

Opta Minerals Inc.

Consolidated Financial Statements
December 31, 2007 and 2006
(expressed in thousands of U.S. dollars)

February 29, 2008

Auditors' Report

To the Shareholders of Opta Minerals Inc.

We have audited the consolidated balance sheets of **Opta Minerals Inc.** as at December 31, 2007 and 2006 and the consolidated statements of earnings, comprehensive income, retained earnings and accumulated other comprehensive income and cash flows for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Hamilton, Ontario

Opta Minerals Inc.
Consolidated Balance Sheets
As at December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

	2007	2006
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,336	854
Accounts receivable	10,486	8,111
Inventories (note 4)	19,219	14,057
Prepaid expenses and other current assets	1,566	1,492
Income taxes recoverable	148	248
	<hr/>	<hr/>
	33,755	24,762
Property, plant and equipment (note 5)	19,531	17,615
Intangible and other assets (note 6)	32,871	20,644
Goodwill	10,606	10,169
Future income taxes (note 9)	1,469	803
	<hr/>	<hr/>
	98,232	73,993
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	5,989	6,752
Accounts payable and accrued liabilities	5,773	4,891
Current portion of long-term debt (note 7)	7,314	2,496
Current portion of preference shares (note 8)	47	39
	<hr/>	<hr/>
	19,123	14,178
Long-term debt (note 7)	23,204	12,749
Other long-term liabilities (note 3)	1,624	2,150
Future income taxes (note 9)	12,724	10,768
	<hr/>	<hr/>
	56,675	39,845
Shareholders' Equity		
Capital stock (note 10)		
Authorized		
Unlimited number of common shares and preference shares without par value		
Issued		
17,984,200 (December 31, 2006 – 16,964,539) common shares	17,528	14,082
Contributed surplus (note 10)	1,364	1,213
Retained earnings	19,184	15,960
Accumulated other comprehensive income	3,481	2,893
	<hr/>	<hr/>
	41,557	34,148
	<hr/>	<hr/>
	98,232	73,993
Commitments and contingencies (note 16)		

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board of Directors

(signed) "Jeremy Kendall"

Director

(signed) "Victor Hepburn"

Director

Opta Minerals Inc.

Consolidated Statements of Earnings For the years ended December 31, 2007 and 2006

(expressed in thousands of U.S. dollars except per share amounts)

	2007	2006
	\$	\$
Revenue	75,365	64,313
Cost of goods sold	57,543	48,354
Gross profit	17,822	15,959
Selling, general and administrative expenses	9,635	8,051
Earnings before the following	8,187	7,908
Interest expense on long-term debt	1,213	1,063
Interest expense	435	457
Amortization of intangible assets	1,381	925
Stock compensation expense (note 11)	170	170
Other financing costs (note 12)	417	-
Foreign exchange gain	(239)	(228)
	3,377	2,387
Earnings before income taxes	4,810	5,521
Provision for income taxes (note 9)	1,462	1,980
Net earnings for the year	3,348	3,541
Earnings per share for the year (note 14)		
Basic and diluted	0.19	0.21

The accompanying notes are an integral part of these consolidated financial statements

Opta Minerals Inc.

Consolidated Statements of Comprehensive Income For the years ended December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

	2007	2006
	\$	\$
Net income	3,348	3,541
Other comprehensive income (loss)		
Unrealized gain on translation of foreign operations	795	6
Unrealized loss on financial derivative	(207)	-
Comprehensive income	<u>3,936</u>	<u>3,547</u>

The accompanying notes are an integral part of these consolidated financial statements

Opta Minerals Inc.

Consolidated Statements of Retained Earnings and Accumulated Other Comprehensive Income For the years ended December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

	2007	2006
	\$	\$
Retained earnings - Beginning of year	15,960	12,419
Impact of adopted accounting pronouncements on January 1, 2007 (note 2)	(124)	-
Net earnings for the year	<u>3,348</u>	<u>3,541</u>
Retained earnings - End of year	<u>19,184</u>	<u>15,960</u>
Accumulated other comprehensive income – Beginning of year	2,893	2,887
Unrealized gain on translation of foreign operations	795	6
Unrealized loss on financial derivative	<u>(207)</u>	<u>-</u>
Accumulated other comprehensive income – End of year	<u>3,481</u>	<u>2,893</u>

The accompanying notes are an integral part of these consolidated financial statements

Opta Minerals Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

	2007 \$	2006 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	3,348	3,541
Items not affecting cash		
Amortization of property, plant and equipment	2,060	1,741
Amortization of intangible assets	1,381	925
Amortization of deferred financing costs	-	86
Other financing costs (note 12)	254	-
Stock compensation expense (note 11)	170	170
Future income taxes (note 9)	(1,072)	174
Unrealized foreign exchange (gain) loss on long-term debt	(9)	52
Net loss on disposal of property, plant and equipment	7	-
	6,139	6,689
Changes in non-cash working capital		
Accounts receivable	(599)	540
Inventories	(3,347)	1,132
Prepaid expenses and other current assets	36	64
Accounts payable and accrued liabilities	(491)	(352)
Income taxes recoverable	100	(1,029)
	1,838	7,044
Investing activities		
Acquisition of property, plant and equipment	(1,834)	(1,404)
Proceeds on disposal of property, plant and equipment	20	-
Additional consideration paid on acquisitions (note 3)	(555)	(52)
Acquisition of other assets	-	(42)
Acquisition of companies, net of cash acquired (note 3)	(6,314)	(16,777)
	(8,683)	(18,275)
Financing activities		
Deferred financing costs	-	(66)
Proceeds from issuance of common shares – net of issuance costs	83	35
(Decrease) increase in bank indebtedness	(1,853)	6,528
Proceeds from long-term debt (note 7)	23,166	3,542
Repayment of long-term debt (note 7)	(13,076)	(1,425)
Repayment of due from affiliates – net	-	(9)
Purchase and redemption of preference shares of subsidiary companies	-	(26)
	8,320	8,579
Foreign exchange loss on cash held in foreign currency	7	-
Increase (decrease) in cash and cash equivalents during the year	1,482	(2,652)
Cash and cash equivalents - Beginning of year	854	3,506
Cash and cash equivalents - End of year	2,336	854
Supplemental cash flow information		
Interest paid	1,762	1,185
Income taxes paid	2,466	3,041

The accompanying notes are an integral part of these consolidated financial statements

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

1 Basis of presentation and nature of operations

The consolidated financial statements include the accounts of Opta Minerals Inc. (the “Company”) and its wholly-owned subsidiaries, Opta Minerals (USA) Inc.; Virginia Materials Inc. (Virginia Materials); International Materials & Supplies Inc. (International Materials); Temisca Inc. (Temisca); Magnesium Technologies Corporation (Magtech); MTI 02-2006 Inc.; OPM 01-2006 Inc.; Bimac Inc. (Bimac) and Newco, a.s. (Newco). All significant intercompany accounts and transactions have been eliminated on consolidation.

The Company produces, manufactures and distributes silica-free abrasives, roof shingle granules and other industrial minerals for the foundry, steel, marine/bridge cleaning, roofing and municipal water filtration industries, and recycles inorganic materials under special permits from government authorities at both its Waterdown, Ontario and Norfolk, Virginia sites. The Company services much of the east coast of North America, with production facilities in Louisiana, South Carolina, Virginia, Maryland, New York, Indiana, Michigan, Ontario and Quebec and services locations in Europe with its production facility in Kosice, Slovakia. In addition to the production facilities noted above, the Company owns and operates two distribution and packaging centres located in Lachine, Quebec and Drummondville, Quebec and one leased location in Brantford, Ontario as well as a sales office in Richfield, Ohio. The Company also generates revenue from the sale of specialty sands sourced, processed and packaged from the Company’s quarry in St. Bruno de Guigues, Quebec as well as from the sale of related products and services. The Company’s assets, operations and employees are located in the United States, Canada and Europe.

2 Summary of significant accounting policies

Change in reporting currency

The Company has historically prepared its consolidated financial statements in Canadian dollars. As a result of the continued expansion of the Company’s U.S. operations, a significant U.S. customer base and because the majority of its revenue and assets are denominated in U.S. dollars, the Company has elected to adopt the U.S. dollar as its reporting currency effective April 1, 2007. In making this change in reporting currency, the Company has followed the recommendations of the Emerging Issues Committee (“EIC”) of the Canadian Institute of Chartered Accountants (“CICA”), set out in EIC-130, “Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency”.

Based on EIC-130, the financial statements for all periods presented have been translated into U.S. dollars using the current rate method. The assets and liabilities were translated into U.S. dollars using the exchange rate in effect at each period-end. Capital stock and contributed surplus have been translated into U.S. dollars using the average exchange rate applicable during the month in which the transaction took place. Revenues and expenses were translated at the average monthly rate during the period. All exchange differences resulting from the translation are included in the accumulated other comprehensive income in shareholders’ equity.

All comparative financial information has been restated to reflect the Company’s results if they had been historically reported in U.S. dollars.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

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;
- when services are delivered. For the sale of abrasives and industrial minerals, the Company considers services to be 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits with a maturity at acquisition of less than 90 days.

Inventories

Raw materials and finished goods inventories are recorded at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated amortization.

Amortization is provided on property, plant and equipment on both a declining balance and a straight-line basis as follows: 4% to 12% for buildings and leasehold improvements, 20% for machinery and equipment and 10% to 33% for office furniture and equipment. Amortization is calculated from the time the asset is put into use.

Asset retirement obligations

On an annual basis the Company reviews its assets and lease commitments to determine if there are any asset retirement obligations and associated asset retirement costs to accrue. Management has determined that no such accruals are required.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

Goodwill

Goodwill represents the excess of the purchase price over the fair value assigned to 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 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 charged to the consolidated 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

Impairment of long-lived assets

An impairment charge is recognized for long-lived assets, including intangible assets with definite lives, when an event or change in circumstances causes the assets' carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the asset and its carrying value.

Other assets

The Company's other assets include patents which are amortized over the useful life of the patent.

Share-based compensation

The Company applies the fair value method of accounting for share-based compensation awards granted to officers, directors, employees and consultants of the Company. The fair value of the award at the time of granting is recognized as compensation expense on a straight-line basis over the vesting period with an offsetting amount recorded to contributed surplus. The amount of the compensation cost recognized at any date at least equals the value of the portion of the options vested at that date. When stock options are exercised, the consideration paid by employees, together with the related amount in contributed surplus, is credited to capital stock.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

Foreign currency translation

All of the Company's operations are considered self-sustaining operations. The assets and liabilities of the self-sustaining operations are translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at average exchange rates prevailing during the year. Unrealized gains or losses resulting from translating self-sustaining operations are accumulated and reported as a currency translation adjustment in shareholders' equity.

Revenues and expenses of the Company and its Canadian subsidiaries arising from foreign currency transactions are translated into Canadian dollars using the exchange rate in effect at the transaction dates. Monetary assets and liabilities are translated using the rate in effect at the consolidated balance sheet date. Related exchange gains and losses are included in the determination of earnings.

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 that the future income tax assets 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.

Use of estimates

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

Financial instruments

The Canadian Institute of Chartered Accountants (“CICA”) issued the following new accounting standards that apply to the Company as of January 1, 2007:

- a) CICA Handbook Section 3855 “Financial Instruments, Recognition and Measurement”;
- b) CICA Handbook Section 3861 “Financial Instruments – Disclosure and Presentation”; and
- c) CICA Handbook Section 3865 “Hedges”.

Financial instruments

This new standard requires the Company to revalue certain of its financial assets and liabilities, including derivatives designated in qualifying hedging relationships and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent financial reporting date. This standard also requires the Company to classify financial assets and liabilities according to their characteristics and management’s choices and intentions related thereto for the purposes of ongoing measurement.

Classification choices for financial assets include:

- a) held for trading – measured at fair value with changes in fair value recorded in net earnings;
- b) held to maturity – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired;
- c) available for sale – measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and
- d) loans and receivables – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired.

Classification choices for financial liabilities include:

- a) held for trading – measured at fair value with changes in fair value recorded in net earnings; and
- b) other – measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is derecognized.

Subsequent measurement for these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

In accordance with the new standard, the Company's financial assets and liabilities are generally classified and measured as follows:

Assets/liability	Category	Measurement
Accounts receivable	Loans and receivables	Amortized cost
Income taxes recoverable	Loans and receivables	Amortized cost
Bank indebtedness – operating line	Other liabilities	Amortized cost
Long-term debt – term facility	Other liabilities	Amortized cost
Long-term debt – acquisition facility	Other liabilities	Amortized cost
Long-term debt – promissory notes	Other liabilities	Amortized cost
Preferred shares	Other liabilities	Amortized cost

Transaction costs related to all financial instruments are now expensed as incurred. Upon transition to the new standards on January 1, 2007, the Company elected to reclassify \$124 of deferred financing costs to retained earnings. The Company also elected to use "trade date" accounting for regular way purchases and sales of financial assets.

Embedded derivatives (elements of contracts whose cash flows move independently from the host contract) are required to be separated and measured at fair values if certain criteria are met. Under an election permitted by the new standard, management reviewed its contracts and determined that the Company does not currently have any significant embedded derivatives in these contracts that require separate accounting and disclosure.

Hedges

The Company entered into a cash flow hedge in 2007. The hedge pertains to an interest rate swap contract that was entered into in order to manage the Company's exposure to interest rate risks. The fair value of this contract is included in accounts payable and accrued liabilities. The changes in fair value of this contract 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 and classified with other financing costs.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

The fair value of the hedging derivative is estimated based on the standard swap valuation methodology. That is, the value of the swap is calculated as the difference between the present values of the future cash flows associated with the floating-receive leg and the fixed pay leg, as follows:

- The present value of the fixed pay leg is calculated as the sum of the fixed coupon payments on each payment date (determined by multiplying the notional amount by the fixed rate), discounted by the swap rate applicable for that payment date. The swap rate is determined from the swap curve as at the assessment date using the bootstrapping method.
- The present value of the floating leg is calculated as the sum of the following:
 - Using forward rates at the assessment date, the estimated receipt for each receipt date (which is the same as the payment date for the fixed pay leg) is determined by multiplying the forward rate applicable for the receipt date by the notional amount; and
 - The present value of each floating receipt is determined by discounting the estimated receipt for each receipt date by the swap rate applicable for that receipt date (the swap rate is determined from the swap curve as at the assessment date using bootstrapping).

The estimated fair values of the swap at inception and December 31, 2007 was a loss of \$254 and \$539, respectively based on the calculation above. The fair value estimates are not necessarily indicative of the amounts that the Company might receive or pay in actual market transactions.

The initial fair value of the swap is deemed to be ineffective for the purposes of hedge accounting and, as a result, the Company recorded a \$254 charge to other financing costs in the consolidated statement of earnings (see note 12).

The Company enters into interest rate swap contracts with approved creditworthy counterparties to manage the Company's current and anticipated exposure to interest rate risks. Neither the notional principal amounts nor the current replacement value of these outstanding financial instruments is carried on the consolidated balance sheets. The Company does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

As at December 31, 2007, the Company had entered a contract that exchanged a net notional amount of Cdn. \$17,200 from floating to fixed rate of 5.25% from August 2008 until August 2012. Accordingly, for the year ended December 31, 2007, interest expense does not include any net payments relating to interest rate swaps. This contract hedges the Company's net balance sheet interest rate sensitivity position.

a) Interest rate risk

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

	2007		2006	
	Interest sensitive \$	Non-interest sensitive \$	Interest sensitive \$	Non-interest sensitive \$
Cash and cash equivalents	2,336	-	854	-
Bank indebtedness	(5,989)	-	(6,752)	-
Long-term debt – term loan *	(12,610)	(29)	(8,480)	(160)
Long-term debt – acquisition facility *	(10,481)	-	(950)	-
Promissory notes *	-	(7,394)	-	(5,623)
Capital lease obligations *	-	(4)	-	(32)
	(26,744)	(7,427)	(15,328)	(5,815)

* See note 7 for further details

A one percent change in interest rates would not materially affect the Company's earnings, cash flow or financial position.

b) Credit risk

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

c) Foreign exchange risk

The Company operates internationally, which gives rise to the risk that results of operations and cash flows may be adversely impacted by exchange rate fluctuations. The Company does not use derivative instruments to manage this risk.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. The dilutive effect of outstanding options on earnings per share is calculated based on the application of the treasury stock method. Under this method, the proceeds from the potential exercise of stock options are assumed to purchase common shares and are used to increase the denominator used in the calculation of diluted earnings per share.

Other recently adopted accounting pronouncements

On January 1, 2007, the Company also adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530 "Comprehensive Income" and 3251 "Equity".

CICA Section 1530 established standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

CICA Section 3251 established standards for the presentation of equity and changes in equity during the period. Accumulated other comprehensive income is included on the consolidated balance sheet as a separate component of shareholders' equity, and includes the foreign currency cumulative translation adjustment.

Upon transition to CICA Section 3251, Equity, the Company reclassified the cumulative translation adjustment to accumulated other comprehensive income for both periods presented on the consolidated balance sheet.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

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 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 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.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

3 Business acquisitions

a) Acquisition of Newco, a.s.

On July 30, 2007, the Company acquired 100% of the outstanding common shares of Newco, a.s. (Newco) of Kosice, Slovakia. The total purchase price of \$15,942 was comprised as follows:

	\$
Cash and acquisition costs	9,376
Common shares (a)	3,344
Promissory note (b)	2,662
Other consideration (c)	<u>560</u>
Purchase price	<u>15,942</u>

- a) Common shares – 1,000,000 common shares with a value of \$3.34 (Cdn. \$3.55) per share were granted and placed into escrow. Trading restrictions were attached to the shares issued whereby the holders are not allowed to sell the shares for a 9 to 18 month period following the acquisition. The share consideration was net of Cdn. \$0.80 per share to account for the effect of the trading restriction on the fair value of the shares.
- b) Promissory note – the non-interest bearing promissory note in the amount of Slovak Koruna (“Skk”) 67,626,000 is due in full on or before February 29, 2008.
- c) Other consideration – the acquisition of Magnesium Technologies in 2006 included an acquired intangible assigned to a profit sharing agreement. This profit sharing agreement gave the Company the legal right to receive a set percentage of the net income of Newco and was terminated effective July 30, 2007 in conjunction with the acquisition. The fair value of the related intangible in the amount of \$560 was included as part of the purchase consideration.

Newco operates its production facility in Kosice, Slovakia producing and distributing its proprietary desulphurization and refractory products and provides customer specific technical service.

The results of Newco were consolidated with those of the Company effective July 30, 2007 and are included in the mill and foundry products and services segment.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. These fair values are based on management's estimates and are subject to change once final valuations and restructuring plans have been completed.

	\$
Net assets acquired	
Cash	3,062
Accounts receivable	1,254
Inventories	291
Prepaid expenses and other assets	2
Income tax recoverable	12
Property, plant and equipment	823
Intangible assets	13,544
Accounts payable and accrued liabilities	(356)
Future income taxes	(2,690)
	<u>15,942</u>

The acquired intangible assets in the amount of \$13,544 were assigned to customer relationships. The intangible assets acquired are subject to amortization and are not deductible for tax purposes.

b) Acquisition of Magnesium Technologies Corporation

On February 15, 2006, the Company acquired the outstanding common shares of Magnesium Technologies Corporation of Richfield, Ohio and secured an option to acquire a controlling position in an affiliate of Magtech. The total purchase price of \$18,214 was comprised of \$12,000 in cash, a long-term promissory note to the vendor in the amount of \$6,000 and accrued acquisition costs in the amount of \$214. The results of Magtech were consolidated with those of the Company effective February 16, 2006.

Magtech operates its main production facility in Walkerton, Indiana and maintains a sales and head office in Richfield, Ohio. Magtech provides customer specific technical service with its primary customers through the use of on-site technicians who monitor and manage the use of its products in the desulphurization process.

Magtech maintains proprietary and patented desulphurization systems and products which are used to produce desulphurization products to the specific requirements of each customer that it services within both the Canadian and United States steel industries.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition.

	\$
Net assets acquired	
Accounts receivable	1,920
Inventories	1,510
Prepaid expenses and other assets	1,388
Property, plant and equipment	4,324
Intangible and other assets	18,504
Goodwill	1,130
Bank indebtedness	(790)
Accounts payable and accrued liabilities	(673)
Income taxes payable	(725)
Debt	(267)
Future income taxes	(8,107)
	<u>18,214</u>
Consideration	
Cash	12,000
Note payable	6,000
Accrued acquisition costs	214
	<u>18,214</u>

Of the \$18,504 of acquired intangible assets, \$16,357 was assigned to customer relationships and \$2,147 was assigned to a profit sharing agreements. The intangible assets acquired are subject to amortization.

The goodwill of \$1,130 was assigned to the mill and foundry products and services segment. Neither the goodwill nor the intangible assets assigned to customer relationships and profit sharing agreements are deductible for tax purposes.

c) Acquisition of Bimac Corporation

On October 4, 2006, the Company acquired the outstanding common shares of Chemincon Inc. and its wholly-owned subsidiary, Bimac Corporation of Milan, Michigan. The total purchase price of \$6,207 was comprised of \$4,000 in cash, contingent consideration recorded in the amount of \$2,150 (see d) Additional consideration paid on prior acquisitions) and accrued acquisition costs in the amount of \$57. The results of Bimac were consolidated with those of the Company effective October 5, 2006.

Chemincon and Bimac's operations consist of a production facility in Milan, Michigan which produces and sells its proprietary tundish and ladle insulators, fluxes and conditioners. These products are used to prevent heat loss, reduce oxidization and remove impurities in hot metal prior to casting. The products are produced to the specific requirements of customers within both the Canadian and United States steel industries.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. These fair values are based on management's estimates and are subject to change once the final valuations and restructuring plans have been completed.

	\$
Net assets acquired	
Cash (net of bank indebtedness of \$310)	10
Accounts receivable	1,251
Inventories	589
Prepaid expenses and other current assets	96
Property, plant and equipment	2,424
Intangible and other assets	2,543
Goodwill	2,448
Accounts payable and accrued liabilities	(1,173)
Income taxes payable	(29)
Debt	(339)
Future income taxes	(1,613)
	<u>6,207</u>
Consideration	
Cash	4,000
Accrued acquisition costs	57
Contingent consideration	2,150
	<u>6,207</u>

The acquired value of intangible assets of \$2,543 was assigned to customer relationships which are subject to amortization.

The goodwill of \$2,448 was assigned to the mill and foundry products and services segment. Neither the goodwill nor the intangible assets assigned to customer relationships are deductible for tax purposes.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

d) Additional consideration paid on prior acquisitions

On October 4, 2006, the Company acquired the outstanding shares of Bimac Inc. Pursuant to the purchase agreement, additional consideration not to exceed \$3,850 may be payable based on the achievement of certain pre-determined earnings targets between October 1, 2006 and September 30, 2016. An amount of \$2,150 was recognized as contingent consideration at acquisition based upon management's estimates. During the year ended December 31, 2007, \$526 (2006 - \$nil) of contingent consideration was paid. Any future adjustments with respect to additional consideration will be recorded against goodwill.

On May 10, 2005, the Company acquired certain assets of an abrasive production plant in Attica, New York. Additional purchase consideration may be payable on occurrence of certain events. Given the uncertainty of the timing and amounts of such payments, no accrual has been recorded with respect to this contingent consideration, which could total approximately \$400. The Company will recognize additional consideration payable and goodwill when the amount and outcome of the contingency become determinable. During the year ended December 31, 2007, \$29 (2006 - \$35) of additional consideration has been recognized in conjunction with this transaction resulting in a cumulative total of \$152.

On April 1, 2004, the Company acquired the outstanding shares of Distribution A&L for Cdn. \$500 including acquisition costs. Pursuant to the purchase agreement, additional contingent consideration of up to Cdn. \$500 could be payable if certain predetermined profit targets are achieved by the business during the period April 1, 2004 to June 30, 2009. During the year ended December 31, 2007, \$nil (2006 - \$17) of contingent consideration was paid resulting in a cumulative total of Cdn. \$56. Further payments under this agreement will be recorded as additional goodwill when the amount and outcome of the contingent consideration becomes determinable.

4 Inventories

	2007	2006
	\$	\$
Raw materials	11,294	8,528
Finished goods	7,925	5,529
	<hr/>	<hr/>
	19,219	14,057
	<hr/>	<hr/>

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

5 Property, plant and equipment

	2007		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	2,774	-	2,774
Buildings and leasehold improvements	7,942	1,718	6,224
Machinery and equipment	18,127	7,991	10,136
Office furniture and equipment	866	469	397
	29,709	10,178	19,531

	2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	2,467	-	2,467
Buildings and leasehold improvements	6,986	1,242	5,744
Machinery and equipment	14,822	5,742	9,080
Office furniture and equipment	1,445	1,121	324
	25,720	8,105	17,615

Included in machinery and equipment is an amount of \$830 (2006 - \$863) that represents construction in progress at year-end and is not yet being amortized.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

7 Long-term debt and banking facilities

Long-term debt consists of the following:

	2007 \$	2006 \$
Term loan payable with quarterly instalments of Cdn.\$312 plus interest (a)	12,610	-
Drawing on acquisition facility with quarterly instalments of Cdn. \$260 plus interest (c)	10,481	-
Term loan payable with quarterly instalments of Cdn. \$213 plus interest, payable monthly	-	6,146
Term loan payable with quarterly instalments of \$69 plus interest, payable monthly	-	2,334
Drawings on acquisition facility with quarterly instalments of \$50 plus interest, payable monthly	-	950
Promissory note payable with annual instalments of \$1,500 plus interest at 5.60%, payable annually	4,500	5,623
Non-interest bearing promissory note denominated in Skk due February 29, 2008	2,894	-
Term loan payable with monthly instalments of \$15 on account of principal and interest of 5.25%	29	160
Capital lease obligations due in monthly instalments of \$1 through 2008	4	32
	<hr/>	<hr/>
	30,518	15,245
Less: Current portion	7,314	2,496
	<hr/>	<hr/>
	23,204	12,749
	<hr/>	<hr/>

On July 31, 2007, the Company changed its credit agreement and banking facilities with another Canadian financial institution. In connection with the restructuring of its credit agreement, the Company incurred restructuring expenses in the amount of \$163 relating to legal and associated costs which is included in other financing costs on the consolidated statement of earnings.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

The terms of the credit agreement are as follows:

a) Term loan facility

The Company's term loan facility is Cdn.\$12,500 and has been fully drawn in Canadian dollars. The facility matures on July 30, 2012 and is renewable at the option of the lender and the Company. The facility was drawn to assist in the refinancing of the indebtedness of the Company's previous credit agreement. Funds were drawn through both bankers' acceptances and direct advances. Interest on the bankers' acceptances was paid in advance and interest on the direct advances is payable monthly at prime plus a margin based on certain financial ratios of the Company.

b) Line of credit facility

The Company's line of credit facility is Cdn.\$12,500. As at December 31, 2007, \$6,995 of this facility has been utilized, including letters of credit in the amount of \$1,006. Interest on borrowings under this facility accrues at the borrower's option based on various reference rates including prime, U.S. dollar base rate, bankers' acceptances or LIBOR plus a margin based on certain financial ratios of the Company.

c) Revolving acquisition facility

The Company retains a Cdn.\$20,000 facility to finance future acquisitions and capital expenditures. The facility is subject to certain draw restrictions. During the third quarter of 2007, an amount of Cdn.\$10,390 was drawn to assist with the acquisition of Newco, a.s.. Principal is payable quarterly equal to one fortieth of the drawdown amount. The facility is revolving for one year with a 5 year term-out option. Any remaining outstanding principal under this facility is due upon maturity. Interest on borrowings under this facility accrues at the borrower's option based on various reference rates including prime, U.S. dollar base rate, bankers' acceptances or LIBOR plus a margin based on certain financial ratios of the Company.

The line of credit facility, along with the unused portion of the revolving acquisition facility, is subject to annual extensions. The credit facilities described above are collateralized by a first priority security against substantially all of the Company's assets in both Canada and the United States. The promissory notes are subordinated to the term loan, line of credit facility and revolving acquisition facility.

The long-term debt detailed above requires minimum payments as follows:

	\$
2008	7,314
2009	3,809
2010	3,809
2011	2,309
2012	2,309
Thereafter	<u>10,968</u>
	<u>30,518</u>

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

8 Preference shares

	2007 \$	2006 \$
46,412 (2006 - 46,412) H preference shares	47	39
Less: Current portion of preference shares	47	39
	<u>-</u>	<u>-</u>

H preference shares

The Company is required to redeem the H preference shares issued by Temisca, its subsidiary, plus unpaid interest thereon calculated at 3% if certain financial ratios are achieved by Temisca. Upon acquisition of Temisca on October 31, 2000, the Company assigned a fair value of Cdn. \$427 to all outstanding H preference shares based on the Company's anticipated date of redemption at a discount rate of 8%. Since the acquisition of Temisca, the Company has redeemed 380,260 H preference shares at prices ranging from Cdn. \$0.33 to Cdn. \$1.00 per share. During the year, \$nil (2006 - \$nil) H preference shares were redeemed by the Company.

9 Income taxes

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

	2007 \$	2006 \$
Current	2,534	1,806
Future	(1,072)	174
	<u>1,462</u>	<u>1,980</u>

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

	2007 %	2006 %
Canadian statutory income tax rates	35.6	36.1
Non-deductible stock compensation expense	1.2	1.1
Statutory rate differences in other jurisdictions	(8.1)	2.0
Manufacturing and processing credits	(1.5)	(1.5)
Change in enacted tax rates	1.4	1.1
Other	1.8	(2.9)
	<u>30.4</u>	<u>35.9</u>

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

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

	2007	2006
	\$	\$
Differences in property, plant and equipment basis	(2,144)	(2,318)
Differences in intangible assets basis	(10,581)	(8,449)
Differences in share issuance costs	272	362
Non-capital and capital loss carry-forwards	832	401
Other	366	89
	<hr/>	<hr/>
	(11,255)	(9,915)
Valuation allowance	-	(50)
	<hr/>	<hr/>
	(11,255)	(9,965)
	<hr/>	<hr/>
Future income tax assets – long-term	1,469	803
Future income tax liabilities – long-term	(12,724)	(10,768)
	<hr/>	<hr/>
	(11,255)	(9,965)
	<hr/>	<hr/>

As at December 31, 2007, the Company has recognized the tax benefit of available non-capital losses in the amount of \$832 (2006 - \$351) which, if not utilized, will expire between 2014 and 2027. The benefit of non-capital losses has been recognized based on projections of future taxable income and the amount of the benefit of these losses ultimately realized is subject to change.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

10 Capital stock and contributed surplus

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

	Number	\$
December 31, 2005	16,952,574	14,047
Employee stock purchase plan	<u>11,965</u>	<u>35</u>
December 31, 2006	16,964,539	14,082
Issued (note 3)	1,000,000	3,344
Employee stock purchase plan	12,858	65
Common shares issued in exchange for options exercised	<u>6,803</u>	<u>37</u>
December 31, 2007	<u><u>17,984,200</u></u>	<u><u>17,528</u></u>

The Company established an Employee Stock Purchase Plan (“ESPP”) during 2005, pursuant to which 500,000 common shares have been reserved for issuance. The ESPP allows qualifying employees to buy the Company’s stock at a discount to the market price. During 2007, 12,858 (2006 – 11,965) common shares were purchased under the ESPP for proceeds of \$65 (2006 - \$35).

None of the warrants or compensation options issued as part of the Company’s initial public offering in fiscal 2005 were exercised on or before February 17, 2007 and have, as a result, expired.

- b) The movement in contributed surplus is as follows:

	\$
Balance - December 31, 2005	1,043
Stock compensation expense (note 11)	<u>170</u>
Balance – December 31, 2006	1,213
Stock compensation expense (note 11)	170
Stock options exercised	<u>(19)</u>
Balance – December 31, 2007	<u><u>1,364</u></u>

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars, except per share amounts)

11 Stock compensation expense

The Company has reserved 1,555,000 common shares for issuance under the Company's stock option plan to officers, directors, employees and consultants of the Company. Options were granted at the discretion of the Board of Directors as follows:

Date of grant	Options granted	Exercise price Cdn. \$
February 3, 2005	340,000	\$3.84
October 27, 2005	7,500	\$3.05
February 20, 2006	95,000	\$3.20
July 28, 2006	12,000	\$3.15
July 28, 2006	108,000	\$3.20
September 5, 2007	250,000	\$4.20
November 22, 2007	25,000	\$4.74

For all options granted up to and including July 28, 2006, the options vest 20% immediately and 20% per annum over a four-year period. These options expire ten years following the date of grant.

For all options granted thereafter, the options vest evenly over a five-year period. These options expire 5 years and 60 days following the date of grant.

The exercise price of each option equals the market price of the Company's capital stock at the date of grant except for the 108,000 options granted on July 28, 2006. The exercise price of these options was greater than the market price at the date of grant.

The Company recorded stock compensation expense using the fair value method. Fair value is determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense and contributed surplus. During the year, \$170 (2006 - \$170) was recognized in stock-based compensation expense relating to vested options. When options are exercised, the proceeds received by the Company together with the fair value amount in contributed surplus are credited to capital stock. As at December 31, 2007, 10,500 (2006 - nil) options have been exercised.

The weighted average fair value of each option granted was estimated on the grant date with the following weighted average assumptions:

Assumptions	
Expected dividend yield	Nil
Expected volatility	25%
Risk-free interest rate	3.22%
Expected option life	8.4 years

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars, except per share amounts)

Details of changes in employee/director stock options are as follows:

	Number of options	Weighted average exercise price Cdn. \$
Outstanding options – December 31, 2005	340,000	3.82
Granted	215,000	3.20
Outstanding options – December 31, 2006	555,000	3.58
Granted	275,000	4.25
Exercised	(10,500)	3.72
Forfeited	(7,200)	4.05
Outstanding options – December 31, 2007	812,300	3.80
Exercisable options – December 31, 2007	298,592	3.67

Options exercised during the year includes a transaction whereby 4,500 stock options were exchanged for 803 common shares.

The weighted average remaining contractual life of options outstanding at December 31, 2007 is 6.7 years (2006 – 8.5 years).

12 Other financing costs

	2007 \$	2006 \$
Ineffectiveness of initial fair value of interest rate swap (note 2)	254	-
Costs associated with changing credit and banking facilities (note 7)	163	-
	417	-

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars, except per share amounts)

13 Transactions with related parties

The Company has transactions with its parent company on a regular basis. The following is a summary of transactions that occurred during the year:

	2007	2006
	\$	\$
Management and administrative services provided by SunOpta	48	19

These transactions were carried out in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

Recorded in accounts receivable are advances due from SunOpta in the amount of \$33 (2006 - \$34) which are due on demand and are non-interest bearing.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars, except per share amounts)

14 Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding. The weighted average number of shares used in the basic earnings per share calculations amounted to 17,297,737 for the year ended December 31, 2007 (2006 - 16,957,639).

The following table reconciles the net earnings and the number of shares for the basic and diluted earnings per share calculations:

	2007		
	Net earnings attributable to common shareholders \$	Weighted average number of shares	Per share amount \$
Basic	3,348	17,297,737	0.19
Dilutive effect of stock options	-	172,700	-
Dilutive	3,348	17,470,437	0.19
	2006		
	Net earnings attributable to common shareholders \$	Weighted average number of shares	Per share amount \$
Basic	3,541	16,957,639	0.21
Dilutive effect of stock options	-	3,017	-
Dilutive	3,541	16,960,656	0.21

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

15 Segmented information

Industry segments

The Company operates in two industry segments.

a) Mill and foundry products and services operations

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

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

b) Abrasive products manufacturing and distribution operations

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

This segment includes the Company's manufacturing operations in Norfolk Virginia; Baltimore, Maryland; Hardeeville, South Carolina; New Orleans, Louisiana; Keesville and Attica New York; Waterdown, Ontario; St. Bruno de Guigues, Quebec and distribution operations in St-Germain-de-Grantham, Quebec.

The prior year comparative amounts have been reclassified to conform to the current period's presentation. The production of certain steel and foundry products continued in the Waterdown facility until March 2006 before being transferred to the Brantford operations and have been included in the abrasive products manufacturing and distribution operations segment for the three months ended March 31, 2006 as the information to discretely segregate the Waterdown and Brantford segment net earnings before interest expense and income taxes for this operation is not available.

Furthermore, the previously reported St. Bruno de Guigues quarry operation segment has been eliminated as, subsequent to the prior year's acquisitions, the former segment's results no longer meet the criteria for separate disclosure. The results are now included in the abrasive products manufacturing and distribution operations.

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

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

	2007			
	Mill and foundry products and services \$	Abrasive products manufacturing and distribution operations \$	Unallocated \$	Total \$
External revenue by market				
Canada	11,595	6,688	-	18,283
U.S.	36,771	16,867	-	53,638
Europe	3,125	-	-	3,125
Other	275	44	-	319
Total revenue from external customers	<u>51,766</u>	<u>23,599</u>	<u>-</u>	<u>75,365</u>
Segment earnings (loss) before interest expense and income taxes	5,428	3,139	(2,109)	6,458
Interest expense on long-term debt				1,213
Interest expense				435
Provision for income taxes				<u>1,462</u>
Net earnings for the year				<u>3,348</u>
Total assets as at December 31, 2007	<u>63,182</u>	<u>32,384</u>	<u>2,666</u>	<u>98,232</u>
Amortization of property, plant and equipment	<u>914</u>	<u>1,106</u>	<u>40</u>	<u>2,060</u>
Amortization of intangible assets	<u>1,334</u>	<u>47</u>	<u>-</u>	<u>1,381</u>
Goodwill and intangible assets as at December 31, 2007	<u>36,149</u>	<u>7,328</u>	<u>-</u>	<u>43,477</u>
Expenditures on property, plant and equipment	<u>579</u>	<u>1,241</u>	<u>14</u>	<u>1,834</u>

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

Included in the mill and foundry products and services segment is revenue from two customers (2006 – one customer) that individually exceeds 10% of the Company's revenue.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

	2006			
	Mill and foundry products and services \$	Abrasive products manufacturing and distribution operations \$	Unallocated \$	Total \$
External revenue by market				
Canada	11,013	8,440	-	19,453
U.S.	27,897	16,095	-	43,992
Europe	645	-	-	645
Other	186	37	-	223
Total revenue from external customers	<u>39,741</u>	<u>24,572</u>	<u>-</u>	<u>64,313</u>
Segment earnings before interest expense and income taxes	5,072	4,105	(2,136)	7,041
Interest expense on long-term debt				1,063
Interest expense				457
Provision for income taxes				<u>1,980</u>
Net earnings for the year				<u>3,541</u>
Total assets at December 31, 2006	<u>40,521</u>	<u>32,421</u>	<u>1,051</u>	<u>73,993</u>
Amortization of property, plant and equipment	<u>534</u>	<u>1,204</u>	<u>3</u>	<u>1,741</u>
Amortization of intangible assets	<u>871</u>	<u>54</u>	<u>-</u>	<u>925</u>
Goodwill and intangible assets as at December 31, 2006	<u>23,768</u>	<u>6,921</u>	<u>-</u>	<u>30,689</u>
Expenditures on property, plant and equipment	<u>701</u>	<u>604</u>	<u>99</u>	<u>1,404</u>

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

Geographic segments

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

				2007
	Canada	U.S.	Europe	Total
	\$	\$	\$	\$
Property, plant and equipment	8,863	9,888	780	19,531
Goodwill and intangible assets	2,840	26,430	14,207	43,477
Total assets	30,450	50,785	16,997	98,232
				2006
	Canada	U.S.	Europe	Total
	\$	\$	\$	\$
Property, plant and equipment	7,085	10,530	-	17,615
Goodwill and intangible assets	2,438	28,251	-	30,689
Total assets	27,400	46,593	-	73,993

16 Commitments and contingencies

- a) Various claims or potential claims arising in the normal course of business are pending against the Company. It is the opinion of management that these claims or potential claims are without merit and the amount of potential liability, if any, to the Company is not determinable. Management believes the final determination of these claims or potential claims will not materially affect the financial position or results of the Company.
- b) The Company believes, with respect to both its operations and real property, that it is in material compliance with current environmental laws. Based on known existing conditions and the Company's experience in complying with emerging environmental issues, the Company is of the view that future costs relating to environmental compliance will not have a material adverse effect on its financial position, but there can be no assurance that unforeseen changes in the laws or enforcement policies of relevant governmental bodies, the discovery of changed conditions on the Company's real property or in its operations, or changes in use of such properties and any related site restoration requirements, will not result in the incurrence of significant costs. No provision has been made in these consolidated financial statements for these future costs since such costs, if any, are not determinable at this time.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

- c) The Company has the following outstanding letters of credit:
- i) An irrevocable letter of credit for \$743 has been placed with the Ontario Ministry of Environment as a security deposit for the Certificate of Approval granted to the Company for certain recycling activities. This letter of credit must remain in place indefinitely as a condition of the Certificate of Approval.
 - ii) An irrevocable letter of credit for \$217 has been placed with the Commonwealth of Virginia Department of Environmental Qualities as a security deposit for the Certificate of Approval granted to the Company for certain recycling activities. This letter of credit must remain in place indefinitely as a condition of the Certificate of Approval.
 - iii) Additional letters of credit totalling \$46 have been placed with third parties as security on transactions occurring in the ordinary course of operations.
- d) Future commitments under operating leases, principally for distribution centres, warehouse and equipment, are as follows:

	\$
2008	1,511
2009	1,158
2010	920
2011	788
2012	244
Thereafter	461
	<hr/>
	5,082
	<hr/>

17 Comparative amounts

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