MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010

Financial Highlights

(IN 000S OF U.S. DOLLARS EXCEPT FOR PER SHARE AMOUNTS)	For the three months ended September 30		For the nine months ended September 30	
	2010 $	2009 $	2010 $	2009 $
Consolidated				
Revenue	20,421	16,745	59,492	45,810
Gross profit	5,191	4,181	15,172	9,597
Selling, general and administrative expenses	2,812	2,347	7,907	7,039
EBITDA[1]	4,009	2,467	9,561	4,179
EBIT[2]	2,965	(5,695)	6,496	(5,821)
Provision for (recovery of) income taxes	682	290	1,489	(248)
Net earnings (loss) for the period	1,677	(6,416)	3,517	(6,821)
Tangible net worth[3]			12,999	9,221
Per Share				
Earnings (loss) (basic and fully diluted)	$0.10	($0.36)	$0.20	($0.38)
Cash generated from operations	$0.14	$0.18	$0.24	$0.42
Cash generated from (used in) operating activities[4]	$0.16	$0.06	$0.32	$0.08
Shareholders' equity			$2.24	$2.12
Number of shares outstanding – weighted average (dilutive)	18,031,500	18,015,197	18,028,106	18,010,386
Number of shares outstanding – period end	18,033,519	18,018,770	18,033,519	18,018,770
Ratios[5]				
Debt to equity			0.60:1	0.76:1
Current ratio			1.62:1	1.64:1
Return (loss) on assets			4.6%	(9.0)%
Return (loss) on equity			10.5%	(21.0)%

[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 are found in the Glossary to this report.

Management's Discussion and Analysis

Table of Contents

FINANCIAL HIGHLIGHTS 2

INTRODUCTION 4
1. OUR COMPANY 5
   Overview of the Business 5
2. HOW WE PERFORMED 6
   Performance Highlights and Outlook 6
   Selected Financial Data 7
   Three and Nine Months Ended September 30, 2010, Compared with the Three and Nine Months Ended September 30, 2009 8
3. CAPITAL STRUCTURE AND FINANCING 13
   Capital Structure 13
   Funding Program 14
   Three Months Ended September 30, 2010, Compared with the Three Months Ended September 30, 2009 15
   Nine Months Ended September 30, 2010, Compared with the Nine Months Ended September 30, 2009 15
   Financial Ratios 16
   Funding Costs 16
4. CONTRACTUAL OBLIGATIONS AND COMMITMENTS 17
5. TRANSACTIONS WITH RELATED PARTIES 17
6. RISKS AND UNCERTAINTIES 17
7. CRITICAL ACCOUNTING POLICIES AND ESTIMATES 18
   Revenue Recognition 18
   Accounts Receivable 18
   Inventory 18
   Goodwill 19
   Intangible Assets 19
   Income Taxes 19
8. NON-GAAP MEASURES 19
9. DERIVATIVE INSTRUMENTS 20
10. RECENT DEVELOPMENTS IN ACCOUNTING STANDARDS AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS 21
11. INTERNATIONAL FINANCIAL REPORTING STANDARDS 21
   Significant Accounting Differences 23
12. INTERNAL CONTROL OVER FINANCIAL REPORTING 23
13. ADDITIONAL INFORMATION 23

GLOSSARY 24

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, 2010 and 2009, 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. and 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 Management Discussion and Analysis (MD&A) on November 4, 2010. This MD&A includes Opta's operating and financial results for the three and nine months ended September 30, 2010 and 2009, and should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2009, which are available on SEDAR's web site 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 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 MD&A. 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 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 MD&A.

1. Our Company

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 integrating strategic acquisitions, and has 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.

The Company has offices and production and distribution facilities in Ontario, Quebec, Louisiana, South Carolina, Virginia, Maryland, Michigan, Indiana, New York, Texas, Florida, Slovakia and France; it has one of the broadest product lines in the industry. Recognizing 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.

As part of its business strategy, the Company seeks to create or acquire vertically integrated product lines. To the maximum extent possible, the Company participates at all levels of production, starting with sourcing raw materials and continuing through to the processing, distribution and recycling of its used products. Through this model, the Company is able to optimize control of quality and enhance value-added margins, as well as provide a complete range of products and services to its customers.

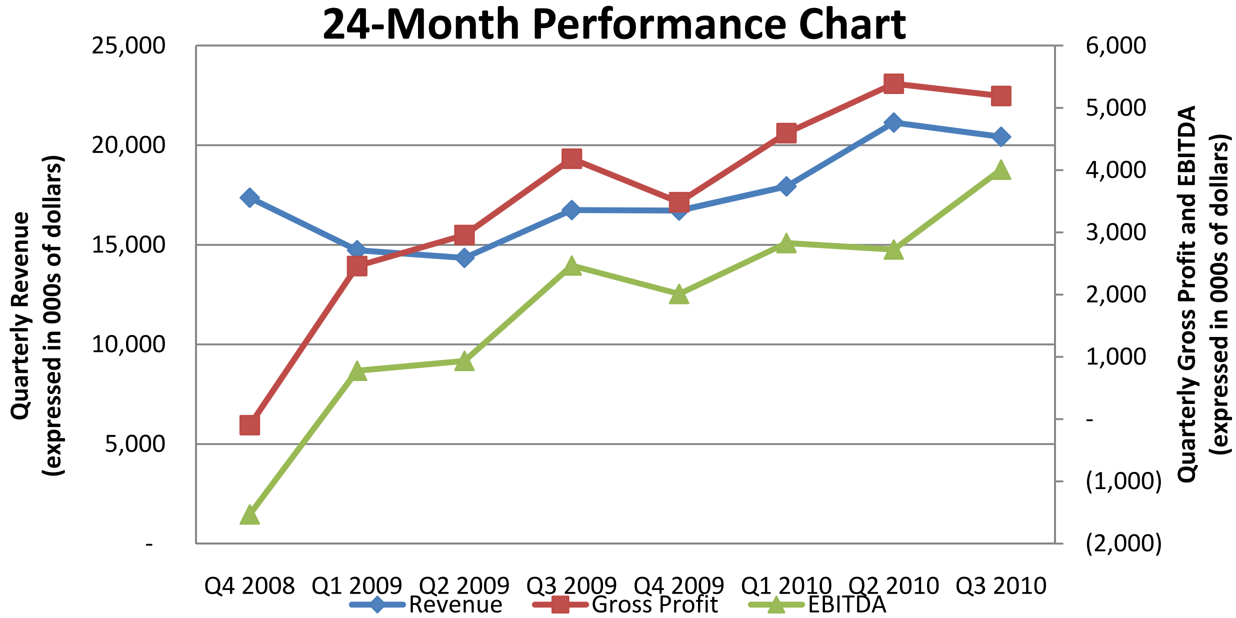
The Company's industrial mineral products include chromites and zircons, clays, coated sands, lime and magnesium blends and other industrial mineral blends sourced from South Africa, China, the Middle East and North America. These products are then processed at the Company's facilities for sale primarily to the steel and foundry industries.

The Company manufactures a wide range of silica-free abrasives, including branded products such as Blackblast, Econoblast, Ebonygrit, Powerblast, Ultrablast and Galaxy Garnet. The raw materials for the production of these abrasives are sourced primarily from North American suppliers, with additional sourcing from suppliers in China, India and Europe.

2. How We Performed

Performance Highlights and Outlook

The following chart highlights the trends in revenue, gross profit and EBITDA[1] over the past eight quarters.



Despite the challenging global economic conditions over the past 24 months, the performance trend demonstrates steady growth in the Company's operating results over the past eight quarters. This growth is a result of:

- An increase in shipments and services to steel mills as a result of increased steel production by our customers in both North America and Europe;
- Incremental revenue from our new production and warehouse facilities in Freeport, Texas, and Tampa Bay, Florida; and
- The positive impact of cost reduction measures implemented during 2009, including facility closures and workforce reductions.

We project that performance should remain strong in the year ahead with gradual economic recovery. The Company's management has responded quickly to the changing economic environment over the past few years to adapt production, cut costs, improve cash flow and strengthen the balance sheet. Quarterly results for the Company have gradually improved since the three months ended December 31, 2008, and the Company has steadily increased production at most of its facilities during this period.

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

Selected Financial Data

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

(expressed in thousands of dollars, except gross margin percentage)	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
Income Statement Data	(unaudited)		(unaudited)	
Revenue	$	$	$	$
Mill and foundry products and services	13,099	10,988	39,019	29,888
Abrasive products manufacturing and distribution operations	7,322	5,757	20,473	15,922
Total revenue	**20,421**	**16,745**	**59,492**	**45,810**
Gross profit	**5,191**	**4,181**	**15,172**	**9,597**
Gross margin	25.4%	25.0%	25.5%	20.9%
Selling, general and administrative expenses	2,812	2,347	7,907	7,039
Earnings before the following:	**2,379**	**1,834**	**7,265**	**2,558**
Interest expense (net)	606	431	1,490	1,248
Amortization of intangible assets	455	469	1,375	1,367
Stock compensation expense	95	72	218	210
Other (income) expenses	–	21	–	305
Foreign exchange (gain) loss	(1,136)	(166)	(824)	(431)
Earnings (loss) before income taxes, goodwill impairment and non-controlling interest	**2,359**	**1,007**	**5,006**	**(141)**
Provision for (recovery of) income taxes	682	290	1,489	(248)
Net earnings before goodwill impairment and non-controlling interests	**1,677**	**717**	**3,517**	**107**
Goodwill impairment	–	7,198	–	7,198
Net earnings (loss) before non-controlling interests	**1,677**	**(6,481)**	**3,517**	**(7,091)**
Net loss attributable to non-controlling interest	–	(65)	–	(270)
Net earnings (Loss)	**1,677**	**(6,416)**	**3,517**	**(6,821)**

Selected Quarterly Data – Continued	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Basic net earnings (loss) per share	$0.10	($0.36)	$0.20	($0.38)
Diluted net earnings (loss) per share	$0.10	($0.36)	$0.20	($0.38)
Weighted average shares used in computing basic net earnings per share calculation	18,031,500	18,015,197	18,028,106	18,010,386
Weighted average shares used in computing diluted net earnings per share calculation	18,031,500	18,015,197	18,028,106	18,010,386

Balance Sheet Data (unaudited)
(expressed in thousands of dollars)

	As at		
	September 30, 2010	**December 31, 2009**	**September 30, 2009**
	$	$	$
Cash and cash equivalents	909	781	1,161
Working capital	13,170	12,158	11,951
Total assets	91,169	86,881	88,534
Bank indebtedness and long-term debt (including current portion)	24,259	26,762	29,070
Shareholders' equity excluding non-controlling interest	40,396	38,257	38,216

Quarterly Results of Operations

The following table sets out selected financial information for each of the eight most recent quarters, ended September 30, 2010. 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, 2009 and 2008.

	Quarters Ended (unaudited)							
(expressed in thousands of dollars)	**Sep 30, 2010**	**Jun 30, 2010**	**Mar 31, 2010**	**Dec 31, 2009**	**Sep 30, 2009**	**Jun 30, 2009**	**Mar 31, 2009**	**Dec 31, 2008**
Revenue	$20,421	$21,140	$17,931	$16,716	$16,745	$14,339	$14,726	$17,365
EBITDA*	4,009	2,724	2,828	2,011	2,467	935	777	(1,532)
Net earnings (loss) for the period	1,677	864	976	616	(6,416)	(79)	(326)	(2,224)
Basic and diluted earnings (loss) per share	$0.10	$0.05	$0.05	$0.04	($0.36)	$0.00	($0.02)	($0.12)

* EBITDA is a non-GAAP measure used by management to measure performance. Please see Section 8 of this report for a discussion of the calculation of EBITDA.

Three and Nine Months Ended September 30, 2010, Compared with the Three and Nine Months Ended September 30, 2009

Company-Wide Revenues

One of the Company's strengths is its geographic reach, resulting from 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 each facility's revenue is derived primarily from one of the aforementioned segments, its customers' needs can include both abrasive products and steel and foundry products. As a result, management believes details of Company-wide sales of steel and foundry products, abrasive products, and other industrial mineral products and services provide 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.

Sales by Segment

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	Increase (Decrease)	%
Mill and foundry products and services	$12,892,000	$11,128,000	$1,764,000	15.9%
Abrasive products	6,012,000	4,523,000	1,489,000	32.9%
Other industrial mineral products and services	1,517,000	1,094,000	423,000	38.7%
Revenue	$20,421,000	$16,745,000	$3,676,000	22.0%

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009	Increase (Decrease)	%
Mill and foundry products and services	$38,296,000	$29,300,000	$8,996,000	30.7%
Abrasive products	17,311,000	13,461,000	3,850,000	28.6%
Other industrial mineral products and services	3,885,000	3,049,000	836,000	27.4%
Revenue	$59,492,000	$45,810,000	$13,682,000	29.9%

The increase in Company-wide sales of mill and foundry products and services relates to increased demand for magnesium-based reagent blends, chemical powders and insulator products.

The increase in Company-wide sales of abrasive products is primarily driven by demand for metallurgical slag in the southern United States, plus incremental sales from the new Texas and Florida locations in the amount of $2,385,000 for the nine-month period ended September 30, 2010.

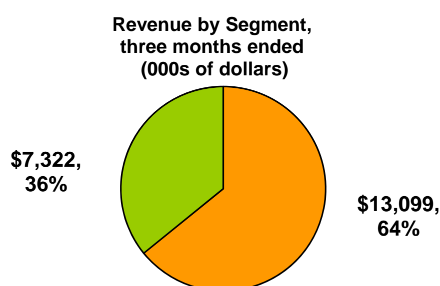
Performance by Segment

The Company operates in two industry segments: mill and foundry products and services, and abrasive products manufacturing and distribution operations. The following is a summary of revenue by segment for the three- and nine-month periods ending September 30, 2010 and 2009.

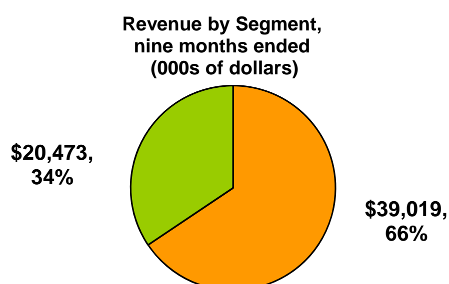
Revenue by Segment

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	Increase (Decrease)	%
Mill and foundry products and services	$13,099,000	$10,988,000	$2,111,000	19.2%
Abrasive products manufacturing and distribution operations	7,322,000	5,757,000	1,565,000	27.2%
Revenue	$20,421,000	$16,745,000	$3,676,000	22.0%

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009	Increase (Decrease)	%
Mill and foundry products and services	$39,019,000	$29,888,000	$9,131,000	30.6%
Abrasive products manufacturing and distribution operations	20,473,000	15,922,000	4,551,000	28.6%
Revenue	$59,492,000	$45,810,000	$13,682,000	29.9%



Mill and foundry products and services
Abrasive products manufacturing and distribution operations



Mill and foundry products and services
Abrasive products manufacturing and distribution operations

Revenue in the mill and foundry products and services segment increased as a result of an increase in the production volumes of the Company's steel and foundry customers. This increase is partially offset by $1,170,000 of sales previously serviced from our Lachine, Quebec, location that are now serviced from Laval, Quebec, recorded in the abrasive products segment.

Revenue in the abrasive products manufacturing and distribution operations segment increased as a result of increased demand for abrasive slag in the southern U.S., incremental sales from the new Texas and Florida locations and, as mentioned above, the sale of mill and foundry products in Quebec that are being serviced from our Laval location.

Gross Profit

The following is a summary of gross profit for the three- and nine-month periods ending September 30, 2010 and 2009.

Gross Profit

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	Increase (Decrease)	%
Revenue	$20,421,000	$16,745,000	$3,676,000	22.0%
Cost of goods sold	15,230,000	12,564,000	2,666,000	21.2%
Gross profit	$5,191,000	$4,181,000	$1,010,000	24.2%
Gross profit as a % of revenue	25.4%	25.0%		

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009	Increase (Decrease)	%
Revenue	$59,492,000	$45,810,000	$13,682,000	29.9%
Cost of goods sold	44,320,000	36,213,000	8,107,000	22.4%
Gross profit	$15,172,000	$9,597,000	$5,575,000	58.1%
Gross profit as a % of revenue	25.5%	20.9%		

The favourable variance in gross profit as a percentage of revenue is largely a result of the increase in sales volume in both industry segments and of the impact of the previously announced cost reduction measures implemented by management during fiscal 2009.

Other Selected Profit and Loss Data

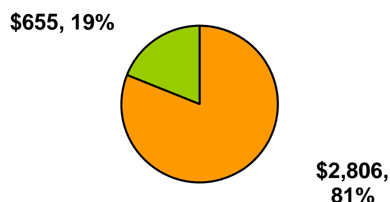
The following is a summary of other selected profit and loss data for the three- and nine-month periods ending September 30, 2010 and 2009.

Profit and Loss Data

	For the three months ended September 30, 2010	**For the three months ended September 30, 2009**	**Increase (Decrease)**	**%**
Selling, general and administration	$2,812,000	$2,347,000	$465,000	19.8%
EBITDA	$4,009,000	2,467,000	$1,542,000	62.5%
Interest, net	606,000	431,000	175,000	40.6%
Amortization of property, plant and equipment	589,000	495,000	94,000	19.0%
Amortization of intangible assets	455,000	469,000	(14,000)	(3.0%)
Provision for (recovery of) income taxes	682,000	290,000	392,000	135.2%
Goodwill impairment	–	7,198,000	(7,198,000)	(100.0%)
Net earnings (loss)	$1,677,000	($6,416,000)	$8,093,000	126.1%
Earnings (loss) per share (basic and dilutive)	$0.10	($0.36)	$0.46	

	For the nine months ended September 30, 2010	**For the nine months ended September 30, 2009**	**Increase (Decrease)**	**%**
Selling, general and administration	$7,907,000	$7,039,000	$868,000	12.3%
EBITDA	$9,561,000	4,179,000	$5,382,000	128.8%
Interest, net	1,490,000	1,248,000	242,000	19.4%
Amortization of property, plant and equipment	1,690,000	1,435,000	255,000	17.8%
Amortization of intangible assets	1,375,000	1,367,000	8,000	0.6%
Provision for (recovery of) income taxes	1,489,000	(248,000)	1,737,000	700.4%
Goodwill impairment	–	7,198,000	(7,198,000)	(100.0)
Net earnings (loss)	$3,517,000	($6,821,000)	$10,338,000	151.6%
Earnings (loss) per share (basic and dilutive)	$0.20	($0.38)	$0.58	

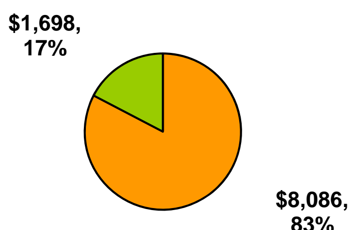
EBITDA, three months ended, (000s of dollars)



Mill and foundry products and services

Abrasive products manufacturing and distribution operations

EBITDA, nine months ended, (000s of dollars)



Mill and foundry products and services

Abrasive products manufacturing and distribution operations

Selling, general and administrative expenses increased as a result of further strengthening of the Canadian dollar against the U.S. dollar. This strengthening affected the reported value of corporate costs, which are largely denominated in Canadian dollars. This unfavourable foreign exchange impact was partially offset by reduced corporate costs resulting from cost reduction measures put in place by management during the past year.

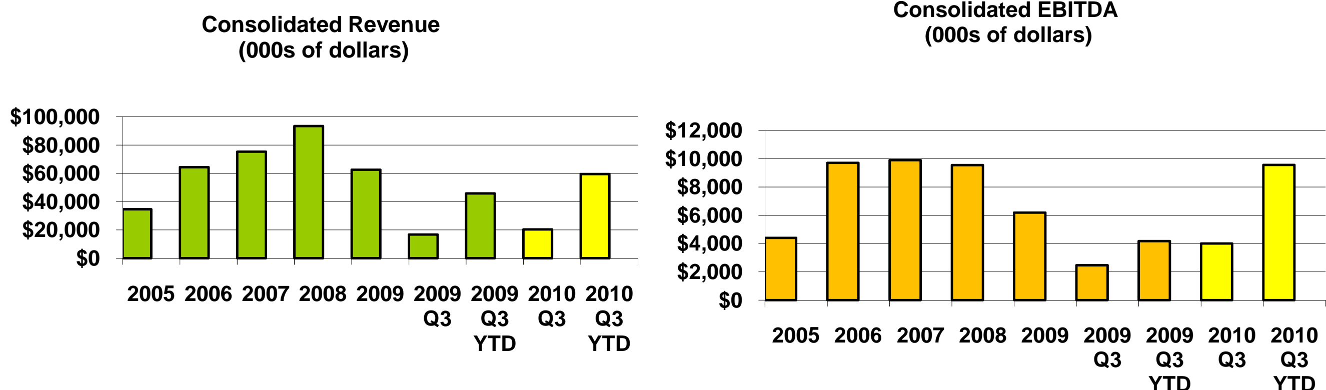
Earnings before income taxes, interest, depreciation and amortization (EBITDA)[1] for the three months ended September 30, 2010, were $4,009,000, versus $2,467,000 for the three months ended September 30, 2009. EBITDA for the mill and foundry products and services segment increased by $675,000 to $2,806,000 for the three months ended September 30, 2010, over the same period in 2009. The abrasive products manufacturing and distribution operations segment had EBITDA of $655,000 for the three months ended September 30, 2010, compared with $330,000 for the same period in 2009.

EBITDA for the nine months ended September 30, 2010, was $9,561,000, versus $4,179,000 for the nine months ended September 30, 2009. EBITDA for the mill and foundry products and services segment increased by $4,808,000 to $8,086,000 for the nine months ended September 30, 2010, over the same period in 2009. The abrasive products manufacturing and distribution operations segment had EBITDA of $1,698,000 for the nine months ended September 30, 2010, compared with $791,000 for the same period in 2009.

The effective income tax rate for the three months ended September 30, 2010, was 28.9%, compared with (4.6)% for the comparable period in 2009. The effective income tax rate for the nine months ended September 30, 2010, was 29.7%, compared with 3.3% for the comparable period in 2009. The change in rate is due substantially to statutory rate differences in other jurisdictions and the impact of the non-deductible goodwill impairment charge in the prior year.

Net earnings for the three months ended September 30, 2010, were $1,677,000, or $0.10 per diluted common share, compared with a net loss of $6,416,000, or $0.36 per diluted common share, for the same period in 2009. Net earnings for the nine months ended September 30, 2010, were $3,517,000, or $0.20 per diluted common share, compared with a net loss of $6,821,000, or $0.38 per diluted common share, for the same period in 2009.

[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

Capital Structure

Maintaining our financial flexibility is one of our long-term goals – it 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 the financial flexibility needed to implement the growth initiatives and meet the targets of our strategic plan. The economic slowdown and slow recovery over the past few years have had a significant effect on our capital structure. We remain focused on cash flow generation to rebalance our capital structure and remain in compliance with bank requirements regarding our debt.

We ended the third quarter in 2010 with:

- $909,000 of cash and cash equivalents and $2,980,000 of bank indebtedness;
- 21.4% of our long-term debt due in the next 12 months; and
- Long-term debt and bank indebtedness at 92% of total capitalization.[1]

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

For the periods ended September 30, 2010 and 2009, and December 31, 2009, our capital structure was as follows:

Capital Structure
(% of total structure)

	Period ended		
	September 30, 2010	**December 31, 2009**	**September 30, 2009**
Shareholders' equity	52.2%	48.9%	47.3%
Bank indebtedness	3.8%	4.3%	6.8%
Long-term debt	27.5%	29.9%	29.1%
Future income taxes	3.9%	3.4%	3.3%
Future income taxes on intangible assets*	11.2%	11.8%	11.6%
Other long-term liabilities	1.4%	1.7%	1.9%
	100%	**100%**	**100%**

*As at September 30, 2010, approximately $8,701,000 (December 31, 2009: $9,213,000) 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 $nil in the event of liquidation, Canadian generally accepted accounting principles require a future tax liability to be established for any finite-life intangibles acquired.

Equity

The book value of common shares (defined as shareholders' equity divided by the number of outstanding shares) at September 30, 2010, was $2.24 per share, compared with $2.12 at December 31, 2009, and $2.12 at September 30, 2009.

Common Shares Outstanding

	Period ended September 30	
	2010	**2009**
Shares outstanding at the beginning of the year	18,023,193	18,003,459
Shares issued under plans*	10,326	15,311
Shares outstanding at end of the period	**18,033,519**	**18,018,770**

*We issue shares under employee stock purchase and stock option plans.

The common shares outstanding as at November 12, 2010, are 18,033,519.

Long-Term Debt and Bank Indebtedness

As at September 30, 2010, the Company had $24,259,000 in long-term debt and bank indebtedness owing to third parties, versus $26,762,000 at December 31, 2009. At September 30, 2010, the Company's financing agreements with the Bank of Nova Scotia included 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. The Company also has a revolving term operating facility with Société Générale, a financial institution in France, in the amount of $2,500,000. In addition to its arrangements with the aforementioned banks, 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 $437,000.

Funding Program

Funding Requirements

We fund our capital expenditures, working capital requirements, acquisitions and financing needs such as debt repayments from a combination of sources. For the nine months ended September 30, 2010, the primary sources of funding were:

- $781,000 cash on hand at the beginning of 2010;
- $14,000 from the issuance of common shares under the employee share purchase plan; and
- $4,246,000 in cash flow from operating activities.

Summary of Cash Flow

(expressed in thousands of dollars)	**For the three months ended September 30**		**For the nine months ended September 30**	
	2010	**2009**	**2010**	**2009**
Net cash provided by (used in):	(unaudited)		(unaudited)	
	$	$	$	$
Operating activities	2,602	3,300	4,246	7,586
Investing activities	(350)	234	(1,158)	(1,346)
Financing activities	(2,448)	(4,249)	(2,917)	(6,466)
Foreign exchange (loss) gain on cash held in foreign currency	(6)	4	(43)	10

Three Months Ended September 30, 2010, Compared with the Three Months Ended September 30, 2009

Operating Activities and Working Capital

Cash generated by operating activities for the three months ended September 30, 2010, was $2,602,000, compared with $3,300,000 for the same period in 2009. Positive operating cash flow for the quarter was a result of strong positive operating results offset by an increase in working capital, namely an increase in accounts receivable and inventories and an increase in accounts payable and accrued liabilities.

Investing Activities

Cash used in investing activities was $350,000 for the three months ended September 30, 2010, compared with cash provided by investing activities of $234,000 in the comparable period in 2009. The amount relates 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.

Financing Activities

Cash used in financing activities was $2,448,000 for the three months ended September 30, 2010, largely as a result of repayments of short-term and long-term debt.

Nine Months Ended September 30, 2010, Compared with the Nine Months Ended September 30, 2009

Operating Activities and Working Capital

Cash generated by operating activities for the nine months ended September 30, 2010, was $4,246,000, compared with $7,586,000 for the same period in 2009. Positive operating cash flow for the period was a result of strong positive operating results offset by an increase in working capital, namely an increase in accounts receivable and inventory and an increase in accounts payable and accrued liabilities. During 2009, the focus was on reducing inventories because of a sluggish economy and a reduction in steel production.

Investing Activities

Cash used in investing activities was $1,158,000 for the nine months ended September 30, 2010, compared with $1,346,000 in the comparable period in 2009. Approximately $280,000 in capital investments during the nine-month period relate to capital expenditures incurred for new operations in Tampa Bay, Florida. The remaining amount relates

to maintenance capital spent during the period and to the purchase of environmental health and safety management software. The Company continues to invest in capital improvements designed to maintain facilities, reduce operating costs or comply with regulatory requirements at its various locations.

Financing Activities

Cash used in financing activities was $2,917,000 for the nine months ended September 30, 2010, largely as a result of repayments of short-term and long-term debt.

Financial Ratios

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

Ratios

	September 30, 2010	**December 31, 2009**	**September 30, 2009**
Ratio of long-term debt and bank indebtedness to equity	0.60:1	0.70:1	0.76:1
Ratio of long-term debt* and bank indebtedness to total capitalization	0.92:1	1.35:1	1.27:1
Ratio of current assets to current liabilities	1.62:1	1.74:1	1.64:1
Interest coverage†	5.1 times	2.6 times	3.7 times
Tangible net worth‡	$12,999,000	$9,760,000	$9,221,000

*Long-term debt includes current portion.
†We calculate interest coverage using 12-month earnings before interest, income taxes, non-controlling interest and amortization of intangible assets.
‡We calculate tangible net worth as shareholders' equity less goodwill, and intangibles net of non-tax-deductible future tax liabilities related to intangibles.

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.

Funding Costs

	For the three months ended September 30,		**For the nine months ended September 30,**	
Interest expense	**2010**	**2009**	**2010**	**2009**
Interest expense pertaining to long-term debt	$498,000	$299,000	$1,200,000	$854,000
Interest expense pertaining to bank indebtedness	108,000	132,000	290,000	394,000
Effective blended cost of debt	**7.5%**	**5.4%**	**7.8%**	**5.4%**

4. Contractual Obligations and Commitments

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

Contractual Obligations
(expressed in thousands of dollars)

Contractual Obligations	Payments Due by Period						
	Total	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**Thereafter**
Accounts payable and accrued liabilities	$12,733	$12,733	$–	$–	$–	$–	$–
Long-term debt	21,279	4,544	2,980	2,794	2,784	2,780	5,397
Preferred shares	45	45	–	–	–	–	–
Operating leases	4,835	1,570	1,379	832	718	268	68
Total Contractual Obligations	**$38,892**	**$18,892**	**$4,359**	**$3,626**	**$3,502**	**$3,048**	**$5,465**

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. Any future payments with respects to additional consideration will be recorded against goodwill. As at September 30, 2010, the Company has accrued $477,000 against the goodwill related to Bimac in relation to contingent consideration. This amount will be paid during the fourth quarter of 2010.

5. Transactions with Related Parties

Pursuant to the appointment of a new director on May 12, 2008, the following transactions and balances are classified as related-party transactions:

a) Long-term debt
Included in long-term debt as of September 30, 2010, is a promissory note in the amount of $1,500,000 (December 31, 2009: $1,500,000) with annual instalments 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 previous shareholdings, the director receives 26.5% of the total payment. The final instalment of $1,500,000 due on February 16, 2010, has been deferred until certain liquidity targets have been achieved, as outlined in the Company's credit agreement.

b) Additional consideration paid on prior acquisitions
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 previous shareholdings, the director receives 61.7% of the annual payment.

6. Risks and Uncertainties

The Company approaches the management of risk strategically 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 generally accepted accounting principles (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 change. 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, 2009 and 2008, and for the years then ended.

Revenue Recognition

Revenue from the Company's operations is 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.
- 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 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.
- Collectability is reasonably assured.

Accounts Receivable

The Company's accounts receivable primarily comprise 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 as an estimate of losses that could result from customers defaulting on their obligations 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 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 or net realizable value. Cost is determined on a first-in, first-out basis. The Company assesses the net realizable value of its inventory regularly by reviewing, item by item, the realizable value of its inventory, net of anticipated selling costs. If it is management's judgement that the selling price of an item must be lowered below its cost to sell it, 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, and 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.

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 it is more likely than not that 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 recoverable 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:

- EBIT (earnings before interest and income taxes) and
- EBITDA (earnings before interest, income taxes, depreciation and amortization).

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

(expressed in thousands of dollars)	Quarters Ended								Years Ended	
	Sept 30, 2010	**Jun 30, 2010**	**Mar 31, 2010**	**Dec 31, 2009**	**Sept 30, 2009**	**June 30, 2009**	**Mar 31, 2009**	**Dec 31, 2008**	**Sept 30, 2010**	**Sept 30, 2009**
	(unaudited)								(unaudited)	
Net earnings (loss) for the period	**$1,677**	**$864**	**$976**	**$616**	**$(6,416)**	**$(79)**	**$(326)**	**$(2,224)**	**$3,517**	**$(6,821)**
Interest expense	606	444	440	340	431	393	424	528	1,490	1,248
Provision (recovery) for income taxes	682	411	396	6	290	(229)	(309)	(799)	1,489	(248)
Depreciation	589	551	550	572	495	389	551	550	1,690	1,435
Amortization of intangible assets	455	454	466	477	469	461	437	413	1,375	1,367
Goodwill impairment	–	–	–	–	7,198	–	–	–	–	7,198
EBITDA (loss)*	**4,009**	**2,724**	**2,828**	**2,011**	**2,467**	**935**	**777**	**(1,532)**	**9,561**	**4,179**
Depreciation, amortization of intangible assets and goodwill impairment	1,044	1,005	1,016	1,049	8,162	850	988	963	3,065	10,000
EBIT (loss)†	**2,965**	**1,719**	**1,812**	**962**	**(5,695)**	**85**	**(211)**	**(2,495)**	**6,496**	**(5,821)**

*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 that of other issuers and accordingly, EBITDA may not be comparable to similar measures presented by other issuers.

†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 that of other issuers and accordingly, EBIT may not be comparable to similar measures presented by other issuers.

9. Derivative Instruments

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 five 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 if 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 are included in other comprehensive income to the extent that 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 that 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. For the quarter ended September 30, 2010, our exposure from interest rate swap contracts was a gain net of income tax equal to $55,000. For the nine months ended September 30, 2010, our exposure from interest rate swap contracts was a gain net of income tax equal to $175,000.

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

We have disclosed these matters in note 3 of the consolidated financial statements as at September 30, 2010.

11. International Financial Reporting Standards

In February 2008, the Canadian Institute of Chartered Accountants (CICA) announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The conversion will apply to the Company's reporting for the first quarter of 2011. At this time, the financial information for the current and comparative periods will be prepared under IFRS. The transition to IFRS will affect accounting, financial reporting, internal controls over financial reporting, information systems and processes. We have prepared our transition plan under three distinct phases:

Phase 1 – Diagnostic Assessment: This phase consisted of a high-level assessment to identify key differences between Canadian GAAP and IFRS that are most likely to affect the Company's reporting. This assessment is complete and resulted in an analysis of IFRS with regards to both priority and complexity to ensure that adequate time and resources are provided for the transition.

Phase 2 – Analysis: This phase began in Q1 2010, was completed during Q3 2010 and involved a detailed assessment of the impact of IFRS on accounting, reporting and information technology. This phase included the review of accounting policy choices that are permissible under IFRS.

Phase 3 – Execution: This phase involves executing the work from Phase 2 by making changes to business and accounting processes and supporting information systems, and by formally documenting the final approved accounting policies and procedures compliant with IFRS. Anticipated effects on the business will be quantified and the pro-forma financial statement formats and disclosures required under IFRS will be drafted. This phase is expected to be completed in Q4 2010.

The Company has been tracking the key elements of its changeover plan, as summarized below:

Key Element	**Current Status**
Diagnostic assessment (Phase 1)	The Company began its diagnostic assessment in August 2009. The key differences between Canadian GAAP and IFRS were identified during Q4 2009. The Company used an outside consulting firm to work closely with its IFRS project team, which comprises key management responsible for financial reporting.
Analysis (Phase 2)	The detailed assessment of the impact of IFRS on accounting, reporting and information technology began during Q1 2010. The Company continued to use an outside consulting firm to work closely with its IFRS project team to review and assess the accounting policy choices permissible under IFRS. Significant progress was made on this phase during the second quarter and management substantially completed the analysis during the third quarter. The final step in this phase is the quantification of the effects on accounting and financial

reporting.

Execution (Phase 3)	The project team will assess the changes required to business and accounting processes as a result of the completed work from the Phase 2 analysis. The initial assessment is that minimal changes to accounting processes are required. The IFRS project team will test this assumption by drafting pro-forma IFRS financial statements and additional required note disclosures for the quarters ended during 2010. The completion of the execution and formal documentation of the final approved accounting policies and procedures is expected during Q4 2010.
Assessment of the impact on internal controls, information systems and procedures	The conversion to IFRS will require assessment of the differences between Canadian GAAP and IFRS and the impact of these differences on internal controls, information systems and procedures. The Company is reviewing and testing these assessments and expects to complete this work during Q4 2010.
Preparation of financial statements and note disclosures under IFRS	The Company is preparing its opening IFRS balance sheet. To complete this process, the Company must first quantify the anticipated impact of both the optional elections and IFRS. This process was substantially completed during Q3 2010. The Company is also preparing its 2010 quarterly financial statements under IFRS and is preparing the note disclosure information that will be required as comparative information during 2011. This process is expected to be completed during Q4 2010.
Communication with the Audit Committee and Board of Directors	The Company has summarized its position and preliminary choices on the optional elections that are available under IFRS and presented the election choices to both the Audit Committee and Board of Directors. The Company has summarized other areas of focus based on differences between Canadian GAAP and IFRS. These differences and their impact on financial reporting have been presented to both the Audit Committee and Board of Directors. The Company has not fully quantified the impact on the opening IFRS balance sheet for the optional elections and other areas of focus noted above. The Company is expected to present this information along with the IFRS impact on internal controls, information systems and processes during Q4 2010.

The IFRS conversion requires choices concerning certain exemptions from the retrospective application of IFRS as provided by IFRS 1 – *First-Time Adoption of International Financial Reporting Standards*. The following is an outline of the Company's current intentions regarding the exemptions applicable to the Company.

Optional Exemption	**Company Election**
Business combinations	The Company may elect not to apply IFRS 3 – *Business Combinations* retrospectively to past business combinations. The standard may be applied prospectively from the date of the IFRS opening balance sheet. The Company intends to use this exemption with an effective date of January 1, 2010.
Share-based payments	The Company is encouraged to apply IFRS 2 – *Share-Based Payments* to equity instruments that were granted after November 7, 2002, and vested before the date of transition to IFRS. As a result, the expense for stock option grants will be recalculated under IFRS and the difference will be recorded against retained earnings on the opening IFRS balance sheet. As all share-based payments were granted after November 7, 2002, all unvested share-based payments as at January 1, 2010, will be included in the calculation.
Deemed cost	The Company may elect to initially measure an item of property, plant and

	equipment at fair value at the date of the IFRS opening balance sheet or retain the previous GAAP valuation of historical cost. The Company intends to selectively apply this exemption.
Cumulative translation difference	The Company may elect to reset the cumulative translation difference to zero by recognizing the full amount in the retained earnings of the IFRS opening balance sheet. The Company intends to use this exemption.
Designation of previously recognized financial instruments	The Company may elect to designate any financial asset that qualifies as fair value through profit or loss or available for sale at transition. The Company has chosen not to change the classification of its financial instruments.

There is a mandatory requirement that a first-time IFRS adopter continue to use its Canadian GAAP estimates under IFRS unless there is evidence that those estimates were in error. The Company has reviewed its estimates and determined that there are no changes to the underlying assumptions and no impact on its financial reporting.

Significant Accounting Differences

Under the Canadian GAAP model, the historical cost of property, plant and equipment is required. Assets are recorded at cost on acquisition and depreciated over their useful lives. Under IFRS, after the initial recognition, there is an option to measure property, plant and equipment using either the cost model or the revaluation model based on fair value mark-to-market adjustments. The Company has decided to continue using the cost model; there will be no impact on its consolidated financial statements with respects to this option. Certain assets recorded in property, plant and equipment will be re-componentized as of the IFRS opening balance sheet. The Company is reviewing the net impact on conversion but it is expected to be minimal.

Under the Canadian GAAP model, periodic asset impairment testing for property, plant and equipment is required, and a two-step approach is used; however, discounting is not required at the initial step. IFRS requires single-step impairment testing of assets at the independent cash generating unit level. In addition, future cash flows used to determine the value of assets for impairment will be discounted. As a result, impairments are likely to occur more often under IFRS. The Company is currently assessing its cash-generating units and the consequent impact, which may include a write down of the asset values against opening retained earnings on the opening IFRS balance sheet as at January 1, 2010.

Under the Canadian GAAP model, the expense relating to share based payments is calculated using a straight line method over the vesting period of the stock options. IFRS requires a graded method of amortization which will result in a proportionately larger expense in the earlier years of the vesting period. The Company is currently calculating the impact on its opening IFRS balance sheet as at January 1, 2010.

12. Internal Control over Financial Reporting

No changes were made in our internal control over financial reporting during the quarter ended September 30, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

13. Additional Information

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

Glossary

Capitalization
Market price per common share (September 30, 2010: Cdn $1.50) multiplied by total number of outstanding shares of 18,033,519 (September 30, 2009: 18,018,770), 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 12-month 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 average total assets for the 12-month period

Return on Equity
Net earnings for the 12-month period ended divided by average shareholders' equity for the 12-month period