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TSX Venture Exchange: FYT

FYTOKEM ANNOUNCES FIRST QUARTER 2004 FINANCIAL RESULTS

-Break-even results and the 3rd quarter of the past four with no loss-

Saskatoon, Saskatchewan, May 28, 2004 - Fytokem Products Inc. (Fytokem), a leading producer of *Function-Certified™* plant-based ingredients, today announced its financial results, showing break-even results, for the first quarter ending March 31, 2004.

While sales decreased 20% (to \$197,097) from first quarter 2003, costs were prudently reduced 49% year over year, and represented an 11% decrease over Q4 2003. Much of this cost reduction results from outsourcing functions where possible. Atrium Biotechnologies Inc. does most of the marketing while Fytokem concentrates on production, product development and quality control. The Company ended the quarter with a small profit of \$430.

“This is the third quarter of the last four where we have shown break-even or better financial results,” said Art Hesje, President and CEO of Fytokem. “Our marketing partner Atrium, has done very well at learning our product suite and enthusiastically taking these products to the marketplace. I am excited about the varied number of potential clients being targeted. Our science complimented by Atrium’s marketing is creating opportunities for success. Our job now is to execute and close these opportunities.”

Product sales in the first quarter of 2004 declined from the same quarter in 2003, mostly as a result of simple timing of sales. Significantly stronger sales are expected in following quarters. Project revenues continued to decline (an 83% decrease over the first quarter of 2003) as a result of the Company’s reduced focus on accessing third party support for activities. Other revenue, which is mainly interest revenue, was also less than first quarter 2003, due to less cash on hand.

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. The Company has been issued patents for technology related to 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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FYTOKEM PRODUCTS INC.
BALANCE SHEETS
March 31, 2004 and December 31, 2003
(Unaudited)

	<u>March 31, 2004</u>	<u>December 31, 2003</u>
CURRENT ASSETS		
Cash and temporary investments	\$ 37,119	\$ 53,278
Accounts receivable	48,807	72,191
Inventory	174,227	208,624
Prepaid expenses	12,520	22,187
Current portion of deferred marketing costs	<u>47,464</u>	<u>63,285</u>
	320,137	409,565
DEFERRED FINANCE CHARGES		
	4,184	5,039
EQUIPMENT - NET	<u>115,408</u>	<u>125,408</u>
	<u>\$ 439,729</u>	<u>\$ 540,012</u>
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 153,440	\$ 145,612
Current portion of deferred marketing revenue	270,000	360,000
Current portion long term debt	<u>181,194</u>	<u>181,099</u>
	<u>604,634</u>	<u>686,711</u>
LONG TERM DEBT		
	350,461	369,097
SHAREHOLDERS' EQUITY		
Share capital	3,775,949	3,775,949
Preferred shares	244,221	244,221
Equity portion of convertible debt	63,984	63,984
Deficit	<u>(4,599,520)</u>	<u>(4,599,950)</u>
	<u>(515,366)</u>	<u>(515,796)</u>
	<u>\$ 439,729</u>	<u>\$ 540,012</u>

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

Three months ended
March 31

	2004	2003
REVENUE		
Sales	\$ 102,685	\$ 129,226
Cost of Sales	<u>33,612</u>	<u>38,165</u>
Gross margin	69,073	91,061
Project revenue	4,411	25,230
Marketing agreement revenue	90,000	90,000
Other revenue	<u>1</u>	<u>1,437</u>
	<u>163,485</u>	<u>207,728</u>
EXPENSES		
Product development	35,937	138,056
Marketing	35,308	55,332
Finance & administration	65,011	95,498
Amortization	10,000	11,007
Interest on debt	<u>16,799</u>	<u>20,575</u>
	<u>163,055</u>	<u>320,468</u>
NET INCOME (LOSS)	\$ 430	\$ (112,740)
DEFICIT, BEGINNING OF PERIOD	<u>4,599,950</u>	<u>4,455,868</u>
DEFICIT, END OF PERIOD	<u>\$ 4,599,520</u>	<u>\$ 4,568,608</u>
INCOME (LOSS) PER SHARE	<u>\$ 0.00</u>	<u>\$ (0.01)</u>

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

**Three months ended
March 31**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss)	\$ 430	\$ (112,740)
Items not affecting cash		
Depreciation and amortization	10,000	11,007
Non-cash interest expense	3,791	8,286
Non-cash marketing expense	15,822	4,954
Non-cash marketing revenue	<u>(90,000)</u>	<u>(90,000)</u>
	(59,957)	(178,493)
Changes in non-cash working capital		
Accounts receivable	23,384	(93,405)
Inventory	34,397	(182,653)
Prepaid expenses	(333)	5,830
Accounts payable and accruals	7,828	(173,066)
Marketing agreement costs	<u>-</u>	<u>(11,583)</u>
Cash flows from (used in) operating activities	<u>5,319</u>	<u>(633,370)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of equipment	<u>-</u>	<u>(3,349)</u>
Cash flows used in investing activities	<u>-</u>	<u>(3,349)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Repayment of long term debt	<u>(21,478)</u>	<u>(28,453)</u>
Cash flows used in financing activities	<u>(21,478)</u>	<u>(28,453)</u>
NET INCREASE (DECREASE) IN CASH	(16,159)	(665,172)
CASH POSITION, BEGINNING OF PERIOD	<u>53,278</u>	<u>780,479</u>
CASH POSITION, END OF PERIOD	<u>\$ 37,119</u>	<u>\$ 115,307</u>
REPRESENTED BY:		
Cash	\$ 37,078	\$ 88,403
Temporary Investments	<u>41</u>	<u>26,904</u>
	<u>\$ 37,119</u>	<u>\$ 115,307</u>
Interest Paid	<u>\$ 13,009</u>	<u>\$ 12,289</u>