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Canadian Venture Exchange: FYT

FYTOKEM PRODUCTS INC. ANNOUNCES SECOND QUARTER 2001 FINANCIAL RESULTS

-- Growth continues with sales up 82% over year ago levels--

Saskatoon, Saskatchewan, July 30, 2001 – Fytokem Products Inc. (Fytokem), a leading discoverer and developer of therapeutic plant extracts and bioactive molecules, today announced its second quarter financial results for the period ended June 30, 2001. Sales for the second quarter of 2001 are up 119% over the same quarter last year, as a result of the Company's success in the personal care industry.

For the three-month period ended June 30, 2001, Fytokem achieved quarterly sales revenue of \$117,789, up 119% from \$53,830 in the same period of 2000. Fytokem reported a total net loss for the three-month period ended June 30, 2001 of \$191,226 or (\$0.01) per share, down 21% from a loss of \$241,804 or (\$0.02) per share in the corresponding period a year ago. On a year to date basis, sales for this fiscal year are up 82% over the first half of last year, while the loss for the first half of this year is down 22% from last year.

“During the second quarter, we announced that major cosmetics companies L’Oreal, Merle Norman, Jergens, Just and others in the Personal Care Industry (PCI) now use Fytokem products as active ingredients in their products. As competition increases among these companies for access to truly *Function-Certified*[™] products with a strong scientific basis, Fytokem believes the bio-active assets that it continues to develop are becoming increasingly more valuable,” said Art Hesje, President and CEO of Fytokem Products Inc. “Our customer base is expanding, and a number of current customers are increasing orders. There is clearly a trend in the personal care industry to purchase the scientifically proven, unique, *Function-Certified*[™] plant-based products that Fytokem produces,” said Hesje.

Once considered specialty products for small niche markets, Fytokem believes plant-based products including those developed by it are quickly garnering mainstream acceptance and making headway into major segments of the global cosmetics industry. “The industry trend toward plant-based products is relatively new. Fytokem’s established position in this market and its scientifically proven products are ideally suited to take advantage of many fast-growing market opportunities,” Mr. Hesje continued. “Fytokem started to discover, develop and commercialize these ingredients ahead of this trend. We are well situated to take full advantage of this positive industry trend.”

The Company made the following achievements during the second quarter:

- Through its strategic partner, Dragoco Gerberding of Germany, several Fytokem products continue to see sustained market growth. Two are rapidly becoming recognized as very efficacious in their field – Canadian Willowherb[™], as an anti-irritant, and Tyrostat[™], as a skin-lightening product aimed at the sizeable Asian market. These two activities constitute large segments of the PCI market. Dragoco is currently developing a marketing plan for a third product that promises strong market success.

- Market and product development efforts continue to focus on identifying other opportunities for the Company's portfolio of products in the nutraceutical, animal health, pharmaceutical, and bio-industrial markets. New strategic partnerships are being developed to allow Fytokem to take advantage of these opportunities. Management believes, the integrity of its science will allow the Company to attract strong multinational partners.

Going forward, Fytokem intends to continue to find revenue growth by expanding the marketing and distribution of its products in the personal care sector while continuing its research and development efforts aimed at higher valued and larger volume markets: Fytokem's established and growing scientific ability accompanied by synergistic strategic collaborations and partnerships will assist in commercializing Fytokem's products.

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
June 30, 2001 and December 31, 2000
(Unaudited)

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
CURRENT ASSETS		
Cash and temporary investments	\$ 265,202	\$ 561,869
Accounts receivable	86,130	53,516
Inventory	297,813	355,958
Prepaid expenses	<u>8,270</u>	<u>19,995</u>
	657,415	991,338
DEFERRED FINANCE CHARGES		
	10,327	28,434
EQUIPMENT - NET		
	<u>193,521</u>	<u>212,815</u>
	<u>\$ 861,263</u>	<u>\$ 1,232,587</u>
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 70,748	\$ 76,192
Current portion long term debt	<u>159,244</u>	<u>129,690</u>
	<u>229,992</u>	<u>205,882</u>
LONG TERM DEBT		
Convertible debt	343,750	406,250
Discount on convertible debt	(56,213)	(63,984)
Capital leases	<u>30,697</u>	<u>48,239</u>
	<u>318,234</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>(3,443,392)</u>	<u>(3,120,230)</u>
	<u>313,037</u>	<u>636,200</u>
	<u>\$ 861,263</u>	<u>\$ 1,232,587</u>

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

	Three months ended June 30		Six months ended June 30	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
REVENUE				
Sales	\$ 117,789	\$ 53,830	\$ 270,514	\$ 148,923
Cost of Sales	<u>44,189</u>	<u>18,713</u>	<u>96,545</u>	<u>43,454</u>
Gross Margin	73,600	35,117	173,969	105,469
Project revenue	19,769	18,810	44,823	93,698
Other revenue	<u>3,066</u>	<u>7,983</u>	<u>10,622</u>	<u>12,528</u>
	<u>96,435</u>	<u>61,910</u>	<u>229,414</u>	<u>211,695</u>
EXPENSES				
Product development	60,895	61,457	136,397	163,631
Marketing	64,097	65,054	134,997	139,559
Finance & administration	127,250	141,453	214,888	256,312
Depreciation	11,244	8,302	22,469	16,431
Interest on debt	<u>24,175</u>	<u>27,448</u>	<u>43,826</u>	<u>48,828</u>
	<u>287,661</u>	<u>303,714</u>	<u>552,577</u>	<u>624,761</u>
NET LOSS	\$ 191,226	\$ 241,804	\$ 323,163	\$ 413,066
DEFICIT, BEGINNING OF PERIOD	<u>3,252,166</u>	<u>2,426,894</u>	<u>3,120,230</u>	<u>2,255,632</u>
DEFICIT, END OF PERIOD	<u>\$3,443,392</u>	<u>\$2,668,698</u>	<u>\$3,443,393</u>	<u>\$2,668,698</u>
LOSS PER SHARE	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>

FYTOKEM PRODUCTS INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Net loss	\$ (191,226)	\$ (241,804)	\$ (323,163)	\$ (413,066)
Items not affecting cash				
Depreciation and amortization	11,244	8,302	22,469	16,431
Non-cash interest expense	8,491	25,720	25,878	45,973
Gain on sale of fixed assets	-	(203)	-	(203)
	<u>(171,491)</u>	<u>(207,985)</u>	<u>(274,816)</u>	<u>(350,865)</u>
Changes in non-cash working capital				
Accounts receivable	52,473	2,646	(32,614)	(30,073)
Inventory	24,732	(29,947)	58,145	(69,205)
Prepaid expenses	4,027	(3,014)	11,725	(13,190)
Unearned project revenue	-	-	-	(2,352)
Accounts payable and accruals	<u>(1,112)</u>	<u>8,362</u>	<u>(5,444)</u>	<u>27,095</u>
Cash flows used in operating activities	<u>(91,371)</u>	<u>(229,938)</u>	<u>(243,004)</u>	<u>(438,590)</u>
CASH FLOWS FROM (USED IN)				
INVESTING ACTIVITIES				
Acquisition of equipment	-	(6,423)	(3,175)	(8,559)
Disposals of equipment	<u>-</u>	<u>662</u>	<u>-</u>	<u>662</u>
Cash flows used in investing activities	<u>-</u>	<u>(5,761)</u>	<u>(3,175)</u>	<u>(7,897)</u>
CASH FLOWS FROM (USED IN)				
FINANCING ACTIVITIES				
Proceeds from issuance of common shares	-	11,380	-	31,130
Costs of share issuance	-	-	-	-
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	-	-
Repayment of long term debt	<u>(39,298)</u>	<u>(8,040)</u>	<u>(50,488)</u>	<u>(14,175)</u>
Cash flows from financing activities	<u>(39,298)</u>	<u>1,052,345</u>	<u>(50,488)</u>	<u>1,063,460</u>
NET INCREASE (DECREASE) IN CASH	(130,669)	816,646	(296,667)	616,973
CASH POSITION, BEGINNING OF PERIOD	<u>395,871</u>	<u>323,903</u>	<u>561,869</u>	<u>523,576</u>
CASH POSITION, END OF PERIOD	<u>\$ 265,202</u>	<u>\$1,140,549</u>	<u>\$ 265,202</u>	<u>\$1,140,549</u>
REPRESENTED BY:				
Cash	\$ 62,314	\$1,107,222	\$ 62,314	\$1,107,222
Temporary Investments	<u>\$ 202,888</u>	<u>\$ 33,327</u>	<u>\$ 202,888</u>	<u>\$ 33,327</u>
	<u>\$ 265,202</u>	<u>\$1,140,549</u>	<u>\$ 265,202</u>	<u>\$1,140,549</u>
Interest Paid	<u>\$ 15,683</u>	<u>\$ 1,729</u>	<u>\$ 17,947</u>	<u>\$ 2,584</u>