Normiska Corporation

Third Quarter Report

For the Nine Months Ended
July 31, 2003

Message to Shareholders

Management is pleased to report that the company has achieved its goal of returning to profitability. The third quarter resulted in a net profit of $66,000 as compared to a loss of $16,000 over the same period in 2002. The first nine months of 2003 resulted in a net profit of $40,000. This represents an improvement of $125,000 over a net loss of $85,000 in the same period last year.

The above stated results were achieved while recording an operating profit for the nine months ending July 31, 2003 of $622,000. The same period of one year ago yielded an operating profit of $400,000. This represents an increase of $222,000. The company remains focused on working within our budget and completing a profitable 2003.

The Mineral Division has identified and secured a processing site in southwestern Ontario. Studies determining the viability of this site are currently underway. Should the company decide to proceed at this location, a five-year lease with an option to purchase is available to Normiska. Production from this location would have the effect of increasing future sales and improving the profitability of existing sales.

The company continues to reduce its monthly debt service and operational costs. The company's borrowings of $500,000 from a Labor Sponsored fund were retired at the end of July. Normiska management will continue to seek creative ways to improve the company's overall efficiency and profitability.

The Normiska team is working diligently to increase our profitability and position the company for future growth. **Watch Us Grow!!!**

On Behalf of the Board

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

Guelph, Ontario
September 2003

Normiska Corporation

Normiska Corporation

Consolidated Balance Sheet

	July 31, 2003	July 31, 2002	April 30, 2003	October 31, 2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Assets				
Current				
Accounts receivable	$1,319,503	$1,662,939	$1,832,779	$1,235,960
Inventory	$3,082,459	$2,870,146	$2,745,020	$3,012,890
Prepaid expenses	$142,904	$148,322	$150,029	$106,071
	$4,544,866	**$4,681,407**	**$4,727,828**	**$4,354,921**
Capital assets	$4,786,007	$4,984,304	$4,825,409	$4,940,820
Deferred Marketing & Financing Costs	$138,676	$156,970	$138,676	$142,492
Bog development costs	$1,118,976	$1,212,536	$1,129,250	$1,200,570
Future income tax assets	$491,289	$439,000	$539,148	$520,000
	$6,534,948	**$6,792,810**	**$6,632,483**	**$6,803,882**
	$11,079,814	**$11,474,217**	**$11,360,311**	**$11,158,803**
Liabilities				
Current				
Bank indebtedness	$2,076,228	$1,753,220	$2,165,024	$2,049,190
Accounts payable	$2,186,961	$1,942,963	$2,274,302	$1,774,443
Demand loans	$125,000	$125,000	$125,000	$125,000
Current portion of long-term debt	$413,212	$648,914	$456,802	$604,708
	$4,801,401	**$4,470,097**	**$5,021,128**	**$4,553,341**
Long-term debt	$1,189,956	$1,512,846	$1,269,956	$1,418,825
Convertible debt	$350,000	$350,000	$350,000	$350,000
Convertible debenture	$0	$181,973	$46,862	$137,831
	$1,539,956	**$2,044,819**	**$1,666,818**	**$1,906,656**
Shareholders Equity				
Share capital	$5,240,589	$5,240,589	$5,240,589	$5,240,588
Retained earnings (deficit)	($502,132)	($281,288)	($568,224)	($541,782)
	$4,738,457	**$4,959,301**	**$4,672,365**	**$4,698,806**
	$11,079,814	**$11,474,217**	**$11,360,311**	**$11,158,803**

Signed: "John M. Arnold" Chairman & C.F.O.

Signed: "David B. Graham" President & C.E.O

Normiska Corporation

Normiska Corporation

Interim Statement Of

Consolidated Profit & Loss

(Unaudited)

	3 Months Ended July 31, 2003	9 Months Ended July 31, 2003	3 Months Ended July 31, 2002	9 Months Ended July 31, 2002
Sales	**$2,165,434**	**$6,909,708**	**$2,478,209**	**$7,454,975**
Cost of Goods Manufactured	**$1,075,770**	**$4,268,867**	**$1,316,843**	**$4,391,181**
Gross Manufacturing Margin	**$1,089,664**	**$2,640,841**	**$1,161,366**	**$3,063,794**
Distribution and Selling Costs	**$569,059**	**$1,370,830**	**$784,049**	**$1,919,845**
Gross Margin	**$520,605**	**$1,270,011**	**$377,317**	**$1,143,949**
General, Administration & Marketing Costs				
Office	$99,776	$275,079	$89,549	$273,877
Salaries and benefits	$88,653	$281,640	$152,074	$422,013
Marketing and product development	$29,086	$90,709	$2,604	$44,371
	$217,515	**$647,428**	**$244,227**	**$740,261**
Operating profit	**$303,090**	**$622,583**	**$133,090**	**$403,688**
Interest on long-term debt	$68,139	$204,401	$52,350	$167,326
Amortization	$121,000	$349,822	$109,790	$329,371
	$189,139	**$554,223**	**$162,140**	**$496,697**
Mineral interest written off	$0	$0	$0	$56,506
Income (loss) before provision for income tax	**$113,951**	**$68,360**	**($29,050)**	**($149,515)**
Provision for (recovery) of future income taxes	**$47,859**	**$28,711**	**($12,500)**	**($64,000)**
Net income (loss) for the period	**$66,092**	**$39,649**	**($16,550)**	**($85,515)**
Retained earnings (Deficit) beginning of year	**($568,224)**	**($541,781)**	**($264,738)**	**($195,773)**
Retained earnings (Deficit)- end of period	**($502,132)**	**($502,132)**	**($281,288)**	**($281,288)**
Basic Income (Loss) per Share	**$0.01**	**$0.00**	**$0.00**	**($0.01)**

Normiska Corporation

Normiska Corporation
Interim Statement Of
Consolidated Cash Flow
(Unaudited)

	3 months ended July 31, 2003	9 months ended July 31, 2003	3 months ended July 31, 2002	9 months ended July 31, 2002
Cash Flow from Operating Activities				
Net earnings (loss) for the period	$66,092	39,649	($3,915)	($83,548)
Future income taxes	$47,859	28,711	0	(50,000)
Mineral Rights written off	$0	0	0	56,506
Adjustment for amortization	$121,000	349,822	$91,664	$276,371
	$234,951	**418,182**	**$87,749**	**$199,329**
Change in non-cash working capital				
(Increase) Decrease in accounts receivable	$513,276	(83,543)	$120,664	($427,675)
(Increase) Decrease in inventory	($335,261)	(67,391)	$18,928	$142,715
(Increase) Decrease in prepaid expenses	$7,125	(36,833)	$4,588	($42,251)
Increase (Decrease) in accounts payable	($88,816)	412,522	($214,608)	($51,634)
	$96,324	**224,755**	**($70,428)**	**($378,845)**
Cash Flow from Investing Activities				
Capital asset additions	($72,027)	(315,369)	($32,092)	$23,783
Deferred costs	$0	0	($118,972)	$41,176
Bog Development	$0	0	$11,846	($11,284)
Government grant	$0	0	$0	$0
Mineral rights	$0	0	$0	($16,712)
	($72,027)	**(315,369)**	**($139,218)**	**$36,963**
Cash Flow from Financing Activities				
Demand Loan	$0	0	$0	$0
Bank Indebtedness	($88,796)	27,038	($242,017)	($58,509)
Repayment of Current portion of Long - Term Debt	($43,590)	0	(300,462)	0
Proceeds of Current portion of Long - Term Debt	0	0	0	$48,898
Proceeds of Long - Term Debt	0	0	$704,360	$108,022
Repayment of Long - Term Debt	($80,000)	(216,775)	$0	$0
Repayment of Convertible Debenture	($46,862)	(137,831)	($39,984)	$44,142
	($259,248)	**(327,568)**	**$121,897**	**$142,553**
Increase (Decrease) in Cash	**$0**	**0**	**$0**	**$0**

Normiska Corporation

Notes to the Nine Months Ended July 31, 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 July 31, 2003 and 2002, as well as its results of operations and cash flow for the snine months ended July 31, 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 July 31, 2003	9 months ended July 31, 2003	3 months ended July 31, 2002	9 months ended July 31, 2002
Sales to Canadian customers	$1,203,072	$4,071,079	$1,061,888	$4,806,548
Sales to United States customers	$962,362	$2,838,629	$1,416,321	$2,648,427
Total Sales	**$2,165,434**	**$6,909,708**	**$2,478,209**	**$7,454,975**
Capital assets and deferred costs in Canada (net of amortization)		$5,036,579		$6,353,810

Normiska
Corporation

Third QuarterReport

Management's Discussion and Analysis of Financial Conditions and Results of Operation for the 3 Months and 9 Months Ended July 31, 2003

The following discussion and analysis of the operating results and financial position of the Corporation for the third quarter ended July 31, 2003 and the nine 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 July 31, 2003

Term loan, prime plus 1.50% plus	
principal payments of $26,667 monthly due July, 2007	$1,280,000
Convertible debt, prime plus 2%, no fixed term	$350,000
Demand loans	$125,000
Shareholders' Equity	$4,738,457
Common Shares Outstanding	9,209,344

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Results of Operations

Sales decreased to $2,165,434 from $2,478,209 for the comparable 3rd quarter primarily due to a decrease in shipments from our Montreal Division . Sales decreased over the comparable six-month period to $6,909,708 from $7,454,975. This was related to the continued 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 decreased due to the decrease in sales as a result of restricted ore shipments but also continue to reflect the change in the company's credit and collection procedures, which has improved the time taken to collect receivables. Inventories have increased to $3,082,459 from $2,870,146 in the comparable period due to a better harvest of sphagnum peat moss. This should give the Company a modest cushion to supply the early spring demands of its customers.

The Corporation decreased its bank indebtedness to $2,076,228 at July 31, 2003 from $2,165,024 at April 30, 2002.

Accounts payables were reduced to $2,186,961 from $2,274,302 at April 30, 2003 and increased from $1,99729,307 as at July 31, 2002.

The Corporation repaid $170,452 of debt in the quarter and $434,196 during the nine months end July 31, 2003

Long-term debt was decreased by $504,863 from the comparable quarter and the current portion of long-term debt for the same comparative period declined by $235,702. Long-term debt decreased for the nine months to April 30, 2003 by $366,700.

The Company has continued to focus on cost control and profitable sales and has increased its operating profits to $622,583 from $324,149 for the comparable nine month periods and to$ 852,995 from $791,270 for the comparable 3rd quarters. Distribution and selling costs were reduced by $214,633 from $783,692 to $569,059 for the comparable 3rd quarter and by $633,178 from $1,919,489 to $1,370,830 for the comparable nine month period. 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.

General, Administrative & Marketing Costs were reduced by $128,670 for the nine month comparative periods and by $35,555 for the 3rd quarter comparative periods.

While the rapid increase in the Canadian /U.S. dollar exchange rate impacted on our cash receipts, there was a corresponding reduction in production costs due to a decline in the Canadian dollar value of the Company's U.S. dollar denominated purchases. As a result, the Company experienced a modest net gain on foreign exchange transactions.

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.