

Opta Minerals Inc.

Consolidated Financial Statements

December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

February 17, 2006

Auditors' Report

To the Shareholders of Opta Minerals Inc.

We have audited the consolidated balance sheets of **Opta Minerals Inc.** as at December 31, 2005 and 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years ended December 31, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Opta Minerals Inc.
Consolidated Balance Sheets
As at December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

	2005	2004
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,077	448
Accounts receivable	6,365	5,845
Inventories (note 4)	15,238	9,073
Prepaid expenses and other current assets	674	1,177
Due from affiliates (note 5)	29	-
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	26,383	16,543
Property, plant and equipment (note 6)	13,003	11,464
Goodwill and intangible assets (note 7)	8,057	7,841
Future income taxes (note 10)	636	-
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	48,079	35,848
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,924	3,850
Due to affiliates (note 5)	-	15,704
Current portion of long-term debt (note 8)	1,010	173
Current portion of preference shares (note 9)	77	109
Income taxes payable	10	-
	<hr/>	<hr/>
	5,021	19,836
Long-term debt (note 8)	7,005	15
Long-term portion of preference shares (note 9)	-	28
Future income taxes (note 10)	657	1,192
	<hr/>	<hr/>
	12,683	21,071
Shareholders' Equity		
Capital stock (notes 1 and 11)		
Authorized		
Unlimited number of common shares and preference shares without par value		
Issued		
16,952,574 (December 31, 2004 – 100) common shares	18,250	-
Contributed surplus (note 11)	1,237	-
Retained earnings	17,707	15,806
Currency translation adjustment	(1,798)	(1,029)
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	35,396	14,777
	<hr/>	<hr/>
	48,079	35,848
Commitments and contingencies (note 16)		

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

Approved by the Board of Directors

 Director

 Director

Opta Minerals Inc.

Consolidated Statements of Earnings (note 17)

For the years ended December 31, 2005 and 2004

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

	2005	2004
	\$	\$
Revenue	42,017	41,680
Cost of goods sold	32,866	32,754
Gross profit	9,151	8,926
Selling, general and administrative expenses	4,920	3,966
Earnings before the following	4,231	4,960
Interest expense on long-term debt (note 13)	510	-
Interest (income) expense - net (note 13)	(25)	413
Stock compensation expense (note 12)	481	-
Other expense (note 1)	-	334
Foreign exchange (gain) loss	(128)	9
	838	756
Earnings before income taxes	3,393	4,204
Provision for income taxes (note 10)	1,492	1,797
Net earnings for the year	1,901	2,407
Earnings per share for the year (note 14)		
Basic and diluted	0.12	0.20

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

Opta Minerals Inc.

Consolidated Statements of Retained Earnings For the years ended December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

	2005	2004
	\$	\$
Retained earnings - Beginning of year	15,806	13,399
Net earnings for the year	1,901	2,407
Retained earnings - End of year	<u>17,707</u>	<u>15,806</u>

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

Opta Minerals Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

	2005 \$	2004 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	1,901	2,407
Items not affecting cash		
Amortization of property, plant and equipment	1,419	1,377
Amortization of intangible assets	61	36
Amortization of deferred financing costs	48	-
Stock compensation expense (note 12)	481	-
Imputed interest on preference shares	10	12
Future income taxes (note 10)	373	468
Net loss on disposals of property, plant and equipment	1	-
	4,294	4,300
Changes in non-cash working capital		
Accounts receivable	(585)	(58)
Inventories	(6,240)	(899)
Prepaid expenses and other current assets	665	(848)
Accounts payable and accrued liabilities	108	108
Income taxes payable	11	-
	(1,747)	2,603
Investing activities		
Acquisition of property, plant and equipment	(2,788)	(2,729)
Proceeds from sale of property, plant and equipment	-	1,337
Additional consideration paid on acquisitions (note 3)	(139)	-
Repayment of deferred purchase consideration	-	(250)
Acquisition of companies - net of cash acquired (note 3)	(674)	(500)
	(3,601)	(2,142)
Financing activities		
Deferred financing costs	(216)	-
Proceeds from issuance of common shares – net of issuance costs	17,498	-
Proceeds from long-term debt (note 8)	8,000	-
Repayment of long-term debt	(173)	(291)
Repayment of due to affiliates – net (note 5)	(16,025)	(149)
Purchase and redemption of preference shares of subsidiary companies	(70)	(81)
	9,014	(521)
Foreign exchange loss on cash held in foreign currency	(37)	(28)
Increase (decrease) in cash and cash equivalents during the year	3,629	(88)
Cash and cash equivalents - Beginning of year	448	536
Cash and cash equivalents - End of year	4,077	448
Supplemental cash flow information		
Interest paid	436	320
Income taxes paid	1,035	-

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

1 Basis of presentation and nature of operations

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Opta Minerals (USA) Inc.; Virginia Materials Inc. (Virginia Materials); International Materials & Supplies Inc. (International Materials); Temisca Inc. (Temisca); Distribution A&L, 9017-0382 Québec Inc. (Distribution A&L); 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 (note 11), the gifting of certain common shares of the Company (note 12) and common share buy backs, was reduced to 70.6%.

The historic combined statement of earnings includes certain management fees (as described in note 13) charged to the Company by SunOpta. The management fees include direct costs incurred by SunOpta for professional services and insurance as well as certain allocations for accounting, treasury and other administrative services provided by SunOpta.

Interest expense for the year ended December 31, 2004 includes interest on amounts due to SunOpta and affiliates and interest on external debt. Included in other expense for the year ended December 31, 2004 are costs related to the initial public offering amounting to \$334.

Income taxes for the Company for the year ended December 31, 2004 have been recorded at statutory rates based on earnings before income taxes as reported in the historic combined statement of earnings as though the Company was a separate tax paying entity. Future income taxes have been presented in the historic combined balance sheet for temporary differences between financial reporting and tax bases of the Company's assets and liabilities.

As a result of the above, the historic combined financial position, results of operations and cash flows present the Company as if it had operated as a stand-alone entity subject to SunOpta's control. As a result, the comparative combined statements of earnings for the year ended December 31, 2004 may not be necessarily indicative of the operating results that would have been generated had the Company operated as a stand-alone entity during the year presented.

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

The Company produces, manufactures and distributes silica-free abrasives and other industrial minerals for the foundry, steel, marine/bridge cleaning 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, Ontario and Quebec. In addition to the seven 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. 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.

2 Summary of significant accounting policies

Revenue recognition

Revenue from the Company's operations is recognized when the following four criteria have been satisfied:

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

Cash and cash equivalents

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

Inventories

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

Property, plant and equipment

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

Amortization is provided on property, plant and equipment on the declining balance basis as follows: 4% to 8% for buildings, 20% for machinery and equipment and 10% to 33% for office furniture and equipment. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Amortization is calculated from the time the asset is put into use.

Asset retirement obligations

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

Goodwill and intangible assets

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

Should the carrying amount of goodwill exceed its estimated fair value, an impairment loss would be recognized at that time and charged to the statement of earnings. The Company has assessed the carrying value of goodwill for possible impairment and has determined that no such impairment exists as at December 31, 2005.

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

Licensing agreement	10 years
Customer relationship	8 years
Long-term supply contract	Over the contract period of 10 years

Deferred financing costs

Deferred financing costs represent bank and professional fees incurred to obtain financing and are amortized over the term of the related financing agreement.

Share-based compensation

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

Foreign currency translation

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

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

Income taxes

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

Use of estimates

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

Financial instruments

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

a) Credit risk

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

b) Interest rate risk

The Company's principal exposure to interest rate fluctuations is limited to long-term debt (as described in note 8) which bears interest at floating rates.

c) Foreign exchange risk

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

Earnings per share

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

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

3 Business acquisitions

a) Acquisition of certain assets of Hillcrest Industries Inc.

On May 10, 2005, the Company's subsidiary, International Materials, acquired certain assets of the abrasive production division of Hillcrest Industries Inc. (Hillcrest) for consideration of \$674 including acquisition costs. The newly formed division of International Materials, Opta Minerals (Attica), processes coal-based abrasive products from power generation by-products and serves as a distribution facility for the New York, Pennsylvania and Ohio regions.

The purchase price allocation is as follows:

	\$
Net assets acquired	
Inventories	57
Property, plant and equipment	298
Intangible asset - finite life	319
	<u>674</u>
Consideration given (prior to the payment of contingent consideration)	
Cash paid on closing	<u>674</u>

In conjunction with the asset purchase, the Company concurrently entered into a long-term lease with Hillcrest for warehouse facilities located in Attica, and entered into a services agreement with Hillcrest for the production of material. The intangible asset will be amortized on a straight-line basis over the related contract period of ten years.

As at December 31, 2005, additional consideration of \$102 has been recognized in conjunction with this transaction. Additional purchase consideration may be payable on occurrence of certain events. Given the uncertainty of the timing and amounts of such payments, no accrual has been recorded with respect to this contingent consideration, which could total approximately \$400. The Company will recognize additional consideration payable and goodwill when the amount and outcome of the contingency become determinable.

b) Additional consideration paid on prior acquisitions

On April 1, 2004, SunOpta acquired the outstanding shares of Distribution A&L for \$500 including acquisition costs. Pursuant to the purchase agreement, additional contingent consideration of up to \$500 could be payable if certain predetermined profit targets are achieved by the business during the period April 1, 2004 to June 30, 2009. During the year ended December 31, 2005, \$37 (2004 - \$ nil) of contingent consideration was paid. Further payments under this agreement will be recorded as additional goodwill when the amount and outcome of the contingent consideration becomes determinable.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

4 Inventories

	2005 \$	2004 \$
Raw materials	8,861	5,092
Finished goods	6,377	3,981
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	15,238	9,073
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5 Due to/from affiliates

Due from affiliates

Advances due from SunOpta in the amount of \$29 are due on demand and are non-interest bearing.

Due to affiliates

	2005 \$	2004 \$
Demand promissory note payable (unsecured) to SunOpta, denominated in U.S. dollars (US\$1,950). Interest based on SunOpta's external term bank debt rate plus 0.50% (2005 – 5.94%; 2004 – 4.20%)	-	2,344
Term promissory note payable (unsecured), denominated in U.S. dollars (US\$3,000), to SunOpta bearing interest at 8.75%	-	3,606
Other amounts due to parent and affiliates (unsecured), non-interest bearing	-	9,754
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	-	15,704
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Following the completion of the Company's initial public offering, the terms of the amounts due to affiliates were restructured. During 2005, the Company fully repaid the amounts due to SunOpta.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

6 Property, plant and equipment

	2005		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
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>
	2004		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Land	2,119	-	2,119
Buildings and leasehold improvements	4,787	793	3,994
Machinery and equipment	9,785	4,976	4,809
Office furniture and equipment	1,515	973	542
	<u>18,206</u>	<u>6,742</u>	<u>11,464</u>

Included in machinery and equipment is an amount of \$502 (2004 - \$293) that represents construction in progress at year-end and is not yet being amortized.

7 Goodwill and intangible assets

	2005	2004
	\$	\$
Goodwill	7,611	7,634
Intangible assets, finite life - at cost, less accumulated amortization of \$167 (2004 - \$106)	<u>446</u>	<u>207</u>
	<u>8,057</u>	<u>7,841</u>

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

8 Long-term debt and banking facilities

Long-term debt consists of the following:

	2005 \$	2004 \$
Term loan payable (a)	8,000	-
Note payable with annual payments of \$150, interest at 5.00%, payable annually, uncollateralized	-	150
Capital lease obligations due in monthly payments of \$2 through 2007, with a weighted average interest rate of 9.00%	15	38
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	8,015	188
Less: Current portion	1,010	173
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	7,005	15
	<hr/>	<hr/>

On September 30, 2005, the Company amended its credit agreement and banking facilities as follows:

a) Term loan facility

An \$8,000 term loan facility was established specifically to assist in the repayment of amounts due to SunOpta Inc. and \$8,000 was fully drawn upon at September 30, 2005 for that purpose. Principal is payable quarterly based on a ten-year amortization. The facility matures on October 31, 2010 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 \$5,000 to \$7,500. As at December 31, 2005, \$nil (2004 - \$nil) of this facility has been utilized except for \$1,051 (2004 - \$nil) 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 December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

c) Revolving acquisition facility

As part of the amended agreement, the Company obtained 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 December 31, 2005. 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 long-term debt detailed above requires minimum payments as follows:

	\$
2006	1,010
2007	805
2007	800
2008	800
2010	800
Thereafter	<u>3,800</u>
	<u>8,015</u>

9 Preference shares

	2005 \$	2004 \$
35,838 (2004 – 105,834) second preference shares (a)	31	91
46,412 (2004 – 46,412) H preference shares (b)	<u>46</u>	<u>46</u>
	77	137
Less: Current portion of preference shares	<u>77</u>	<u>109</u>
	<u>-</u>	<u>28</u>

Opta Minerals Inc.

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

a) Second preference shares

In 1995, the Company issued second preference shares through a newly created subsidiary, 1108176 Ontario Inc. ("1108176"), as part of a business acquisition. The second preference shares of 1108176 with a stated value of \$1 per share are non-dividend bearing and are redeemable monthly at the rate of 5,833 shares (\$6) per month until fully redeemed. As a result of the fixed repayment requirements, the second preference shares have been discounted at an imputed rate of 8%. During the year, 70,000 (2004 - 70,000) second preference shares were redeemed. Imputed interest on the second preference shares during the year amounted to \$10 (2004 - \$12).

b) H preference shares

The Company is required to redeem the H preference shares issued by Temisca, its subsidiary, plus unpaid interest thereon calculated at 3% if certain financial ratios are achieved by Temisca. Upon acquisition of Temisca on October 31, 2000, the Company assigned a fair value of \$427 to all outstanding H preference shares based on the Company's anticipated date of redemption at a discount rate of 8%. Since the acquisition of Temisca, the Company has redeemed 380,260 H preference shares at prices ranging from \$0.33 to \$1.00 per share. During the year, nil (2004 - 8,376) H preference shares were redeemed by the Company for a cost of \$nil (2004 - \$11), and a loss of \$nil (2004 - \$3) was recorded during the year.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

10 Income taxes

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

	2005	2004
	\$	\$
Current	1,119	1,329
Future	373	468
	<hr/>	<hr/>
	1,492	1,797
	<hr/>	<hr/>

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

	2005	2004
	%	%
Canadian statutory income tax rates	36.1	36.1
Non-deductible stock compensation expense	5.0	-
Statutory rate differences in other jurisdictions	3.5	4.2
Other	(0.6)	2.4
	<hr/>	<hr/>
	44.0	42.7
	<hr/>	<hr/>

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

	2005	2004
	\$	\$
Differences in property, plant and equipment basis	(174)	(845)
Differences in goodwill and intangible assets basis	(483)	(390)
Differences in share issuance costs	611	-
Other	47	67
	<hr/>	<hr/>
	1	(1,168)
Valuation allowance	(22)	(24)
	<hr/>	<hr/>
	(21)	(1,192)
	<hr/>	<hr/>
	2005	2004
	\$	\$
Future income tax assets – long-term	636	-
Future income tax liabilities – long-term	(657)	(1,192)
	<hr/>	<hr/>
	(21)	(1,192)
	<hr/>	<hr/>

Opta Minerals Inc.

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A valuation allowance of \$22 (2004 - \$24) 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 1), 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.

11 Capital stock and contributed surplus

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

	<u>Warrants and rights</u>		<u>Common shares</u>		<u>Total</u>
	<u>Number</u>	<u>\$</u>	<u>Number</u>	<u>\$</u>	<u>\$</u>
December 31, 2004	-	-	100	-	-
Issued to SunOpta (note 1)	-	-	11,999,900	-	-
February 17, 2005 public offering (i)	2,250,000	720	4,500,000	17,280	18,000
Over-allotment option exercised (ii)	225,000	4	450,000	1,796	1,800
Compensation options (iii)	148,500	83	-	-	83
Employee stock purchase plan (iv)	-	-	2,574	7	7
	<u>2,623,500</u>	<u>807</u>	<u>16,952,574</u>	<u>19,083</u>	<u>19,890</u>
Share issuance costs – net of tax (note 1)					<u>(1,640)</u>
December 31, 2005					<u>18,250</u>

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(expressed in thousands of Canadian dollars)

- i) On February 17, 2005, the Company issued 4,500,000 units, each consisting of one common share and one-half of a common share purchase warrant, as part of the initial public offering (see note 1). Warrants are exercisable for the purchase of one common share at a price of \$5.00 and are exercisable until February 17, 2007.
 - ii) On March 16, 2005, an over-allotment option granted to an underwriter was exercised. Accordingly, 450,000 additional common shares at a market price of \$3.99 per share and 225,000 additional warrants at a price of \$0.01 per each half warrant were issued on that date. These warrants are exercisable for the purchase of one common share at a price of \$5.00 and are exercisable until February 17, 2007.
 - iii) As part of the initial public offering, the underwriters received 148,500 compensation options to purchase common shares of the Company. These compensation options are exercisable until February 17, 2007 at an exercise price of \$4.00.
 - iv) The Company established an Employee Stock Purchase Plan ("ESPP") during 2005, pursuant to which 500,000 common shares have been reserved for issuance. The ESPP allows qualifying employees to buy the Company's stock at a discount to the market price. During 2005, 2,574 common shares were purchased under the ESPP for proceeds of \$7.
- b) The movement in contributed surplus is as follows:

	\$
Balance – December 31, 2004	-
Contribution of tax assets from SunOpta (note 10)	756
Gifted shares from SunOpta (note 12)	288
Stock compensation expense (note 12)	193
	<hr/>
Balance – December 31, 2005	1,237
	<hr/>

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

12 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 year ended December 31, 2005 and an equivalent amount was applied to contributed surplus.
- b) As part of the initial public offering, the Company reserved 750,000 common shares for issuance under the Company's stock option plan to officers, directors, employees and consultants of the Company. Options in the amount of 340,000 (with an exercise price of \$3.84) and 7,500 (with an exercise price of \$3.05) were granted at the discretion of the Board of Directors on February 3, 2005 and October 27, 2005, respectively. The exercise price of each option equals the market price of the Company's capital stock at the date of grant. The granted options vest 20% immediately and 20% per annum over a four-year period. The options expire ten years following the date of grant.

The Company recorded compensation expense using the fair value method. Fair value is determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense and contributed surplus. During the year, \$193 was recognized in stock-based compensation expense relating to vested options. When options are exercised, the proceeds received by the Company together with the fair value amount in contributed surplus are credited to capital stock. As at December 31, 2005, nil options have been exercised.

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

Assumptions	
Expected dividend yield	Nil
Expected volatility	25%
Risk-free interest rate	2.7%
Expected option life	10 years

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

	Number of options	Weighted average exercise price \$
Outstanding - December 31, 2004	-	-
Granted	347,500	3.82
Forfeited	(7,500)	3.84
	<hr/>	<hr/>
Outstanding options – December 31, 2005	340,000	3.82
	<hr/>	<hr/>
Exercisable options – December 31, 2005	68,000	3.82
	<hr/>	<hr/>

The weighted average remaining contractual life of options outstanding at December 31, 2005 is 9.1 years.

13 Transactions with related parties

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

	2005 \$	2004 \$
Accounting, management and administrative services provided by SunOpta	17	360
Interest expense paid to related parties	359	384

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

14 Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding. For purposes of computing the weighted average number of common shares outstanding, the 12,000,000 common shares of the Company held by SunOpta as at February 17, 2005 (all of which were issued in connection with the reorganization of the Company (see note 1)) were assumed to have been outstanding since January 1, 2004. The weighted average number of shares used in the basic and diluted earnings per share calculations amounted to 16,279,534 for the year ended December 31, 2005 (2004 - 12,000,000).

Warrants, as disclosed in note 11, and options, as disclosed in note 12, have been excluded from the calculation of diluted earnings per share due to their anti-dilutive effect.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

15 Segmented information

Industry segments

The Company operates two segments: manufacturing and distribution operations and St. Bruno de Guigues quarry operations. The manufacturing and distribution operations segment processes, distributes and recycles silica-free abrasives and other industrial minerals for the foundry, steel, marine/bridge cleaning and water filtration industries. This segment includes the Company's manufacturing operations in Ontario, Virginia, New York and Louisiana and distribution operations in Quebec. The St. Bruno de Guigues quarry operations segment extracts, processes and distributes high-quality sands used for golf bunkers, construction and water filtration.

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

	2005		
	Manufacturing and distribution operations \$	St. Bruno de Guigues quarry operations \$	Total \$
External revenue by market			
Canada	21,383	1,492	22,875
U.S.	18,697	301	18,998
Other	131	13	144
Total revenue from external customers	<u>40,211</u>	<u>1,806</u>	<u>42,017</u>
Segment net earnings before interest expense and income taxes	3,644	234	3,878
Interest expense on long-term debt			510
Interest income			(25)
Provision for income taxes			<u>1,492</u>
Net earnings			<u>1,901</u>
Total assets as at December 31, 2005	<u>44,917</u>	<u>3,162</u>	<u>48,079</u>
Amortization of property, plant and equipment	<u>1,249</u>	<u>170</u>	<u>1,419</u>
Amortization of intangible assets	<u>61</u>	<u>-</u>	<u>61</u>
Goodwill and intangible assets as at December 31, 2005	<u>8,057</u>	<u>-</u>	<u>8,057</u>
Expenditures on property, plant and equipment	<u>2,700</u>	<u>88</u>	<u>2,788</u>
Expenditures on goodwill	<u>139</u>	<u>-</u>	<u>139</u>

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

	2004		
	Manufacturing and distribution operations \$	St. Bruno de Guigues quarry operations \$	Total \$
External revenue by market			
Canada	22,904	1,799	24,703
U.S.	16,501	304	16,805
Other	172	-	172
Total revenue from external customers	<u>39,577</u>	<u>2,103</u>	<u>41,680</u>
Segment net earnings before interest expense and income taxes	4,196	421	4,617
Interest expense			413
Provision for income taxes			<u>1,797</u>
Net earnings			<u>2,407</u>
Total assets as at December 31, 2004	<u>33,076</u>	<u>2,772</u>	<u>35,848</u>
Amortization of property, plant and equipment	<u>1,139</u>	<u>238</u>	<u>1,377</u>
Amortization of intangible assets	<u>36</u>	<u>-</u>	<u>36</u>
Goodwill and intangible assets as at December 31, 2004	<u>7,841</u>	<u>-</u>	<u>7,841</u>
Expenditures on property, plant and equipment	<u>2,655</u>	<u>74</u>	<u>2,729</u>

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

Eliminated from revenue to external customers are intersegment revenues in the amount of \$127 (2004 - \$76) to St. Bruno de Guigues quarry and in the amount of \$40 (2004 - \$8) to the manufacturing and distribution operations.

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(expressed in thousands of Canadian dollars)

Geographic segments

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

	2005		
	Canada	U.S.	Total
	\$	\$	\$
Property, plant and equipment	8,456	4,547	13,003
Goodwill and intangible assets	2,855	5,202	8,057
Total assets	39,367	8,712	48,079
	2004		
	Canada	U.S.	Total
	\$	\$	\$
Property, plant and equipment	7,744	3,720	11,464
Goodwill and intangible assets	2,860	4,981	7,841
Total assets	21,654	14,194	35,848

16 Commitments and contingencies

a) New Jersey action

In June 2004, Virginia Materials, a U.S. subsidiary of the Company, and six other companies were named as defendants in a lawsuit in New Jersey initiated by a single plaintiff. The plaintiff claims that he contracted silicosis as a result of the use of silica-based materials sold by the defendants to the plaintiff's employer. The quantum of damages sought by the plaintiff is not specified in the statement of claim. At the time of the alleged incidents giving rise to the claim, Virginia Materials did not exist. Virginia Materials was incorporated in September 2001 for the purpose of acquiring certain assets of an unrelated third party. To the knowledge of the Company, Virginia Materials has never distributed silica-based materials to the plaintiff's employer. As such, management of the Company believes the claim against Virginia Materials is without merit.

Other litigation

Various other claims or potential claims arising in the normal course of business are pending against the Company. It is the opinion of management that these claims or potential claims are without merit and the amount of potential liability, if any, to the Company is not determinable. Management believes the final determination of these claims or potential claims will not materially affect the financial position or results of the Company.

Opta Minerals Inc.

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- b) The Company believes, with respect to both its operations and real property, that it is in material compliance with current environmental laws. Based on known existing conditions and the Company's experience in complying with emerging environmental issues, the Company is of the view that future costs relating to environmental compliance will not have a material adverse effect on its financial position, but there can be no assurance that unforeseen changes in the laws or enforcement policies of relevant governmental bodies, the discovery of changed conditions on the Company's real property or in its operations, or changes in use of such properties and any related site restoration requirements, will not result in the incurrence of significant costs. No provision has been made in these consolidated financial statements for these future costs since such costs, if any, are not determinable at this time.
- c) **Letters of credit**
- i) An irrevocable letter of credit for \$750 has been placed with the Ontario Ministry of Environment as a security deposit for the Certificate of Approval granted to the Company for certain recycling activities. This letter of credit must remain in place indefinitely as a condition of the Certificate of Approval.
- ii) An irrevocable letter of credit for \$233 has been placed with the Commonwealth of Virginia Department of Environmental Qualities as a security deposit for the Certificate of Approval granted to the Company for certain recycling activities. This letter of credit must remain in place indefinitely as a condition of the Certificate of Approval.
- iii) Additional letters of credit totalling \$115 have been placed with third parties as security on transactions occurring in the ordinary course of operations.
- d) Future commitments under operating leases, principally for distribution centres, warehouse and equipment, are as follows:

	\$
2006	1,082
2007	999
2008	924
2009	771
2010	556
Thereafter	641
	<hr/>
	4,973
	<hr/>

Opta Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

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

17 Results of operations

The following is a summary of results of operations for the period from February 17, 2005 to December 31, 2005 (subsequent to the completion of the initial public offering), for the period from January 1, 2005 to February 16, 2005 (prior to the completion of the public offering) and for the period from January 1, 2004 to December 31, 2004:

			2005	2004
	Period from February 17, 2005 to December 31, 2005 \$	Period from January 1, 2005 to February 16, 2005 \$	Total \$	Total \$
Revenue	37,059	4,958	42,017	41,680
Cost of goods sold	29,001	3,865	32,866	32,754
Gross profit	8,058	1,093	9,151	8,926
Selling, general and administrative expenses	4,272	648	4,920	3,966
Earnings before the following	3,786	445	4,231	4,960
Interest expense on long-term debt	510	-	510	-
Interest (income) expense - net	(59)	34	(25)	413
Stock compensation expense (note 12)	88	393	481	-
Other expense	-	-	-	334
Foreign exchange (gain) loss	(92)	(36)	(128)	9
Earnings before income taxes	3,339	54	3,393	4,204
Provision for income taxes (note 10)	1,264	228	1,492	1,797
Net earnings (loss) for the period	2,075	(174)	1,901	2,407
Basic and diluted earnings (loss) per share (note 14)	0.13	(0.01)	0.12	0.20

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18 Subsequent event

On February 15, 2006, the Company acquired the outstanding common shares of Magnesium Technologies Corp. ("MagTech") of Richfield, Ohio and secured an option to acquire a controlling position in an affiliate of MagTech. The total purchase price of US\$18,000 was comprised of US\$12,000 in cash and a long-term note in the amount of US\$6,000.

19 Comparative amounts

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