



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010

## Financial Highlights

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

	For the three months ended June 30		For the six months ended June 30	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Consolidated</b>				
Revenue	21,140	14,339	39,071	29,065
Gross profit	5,387	2,958	9,981	5,416
Selling, general and administrative expenses	2,769	2,426	5,095	4,692
EBITDA <sup>1</sup>	2,724	935	5,552	1,712
EBIT <sup>2</sup>	1,719	85	3,531	(126)
Provision for (recovery of) income taxes	411	(229)	807	(538)
Net earnings (loss) for the period	864	(79)	1,840	(405)
Tangible Net Worth <sup>3</sup>			12,264	7,742
<b>Per Share</b>				
Earnings (loss) (basic and fully diluted)	\$0.05	\$0.00	\$0.10	(\$0.02)
Cash generated from operations	\$0.04	\$0.09	\$0.09	\$0.24
Cash generated from (used in) operating activities <sup>4</sup>	\$0.07	\$0.03	\$0.16	\$0.01
Shareholders' equity			\$2.13	\$2.47
Number of shares outstanding – weighted average (dilutive)	18,028,211	18,010,195	18,026,359	18,007,606
Number of shares outstanding – period end	18,030,523	18,014,536	18,030,523	18,014,536
<b>Ratios<sup>5</sup></b>				
Debt to Equity			0.69:1	0.71:1
Current Ratio			1.68:1	1.59:1
Return (Loss) on Assets			(4.3)%	(0.9)%
Return (Loss) on Equity			(9.5)%	(2.1)%

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

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

<sup>3</sup> We calculate Tangible Net Worth as shareholders' equity less goodwill and intangibles net of non tax deductible future tax liabilities related to intangibles.

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

<sup>5</sup> Formulas for Ratios can be found in the Glossary to this Report.

# Management's Discussion and Analysis

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## **Introduction**

The following is a discussion of the consolidated financial position, results of operations and cash flows of Opta Minerals Inc. for the three and six months ended June 30, 2010 and 2009, prepared in accordance with Canadian generally accepted accounting principles. All amounts are in U.S. dollars unless otherwise stated.

### **We, us, our, Company and Opta**

In this document, “we”, “us”, “our”, “Company” and “Opta” refer to Opta Minerals Inc., 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 August 5, 2010. This MD&A includes Opta’s operating and financial results for the three and six months ended June 30, 2010 and 2009 and should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2009 which are available on SEDAR’s web site [www.sedar.com](http://www.sedar.com).

### **Other important company documents**

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

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

These documents are available on SEDAR’s web site at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

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

## **1. Our Company**

### **1.1. Overview of the Business**

Opta Minerals Inc. (TSX: OPM) is a vertically integrated provider of custom process optimization solutions and related materials for use primarily in the steel, foundry, loose abrasive cleaning and municipal water filtration industries. Notwithstanding the decline in business activities during 2009 as a result of a downturn in the global economy, the Company experienced solid growth through a combination of internal growth and successfully integrated strategic acquisitions to become one of the leading regional suppliers of industrial minerals and silica-free loose abrasives in a number of select markets in North America and Europe.

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

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

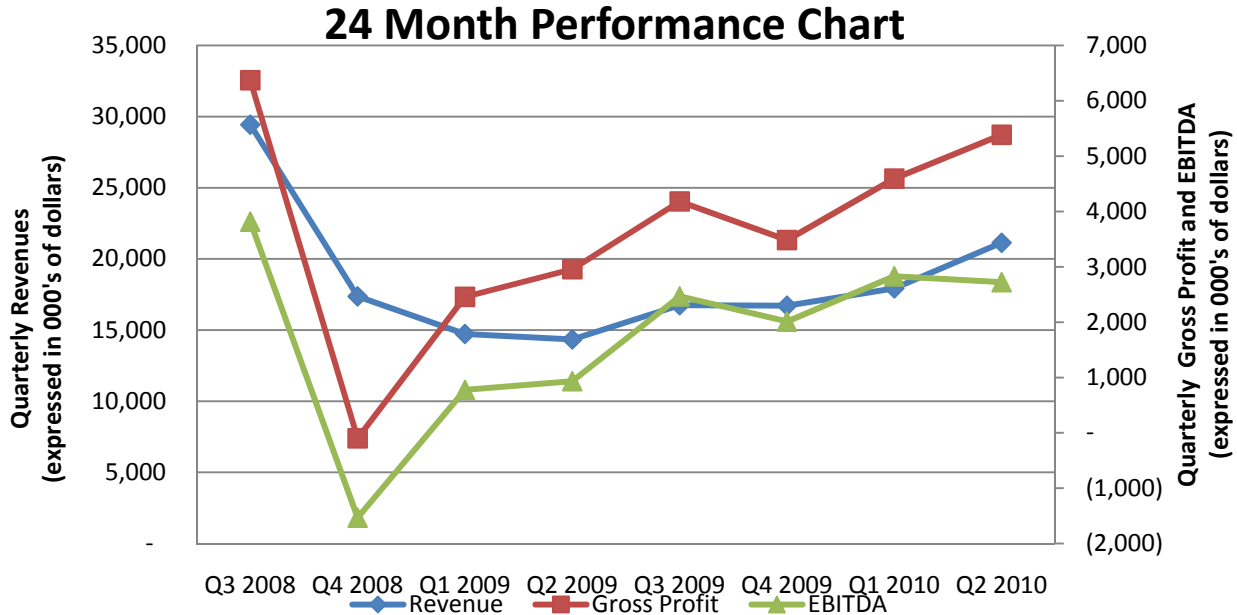
The Company's industrial mineral products include chromites and zircons, clays, coated sands, lime and magnesium blends and other industrial mineral blends sourced from South Africa, China, the Middle East, and North America, which are then processed at the Company's facilities for sale primarily to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

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

## 2. How we performed

### 2.1. Performance Highlights and Outlook

The following performance chart highlights the trend of revenue, gross profit and EBITDA<sup>1</sup> over the past 8 quarters.



Despite the challenging global economic conditions which commenced in the fourth quarter of 2008, the trend demonstrates steady growth in the Company's operating results over the past 6 quarters due to:

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

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

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

## 2.2. Selected Financial Data

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

(expressed in thousands of dollars, except gross margin percentage)	For the three months ended June 30,		For the six months ended June 30,	
	<u>2010</u> (unaudited)	<u>2009</u>	<u>2010</u> (unaudited)	<u>2009</u>
<b>Income Statement Data</b>				
<b>Revenue</b>	\$	\$	\$	\$
Mill and foundry products and services	14,000	8,305	25,920	18,900
Abrasive products manufacturing and distribution operations	7,140	6,034	13,151	10,165
<b>Total revenue</b>	<b>21,140</b>	<b>14,339</b>	<b>39,071</b>	<b>29,065</b>
<b>Gross profit</b>	<b>5,387</b>	<b>2,958</b>	<b>9,981</b>	<b>5,416</b>
Gross margin %	25.5%	20.6%	25.5%	18.6%
Selling, general and administrative expenses	2,769	2,426	5,095	4,692
<b>Earnings before the following:</b>	<b>2,618</b>	<b>532</b>	<b>4,886</b>	<b>724</b>
Interest expense (net)	444	393	884	817
Amortization of intangible assets	454	461	920	898
Stock compensation expense	61	68	123	138
Other (income) expenses	-	455	-	284
Foreign exchange (gain) loss	384	(464)	312	(265)
<b>Earnings (loss) before income taxes and non-controlling interest</b>	<b>1,275</b>	<b>(381)</b>	<b>2,647</b>	<b>(1,148)</b>
Provision for (recovery of) income taxes	411	(229)	807	(538)
<b>Net earnings before non-controlling interests</b>	<b>864</b>	<b>(152)</b>	<b>1,840</b>	<b>(610)</b>
Net loss attributable to non-controlling interest	-	(73)	-	(205)
<b>Net Earnings (Loss)</b>	<b>864</b>	<b>(79)</b>	<b>1,840</b>	<b>(405)</b>

Selected Quarterly Data – Continued	For the three months ended June 30		For the six months ended June 30	
	<u>2010</u> (unaudited)	<u>2009</u>	<u>2010</u> (unaudited)	<u>2009</u>
Basic net earnings (loss) per share	\$0.05	\$0.00	\$0.10	(\$0.02)
Diluted net earnings (loss) per share	\$0.05	\$0.00	\$0.10	(\$0.02)
Weighted average shares used in computing basic net earnings per share calculation	<u>18,028,211</u>	<u>18,010,195</u>	<u>18,026,359</u>	<u>18,007,606</u>
Weighted average shares used in computing diluted net earnings per share calculation	<u>18,028,211</u>	<u>18,010,195</u>	<u>18,026,359</u>	<u>18,007,606</u>

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

	As at		
	<u>June 30,</u> <u>2010</u> \$	<u>December 31,</u> <u>2009</u> \$	<u>June 30,</u> <u>2009</u> \$
Cash and cash equivalents	1,111	781	1,872
Working capital	12,786	12,158	11,808
Total assets	86,904	86,881	98,605
Bank indebtedness and long-term debt (including current portion)	26,419	26,762	31,522
Shareholders' equity excluding non controlling interest	38,400	38,257	44,547

## Quarterly Results of Operations

The following table sets out selected financial information for each of the eight most recent quarters ended June 30, 2010. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements for the years ended December 31, 2009 and 2008.

	Quarters Ended							
	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008
	(unaudited - expressed in thousands of dollars)							
<b>Revenue</b>	\$21,140	\$17,931	\$16,716	\$16,745	\$14,339	\$14,726	\$17,365	\$29,440
<b>EBITDA<sup>1</sup></b>	2,724	2,828	2,011	2,467	935	777	(1,532)	3,818
<b>Net earnings (loss) for the period</b>	864	976	616	(6,416)	(79)	(326)	(2,224)	1,673
<b>Basic and diluted earnings (loss) per share</b>	\$0.05	\$0.05	\$0.04	(\$0.36)	\$0.00	(\$0.02)	(\$0.12)	\$0.09

### **2.3. Three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009**

#### *Company Wide Revenues*

One of the Company's strengths is its geographic reach as a result of having multiple production and distribution facilities in Canada, the U.S. and Europe. These facilities have been grouped into two separate segments in the Company's financial statements based on the nature of their primary customer base. The segments are: mill and foundry products and services and abrasive products manufacturing and distribution operations. While the majority of each facility's revenues are derived primarily from one of the aforementioned segments, its customers' needs can include both abrasive products and steel and foundry products. As a result, management believes Company wide sales of steel and foundry products; abrasive products; and other industrial mineral 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.

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	Increase (Decrease)	%
Mill and foundry products and services	\$13,378,000	\$8,183,000	\$5,195,000	63.5%
Abrasive products	6,456,000	5,074,000	1,382,000	27.2%
Other industrial mineral products and services	1,306,000	1,082,000	224,000	20.7%
<b>Revenue</b>	<b>\$21,140,000</b>	<b>\$14,339,000</b>	<b>\$6,801,000</b>	<b>47.4%</b>
	For the six months ended June 30, 2010	For the six months ended June 30, 2009	Increase (Decrease)	%
Mill and foundry products and services	\$25,404,000	\$18,171,000	\$7,233,000	39.8%
Abrasive products	11,299,000	8,939,000	2,360,000	26.4%
Other industrial mineral products and services	2,368,000	1,955,000	413,000	21.1%
<b>Revenue</b>	<b>\$39,071,000</b>	<b>\$29,065,000</b>	<b>\$10,006,000</b>	<b>34.4%</b>

<sup>1</sup> EBITDA is a Non-GAAP measure used by management to measure performance. Please see section 8 of this report for a discussion on the calculation of EBITDA.

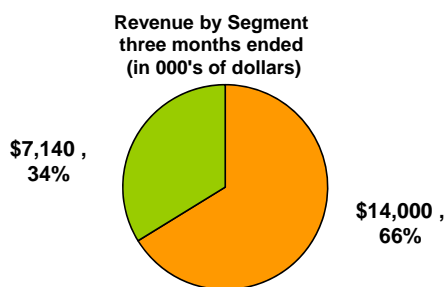
The increase in Company wide sales of mill and foundry products and services relates to increased demand for magnesium based reagent blends, chemical powders and insulator products.

The increase in Company wide sales of abrasive products is primarily driven by demand for metallurgical slag in the southern United States plus the incremental sales from the new Texas and Florida locations in the amount of \$1,627,000.

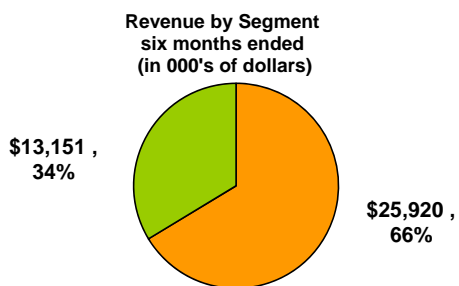
*Performance by Segment*

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

	<b>For the three months ended June 30, 2010</b>	<b>For the three months ended June 30, 2009</b>	<b>Increase (Decrease)</b>	<b>%</b>
Mill and foundry products and services	\$14,000,000	\$8,305,000	\$5,695,000	68.6%
Abrasive products manufacturing and distribution operations	7,140,000	6,034,000	1,106,000	18.3%
Revenue	<u>\$21,140,000</u>	<u>\$14,339,000</u>	<u>\$6,801,000</u>	<u>47.4%</u>
	<b>For the six months ended June 30, 2010</b>	<b>For the six months ended June 30, 2009</b>	<b>Increase (Decrease)</b>	<b>%</b>
Mill and foundry products and services	\$25,920,000	\$18,900,000	\$7,020,000	37.1%
Abrasive products manufacturing and distribution operations	13,151,000	10,165,000	2,986,000	29.4%
Revenue	<u>\$39,071,000</u>	<u>\$29,065,000</u>	<u>\$10,006,000</u>	<u>34.4%</u>



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



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

Revenues within the mill and foundry products and services segment increased as a result of an increase in production volumes of the steel and foundry customers of the Company. This increase is partially offset by \$1,100,000 of sales previously serviced from our Lachine Quebec location which are currently being serviced from Laval Quebec recorded in the abrasive products segment.

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

### Gross Profit

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

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	Increase (Decrease)	%
Revenue	\$21,140,000	\$14,339,000	\$6,801,000	47.4%
Cost of goods sold	15,753,000	11,381,000	4,372,000	38.4%
Gross profit	\$5,387,000	\$2,958,000	\$2,429,000	82.1%
Gross profit as a % of revenue	25.5%	20.6%	4.9%	

	For the six months ended June 30, 2010	For the six months ended June 30, 2009	Increase (Decrease)	%
Revenue	\$39,071,000	\$29,065,000	\$10,006,000	25.6%
Cost of goods sold	29,090,000	23,649,000	5,441,000	23.0%
Gross profit	\$9,981,000	\$5,416,000	\$4,565,000	84.3%
Gross profit as a % of revenue	25.5%	18.6%	6.9%	

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

### Other Selected Profit and Loss Data

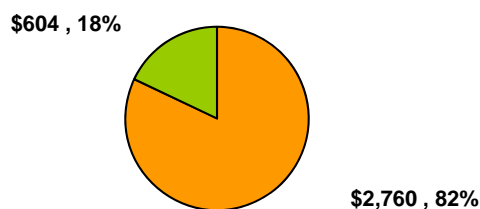
The following is a summary of other selected profit and loss data for the three and six month periods ending June 30, 2010 and 2009.

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	Increase (Decrease)	%
Selling, general and administration	\$2,769,000	\$2,426,000	\$343,000	14.1%
EBITDA	\$2,724,000	935,000	\$1,789,000	191.3%
Interest, net	444,000	393,000	51,000	13.0%
Depreciation of property, plant and equipment	551,000	389,000	162,000	41.6%
Amortization of intangible assets	454,000	461,000	(7,000)	(1.5%)
Provision for (recovery of) income taxes	411,000	(229,000)	640,000	279.5%
Net earnings (loss)	\$864,000	(\$79,000)	\$943,000	1,193.7%
Earnings (loss) per share (basic and dilutive)	\$0.05	\$0.00	\$0.05	

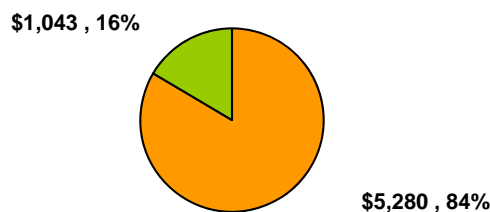
	For the six months ended June 30, 2010	For the six months ended June 30, 2009	Increase (Decrease)	%
Selling, general and administration	\$5,095,000	\$4,692,000	\$403,000	8.6%
EBITDA	\$5,552,000	1,712,000	\$3,840,000	224.3%
Interest, net	884,000	817,000	67,000	8.2%
Depreciation of property, plant and equipment	1,101,000	940,000	161,000	17.1%
Amortization of intangible assets	920,000	898,000	22,000	2.4%
Provision for (recovery of) income taxes	807,000	(538,000)	1,345,000	250.0%
Net earnings (loss)	\$1,840,000	(\$405,000)	\$2,245,000	554.3%
Earnings (loss) per share (basic and dilutive)	\$0.10	(\$0.02)	\$0.12	

**Earnings before income taxes, interest,  
depreciation and amortization ("EBITDA")  
three months ended June 30, 2010  
(in 000's of dollars)**



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

**Earnings before income taxes, interest,  
depreciation and amortization ("EBITDA")  
six months ended June 30, 2010  
(in 000's of dollars)**



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

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

Earnings before income taxes, interest, depreciation and amortization ("EBITDA")<sup>1</sup> for the three months ended June 30, 2010 was \$2,724,000 versus \$935,000 for the three months ended June 30, 2009. EBITDA for the mill and foundry products and services segment increased by \$2,015,000 to \$2,760,000 for the three months ended June 30, 2010 when compared to the same period in 2009. The abrasive products manufacturing and distribution operations segment had EBITDA of \$604,000 for the three months ended June 30, 2010 compared to \$182,000 for the same period in 2009.

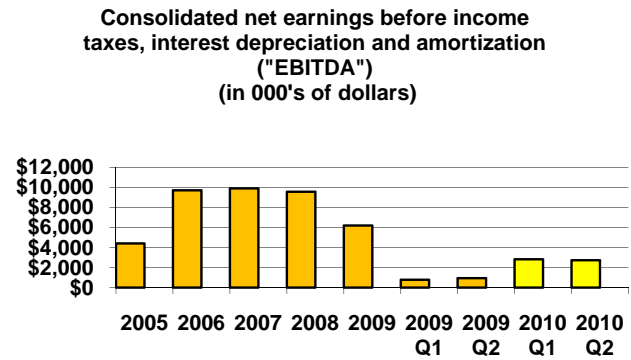
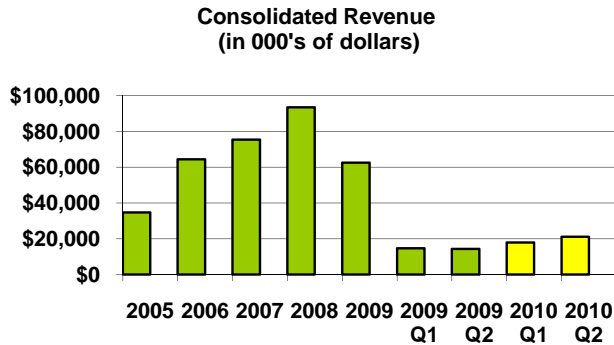
EBITDA for the six months ended June 30, 2010 was \$5,552,000 versus \$1,712,000 for the six months ended June 30, 2009. EBITDA for the mill and foundry products and services segment increased by \$4,133,000 to \$5,280,000 for the six months ended June 30, 2010 when compared to the same period in 2009.

The abrasive products manufacturing and distribution operations segment had EBITDA of \$1,043,000 for the six months ended June 30, 2010 compared to \$461,000 for the same period in 2009.

The effective income tax rate for the three months ended June 30, 2010 was 32.2% compared to 60.1% for the comparable period in 2009. The change in rate is substantially due to statutory rate differences in other jurisdictions. The effective income tax rate for the six months ended June 30, 2010 was 30.5% compared to 46.9% for the comparable period in 2009.

Net earnings for the three months ended June 30, 2010 was \$864,000 or \$0.05 per diluted common share as compared to a net loss of (\$79,000) or \$0.00 per diluted common share for the same period in 2009. Net earnings for the six months ended June 30, 2010 was \$1,840,000 or \$0.10 per diluted common share as compared to a net loss of (\$405,000) or (\$0.02) per diluted common share for the same period in 2009.

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



### 3. Capital Structure and Financing

#### 3.1. Capital Structure

Maintaining our financial flexibility is one of our long-term goals and is imperative to several of the growth initiatives included in our strategic plan. We regularly review our funding plan and capital structure to ensure that we have sufficient funding options to provide us with the financial flexibility to implement the growth initiatives and meet the targets of our strategic plan. The economic slowdown and slow recovery over the past 18 months has had a significant effect on our capital structure. We remain focused on cash flow generation to rebalance our capital structure and remain in compliance with bank requirements regarding our debt.

We ended the second quarter in 2010 with:

- \$1,111,000 of cash and cash equivalents;
- \$4,565,000 of bank indebtedness;
- 20.6% of our long-term debt due in the next 12 months;
- Long-term debt and bank indebtedness at 93% of total capitalization<sup>1</sup>;

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

#### Capital Structure (% of total structure)

	Period Ended		
	June 30, 2010	December 31, 2009	June 30, 2009
Shareholders' equity	49.7%	48.9%	48.7%
Bank indebtedness	5.9%	4.3%	8.7%
Long-term debt	28.3%	29.9%	25.7%
Future income taxes	3.5%	3.4%	3.7%
Future income taxes on intangible assets <sup>(2)</sup>	11.1%	11.8%	10.3%
Other long-term liabilities	1.5%	1.7%	2.9%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> Capitalization is defined as market price per common share multiplied by total number of issued shares.

- (2) As at June 30, 2010, approximately \$8,568,000 (December 31, 2009 - \$9,213,000) of the Company's future tax liabilities relate to intangibles acquired as part of the Newco, Bimac and Magtech acquisitions. Despite the fact that these intangibles are not deductible for statutory tax purposes and would have a value of \$nil in the event of liquidation, Canadian generally accepted accounting principles require a future tax liability to be established for any finite life intangibles acquired.

### Equity

The book value of common shares (defined as shareholders' equity divided by the number of outstanding shares) at June 30, 2010 was \$2.13 per share compared to \$2.12 at December 31, 2009 and \$2.47 at June 30, 2009.

### Common Shares outstanding

	<b>Period Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
Shares outstanding at the beginning of the year	18,023,193	18,003,459
Shares issued under plans <sup>(1)</sup>	7,330	11,077
<b>Shares outstanding at end of the period</b>	<b>18,030,523</b>	<b>18,014,536</b>

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

The common shares outstanding as at August 13, 2010 are 18,030,523.

### Long term debt and bank indebtedness

As at June 30, 2010, the Company had \$26,419,000 in long-term debt and bank indebtedness owing to third parties versus \$26,762,000 at December 31, 2009. At June 30, 2010, the Company's financing agreements with the Bank of Nova Scotia include a Cdn \$15,000,000 revolving term operating facility, a Cdn \$14,043,000 revolving term acquisition facility, and a Cdn \$12,500,000 term facility that matures in 2012. In addition to its arrangements with the Bank of Nova Scotia, the Company has a promissory note payable to the former shareholders of Rossborough in the amount of \$1,500,000, and a further non-interest bearing promissory note of \$679,000.

## 3.2. Funding Program

### Funding requirements

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

- \$781,000 cash on hand at the beginning of 2010;
- \$6,000 from the issuance of common shares under the employee share purchase plan; and
- \$685,000 in cash flow from operating activities.

### Summary of Cash flows

(expressed in thousands of dollars)	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Net cash provided by (used in):</b>	(unaudited)		(unaudited)	
	\$	\$	\$	\$
Operating activities	685	1,553	1,644	4,286
Investing activities	(347)	(660)	(808)	(1,580)
Financing activities	(1,074)	(437)	(469)	(2,217)
Foreign exchange (loss) gain on cash held in foreign currency	(9)	42	(37)	6

### **3.3. Three months ended June 30, 2010 compared to the three months ended June 30, 2009**

#### *Operating activities and working capital*

Cash generated by operating activities for the three months ended June 30, 2010 was \$685,000 compared to cash generated of \$1,553,000 for the same period in 2009. Positive operating cash flows for the quarter were as a result of strong positive operating results offset by an increase in working capital, namely an increase in accounts receivable and inventories and an increase in accounts payable and accrued liabilities.

#### *Investing Activities*

Cash used in investing activities was \$347,000 for the three months ended June 30, 2010 as compared to \$660,000 in the comparable period in 2009. Approximately \$100,000 of the \$347,000 in capital investments during the quarter relate to capital expenditures incurred for new operations in Tampa Bay, Florida. The remaining amount relates to maintenance capital spent during the quarter. The Company continues to invest in capital improvements designed to maintain facilities, reduce operating costs or comply with regulatory requirements at its various locations.

#### *Financing Activities*

Cash used in financing activities was \$1,074,000 for the three months ended June 30, 2010, largely as a result of a \$1,266,000 repayment of long-term debt.

### **3.4. Six months ended June 30, 2010 compared to the six months ended June 30, 2009**

#### *Operating activities and working capital*

Cash generated by operating activities for the six months ended June 30, 2010 was \$1,644,000 compared to cash generated of \$4,286,000 for the same period in 2009. Positive operating cash flows for the period were as a result of strong positive operating results offset by an increase in working capital, namely an increase in accounts receivable.

#### *Investing Activities*

Cash used in investing activities was \$808,000 for the six months ended June 30, 2010 as compared to \$1,580,000 in the comparable period in 2009. Approximately \$260,000 of the \$808,000 in capital investments during the six month period relate to capital expenditures incurred for new operations in Tampa Bay, Florida. The remaining amount relates to maintenance capital spent during the period and the purchase of environmental health and safety management software. The Company continues to invest in capital improvements designed to maintain facilities, reduce operating costs or comply with regulatory requirements at its various locations.

#### *Financing Activities*

Cash used in financing activities was \$469,000 for the six months ended June 30, 2010, largely as a result of a \$1,616,000 repayment of long-term debt and \$1,137,000 increase in bank indebtedness.

### 3.5. Financial Ratios

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

	<b>June 30, 2010</b>	<b>December 31, 2009</b>	<b>June 30, 2009</b>
Ratio of long term debt and bank indebtedness to equity	0.69:1	0.70:1	0.69:1
Ratio of long term debt <sup>(1)</sup> and bank indebtedness to total capitalization	0.93:1	1.34:1	1.70:1
Ratio of current assets to current liabilities	1.68:1	1.74:1	1.59:1
Interest coverage <sup>(2)</sup>	4.8 times	2.6 times	1.1 times
Tangible Net Worth <sup>(3)</sup>	\$12,264,000	\$9,760,000	\$7,742,000

(1) Long-term debt includes current portion.

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

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

### 3.5. Funding Costs

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2010	2009	2010	2009
<b>Interest expense</b>				
Interest expense pertaining to long term debt	\$355,000	\$288,000	\$702,000	\$555,000
Interest expense pertaining to bank indebtedness	89,000	105,000	182,000	262,000
<b>Effective blended cost of debt</b>	<b>6.7%</b>	<b>5.6%</b>	<b>6.6%</b>	<b>5.3%</b>

## 4. **Contractual Obligations and Commitments**

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

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>						
	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
Accounts payable and accrued liabilities	\$9,085	\$9,085	\$-	\$-	\$-	\$-	\$-
Long term debt	21,854	4,501	2,969	2,961	2,744	2,737	5,942
Preferred shares	44	44	-	-	-	-	-
Operating leases	4,787	1,545	1,370	827	714	264	67
<b>Total contractual obligations</b>	<b>\$35,770</b>	<b>\$15,175</b>	<b>\$4,339</b>	<b>\$3,788</b>	<b>\$3,458</b>	<b>\$3,001</b>	<b>\$6,009</b>

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

30, 2016. To date, a cumulative total of \$1,040,000 has been paid. Any future payments with respects to additional consideration will be recorded against goodwill.

## **5. Transactions with Related Parties**

- 1) Pursuant to the appointment of a new director on May 12, 2008, the following transactions and balances are classified as related party:
  - a) Long-term debt  
Included in long-term debt as of June 30, 2010 is a promissory note in the amount of \$1,500,000 (December 31, 2009 - \$1,500,000) with annual installments of \$1,500,000 plus interest at 5.6%. The promissory note and accrued interest are payable to the former shareholders of Magnesium Technologies Corporation. As a result of the previous shareholdings, the director receives 26.5% of the total payment. The final installment of \$1,500,000 due on February 16, 2010 has been deferred until certain liquidity targets have been achieved as outlined in the Company's credit agreement.
  - b) Additional consideration paid on prior acquisitions  
Pursuant to the purchase agreement of the outstanding shares of Bimac Inc., additional consideration, not to exceed \$3,850,000, may be payable based on the achievement of certain pre-determined earnings targets to September 2016. As a result of the previous shareholdings, the director receives 61.7% of the annual payment. Based on the calculations for the year ended December 31, 2009, the payment in 2009 is \$nil (2008 - \$514,000)

## **6. Risks and Uncertainties**

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

## **7. Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses and disclosure of gain and loss contingencies at the date of the consolidated financial statements. The estimates and assumptions made require judgement on the part of management and are based on the Company's historical experience and various other factors that are believed to be reasonable in the circumstances. Management continually evaluates the information that forms the basis of estimates and assumptions as the business of the Company and the business environment generally 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, 2009 and 2008 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
- Collectability is reasonably assured.

### ***Accounts Receivable***

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

### ***Inventory***

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

### ***Goodwill***

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

Should the carrying amount of goodwill exceed its estimated fair value, an impairment loss would be recognized at that time and be charged to the statement of earnings.

### ***Intangible Assets***

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

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

## Income Taxes

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

## 8. Non-GAAP Measures

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

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

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

	Quarters Ended								Years Ended	
	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009	Sept 30, 2009 (unaudited)	June 30, 2009 (unaudited)	Mar 31, 2009	Dec 31, 2008	Sept 30, 2008	June 30, 2010 (unaudited)	June 30, 2009 (unaudited)
	(expressed in thousands of dollars)								(expressed in thousands of dollars)	
<b>Net earnings (loss) for the period</b>	<b>\$864</b>	<b>\$976</b>	<b>\$616</b>	<b>\$(6,416)</b>	<b>\$(79)</b>	<b>\$(326)</b>	<b>\$(2,224)</b>	<b>\$1,673</b>	<b>\$(3,960)</b>	<b>\$(956)</b>
Interest expense	444	440	340	431	393	424	528	501	1,655	1,846
Provision (recovery) for income taxes	411	396	6	290	(229)	(309)	(799)	642	1,103	(695)
Depreciation	551	550	572	495	389	551	550	561	2,168	2,051
Amortization of intangible assets	454	466	477	469	461	437	413	441	1,866	1,752
Goodwill impairment	-	-	-	7,198	-	-	-	-	7,198	-
<b>EBITDA (loss)<sup>(1)</sup></b>	<b>2,724</b>	<b>2,828</b>	<b>2,011</b>	<b>2,467</b>	<b>935</b>	<b>777</b>	<b>(1,532)</b>	<b>3,818</b>	<b>10,030</b>	<b>3,998</b>
Depreciation, amortization of intangible assets and goodwill impairment	1,005	1,016	1,049	8,162	850	988	963	1,002	11,232	3,803
<b>EBIT (loss)<sup>(2)</sup></b>	<b>1,719</b>	<b>1,812</b>	<b>962</b>	<b>(5,695)</b>	<b>85</b>	<b>(211)</b>	<b>(2,495)</b>	<b>2,816</b>	<b>(1,202)</b>	<b>195</b>

Notes:

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

calculating EBITDA may differ from other issuers and accordingly, EBITDA may not be comparable to similar measures presented by other issuers.

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

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

## **9. Derivative Instruments**

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

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

If we sell or terminate a hedged item, or it matures before the related hedging instrument is terminated, we recognize in income any realized or unrealized gain or loss on the derivative instrument. In accounting for this cash flow hedge, changes in fair value of this swap is included in other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive income amounts are allocated to net earnings in the same period in which the hedged item affects net earnings. For all cash flow hedges, to the extent the change in fair value of the derivative is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. Our credit exposure to hedges and other derivatives is the current replacement value of any contracts that are in a gain position. For the quarter ended June 30, 2010, our exposure from interest rate swap contracts was a gain net of income tax equal to \$9,000. For the six months ended June 30, 2010, our exposure from interest rate swap contracts was a gain net of income tax equal to \$120,000.

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

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

## **11. International Financial Reporting Standards (IFRS)**

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

Phase 1 – Diagnostic Assessment: This phase consisted of a high level assessment to identify key areas of Canadian GAAP and IFRS differences that are most likely to impact the Company’s reporting. This assessment has been completed and has resulted in an analysis of the IFRS standards with regards to both priority and complexity to ensure that adequate time and resources are provided for the transition.

Phase 2 – Analysis: This phase began in Q1 2010 and will continue through to the end of Q3 2010 and involves a detailed assessment of the impact of the IFRS standards on accounting, reporting and information technology. This phase includes the review of accounting policy choices that are permissible under IFRS. The Company is currently on target for this phase of the transition plan.

Phase 3 – Execution: This phase involves executing the work from phase two by making changes to business and accounting processes and supporting information systems as well as the formal documentation of the final approved accounting policies and procedures compliant with IFRS. A quantification of anticipated business impacts will be undertaken as well as drafting the pro-forma financial statement formats and disclosures that are required under IFRS. This phase is expected to be completed in Q4 2010.

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

<b>Key Element</b>	<b>Current Status</b>
Diagnostic Assessment (Phase 1)	The Company began its diagnostic assessment during August 2009. The identification of the key areas of Canadian GAAP and IFRS differences were completed during Q4 of 2009. The Company utilized an outside consulting firm to work closely with its IFRS project team which is comprised of key management responsible for financial reporting.
Analysis (Phase 2)	The detailed assessment of the impact of the IFRS standards on accounting, reporting and information technology began during Q1 of 2010. The Company continues to utilize an outside consulting firm to work closely with its IFRS project team to review and assess the accounting policy choices that are permissible under IFRS. Significant progress was made on this phase during the second quarter. The Company is currently on target to complete the analysis by the end of the third quarter. The final step in this phase is the quantification of the impact on accounting and financial reporting.
Execution (Phase 3)	The project team will assess the changes required to business and accounting processes as a result of the completed work from the Phase 2 Analysis. The initial assessment is that minimal changes to the accounting processes are required. The IFRS project team will test this assumption by drafting pro-forma IFRS financial statements and additional required note disclosures for the quarters ended during 2010. The completion of the execution and formal documentation of the final approved accounting policies and procedures is expected to be completed during Q4 of 2010.
Assessment of the impact on internal controls, information systems and procedures	The conversion to IFRS will require the assessment of the differences between Canadian GAAP and IFRS Standards and their impact on internal controls, information systems and procedures. The Company is currently reviewing and testing their assessments and is expected to be complete during Q3 of 2010.
Preparation of financial statements and note disclosures under IFRS	The Company is currently preparing its opening IFRS balance sheet. To complete this process, the Company must first quantify the anticipated impact of both the optional elections and IFRS Standards. This process is expected to be complete during Q3 of 2010. The Company is also preparing its 2010 quarterly financial statements under IFRS Standards and preparing the required note disclosure information that will be required as comparative information during 2011. This process is expected to be completed during Q4 of 2010.

Communication with the Audit Committee and Board of Directors      The Company has summarized its position and preliminary choices on the optional elections that are available under IFRS and presented the election choices to both the Audit Committee and Board of Directors. The Company has summarized other areas of focus based on differences between Canadian GAAP and the IFRS Standards. These differences and their impact on financial reporting have been presented to both the Audit Committee and Board of Directors.

The Company has not fully quantified the impact on the opening IFRS balance sheet for the optional elections and other areas of focus noted above. The Company is expected to present this information along with the IFRS impact on internal controls, information systems and processes during Q3 of 2010.

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

<b>Optional Exemption</b>	<b>Company Election</b>
Business combinations	The Company may elect not to apply IFRS 3 – <i>Business Combinations</i> retrospectively to past business combinations. The standard may be applied prospectively from the date of the IFRS opening balance sheet. The Company intends to use this exemption with an effective date of January 1, 2010.
Share based payments	The Company is encouraged to apply IFRS 2 – <i>Share Based Payments</i> to equity instruments that were granted after November 7, 2002 and vested before the date of transition to IFRS. As a result, the expense for stock option grants will be recalculated under the IFRS standard and the difference will be recorded against retained earnings on the opening IFRS balance sheet. As all share based payments were granted after November 7, 2002, all unvested share based payments as at January 1, 2010 will be included in the calculation.
Deemed cost	The Company may elect to initially measure an item of Property, Plant and Equipment at fair value at the date of the IFRS opening balance sheet or retain the previous GAAP valuation of historical cost. The Company intends to selectively apply this exemption.
Cumulative translation difference	The Company may elect to reset the cumulative translation difference to zero by recognizing the full amount in the retained earnings of the IFRS opening balance sheet. The Company intends to use this exemption.
Designation of previously recognized financial instruments	The Company may elect to designate any financial asset that qualifies as fair value through profit or loss or available for sale at transition. The Company has chosen not to change the classification of its financial instruments.

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

### **Significant Accounting Differences**

Under the Canadian GAAP model, the historical cost of Property, Plant and Equipment is required. Assets are recorded at cost upon acquisition and depreciated over their useful lives. Under IFRS, after the initial recognition, there is an option to measure Property, Plant and Equipment using either the cost model or the revaluation model based upon fair

value mark to market adjustments. The Company has decided to continue using the cost model and there will be no impact on its consolidated financial statements with respects to this option. Certain assets recorded in Property, Plant and Equipment will be re-componentized as of the IFRS opening balance sheet. The net impact is currently being reviewed by the Company and is expected to have minimal impact on conversion.

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

## **12. Internal Control over Financial Reporting**

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

## **13. Additional Information**

Additional information relating to the Company, including its Annual Information Form, is filed on SEDAR, available for review at [www.sedar.com](http://www.sedar.com).

## **Glossary**

### **Capitalization**

Market price per common share (June 30, 2010 – Cdn. \$1.65) multiplied by total number of outstanding shares of 18,030,523 (June 30, 2009 – 18,014,536), divided by the U.S. dollar exchange rate at the end of the period.

### **Cash generated from Operations**

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

### **Current Ratio**

Current assets divided by current liabilities

### **Debt to Equity**

Total debt divided by shareholders' equity

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

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

### **Earnings before interest and income taxes (EBIT)**

Earnings before deducting interest expense and provision for income taxes.

### **Interest coverage Ratio**

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

### **Long term debt and bank indebtedness to capitalization ratio**

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

### **Return on Assets**

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

### **Return on Equity**

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