

second quarter report

Three and six months ending 30th April 2001

NORMISKA CORPORATION

Consolidated Balance Sheet
(unaudited)

	30-Apr 2001	30-Apr 2000	31-Jan 2001	30-Oct 2000
Assets				
Current				
Accounts Receivable	\$2,222,876	\$1,750,264	\$1,094,933	\$1,216,321
Inventory	\$2,983,345	\$909,702	\$1,842,405	\$2,184,824
Prepaid	<u>\$123,989</u>	<u>\$20,479</u>	<u>\$67,526</u>	<u>\$42,924</u>
	<u>\$5,330,210</u>	<u>\$2,680,445</u>	<u>\$3,004,864</u>	<u>\$3,444,069</u>
Capital Assets	\$4,904,225	\$4,929,087	\$5,029,878	\$5,044,716
Deferred Development & Marketing Costs	\$1,238,718	\$1,154,648	\$1,255,515	\$1,238,731
Future Income Taxes	<u>\$240,000</u>	<u>\$235,000</u>	<u>\$299,000</u>	<u>\$299,000</u>
	<u>\$11,713,153</u>	<u>\$8,999,180</u>	<u>\$9,589,257</u>	<u>\$10,026,516</u>
Liabilities				
Current				
Bank Indebtedness	\$1,545,251	\$461,111	\$1,040,423	\$978,745
Accounts Payable	\$3,353,961	\$1,877,533	\$2,029,157	\$2,405,810
Demand Loans	\$550,000	\$250,000	\$200,000	\$200,000
Current Portion Long Term Debt	<u>\$769,780</u>	<u>\$560,189</u>	<u>\$769,780</u>	<u>\$769,780</u>
	<u>\$6,218,992</u>	<u>\$3,148,833</u>	<u>\$4,039,360</u>	<u>\$4,354,335</u>
Long-term Debt	\$1,495,832	\$2,052,691	\$1,697,735	\$1,748,716
Convertible Debt	\$350,000	\$350,000	\$350,000	\$350,000
Convertible Debenture	<u>\$462,500</u>	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>
	<u>\$8,527,324</u>	<u>\$6,051,524</u>	<u>\$6,587,095</u>	<u>\$6,953,051</u>
Shareholders' Equity				
Shareholders' Equity	\$3,320,869	\$3,226,257	\$3,320,869	\$3,320,869
Deficit	<u>(\$135,040)</u>	<u>(\$278,601)</u>	<u>(\$318,707)</u>	<u>(\$247,404)</u>
	<u>\$3,185,829</u>	<u>\$2,947,656</u>	<u>\$3,002,162</u>	<u>\$3,073,465</u>
	<u>\$11,713,153</u>	<u>\$8,999,180</u>	<u>\$9,589,257</u>	<u>\$10,026,516</u>

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Three and six months ending 30th April 2001

NORMISKA CORPORATION

Interim Statement Of
Consolidated Profit & Loss
(unaudited)

	3 Months Ended 30-Apr 2001	6 Months Ended 30-Apr 2001	3 Months Ended 30-Apr 2000	6 Months Ended 30-Apr 2000
Sales	<u>\$3,219,511</u>	<u>\$4,843,845</u>	<u>\$1,817,653</u>	<u>\$1,877,684</u>
Cost of Goods Manufactured	<u>\$2,419,219</u>	<u>\$3,590,836</u>	<u>\$1,323,922</u>	<u>\$1,236,089</u>
Gross Operating Margin	<u>\$800,292</u>	<u>\$1,253,009</u>	<u>\$493,731</u>	<u>\$641,595</u>
Tipping Fees Net of Freight	<u>\$0</u>	<u>\$44,597</u>	<u>\$133,009</u>	<u>\$277,474</u>
Gross Margin	<u>\$800,292</u>	<u>\$1,297,606</u>	<u>\$626,740</u>	<u>\$919,069</u>
General, Administration & Selling Expense				
Office	\$57,451	\$122,353	\$71,349	\$120,126
Salaries & Benefits	\$131,968	\$254,988	\$81,287	\$110,584
Marketing	\$52,162	\$110,561	\$34,176	\$85,947
Sales & Administration	<u>\$51,020</u>	<u>\$123,831</u>	<u>\$0</u>	<u>\$102,972</u>
	<u>\$292,601</u>	<u>\$611,733</u>	<u>\$186,812</u>	<u>\$419,629</u>
Operating Profit	<u>\$507,691</u>	<u>\$685,873</u>	<u>\$439,928</u>	<u>\$499,440</u>
Amortization	\$156,665	\$307,226	\$151,075	\$211,919
Interest	<u>\$108,359</u>	<u>\$207,282</u>	\$89,728	<u>\$114,069</u>
	<u>\$265,024</u>	<u>\$514,508</u>	<u>\$240,803</u>	<u>\$325,988</u>
Income (Loss) Before Provision for Income Taxes	\$242,667	\$171,365	\$199,125	\$173,452
Provision for Income Taxes	<u>\$59,000</u>	<u>\$59,000</u>	<u>\$64,000</u>	<u>\$64,000</u>
Net Income (Loss) for the Period	<u>\$183,667</u>	<u>\$112,365</u>	<u>\$135,125</u>	<u>\$109,452</u>
(Deficit) Beginning of Period	<u>(\$318,707)</u>	<u>(\$247,405)</u>	<u>(\$413,726)</u>	<u>(\$388,053)</u>
Retained Earnings (Deficit) End of Period	<u>(\$135,040)</u>	<u>(\$135,040)</u>	<u>(\$278,601)</u>	<u>(\$278,601)</u>
Basic Income (loss) per Share	<u>\$0.03</u>	<u>\$0.02</u>	<u>\$0.02</u>	<u>\$0.02</u>

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Three and six months ending 30th April 2001

NORMISKA CORPORATION

Interim Statement Of Cash Flow
(unaudited)

	3 Months Ended 30-Apr 2001	6 Months Ended 30-Apr 2001	3 Months Ended 30-Apr 2000	6 Months Ended 30-Apr 2000
Cash Flow from Operating Activities				
Cash Receipts from Customers	\$2,058,840	\$3,911,952	\$688,275	\$1,032,300
Cash Paid to Suppliers & employees	(\$2,538,453)	(\$4,232,870)	(\$593,232)	(\$1,016,488)
Interest Paid	(\$108,359)	(\$207,282)	(\$89,728)	(\$114,069)
	(\$587,972)	(\$528,200)	\$5,315	(\$98,257)
Cash Flow from Investing Activities				
Capital Asset Additions	(\$37,922)	(\$216,722)	(\$3,253,331)	(\$3,292,413)
Government Grant	\$29,400	\$118,800		
	(\$8,522)	(\$97,922)	(\$3,253,331)	(\$3,292,413)
Cash Flow from Financing Activities				
Increase in Bank Indebtedness	\$516,750	\$566,506	\$277,705	\$311,401
Proceeds from Long - Term Debt		\$145,387	\$1,868,913	\$1,827,871
Repayment of Long - term Debt	(\$270,256)	(\$435,771)		
Demand Loan	\$350,000	\$350,000	\$100,000	\$250,000
Issue of Common Shares			\$1,001,398	\$1,001,398
	\$596,494	\$626,122	\$3,248,016	\$3,390,670
Increase (Decrease) in Cash	\$0	\$0	\$0	\$0

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Three and six months ending 30th April 2001

Notes to Financial Statements:

Note 1: Basis of Presentation

These financial statements should be read in conjunction with the financial statements for the year ended October 31, 2000 as set out in the Corporation's annual report. These financial statements are prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of computation as were used for the financial statements for the year ended October 31, 2000

Note 2: Convertible Debenture

The Corporation has negotiated a change in the terms of repayment of the \$500,000 convertible redeemable debenture. The Corporation will pay principal payments \$37,500 plus interest on each of April 30, May 31, June 30 and July 31, 2000 and monthly payments of \$15,829 principal and interest to July 31, 2003. Subject to regulatory approval, the Corporation will issue a warrant to purchase up to 500,000 common shares with an exercise price of \$0.80 adjustable lower in the event that the Corporation issues shares below \$0.80, to the price of such financing, exercisable for five years. The exercise time will be reduced to August 31, 2003 on payment of the outstanding loan and accrued interest thereon. The Corporation may demand conversion of the warrant on 60 days notice if the weighted average of the trading in the Corporation's common shares is above \$1.25 for 20 trading days with a minimum of \$30,000 average value of trading per day. The warrants will replace the conversion option attached to the original convertible debenture.

Note 3: Earnings Per Share Calculation

Effective January 1, 2001, the Corporation adopted retroactively the Canadian Institute of Chartered Accountants' recommendations for calculating earnings per share. Under the new rules, the treasury stock method is used in assessing the dilutive effect of stock options or warrants on the diluted earnings per share for the 3 and 6 month periods ended April 30, 2000 and April 30, 2001. Fully diluted earnings per share, calculated as though the convertible debenture and debt were converted to common shares, results in a higher income per share than the basic income per share and has therefore not been presented.

Forward Looking Statements

This report includes "forward looking statements" that are subject to risks and uncertainties. For information identifying legislative or regulatory, economic, climatic, currency, technological, competitive and other important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, see Normiska's Annual Report under the heading Risks and Uncertainties in the Management Discussion and Analysis section.

All amounts mentioned in this report are in Canadian dollars unless otherwise noted.