

Second Quarter Report

Management's Discussion and Analysis of Financial Conditions and Results of Operation for the 3 Months and 6 Months Ended April 30, 2003

The following discussion and analysis of the operating results and financial position of the Corporation for the quarter ended April 30, 2003 and the six months ended April 30, 2003 should be read in conjunction with the financial statements of the Corporation enclosed herein and the Annual Report and Managements Discussion and Analysis of Financial Conditions and Results of Operations as at October 31, 2002.

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, 2003

Term loan, prime plus 1.50% plus principal payments of \$26,667 monthly due July, 2007	\$1,360,000
8% Debenture due July, 2003 payable in monthly blended payments of \$15,829	\$46,682
Convertible debt, prime plus 2%, no fixed term	\$350,000
Demand loans	\$125,000
Shareholders' Equity	\$4,672,365
Common Shares Outstanding	9,209,344

Normiska Corporation

Results of Operations

Sales increased to \$2,921,526 from \$2,619,495 for the comparable 2nd quarter primarily due to an increase in shipments from our Organic Division and a one time sale of raw ore from our Mineral Division. Sales decreased over the comparable six-month period to \$4,744,274 from \$4,976,031. This was related to the shortage of a high demand grade of vermiculite ore due to delivery problems from the mine in South Africa. The Company is developing alternative sources of raw ore to alleviate any future shortages from its traditional supplier.

Accounts receivable have increased slightly due to the increase in sales but also reflect the change in the company's credit and collection procedures, which has improved the time taken to collect receivables. Inventories have decreased modestly to \$2,745,020 from \$2,889,074 in the comparable period but show a substantial reduction from the quarter ended January 31, 2003 as a result of the sale of slower moving products.

The Corporation decreased its bank indebtedness to \$2,165,024 at April 30, 2003 from \$2,232,698 at April 30, 2002 but showed an increase over the balance as at January 31, 2003 of \$2,071,123.

Accounts payables were reduced to \$2,274,302 from \$2,630,327 at January 31, 2003 and increased from \$1,944,615 at April 30, 2002.

The Corporation repaid \$176,592 of debt in the quarter and \$387,744 during the six months end April 30, 2003

Long-term debt was increased by \$272,375 from the comparable quarter but the current portion of long-term debt for the same comparative period declined by \$497,266. Long-term debt decreased from January 31, 2003 to April 30, 2003 by \$112,348.

The Company has continued to focus on cost control and profitable sales and has increased its operating profits from \$226, 556 to \$319,493 for the comparable six-month periods and to \$353,713 from \$60,451 for the comparable 2nd quarters.

Distribution and selling costs were reduced by \$127,837 from \$571,442 to \$443,605 for the comparable 2nd quarters and by \$334,025 from \$1,135,796 to \$801,771 for the comparable six-month periods.

General, Administrative & Marketing Costs were reduced by \$66,121 for the six month comparative periods and by \$25,991 for the 2nd quarter comparative periods.

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.

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, the interruption of bark supply due to factors affecting the Abitibi - Consolidated Inc. mill and changes in the exchange rates between the Canadian and U. S. dollar.

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 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.

The company closely monitors the U.S. dollar exchange rate as most of its product from Fort Frances is sold into the United States. Currency surcharges are negotiated with affected customers to mitigate the effects of the change in the exchange rates between the Canadian and U.S. dollars.

Normiska Corporation

Normiska Corporation Consolidated Balance Sheet (Unaudited)

	April 30, 2003	April 30, 2002	January 31, 2003	October 31, 2002
Assets				
Current				
Accounts receivable	\$1,832,779	\$1,784,330	\$1,351,283	\$1,235,960
Inventory	\$2,745,020	\$2,889,074	\$3,399,732	\$3,012,890
Prepaid expenses	\$150,029	\$152,910	\$162,298	\$106,071
	\$4,727,828	\$4,826,314	\$4,913,313	\$4,354,921
Capital assets	\$4,825,409	\$5,073,335	\$4,871,179	\$4,940,820
Deferred Marketing & Financing Costs	\$138,676	\$66,977	\$138,676	\$142,492
Bog development costs	\$1,129,250	\$1,224,381	\$1,164,547	\$1,200,570
Future income tax assets	\$539,148	\$425,000	\$583,586	\$520,000
	\$6,632,483	\$6,789,693	\$6,757,988	\$6,803,882
	\$11,360,311	\$11,616,007	\$11,671,301	\$11,158,803
Liabilities				
Current				
Bank indebtedness	\$2,165,024	\$2,232,698	\$2,071,123	\$2,049,190
Accounts payable	\$2,274,302	\$1,944,615	\$2,630,327	\$1,774,443
Demand loans	\$125,000	\$125,000	\$125,000	\$125,000
Current portion of long-term debt	\$456,802	\$954,068	\$518,841	\$604,708
	\$5,021,128	\$5,256,381	\$5,345,291	\$4,553,341
Long-term debt	\$1,269,956	\$822,486	\$1,338,824	\$1,418,825
Convertible debt	\$350,000	\$350,000	\$350,000	\$350,000
Convertible debenture	\$46,862	\$221,957	\$90,342	\$137,831
	\$1,666,818	\$1,394,443	\$1,779,166	\$1,906,656
Shareholders Equity				
Share capital	\$5,240,589	\$5,240,589	\$5,240,589	\$5,240,588
Retained earnings (deficit)	(\$568,224)	(\$275,406)	(\$693,745)	(\$541,782)
	\$4,672,365	\$4,965,183	\$4,546,844	\$4,698,806
	\$11,360,311	\$11,616,007	\$11,671,301	\$11,158,803

Normiska Corporation

Normiska Corporation
Interim Statement Of
Consolidated Profit & Loss
(Unaudited)

	3 Months Ended April 30, 2003	6 Months Ended April 30, 2003	3 Months Ended April 30, 2002	6 Months Ended April 30, 2002
Sales	\$2,921,526	\$4,744,274	\$2,619,495	\$4,976,031
Cost of Goods Manufactured	\$1,881,380	\$3,193,097	\$1,718,783	\$3,117,645
Gross Manufacturing Margin	\$1,040,146	\$1,551,177	\$900,712	\$1,858,386
Distribution and Selling Costs	\$443,605	\$801,771	\$571,442	\$1,135,796
Gross Margin	\$596,541	\$749,406	\$329,270	\$722,590
General, Administration & Marketing Costs				
Office	\$93,875	\$175,303	\$99,392	\$184,328
Salaries and benefits	\$98,061	\$192,987	\$139,345	\$269,939
Marketing and product development	\$50,892	\$61,623	\$30,082	\$41,767
	\$242,828	\$429,913	\$268,819	\$496,034
Operating profit	\$353,713	\$319,493	\$60,451	\$226,556
Interest on long-term debt	\$68,932	\$136,262	\$49,273	\$114,976
Amortization	\$114,822	\$228,822	\$92,587	\$184,707
	\$183,754	\$365,084	\$141,860	\$299,683
Mineral interest written off	\$0	\$0	\$56,506	\$56,506
Income (loss) before provision for income tax	\$169,959	(\$45,591)	(\$137,915)	(\$129,633)
Provision for (recovery) of future income taxes	\$44,438	(\$19,148)	(\$50,000)	(\$50,000)
Net income (loss) for the period	\$125,521	(\$26,443)	(\$87,915)	(\$79,633)
Retained earnings (Deficit) beginning of year	(\$693,745)	(\$541,781)	(\$187,491)	(\$195,773)
Retained earnings (Deficit)-end of period	(\$568,224)	(\$568,224)	(\$275,406)	(\$275,406)
Basic Income (Loss) per Share	\$0.01	\$0.00	(\$0.01)	(\$0.01)

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Interim Statement Of
Consolidated Cash Flow
(Unaudited)

	3 months ended April 30 2003	6 months ended April 30 2003	3 months ended April 30 2002	6 months ended April 30 2002
Cash Flow from Operating Activities				
Net earnings (loss) for the period	\$125,521	(\$26,443)	(\$87,915)	(\$79,633)
Future income taxes	\$44,438	(\$19,148)	(50,000)	(50,000)
Mineral Rights written off	\$0	\$0	56,506	56,506
Adjustment for amortization	<u>\$114,822</u>	<u>\$228,822</u>	<u>\$92,587</u>	<u>\$184,707</u>
	<u>\$284,781</u>	<u>\$183,231</u>	<u>\$11,178</u>	<u>\$111,580</u>
Change in non-cash working capital				
(Increase) Decrease in accounts receivable	(\$481,496)	(\$596,819)	\$225,989	(\$70,428)
(Increase) Decrease in inventory	\$654,712	\$267,870	\$598,913	(\$157,085)
(Increase) Decrease in prepaid expenses	\$12,269	(\$43,958)	(\$30,043)	(\$46,443)
Increase (Decrease) in accounts payable	<u>(\$356,025)</u>	<u>\$499,160</u>	<u>(\$652,887)</u>	<u>\$441,060</u>
	<u>(\$170,540)</u>	<u>\$126,253</u>	<u>\$141,972</u>	<u>\$167,104</u>
Cash Flow from Investing Activities				
Capital asset additions	(\$33,755)	(\$37,574)	(\$56,474)	(\$248,911)
Deferred costs	\$0	\$0	(\$10,000)	(\$17,500)
Bog Development	\$0	\$0	\$0	\$0
Government grant	\$0	\$0	\$0	\$0
Mineral rights	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$16,712)</u>
	<u>(\$33,755)</u>	<u>(\$37,574)</u>	<u>(\$66,474)</u>	<u>(\$283,123)</u>
Cash Flow from Financing Activities				
Demand Loan	\$0	\$0	\$0	(\$50,000)
Bank Indebtedness	\$93,901	\$115,834	\$185,613	\$441,060
Proceeds of Long - Term Debt	\$0	\$0	\$0	\$158,533
Repayment of Long - Term Debt	(\$130,907)	(\$296,775)	(\$272,289)	(\$545,154)
Repayment of Convertible Debenture	<u>(\$43,480)</u>	<u>(\$90,969)</u>	<u>\$0</u>	<u>\$0</u>
	<u>(\$80,486)</u>	<u>(\$271,910)</u>	<u>(\$86,676)</u>	<u>\$4,439</u>
Increase (Decrease) in Cash	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Normiska Corporation

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Notes to the Six Months Ended April 30, 2003

Unaudited Financial Statements

1. Significant Accounting policies

These unaudited interim consolidated financial statements of Normiska Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The interim financial statements follow the same accounting policies and method of application as the most recent annual consolidated financial statements. As such, these statements should be read in conjunction with the company's most recent annual report.

The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates and the operating results for the interim period presented are not necessarily indicative of the results expected for the full year.

In the opinion of management, the accompanying unaudited interim consolidated financial statements, contain all adjustments necessary to present fairly the Company's financial position as at April 30, 2003 and April 30, 2002, as well as its results of operations and cash flow for the six months ended April 30, 2003 and 2002

2. Seasonality of operating results

Revenues and cash flow are affected by the seasonality of Normiska Corporation's customers' planting and operating season. Fluctuations between quarters can occur depending upon the activities in the quarter. Comparatively high cost activities, such as peat harvesting, typically occur in the second, third and fourth quarters, and accordingly these quarters normally reflect a higher proportion of annual revenues.

3. Results of business segment

The Corporation manufactures and markets products used in the manufacture of soil-less growing medium 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.

Net Sales

	3 months ended April 30, 2003	6 months ended April 30, 2003	3 months ended April 30, 2002	6 months ended April 30, 2002
Sales to Canadian customers	\$1,683,221	\$2,868,007	\$1,809,964	\$3,743,925
Sales to United States customers	\$1,238,305	\$1,876,267	\$809,531	\$1,232,106
Total Sales	\$2,921,526	\$4,744,274	\$2,619,495	\$4,976,031
Capital assets and deferred costs in Canada (net of amortization)		<u>\$6,093,335</u>		<u>\$6,364,693</u>