NORMISKA corporation

Second Quarter Report

From the President's Desk

The message to Shareholders in the 2001 annual report outlined a strategy to improve the performance of the Corporation and equip it to handle sustained growth in the future. The schedule for completion of the plan is the end of fiscal 2002. The upgrade of accounting and administrative capability, mainly in the area of human resources, personnel training and computer hardware, has been completed. We continue to implement the balance of the program in the areas of transportation logistics, operational management and debt service reduction.

The Corporation welcomes Michael Elsey as Business Manager – Organics Division working from his base at the Fort Frances production center. Michael will add expertise in product quality control, process design and marketing.

One of the main challenges in Fort Frances is the availability of transport for products shipped to the market. The Corporation has acquired leases on two rail trans-loading facilities and is negotiating for two other locations at this time. The use of rail is designed to reduce costs and increase shipments to the market.

In Lachine, selective ore shortages resulted in reduced sales. To mitigate this problem for the future, proprietary modifications were made to the plant process to allow continued production of these selective ores when shortages do occur.

While warmer weather caused increased sales in the first quarter, the subsequent late spring and cooler weather adversely affected sales in the second quarter. Due to the slow spring and expenses related to the reorganization under the profitability plan, a loss of $79,633 was incurred for the 6 months as compared to a profit of $112,365 for the comparative period in 2001.

The goal of the investment in the profitability plan is to prepare the Corporation to handle future growth efficiently and profitably. During the first six months of this year these structural changes have cost the company approximately $100,000 in one time expenses.

Management is pleased to report that Normiska is in receipt of a commitment letter from the Bank of Montreal that extends increased lines of credit for inventory and receivables. Management expects the expanded credit facilities to be in place in late June. This new agreement will have the effect of increasing working capital while substantially reducing the monthly debt service requirement.

By retooling the company for future growth, this investment in Normiska's performance capability will pay off in more efficient operations and profitability in 2003. We will then be ready to resume a strong and profitable growth posture.

WATCH US GROW!!!

Management's Discussion and Analysis of Financial Conditions and Results of Operation for the 3 Months and 6 Months Ended April 30. 2002.

The following discussion and analysis of the operating results and financial position of the Corporation for the three and six months ended April 30, 2002, and the three and six months ended April 30, 2001, should be read in conjunction with the financial statements of the Corporation enclosed herein and the Annual Report as at October 31, 2001.

Overview

The Corporation manufactures high quality vermiculite and perlite in Lachine, Quebec, which is distributed throughout Canada and the eastern United States.

The Corporation processes Jack Pine bark into a line of compost and mulch products and harvests horticultural grade peat moss from its sphagnum peat bog in Fort Frances, Ontario, primarily for distribution into the central United States.

We supply our customers with the four main ingredients of soil-less growing media, namely sphagnum peat moss, composted Jack Pine bark for horticultural use and vermiculite and perlite for both horticultural and industrial uses.

Summary of Capital and Financing as at April 30, 2002

Term loan, prime plus 1.75% plus principal payments of $48,000 monthly	$	1,088,000
8% Debenture due December 1, 2002, payable in monthly blended payments of $15,829	$	221,957
Convertible debt, prime plus 2%, no fixed term	$	350,000
Demand loans	$	125,000
Shareholders' Equity	$	4,965,183
Common Shares Outstanding		9,209,344

Results of Operations

Sales for the six months increased modestly over the comparable period to $4,976,031 from $4,843,845. Sales for the second quarter of 2002 fell by 18.6% over the comparable period in 2001 to $2,619,495 as a direct result of the inclement weather and the subsequent delay in the spring plant and landscaping business and the deferral of shipments to the customers.

The cold, wet spring hampered the Corporation's ability to deliver and the customer's ability to receive product in February, March and April. Record cold temperatures and rainfall held back spring plantings and landscaping contracts.

Accounts receivable have decreased reflecting the change in the Corporation's credit and collection procedures. Inventories have decreased marginally to $2,889,074 from $2,983,345 in the comparable period.

The Corporation increased its bank indebtedness to $2,232,698 from $2,047,085 at January 31, 2002 and $1,545,251 at April 30, 2001 to reduce the accounts payable levels, which were reduced to $1,944,615 from $2,597,504 at January 31, 2002 and $3,353,961 at April 30, 2001.

The Corporation repaid $272,289 in the quarter and $545,154 of debt in the six months ended April 30, 2002. This rate of debt repayment continues to severely strain the Corporation's working capital leaving it little room to expand its operations. The Corporation has negotiated more favourable borrowing arrangements and has received a commitment letter from the Bank of Montreal, which will provide additional working capital and increased lines of credit with more favourable repayment schedules.

Long term debt was increased by $158,533 as result of a lease/purchase contract signed to acquire a new bucket loader to improve load out speed and production.

The Corporation incurred in excess of $100,000 in one time charges, which have been expensed in connection with the structural changes undertaken to improve profitability. These charges included $43,000 in bank-related fees, $22,000 in personnel costs and $35,000 in location expenses.

We have completed arrangements to move bulk quantities of product from our Fort Frances location into our American markets using alternative forms of transportation, which should substantially reduce our costs of transport and distribution.

Selling and distribution cost continue to be segregated and disclosed as a line item as they comprised such a significant portion of our overall costs.

We wrote off our investment of $56, 506 in the Abitibi Mineral Properties project. The Corporation had designed the project to be self-financing and to operate on a stand-alone basis in order not to interfere with Normiska's core business. As a result of market conditions and the difficulty in securing exploration capital, this was not achieved, and combined with Abitibi's reluctance to alter the terms of the agreement, we therefore determined that the project should be abandoned.

Liquidity and Capital Resources

Management anticipates that cash flow from its current operations will continue to grow and that credit facilities granted to it by its bank and funds lent to the Corporation will provide adequate working capital for the foreseeable future.

Risks and Uncertainties

Various risks and uncertainties can affect Normiska's operations. The most significant factors are the disruption of supply of unprocessed vermiculite from South Africa, the inability to harvest peat moss due to climatic conditions and the interruption of bark supply due to factors affecting the Abitibi-Consolidated Inc. mill.

The Corporation has sought to mitigate its risks by determining that, should the delivery of vermiculite from South Africa be curtailed, there are other sources of material from which raw vermiculite could be obtained. Sample product has been obtained from several of these sources for testing at Normiska's facilities.

The Corporation has acquired an additional source of sphagnum peat moss in a different climatic region and is continuing to investigate the acquisition of further sources of supply.

The Corporation continues to negotiate with several significant bark generators and is currently continuing tests with two companies.

The Fort Frances peat bog will be able to produce sufficient peat moss to ensure the viability of the dual purpose processing plant and the baling line, which has been installed. The ability to seamlessly switch between product streams will mitigate any effect of an interruption to any source of supply.

NORMISKA corporation

Normiska Corporation

Consolidated Balance Sheet

(Unaudited)

	April 30, 2002	April 30, 2001	January 31, 2002	October 31, 2001
Assets				
Current				
Accounts Receivable	$ 1,784,330	$ 2,222,876	$ 2,010,319	$ 1,713,848
Inventory	$ 2,889,074	$ 2,983,345	$ 3,487,987	$ 2,731,989
Prepaid	$ 152,910	$ 123,989	$ 122,867	$ 106,467
	$ **4,826,314**	$ **5,330,210**	$ **5,621,173**	$ **4,552,304**
Capital Assets	$ 5,073,335	$ 4,904,225	$ 5,037,502	$ 4,964,071
Peat Bog Costs	$ 1,224,381	$ 1,178,002	$ 1,292,734	$ 1,232,845
Deferred Marketing & Financing Costs	$ 66,977	$ 60,716	$ 61,173	$ 69,361
Investment in mineral rights	$ 0	$ 0	$ 56,507	$ 39,795
Future Income Taxes	$ 425,000	$ 240,000	$ 375,000	$ 375,000
	$ **11,616,007**	$ **11,713,153**	$ **12,444,089**	$ **11,233,376**
Liabilities				
Current				
Bank Indebtedness	$ 2,232,698	$ 1,545,251	$ 2,047,085	$ 1,791,638
Accounts Payable	$ 1,944,615	$ 3,353,961	$ 2,597,504	$ 1,486,623
Demand Loans	$ 125,000	$ 550,000	$ 125,000	$ 175,000
Current Portion Long Term Debt	$ 954,068	$ 769,780	$ 948,547	$ 921,222
	$ **5,256,381**	$ **6,218,992**	$ **5,718,136**	$ **4,374,483**
Long-term Debt	$ 822,486	$ 1,495,832	$ 1,055,194	$ 1,154,837
Convertible Debt	$ 350,000	$ 350,000	$ 350,000	$ 350,000
Convertible Debenture	$ 221,957	$ 462,500	$ 267,661	$ 309,241
	$ **6,650,824**	$ **8,527,324**	$ **7,390,991**	$ **6,188,561**
Shareholders' Equity				
Shareholders' Equity	$ 5,240,589	$ 3,320,869	$ 5,240,589	$ 5,240,588
Deficit	$ (275,406)	$ (135,040)	$ (187,491)	$ (195,773)
	$ **4,965,183**	$ **3,185,829**	$ **5,053,098**	$ **5,044,815**
	$ **11,616,007**	$ **11,713,153**	$ **12,444,089**	$ **11,233,376**

NORMISKA corporation

Normiska Corporation

Interim Statement Of Consolidated Profit & Loss
(Unaudited)

	3 Months Ended April 30, 2002	6 Months Ended April 30, 2002	3 Months Ended April 30, 2001	6 Months Ended April 30, 2001
Sales	$ **2,619,495**	$ **4,976,031**	$ **3,219,511**	$ **4,843,845**
Tipping Fee - Net of Freight	$ **0**	$ **0**	$ **0**	$ **44,597**
Cost of Goods Manufactured	$ 1,718,783	$ 3,117,645	$ 1,851,972	$ 2,828,473
Gross Margin	$ **900,712**	$ **1,858,386**	$ **1,367,539**	$ **2,059,969**
Distribution and Selling Costs	$ **571,442**	$ **1,135,796**	$ **618,267**	$ **886,194**
General, Administration & Marketing Costs				
Office	$ 99,392	$ 184,328	$ 57,451	$ 122,353
Salaries & Benefits	$ 139,345	$ 269,939	$ 131,968	$ 254,988
Marketing	$ 30,082	$ 41,767	$ 52,162	$ 110,561
	$ **268,819**	$ **496,034**	$ **241,581**	$ **487,902**
Operating Profit	$ **60,451**	$ **226,556**	$ **507,691**	$ **685,873**
Amortization	$ 92,587	$ 184,707	$ 156,665	$ 307,226
Interest	$ 49,273	$ 114,976	$ 108,359	$ 207,282
	$ **141,860**	$ **299,683**	$ **265,024**	$ **514,508**
Mineral interests written off	$ **56,506**	**$** **56,506**	**$** **0**	$ **0**
Income (Loss) Before Provision for Income Taxes	$ **(137,915)**	$ **(129,633)**	$ **242,667**	$ **171,365**
Provision for (Recovery of) Income Taxes	$ **(50,000)**	$ **(50,000)**	$ **59,000**	$ **59,000**
Net Income (Loss) for the Period	$ **(87,915)**	$ **(79,633)**	$ **183,667**	$ **112,365**
(Deficit) Beginning of Period	$ **(187,491)**	$ **(195,773)**	$ **(318,707)**	$ **(247,405)**
Retained Earnings (Deficit) End of Period	$ **(275,406)**	$ **(275,406)**	$ **(135,040)**	$ **(135,040)**
Basic Income (loss) per Share	$ **(0.01)**	$ **(0.01)**	$ **0.03**	$ **0.02**

Normiska Corporation

Interim Statement Of Consolidated Cash Flow

(Unaudited)

	3 Months Ended April 30, 2002	6 Months Ended April 30, 2002	3 Months Ended April 30, 2001	6 Months Ended April 30, 2001
Cash Flow from Operating Activities				
Net Earnings (loss) for period	$ (87,915)	$ (79,633)	$ 183,667	$ 112,365
Adjustment for amortization	$ 92,587	$ 184,707	$ 156,665	$ 307,226
Mineral Rights written off	$ 56,506	$ 56,506	$ 0	$ 0
	$ **61,178**	$ **161,58**0	$ **340,332**	$ **419,591**
Change in non-cash Working Capital				
(Increase) Decrease in accounts receivable	$ 225,989	$ (70,428)	$ (1,127,943)	$ (1,006,555)
(Increase) Decrease in inventory	$ 598,913	$ (157,085)	$ (1,140,940)	$ (798,521)
(Increase) Decrease in prepaid expenses	$ (30,043)	$ (46,443)	$ (56,463)	$ (81,065)
Increase (Decrease) in accounts payable	$ (652,887)	$ 441,060	$ 1,324,804	$ 948,151
(Increase) Decrease in future income taxes	$ (50,000)	$ (50,000)	$ 59,000	$ 0
	$ **91,972**	$ **117,104**	$ (**941,542**)	$ (**937,990**)
Cash Flow from Investing Activities				
Capital Asset Additions	$ (56,474)	$ (248,911)	$ (55,537)	$ (216,722)
Deferred Costs	$ (10,000)	$ (17,500)	$ (9,801)	$ 0
Government Grant	$ 0	$ 0	$ 29,400	$ 118,800
Mineral Rights	$ 0	$ (16,712)	$ 0	$ 0
	$ (**66,474**)	$ (**283,123**)	$ (**26,137**)	$ (**107,723**)
Cash Flow from Financing Activities				
Increase in Bank Indebtedness	$ 185,613	$ 441,060	$ 516,750	$ 566,506
Proceeds from Long - Term Debt	$ 0	$ 158,533	$ 0	$ 145,387
Repayment of Long - term Debt	$ (272,289)	$ (545,154)	$ (239,403)	$ (435,771)
Demand Loan	$ 0	$ (50,000)	$ 350,000	$ 350,000
	$ (**86,676**)	$ **4,439**	$ **627,347**	$ **626,122**
Increase (Decrease) in Cash	$ 0	$ 0	$ 0	$ 0

Normiska Corporation

Notes to the Three and Six Months Ended April 30, 2002

Unaudited Financial Statement

1. Basis of Presentation

These financial statements should be read in conjunction with the financial statements for the year ended October 31, 2001 as set out in the Corporation's annual report. These financial statements are prepared in accordance with generally accepted Canadian accounting principles, using the same accounting policies and methods of computation as were used for the financial statements for the year ended October 31, 2001.

2. Results by Business Segment

The Corporation manufactures and markets products used in the manufacture of soil-less growing mediums and soil augmentation products. The management of the Corporation evaluates the performance of its products based on geographic markets and income from operations before interest, amortization and income taxes.

The following chart is expressed in Canadian dollars.

	3 months ended April 30, 2002	6 months ended April 30, 2002	3 months ended April 30, 2001	6 months ended April 30, 2001
Net Sales				
Sales to Canadian customers	$ 1,809,964	$ 3,743,925	$ 2,830,703	$ 4,061,148
Tipping fees (net of freight)	0	0	0	44,597
Sales to United States customers	809,531	1,232,106	388,808	782,697
Total sales	$ **2,619,495**	$ **4,976,031**	$ **3,219,511**	$ **4,888,442**
Capital assets and deferred costs in Canada (net of amortization)		$ **6,364,693**		$ **6,142,943**

3. Investment in Mineral Rights

The Corporation has written off its investment in a mineral exploration agreement with Abitibi-Consolidated Inc. The Corporation determined that in light of the current market conditions, it was not possible to finance the project under the terms and conditions contained therein and consequently, abandoned the project. There are no liabilities attached to the cancellation of the agreement.