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TSX Venture Exchange: FYT

FYTOKEM ANNOUNCES 2002 YEAR-END FINANCIAL RESULTS

-- Long-Term Sales Contract Secured in Latter Part of Year --

Saskatoon, Saskatchewan, May 15, 2003 - Fytokem Products Inc. (Fytokem), a leading producer of *Function-Certified™* plant-based ingredients, today announced its financial results for the year ended December 31, 2002.

Highlights of 2002

- Entered into a Cooperation and License Agreement with Atrium Biotechnologies Inc. (Atrium) of Quebec City, P.Q. for exclusive distribution of the Company's products into the personal care and nutraceutical markets. This agreement provided the Company with an up-front payment of \$750,000 and firm purchase commitments into the future.
- The Company received over \$300,000 from the Agri-Food Equity Fund in the form of debentures.
- Canadian Willowherb™ is used as a featured ingredient in Johnson & Johnson's UK & German market trial release of its "*Johnson's baby extracare*" baby wipe product. This marks the Company's first featured inclusion in the mass market segment.
- The Company received positive results from a third-party test proving Canadian Willowherb™ effectively kills the *P. Acnes* bacterium – the bacterium associated with acne.

2002 Results:

- Sales increased to \$546,570. This represents a 5% increase over 2001.
- Expenses were further reduced by 9% in 2002.
- The Company's loss was reduced to \$597,644 in 2002. This is \$140,350 (or 19%) lower than the 2001 loss. The loss per share dropped to \$0.04 per share from \$0.05 per share in 2001.
- All expense categories, with the exception of product development, were reduced in 2002. The Company increased its product development expenditures by 15% over 2001.

"We are continuing to grow our revenue. We have seen continued growth in sales and now with Atrium we see a new level of enthusiasm which I expect will translate into a higher growth rate", said Art Hesje, President and CEO of Fytokem. "In addition to the growth we expect from this new partnership, the market trial by Johnson and Johnson is a serious opportunity that may well provide a whole new level of demand for our products, particularly Canadian Willowherb™. Sales growth is the real key to increased shareholder value and we continue to work toward this goal."

During 2003 our efforts will be focused on:

- Supporting and strengthening our partnership agreement with Atrium.
- Developing and expanding our strategic relationships in several sectors, particularly animal health, pharmaceutical and bio-industrial.
- Using our capital wisely.

About Fytokem Products Inc.

Fytokem Products Inc. is 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. Fytokem has been issued patents for two of its products and has other patent applications pending.

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

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For more information, please contact:

Art Hesje

President and CEO

Fytokem Products Inc.

306-668-2552 tel

306-978-2436 fax

ahesje@fytokem.com

www.fytokem.com

**FYTOKEM PRODUCTS INC.
STATEMENT OF LOSS AND DEFICIT**

	Years Ended December 31,	
	2002	2001
REVENUE		
Sales	\$ 546,570	\$ 522,755
Cost of sales	168,435	181,114
Gross margin	378,135	341,641
Project revenue	53,062	81,223
Marketing agreement revenue	30,000	-
Other revenue	2,370	10,444
	<u>463,567</u>	<u>433,308</u>
 EXPENSES		
Product development	345,502	301,745
Marketing	202,256	226,903
Finance and administration	391,366	504,498
Amortization	42,131	43,904
Interest on debt	79,956	94,252
	<u>1,061,211</u>	<u>1,171,302</u>
 NET LOSS	597,644	737,994
 DEFICIT, BEGINNING OF YEAR	<u>3,858,224</u>	<u>3,120,230</u>
 DEFICIT, END OF YEAR	<u>\$ 4,455,868</u>	<u>\$ 3,858,224</u>
 BASIC AND DILUTED LOSS PER SHARE	<u>\$ 0.04</u>	<u>\$ 0.05</u>

**FYTOKEM PRODUCTS INC.
BALANCE SHEET**

	As at December 31,	
	2002	2001
	<u> </u>	<u> </u>
CURRENT ASSETS		
Cash and temporary investments	\$ 780,479	\$ 170,887
Accounts receivable	37,542	115,805
Inventories	285,917	365,416
Prepaid expenses	27,233	29,724
Current portion of deferred marketing costs	14,023	-
	<u>1,145,194</u>	<u>681,832</u>
DEFERRED MARKETING COSTS	14,023	-
DEFERRED FINANCE CHARGES	8,455	8,886
CAPITAL ASSETS	<u>153,817</u>	<u>188,189</u>
	<u>\$ 1,321,489</u>	<u>\$ 878,907</u>
 CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 326,015	\$ 302,923
Current portion of deferred marketing revenue	360,000	-
Current portion of long term debt	189,606	160,515
	<u>875,621</u>	<u>463,438</u>
 DEFERRED MARKETING REVENUE	360,000	-
LONG TERM DEBT	<u>541,085</u>	<u>273,042</u>
	<u>1,776,706</u>	<u>736,480</u>
 CAPITAL DEFICIENCY (SHAREHOLDERS' EQUITY)		
Share capital	3,692,446	3,692,446
Preferred shares	244,221	244,221
Equity portion of convertible debt	63,984	63,984
Deficit	(4,455,868)	(3,858,224)
	<u>(455,217)</u>	<u>142,427</u>
	<u>\$ 1,321,489</u>	<u>\$ 878,907</u>

FYTOKEM PRODUCTS INC.
STATEMENT OF CASH FLOWS

	Years Ended December 31, 2002	2001
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss	\$ (597,644)	\$ (737,994)
Items not affecting cash		
Amortization	42,131	43,904
Non-cash interest expense	16,701	41,766
Gain on sale of fixed assets	(380)	-
	(539,192)	(652,324)
 Changes in non-cash working capital		
Accounts receivable	78,263	(62,289)
Inventories	79,499	(9,458)
Prepaid expenses	2,491	(9,729)
Deferred marketing costs	(28,046)	-
Accounts payable and accrued liabilities	23,092	226,732
Deferred marketing revenue	720,000	-
	336,107	(507,068)
 CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of equipment	(7,759)	(19,278)
Proceeds from disposal of equipment	380	-
	(7,379)	(19,278)
 CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of preferred shares	-	250,000
Costs of preferred shares issuance	-	(5,779)
Proceeds from long-term debt	340,100	-
Costs of financing long-term debt	(2,786)	-
Repayment of long-term debt	(56,450)	(108,857)
	280,864	135,364
 NET INCREASE (DECREASE) IN CASH DURING THE YEAR	609,592	(390,982)
 CASH POSITION, BEGINNING OF YEAR	170,887	561,869
CASH POSITION, END OF YEAR	\$ 780,479	\$ 170,887
 REPRESENTED BY:		
Cash	\$ 79,988	\$ 46,178
Short-term investments	700,491	124,709
	\$ 780,479	\$ 170,887
 SUPPLEMENTAL INFORMATION		
Cash interest paid	\$ 63,255	\$ 47,953