

NORMISKA CORPORATION

Consolidated Financial Statements
For the Three Months Ended January 31, 2006
(unaudited)

Management Comments on Unaudited Interim Financial Statements

The accompanying unaudited Interim Consolidated Financial Statements of Normiska Corporation for the Three Months Ended January 31, 2006 have been prepared by management and approved by the Audit Committee of the Board of Directors of the Corporation. These Interim Consolidated Financial Statements have not been reviewed by the Corporation's external auditor.

Dated: March 24, 2006

(Signed) "*Peter J. Goodwin*"
President and Chief Executive Officer

(Signed) "*John L. Dentzer*"
Chief Financial Officer

Normiska Corporation

Interim Consolidated Balance Sheet

(unaudited)

	<u>January 31, 2006</u>	<u>October 31, 2005</u>
	(unaudited)	(audited)
Assets		
Current Assets		
Cash	61,715	0
Accounts receivable	1,562,954	904,127
Inventory	3,205,596	1,127,877
Prepaid expenses	361,766	128,771
Prepaid acquisition costs (note 5)	0	323,685
	<u>5,192,031</u>	<u>2,484,460</u>
Fixed Assets		
Property, plant and equipment (notes 6 & 7)	8,735,022	4,833,457
Bog Development costs (notes 6 & 7)	1,023,306	1,010,632
	<u>9,758,328</u>	<u>5,844,089</u>
Other		
Security deposit (note 7)	68,340	0
Goodwill (note 8)	2,626,363	0
	<u>2,694,703</u>	<u>0</u>
	<u><u>17,645,062</u></u>	<u><u>8,328,549</u></u>
Liabilities		
Current Liabilities		
Bank indebtedness (note 7)	2,398,027	48,766
Accounts payable (note 7)	3,111,138	1,650,141
Term Loans	0	0
Demand loans (note 9)	255,985	125,000
Due to related parties	105,000	105,000
Current portion of long-term debt (note 10)	164,791	209,879
	<u>6,034,941</u>	<u>2,138,786</u>
Long-Term Liabilities		
Due to related parties	0	209,160
Long-term debt (note 10)	3,503,862	3,448,252
Convertible debt (note 11)	350,000	350,000
Convertible debentures (note 12)	6,150,000	150,000
	<u>10,003,862</u>	<u>4,157,412</u>
Shareholders Equity		
Share capital (note 13)	6,660,489	6,060,489
Retained earnings (deficit)	(5,114,044)	(4,028,138)
Cumulative translation adjustment	59,814	0
	<u>1,606,259</u>	<u>2,032,351</u>
	<u><u>17,645,062</u></u>	<u><u>8,328,549</u></u>

Approved on behalf of the Board:

"Peter J. Goodwin"
President and CEO
"John L. Dentzer"
CFO

Normiska Corporation

Interim Consolidated Statement of Operations and Deficit (unaudited)

	3 months ended January 31, 2006 (unaudited)	3 months ended January 31, 2005 (unaudited)
Net Sales	2,512,383	1,144,203
Cost of Goods Manufactured		
Raw materials, site and processing costs	1,765,126	606,107
Labour	363,053	172,184
	2,128,179	778,291
Distribution Costs	433,940	228,883
	2,562,119	1,007,174
Gross Profit	(49,736)	137,029
Selling and administrative expenses		
Salaries and benefits	237,685	66,706
Office	67,127	33,743
Professional fees	71,797	10,625
Marketing and product development	0	858
Total selling and administration	376,609	111,931
Income (Loss) before the undernoted	(426,345)	25,097
Interest - long-term debt	249,111	77,454
Interest - other		
Amortization of plant and equipment	173,955	87,000
Amortization of bog development costs	18,000	18,000
Unrealized loss on exchange	217,825	0
	658,891	182,454
Net Loss for the period - before taxes	(1,085,236)	(157,356)
Provision for Income Taxes	670	
Net Loss for the period	(1,085,906)	(157,356)
Deficit, beginning of year	(4,028,138)	(3,636,454)
Deficit, end of period	(5,114,044)	(3,793,810)
Loss Per Share (note 14)		
Basic loss per share	(\$0.22)	(\$0.07)
Diluted loss per share	(\$0.22)	(\$0.07)

Normiska Corporation

Interim Consolidated Statement of Cash Flows (unaudited)

	3 months ended January 31, 2006 (unaudited)	3 months ended January 31, 2005 (unaudited)
Cash flow from operating activities		
Net loss for the period	(1,085,906)	(157,356)
Amortization	191,955	105,000
Unrealized foreign exchange	217,825	0
	<u>(676,126)</u>	<u>(52,356)</u>
Change in non-cash working capital		
(Increase) Decrease in accounts receivable	286,975	173,372
(Increase) Decrease in inventory	428,378	(22,902)
(Increase) Decrease in prepaid expenses	180,924	(55,765)
Increase (Decrease) in accounts payable	(832,592)	52,969
	<u>63,685</u>	<u>147,674</u>
Cash flow from investing activities		
Additions to goodwill (<i>note 5</i>)	(361,065)	0
Bog Development	(30,674)	0
Additions to property, plant and equipment	(146,683)	(747)
Acquisition, net of cash (<i>note 7</i>)	(6,311,404)	0
	<u>(6,849,826)</u>	<u>(747)</u>
Cash flow from financing activities		
Increase in common stock	600,000	0
Increase (Decrease) in bank indebtedness	931,821	(45,931)
Increase (Decrease) of demand loans	130,985	0
Repayment of current portion of long - term debt	(45,088)	(56,903)
Increase (Decrease) of convertible debt	6,000,000	0
Increase (Decrease) of long - term debt	(153,550)	8,263
	<u>7,464,168</u>	<u>(94,571)</u>
Effect of changes in exchange rate	59,814	0
Increase (Decrease) in Cash	61,715	0
Cash, beginning of period	0	0
Cash, end of period	61,715	0

Normiska Corporation

Notes to Consolidated Financial Statements

January 31, 2006 and 2005

1. Nature of Operations and Going Concern

Normiska Corporation (the “Company”) was incorporated on January 17, 1997 under the laws of Ontario. On November 17, 2005, the Company acquired 100% of the issued and outstanding shares of Normiska U.S.A., Inc., a Delaware corporation, which in turn owns all of the issued and outstanding shares of The Schundler Company (“Schundler”). The results of operations of these subsidiaries are included in these consolidated financial statements effective November 1, 2005. The Company expands vermiculite and perlite at its plants in Lachine, Quebec and Edison, New Jersey for sale to the horticultural and industrial markets throughout Canada and the Eastern United States. At its production center in Fort Frances, the Company harvests sphagnum peat moss and processes bark waste into a line of compost and mulch products primarily for export to American horticultural markets.

The Company incurred a consolidated net loss of \$1,085,906 for the quarter ending January 31, 2006 and has an accumulated deficit of \$5,658,462 as at January 31, 2006. Working capital is not sufficient to meet current obligations. Accordingly, the Company’s ability to continue as a going concern depends on its ability to achieve profitability, maintain current financing and obtain new sources of financing. Management is actively pursuing additional sources of financing and business opportunities for the Company.

The consolidated financial statements have been prepared assuming the Company will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern. These consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Principles of consolidation

On August 31, 1997, the Company acquired 100% of the issued and outstanding shares of Normiska Peat, Inc. (“Peat”), a company which was previously controlled by the shareholders of the Company. Further, on November 17, 2005, the Company acquired 100% of the issued and outstanding shares of Normiska U.S.A., Inc., pursuant to a Security Exchange Agreement, under which the Company issued 1,500,000 shares for the shares of Normiska U.S.A., Inc. and issued \$6,000,000 of convertible debentures, at 8% interest, due on November 17, 2009 in exchange for \$6,000,000 of debentures previously issued by Normiska U.S.A., Inc. In this purchase, the Company acquired 100% of the issued and outstanding shares of The Schundler Company, a wholly owned subsidiary of Normiska U.S.A., Inc. The financial results of Normiska U.S.A.,

Inc. are included in the Company's consolidated financial statements effective as of November 1, 2005.

Accounting policies

The accounting policies reflected herein are the same as described in the summary of Significant Accounting Policies in the Company's Annual Report for the year ended October 31, 2005. The unaudited consolidated financial statements for the three months ended January 31, 2006 should be read in conjunction with the Annual Report as at October 31, 2005 and the related notes contained therein.

3. Future Changes in Accounting Policies

Future changes in accounting policies remain as reflected in the Company's Annual Report as at October 31, 2005.

4. Results by Business Segment

The Company expands vermiculite and perlite ores into high quality mineral products for sale to the horticultural and industrial markets. The Company also harvests and markets sphagnum peat moss and processes bark waste into a line of compost and mulch products for the horticultural market. The Company evaluates the performance of its products based on geographic markets: Canada and United States.

The management of the Company evaluates the performance of each geographic segment based on income (loss) from operations before interest, amortization and income taxes. The accounting policies used in these business segments are the same as those described in the summary of significant accounting policies.

Net Sales	3 months ended January 31, 2006	3 months ended January 31, 2005
Sales to Canadian customers	776,115	814,545
Sales to U.S. customers	1,736,268	329,658
Total sales	2,512,383	1,144,203

5. Prepaid Acquisition Costs

As of October 31, 2005, the Company incurred \$323,685 of prepaid acquisition costs in connection with the purchase of Normiska U.S.A., Inc. on November 17, 2005. In addition, the Company incurred \$37,380 of acquisition costs during this period. The costs incurred were incremental in respect to the acquisition and would not have been incurred otherwise. Accordingly, these costs are considered direct costs of the acquisition and have been reflected in the purchase price and goodwill associated with the transaction. (See Note 8.)

6. Property, Plant and Equipment and Bog Development

Capital assets for property, plant and equipment were increased by \$3,914,239 due to the Schundler acquisition of \$4,074,399, capital spending in the first quarter of \$177,357, less amortization of \$191,955 and translation loss of \$145,562. (See Note 7)

7. Assets Acquired and Liabilities Assumed in Acquisition of Normiska, U.S.A., Inc.

On November 17, 2005, the Company concluded the acquisition of Normiska U.S.A., Inc., a holding company which owns all of the issued and outstanding shares of Schundler. Schundler is a New Jersey based producer of expanded vermiculite and perlite products. The Company issued 1,500,000 common shares having a value of \$0.40 per share in exchange for all of the issued and outstanding shares of Normiska U.S.A., Inc. The Company also issued \$6,000,000 of convertible debentures to the holders of \$6,000,000 of promissory notes of Normiska U.S.A., Inc. The convertible debentures bear interest at 8% per annum and are due on November 17, 2009. Interest is payable on the last day of March, June, September and December of each year commencing December 31, 2005. The conversion price for each common share to be issued upon conversion of the debentures shall be: (a) \$0.40 on or prior to the first anniversary date of issue; (b) \$0.44 thereafter and prior to the second anniversary of the date of issue; and (c) \$0.48 thereafter and prior to the fourth anniversary of the date of issue.

As a result of the acquisition, the assets acquired and the liabilities assumed were re-valued to reflect fair values as of April 1, 2005. The values placed on property, plant and equipment were based on third party appraisals except for approximately \$39,000 of equipment which was estimated by management. Upon further review, management has determined that there has been no change in fair values between April 1, 2005 and November 1, 2005, the effective date of the acquisition.

Assets Acquired	
Cash	288,596
Accounts receivable	1,036,716
Inventories	2,506,097
Prepaid expenses	39,770
Other assets	100,153
Property, plant and equipment	4,074,399
Purchased goodwill	<u>2,265,298</u>
Total Assets Acquired	<u>10,311,029</u>
Consideration Paid	
Assumption of Liabilities	
Bank debt	1,417,440
Accounts payable	2,061,442
Accrued expenses	232,147
Demand loans	<u>6,000,000</u>
Total Liabilities Assumed	<u>9,711,029</u>
Common stock – issued 1,500,000 shares of the Company’s stock at \$0.40 per share	<u>600,000</u>

8. Goodwill

Goodwill represents the excess of consideration paid plus the liabilities assumed over the fair value of the assets acquired. Goodwill is not subject to amortization but is tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset may be impaired. As a result of the acquisition of Normiska U.S.A., Inc., the Company acquired purchased goodwill of \$2,265,298 (See Note 7). In addition, the Company reclassified its prepaid acquisition costs of \$323,685 to goodwill and incurred as additional \$37,380 during this period (See Note 5), for a total goodwill of \$2,626,363. During the three month period ended January 31, 2006, the Company has not recognized any impairment in the value of goodwill.

9. Demand Loans

Demand loans increased by \$130,985 due to one long-term note which by its terms was required to be treated as a current liability.

10. Current Portion of Long Term Debt

The Company repaid \$67,653 of current debt as same became due in the quarter ended January 31, 2006.

11. Convertible Debt

Convertible debt has no fixed terms of principal repayment. Interest is calculated at prime plus 2%. The debt is convertible into common shares of the Company at the lender's option at any time the Company issues a prospectus at the maximum discount allowed by the Ontario Securities Commission.

12. Convertible Debenture(s)

On September 5, 2003, the Company issued a convertible debenture due on September 5, 2008 for \$150,000 to a shareholder. Interest at 8% per annum, calculated semi-annually, is payable quarterly in arrears on the last day of November, February, May and August until 2006. Thereafter, the Company is required to make quarterly installments of \$20,476 which includes principal and interest. The holder of the debenture has the option to convert in whole or in part in multiples of \$1,000 into common shares of the Company at a price of \$1.10 per share.

On November 17, 2005, the Company issued \$6,000,000 of convertible debentures to the holders of debentures of Normiska U.S.A., Inc. in connection with acquisition of 100% of the issued and outstanding shares of said entity. The particulars of these debentures are stated in Note 7.

13. Share Capital

As at January 31, 2006, the Company has 5,037,830 shares of common stock issued and outstanding.

On November 17, 2005, the Company issued 1,500,000 common shares to the holders of all of the issued and outstanding shares of Normiska U.S.A., Inc. in connection with the acquisition. These shares are valued at \$0.40 per share. (See Note 7.)

On January 16, 2006, articles of amendment were filed to give effect to the share consolidation approved at the Company's November 17, 2005 annual meeting. Terms of the articles of amendment provide for a consolidation of the Company's common shares currently issued and outstanding on the basis of 1 post-consolidated common share for every 5 common shares previously issued and outstanding. Trading of the Company's common shares recommenced on January 18, 2006 with a new trading symbol "NNC". Reference to the Company's common shares in this First Quarter Report is in terms of post-consolidated shares.

14. Loss Per Share

	<u>Quarter Ended January 31, 2006</u>	<u>Quarter Ended January 31, 2005</u>
Net Loss – basic and diluted	(1,085,906)	(157,356)
Weighted average shares outstanding	5,037,830	2,141,869
Basic Loss per common share	(0.22)	(0.07)
Diluted Loss per common share	(0.22)	(0.07)

As a result of the net losses for the quarters ended January 31, 2006 and 2005, the potential effect of the exercise of stock options, the conversion of debentures and the conversion of the convertible debt was anti-dilutive.

15. Subsequent Event

On March 7, 2006, the Company granted options to purchase up to 360,000 common shares to the key management and directors of the Company. The option price is \$0.40 per share and has an exercise period of three years. This coupled with prior options currently outstanding to purchase up to 136,000 common shares at a price of \$0.85 brings the outstanding option total to 496,000.