



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2006

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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 year ended December 31, 2006 and 2005, prepared in accordance with Canadian generally accepted accounting principles.

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 and includes for the periods prior to the completion of the Company’s initial public offering on February 17, 2005, the “Opta Minerals Group” an operating division of SunOpta Inc. (“SunOpta”) that was transferred to Opta Minerals immediately prior to the initial public offering.

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 March 27, 2007. This MD&A includes Opta’s operating and financial results for 2006 and 2005 and should be read in conjunction with our audited consolidated financial statements and notes thereto appearing elsewhere in this report.

Other important Company documents

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

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

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

Financial information prior to the Company’s initial public offering

All financial information presented for the period prior to the completion of the Company’s initial public offering (February 17, 2005) represents the combined financial results of the Company. The combined financial statements presented in this report for periods prior to February 17, 2005 have been “carved out” from the consolidated financial statements of SunOpta Inc. The combined financial statements include the accounts of Opta Minerals, a division of SunOpta, Opta Minerals Inc., Opta Minerals (USA) Inc., Virginia Materials Inc., International Materials & Supplies Inc., Temisca Inc., 9017-0382 Quebec Inc. (Distribution A&L) and 1108176 Ontario Limited, all of which were, up to the completion of the Company’s initial public offering, divisions or wholly-owned subsidiaries of SunOpta Inc.

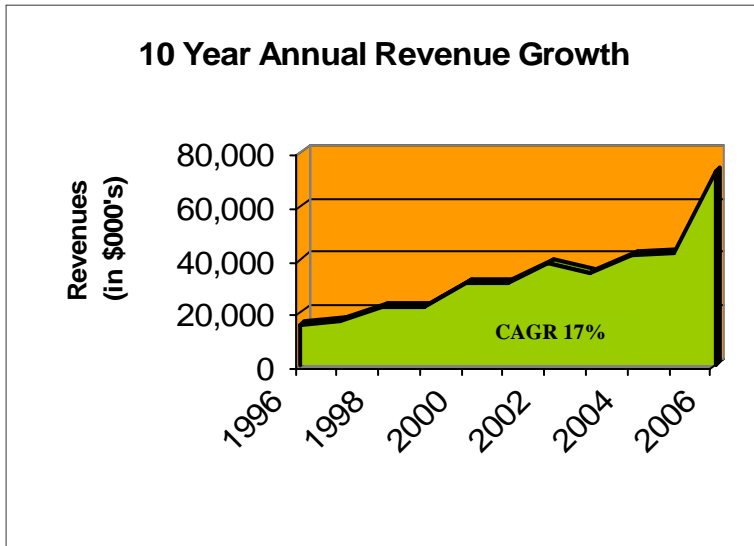
Forward Looking Statements

Certain information included herein may constitute “forward-looking” statements which involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements use such words as “may”, “will”, “expect”, “believe”, “plan”, “intend” and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and in filings made by us with Canadian securities regulatory authorities. Although the forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of the document, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

1. Our Company

1.1. Overview of the Business

Opta Minerals Inc. (TSX: OPM) is a vertically integrated producer, manufacturer, distributor and recycler of industrial minerals, silica-free loose abrasives, and specialty sands and related products for use primarily in the steel, foundry, loose abrasive cleaning, roof shingle granules and municipal water filtration industries. The Company has experienced solid growth since 1996, 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 on the east coast of North America. This growth is evidenced by the Company's Compound Annual Revenue Growth Rate¹ ("CAGR") of 17% for the 10 year period Ended December 31, 2006.



The Company currently has production and distribution facilities in Ontario, Quebec, Louisiana, South Carolina, Virginia, Maryland, Ohio, Michigan, Indiana and New York and one of the broadest product lines in the industry. Recognizing that the fragmentation and lack of consolidation among suppliers in its industry has provided it with a strategic growth opportunity, the Company intends to capitalize on this opportunity to become one of the leading North American suppliers of industrial minerals and silica-free loose abrasives. In order to achieve this objective, the Company intends to accelerate its revenue and market share growth over the next several years by making a number of additional strategic acquisitions, through geographic expansion and through continued development of new products and services.

Management believes that the Company's outlook for the future is positive with future revenue and earnings growth being driven by a combination of factors including: increased sales of existing product lines, the introduction of new product lines, and entry into new markets via product expansion and/or strategic acquisitions and a continued focus gross profit improvement and on operating cost reductions.

2. Our Strategy

2.1. Opta's Strategic Objective

In order to leverage our corporate strengths and institute a platform for sustainable, profitable business growth, we develop company-wide long-term strategic plans. Fiscal 2007 represents the final year of our 2004–2007 strategic plan, which outlined strategic imperatives for our Company and shaped the initiatives executed by management during that period. With the conclusion of the 2004–2007 Strategic Plan drawing near we are in the process of developing a new strategic plan that will guide our efforts through to the end of 2012. This new Strategic Plan for 2008 to 2012, will be based upon a comprehensive review of our business performance and factors influencing our future ability to successfully grow and compete. The new plan will build on our progress over the last four years, refining our focus on the initiatives that will help us to meet our key performance metrics.

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

2.2. Strategic Plans

In 2004 we introduced key elements of our strategic growth plan. We expected to use the proceeds of the public offering and leverage our existing operations to build on our company's current status as a leading regional supplier and become one of the dominant North American suppliers of industrial minerals and silica free abrasives. Through the use of our own capital pool we expect to execute our growth strategy via the following strategic initiatives:

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

3. How we performed in 2006

3.1. Performance Highlights and Significant Events

During the year ended December 31, 2006, the Company had the following performance highlights and significant events:

- Net Earnings of \$3,989,000 an increase of 110% over 2005 results, and a 105% increase in earnings before interest, income taxes, depreciation and amortization¹ ("EBITDA").
- Positive cash flow from operating activities of \$8.0 million versus a use of cash totaling \$1.7 million for the year ended December 31, 2005.
- Acquisition of Magnesium Technologies Corporation during February 2006. Since acquisition, this profitable company generated approximately \$27.6 million in revenues during 2006, selling proprietary magnesium and desulphurization products to the steel industry in the U.S.
- Acquisition of Bimac Corporation during October 2006. This profitable company generated approximately \$8.6 million of revenue for the year ended December 31, 2006, selling its proprietary tundish and ladle insulators, fluxes and conditioners to the steel industry in Canada and the U.S..
- The Company continued the development and introduction of new products into the marketplace. Bringing new products to market continues to be a very important component of the Company's growth strategy. In 2005 Opta introduced several new resale products such as Glass Beads, Steel Shot, and Aluminum Oxide. On a combined basis sales of these products increased by 41% from \$2.2 million in 2005 to \$3.2 million in 2006. The Company continues to grow its sales in these markets in addition to further developing the sales of internally developed products such as coloured sand for industrial purposes, and a Nickel based abrasive; ("PowerBlast") which met the QPL standards for Navy Contracts in the U.S. during the fourth quarter of 2005.

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

3.2. Selected Annual and Quarterly Data

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

(expressed in thousands of Canadian dollars, except gross margin percentage)	For the Three Months Ended December 31		For the Year Ended December 31		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Income Statement Data	(unaudited)				
Revenue					
Mill and foundry products and services	12,585	2,967	44,931	8,613	4,751
Abrasive products manufacturing and distribution operations	<u>5,711</u>	<u>7,083</u>	<u>27,848</u>	<u>33,404</u>	<u>36,929</u>
Total revenue	18,296	10,050	72,779	42,017	41,680
Gross profit	4,691	1,606	18,040	9,151	8,926
Gross margin %	25.6	16.0	24.8	21.8	21.4
Selling, general and administrative expenses	<u>2,621</u>	<u>1,150</u>	<u>9,115</u>	<u>4,859</u>	<u>3,966</u>
Earnings before the following:	2,070	456	8,925	4,292	4,960
Interest expense (net)	484	138	1,721	485	413
Amortization of intangible assets	346	18	1,047	61	-
Stock compensation expense	39	27	192	481	-
Other expense	=	=	=	=	<u>334</u>
Foreign exchange (gain) loss	<u>(42)</u>	<u>7</u>	<u>(259)</u>	<u>(128)</u>	<u>9</u>
Earnings before income taxes	1,243	266	6,224	3,393	4,204
Provision for income taxes	<u>490</u>	<u>127</u>	<u>2,235</u>	<u>1,492</u>	<u>1,797</u>
Net earnings for the period	753	139	3,989	1,901	2,407

Selected Annual and Quarterly Data – Continued	For the Three Months Ended December 31		For the Twelve Months Ended December 31		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(unaudited)				
Basic net earnings per share	\$0.05	\$0.01	\$0.24	\$0.12	\$0.20
Diluted net earnings per share	\$0.05	\$0.01	\$0.24	\$0.12	\$0.20
Weighted average shares used in computing basic net earnings per share calculation	<u>16,962,533</u>	<u>16,950,867</u>	<u>16,957,639</u>	<u>16,279,534</u>	<u>12,000,000</u>
Weighted average shares used in computing diluted net earnings per share calculation	<u>16,983,251</u>	<u>16,950,867</u>	<u>16,960,656</u>	<u>16,279,534</u>	<u>12,000,000</u>

Balance Sheet Data

(expressed in thousands of Canadian dollars)

	As at December 31,		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	995	4,077	448
Working capital (excluding current portion of amount due to (from) parent & affiliates)	12,297	21,166	12,411
Total assets	86,233	48,079	35,848
Bank indebtedness and long-term debt (including current portion)	25,636	8,015	188
Due to (from) parent and affiliates	(40)	(29)	15,704
Shareholders' equity	39,797	35,396	14,777

Quarterly Results of Operations

The following table sets out selected financial information for each of the eight most recent quarters ended December 31, 2006. 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, 2006 and 2005. Only normal recurring adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results.

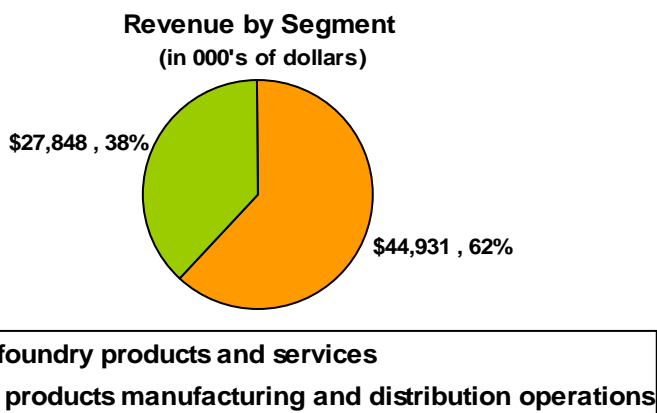
	Quarters Ended							
	Dec. 31, 2006	Sept 30, 2006	June 30, 2006	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005	June 30, 2005	Mar 31, 2005
	(unaudited - expressed in thousands of Canadian dollars)							
Revenue	\$18,296	\$18,771	\$20,647	\$15,065	\$10,050	\$10,231	\$12,242	\$9,494
EBITDA	2,628	3,064	3,652	1,619	816	1,349	2,326	867
Net earnings (loss) for the period	753	1,155	1,619	462	139	546	1,108	108

3.3. Year ended December 31, 2006 compared to Year ended December 31, 2005

The Company's revenues increased 73.2% for the year ended December 31, 2006 from \$42,017,000 in 2005 to \$72,779,000. A significant portion of the increase relates to the acquisitions of Magnesium Technologies Corporation ("Magtech") and Bimac Inc. ("Bimac"). During 2006, the average U.S. dollar exchange rate decreased approximately \$0.08 from \$1.21 to \$1.13 Canadian dollars for every \$1.00 U.S. Excluding the impact of this exchange movement, organic growth within the Company's legacy operations was approximately 5%.

Company Wide Revenues

One of the Company's strengths is its geographic reach as a result of having multiple production and distribution facilities in Canada and the U.S.. These facilities have been grouped into two separate segments in the Company's financial statements based on the nature of their primary customer base. The segments are; mill and foundry products and services, and abrasive products manufacturing and distribution operations. While the majority of each facilities revenues are derived primarily from one of the aforementioned segments, its customers needs can include both abrasive products and foundry and steel products. As a result, management believes Company wide sales of abrasive products, and foundry and steel products and services provides useful information to stakeholders regarding the Company's ability to leverage the strength of its geographic reach and its ability to provide customers with a broad product offering. Company wide sales of abrasive products and roofing granules were \$21,361,000, an increase of 12.7% over 2005 sales of \$18,948,000. A substantial portion of this increase is due to a full year of commercial operations at our facilities in Hardeeville and Baltimore, as well as the commencement of commercial roofing granule sales at our Attica facility in June, offset by a decrease in revenues at the Company's Distribution A&L, Temisca, and New Orleans operations. Company wide sales of steel mill and foundry products and services were \$45,275,000, an increase of 161.9% over 2005 sales of \$17,288,000. Substantially all of this increase relates to the acquisitions of Bimac and Magtech during 2006. Excluding results from Companies acquired in 2006, Company wide sales of foundry and steel mill products and services declined 4.7% due in large part to the decrease in the foreign exchange rate. The remaining variance in revenues between the 12 month periods ended December 31, 2006 and 2005 relates to sales of other industrial minerals, products and services. Other products and services provided company wide increased 6.3% from \$5,781,000 in 2005 to \$6,143,000 in 2006



Performance by Segment

Revenues within the Mill and foundry products and services segment increased by \$36,318,000 or 421.7% to \$44,931,000 compared to \$8,613,000. The results for both of the companies acquired in 2006 are included in this segment. In addition, approximately \$6,538,000 of the increase pertained to steel and foundry products & services that were included in abrasive products manufacturing and distribution segment in 2005 prior to the relocation of these products and

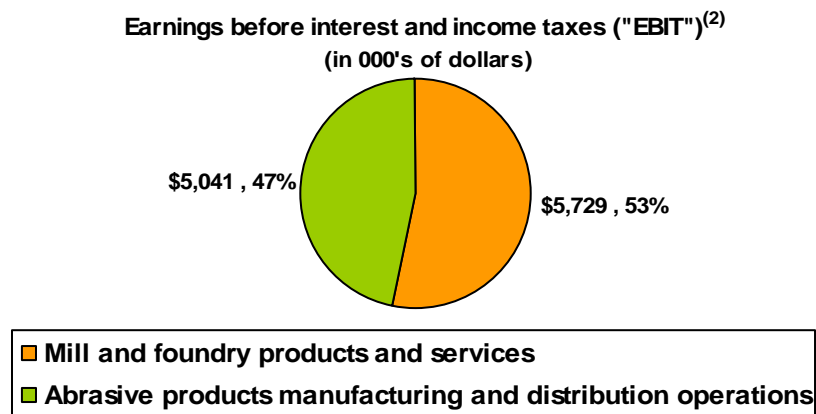
services to the Brantford facility which is included in mill and foundry products and services segment. Excluding the results of these acquisitions and the reallocation of products between segments, segment revenues from legacy operations increased 1.6%.

Revenues within the abrasive products manufacturing and distribution operations segment decreased \$5,556,000 or 16.6% to \$27,848,000 in 2006 versus \$33,404,000 in 2005. Approximately \$6,538,000 of the variance in segment results pertains to revenues of steel mill and foundry products that were transferred to the Company's Brantford facility during 2005 and 2006 and included in the mill and foundry products and services segment. Revenues for the segment increased \$2,156,000 as a result of a full year of commercial operations at the Baltimore and Hardeeville locations, as well as the commencement of roofing granule sales at the Attica facility in 2006. This was partially offset by a \$1,248,000 decrease in revenues at the Company's Distribution A&L, Temisca, and New Orleans operations. Revenues from the Company's Temisca operation have been adversely affected by a decrease in the availability of economical

freight from the facility to customer locations, and an increase in U.S. based competition due to the strength of the Canadian dollar. Utilities were restored to the Company's New Orleans facility late in the second quarter of 2006. Sales at the New Orleans facility were \$480,000 or 53.7% below 2005 results of \$1,037,000.

Gross profit increased by \$8,889,000 to \$18,040,000 or 24.8% of revenues for the year ended December 31, 2006 compared to \$9,151,000 or 21.8% of sales for the same period in 2005. For the year ended December 31, 2006 gross profits at the Company's mill and foundry products and services segment increased by \$9,975,000 from \$1,399,000 or 16.3% of revenues in 2005 to \$11,374,000 or 25.3% of revenues in 2006. The increase is primarily due to the results from companies acquired in 2006 as well as the transfer of certain foundry products from the Company's Waterdown facility (reported in the abrasive products manufacturing and distribution segment) to its Brantford facility (reported in the Company's mill and foundry products and services segment). Gross profits within the Company's abrasive products manufacturing and distribution operations segment decreased by \$1,007,000 from \$7,752,000 or 23.2% of sales in 2005 to \$6,746,000 or 24.2% of sales in 2006. The decrease is primarily due to the transfer of certain foundry products from the Company's Waterdown facility (reported in the abrasive products manufacturing and distribution segment) to its Brantford facility (reported in the Company's mill and foundry products and services segment). A full year of production at the Company's Baltimore and Hardeeville facilities combined with the commencement of commercial roofing granule operations at the Attica facility generated \$531,000 of additional gross profit in 2006, while slowdowns at the Company's Temisca and New Orleans operations adversely affected the abrasive production and distribution segment by \$484,000.

Selling, general and administrative expenses increased \$4,256,000, from \$4,859,000 or 11.6% of revenues in 2005 to \$9,115,000 or 12.5% of revenues in 2006. Approximately \$3,463,000 in additional SG&A was incurred as a result of the acquisitions that occurred in 2006. Approximately \$252,000 of the remaining increase relates to incremental audit, tax, consulting and regulatory fees associated with public company reporting, and a further \$480,000 pertains to increases in headcount and salary adjustments. During the year the Company also added additional members to the sales team to develop new sales territories in the U.S. and Canada. All of Opta's salespeople are paid on a commission structure that is based on gross profit.



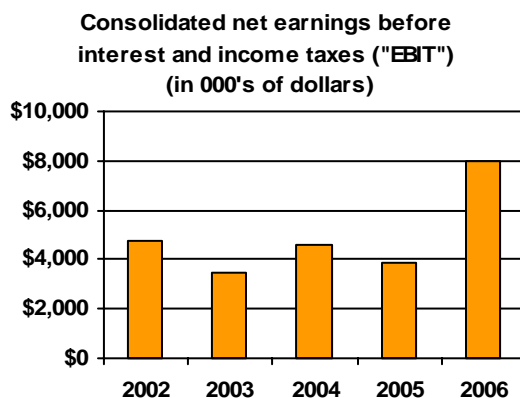
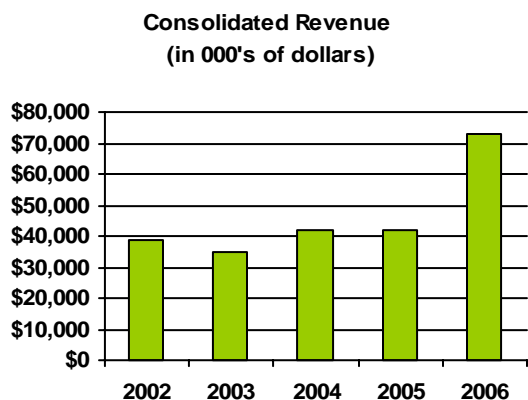
Earnings before income taxes, interest, depreciation and amortization ("EBITDA")¹ for the year ended December 31, 2006 was \$10,963,000 up 105% as compared to \$5,358,000 for the year ended December 31, 2005. EBITDA for the mill and foundry products and services segment increased by \$6,453,000 to \$7,317,000 when compared to the same period in 2005. The abrasive products manufacturing and distribution operations segment had EBITDA of \$6,765,000 for the year ended December 31, 2005 compared to

\$6,062,000 in 2006. The most significant components of these variances other than the increase in gross profit and SG&A previously discussed relates to the acquisitions of Magtech and Bimac in 2006 which are included in the mill and foundry products and services result, and the transfer of certain mill and foundry products from the Company's Waterdown facility (included in the abrasives segment) to the Brantford facility (included in the mill and foundry segment).

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

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

For the year ended December 31, 2006, the Company recorded \$192,000 in stock compensation expense versus \$481,000 in 2005. Immediately prior to the Company's initial public offering in February 2005, a total of 340,000 options were granted to employees, officers and directors of the Company. Twenty percent of the grant vested immediately with the remaining portion vesting at a rate of 20% per annum over a four year period. In accordance with Canadian GAAP, the Company recorded compensation expense of \$193,000 during the year ended December 31, 2005 pertaining to the vested options granted. In addition, concurrent with the Company's initial public offering, the Company's parent SunOpta Inc. gifted 75,000 common shares of the Company to certain employees and officers of the Company in recognition of their service and dedication to the organization. The shares gifted to certain officers and employees were from SunOpta's holdings and while the cost of these shares were borne entirely by SunOpta, an expense equal to the fair value of those shares was recorded in Opta Minerals' results. This was considered appropriate given that a benefit was realized by employees of Opta Minerals Inc., a Company under SunOpta's control. Total compensation expense related to the gifting was \$288,000.



The effective income tax rate for the year ended December 31, 2006 was 35.9% compared to 44.0% for the comparable period in 2005. Approximately 3.9% of the effective tax rate decrease is due to the change in stock compensation expense recorded in 2005 versus 2006 that is not deductible for tax purposes. The remaining differences relate to an increased proportion of the Company's income being generated by U.S. operations which incur a higher statutory tax rate, offset by tax credits on manufacturing operations both in Canada and the U.S. and changes in the amount of other permanent differences.

Net earnings for the year ended December 31, 2006 were \$3,989,000, compared to \$1,901,000 for the same period in 2005.

4. Capital Structure and Financing

4.1. Capital Structure

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

We ended 2006 in a strong financial position, with:

- \$995,000 of cash and cash equivalents;
- \$7,869,000 of short-term debt;
- 16.4% of our long-term debt due in 2007;
- long-term debt at 27% of total capitalization;
- \$7,460,000 in available credit facilities; and

- the flexibility to access capital markets to raise capital for acquisitions or projects.

For the years ended December 31, 2006 and 2005 our capital structure was as follows:

Capital Structure (% of total structure)	Year Ended December 31,	
	2006	2005
Shareholders' Equity	49.4%	80.2%
Bank indebtedness	9.8%	-
Long term debt	22.1%	18.2%
Future income taxes ⁽¹⁾	15.6%	1.6%
Other long-term liabilities ⁽²⁾	3.1%	-
	100%	100%

- (1) Approximately \$9,300,000 of the \$12,549,000 future tax liability reported relates to intangibles acquired as part of the Bimac and Magtech acquisitions. Despite the fact that these intangibles are not deductible for U.S. tax purposes, Canadian generally accepted accounting principles require a future tax liability to be established for any finite life intangibles acquired.
- (2) Pursuant to the Bimac purchase agreement, additional consideration not to exceed U.S. \$3,850,000 may be payable based on the achievement of certain predetermined earnings targets between October 1, 2006 and September 30, 2016. An amount of U.S. \$2,150,000 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.

Equity

The book value of Common Shares at the end of 2006 was \$2.35 per share compared to \$2.09 at the end of 2005.

Shares outstanding

Common Shares	Year Ended December 31,	
	2006	2005
Shares outstanding at the beginning of the year	16,952,574	100
Issued to SunOpta and public offering	-	11,999,900
Over-allotment exercised	-	4,950,000
Shares issued under plans ⁽¹⁾	11,965	2,574
Shares outstanding at end of year	16,964,539	16,952,574

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

Warrants & Compensation Options

At December 31, 2006 the Company had approximately 2,475,000 outstanding warrants and 148,500 outstanding compensation options issued to underwriters. These instruments were issued in conjunction with the Company's initial public offering and were exercisable at \$5.00 per share and \$4.00 per share respectively any time prior to February 17, 2006. None of the above noted warrants or options were exercised prior to February 17, 2007 and have as a result, expired.

Long term debt and bank indebtedness

As at December 31, 2006 the Company had \$25,636,000 in long-term debt and bank indebtedness owing to third parties versus \$8,015,000 at December 31, 2005. During the year, the Company amended its existing credit facilities to finance

the acquisition of Magnesium Technologies Corporation. Opta's financing agreements with the Bank of Montreal now include a \$12,500,000 revolving term operating facility, a \$5,000,000 revolving term acquisition facility, and an \$11,000,000 term facility that is repayable over 8.5 years. In addition to its arrangements with the Bank of Montreal the Company has a promissory note payable to the former shareholders of Magtech in the amount of \$6,000,000 U.S. dollars. This promissory note is repayable in equal annual installments over 4 years.

In February 2006, the Company financed the \$18,000,000 U.S. dollar acquisition of Magtech by drawing approximately \$2,300,000 US dollars on its term facility, issuing a promissory note to the vendors for \$6,000,000 U.S. dollars and drawing the remaining requirements from its revolving term operating facility.

In October 2006, the Company completed the \$4,000,000 U.S. dollar acquisition of Bimac Corporation. The transaction was financed by drawing \$1,000,000 U.S. dollars on the Company's 5 year revolving acquisition facility, and drawing the remaining requirements from its revolving term operating facility.

4.2. Funding Program

Funding requirements

We fund our capital expenditures, working capital needs, acquisitions and financing needs such as debt repayments from a combination of sources. In 2006, the primary sources of funding were:

- \$4,077,000 cash on hand at the beginning of 2006;
- \$6,947,000 promissory note to the vendor of Magnesium Technologies
- \$4,059,000 from increasing long-term debt;
- \$8,000,000 of cash generated from operations;
- \$7,559,000 from increasing revolving operating facilities; and
- \$39,000 from the issuance of common shares under the employee share purchase plan.

Summary of Cash flows

(expressed in thousands of Canadian dollars)	For the Three Months Ended December 31		For the Year Ended December 31	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net cash provided by (used in):	(unaudited)			
Operating activities	(444)	\$1,749	\$8,000	(\$1,747)
Investing activities	2,186	(819)	(21,039)	(3,601)
Financing activities	(3,827)	(101)	9,926	9,014
Foreign exchange loss (gain) on cash held in foreign currency	79	(25)	31	(37)

Year Ended December 31, 2006 compared to the Year Ended December 31, 2005

Operating activities and working capital

Cash generated by operating activities for the year ended December 31, 2006 were \$8,000,000 compared to negative cash flows of \$1,747,000 in 2005. The increase is due to an increase in earnings from operations and a decreased investment in working capital, particularly in inventory, as compared to 2005. Earnings from operations were significantly impacted by the acquisitions of Magnesium Technologies and Bimac during 2006. Excluding these acquisitions, the Company's investments in inventory and receivables decreased by \$2,609,000 from \$21,632,000 in 2005 to \$19,023,000 at December 31, 2006. The decrease is due to continued efforts by management to maintain efficient levels of working capital to preserve financial flexibility for future expansion needs.

The Waterdown and St. Bruno de Guigues Quarry operations are seasonal and slow down during the winter months due to seasonal application of the products produced at these facilities. As a result, the Company's investment in working capital declines starting in the fourth quarter through the first quarter and increases again in the second quarter.

Many of the products received are transported by ship. In order to economize on freight costs, certain products are purchased in quantities that will take upwards of a year to sell. These purchases can be significant and have a material effect on working capital needs.

The Company has a working capital surplus of \$12,337,000 (2005 - 21,195,000). A significant portion of the decline in working capital surplus is due to bank indebtedness incurred as a result of the acquisitions of Magtech and Bimac. Maintaining financial flexibility remains imperative to management and thus reductions to the Company's capital continues to be a long-term priority. The table below shows the change in the value of various working capital components for the Company at the end of 2006 and 2005 excluding the impact of the acquisitions that occurred during the year.

Comparable Working Capital Components

	2006	Working capital related to companies acquired	2006 excluding working capital of acquisitions	2005	Variance
Accounts receivable	9,453	3,476	5,977	6,394	(417)
Inventories	16,383	3,337	13,046	15,238	(2,192)
Prepaid expenses and other current assets	1,740	705	1,035	507	528
Accounts payable and accrued liabilities	(5,699)	(2,473)	(3,226)	(3,924)	698
Increase (decrease) in comparable working capital components					(1,383)

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

Accounts receivable - At the end of 2005 accounts receivable totaled \$6,394,000. Excluding the impact of acquisitions, accounts receivable decreased 6.5% to \$5,977,000 at December 31, 2006. The decrease is mainly due to the timing of collections in the fourth quarter of 2006. The overall aging of accounts receivable have remained relatively consistent year over year.

Inventories - Excluding the impact of acquisitions, Opta decreased its inventory levels by \$2,192,000 or 14.4 percent as at the end of 2006 compared to the end of 2005. Approximately \$1,349,000 of the decrease was related to inventories of abrasive products and specialty sands. A further \$667,000 of the decrease pertained to foundry and steel mills products sold by the Company. Both reductions were attributable to adjustments made in the purchasing patterns of these products.

Prepaid expenses and other current assets - Excluding the impact of acquisitions, Opta increased prepaid expenses by \$528,000 or 104.1 percent at the end of 2006 compared to the end of 2005. Substantially all of the increase relates to the implementation of a consolidated US insurance program whose premium payments differed in timing to the previously established insurance policies.

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

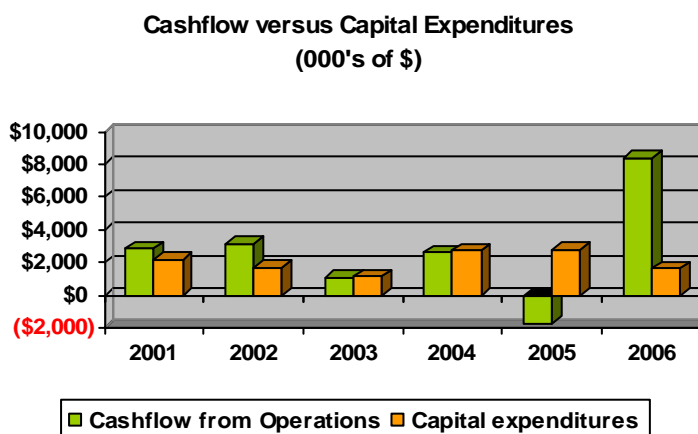
Investing Activities

Cash used in investing activities was \$21,039,000 for the year ended December 31, 2006 as compared to \$3,601,000 in 2005. Approximately \$19,312,000 of the current years investments related to the acquisitions of Magtech and Bimac. Other significant movements within investing activities included a 42% decrease in capital expenditures. Capital requirements decreased \$1,170,000 to \$1,618,000 in 2006 versus \$2,788,000 in 2005. The Company continues to invest in capital improvements designed to maintain facilities, reduce operating costs or comply with regulatory requirements at its various locations.

2006 Capital program

Opta's 2006 capital expenditures totaled \$1,618,000, a 42% decrease from the \$2,788,000 spent in 2005. Capital expenditures during the year included:

- \$575,000 for business expansion initiatives;
- \$1,043,000 for maintenance or replacement of property plant and equipment;



The Company expects to spend approximately \$2,565,000 in capital expenditures in 2007.

Financing Activities

Cash obtained in financing activities was \$9,926,000 for the year ended December 31, 2006. The most significant financing transactions recorded in the period pertain to bank financing incurred in conjunction with the acquisition of Magtech and Bimac.

4.3. Financial Ratios

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

	December 31, 2006	January 1, 2006
Ratio of long term debt and bank indebtedness to Equity	0.64:1	0.23:1
Ratio of long term debt ⁽¹⁾ to total capitalization	0.27:1	0.16:1
Ratio of current assets to current liabilities	1.75:1	5.22:1
Interest coverage ⁽²⁾	5.3 times	9.1 times

(1) Long-term debt includes current portion.

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

4.4. Funding Costs

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

Interest expense:	2006	2005
Interest expense pertaining to long term debt	\$1,202,000	\$510,000
Effective blended cost of debt	7.8%	5.5%

5. **Contractual Obligations and Commitments**

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

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>						
	<u>Total</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Thereafter</u>
Long term debt	\$17,767	\$2,909	\$3,186	\$3,562	\$2,922	\$1,173	\$4,015
Preferred shares	46	46	-	-	-	-	-
Operating leases	\$5,689	\$1,462	\$1,266	\$931	\$706	\$572	\$752
Total contractual obligations	\$23,502	\$4,417	\$4,452	\$4,493	\$3,628	\$1,745	\$4,767

Pursuant to the Bimac purchase agreement, additional contingent consideration not to exceed U.S. \$3,850,000 may be payable based on the achievement of certain predetermined earnings targets between October 1, 2006 and September 30, 2016. An amount of \$2,506,000 has been recognized as other long term liabilities based upon management's estimate of contingent consideration likely to be paid.

6. **Transactions with Related Parties**

SunOpta charges management fees to the Company which include direct costs incurred by SunOpta for professional services and insurance as well as fees relating to specific accounting, treasury or other administrative services provided at fair market value. In 2005, SunOpta or affiliates had also charged interest on certain debt of the Company as disclosed within note 12 of the consolidated financial statements.

7. **Risks and Uncertainties**

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

8. **Critical Accounting Policies and Estimates**

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

and various other factors that are believed to be reasonable in the circumstances. Management continually evaluates the information that forms the basis of estimates and assumptions as the business of the Company and the business environment generally changes. The use of estimates is pervasive throughout the Company's 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, 2006 and 2005 and for the years then ended.

Revenue Recognition

Revenues from the Company's operations are recognized when the following four criteria have been satisfied:

- Persuasive evidence of an arrangement exists, such as an executed service agreement or other relevant documentation;
- When services are delivered. For the sale of abrasives and industrial minerals, the Company considers services delivered upon shipment of materials and transfer of title to the customer. For recycling activities, services are considered to be delivered after materials have been processed and the resulting non-hazardous recycled material is either sold or shipped to third parties or is disposed of;
- The price to the customer is either fixed or determinable; and
- Collectibility is reasonably assured.

Accounts Receivable

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

Inventory

Inventory is the Company's largest current asset. Inventories are valued at the lower of cost, determined on a first-in, first-out basis, or estimated net realizable value. The Company assesses the net realizable value of its inventory on a regular basis by reviewing, on an item-by-item basis, the realizable value of its inventory, net of anticipated selling costs. If it is management's judgment that the selling price of an item must be lowered below its cost in order for it to be sold, then the carrying value of the related inventory is written down to its realizable value. A number of factors are taken into consideration in assessing realizable value including the quantity on hand, age and expiration, historical sales, consumer demand and preferences. Depending on market conditions, the actual amount received on sale could differ from management's estimate.

Goodwill

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

Income Taxes

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

Estimates

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

Significant estimates include, but are not limited to, the measurement of accounts receivable and the related allowance for bad debts, measurement of inventory, measurement of goodwill and intangibles and revenue recognition.

9. Non-GAAP Measures

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

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

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

	Quarters Ended								Years Ended	
	Dec 31, 2006	Sept 30, 2006	June 30, 2006	Mar 31, 2006	Dec 31, 2005 (unaudited)	Sept 30, 2005	June 30, 2005	Mar 31, 2005	Dec. 31, 2006	Dec. 31, 2005
	(expressed in thousands of Canadian dollars)								(expressed in thousands of Canadian dollars)	
Net earnings for the period	\$753	\$1,155	\$1,619	\$462	\$139	\$546	\$1,108	\$108	\$3,989	\$1,901
Interest expense	484	449	452	336	138	115	139	93	1,721	485
Provision for income taxes	490	635	817	293	127	318	733	314	2,235	1,492
Depreciation	555	535	503	378	394	359	335	341	1,971	1,419
Amortization of Intangible assets	346	290	261	150	18	11	11	11	1,047	61
EBITDA⁽¹⁾	2,628	3,064	3,652	1,619	816	1,349	2,326	867	10,963	5,358
Depreciation and amortization of intangible assets	901	825	764	528	412	370	346	352	3,018	1,480
EBIT⁽²⁾	1,727	2,239	2,888	1,091	404	979	1,980	515	7,945	3,878

Notes:

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

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

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

10. Disclosure Controls and Procedures

As at the financial year ended December 31, 2006, an evaluation was carried out under the supervision of and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and

procedures were effective as at December 31, 2006 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

11. Internal Controls over Financial Reporting

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

The design of the Company’s ICFR was evaluated by management, including the Chief Executive Officer and Chief Financial Officer, as at December 31, 2006. They have concluded that the design of ICFR’s , except for the limitations noted above, would provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP as of December 31, 2006.

12. Recent Developments in Accounting Standards

The Company has adopted the following recent standard

CICA Handbook Section 3831, Non-monetary transactions – Revises existing CICA 3830 on non-monetary transactions, replacing the current exception from measurement of a non-monetary transaction at fair value for non-monetary exchanges which do not represent the culmination of the earnings process, with an exception based on whether the transaction has commercial substance. Section 3831 applies to all non-monetary transactions initiated in periods beginning on or after January 1, 2006.

The Company will adopt the following standards effective January 1, 2007

CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. Section 3855 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

CICA Handbook Section 3865, Hedges, is applicable whenever a company chooses to designate a hedging relationship for accounting purposes. It specifies how hedge accounting is applied and what disclosures are necessary when it is applied. Section 3865 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

CICA Handbook Section 1530, Comprehensive Income, introduces new standards for reporting and disclosing comprehensive income. Comprehensive income is the change in equity of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Section 1530 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

CICA Handbook Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during a reporting period. Section 3251 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

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.

GLOSSARY

Capitalization

Market price per common share (December 31, 2006 - \$3.85) multiplied by total number of outstanding shares (December 31, 2006 – 16,964,539).

Cash generated from Operations

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

Current Ratio

Current assets divided by current liabilities

Debt to Equity

Total debt divided by shareholders' equity

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

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

Earnings before interest and income taxes (EBIT)

Earnings before deducting interest expense and provision for income taxes.

Interest coverage Ratio

Interest for the year divided by earnings before interest, income taxes, stock compensation expense and amortization.

Long term debt and bank indebtedness to capitalization ratio

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