

# **Opta Minerals Inc.**

Consolidated Financial Statements  
**September 30, 2006 and December 31, 2005**  
(Unaudited)  
(expressed in thousands of Canadian dollars)

**Opta Minerals Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**

(expressed in thousands of Canadian dollars)

	<b>September 30, 2006 \$</b>	<b>December 31, 2005 \$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,001	4,077
Accounts receivable	9,403	6,365
Inventories (note 5)	14,184	15,238
Prepaid expenses and other current assets	1,827	507
Due from affiliates	39	29
	<hr/>	<hr/>
	28,454	26,216
<b>Property, plant and equipment</b> (note 6)	17,379	13,003
<b>Intangible and other assets</b> (note 7)	20,611	613
<b>Goodwill</b>	8,460	7,611
<b>Future income taxes</b> (note 9)	725	636
	<hr/>	<hr/>
	75,629	48,079
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	4,832	-
Accounts payable and accrued liabilities	5,959	3,924
Current portion of long-term debt (note 8)	2,893	1,010
Current portion of preference shares	46	77
Income taxes payable	54	10
	<hr/>	<hr/>
	13,784	5,021
<b>Long-term debt</b> (note 8)	14,097	7,005
<b>Future income taxes</b> (note 9)	10,063	657
	<hr/>	<hr/>
	37,944	12,683
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 2)		
Authorized		
Unlimited number of common shares and preference shares without par value		
Issued		
16,961,563 (December 31, 2005 – 16,952,574) common shares	18,278	18,250
<b>Contributed surplus</b>	1,390	1,237
<b>Retained earnings</b>	20,943	17,707
<b>Currency translation adjustment</b>	(2,926)	(1,798)
	<hr/>	<hr/>
	37,685	35,396
	<hr/>	<hr/>
	75,629	48,079

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

**Approved by the Board of Directors**

(signed) "Jeremy Kendall"

Director

(signed) "Joseph Riz"

Director

# Opta Minerals Inc.

Consolidated Statements of Earnings  
(Unaudited)

For the three-month periods ended September 30, 2006 and 2005

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

	<b>2006</b> \$	<b>2005</b> \$
<b>Revenue</b>	18,771	10,231
<b>Cost of goods sold</b>	13,825	8,034
<b>Gross profit</b>	4,946	2,197
<b>Selling, general and administrative expenses</b>	2,338	1,262
<b>Earnings before the following</b>	2,608	935
<b>Interest expense on long-term debt</b>	323	-
<b>Interest expense - net</b>	126	115
<b>Amortization of intangible assets</b>	290	11
<b>Stock compensation expense</b> (note 10)	69	22
<b>Foreign exchange loss (gain)</b>	10	(77)
	818	71
<b>Earnings before income taxes</b>	1,790	864
<b>Provision for income taxes</b>	635	318
<b>Net earnings for the period</b>	1,155	546
<b>Earnings per share for the period</b> (note 11)		
Basic and diluted	0.07	0.03

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

# Opta Minerals Inc.

Consolidated Statements of Earnings  
(Unaudited)

For the nine-month periods ended September 30, 2006 and 2005

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(expressed in thousands of Canadian dollars)

	<b>2006</b> \$	<b>2005</b> \$
<b>Revenue</b>	54,483	31,967
<b>Cost of goods sold</b>	41,134	24,422
<b>Gross profit</b>	13,349	7,545
<b>Selling, general and administrative expenses</b>	6,494	3,709
<b>Earnings before the following</b>	6,855	3,836
<b>Interest expense on long-term debt</b>	875	-
<b>Interest expense - net</b>	362	347
<b>Amortization of intangible assets</b>	701	43
<b>Stock compensation expense</b> (note 10)	153	454
<b>Foreign exchange gain</b>	(217)	(135)
	1,874	709
<b>Earnings before income taxes</b>	4,981	3,127
<b>Provision for income taxes</b>	1,745	1,365
<b>Net earnings for the period</b>	3,236	1,762
<b>Earnings per share for the period</b> (note 11)		
Basic and diluted	0.19	0.11

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

# Opta Minerals Inc.

Consolidated Statements of Retained Earnings

(Unaudited)

For the three-month periods ended ended September 30, 2006 and 2005

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(expressed in thousands of Canadian dollars)

	<b>2006</b> \$	<b>2005</b> \$
<b>Retained earnings - Beginning of period</b>	19,788	17,022
Net earnings for the period	1,155	546
<b>Retained earnings - End of period</b>	<u>20,943</u>	<u>17,568</u>

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

# Opta Minerals Inc.

Consolidated Statements of Retained Earnings  
(Unaudited)

**For the nine-month periods ended September 30, 2006 and 2005**

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(expressed in thousands of Canadian dollars)

	<b>2006</b> \$	<b>2005</b> \$
<b>Retained earnings - Beginning of period</b>	17,707	15,806
Net earnings for the period	3,236	1,762
<b>Retained earnings - End of period</b>	<u>20,943</u>	<u>17,568</u>

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

# Opta Minerals Inc.

## Consolidated Statements of Cash Flows

(Unaudited)

For the three month periods ended September 30, 2006 and 2005

(expressed in thousands of Canadian dollars)

	2006 \$	2005 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the period	1,155	546
Items not affecting cash		
Amortization of property, plant and equipment	535	348
Amortization of intangible assets	290	22
Amortization of deferred financing costs	21	-
Stock compensation expense (note 10)	69	22
Future income taxes	84	110
Unrealized foreign exchange loss on long-term debt	3	-
	<hr/> 2,157	<hr/> 1,048
Changes in non-cash working capital		
Accounts receivable	208	676
Inventories	322	(3,554)
Prepaid expenses and other current assets	237	(230)
Accounts payable and accrued liabilities	1,342	(1,407)
Income taxes payable	(332)	(470)
	<hr/> 3,934	<hr/> (3,937)
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(348)	(977)
Additional consideration paid on acquisitions	(22)	(47)
Acquisition of other assets	(29)	-
	<hr/> (399)	<hr/> (1,024)
<b>Financing activities</b>		
Proceeds from issuance of common shares – net of issuance costs	12	-
Decrease in bank indebtedness	(2,218)	-
Share issuance costs	-	(4)
Proceeds from long-term debt (note 8)	-	8,000
Repayment of long-term debt	(330)	(2)
Repayment of due to affiliates – net	(7)	(9,165)
Purchase and redemption of preference shares of subsidiary companies	-	(15)
	<hr/> (2,543)	<hr/> (1,186)
<b>Foreign exchange loss on cash held in foreign currency</b>	<hr/> (15)	<hr/> (14)
<b>Increase (decrease) in cash and cash equivalents during the period</b>	977	(6,161)
<b>Cash and cash equivalents - Beginning of period</b>	<hr/> 2,024	<hr/> 9,434
<b>Cash and cash equivalents - End of period</b>	<hr/> <hr/> 3,001	<hr/> <hr/> 3,273
<b>Supplemental cash flow information</b>		
Interest paid	334	253
Income taxes paid	1,027	618

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

# Opta Minerals Inc.

## Consolidated Statements of Cash Flows

(Unaudited)

For the nine-month periods ended September 30, 2006 and 2005

(expressed in thousands of Canadian dollars)

	2006 \$	2005 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the period	3,236	1,762
Items not affecting cash		
Amortization of property, plant and equipment	1,416	1,025
Amortization of intangible assets	701	43
Amortization of deferred financing costs	77	-
Stock compensation expense (note 10)	153	454
Imputed interest on preference shares	-	6
Future income taxes	312	520
Unrealized foreign exchange gain on long-term debt	(100)	-
Net loss on disposals of property, plant and equipment	-	1
	<hr/> 5,795	<hr/> 3,811
Changes in non-cash working capital		
Accounts receivable	(1,027)	(965)
Inventories	2,653	(5,814)
Prepaid expenses and other current assets	166	400
Accounts payable and accrued liabilities	1,341	(695)
Income taxes payable	(484)	(233)
	<hr/> 8,444	<hr/> (3,496)
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(1,158)	(2,024)
Additional consideration paid on acquisitions	(55)	(84)
Acquisition of other assets	(29)	-
Acquisition of company – including assumed indebtedness (note 4)	(21,983)	(674)
	<hr/> (23,225)	<hr/> (2,782)
<b>Financing activities</b>		
Deferred financing costs	(75)	-
Proceeds from issuance of common shares – net of issuance costs	28	17,492
Increase in bank indebtedness	4,832	-
Proceeds from long-term debt (note 8)	9,890	8,000
Repayment of long-term debt	(874)	(20)
Repayment of due to affiliates – net	(17)	(16,306)
Purchase and redemption of preference shares of subsidiary companies	(31)	(51)
	<hr/> 13,753	<hr/> 9,115
<b>Foreign exchange loss on cash held in foreign currency</b>	<hr/> (48)	<hr/> (12)
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<hr/> (1,076)	<hr/> 2,825
<b>Cash and cash equivalents - Beginning of period</b>	<hr/> 4,077	<hr/> 448
<b>Cash and cash equivalents - End of period</b>	<hr/> <hr/> 3,001	<hr/> <hr/> 3,273
<b>Supplemental cash flow information</b>		
Interest paid	924	347
Income taxes paid	1,912	922

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

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

### 1 Interim financial statements

The interim consolidated financial statements of Opta Minerals Inc. (the Company) have been prepared in accordance with Canadian generally accepted accounting principles. Accordingly, these financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements, and notes thereto, for the year ended December 31, 2005. In the opinion of management, all adjustments considered necessary for fair presentation have been included, and all such adjustments are of a normal, recurring nature. Operating results for the nine-month period ended September 30, 2006 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2006. As a result of the acquisition of Magnesium Technologies Corporation as described in note 4, the comparative figures are not directly comparable with the current period. Except as described in note 3, the accounting policies followed by the Company are the same as those disclosed in the Company's consolidated financial statements, and notes thereto, for the year ended December 31, 2005.

### 2 Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Opta Minerals (USA) Inc.; OPM 01-2006 Inc.; MTI 01-2006 Inc.; Virginia Materials Inc. (Virginia Materials); International Materials & Supplies Inc. (International Materials); Temisca Inc. (Temisca); 9017-0382 Québec Inc.; (Distribution A&L); Magnesium Technologies Corporation ("MagTech"); and 1108176 Ontario Limited (1108176). 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, the gifting of certain common shares of the Company (note 10) and common share buy backs, was reduced to 70.6%.

# Opta Minerals Inc.

Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

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, 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.

### 3 Summary of significant accounting policies

Except as follows, the accounting policies followed by the Company are the same as those disclosed in the Company's consolidated financial statements, and notes thereto, for the year ended December 31, 2005.

#### 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.

#### Intangible and other assets

The Company's finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of those assets as follows:

Customer relationships	8 – 25 years
Licensing agreement	10 years
Long-term supply contract	Over the contract period of 10 years
Profit sharing agreements	7 – 15 years

The Company's other assets include patents and deferred financing costs and are amortized on a straight-line basis over the useful life of the patent or over the term of the related financing agreement.

# **Opta Minerals Inc.**

Notes to Consolidated Financial Statements

(Unaudited)

**September 30, 2006 and 2005**

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

## **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.

## **4 Business acquisitions**

### **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 \$21,069 (U.S.\$18,197) 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 \$228 (U.S.\$197).

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

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

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

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

	\$
Net assets acquired	
Accounts receivable	2,161
Inventories	1,810
Prepaid expenses and other assets	1,541
Property, plant and equipment	5,007
Intangible and other assets	21,424
Goodwill	993
Bank indebtedness	(914)
Accounts payable and accrued liabilities	(779)
Income taxes payable	(548)
Debt	(309)
Future income taxes	(9,317)
	<u>21,069</u>
Consideration paid	
Cash	13,894
Note payable	6,947
Accrued acquisition costs	228
	<u>21,069</u>

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 \$993 was assigned to the mill and foundry services segment. The goodwill is not deductible for tax purposes.

## 5 Inventories

	September 30, 2006 \$	December 31, 2005 \$
Raw materials	8,027	8,861
Finished goods	6,157	6,377
	<u>14,184</u>	<u>15,238</u>

# Opta Minerals Inc.

Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

## 6 Property, plant and equipment

	<b>September 30, 2006</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
Land	2,327	-	2,327
Buildings and leasehold improvements	7,168	1,351	5,817
Machinery and equipment	15,066	6,237	8,829
Office furniture and equipment	1,671	1,265	406
	<u>26,232</u>	<u>8,853</u>	<u>17,379</u>

  

	<b>December 31, 2005</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
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>

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

### 7 Intangible and other assets

	<b>September 30, 2006</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Customer relationships	18,482	563	17,919
Profit sharing agreements	2,283	146	2,137
Long-term supply contract	287	38	249
Licensing agreement	114	114	-
Patents	163	22	141
Deferred finance costs	290	125	165
	<b>21,619</b>	<b>1,008</b>	<b>20,611</b>

  

	<b>December 31, 2005</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Customer relationships	200	44	156
Long-term supply contract	299	18	281
Licensing agreement	114	105	9
Deferred finance costs	215	48	167
	<b>828</b>	<b>215</b>	<b>613</b>

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

### 8 Long-term debt and banking facilities

Long-term debt consists of the following:

	September 30, 2006 \$	December 31, 2005 \$
Term loan payable with quarterly instalments of \$200 plus interest, payable monthly at prime rate plus 1.25% (a)	7,375	8,000
Term loan payable with quarterly instalments of U.S.\$64 plus interest, payable monthly at the U.S. base rate plus 1.25% (a)	2,686	-
Promissory note payable with annual instalments of U.S.\$1,500 plus interest at 5.60%, payable annually	6,706	-
Term loan payable with monthly instalments of U.S.\$9 on account of principal and interest at 5.25%	207	-
Capital lease obligations due in monthly payments of \$1 through 2008, with a weighted average interest rate of 4.50%	16	15
	<hr/>	<hr/>
	16,990	8,015
Less: Current portion	2,893	1,010
	<hr/>	<hr/>
	14,097	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.

#### b) Line of credit facility

The Company increased its line of credit facility from \$7,500 to \$12,500. As at September 30, 2006, \$5,885 (2005 - \$1,051) of this facility has been utilized including an amount of \$1,053 (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.

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

**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. This facility has not been utilized as at September 30, 2006.

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 September 30, 2007. Interest on the borrowings under this facility is consistent with the term loan described in (a) above.

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:

	\$
2006	2,893
2007	2,853
2008	2,766
2009	2,763
2010	1,086
Thereafter	<u>4,629</u>
	<u>16,990</u>

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

### 9 Income taxes

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

	<b>Nine-month period ended September 30, 2006 %</b>	<b>Nine-month period ended September 30, 2005 %</b>
Canadian statutory income tax rates	36.1	36.1
Manufacturing and processing credits	(1.5)	-
Non-deductible stock compensation expense	1.1	4.2
Statutory rate differences in other jurisdictions	(0.2)	3.2
Other	(0.5)	0.2
	<u>35.0</u>	<u>43.7</u>

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

	<b>September 30, 2006 \$</b>	<b>December 31, 2005 \$</b>
Differences in property, plant and equipment basis	(1,545)	(174)
Differences in goodwill and intangible assets basis	(8,518)	(483)
Differences in share issuance	478	611
Other	269	47
	<u>(9,316)</u>	<u>1</u>
Valuation allowance	(22)	(22)
	<u>(9,338)</u>	<u>(21)</u>

A valuation allowance of \$22 (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.

The comparative historical combined financial statements included future income tax assets and liabilities recorded as though the Company was a separate tax paying entity. Upon transfer of the net assets of the Company to Opta Minerals Inc. on February 17, 2005 (as described in note 2), SunOpta also contributed additional tax assets of \$756. The contribution of these additional tax assets has been accounted for as an increase in contributed surplus in the consolidated financial statements.

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006 and 2005

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

### 10 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 September 30, 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.

### 11 Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding. The weighted average number of shares used in the basic earnings per share calculation amounted to 16,958,752 for the three-month period ended September 30, 2006 (September 30, 2005 – 16,950,000) and 16,955,990 for the nine-month period ended September 30, 2006 (September 30, 2005 – 16,053,297) and the diluted earnings per share calculation amounted to 16,958,825 for the three-month period ended September 30, 2006 (September 30, 2005 – 16,950,000) and 16,956,355 for the nine-month period ended September 30, 2006 (September 30, 2005 – 16,053,297).

For purposes of computing the weighted average number of common shares outstanding for the three-month and nine-month periods ended September 30, 2006, the 12,000,000 common shares of the Company held by SunOpta as at February 17, 2005 were assumed to have been outstanding since January 1, 2006.

# Opta Minerals Inc.

Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006

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(expressed in thousands of Canadian dollars)

## 12 Segmented information

### Industry segments

Following the acquisition of MagTech, the Company reorganized its reporting structure and as a result, 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. As a result of this change, the Company now operates in three industry segments:

#### 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; 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 and distribution operations in St-Germain-de-Grantham, Quebec.

#### c) Quarry operation

The Company's quarry operation segment, located in St. Bruno de Guigues Quebec, extracts, processes and distributes high-quality sands used for golf bunkers, construction and water filtration.

# **Opta Minerals Inc.**

Notes to Consolidated Financial Statements

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**September 30, 2006**

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(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 nine months ended September 30, 2005 and Brantford, Ontario for the four months ended September 30, 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.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006

(expressed in thousands of Canadian dollars)

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

	<b>Three-month period ended September 30, 2006</b>			
	<b>Mill and foundry products &amp; services</b>	<b>Abrasive products manufacturing and distribution operations</b>	<b>St. Bruno de Guigues quarry operations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
External revenue by market				
Canada	3,144	1,967	268	5,379
U.S.	8,548	4,625	2	13,175
Other	208	-	9	217
Total revenue from external customers	<u>11,900</u>	<u>6,592</u>	<u>279</u>	<u>18,771</u>
Segment net earnings before interest expense and income taxes	1,380	856	3	2,239
Interest expense on long-term debt				323
Interest expense				126
Provision for income taxes				<u>635</u>
Net earnings for the period				<u>1,155</u>
Total assets as at September 30, 2006	<u>38,019</u>	<u>35,002</u>	<u>2,608</u>	<u>75,629</u>
Amortization of property, plant and equipment	<u>231</u>	<u>266</u>	<u>38</u>	<u>535</u>
Amortization of intangible assets	<u>277</u>	<u>13</u>	<u>-</u>	<u>290</u>
Goodwill and intangible assets as at September 30, 2006	<u>21,044</u>	<u>8,027</u>	<u>-</u>	<u>29,071</u>
Expenditures on property, plant and equipment	<u>200</u>	<u>148</u>	<u>-</u>	<u>348</u>

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

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2006

(expressed in thousands of Canadian dollars)

	<b>Nine-month period ended September 30, 2006</b>			
	<b>Mill and Foundry products &amp; services \$</b>	<b>Abrasive products manufacturing and distribution operations \$</b>	<b>St. Bruno de Guigues quarry operations \$</b>	<b>Total \$</b>
External revenue by market				
Canada	9,482	6,801	956	17,239
U.S.	22,052	14,251	92	36,395
Other	812	23	14	849
Total revenue from external customers	<u>32,346</u>	<u>21,075</u>	<u>1,062</u>	<u>54,483</u>
Segment net earnings before interest expense and income taxes	3,835	2,303	80	6,218
Interest expense on long-term debt				875
Interest expense				362
Provision for income taxes				<u>1,745</u>
Net earnings for the period				<u>3,236</u>
Amortization of property, plant and equipment	431	874	111	1,416
Amortization of intangible assets	653	48	-	701
Expenditures on property, plant and equipment	575	563	20	1,158
Acquired on goodwill	993	-	-	993

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

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September 30, 2006

(expressed in thousands of Canadian dollars)

	<b>Three-month period ended September 30, 2005</b>			
	<b>Mill and foundry products &amp; services</b>	<b>Abrasive products manufacturing and distribution operations</b>	<b>St. Bruno de Guigues quarry operations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
External revenue by market				
Canada	2,525	2,684	381	5,590
U.S.	270	4,221	80	4,571
Other	-	68	2	70
Total revenue from external customers	<u>2,795</u>	<u>6,973</u>	<u>463</u>	<u>10,231</u>
Segment net earnings before interest expense and income taxes	115	747	117	979
Interest expense				115
Provision for income taxes				<u>318</u>
Net earnings for the period				<u>546</u>
Total assets as at December 31, 2005	<u>1,919</u>	<u>42,998</u>	<u>3,162</u>	<u>48,079</u>
Amortization of property, plant and equipment	<u>8</u>	<u>298</u>	<u>42</u>	<u>348</u>
Amortization of intangible assets	<u>-</u>	<u>22</u>	<u>-</u>	<u>22</u>
Goodwill and intangible assets as at December 31, 2005	<u>-</u>	<u>8,224</u>	<u>-</u>	<u>8,224</u>
Expenditures on property, plant and equipment	<u>131</u>	<u>846</u>	<u>-</u>	<u>977</u>

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

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

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September 30, 2006

(expressed in thousands of Canadian dollars)

	<b>Nine-month period ended September 30, 2005</b>			
	<b>Mill and Foundry products &amp; services</b>	<b>Abrasive products manufacturing and distribution operations</b>	<b>St. Bruno de Guigues quarry operations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
External revenue by market				
Canada	5,285	11,134	1,201	17,620
U.S.	361	13,626	225	14,212
Other	-	133	2	135
Total revenue from external customers	<u>5,646</u>	<u>24,893</u>	<u>1,428</u>	<u>31,967</u>
Segment net earnings before interest expense and income taxes	341	2,964	169	3,474
Interest expense				347
Provision for income taxes				<u>1,365</u>
Net earnings for the period				<u>1,762</u>
Amortization of property, plant and equipment	<u>25</u>	<u>873</u>	<u>127</u>	<u>1,025</u>
Amortization of intangible assets	<u>-</u>	<u>43</u>	<u>-</u>	<u>43</u>
Expenditures on property, plant and equipment	<u>217</u>	<u>1,719</u>	<u>88</u>	<u>2,024</u>

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

# Opta Minerals Inc.

## Notes to Consolidated Financial Statements

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September 30, 2006

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(expressed in thousands of Canadian dollars)

### Geographic segments

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

	<b>September 30, 2006</b>		
	<b>Canada</b>	<b>U.S.</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Property, plant and equipment	8,252	9,127	17,379
Goodwill and intangible assets	2,847	26,059	28,906
Total assets	27,361	48,268	75,629

  

	<b>December 31, 2005</b>		
	<b>Canada</b>	<b>U.S.</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Property, plant and equipment	8,456	4,547	13,003
Goodwill and intangible assets	2,688	5,202	7,890
Total assets	39,367	8,712	48,079

### 13 Comparative amounts

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

### 14 Subsequent event

On October 2, 2006, the Company acquired the outstanding common shares of Chemincon Inc. and its wholly-owned subsidiary Bimac Corporation ("Bimac") of Milan, Michigan for a total purchase price of U.S.\$4,000. 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.