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Canadian Venture Exchange: FYT

## **FYTOKEM PRODUCTS INC. ANNOUNCES SECOND QUARTER FINANCIAL RESULTS**

*-- Sales in first half of 2000 up 149% over the same period in 1999 --*

**Saskatoon, Saskatchewan, August 30, 2000** – Fytokem Products Inc. (Fytokem), a discoverer, developer and patentor of naturally occurring bio-active molecules and their applications for the personal care, nutraceutical and OTC/therapeutic markets, today announced its second quarter 2000 financial results for the period ending June 30, 2000.

For the three-month period ended June 30, 2000, Fytokem's sales increased to \$53,830 or by 32% from \$40,920 as at June 30, 1999. Gross margin rose 8% to \$35,117 from \$32,582 for the corresponding period last year. Total net loss for the three-month period ended June 30, 2000 remained unchanged over last year at (\$0.02) per share.

For the six-month period ended June 30, 2000, the Company's sales rose by 149% to \$148,923 from \$59,865 recorded for the same period ended June 30, 1999. Gross margin climbed to \$105,469 or 125% over that recorded for the six-month period ended June 30, 1999. The net loss for the six months ended June 30, 2000 remained unchanged over last year at (\$0.04) per share.

“We're very pleased about the progress we've made over the quarter, in terms of sales growth and our ongoing business-building efforts,” said Interim President of Fytokem Greg Dutka. “Sales are up from this time last year, we have a new strategic partner in place and are seeking additional potential partners.”

During the second quarter, the Company made the following achievements:

- Fytokem signed a new strategic licensing agreement with Dragoco, Gerberding & Co. AG of Germany. Under the terms of the agreement, Dragoco has obtained worldwide rights to sell and market Fytokem products, including Canadian Willowherb™, Tyrostat™, and Fytosorb™ to the Personal Care Industry. Dragoco may also provide Fytokem with R&D funding, market intelligence and the technical expertise to accelerate the development of the Company's newest products;
- The search for a President and CEO continued;
- Lastly, Fytokem retained the services of The Equicom Group Inc., an established investor relations firm based in Toronto. Equicom will assist Fytokem in its ongoing evolution, which will include additional financings, greater media exposure and increased broker/shareholder awareness of Fytokem activities.

Going forward, the Company intends to commission a market study for the OTC/therapeutics and natural healthcare industries in the third quarter of 2000 to confirm the viability of its products. Fytokem is also pursuing an agreement with an animal healthcare company and is in discussions with two additional companies, one being a global supplier of biocidal and preservative agents, and the other a dominant figure in the nutraceutical industry.

**About Fytokem Products Inc.**

Fytokem is a Saskatoon-based life sciences company engaged in the discovery of naturally occurring bio-active molecules for therapeutic use in both the human and animal health markets. The Company recently filed for patent protection for Oenothein-B, a naturally occurring and complex molecule with remarkable anti-irritant, anti-inflammatory and free-radical scavenging properties.

Through a strategic licensing agreement with Dragoco, Gerberding & Co. AG of Germany, Fytokem markets and sells high-value active ingredients such as Canadian Willowherb™, Tyrostat™, and Fytosorb™ to the Personal Care Industry.

Fytokem's common shares trade on the Canadian Venture Exchange under the symbol FYT; the Company has 12,451,957 shares outstanding.

**The Canadian Venture Exchange has neither approved nor disapproved the information herein contained.**

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**FYTOKEM PRODUCTS INC.**  
**BALANCE SHEETS**  
**June 30, 2000 and 1999**  
**(Unaudited)**

	<u>2000</u>	<u>1999</u>
<b>CURRENT ASSETS</b>		
Cash and temporary investments	\$ 1,140,549	388,791
Accounts receivable	88,862	66,060
Inventory	240,758	174,129
Prepaid expenses	29,227	8,646
Current portion of deferred finance charges	72,430	47,682
Current portion of notes receivable	<u>-</u>	<u>7,000</u>
	1,571,826	692,308
DEFERRED FINANCE CHARGES	7,445	13,209
EQUIPMENT - NET	<u>190,735</u>	<u>115,939</u>
	<u>\$ 1,770,006</u>	<u>\$ 821,456</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accruals	\$ 145,208	\$ 97,231
Unearned project revenue	-	22,182
Current portion long term debt	<u>44,054</u>	<u>20,238</u>
	<u>189,262</u>	<u>139,651</u>
<b>LONG TERM DEBT</b>		
Convertible debt	500,000	500,000
Discount on convertible debt	(63,984)	(63,984)
Capital leases	64,941	19,297
Shareholders' loans	<u>-</u>	<u>3,521</u>
	<u>500,957</u>	<u>458,834</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	2,637,996	1,872,057
Share warrants	1,046,505	-
Equity portion of convertible debt	63,984	63,984
Deficit	<u>(2,668,698)</u>	<u>(1,713,070)</u>
	<u>1,079,787</u>	<u>222,971</u>
	<u>\$ 1,770,006</u>	<u>\$ 821,456</u>

**FYTOKEM PRODUCTS INC.**  
**STATEMENTS OF LOSS AND DEFICIT**  
**(Unaudited)**

	Three months ended June 30		Six months ended June 30	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
REVENUE				
Sales	\$ 53,830	\$ 40,920	\$ 148,923	\$ 59,865
Cost of Sales	<u>18,713</u>	<u>8,338</u>	<u>43,454</u>	<u>13,053</u>
Gross Margin	35,117	32,582	105,469	46,812
Project revenue	18,810	38,174	93,698	68,255
Other revenue	<u>7,983</u>	<u>5,945</u>	<u>12,528</u>	<u>9,107</u>
	<u>61,910</u>	<u>76,701</u>	<u>211,695</u>	<u>124,174</u>
EXPENSES				
Product development	57,431	59,551	155,945	106,761
Marketing	65,054	58,211	139,559	111,534
Finance & administration	145,479	144,359	263,998	263,392
Depreciation	8,302	6,843	16,431	12,456
Interest on debt	<u>27,448</u>	<u>18,686</u>	<u>48,828</u>	<u>26,337</u>
	<u>303,714</u>	<u>287,650</u>	<u>624,761</u>	<u>520,480</u>
NET LOSS	\$ 241,804	\$ 210,949	\$ 413,066	\$ 396,306
DEFICIT, BEGINNING OF PERIOD	2,426,894	1,502,121	2,255,632	1,316,764
DEFICIT, END OF PERIOD	<u>\$2,668,698</u>	<u>\$1,713,070</u>	<u>\$2,668,698</u>	<u>\$1,713,070</u>
LOSS PER SHARE				
Basic	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>
Shares Outstanding	<u>11,212,034</u>	<u>8,998,913</u>	<u>11,212,034</u>	<u>8,998,913</u>

**FYTOKEM PRODUCTS INC.**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Three months ended		Six months ended	
	June 30		June 30	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss	\$ (241,804)	\$ (210,949)	\$ (413,066)	\$ (396,306)
Items not affecting cash				
Depreciation and amortization	8,302	6,843	16,431	12,456
Non-cash interest expense	25,720	17,522	45,973	23,360
Gain on sale of fixed assets	(203)	-	(203)	-
	<u>(207,985)</u>	<u>(186,584)</u>	<u>(350,865)</u>	<u>(360,490)</u>
Changes in non-cash working capital				
Accounts receivable	2,646	(17,422)	(30,073)	(37,794)
Inventory	(29,947)	(38,416)	(69,205)	(40,345)
Prepaid expenses	(3,014)	1,385	(13,190)	13,936
Unearned project revenue	-	22,182	(2,352)	22,182
Accounts payable and accruals	8,362	10,448	27,095	502
<b>Cash flows used in operating activities</b>	<u>(229,938)</u>	<u>(208,407)</u>	<u>(438,590)</u>	<u>(402,009)</u>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>INVESTING ACTIVITIES</b>				
Acquisition of equipment	(6,423)	(7,889)	(8,559)	(15,009)
Disposals of equipment	662	-	662	-
<b>Cash flows used in investing activities</b>	<u>(5,761)</u>	<u>(7,889)</u>	<u>(7,897)</u>	<u>(15,009)</u>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of common shares	11,380	-	31,130	257,719
Costs of share issuance	-	-	-	(19,360)
Proceeds from issuance of share warrants	1,085,425	-	1,085,425	-
Costs of share warrants issuance	(38,920)	-	(38,920)	-
Deferred offering memorandum costs	2,500	-	-	-
Proceeds from convertible debt	-	-	-	500,000
Costs of convertible debt	-	-	-	(17,051)
Repayment of long term debt	(8,040)	(4,741)	(14,175)	(9,376)
<b>Cash flows from financing activities</b>	<u>1,052,345</u>	<u>(4,741)</u>	<u>1,063,460</u>	<u>711,932</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	816,646	(221,037)	616,973	294,914
<b>CASH POSITION, BEGINNING OF PERIOD</b>	<u>323,903</u>	<u>609,828</u>	<u>523,576</u>	<u>93,877</u>
<b>CASH POSITION, END OF PERIOD</b>	<u>\$1,140,549</u>	<u>\$ 388,791</u>	<u>\$1,140,549</u>	<u>\$ 388,791</u>
<b>REPRESENTED BY:</b>				
Cash	\$ 1,107,222	\$ 21,320	\$ 1,107,222	\$ 21,320
Temporary Investments	<u>\$ 33,327</u>	<u>\$ 367,471</u>	<u>\$ 33,327</u>	<u>\$ 367,471</u>
	<u>\$ 1,140,549</u>	<u>\$ 388,791</u>	<u>\$ 1,140,549</u>	<u>\$ 388,791</u>
<b>Interest Paid</b>	<u>\$ 1,729</u>	<u>\$ 1,164</u>	<u>\$ 2,584</u>	<u>\$ 2,977</u>