



FOR IMMEDIATE RELEASE

TSX Venture Exchange: FYT

FYTOKEM PRODUCTS INC. ANNOUNCES SECOND QUARTER 2003 FINANCIAL RESULTS

-- Second Quarter Profit First in Company's History

Saskatoon, Saskatchewan, August 26, 2003 – Fytokem Products Inc. (Fytokem), a leading producer of *Function-Certified™* plant-based ingredients, today announced its financial results for the second quarter ended June 30, 2003.

The Company's operations produced a net income of \$2,166 in the second quarter of 2003, 104% better than the \$50,581 loss recorded in the same period of 2002. The net income per share remained the same at \$0.00 per share. This quarterly income is the result of growing revenues and a general controlling of costs. Total revenues, although growing from quarter to quarter, were 16% lower than in the same period of 2002, as a result of a 42% drop in product sales and a corresponding increase in both project revenues and marketing agreement revenue. The quarterly growth in sales experienced over the past three quarters is expected to continue for the balance of this year. The Company recognized \$90,000 of the \$750,000 received in December 2002 into marketing agreement revenue in this quarter. The Company was able to increase its gross margin percentage by 4% to 72% in the period.

The first quarter financial highlights include the following:

- This is the first quarter in the Company's history in which it recorded a net profit from its operations.
- Sales in the second quarter were substantially greater than in the first quarter of 2003 and the year to date sales are on track to have this year's sales volume exceed last year's sales by a substantial amount.
- The Company was able to reduce its overall expenses by 17% during the quarter.

"We are encouraged by our growing sales volumes and ability to control our costs at the same time", said Art Hesje, President & CEO of Fytokem Products Inc. "We are starting to see the results of the natural appeal of our products in combination with the ability and efforts of our marketing partner – Atrium Biotechnologies Inc. in penetrating the personal care market. It is also encouraging to note that the acceptance of our products is very broad based with both large and small clients starting to use our active ingredients, yet no single client represents a major portion of our sales growth"

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:

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FYTOKEM PRODUCTS INC.
BALANCE SHEETS
June 30, 2003 and December 31, 2002
(Unaudited)

	<u>June 30, 2003</u>	<u>December 31, 2002</u>
CURRENT ASSETS		
Cash and temporary investments	\$ 22,917	\$ 780,479
Accounts receivable	169,956	37,542
Inventory	408,287	285,917
Prepaid expenses	16,050	27,233
Current portion of deferred marketing costs	<u>26,686</u>	<u>14,023</u>
	643,896	1,145,194
DEFERRED MARKETING COSTS	13,343	14,023
DEFERRED FINANCE CHARGES	6,747	8,455
EQUIPMENT - NET	<u>136,474</u>	<u>153,817</u>
	<u>\$ 800,460</u>	<u>\$ 1,321,489</u>
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 145,896	\$ 326,015
Current portion of deferred marketing revenue	360,000	360,000
Current portion long term debt	<u>128,382</u>	<u>189,606</u>
	<u>634,278</u>	<u>875,621</u>
DEFERRED MARKETING REVENUE	<u>180,000</u>	<u>360,000</u>
LONG TERM DEBT		
Convertible debt	233,773	281,148
Debenture payable	263,525	207,525
Debenture payable	-	60,100
Debenture payable	-	30,000
Discount on convertible debt	<u>(28,828)</u>	<u>(37,688)</u>
	<u>468,470</u>	<u>541,085</u>
SHAREHOLDERS' EQUITY		
Share capital	3,775,949	3,692,446
Preferred shares	244,221	244,221
Equity portion of convertible debt	63,984	63,984
Deficit	<u>(4,566,442)</u>	<u>(4,455,868)</u>
	<u>(482,288)</u>	<u>(455,217)</u>
	<u>\$ 800,460</u>	<u>\$ 1,321,489</u>

On behalf of the Board:

"Peter Oliver "

PETER OLIVER
Director

"Jim Yuel "

JIM YUEL
Director

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

	Three months ended June 30		Six months ended June 30	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
REVENUE				
Sales	\$ 214,796	\$ 367,941	\$ 344,022	\$ 447,214
Cost of Sales	<u>59,283</u>	<u>118,735</u>	<u>97,448</u>	<u>142,351</u>
Gross margin	155,513	249,206	246,574	304,863
Project revenue	6,158	2,153	31,388	28,961
Marketing agreement revenue	90,000	-	180,000	-
Other revenue	<u>146</u>	<u>430</u>	<u>1,583</u>	<u>841</u>
	<u>251,817</u>	<u>251,789</u>	<u>459,545</u>	<u>334,665</u>
EXPENSES				
Product development	60,281	88,271	198,337	190,610
Marketing	49,101	68,983	104,433	115,852
Finance & administration	108,288	112,034	203,786	201,051
Amortization	10,612	10,456	21,619	21,060
Interest on debt	<u>21,369</u>	<u>22,626</u>	<u>41,944</u>	<u>43,476</u>
	<u>249,651</u>	<u>302,370</u>	<u>570,119</u>	<u>572,049</u>
NET INCOME (LOSS)	\$ 2,166	\$ (50,581)	\$ (110,574)	\$ (237,384)
DEFICIT, BEGINNING OF PERIOD	<u>4,568,608</u>	<u>4,045,027</u>	<u>4,455,868</u>	<u>3,858,224</u>
DEFICIT, END OF PERIOD	<u>\$ 4,566,442</u>	<u>\$ 4,095,608</u>	<u>\$ 4,566,442</u>	<u>\$ 4,095,608</u>
INCOME (LOSS) PER SHARE	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>15,066,088</u>	<u>14,462,121</u>	<u>14,765,773</u>	<u>14,462,121</u>

FYTOKEM PRODUCTS INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Net income (loss)	\$ 2,166	\$ (50,581)	\$ (110,574)	\$ (237,384)
Items not affecting cash				
Amortization	10,612	10,456	21,619	21,060
Non-cash interest expense	9,782	8,104	18,068	14,702
Non-cash marketing expense	6,044	-	10,998	-
Non-cash marketing revenue	(90,000)	-	(180,000)	-
Gain on sale of fixed assets	-	-	-	(380)
	<u>(61,396)</u>	<u>(32,021)</u>	<u>(239,889)</u>	<u>(202,002)</u>
Changes in non-cash working capital				
Accounts receivable	(39,009)	(120,216)	(132,414)	(59,885)
Inventory	60,283	46,149	(122,370)	68,739
Prepaid expenses	5,353	5,798	11,183	10,956
Accounts payable and accruals	(7,053)	(65,990)	(180,119)	(38,982)
Marketing agreement costs	(11,397)	-	(22,980)	-
Cash flows used in operating activities	<u>(53,219)</u>	<u>(166,280)</u>	<u>(686,589)</u>	<u>(221,174)</u>
CASH FLOWS FROM (USED IN)				
INVESTING ACTIVITIES				
Acquisition of equipment	(928)	-	(4,276)	-
Disposals of equipment	-	-	-	380
Cash flows used in investing activities	<u>(928)</u>	<u>-</u>	<u>(4,276)</u>	<u>380</u>
CASH FLOWS FROM (USED IN)				
FINANCING ACTIVITIES				
Proceeds from debenture	-	250,000	-	250,000
Costs of debenture	-	(2,786)	-	(2,786)
Costs of share issuance	(6,597)	-	(6,597)	-
Repayment of long term debt	(31,646)	(19,296)	(60,100)	(38,376)
Cash flows used in financing activities	<u>(38,243)</u>	<u>227,918</u>	<u>(66,697)</u>	<u>208,838</u>
NET INCREASE (DECREASE) IN CASH	(92,390)	61,638	(757,562)	(11,956)
CASH POSITION, BEGINNING OF PERIOD	<u>115,307</u>	<u>97,293</u>	<u>780,479</u>	<u>170,887</u>
CASH POSITION, END OF PERIOD	<u>\$ 22,917</u>	<u>\$ 158,931</u>	<u>\$ 22,917</u>	<u>\$ 158,931</u>
REPRESENTED BY:				
Cash	\$ 22,876	\$ 24,406	\$ 22,876	\$ 24,406
Temporary Investments	41	134,525	41	134,525
	<u>\$ 22,917</u>	<u>\$ 158,931</u>	<u>\$ 22,917</u>	<u>\$ 158,931</u>
Interest Paid	<u>\$ 11,587</u>	<u>\$ 14,522</u>	<u>\$ 23,876</u>	<u>\$ 28,774</u>