compared to 2004. Excluding the investment in inventory cash flows from operations for the twelve months ended December 31, 2005 were \$4,493,000. In particular, the Company has imported several materials such as Chromite sands and Specular Hematite in large quantities to gain savings on freight costs. A general increase in the commodity price of iron ore, along with supply constraints on several other specialty materials acquired in the during 2005 resulted in a higher landed cost of raw material inventory than incurred in 2004. All of these increases in raw material costs are factored into finished goods pricing and are therefore passed to customers. In addition, the Company is increasing its offering of resale specialty abrasives and industrial minerals from foreign sources. The terms with these suppliers generally result in an increase in day's inventory on hand and lower days' payables outstanding, as title to the material changes hands prior to ocean transport. For the twelve month period ended December 31, 2005, the investment in the Company's accounts receivable increased by \$585,000 as compared to \$58,000 for the same period ended 2004. The change in receivables is directly due to sales from Baltimore, Hardeeville, and Attica. Overall the Company's days sales outstanding of 53 days have remained consistent when compared to 50 days in 2004.

Cash used in investing activities was \$3,601,000 for the year ended December 31, 2005 as compared to \$2,142,000 in 2004. In the prior year's second quarter, the Company acquired Distribution A&L, and was making significant capital investments in start up operations at Hardeeville and Baltimore. These were offset by \$1,337,000 in proceeds from the sale of property, plant and equipment relating to the Company's old Hamilton facility. In 2005, the Company acquired certain production assets of Hillcrest Industries Inc. and has invested in capital improvements designed to reduce operating costs or comply with regulatory requirements at its Waterdown, Baltimore, Attica and Temisca locations.

Cash obtained in financing activities was \$9,014,000 for the year ended December 31, 2005. The most significant financing transactions recorded in the period pertain to receipt of proceeds from the Company's IPO and the exercise of the underwriter's over allotment option. Together these transactions generated cash of \$17,498,000 after transaction costs. Using some of the proceeds from the exercise of the over allotment and the IPO, the Company then repaid \$5,500,000 in long term debt owing to SunOpta Inc. The remaining balance owing to SunOpta was repaid on September 30, 2005. The repayment of the SunOpta loan was executed by drawing on an \$8,000,000 10 year facility with a third party lender and utilizing \$2,071,000 of cash on hand.

Contractual Obligations and Commitments

The Company has the following contractual obligations over the next five fiscal years and thereafter:

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>						
	<u>Total</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>
Long term debt	\$8,015	\$1,010	\$805	\$800	\$800	\$800	\$3,800
Preferred shares	77	77	-	-	-	-	-
Operating leases	4,973	1,082	999	924	771	556	641
Total contractual obligations	<u>13,065</u>	<u>2,169</u>	<u>1,804</u>	<u>1,724</u>	<u>1,571</u>	<u>1,356</u>	<u>4,441</u>

Transactions with Related Parties

SunOpta charges management fees to the Company which include direct costs incurred by SunOpta for professional services and insurance as well as fees relating to specific accounting, treasury or other administrative services provided at fair market value. SunOpta or affiliates have also charged interest on certain debt of the Company as disclosed within notes 5 and 13 of the consolidated financial statements.

Following the completion of the Offering, the Company repaid \$5,000,000 of the amounts due to SunOpta and its affiliates out of the proceeds received. A further \$500,000 was repaid on May 2, 2005 out of the proceeds of the over allotment. The remaining amounts owing to SunOpta were repaid on September 30, 2005.

On June 30, 2005 the Company provided \$1,039,000 to SunOpta as supporting funds on outstanding letters of credit held by SunOpta in the Company's favour. These funds were returned to the Company in the third quarter and the letters of credit are now provided for under Opta Minerals' own credit agreement with the Bank of Montreal.

The historical combined financial statements of the Company were recorded as though the Company were a separate tax paying entity. Upon transfer of the net assets of the Company to Opta Minerals Inc. on February 17, 2005, SunOpta also contributed additional tax assets of \$756,000.

During the year SunOpta Inc. gifted shares of Opta Minerals Inc. to certain employees of Opta Minerals Inc. in recognition for their past service. The shares, gifted to officers and employees were from SunOpta's holdings and, while the cost of these shares was borne entirely by SunOpta, an expense equal to \$288,000 was recorded in Opta Minerals results as a result of generally accepted accounting principles for related party transactions.

Risks and Uncertainties

We operate in a dynamic, rapidly changing environment that involves risks and uncertainties. You should carefully consider the risks described in other information contained in our filings with Canadian securities regulatory agencies, including our 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.

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 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 1 of our annual consolidated financial statements as at December 31, 2005 and for the year then ended.

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
- Collectibility 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, determined on a first-in, first-out basis, or estimated net realizable value. 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. 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.

Impairment of Goodwill and Intangible Assets

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 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 the time and charged to the statement of earnings. The Company has assessed the carrying value of goodwill for possible impairment and has determined that no such impairment exists as at December 31, 2005.

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

Licensing Agreement	10 years
Customer Relationship	8 years
Long Term Supply Contract	over the contract period of 10 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 year plus or minus the change in future income tax assets and liabilities during the year.

Estimates

The preparation of 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 assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Actual results could differ from those estimates.

Significant estimates include, but are not limited to, the measurement of accounts receivable and the related allowance for bad debts, measurement of inventory, measurement of goodwill and intangibles and revenue recognition.

Disclosure Controls and Procedures

As at the financial year ended December 31, 2005, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2005 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Recent Developments in Accounting Standards

CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. Section 3855 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

CICA Handbook Section 3865, Hedges, is applicable whenever a company chooses to designate a hedging relationship for accounting purposes. It specifies how hedge accounting is applied and what disclosures are necessary when it is applied. Section 3865 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

CICA Handbook Section 1530, Comprehensive Income, introduces new standards for reporting and disclosing comprehensive income. Comprehensive income is the change in equity of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Section 1530 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

CICA Handbook Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during a reporting period. Section 3251 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

Additional Information

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