

NORMISKA CORPORATION

Commentary

Normiska has achieved several milestones in the past nine months. The company signed a debenture for \$ 500, 000 in late December and completed an underwritten financing through Jones, Gable & Company, Limited in Toronto which raised a total of \$1,200,000. The company is now a public corporation the shares of which are R.R.S.P. eligible and trade on the Canadian Dealer Network (CDN). The financing enabled Normiska to complete its plant and equipment purchasing program.

The screening plant has commenced production of bark products at our site in Fort Frances. Shipments have begun to fill initial sales orders. Bog development and harvesting operations are in a start-up mode.

This is a very exciting time for your company with our entry into the marketplace and with the growth and demand for our products which we foresee.

Bark Processing Operations

Normiska acquired a 60 acre site in Fort Frances, Ontario, in December 1997, and proceeded to develop the site to receive bark by-products from the Abitibi Consolidated Fort Frances Paper Mill under a 20 year supply contract. Certification of the site is complete under a waste disposal and recycling permit.

Plant construction and equipment installation was completed in late August. Start-up and commissioning of the plant is anticipated to be completed by the end of September.

A labour dispute closed the Abitibi mill in June of this year and has yet to be resolved. In anticipation of this, Normiska was able to stockpile sufficient material to allow it to start it's operation and to begin producing mulches for delivery. Hopefully, Abitibi and it's union will arrive at a settlement in the near future.

The initial production runs indicate a superior product to that observed in the company's pilot tests.

Peat Harvesting Operations

We have begun conditioning the fields in anticipation of beginning the harvesting operations in September. The settling ponds and drainage ditches have been prepared and the access road graded and surfaced. Tractors, harvesters, and field conditioning equipment are presently working on site. We anticipate peat harvesting and field expansion until winter closes in. This work will allow the company to conduct final process design tests and marketing initiation for commercial peat production to commence in April 1999.

Financial

Normiska had revenues of \$322, 037 during its first 9 months of start-up. The net loss of \$ 68, 870 is on target for our start-up budget. Working capital of \$544, 000 included cash of \$595, 000. We have purchased machinery and equipment totaling \$748, 000 and expended \$140, 000 on site and bog development. Capital acquisitions will continue for the next several months as the company gears up for full production.

Future Developments

The company intends to expand it's current inventory of raw materials to meet long-term market growth. This will be accomplished by development of existing bog resources and other peat and bark supplies. Investigation of several opportunities is ongoing.

Studies are currently being carried out on the installation of bogging equipment for the 1999 season. We look forward to an exciting year.

On behalf of the Board of Directors,

"David B. Graham", President and C.E.O

September 10, 1998

NORMISKA CORPORATION

Watch us grow!

STOCK SYMBOLS

(CANADIAN DEALING NETWORK INC.)

COMMON SHARES-NORP

WARRANTS-NORP.WT

NORMISKA CORPORATION
CONSOLIDATED BALANCE SHEET

	9 Months Ended July 31, 1998 (unaudited)	10 Months Ended October 31, 1997 (audited)
	\$	\$
ASSETS		
Current Assets	686,349	55,973
Fixed Assets	748,138	
Deferred Development & Marketing Costs	<u>1,281,660</u>	<u>1,143,966</u>
	<u>2,716,147</u>	<u>1,199,939</u>
LIABILITIES & SHAREHOLDERS'S EQUITY		
LIABILITIES		
Current Liabilities	142,475	213,762
Long-term Debt	<u>500,000</u>	<u>12,000</u>
	<u>792,375</u>	<u>225,762</u>
SHAREHOLDER'S EQUITY		
Shareholder's Equity	2,350,152	1,000,252
Cost of Issue	(181,535)	
Deficit	<u>(94,945)</u>	<u>(26,075)</u>
	<u>2,073,672</u>	<u>974,177</u>
	<u>2,716,147</u>	<u>1,199,939</u>

NORMISKA CORPORATION
INTERIM STATEMENT OF CONSOLIDATED
LOSS AND DEFICIT

	9 Months Ended July 31, 1998	10 Months Ended October 31, 1997
	\$	\$
REVENUE	<u>322,037</u>	
COST OF SALES	<u>147,777</u>	
GROSS PROFIT	<u>174,260</u>	
GENERAL, ADMINISTRATIVE & SELLING EXPENSES		
Salaries & Benefits	75,039	
Travel & Selling	40,131	
Building & Office	40,217	5,000
Marketing	24,067	
Consulting	34,977	
Interest	<u>28,699</u>	
	<u>243,130</u>	<u>5,000</u>
NET LOSS FROM OPERATIONS	<u>68,870</u>	<u>5,000</u>
DEFICIT, Beginning of Period	<u>26,075</u>	<u>21,075</u>
DEFICIT, End of Period	<u>94,945</u>	<u>26,075</u>

NORMISKA CORPORATION
INTERIM CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

	9 Months Ended July 31, 1998 (unaudited)	10 Months Ended October 31, 1997 (audited)
	\$	\$
CASH PROVIDED BY OPERATING ACTIVITIES		
Loss for the Period	(68,870)	(5,000)
Net change in Non-cash Working Capital Balances	(7,189)	45,621
INVESTING ACTIVITIES		
Expenditures on Capital Assets	(748,138)	
Expenditures on Deferred Development and Marketing Costs	<u>(137,694)</u>	<u>(888,796)</u>
	<u>(885,832)</u>	<u>(888,796)</u>
FINANCING ACTIVITIES		
Advances from Reduction of Shareholders' Advances	(12,000)	(254,380)
Proceeds from Loan Payable	149,900	
Issue of Common Shares	1,200,000	1,000,242
Issue of Debenture	500,000	
Cost of Issue	<u>(181,535)</u>	
	<u>1,506,465</u>	<u>895,762</u>
INCREASE (DECREASE) IN CASH		
Increase (Decrease)	<u>544,574</u>	<u>47,587</u>
CASH, Beginning of Period	<u>50,489</u>	<u>2,982</u>
CASH, End of Period	<u>595,063</u>	<u>50,489</u>

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WARRANTS-NORP.WT