



## NEWS RELEASE

### **Fytokem Products Inc. Announces Third Quarter 2001 Financial Results**

*-- Growth continues with year to date sales up 63% over year ago levels--*

*-- New distribution agreement expands market into bio industrial products--*

SASKATOON, November 28 - Fytokem Products Inc. (Fytokem), a leading discoverer and developer of therapeutic plant extracts and bioactive molecules, today announced its third quarter financial results for the period ended September 30, 2001.

For the three-month period ended September 30, 2001, Fytokem achieved sales revenue of \$139,086, up 37% from \$101,828 in the same period of 2000 as a result of the Company's success in the personal care industry. Fytokem reported a total net loss for the three-month period of \$118,229 or (\$0.01) per share, down 33% from a loss of \$177,191 or (\$0.01) per share in the corresponding period a year ago. This improvement is attributable to a number of cost cutting measures implemented at the Company. On a year to date basis, sales for this fiscal year are up 63% over the first three quarters, while the loss for the same period is down 25% from last year.

"During the quarter, we were focused on securing new financing in support of our growth," said Art Hesje, President and CEO of Fytokem Products Inc. "We successfully negotiated up to \$400,000 of additional financing with the Agri-Food Equity Fund and negotiated an agency agreement with Sanderson Securities for a new equity and debt offering that is designed to raise a minimum of \$1.1 million and as much as \$1.725 million. Although we just finalized the details of this Offering, we are expecting to close the issue before year end."

"We also continued negotiations with a couple of well-known companies aimed at reaching agreements that will give us access to new markets beyond the personal care industry," continued Mr. Hesje. The first of these new agreements, with Swiss-based multinational, Lonza Inc., focusing on the bio-industrial market, was completed subsequent to quarter end.

#### 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**  
**September 30, 2001 and December 31, 2000**  
**(Unaudited)**

	<u>September 30, 2001</u>	<u>December 31, 2000</u>
<b>CURRENT ASSETS</b>		
Cash and temporary investments	\$ 138,494	\$ 561,869
Accounts receivable	82,479	53,516
Inventory	274,827	355,958
Prepaid expenses	<u>15,484</u>	<u>19,995</u>
	511,284	991,338
<b>DEFERRED FINANCE CHARGES</b>	9,606	28,434
<b>DEFERRED OFFERING COSTS</b>	26,406	-
<b>CAPITAL ASSETS</b>	<u>185,700</u>	<u>212,815</u>
	<u>\$ 732,996</u>	<u>\$ 1,232,587</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accruals	\$ 93,852	\$ 76,192
Current portion long term debt	<u>160,097</u>	<u>129,690</u>
	<u>253,949</u>	<u>205,882</u>
<b>LONG TERM DEBT</b>		
Convertible debt	312,500	406,250
Discount on convertible debt	(49,857)	(63,984)
Capital leases	<u>21,596</u>	<u>48,239</u>
	<u>284,239</u>	<u>390,505</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	3,692,445	3,692,446
Equity portion of convertible debt	63,984	63,984
Deficit	<u>(3,561,621)</u>	<u>(3,120,230)</u>
	<u>194,808</u>	<u>636,200</u>
	<u>\$ 732,996</u>	<u>\$ 1,232,587</u>

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

	Three months ended September 30		Nine months ended September 30	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<b>REVENUE</b>				
Sales	\$ 139,086	\$ 101,828	\$ 409,600	\$ 250,750
Cost of Sales	<u>56,197</u>	<u>39,978</u>	<u>152,742</u>	<u>83,432</u>
Gross Margin	82,889	61,850	256,858	167,318
Project revenue	20,461	3,750	65,284	97,448
Other revenue	<u>1,098</u>	<u>13,919</u>	<u>11,721</u>	<u>26,446</u>
	<u>104,448</u>	<u>79,519</u>	<u>333,863</u>	<u>291,212</u>
<b>EXPENSES</b>				
Product development	67,171	53,000	203,568	208,944
Marketing	43,374	47,884	178,371	187,442
Finance & administration	78,705	117,421	293,593	381,419
Amortization	10,665	9,782	33,134	26,213
Interest on debt	<u>22,762</u>	<u>28,623</u>	<u>66,588</u>	<u>77,451</u>
	<u>222,677</u>	<u>256,710</u>	<u>775,254</u>	<u>881,469</u>
<b>NET LOSS</b>	\$ 118,229	\$ 177,191	\$ 441,391	\$ 590,257
<b>DEFICIT, BEGINNING OF PERIOD</b>	<u>3,443,392</u>	<u>2,668,698</u>	<u>3,120,230</u>	<u>2,255,632</u>
<b>DEFICIT, END OF PERIOD</b>	<u>\$ 3,561,621</u>	<u>\$ 2,845,889</u>	<u>\$ 3,561,621</u>	<u>\$ 2,845,889</u>
<b>LOSS PER SHARE</b>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>

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

	Three months ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
<b>CASH FLOWS FROM (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss	\$ (118,229)	\$ (177,191)	\$ (441,391)	\$ (590,257)
Items not affecting cash				
Amortization	10,665	9,782	33,135	26,213
Non-cash interest expense	7,077	25,720	32,955	71,691
Gain on sale of fixed assets	-	-	-	(203)
	(100,487)	(141,689)	(375,301)	(492,556)
Changes in non-cash working capital				
Accounts receivable	3,651	(23,120)	(28,963)	(53,192)
Inventory	22,986	(79,073)	81,131	(148,277)
Prepaid expenses	(7,214)	5,552	4,511	(7,638)
Unearned project revenue	-	-	-	(2,352)
Accounts payable and accruals	23,104	33,550	17,660	60,645
<b>Cash flows used in operating activities</b>	<b>(57,960)</b>	<b>(204,780)</b>	<b>(300,962)</b>	<b>(643,370)</b>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>INVESTING ACTIVITIES</b>				
Deferred Engineering Costs	-	(19,342)	-	(19,342)
Acquisition of capital assets	(2,844)	(7,279)	(6,020)	(15,838)
Disposals of capital assets	-	-	-	662
<b>Cash flows used in investing activities</b>	<b>(2,844)</b>	<b>(26,621)</b>	<b>(6,020)</b>	<b>(34,518)</b>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of common shares	-	77,100	-	108,230
Proceeds from issuance of share warrants	-	-	-	1,085,425
Costs of share warrants issuance	-	-	-	(38,920)
Deferred offering costs	(26,406)	(34,612)	(26,406)	(34,612)
Repayment of long-term debt	(39,498)	(12,253)	(89,987)	(26,428)
<b>Cash flows (used in) from financing activities</b>	<b>(65,904)</b>	<b>30,235</b>	<b>(116,393)</b>	<b>1,093,695</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	(126,708)	(201,166)	(423,375)	415,807
<b>CASH POSITION, BEGINNING OF PERIOD</b>	265,202	1,140,549	561,869	523,576
<b>CASH POSITION, END OF PERIOD</b>	<b>\$ 138,494</b>	<b>\$ 939,383</b>	<b>\$ 138,494</b>	<b>\$ 939,383</b>
<b>REPRESENTED BY:</b>				
Cash	\$ 91,742	\$ 63,622	\$ 91,742	\$ 63,622
Temporary Investments	\$ 46,752	\$ 875,761	\$ 46,752	\$ 875,761
	<b>\$ 138,494</b>	<b>\$ 939,383</b>	<b>\$ 138,494</b>	<b>\$ 939,383</b>
<b>Interest Paid</b>	<b>\$ 15,658</b>	<b>\$ 2,903</b>	<b>\$ 33,633</b>	<b>\$ 5,760</b>