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TSX Venture Exchange: FYT

FYTOKEM PRODUCTS INC. ANNOUNCES FIRST QUARTER 2003 FINANCIAL RESULTS

-- First Quarter Results Show 131% Increase In Revenue--

Saskatoon, Saskatchewan, May 29, 2003 – Fytokem Products Inc. (Fytokem), a leading producer of *Function-Certified*™ plant-based ingredients, today announced its financial results for the first quarter ended March 31, 2003.

Total revenue rose to \$245,893 for the three-month period ended March 31, 2003. This 131% increase over the same quarter last year is primarily due to an increase in product sales and recognition of marketing agreement revenue. Product sales in the first quarter of 2003 rose by 63% to \$129,226 over the same quarter in 2002. The Company recognized \$90,000 of the \$750,000 received in December 2002 into marketing agreement revenue in this quarter. This large increase in revenues resulted in the loss for the quarter being \$112,740, 40% lower than the \$186,803 recorded in the same quarter of 2002. The loss per share remained the same at \$0.01 per share.

The first quarter highlights include the following:

- Product sales and overall revenues rose sharply over the same period in 2002. The quarterly loss was also substantially lowered.
- The Company was granted two US application patents on its products in the quarter.

“The company is encouraged by the reasonably quick implementation of the Atrium Cooperation and License Agreement and the rise in quarterly sales given this is the first full quarter of operation under this agreement, signed in November of 2002”, said Art Hesje, President & CEO of Fytokem Products Inc. “Our combined efforts in the personal care industry have already led to a variety of new projects and several new products which we expect to be launched in the near future.”

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’s products are sourced from plants native to the Canadian prairies, where they have developed strong phytochemical properties to survive the harsh climate. These all-natural products are highly potent and are gaining popularity as the market demands more natural products. The Company has been issued patents for technology related to two of its products and has other patent applications pending.

Fytokem’s common shares trade on the TSX Venture Exchange under the symbol FYT; the Company has 15,363,121 shares outstanding.

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.
BALANCE SHEETS
March 31, 2003 and December 31, 2002
(Unaudited)

	<u>March 31, 2003</u>	<u>December 31, 2002</u>
CURRENT ASSETS		
Cash and temporary investments	\$ 115,307	\$ 780,479
Accounts receivable	130,947	37,542
Inventory	468,570	285,917
Prepaid expenses	21,403	27,233
Current portion of deferred marketing costs	19,815	14,023
	<u>756,042</u>	<u>1,145,194</u>
DEFERRED MARKETING COSTS	\$ 14,861	14,023
DEFERRED FINANCE CHARGES	7,601	8,455
EQUIPMENT - NET	146,159	153,817
	<u>\$ 924,663</u>	<u>\$ 1,321,489</u>
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 152,949	\$ 326,015
Current portion of deferred marketing revenue	360,000	360,000
Current portion long term debt	182,868	189,606
	<u>695,817</u>	<u>875,621</u>
DEFERRED MARKETING REVENUE	<u>270,000</u>	<u>360,000</u>
LONG TERM DEBT		
Convertible debt	260,183	281,148
Debenture payable	210,526	207,525
Debenture payable	60,100	60,100
Debenture payable	30,000	30,000
Discount on convertible debt	(34,006)	(37,688)
	<u>526,803</u>	<u>541,085</u>
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	(4,568,608)	(4,455,868)
	<u>(567,957)</u>	<u>(455,217)</u>
	<u>\$ 924,663</u>	<u>\$ 1,321,489</u>

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

	Three months ended March 31	
	2003	2002
REVENUE		
Sales	\$ 129,226	\$ 79,273
Cost of Sales	38,165	23,615
Gross margin	91,061	55,658
Project revenue	25,230	26,808
Marketing agreement revenue	90,000	-
Other revenue	1,437	411
	<u>207,728</u>	<u>82,877</u>
EXPENSES		
Product development	138,056	102,340
Marketing	55,332	46,870
Finance & administration	95,498	89,017
Amortization	11,007	10,603
Interest on debt	20,575	20,850
	<u>320,468</u>	<u>269,680</u>
NET LOSS	\$ 112,740	\$ 186,803
DEFICIT, BEGINNING OF PERIOD	<u>4,455,868</u>	<u>3,858,224</u>
DEFICIT, END OF PERIOD	<u>\$ 4,568,608</u>	<u>\$ 4,045,027</u>
LOSS PER SHARE	<u>\$ 0.01</u>	<u>\$ 0.01</u>

FYTOKEM PRODUCTS INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended	
	March 31	
	2003	2002
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss	\$ (112,740)	\$ (186,803)
Items not affecting cash		
Depreciation and amortization	11,007	10,603
Non-cash interest expense	8,286	6,598
Non-cash marketing expense	4,954	-
Non-cash marketing revenue	(90,000)	-
Gain on sale of fixed assets	-	(130)
	(178,493)	(169,732)
Changes in non-cash working capital		
Accounts receivable	(93,405)	60,331
Inventory	(182,653)	22,590
Prepaid expenses	5,830	5,158
Accounts payable and accruals	(173,066)	27,009
Marketing agreement costs	(11,583)	-
Cash flows used in operating activities	(633,370)	(54,644)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of equipment	(3,349)	-
Disposals of equipment	-	130
Cash flows used in investing activities	(3,349)	130
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repayment of long term debt	(28,453)	(19,080)
Cash flows used in financing activities	(28,453)	(19,080)
NET INCREASE (DECREASE) IN CASH	(665,172)	(73,594)
CASH POSITION, BEGINNING OF PERIOD	780,479	170,887
CASH POSITION, END OF PERIOD	\$ 115,307	\$ 97,293
REPRESENTED BY:		
Cash	\$ 88,403	\$ 42,194
Temporary Investments	26,904	55,099
	\$ 115,307	\$ 97,293
Interest Paid	\$ 12,289	\$ 14,252