



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2007

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Table of Contents

Introduction	3
1. Our Company	4
1.1. Overview of the Business	4
2. Our Strategy	4
2.1. Opta’s Strategic Objective	4
2.2. Strategic Plans	4
3. How we performed in 2007	5
3.1. Performance Highlights and Significant Events	5
3.2. Selected Annual and Quarterly Data.....	6
3.3. Year ended December 31, 2007 compared to Year ended December 31, 2006.....	8
4. Capital Structure and Financing	10
4.1. Capital Structure	10
4.2. Funding Program	12
4.3. Financial Ratios	14
4.4. Funding Costs	15
5. Contractual Obligations and Commitments.....	15
6. Transactions with Related Parties.....	15
7. Risks and Uncertainties	15
8. Critical Accounting Policies and Estimates.....	15
9. Non-GAAP Measures.....	17
10. Derivative Instruments	18
11. Disclosure Controls and Procedures.....	19
12. Internal Controls over Financial Reporting	19
13. Recent Developments in Accounting Standards.....	19
14. Recently issued accounting pronouncements	20
15. Additional Information.....	20
GLOSSARY	21

Introduction

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, 2007 and 2006, prepared in accordance with Canadian generally accepted accounting principles.

Change in Reporting Currency

As of April 1, 2007, the Company converted to reporting its results in U.S. dollars as approximately 70% of the Company's revenues are generated from operations based in the United States of America. Accordingly, all amounts expressed in this Management Discussion and Analysis are in U.S. dollars unless otherwise stated.

We, us, our, Company and Opta

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

Review and approval by the Board of Directors

The Board of Directors, on the recommendation of the Audit Committee, approved the contents of this MD&A on February 21, 2008. This MD&A includes Opta's operating and financial results for the year ended December 31, 2007 and 2006 and should be read in conjunction with our audited consolidated financial statements and notes thereto appearing elsewhere in this report.

Other important company documents

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

- Annual Information Form;
- Management Information Circular; and
- Interim reports.

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

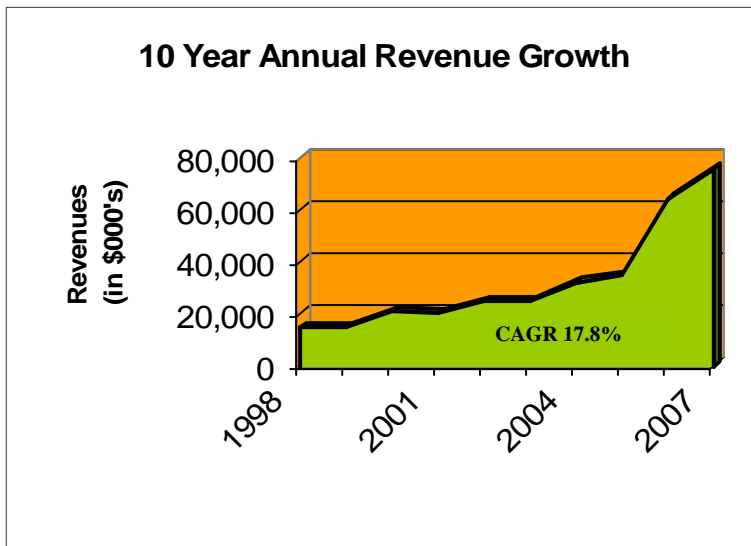
Forward Looking Statements

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

1. Our Company

1.1. Overview of the Business

Opta Minerals Inc. (TSX: OPM) is a vertically integrated producer, manufacturer, distributor and recycler of industrial minerals, silica-free loose abrasives, and specialty sands and related products for use primarily in the steel, foundry, loose abrasive cleaning, roof shingle granules and municipal water filtration industries. The Company has experienced solid growth through a combination of internal growth and successfully integrated strategic acquisitions to become one of the leading regional suppliers of industrial minerals and silica-free loose abrasives in a number of select markets in North America. This growth is evidenced by the Company's Compound Annual Revenue Growth Rate¹ ("CAGR") of 17.8% for the 10 year period Ended December 31, 2007.



The Company currently has offices, production and distribution facilities in Ontario, Quebec, Louisiana, South Carolina, Virginia, Maryland, Ohio, Michigan, Indiana, New York and Kosice, Slovakia 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 leading Global suppliers of industrial minerals and silica-free loose abrasives. 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.

2. Our Strategy

2.1. Opta's Strategic Objective

In order to leverage our corporate strengths and institute a platform for sustainable, profitable business growth, we develop company-wide long-term strategic plans. Fiscal 2007 represented the final year of our 2004–2007 strategic plan, which outlined strategic imperatives for our Company and shaped the initiatives executed by management during that period. We have renewed this strategic plan that will guide our efforts in the foreseeable future. Our new Strategic Plan is based upon a comprehensive review of our business performance and factors influencing our future ability to successfully grow and compete. The new plan builds on our progress over the last four years, refining our focus on the initiatives that will help us to meet our key performance metrics.

2.2. Strategic Plans

We expect to leverage existing assets, human resources and technical expertise to build on our company's current status as a leading regional supplier and become one of the leading Global suppliers of industrial minerals and silica free abrasives. We expect to execute our growth strategy via the following strategic initiatives:

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

1. Continuing to identify, pursue and complete strategic acquisitions in the Company's target markets and to successfully integrate and rationalize acquired operations to boost revenues and profit margins;
2. Continuing our active program of developing and acquiring new products and services that expand the Company's target markets while leveraging its existing infrastructure and expertise;
3. Broadening our geographic coverage by establishing or acquiring new distribution and production facilities in Europe, Asia, Atlantic and Western Canada and in the Southern and Midwestern States;
4. Expanding our internal processing capabilities through modest capital expenditures designed to improve throughput; and
5. Prudent management of expenditures, in a manner corresponding to revenues, and ensuring a disciplined cost structure that supports our goal of top and bottom line growth.

3. How we performed in 2007

3.1. Performance Highlights and Significant Events

During the year ended December 31, 2007, the Company had the following performance highlights and significant events:

- Net earnings of \$3,348,000 a decrease of 5.5% over 2006 results. Net earnings were negatively impacted by \$275,000 (net of applicable income taxes) in other financing costs pertaining to the refinancing of credit facilities with the Bank of Nova Scotia and the establishment of an interest rate swap on a portion of the Company's variable rate debt. Earnings before interest, income taxes, depreciation and amortization¹ ("EBITDA") increased 2.0% from \$9,707,000 in 2006 to \$9,899,000 in 2007.
- Acquisition of Newco a.s. ("Newco") of Kosice, Slovakia. For fiscal 2006 Newco recorded revenues of approximately U.S. \$6.8 million selling its proprietary desulphurization and refractory products. Each product is produced to the specific requirements of the customers that Newco services within the European steel industry. The acquisition expands Opta's business capabilities into Europe and complements existing operations which supply a wide range of desulphurization products in both the United States and Canada from operations in Indiana and Ontario.
- Acquisition of the production assets of an industrial minerals processing facility in Laval, Quebec. Located in a 39,000 square foot facility under lease, these assets are ideally suited to produce abrasive media for blasting purposes, as well as garnet for abrasive, waterjet and water filtration applications.
- The commencement of commercial production of desulfurization products at the Company's Waterdown facility.
- The refinancing of credit facilities with the Bank of Nova Scotia, adding approximately \$18 million U.S. in available financing. The new credit facilities agreement includes an operating line of credit in the amount of Cdn \$12.5 million; a term loan facility in the amount of Cdn \$12.5 million and an acquisition facility in the amount of Cdn \$20.0 million. The operating line of credit and term loan facilities have been partially utilized to retire the existing bank debt and for general corporate purposes, while the acquisition facility was drawn upon to complete the acquisition of Newco. These increased facilities will provide Opta Minerals with the resources necessary to continue its strong growth through acquisitions, the building of new facilities in strategic locations and investments in growing markets.

¹ EBITDA is a non GAAP measure used by management to measure performance. Please see section 9 of this report for a discussion on the calculation of EBITDA.

- 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. In 2007 Opta introduced a high quality nickel slag from Greece into the North American market. This is an important new product offering to Opta's customers given the high demand and scarce supply for slag based abrasives in North America. Initial uses of the product by customers has proven that this is an excellent loose abrasive and roofing granule media, and we have successfully been selling the product at our operations in Norfolk, Baltimore, and Hardeeville, with plans to expand to Opta's other locations in the near future.

3.2. Selected Annual and Quarterly 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 December 31		For the Year Ended December 31		
	<u>2007</u> (unaudited)	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Income Statement Data					
Revenue	\$	\$	\$	\$	\$
Mill and foundry products and services	14,013	11,057	51,766	39,741	7,105
Abrasive products manufacturing and distribution operations	<u>6,015</u>	<u>5,015</u>	<u>23,599</u>	<u>24,572</u>	<u>27,554</u>
Total revenue	20,028	16,072	75,365	64,313	34,659
Gross profit	4,185	4,124	17,822	15,959	7,515
Gross margin %	20.9	25.7	23.6	24.8	21.7
Selling, general and administrative expenses	<u>2,620</u>	<u>2,302</u>	<u>9,635</u>	<u>8,051</u>	<u>3,842</u>
Earnings before the following:	1,565	1,822	8,187	7,908	3,673
Interest expense (net)	495	424	1,648	1,520	401
Amortization of intangible assets	446	303	1,381	925	35
Stock compensation expense	52	35	170	170	584
Other financing costs	280	-	417	-	-
Foreign exchange (gain) loss	(61)	(34)	(239)	(228)	(108)
Earnings before income taxes	353	1,094	4,810	5,521	2,761
Provision for income taxes	<u>118</u>	<u>430</u>	<u>1,462</u>	<u>1,980</u>	<u>1,216</u>
Net earnings for the period	<u>235</u>	<u>664</u>	<u>3,348</u>	<u>3,541</u>	<u>1,545</u>

Selected Annual and Quarterly Data – Continued	For the Three Months Ended December 31		For the Years Ended December 31		
	<u>2007</u> (unaudited)	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Basic net earnings per share	\$0.01	\$0.04	\$0.19	\$0.21	\$0.09
Diluted net earnings per share	\$0.01	\$0.04	\$0.19	\$0.21	\$0.09
Weighted average shares used in computing basic net earnings per share calculation	<u>17,982,216</u>	<u>16,962,533</u>	<u>17,297,737</u>	<u>16,957,639</u>	<u>16,279,534</u>
Weighted average shares used in computing diluted net earnings per share calculation	<u>18,176,978</u>	<u>16,983,251</u>	<u>17,470,437</u>	<u>16,960,656</u>	<u>16,279,534</u>

Balance Sheet Data
(expressed in thousands of dollars)

	<u>As at December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$
Cash and cash equivalents	2,336	854	3,506
Working capital	14,632	10,584	18,224
Total assets	98,232	73,993	41,340
Bank indebtedness and long-term debt (including current portion)	36,507	21,997	6,892
Shareholders' equity	41,557	34,148	30,435

Quarterly Results of Operations

The following table sets out selected financial information for each of the eight most recent quarters ended December 31, 2007. 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, 2007 and 2006. Only normal recurring adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results.

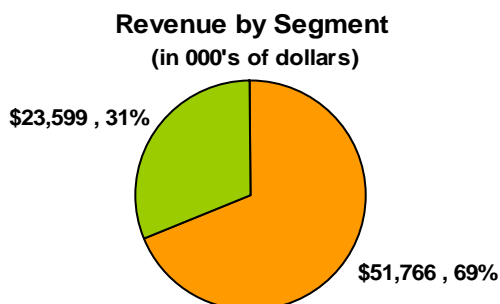
	<u>Quarters Ended</u>							
	<u>Dec. 31,</u>	<u>Sept 30,</u>	<u>June 30,</u>	<u>Mar 31,</u>	<u>Dec 31,</u>	<u>Sept 30,</u>	<u>June 30,</u>	<u>Mar 31,</u>
	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>
	(unaudited - expressed in thousands of U.S. dollars)							
Revenue	20,028	20,485	18,390	16,462	16,072	16,743	18,414	13,084
EBITDA	1,883	3,016	2,796	2,204	2,308	2,745	3,243	1,411
Net earnings (loss) for the period	235	1,258	1,150	705	664	1,031	1,445	401
Basic and diluted earnings per share	\$0.01	\$0.07	\$0.07	\$0.04	\$0.04	\$0.06	\$0.09	\$0.02

3.3. Year ended December 31, 2007 compared to Year ended December 31, 2006

The Company's revenues increased 17.2% for the year ended December 31, 2007 from \$64,313,000 in 2006 to \$75,365,000. Approximately \$3,450,000 of the increase relates to the acquisitions of Newco and the production facility in Laval Quebec. A further \$8,566,000 of the increase in revenues relate to a full year of results being included in earnings from the 2006 acquisitions of Magnesium Technologies Corporation ("Rossborough") and Bimac Inc. ("Bimac").

Company Wide Revenues

One of the Company's strengths is its geographic reach as a result of having multiple production and distribution facilities in Canada and the U.S. and Europe. These facilities have been grouped into two separate segments in the Company's financial statements based on the nature of their primary customer base. The segments are; mill and foundry products and services, and abrasive products manufacturing and distribution operations. While the majority of each facilities revenues are derived primarily from one of the aforementioned segments, its customers needs can include both abrasive products and foundry and steel products. As a result, management believes Company wide sales of abrasive products, and foundry and steel products and services provides useful information to stakeholders regarding the Company's ability to leverage the strength of its geographic reach and its ability to provide customers with a broad product offering. Company wide sales of abrasive products and roofing granules were \$18,339,000, a decrease of 2.7% over 2006 sales of \$18,854,000. A substantial portion of this decrease is due to a decline in demand for abrasive products in the Company's Canadian locations partially offset by increased demand and pricing at the Company's U.S. based abrasive operations. Company wide sales of steel mill and foundry products and services were \$51,646,000, an increase of 28.0% over 2006 sales of \$40,348,000. Substantially all of this increase relates to the acquisition of Newco in 2007 and the full year results for Bimac and Magtech that were acquired during 2006. Excluding these acquisitions Company wide sales of foundry and steel mill products and services remained consistent with 2006. The remaining variance in revenues between the 12 month periods ended December 31, 2007 and 2006 relates to sales of other industrial minerals, products and services. Other products and services provided company wide increased 5.3% from \$5,111,000 in 2006 to \$5,380,000 in 2007



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

Performance by Segment

Revenues within the mill and foundry products and services segment increased by \$12,025,000 or 30.3% to \$51,766,000 compared to \$39,741,000 in 2006. The results for the companies acquired in 2006 and 2007 are included in this segment. In addition, approximately \$893,000 of the increase pertained to mill and foundry products and services that were included in the abrasive products manufacturing and distribution segment in 2006 prior to the relocation of these products and

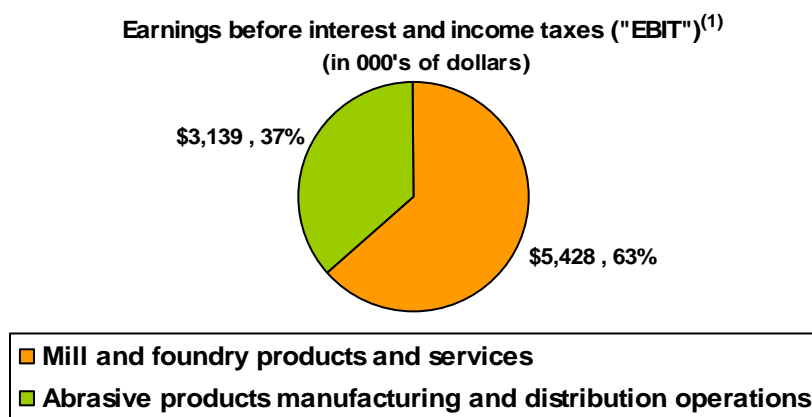
services to the Brantford facility which is included in the mill and foundry products and services segment. Excluding the results of these acquisitions and the reallocation of products between segments, segment revenues from legacy operations decreased 1.0%.

Revenues within the abrasive products manufacturing and distribution operations segment decreased \$973,000 or 4.0% to \$23,599,000 in 2007 versus \$24,572,000 in 2006. Approximately \$893,000 of the variance in segment results pertains to revenues of steel mill and foundry products that were transferred to the Company's Brantford facility during 2006 and 2007 and are now included in the mill and foundry products and services segment. Demand for abrasive materials at the Company's Waterdown and St-Germain-de-Grantham facilities decreased \$1,540,000, while demand for construction sands from the Company's Temisca facility declined \$208,000. Demand for products produced at the Waterdown and Temisca facilities vary greatly between periods depending on construction activity. Revenues at the St-Germain-de-Grantham operations have declined by approximately \$918,000, while earnings from operations have remained consistent as management has rationalized operations and implemented several profit improvement projects

over the period. These decreases were partially offset by strong demand and increased pricing at the Company's U.S. based abrasive operations, and revenues generated from Opta's new plant in Laval, Quebec.

Gross profit increased by \$1,863,000 to \$17,822,000 or 23.6% of revenues for the year ended December 31, 2007 compared to \$15,959,000 or 24.8% of sales for the same period in 2006. For the year ended December 31, 2007 gross profits at the Company's mill and foundry products and services segment increased by \$2,713,000 from \$10,063,000 or 25.3% of revenues in 2006 to \$12,776,000 or 24.7% of revenues in 2007. The increase is primarily due to \$4,267,000 in additional gross profits from companies acquired in 2006 & 2007 as well as the transfer of certain foundry products from the Company's Waterdown facility (reported in the abrasive products manufacturing and distribution segment) to its Brantford facility (reported in the Company's mill and foundry products and services segment) offset by a decrease in sales volume of foundry products in Canada and lower demand for magnesium blending services provided to steel mill customers. Gross profits within the Company's abrasive products manufacturing and distribution operations segment decreased by \$915,000 from \$5,967,000 or 24.3% of revenue in 2006 to \$5,052,000 or 21.4% of sales in 2007. The decrease is primarily due to a decline in demand for abrasive products in Canada, approximately \$90,000 in startup costs associated with the Laval Quebec facility, the appreciation of the Canadian dollar, and the transfer of certain foundry products from the Company's Waterdown facility (reported in the abrasive products manufacturing and distribution segment) to its Brantford facility (reported in the Company's mill and foundry products and services segment). These declines were partially offset by a \$249,000 increase in gross profit from the Company's U.S. based abrasive operations.

Selling, general and administrative expenses increased \$1,584,000, from \$8,051,000 or 12.5% of revenues in 2006 to \$9,635,000 or 12.8% of revenues in 2007. Approximately \$1,076,000 in additional SG&A was incurred as a result of the acquisitions that occurred in 2007 and 2006. Approximately \$105,000 of the remaining increase relates to a bad debt incurred during the year, and a further \$150,000 relates to the appreciation of the Canadian dollar as a significant amount of administrative expenses are incurred in the Canadian locations. The remaining increase relates to incremental audit, tax, consulting and regulatory fees associated with public company reporting. During the year, the Company also added additional members to the sales and administrative team to develop and support new business in the U.S. and Canada. All of Opta's salespeople are paid on a commission structure that is based on gross profit.



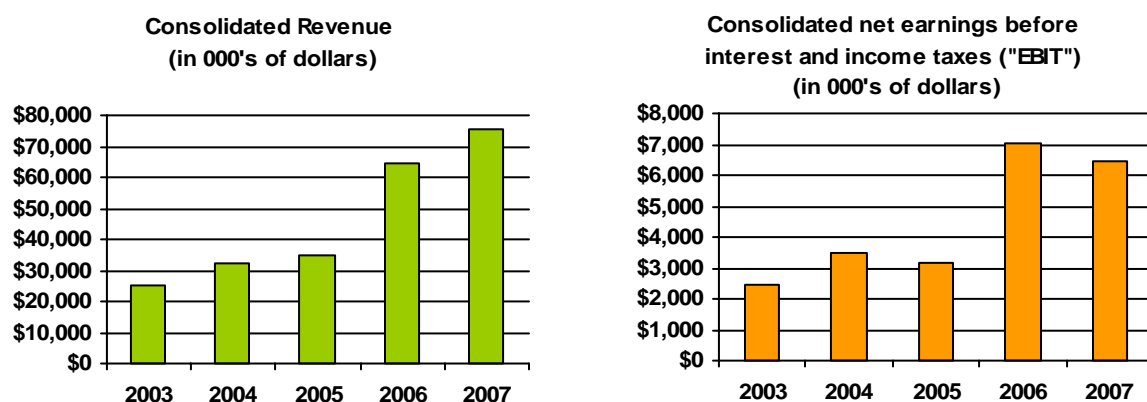
Earnings before income taxes, interest, depreciation and amortization ("EBITDA")² for the year ended December 31, 2007 was \$9,899,000 up 2.0% as compared to \$9,707,000 for the year ended December 31, 2006. EBITDA for the mill and foundry products and services segment increased by \$1,199,000 to \$7,676,000 when compared to the same period in 2006. The abrasive products manufacturing and distribution operations segment had EBITDA of \$5,363,000 for the year ended

December 31, 2006 compared to \$4,292,000 in 2007. The most significant components of these variances other than the increase in gross profit and SG&A previously discussed relates to approximately \$163,000 in other financing

¹ EBIT is a non GAAP measure used by management to measure performance. Please see section 9 of this report for a discussion on the calculation of EBIT.

² EBITDA is a non GAAP measure used by management to measure performance. Please see section 9 of this report for a discussion on the calculation of EBITDA.

costs incurred to refinance the Company debt with another financial institution, and \$254,000 in other financing costs related to a interest rate swap arranged in 2007. The Company entered into an interest rate swap with a notional amount of Cdn \$17,200,000 for a term of 5 years. The swap fixes the Company's effective interest rate on this amount at 5.25% plus a margin based on certain financial ratios of the Company. In accounting for this cash flow hedge, changes in fair value of this swap is included in other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive income amounts are allocated to net earnings in the same period in which the hedged item affects net earnings. For all cash flow hedges, to the extent the change in fair value of the derivative is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. Although this swap is expected to perform as an effective economic hedge against interest rate risk from 2008 until 2012, the initial valuation of the swap was valued with an initial loss at inception of \$254,000 which is treated as hedge ineffectiveness for accounting purposes.



The effective income tax rate for the year ended December 31, 2007 was 30.4% compared to 35.9% for the comparable period in 2006. The change in rate is substantially due to the acquisition of Newco as Slovakia has a statutory income tax rate of 19%, partially offset by a change in enacted rates that increased future tax expense by \$67,000. The remaining differences relate to an increased proportion of the Company's income being generated by U.S. operations which incur a higher statutory tax rate, offset by tax credits on manufacturing operations both in Canada and the U.S. and changes in the amount of other permanent differences.

Net earnings for the year ended December 31, 2007 were \$3,348,000, or \$0.19 per diluted common share as compared to \$3,541,000 or \$0.21 per diluted common share for the same period in 2006.

4. Capital Structure and Financing

4.1. Capital Structure

Maintaining our financial flexibility is one of our long-term goals and is imperative to several of the growth initiatives included in our strategic plan. We regularly review our funding plan and capital structure to ensure that we have sufficient funding options to provide us with the financial flexibility to implement the growth initiatives and meet the targets of our Strategic Plan.

We ended 2007 in a strong financial position, with:

- \$2,336,000 of cash and cash equivalents;
- \$5,989,000 of bank indebtedness;
- 24% of our long-term debt due in 2008;

- Long-term debt at 34.7% of total capitalization¹;
- \$15,778,000 in available credit facilities; and
- the flexibility to access capital markets to raise capital for acquisitions or projects.

For the years ended December 31, 2007 and 2006 our capital structure was as follows:

Capital Structure (% of total structure)	Year Ended December 31,	
	2007	2006
Shareholders' Equity	45.0%	49.4%
Bank indebtedness	6.5%	9.8%
Long-term debt	33.0%	22.1%
Future income taxes ⁽¹⁾	13.7%	15.6%
Other long-term liabilities ⁽²⁾	1.8%	3.1%
	100%	100%

(1) Approximately \$9,941,000 of the \$12,724,000 future tax liability reported relates 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, Canadian generally accepted accounting principles require a future tax liability to be established for any finite life intangibles acquired.

(2) Pursuant to the Bimac purchase agreement, additional 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. In 2006 an amount of \$2,150,000 was recognized as contingent consideration based upon management's estimates. During 2007 the Company paid \$526,000 (2006 - \$nil) of contingent consideration, drawing this liability down to \$1,624,000. Any future adjustments with respect to the additional consideration will be recorded against goodwill.

Equity

The book value of Common Shares at the end of 2007 was \$2.29 per share compared to \$2.01 at the end of 2006.

Shares outstanding

Common Shares	Year Ended December 31,	
	2007	2006
Shares outstanding at the beginning of the year	16,964,539	16,952,574
Issued on acquisition of Newco a.s.	1,000,000	-
Shares issued under plans ⁽¹⁾	19,661	11,965
Shares outstanding at end of year	17,984,200	16,964,539

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

The common shares outstanding as at February 21, 2008 are 17,984,200.

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

Long term debt and bank indebtedness

As at December 31, 2007 the Company had \$36,507,000 in long-term debt and bank indebtedness owing to third parties versus \$21,997,000 at December 31, 2006. During the year, the Company amended its existing credit facilities to expand its available credit line and finance the acquisition of Newco. Opta's financing agreements with the Bank of Nova Scotia now include a Cdn \$12,500,000 revolving term operating facility, a Cdn \$20,000,000 revolving term acquisition facility, and a Cdn \$12,500,000 term facility that matures in 2012. In addition to its arrangements with the Bank of Nova Scotia, the Company has a promissory notes payable to the former shareholders of Magtech and Newco in the amount of \$7,394,000 dollars.

4.2. Funding Program

Funding requirements

We fund our capital expenditures, working capital needs, acquisitions and financing needs such as debt repayments from a combination of sources. In 2007, the primary sources of funding were:

- \$854,000 cash on hand at the beginning of 2007;
- \$2,662,000 promissory note to the vendor of Newco a.s.
- \$11,616,000 from increasing long-term debt and bank indebtedness;
- \$6,139,000 of cash generated from operations before changes in non-cash working capital; and
- \$3,344,000 from the issuance of common shares in conjunction with the acquisition of Newco a.s.
- \$83,000 from the issuance of common shares under the employee share purchase plan.

Summary of Cash flows

(expressed in thousands of dollars)	For the Three Months Ended December 31		For the Year Ended December 31	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net cash provided by (used in):	(unaudited)			
	\$	\$	\$	\$
Operating activities	(249)	(198)	1,838	7,044
Investing activities	(802)	(4,213)	(8,683)	(18,275)
Financing activities	(619)	2,580	8,320	8,579
Foreign exchange loss (gain) on cash held in foreign currency	7	-	7	-

Year Ended December 31, 2007 compared to the Year Ended December 31, 2006

Operating activities and working capital

Cash generated by operating activities for the year ended December 31, 2007 was \$1,838,000 compared to \$7,044,000 in 2006. The decrease is due to an decrease in earnings from operations and an increased investment in working capital, particularly in inventory, as compared to 2006. Inventory quantities and cost have increased over the course of the year as a result of the Company's increasing sales of desulfurization products to steel mills. The price of magnesium, a key raw material for desulfurization products has increased dramatically during the year. In addition, the Company invested in initial inventories of magnesium for its new processing facility in Waterdown Ontario, additional quantities of nickel slag in the U.S. and Chromite.

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 \$14,632,000 (2006 – \$10,584,000). A significant portion of the increase in working capital surplus is due to bank indebtedness incurred as a result of the acquisition Newco a.s. and the increase in inventory noted above. Maintaining financial flexibility remains imperative to management and thus reductions to the Company’s working capital continues to be a long-term priority. The table below shows the change in the value of various working capital components for the Company at the end of 2007 and 2006 excluding the impact of the acquisitions that occurred during the year.

Comparable Working Capital Components

	2007	Working capital related to companies acquired	2007 excluding working capital of acquisitions	2006	Variance
Accounts receivable	10,486	1,433	9,053	8,111	942
Inventories	19,219	312	18,907	14,057	4,850
Prepaid expenses and other current assets	1,566	2	1,564	1,492	72
Accounts payable and accrued liabilities	(5,773)	(319)	(5,454)	(4,891)	(563)
Increase (decrease) in comparable working capital components					5,301

The most significant change in working capital components excluding the working capital of acquisitions was an increase in inventory and accounts receivables that were partially offset by an decrease in prepaid expenses and other current assets and an increase in accounts payable and accrued liabilities.

Accounts receivable - At the end of 2006 accounts receivable totaled \$8,111,000. Excluding the impact of acquisitions, accounts receivable increased 11.6% to \$9,053,000 at December 31, 2007. The increase is mainly due to the timing of collections in the fourth quarter of 2007. The overall aging of accounts receivable has remained relatively consistent year over year.

Inventories - Excluding the impact of acquisitions, Opta increased its inventory levels by \$4,850,000 or 34.5% as at the end of 2007 compared to the end of 2006. Approximately \$2,963,000 of the increase related to inventories of magnesium based products. Raw material costs of these magnesium products have increased dramatically during the year and additional quantities were purchased to support desulfurization product production in Waterdown, Ontario. A further \$1,146,000 of the increase pertained to initial shipments of Greek nickel slag to several facilities in North America. The remaining increase related to refractory products for foundry and mill customers, and specialty abrasives sold throughout North America.

Prepaid expenses and other current assets - Excluding the impact of acquisitions, Opta’s prepaid expenses increased \$72,000 at the end of 2007 compared to the end of 2006. The increase is due to the prepaid interest on certain Bankers acceptance arrangements used in the Company’s financing strategy partially offset by the timing of insurance premiums paid by the company.

Accounts payable and accrued liabilities - Excluding the impact of acquisitions, the increase in accounts payable and accrued liabilities was primarily comprised of normal trade payables related to the freight associated with merchandise inventories.

Investing Activities

Cash used in investing activities was \$8,683,000 for the year ended December 31, 2007 as compared to \$18,275,000 in 2006. Approximately \$7,157,000 of the investments pertain to the acquisitions of Newco a.s. and the production facility in Laval, Quebec during the year, along with the establishment of a magnesium processing facility in Waterdown Ontario. Excluding the assets acquired in Laval, Quebec and for the Waterdown magnesium facility, capital expenditures incurred during the year totalled \$733,000. The Company continues to invest in capital improvements designed to maintain facilities, reduce operating costs or comply with regulatory requirements at its various locations.

2007 Capital program

Opta' s 2007 capital expenditures totalled \$1,834,000, a 31% increase from the \$1,404,000 spent in 2006. Capital expenditures during the year included:

- \$843,000 for business expansion initiatives;
- \$991,000 for maintenance or replacement of property, plant and equipment;

The Company expects to spend approximately \$2,500,000 in capital expenditures in 2008.

Financing Activities

Cash obtained in financing activities was \$8,320,000 for the year ended December 31, 2007. The most significant financing transactions recorded in the period pertain to a refinancing of the Company's debt with another Canadian institution and the financing of the Newco acquisition.

4.3. Financial Ratios

We have ready access to funding from the financial markets as a result of our relatively strong balance sheet and healthy financial ratios. The following table shows the changes in financial ratios over the past year.

	December 31, 2007	December 31, 2006
Ratio of long term debt and bank indebtedness to Equity	0.88:1	0.64:1
Ratio of long term debt ⁽¹⁾ to total capitalization	0.35:1	0.27:1
Ratio of current assets to current liabilities	1.77:1	1.75:1
Interest coverage ⁽²⁾	4.9 times	5.3 times

(1) Long-term debt includes current portion.

(2) We calculate interest coverage using earnings before interest, income taxes, stock compensation expense and amortization.

4.4. 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.

Interest expense	2007	2006
Interest expense pertaining to long term debt	\$1,213,000	\$1,063,000
Interest expense pertaining to bank indebtedness	\$435,000	\$457,000
Effective blended cost of debt	6.0%	7.8%

5. **Contractual Obligations and Commitments**

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

<u>Contractual Obligations</u>	Payments Due by Period						
	Total	2008	2009	2010	2011	2012	Thereafter
Long term debt	\$30,518	\$7,314	\$3,809	\$3,809	\$2,309	\$2,309	\$10,968
Preferred shares	47	47	-	-	-	-	-
Operating leases	5,082	1,511	1,158	920	788	244	461
Total contractual obligations	35,647	8,872	4,967	4,729	3,097	2,553	11,429

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. An amount of \$1,624,000 has been recognized as other long term liabilities based upon management's estimate of contingent consideration likely to be paid.

6. **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 administrative services provided at fair market value. For 2007, these fees totaled \$48 (2006 - \$19).

7. **Risks and Uncertainties**

The Company approaches the management of risk strategically, in order to prudently preserve shareholder value. You should carefully consider the risks described in other information contained in our filings with Canadian securities regulatory agencies, including our 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.

8. **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses and disclosure of gain and loss contingencies at the date of the consolidated financial statements. The estimates and assumptions made require judgement on the part of management and are based on the Company's historical experience

and various other factors that are believed to be reasonable in the circumstances. Management continually evaluates the information that forms the basis of estimates and assumptions as the business of the Company and the business environment generally changes. The use of estimates is pervasive throughout the Company's consolidated financial statements.

We periodically review our financial reporting and disclosure practices and accounting policies to ensure that our financial reporting and disclosures are accurate and informative relative to the current economic and business environment. As part of this process, we have reviewed our selection, application and communication of critical accounting policies and financial disclosures. We note that we have determined that our critical accounting policies relating to our core ongoing business are primarily those disclosed below. Other important accounting policies are described in note 2 of our annual consolidated financial statements as at December 31, 2007 and 2006 and for the years 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.

Goodwill

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

Should the carrying amount of goodwill exceed its estimated fair value, an impairment loss would be recognized at that time and be charged to the statement of earnings. The Company has assessed the carrying value of goodwill for possible impairment and has determined that no such impairment exists as at December 31, 2007.

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	7 – 15 years
Long-term supply contract	Over the contract period of 10 years
Licensing agreement	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.

9. Non-GAAP Measures

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

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

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

	Quarters Ended								Years Ended	
	Dec 31, 2007	Sept 30, 2007	June 30, 2007	Mar 31, 2007	Dec 31, 2006	Sept 30, 2006	June 30, 2006	Mar 31, 2006	Dec. 31, 2007	Dec. 31, 2006
	(unaudited)								(expressed in thousands of dollars)	
	(expressed in thousands of dollars)								(expressed in thousands of dollars)	
Net earnings for the period	\$235	\$1,258	\$1,150	\$705	\$664	\$1,031	\$1,445	\$401	\$3,348	\$3,541
Interest expense	495	398	384	371	424	401	404	291	1,648	1,520
Provision for income taxes	118	443	514	387	430	567	729	254	1,462	1,980
Depreciation	589	568	466	437	487	487	432	335	2,060	1,741
Amortization of Intangible assets	447	349	282	303	303	259	233	130	1,381	925
EBITDA⁽¹⁾	1,884	3,016	2,796	2,203	2,308	2,745	3,243	1,411	9,899	9,707
Depreciation and amortization of intangible assets	1,036	917	748	740	790	746	665	465	3,442	2,666
EBIT⁽²⁾	848	2,099	2,048	1,463	1,518	1,999	2,578	946	6,458	7,041

Notes:

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

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

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

10. Derivative Instruments

Commencing in 2007, we began to use derivative financial instruments to manage our exposure to changes in interest rates. We do not use derivatives to speculate, but rather as a risk management tool. The Company entered into an interest rate swap with a notional amount of Cdn \$17,200,000 for a term of 5 years. The swap fixes the company effective interest rate on this amount at 5.25% plus a margin based on certain financial ratios of the Company. To manage the credit and market risks associated with derivative financial instruments, we:

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

If we sell or terminate a hedged item, or it matures before the related hedging instrument is terminated, we recognize in income any realized or unrealized gain or loss on the derivative instrument. In accounting for this cash flow hedge, changes in fair value of this swap is included in other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive income amounts are allocated to net earnings in the same period in which the hedged item affects net earnings. For all cash flow hedges, to the extent the change in fair value of the derivative is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. Our credit exposure to hedges and other derivatives is the current replacement value of any contracts that are in a gain position. As at December 31, 2007, our exposure from interest rate swap contracts was a loss net of income tax equal to \$357,000.

11. Disclosure Controls and Procedures

As at the financial year ended December 31, 2007, 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, 2007 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.

12. Internal Controls over Financial Reporting

Management is also responsible for the design of internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP"). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, even effective ICFR can only provide reasonable, not absolute, assurance of achieving the control objectives for financial reporting.

The design of the Company's ICFR was evaluated by management, including the Chief Executive Officer and Chief Financial Officer, as at December 31, 2007. They have concluded that the design of ICFR's, except for the limitations noted above, would provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP as of December 31, 2007.

13. Recent Developments in Accounting Standards

The Company has adopted the following recent standards as of January 1, 2007.

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 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.

Upon transition to CICA section 3855, Financial Instruments – Recognition and Measurement on January 1, 2007 the Company reclassified \$124,000 of deferred financing costs to retained earnings and has elected to expense transaction costs related to held to maturity financial liabilities as incurred.

14. Recently issued accounting pronouncements

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

- a) CICA Handbook Section 1535 “Capital Disclosures” establishes standards for disclosing information about a Company’s capital and how it is managed to enable users of the financial statements to evaluate the Company’s objectives, policies and procedures for managing capital. This section is effective for the fiscal years beginning on or after October 1, 2007.
- b) CICA Handbook Section 3862 “Financial Instruments – Disclosures” requires disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for the company’s financial position and performance; and the nature and extent of risks arising from financial instruments to which the company is exposed during the period and at the balance sheet date, and how the company manages those risks. This accounting standard is effective for fiscal years beginning on or after October 1, 2007.
- c) CICA Handbook Section 3863 “Financial Instruments – Presentation” establishes standards for presentation of financial instruments and non-financial derivatives. This section complements the existing CICA Handbook Section 3861 – Financial Instruments – Disclosure and Presentation and is effective for fiscal years beginning on or after October 1, 2007.
- d) CICA Handbook Section 3031 “Inventories” provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and is effective for the fiscal years beginning on or after January 1, 2008.
- e) International Financial Reporting Standards – In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011.

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

15. Additional Information

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

GLOSSARY

Capitalization

Market price per common share (December 31, 2007 - \$4.89) multiplied by total number of outstanding shares (December 31, 2007 – 17,984,200).

Cash generated from operations

Cash provided by (used in) operating activities less changes 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 year divided by earnings before interest, income taxes, stock compensation expense and amortization.

Long term debt and bank indebtedness to capitalization ratio

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