NORMISKA
corporation

Third Quarter Report

For The Nine Months Ended
July 31, 2002

From the President's Desk

The third quarter of the current fiscal year was highlighted by the ongoing 2002 profitability plan outlined at last fiscal year end. The plan is proceeding as expected and has begun to positively affect the operational performance of the company. The one-time expenses incurred during the third quarter under the fiscal 2002 profitability plan totaled approximately $135,000. The net loss for the quarter was $16,550. While the one-time expenses more than eliminated the profit during this period, our investment in the future will help to secure long-term profitability.

A key success during this period occurred when the Corporation replaced the Laurentian Bank of Canada with the Bank of Montreal as our prime institutional lender. Facilities in this arrangement include a $1,600,000Can term loan and lines of credit secured by receivables and inventory up to $2,500,000Can. This has resulted in a reduction of $21,000 per month in debt service. The debt schedule and terms are detailed in the enclosed Management's Discussion and Analysis.

Costs have been reduced and sales have been reviewed with an eye to eliminating low margin or unprofitable sales. Consequently, sales have decreased 2.6% compared to the same period a year ago. Sales in the first nine months of fiscal 2002 totaled $7,454,975.

A cold wet spring resulted in a below average peat harvest across the Midwest and eastern regions. Consequently, the peat inventory hold over decreased compared to last year. As working capital is made available, additional harvesting capacity will be developed. Annual holdover inventory mitigates the affects of poor harvest seasons, should they occur.

I would like to compliment all the Normiska personnel who have enthusiastically undertaken to execute the 2002 profitability plan. Many difficult changes have been made in the course of the past nine months. We are now approaching our goal of equipping the corporation for sustained growth in the coming years.

David B. Graham,
President & C.E.O.

WATCH US GROW!!!

Management's Discussion and Analysis of Financial Conditions and Results of Operation for the 3 Months and 9 Months Ended July 31. 2002

The following discussion and analysis of the operating results and financial position of the Corporation for the nine months ended July 31, 2002, and the nine months ended July 31, 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 Sates.

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.

Normiska supplies its 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 July 31, 2002

Term loan, prime plus 1.50% plus principal payments of $26667 monthly	$1,600,000
8% Debenture due August 31, 2003 payable in monthly blended payments of $15,829	$ 181,973
Convertible debt, prime plus 2%, no fixed term	$350,000
Demand loans	$125,000
Shareholders' Equity	$4,959,301
Common Shares Outstanding	9,209,344

Results of Operations

Sales decreased 2.6% over the comparable 9 month period to $7,454,975 from $7,656,287. This was a result of the Corporation dropping very low margin customers to concentrate on sales that meet the Corporation's margin requirements. The Corporation has reorganized its sales staff and this change is beginning to show positive results which will be reflected in the 4th quarter.

The cold, wet spring weather and the wet summer resulted in a less than average peat harvest thus reducing inventory on hand year over year. As working capital becomes available, additional bog area will be developed to increase the inventory holdover which will mitigate lower than average harvest seasons when they occur.

Accounts payables were reduced to $1,942,963 from $2,165,380 at July 31, 2001 but increased from $1,486,623 at October 31, 2001 due to receipt of an ore boat in late June, 2002.

The Corporation moved its banking from the Laurentian Bank of Canada to the Bank of Montreal during the quarter. This resulted in an increase in its long term loan from $944,000 as at July 22, 2002, the day of closing of the Bank of Montreal transaction, to $1,600,000. The new loan is being amortized over 60 months which reduces the monthly capital loan principal repayment from $48,000 to $26,667. The additional borrowings were used to improve the Corporation's working capital.

The rate of monthly debt repayment will be substantially reduced by the close of the 4th quarter as the Corporation begins to pays out its equipment finance loans.

The Corporation incurred additional one - time charges of approximately $135,000, in connection with the staff changes undertaken to improve profitability.

Selling and distribution cost are segregated and disclosed as a line item as they comprised such a significant portion of our overall costs. The Corporation continues to focus on reduction of these distribution costs.

As reported in the 2nd quarter, the Corporation wrote off its 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 its 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, the Corporation 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 and are being tested 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 acquisition and development of additional fields will allow the Corporation to increase its available harvested peat inventory to mitigate the effect of years where the harvest is below average.

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

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Consolidated Balance Sheet

(Unaudited)

	July 31, 2002	July 31, 2001	October 31,2001
Assets			
Current			
Accounts Receivable	$ 1,662,939	$ 1,391,565	$ 1,713,848
Inventory	$ 2,870,146	$ 3,044,263	$ 2,731,989
Prepaid	$ 148,322	$ 181,603	$ 106,467
	$ 4,681,407	**$ 4,617,431**	**$ 4,552,304**
Capital Assets	$ 4,984,304	$ 4,918,601	$ 4,964,071
Peat Bog Costs	$ 1,212,536	$ 1,243,404	$ 1,232,845
Deferred Marketing & Financing Costs	$ 156,970	$ 35,232	$ 69,361
Investment in mineral rights (Note 3)	$ 0	$ 0	$ 39,795
Future Income Taxes	$ 439,000	$ 189,000	$ 375,000
	$ 11,474,217	**$ 11,003,668**	**$ 11,233,376**
Liabilities			
Current			
Bank Indebtedness	$ 1,753,220	$ 1,266,102	$ 1,791,638
Accounts Payable	$ 1,942,963	$ 2,165,380	$ 1,486,623
Demand Loans	$ 125,000	$ 475,000	$ 175,000
CurrentPortion Long Term Debt	$ 648,914	$ 769,780	$ 921,222
	$ 4,470,097	**$ 4,676,262**	**$ 4,374,483**
Long-term Debt	$ 1,512,846	$ 1,359,211	$ 1,154,837
Convertible Debt	$ 350,000	$ 350,000	$ 350,000
Convertible Debenture	$ 181,973	$ 350,000	$ 309,241
	$ 2,044,819	**$ 2,059,211**	**$ 1,814,078**
Shareholders' Equity			
Shareholders' Equity	$ 5,240,589	$ 4,372,255	$ 5,240,588
Deficit	$ (281,288)	$ (104,060)	$ (195,773)
	$ 4,959,301	$ 4,268,195	$ 5,044,815
	$ 11,474,217	**$ 11,003,668**	**$ 11,233,376**

Normiska Corporation

Interim Statement Of Consolidated Profit & Loss
(Unaudited)

	Quarter Ended July 31, 2002	9 Months Ended July 31, 2002	Quarter Ended July 31, 2001	9 Months Ended July 31, 2001
Sales (Note 4)	**$ 2,478,209**	**$ 7,454,975**	**$ 2,769,780**	**$ 7,656,287**
Cost of Goods Manufactured	$ 1,316,843	$ 4,391,181	$ 1,433,130	$ 4,286,019
Gross Margin	**$ 1,161,366**	**$ 3,063,794**	**$ 1,336,650**	**$ 3,370,268**
Distribution and Selling Costs	**$ 784,049**	**$ 1,919,845**	**$ 773,942**	**$ 1,633,822**
General, Administration				
& Marketing Costs				
Office	$ 89,549	$ 273,877	$ 59,925	$ 182,278
Salaries & Benefits	$ 152,074	$ 422,013	$ 132,086	$ 387,074
Marketing	$ 2,604	$ 44,371	$ 29,057	$ 139,618
	$ 244,227	**$ 740,261**	**$ 221,068**	**$ 708,970**
Operating Profit	**$ 133,090**	**$ 403,688**	**$ 341,640**	**$ 1,027,476**
Amortization	$ 109,790	$ 329,371	$ 159,352	$ 466,578
Interest	$ 52,350	$ 167,326	$ 100,272	$ 307,554
	$ 162,140	**$ 496,697**	**$ 259,624**	**$ 774,132**
Mineral Interests written off	$ 0	$ 56,506	$ 0	$ 0
Income (Loss) Before Provision				
for Income Taxes	**$ (29,050)**	**$ (149,515)**	**$ 82,016**	**$ 253,344**
Provision for (Recovery of)				
Income Taxes	**$ (12,500)**	**$ (64,000)**	**$ 40,000**	**$ 110,000**
Net Income (Loss) for the Period	**$ (16,550)**	**$ (85,515)**	**$ 42,016**	**$ 143,344**
(Deficit) Beginning of Period	**$ (264,738)**	**$ (195,773)**	**$ (146,076)**	**$ (247,404)**
Retained Earnings (Deficit)				
End of Period	**$ (281,288)**	**$ (281,288)**	**$ (104,060)**	**$ (104,060)**
Basic Income (Loss) per Share	**$ 0.00**	**$ (0.01)**	**$ 0.01**	**$ 0.02**

NORMISKA corporation

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Interim Statement Of Cash Flow

(Unaudited)

	Quarter Ended July 31, 2002	9 Months Ended July 31, 2002	Quarter Ended July 31, 2001	9 Months Ended July 31, 2001
Cash Flow from Operating Activities				
Net Earnings (loss) for period	$ (16,550)	$ (85,515)	$ 42,016	$ 143,344
Adjustment for amortization	$ 1,09,790	$ 329,371	$ 159,352	$ 466,578
Mineral rights written off	$ 0	$ 56,506	$ 0	$ 0
	$ 93,240	**$ 300,362**	**$ 201,368**	**$ 609,922**
Change in non-cash Working Capital				
(Increase) Decrease in accounts receivable	$ 121,391	$ 50,909	$ 831,311	$ (175,244)
(Increase) Decrease in inventory	$ 18,928	$ (138,157)	$ (60,918)	$ (859,439)
(Increase) Decrease in prepaid expenses	$ 4,588	$ (41,855)	$ (56,463)	$ (138,679)
(Increase) Decrease in future income taxes	$ (14,000)	$ (64,000)	$ 59,000	$ 110,000
Increase (Decrease) in accounts payable	$ (1,625)	$ 456,340	$ 1,153,635	$ (240,430)
	$ 129,255	**$ 263,237**	**$ (308,705)**	**$(1,303,792)**
Cash Flow from Investing Activities				
Capital Asset Additions	$ (29,665)	$ (278,576)	$ (223,328)	$ (424,912)
Bog Development Costs	$ (15,632)	$ (15,632)	$ 0	$ (13,667)
Deferred Marketing and Finance Costs	$ (105,195)	$ (122,695)	$ 0	$ 0
Government Grant	$ 0	$ 0	$ 0	$ 103,662
Mineral Rights	$ 0	$ (16,712)	$ 0	$ 0
	$ (150,492)	**$ (433,615)**	**$ (223,328)**	**$ (334,917)**
Cash Flow from Financing Activities				
Increase (Decrease) in Bank Indebtedness	$ (479,478)	$ (38,418)	$ (279,149)	$ 287,357
Proceeds from Long - Term Debt	$ 1,600,000	$ 1,728,571	$ 79,068	$ 224,455
Repayment of Long - Term Debt	$(1,152,541)	$(1,642,869)	$ (172,254)	$ (608,025)
Repayment of Convertible Debenture	$ (39,984)	$ (127,268)	$ (150,000)	$ (150,000)
Increase (Decrease) in Demand Loan	$ 0	$ (50,000)	$ (75,000)	$ 275,000
Issue of Common shares	$ 0	$ 0	$ 1,000,000	$ 1,000,000
	$ (72,003)	**$ 129,984**	**$ 402,665**	**$ 1,028,787**
Increase (Decrease) in Cash	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Normiska Corporation
Notes to the Financial Statements
July 31, 2002

Note 1: Basis of Presentation

These financial statements should be read in conjunction with the financial statements fot the year ended October 31, 2001 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, 2001.

Note 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.

	Quarter Ended July 31, 2002	9 Months Ended July 31, 2002	Quarter Ended July 31, 2001	9 Months Ended July 31, 2001
Sales to Canadian Customers (Note 4)	$ 1,061,888	$ 4,806,548	$ 2,137,308	$ 6,241,118
Sales to United States Customers	$ 1,416,321	$ 2,648,427	$ 632,472	$ 1,415,169
Total Sales	**$ 2,478,209**	**$ 7,454,975**	**$ 2,769,780**	**$ 7,656,287**
Capital Assets and Deferred Costs deployed in Canada net of amortization		**$ 6,353,810**		**$ 6,197,237**

Note 3: Investment in Mineral Rights

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

Note 4: Comparative sales for the 9 months ended July 31, 2001 and the 3 months ended July 31, 2001 include $72,694 and $30,032 in tipping fees respectively. There were no tipping fees earned in 2002.