

Opta Minerals Inc.

Consolidated Financial Statements

December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

February 19, 2007

Auditors' Report

To the Shareholders of Opta Minerals Inc.

We have audited the consolidated balance sheets of **Opta Minerals Inc.** as at December 31, 2006 and 2005 and the consolidated statements of earnings, retained earnings and cash flows for the years ended December 31, 2006 and 2005. 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, 2006 and 2005 and the results of its operations and its cash flows for the years ended December 31, 2006 and 2005 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Hamilton, Ontario

Opta Minerals Inc.
Consolidated Balance Sheets
As at December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

	2006	2005
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	995	4,077
Accounts receivable	9,453	6,394
Inventories (note 4)	16,383	15,238
Prepaid expenses and other current assets	1,740	507
Income taxes recoverable	289	-
	<hr/>	<hr/>
	28,860	26,216
Property, plant and equipment (note 5)	20,528	13,003
Intangible and other assets (note 6)	24,058	613
Goodwill	11,851	7,611
Future income taxes (note 9)	936	636
	<hr/>	<hr/>
	86,233	48,079
Liabilities		
Current liabilities		
Bank indebtedness	7,869	-
Accounts payable and accrued liabilities	5,699	3,924
Current portion of long-term debt (note 7)	2,909	1,010
Current portion of preference shares (note 8)	46	77
Income taxes payable	-	10
	<hr/>	<hr/>
	16,523	5,021
Long-term debt (note 7)	14,858	7,005
Other long-term liabilities (note 3)	2,506	-
Future income taxes (note 9)	12,549	657
	<hr/>	<hr/>
	46,436	12,683
Shareholders' Equity		
Capital stock (notes 1 and 10)		
Authorized		
Unlimited number of common shares and preference shares without par value		
Issued		
16,964,539 (December 31, 2005 – 16,952,574) common shares	18,289	18,250
Contributed surplus (note 10)	1,429	1,237
Retained earnings	21,696	17,707
Currency translation adjustment	(1,617)	(1,798)
	<hr/>	<hr/>
	39,797	35,396
	<hr/>	<hr/>
	86,233	48,079
Commitments and contingencies (note 15)		

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, 2006 and 2005

(expressed in thousands of Canadian dollars except per share amounts)

	2006	2005
	\$	\$
Revenue	72,779	42,017
Cost of goods sold	54,739	32,866
Gross profit	18,040	9,151
Selling, general and administrative expenses	9,115	4,859
Earnings before the following	8,925	4,292
Interest expense on long-term debt	1,202	510
Interest expense (income)	519	(25)
Amortization of intangible assets	1,047	61
Stock compensation expense (note 11)	192	481
Foreign exchange gain	(259)	(128)
	2,701	899
Earnings before income taxes	6,224	3,393
Provision for income taxes (note 9)	2,235	1,492
Net earnings for the year	3,989	1,901
Earnings per share for the year (note 13)		
Basic and diluted	0.24	0.12

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

Opta Minerals Inc.

Consolidated Statements of Retained Earnings For the years ended December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

	2006	2005
	\$	\$
Retained earnings - Beginning of year	17,707	15,806
Net earnings for the year	3,989	1,901
Retained earnings - End of year	<u>21,696</u>	<u>17,707</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, 2006 and 2005

(expressed in thousands of Canadian dollars)

	2006 \$	2005 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	3,989	1,901
Items not affecting cash		
Amortization of property, plant and equipment	1,971	1,419
Amortization of intangible assets	1,047	61
Amortization of deferred financing costs	98	48
Stock compensation expense (note 11)	192	481
Imputed interest on preference shares	-	10
Future income taxes (note 9)	198	373
Unrealized foreign exchange gain on long-term debt	59	-
Net loss on disposal of property, plant and equipment	-	1
	<hr/> 7,554	<hr/> 4,294
Changes in non-cash working capital		
Accounts receivable	636	(585)
Inventories	1,297	(6,240)
Prepaid expenses and other current assets	81	665
Accounts payable and accrued liabilities	(406)	108
Income taxes payable	(1,162)	11
	<hr/> 8,000	<hr/> (1,747)
Investing activities		
Acquisition of property, plant and equipment	(1,618)	(2,788)
Additional consideration paid on acquisitions (note 3)	(61)	(139)
Acquisition of other assets	(48)	-
Acquisition of companies (note 3)	(19,312)	(674)
	<hr/> (21,039)	<hr/> (3,601)
Financing activities		
Deferred financing costs	(75)	(216)
Proceeds from issuance of common shares – net of issuance costs	39	17,498
Increase in bank indebtedness	7,559	-
Proceeds from long-term debt (note 7)	4,059	8,000
Repayment of long-term debt	(1,614)	(173)
Repayment of due from affiliates – net	(11)	(16,025)
Purchase and redemption of preference shares of subsidiary companies	(31)	(70)
	<hr/> 9,926	<hr/> 9,014
Foreign exchange (gain) loss on cash held in foreign currency	<hr/> 31	<hr/> (37)
(Decrease) increase in cash and cash equivalents during the year	<hr/> (3,082)	<hr/> 3,629
Cash and cash equivalents - Beginning of year	<hr/> 4,077	<hr/> 448
Cash and cash equivalents - End of year	<hr/> <hr/> 995	<hr/> <hr/> 4,077
Supplemental cash flow information		
Interest paid	1,311	436
Income taxes paid	3,448	1,035

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2006 and 2005

(expressed in thousands of Canadian 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); 9017-0382 Québec Inc. (Distribution A&L); 1108176 Ontario Limited (1108176); Magnesium Technologies Corporation (Magtech); MTI 02-2006 Inc.; OPM 01-2006 Inc.; Chemincon Inc. (Chemincon) and Bimac Corporation (Bimac). All significant intercompany accounts and transactions have been eliminated on consolidation.

On July 8, 2004, SunOpta Inc. (SunOpta) incorporated Opta Minerals Inc. under the laws of Canada and on November 19, 2004 incorporated Opta Minerals (USA) Inc. under the laws of the state of Delaware. On February 7, 2005, Opta Minerals Inc. filed a prospectus to issue 4,500,000 units, each consisting of one common share and one-half of a common share purchase warrant, as part of an initial public offering. Gross proceeds were \$18,000. Immediately prior to the completion of the offering on February 17, 2005, the net assets and businesses constituting the Company (along with certain additional tax assets) were transferred to Opta Minerals Inc. (a wholly owned subsidiary of SunOpta) in exchange for 11,999,900 common shares of the Company with a nominal value for accounting purposes. On March 16, 2005, an over-allotment option granted to the underwriter was exercised. Gross proceeds from the over-allotment exercised were \$1,800. Total share issuance costs of \$2,392 (\$1,640 after tax) have been netted against proceeds on the offering and included in capital stock. SunOpta will continue to be the parent of Opta Minerals Inc.; however, its ownership, as a result of the offering, the over-allotment option exercised (note 10), the gifting of certain common shares of the Company (note 11) and common share buy backs, was reduced to 70.4%.

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. 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 and Canada.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

2 Summary of significant accounting policies

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 8% 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

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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 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, 2006.

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 and deferred financing costs and are amortized over the useful life of the patent or over the term of the related financing agreement.

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

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(expressed in thousands of Canadian 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

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(expressed in thousands of Canadian dollars)

Financial instruments

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, amounts due from affiliates, accounts payable and accrued liabilities, long-term debt, other long-term liabilities and preference shares. The fair values of these instruments approximate their carrying value due to the short-term maturity, or in the case of long-term debt and other long-term liabilities, the fair value does not materially differ from the carrying value.

a) Credit risk

The Company's financial instruments that are exposed to credit risk include cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with institutions of high creditworthiness. The Company's trade accounts receivable are not subject to a high concentration of credit risk. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited. The Company maintains an allowance for losses based on the expected collectibility of the accounts.

b) Interest rate risk

The Company's principal exposure to interest rate fluctuations is limited to bank indebtedness and long-term debt (as described in note 7) which bears interest at both fixed and floating interest rates.

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.

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.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2006 and 2005

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Recently issued accounting pronouncements

Financial Instruments – Recognition and Measurement, Handbook Section 3855

Section 3855 prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and at what amount – in certain instances using fair value and in others using cost-based measures. It also specifies how financial instrument gains and losses are to be presented.

Section 3855 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. The Company will adopt this standard effective January 1, 2007. Transitional provisions for this Section are complex and vary based on the type of financial instrument under consideration. Management does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

Comprehensive Income, Handbook Section 1530

Section 1530 introduces a new requirement to temporarily present certain gains and losses outside net income.

Section 1530 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. The Company will adopt this standard effective January 1, 2007. Financial statements of prior periods are required to be restated for certain comprehensive income items. In addition, an enterprise is encouraged, but not required, to present reclassification adjustments in comparative financial statements provided for earlier periods. Management does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

Hedges – Handbook Section 3865

Section 3865 establishes standards for when and how hedge accounting may be applied. Hedge accounting is optional. This Section applies for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Retroactive application is not permitted.

The Company will adopt this standard effective January 1, 2007. The Company has no arrangements for hedging, and the adoption of this standard will not have any impact on the Company's consolidated financial statements.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

3 Business acquisitions

a) 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 \$21,088 (U.S.\$18,214) was comprised of \$13,894 (U.S.\$12,000) in cash, a long-term promissory note to the vendor in the amount of \$6,947 (U.S.\$6,000) and accrued acquisition costs in the amount of \$247 (U.S.\$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.

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

	\$
Net assets acquired	
Accounts receivable	2,222
Inventories	1,748
Prepaid expenses and other assets	1,607
Property, plant and equipment	5,007
Intangible and other assets	21,424
Goodwill	1,308
Bank indebtedness	(914)
Accounts payable and accrued liabilities	(779)
Income taxes payable	(840)
Debt	(309)
Future income taxes	(9,386)
	<u>21,088</u>
Consideration	
Cash	13,894
Note payable	6,947
Accrued acquisition costs	247
	<u>21,088</u>

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

Of the \$21,424 of acquired intangible assets, \$18,938 was assigned to customer relationships and \$2,364 was assigned to a profit sharing agreements. The intangible assets acquired are subject to amortization.

The goodwill of \$1,308 was assigned to the mill and foundry services segment. Neither the goodwill nor the intangible assets assigned to customer relationships and profit sharing agreements are deductible for tax purposes.

b) 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 estimated purchase price of \$7,004 (U.S.\$6,207) was comprised of \$4,514 (U.S.\$4,000) in cash, contingent consideration recorded in the amount of \$2,426 (U.S.\$2,150) and accrued acquisition costs in the amount of \$64 (U.S. \$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.

Pursuant to the purchase agreement, additional consideration not to exceed U.S. \$3,850, may be payable based on the achievement of certain predetermined earnings targets between October 1, 2006 and September 30, 2016. An amount of U.S. \$2,150 has been recognized as contingent consideration based upon management's estimates and any future adjustments with respect to the additional consideration will be recorded against goodwill.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

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(expressed in thousands of Canadian 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)	11
Accounts receivable	1,413
Inventories	664
Prepaid expenses and other current assets	149
Property, plant and equipment	2,736
Intangible and other assets	2,870
Goodwill	2,762
Accounts payable and accrued liabilities	(1,324)
Income taxes payable	(32)
Debt	(384)
Future income taxes	(1,861)
	<u>7,004</u>
Consideration	
Cash	4,514
Accrued acquisition costs	64
Contingent consideration	2,426
	<u>7,004</u>

The acquired value of intangible assets of \$2,870 was assigned to customer relationships which are subject to amortization.

The goodwill of \$2,762 was assigned to the mill and foundry 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

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(expressed in thousands of Canadian dollars)

c) Additional consideration paid on prior acquisitions

On April 1, 2004, the Company acquired the outstanding shares of Distribution A&L for \$500 including acquisition costs. Pursuant to the purchase agreement, additional contingent consideration of up to \$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, 2006, \$19 (2005 - \$37) of contingent consideration was paid resulting in a cumulative total of \$56. Further payments under this agreement will be recorded as additional goodwill when the amount and outcome of the contingent consideration becomes determinable.

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, 2006, \$42 (2005 - \$102) of additional consideration has been recognized in conjunction with this transaction resulting in a cumulative total of \$144.

4 Inventories

	2006 \$	2005 \$
Raw materials	9,938	8,861
Finished goods	6,445	6,377
	<hr/> 16,383	<hr/> 15,238

Opta Minerals Inc.

Notes to Consolidated Financial Statements

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(expressed in thousands of Canadian dollars)

5 Property, plant and equipment

	2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	2,875	-	2,875
Buildings and leasehold improvements	8,142	1,448	6,694
Machinery and equipment	17,273	6,692	10,581
Office furniture and equipment	1,684	1,306	378
	<u>29,974</u>	<u>9,446</u>	<u>20,528</u>
			2005
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	2,117	-	2,117
Buildings and leasehold improvements	6,361	1,072	5,289
Machinery and equipment	10,421	5,288	5,133
Office furniture and equipment	1,619	1,155	464
	<u>20,518</u>	<u>7,515</u>	<u>13,003</u>

Included in machinery and equipment is an amount of \$1,006 (2005 - \$502) that represents construction in progress at year-end and is not yet being amortized.

Opta Minerals Inc.

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(expressed in thousands of Canadian dollars)

6 Intangible and other assets

	2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Customer relationships	22,226	870	21,356
Profit sharing agreements	2,380	213	2,167
Long-term supply contract	300	47	253
Licensing agreement	114	114	-
Patents	170	32	138
Deferred finance costs	290	146	144
	25,480	1,422	24,058

	2005		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Customer relationships	200	44	156
Long-term supply contract	299	18	281
Licensing agreement	114	105	9
Deferred finance costs	215	48	167
	828	215	613

Opta Minerals Inc.

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(expressed in thousands of Canadian dollars)

7 Long-term debt and banking facilities

Long-term debt consists of the following:

	2006 \$	2005 \$
Term loan payable with quarterly instalments of \$213 plus interest, payable monthly (a)	7,162	8,000
Term loan payable with quarterly instalments of U.S.\$69 plus interest, payable monthly (a)	2,720	-
Drawings on acquisition facility with quarterly instalments of U.S.\$50 plus interest, payable monthly (c)	1,107	-
Promissory note payable with annual instalments of U.S.\$1,123 in 2007 and U.S.\$1,500 thereafter plus interest at 5.60%, payable annually	6,553	-
Term loan payable with monthly instalments of U.S.\$14 on account of principal and interest at 5.25%	186	-
Capital lease obligations due in monthly payments of \$7 through 2007 with a weighted average interest rate of 4.50%	39	15
	<hr/>	<hr/>
	17,767	8,015
Less: Current portion	2,909	1,010
	<hr/>	<hr/>
	14,858	7,005
	<hr/>	<hr/>

On February 14, 2006, the Company amended its credit agreement and banking facilities as follows:

a) Term loan facility

The Company increased its term loan facility from \$8,000 to \$11,000. The initial \$8,000 was fully drawn in 2005 for the purpose of the repayment of amounts due to SunOpta Inc. The remaining \$3,000 was fully drawn on February 15, 2006 in its U.S. dollar equivalent specifically to assist with the acquisition of the outstanding common shares of Magtech. The facility matures on February 14, 2011 and is renewable at the option of the lender and the Company. Interest on the loan is payable monthly at the borrower's option at US dollar base rate, prime, banker's acceptances or LIBOR plus a margin based on certain financial ratios of the Company. As at December 31, 2006, the interest rate on Canadian dollar borrowings was 7.25% and the interest rate on U.S. dollar borrowings was 10.0%.

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(expressed in thousands of Canadian dollars)

b) Line of credit facility

The Company increased its line of credit facility from \$7,500 to \$12,500. As at December 31, 2006, \$8,933 (2005 - \$1,051) of this facility has been utilized including an amount of \$1,064 (2005 - \$1,051) committed through letters of credit. Interest on borrowings under this facility accrues at the borrower's option based on various reference rates including prime, US bank rate or Canadian banker's acceptances plus a margin based on certain financial ratios. As at December 31, 2006, the interest rate on Canadian dollar borrowings was 6.75% and the interest rate on U.S. dollar borrowings was 9.5%.

c) Revolving acquisition facility

The Company retains a \$5,000 facility to finance future acquisitions and capital expenditures. The facility is subject to certain draw restrictions. An amount of U.S.\$1,000 was drawn on October 4, 2006 to assist with the acquisition of the outstanding common shares of Chemincon. Principal is payable quarterly equal to the greater of: (a) one twentieth of the initial drawdown amount of the facility or; (b) one twentieth of the outstanding principal amount as at the date of the last draw. Any remaining outstanding principal under this facility is due on February 2009. Interest on the borrowings under this facility is consistent with the term loan described in (a) above. As at December 31, 2006, the interest rate was 10.0%.

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 note is subordinated to the term loan, line of credit facility and revolving acquisition facility and is collateralized by the shares of Magtech.

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

	\$
2007	2,909
2008	3,186
2009	3,562
2010	2,922
2011	1,173
Thereafter	4,015
	<hr/>
	17,767
	<hr/>

Opta Minerals Inc.

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8 Preference shares

	2006 \$	2005 \$
Nil (2005 - 35,838) second preference shares (a)	-	31
46,412 (2005 - 46,412) H preference shares (b)	46	46
	<hr/>	<hr/>
	46	77
Less: Current portion of preference shares	46	77
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

a) Second preference shares

In 1995, the Company issued second preference shares through a newly created subsidiary, 1108176 Ontario Inc. ("1108176"), as part of a business acquisition. During the year, 35,838 (2005 - 70,000) second preference shares were redeemed. Imputed interest on the second preference shares during the year amounted to \$nil (2005 - \$10).

b) 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 \$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 \$0.33 to \$1.00 per share. During the year, nil (2005 - \$nil) H preference shares were redeemed by the Company.

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Notes to Consolidated Financial Statements December 31, 2006 and 2005

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9 Income taxes

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

	2006	2005
	\$	\$
Current	2,037	1,119
Future	198	373
	<hr/>	<hr/>
	2,235	1,492
	<hr/>	<hr/>

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

	2006	2005
	%	%
Canadian statutory income tax rates	36.1	36.1
Non-deductible stock compensation expense	1.1	5.0
Statutory rate differences in other jurisdictions	2.0	3.5
Manufacturing and processing credits	(1.5)	-
Change in enacted tax rates	1.1	-
Other	(2.9)	(0.6)
	<hr/>	<hr/>
	35.9	44.0
	<hr/>	<hr/>

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

	2006	2005
	\$	\$
Differences in property, plant and equipment basis	(2,702)	(174)
Differences in intangible assets basis	(9,846)	(483)
Differences in share issuance costs	422	611
Non-capital and capital loss carry-forwards	467	-
Other	104	47
	<hr/>	<hr/>
	(11,555)	1
Valuation allowance	(58)	(22)
	<hr/>	<hr/>
	(11,613)	(21)
	<hr/>	<hr/>
Future income tax assets – long-term	936	636
Future income tax liabilities – long-term	(12,549)	(657)
	<hr/>	<hr/>
	(11,613)	(21)
	<hr/>	<hr/>

Opta Minerals Inc.

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A valuation allowance of \$58 (2005 - \$22) has been recorded to reduce the net benefit recorded in the consolidated financial statements related to capital loss carry-forwards. The valuation allowance is deemed necessary as a result of the uncertainty associated with the ultimate realization of these capital losses.

As at December 31, 2006, the Company has recognized the tax benefit of available non-capital losses in the amount of \$409 (2005 - \$nil) which, if not utilized, will expire between 2014 and 2026. The benefit of non-capital losses has been recognized based on projections of future taxable income

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.

	Warrants and rights		Common shares		Total
	Number	\$	Number	\$	\$
December 31, 2004	-	-	100	-	-
Issued to SunOpta (note 1) February 17, 2005 public offering (i)	-	-	11,999,900	-	-
Over-allotment option exercised (ii)	2,250,000	720	4,500,000	17,280	18,000
Compensation options (iii)	225,000	4	450,000	1,796	1,800
Employee stock purchase plan (iv)	148,500	83	-	-	83
Share issuance costs – net of tax (note 1)	-	-	2,574	7	7
	-	-	-	(1,640)	(1,640)
December 31, 2005	2,623,500	807	16,952,574	17,443	18,250
Employee stock purchase plan (iv)	-	-	11,965	39	39
December 31, 2006	2,623,500	807	16,964,539	17,482	18,289

- i) On February 17, 2005, the Company issued 4,500,000 units, each consisting of one common share and one-half of a common share purchase warrant, as part of the initial public offering (see note 1). Warrants are exercisable for the purchase of one common share at a price of \$5.00 and are exercisable until February 17, 2007.
- ii) On March 16, 2005, an over-allotment option granted to an underwriter was exercised. Accordingly, 450,000 additional common shares at a market price of \$3.99 per share and 225,000 additional warrants at a price of \$0.01 per each half warrant were issued on that date. These warrants are exercisable for the purchase of one common share at a price of \$5.00 and are exercisable until February 17, 2007.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

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- iii) As part of the initial public offering, the underwriters received 148,500 compensation options to purchase common shares of the Company. These compensation options are exercisable until February 17, 2007 at an exercise price of \$4.00.
- iv) 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 2006, 11,965 (2005 - 2,574) common shares were purchased under the ESPP for proceeds of \$39 (2005 - \$7).

None of the above-noted warrants or compensation options 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, 2004	-
Contribution of tax assets from SunOpta (note 1)	756
Gifted shares from SunOpta (note 11)	288
Stock compensation expense (note 11)	<u>193</u>
Balance - December 31, 2005	1,237
Stock compensation expense (note 11)	<u>192</u>
Balance – December 31, 2006	<u><u>1,429</u></u>

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

11 Stock compensation expense

- a) Concurrent with the Company's initial public offering, the Company's parent, SunOpta, gifted 75,000 common shares of the Company to officers, directors and employees of the Company in recognition of their service and dedication to the organization. While the costs of the gifted shares were borne entirely by SunOpta, given that a benefit was realized by the employees of Opta Minerals Inc., a company under SunOpta's control, stock compensation expense has been recorded in the Company's financial statements. Compensation costs related to the gifted shares were determined using the fair value method and \$288 was recognized as stock-based compensation expense during the period ended December 31, 2005 and an equivalent amount was applied to contributed surplus.
- b) As part of the initial public offering, the Company reserved 750,000 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
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

The exercise price of each option equals the market price of the Company's capital stock at the date of grant except 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 granted options vest 20% immediately and 20% per annum over a four-year period. The options expire ten years following the date of grant.

The Company recorded 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, \$192 (2005 - \$193) 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, 2006, nil (2005 - nil) options have been exercised.

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Notes to Consolidated Financial Statements

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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	2.7%
Expected option life	10 years

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

	Number of options	Weighted average exercise price \$
Outstanding - December 31, 2004	-	-
Granted	347,500	3.82
Forfeited	(7,500)	3.84
Outstanding options – December 31, 2005	340,000	3.82
Granted	215,000	3.20
Outstanding options – December 31, 2006	555,000	3.58
Exercisable options – December 31, 2006	179,000	3.67

The weighted average remaining contractual life of options outstanding at December 31, 2006 is 8.5 years.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

12 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:

	2006 \$	2005 \$
Accounting, management and administrative services provided by SunOpta	22	17
Interest expense paid to related parties	-	359

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 \$40 (2005 - \$29) which are due on demand and are non-interest bearing.

13 Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding. For purposes of computing the weighted average number of common shares outstanding, the 12,000,000 common shares of the Company held by SunOpta as at February 17, 2005 (all of which were issued in connection with the reorganization of the Company (see note 1)) were assumed to have been outstanding since January 1, 2005. The weighted average number of shares used in the basic earnings per share calculations amounted to 16,957,639 for the year ended December 31, 2006 (2005 - 16,279,534).

Warrants, as disclosed in note 10, have been excluded from the calculation of diluted earnings per share due to their anti-dilutive effect.

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Notes to Consolidated Financial Statements

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

	2006		
	Net earnings attributable to common shareholders \$	Weighted average number of shares	Per share amount \$
Basic	3,989	16,957,639	0.24
Dilutive effect of stock options	-	3,017	0.00
Dilutive	3,989	16,960,656	0.24
	2005		
	Net earnings attributable to common shareholders \$	Weighted average number of shares	Per share amount \$
Basic	1,901	16,279,534	0.12
Dilutive effect of stock options	-	-	-
Dilutive	1,901	16,279,534	0.12

The warrants and stock options have been excluded from the calculation of diluted earnings per share in 2005 due to their anti-dilutive effect.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

14 Segmented information

Industry segments

As a result of the current year's acquisitions, the Company reorganized its reporting structure and the previously reported manufacturing and distribution operations segment has been separated into two new segments: mill & foundry products and services operations segment and the abrasive products manufacturing and distribution operations segment. The previously reported St. Bruno de Guigues quarry operation segment has been eliminated as, subsequent to the current year's acquisitions, the former segments' results no longer meet the criteria for separate disclosure. The results of St. Bruno de Guigues are now included in the abrasive products manufacturing and distribution operations.

a) Mill & foundry products and services operations

The Company's mill & 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 and Lachine Quebec.

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.

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Notes to Consolidated Financial Statements

December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

The prior year comparative amounts have been reclassified to conform to the current period's presentation. However, the results disclosed for the mill & foundry products and services operations segment include only those of Lachine, Quebec for the twelve months ended December 31, 2005 and Brantford, Ontario for the seven months ended December 31, 2005. Prior to the start-up of the manufacturing and distribution facility in Brantford, Ontario, its distribution operations were combined with the abrasive products manufacturing and distribution operations located in Waterdown, Ontario. As the information to discretely segregate the Brantford and Waterdown segment net earnings before interest expense and income taxes is not available, the Brantford operations have been included in the abrasive products manufacturing and distribution operations segment for the five months ended May 31, 2005. Furthermore, 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.

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

Opta Minerals Inc.

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December 31, 2006 and 2005

(expressed in thousands of Canadian dollars)

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

	2006			
	Mill and Foundry products & services \$	Abrasive products manufacturing and distribution operations \$	Unallocated \$	Total \$
External revenue by market				
Canada	12,466	9,553	-	22,019
U.S.	31,600	18,251	-	49,851
Other	865	44	-	909
Total revenue from external customers	<u>44,931</u>	<u>27,848</u>	<u>-</u>	<u>72,779</u>
Segment earnings (loss) before interest expense and income taxes	5,729	4,635	(2,419)	7,945
Interest expense on long-term debt				1,202
Interest expense				519
Provision for income taxes				<u>2,235</u>
Net earnings for the year				<u>3,989</u>
Total assets as at December 31, 2006	<u>47,223</u>	<u>37,784</u>	<u>1,226</u>	<u>86,233</u>
Amortization of property, plant and equipment	<u>548</u>	<u>1,419</u>	<u>4</u>	<u>1,971</u>
Amortization of intangible assets	<u>985</u>	<u>62</u>	<u>-</u>	<u>1,047</u>
Goodwill and intangible assets as at December 31, 2006	<u>27,699</u>	<u>8,066</u>	<u>-</u>	<u>35,765</u>
Expenditures on property, plant and equipment	<u>809</u>	<u>696</u>	<u>113</u>	<u>1,618</u>
Acquired goodwill	<u>4,071</u>	<u>61</u>	<u>-</u>	<u>4,132</u>

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

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	2005			
	Mill and Foundry products & services \$	Abrasive products manufacturing and distribution operations \$	Unallocated \$	Total \$
External revenue by market				
Canada	7,890	14,985	-	22,875
U.S.	723	18,275	-	18,998
Other	-	144	-	144
Total revenue from external customers	<u>8,613</u>	<u>33,404</u>	<u>-</u>	<u>42,017</u>
Segment earnings before interest expense and income taxes	824	5,306	(2,255)	3,875
Interest expense on long-term debt				510
Interest expense				(25)
Provision for income taxes				<u>1,492</u>
Net earnings for the year				<u>1,901</u>
Total assets at December 31, 2005	<u>1,980</u>	<u>44,626</u>	<u>1,473</u>	<u>48,079</u>
Amortization of property, plant and equipment	<u>39</u>	<u>1,380</u>	<u>-</u>	<u>1,419</u>
Amortization of intangible assets	<u>-</u>	<u>61</u>	<u>-</u>	<u>61</u>
Goodwill and intangible assets as at December 31, 2005	<u>-</u>	<u>8,057</u>	<u>-</u>	<u>8,057</u>
Expenditures on property, plant and equipment	<u>333</u>	<u>2,455</u>	<u>-</u>	<u>2,788</u>

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

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Geographic segments

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

	2006		
	Canada	U.S.	Total
	\$	\$	\$
Property, plant and equipment	8,257	12,271	20,528
Goodwill and intangible assets	2,841	32,924	35,765
Total assets	31,931	54,302	86,233

	2005		
	Canada	U.S.	Total
	\$	\$	\$
Property, plant and equipment	8,456	4,547	13,003
Goodwill and intangible assets	2,855	5,202	8,057
Total assets	39,367	8,712	48,079

15 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.

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- c) The Company has the following outstanding letters of credit:
- i) An irrevocable letter of credit for \$750 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 \$246 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 \$68 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:

	\$
2007	1,462
2008	1,266
2009	931
2010	706
2011	572
Thereafter	<u>752</u>
	<u>5,689</u>

16 Comparative amounts

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