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Canadian Venture Exchange: FYT

FYTOKEM PRODUCTS INC. ANNOUNCES FIRST QUARTER 2001 FINANCIAL RESULTS

-- Cosmetics products drive Q1 revenue to record level --

Saskatoon, Saskatchewan, May 31, 2001 – Fytokem Products Inc. (Fytokem), a leading discoverer and developer of therapeutic plant extracts and bioactive molecules, today announced its first quarter financial results for the period ended March 31, 2001. Sales for the first quarter of 2001 are up 61% over the same quarter last year, largely as a result of the Company's success in the personal care industry.

For the three-month period ended March 31, 2001, Fytokem achieved record quarterly sales revenue of \$152,725, up more than 60% from \$95,093 in the same period of 2000. Sales in the first quarter equal 61% of the Company's total sales in the year 2000. Fytokem reported a total net loss for the three-month period ended March 31, 2001 of \$131,936 or (\$0.01) per share, down 23% from a loss of \$171,262 or (\$0.02) per share in the corresponding period a year ago.

"Fytokem has marked a solid beginning of the new year with strong progress in the establishment of a sustainable business. Major cosmetics companies in the Personal Care Industry -- like L'Oreal, Merle Norman, Jergens, and Just, to name a few -- are now using Fytokem products as ingredients in their products worldwide," said President and CEO of Fytokem Products Inc. Mr. Art Hesje. "As competition increases among these companies for access to truly *Function-Certified*[™] products with a strong scientific basis, our bio-active assets are becoming ever more valuable."

Once considered specialty products for small niche markets, plant-based products like those developed by Fytokem are quickly garnering mainstream acceptance and making strong headway into major segments of the global cosmetics industry. "The industry trend is clear -- potent, plant-based products with scientifically proven therapeutic functions are ideally suited to serve many fast-growing markets," Mr. Hesje continued. "Fytokem is a leader in the discovery, development and commercialization of these ingredients. Naturally, we aim to take full advantage of this positive industry trend."

The Company made the following achievements during the first quarter:

- Through its strategic partner, Dragoco Gerberding of Germany, several Fytokem products are being marketed in the global Personal Care Industry (PCI). Two are rapidly becoming recognized as the most efficacious in their respective fields -- Canadian Willowherb[™], as an anti-irritant, and Tyrostat[™], as a skin-lightening product aimed at the sizeable Asian market. These two functions constitute large segments of the PCI market;
- Using the PCI as its primary market entry point, Fytokem has generated revenues quickly from existing and new products;
- Ongoing evaluation of other opportunities for the Company's portfolio of products in the nutraceutical, animal health, pharmaceutical, and bio-industrial markets is opening new markets. As Fytokem accesses these markets, the integrity of its science further positions the Company to attract strong multinational partners.

Going forward, Fytokem intends to continue to grow revenues by expanding the marketing and distribution of its current and new product line-up while taking its research and development of bio-actives to the next level: further refinement of Fytokem's science accompanied by strategic collaborations and partnerships with companies that can assist in commercializing Fytokem's bio-actives.

About Fytokem Products Inc.

Fytokem Products Inc. is a Canadian life sciences company engaged in the discovery and commercialization of novel *Function-Certified*[™] plant-based substances – extracts, phytochemicals and bioactive molecules – for use as ingredients in personal care, nutraceutical, pharmaceutical and bio-industrial products, both domestically and internationally. Fytokem has applied for several scientific patents, and has developed a proprietary commercial scale manufacturing process.

Fytokem's common shares trade on the Canadian Venture Exchange under the symbol FYT; the Company has 14,462,121 shares outstanding.

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

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FYTOKEM PRODUCTS INC.
BALANCE SHEETS
 March 31, 2001 and December 31, 2000
 (Unaudited)

	<u>March 31, 2001</u>	<u>December 31, 2000</u>
CURRENT ASSETS		
Cash and temporary investments	\$ 395,871	\$ 561,869
Accounts receivable	138,603	53,516
Inventory	322,545	355,958
Prepaid expenses	<u>12,297</u>	<u>19,995</u>
	869,316	991,338
DEFERRED FINANCE CHARGES	11,047	28,434
EQUIPMENT - NET	<u>204,765</u>	<u>212,815</u>
	<u>\$ 1,085,128</u>	<u>\$ 1,232,587</u>
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 71,860	\$ 76,192
Current portion long term debt	<u>127,163</u>	<u>129,690</u>
	<u>199,023</u>	<u>205,882</u>
LONG TERM DEBT		
Convertible debt	406,250	406,250
Discount on convertible debt	(63,984)	(63,984)
Capital leases	<u>39,576</u>	<u>48,239</u>
	<u>381,842</u>	<u>390,505</u>
SHAREHOLDERS' EQUITY		
Share capital	3,692,445	3,692,446
Equity portion of convertible debt	63,984	63,984
Deficit	<u>(3,252,166)</u>	<u>(3,120,230)</u>
	<u>504,263</u>	<u>636,200</u>
	<u>\$ 1,085,128</u>	<u>\$ 1,232,587</u>

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

**Three months ended
March 31**

	<u>2001</u>	<u>2000</u>
REVENUE		
Sales	\$ 152,725	\$ 95,093
Cost of Sales	<u>52,356</u>	<u>24,741</u>
Gross Margin	100,369	70,352
Project revenue	25,054	74,888
Other revenue	<u>7,557</u>	<u>4,545</u>
	<u>132,980</u>	<u>149,785</u>
 EXPENSES		
Product development	75,502	98,513
Marketing	70,900	74,505
Finance & administration	87,637	118,520
Depreciation	11,226	8,129
Interest on debt	<u>19,651</u>	<u>21,380</u>
	<u>264,916</u>	<u>321,047</u>
NET LOSS	\$ 131,936	\$ 171,262
 DEFICIT, BEGINNING OF PERIOD	 <u>3,120,230</u>	 <u>2,255,632</u>
 DEFICIT, END OF PERIOD	 <u>\$ 3,252,166</u>	 <u>\$ 2,426,894</u>
 LOSS PER SHARE	 <u>\$ 0.01</u>	 <u>\$ 0.02</u>

FYTOKEM PRODUCTS INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

Three months ended
March 31

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net loss	\$ (131,936)	\$ (171,262)
Items not affecting cash		
Depreciation and amortization	11,226	8,129
Non-cash interest expense	<u>17,386</u>	<u>20,253</u>
	(103,324)	(142,880)
Changes in non-cash working capital		
Accounts receivable	(85,087)	(32,718)
Inventory	33,413	(39,258)
Prepaid expenses	7,698	(10,176)
Unearned project revenue	-	(2,352)
Accounts payable and accruals	<u>(4,332)</u>	<u>18,732</u>
Cash flows used in operating activities	<u>(151,632)</u>	<u>(208,652)</u>
CASH FLOWS FROM (USED IN)		
INVESTING ACTIVITIES		
Acquisition of equipment	<u>(3,175)</u>	<u>(2,136)</u>
Cash flows used in investing activities	<u>(3,175)</u>	<u>(2,136)</u>
CASH FLOWS FROM (USED IN)		
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	-	19,750
Deferred offering memorandum costs	-	(2,500)
Repayment of long term debt	<u>(11,191)</u>	<u>(6,135)</u>
Cash flows from financing activities	<u>(11,191)</u>	<u>11,115</u>
NET INCREASE (DECREASE) IN CASH	(165,998)	(199,673)
CASH POSITION, BEGINNING OF PERIOD	<u>561,869</u>	<u>523,576</u>
CASH POSITION, END OF PERIOD	<u>\$ 395,871</u>	<u>\$ 323,903</u>
REPRESENTED BY:		
Cash	\$ 70,795	\$ 72,377
Temporary Investments	<u>\$ 325,076</u>	<u>\$ 251,526</u>
	<u>\$ 395,871</u>	<u>\$ 323,903</u>
Interest Paid	<u>\$ 685</u>	<u>\$ 1,173</u>

Notes:

1. These interim financial statements have been prepared in accordance with Canadian accepted accounting principles.
2. The interim financial statements, which include the use of estimates and judgments, contain all adjustments that management believes are necessary for fair presentation of Fytokem's financial position, results of operations and cash flows.
3. The interim financial statements should be read in conjunction with, and are based on the same accounting policies as contained in Fytokem's 2000 annual report.
4. Certain on the prior year's figures have been reclassified to conform to the current year's presentation.
5. Share Capital
 - a) At March 31, 2001, there were 14,462,121 common shares outstanding.
 - b) At March 31, 2001 there were 904,498 share purchase warrants outstanding. There were also 121,167 agents options outstanding.
If all special warrants and agents warrants were exercised, the common shares would increase by 1,146,833 for additional proceeds of \$1,098,366.
 - c) At March 31, 2001, there were options for 780,000 common shares outstanding under the share option plan and are exercisable up to 2006.