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TSX Venture Exchange: FYT

## FYTOKEM ANNOUNCES THIRD QUARTER 2004 FINANCIAL RESULTS

*-Largest year to date profit ever-*

**Saskatoon, Saskatchewan, November 24, 2004** - Fytokem Products Inc. (Fytokem), a leading producer of *Function-Certified™* plant-based ingredients, today announced its financial results, showing positive results, for the third quarter ending September 30, 2004. The company also announced the appointment of Peter Oliver, one of the Company's founders and a long term Director and shareholder, to the position of Chairman. Peter brings accounting and finance skills, a background in business and a detailed understanding of Fytokem to the position. Peter replaces Jim Yuel, who resigned due to conflicting time commitments.

Both total revenue and sales increased for the fourth quarter in a row although this was a decrease from the third quarter 2003. Operating costs for the quarter were reduced 15% year over year, and remained essentially unchanged from the first two quarters of this year. This cost reduction resulted in part from outsourcing functions and from a continuing focus on cost control. 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 quarterly profit of \$12,950 and the largest yet recorded year to date profit of \$32,229.

"This is the third quarter in a row we have shown break-even or better financial results," said Art Hesje, President and CEO of Fytokem. "Our concentration on product quality is resulting in continued sales growth within existing markets. We expect this steady sales growth to continue and look forward to more significant sales growth as we pursue new market opportunities. We look forward to increasing sales replacing the marketing agreement revenue which will be fully amortized by the end of this year."

### **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**  
**September 30, 2004 and December 31, 2003**  
(Unaudited)

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
<b>CURRENT ASSETS</b>		
Cash and temporary investments	\$ 6,961	\$ 53,278
Accounts receivable	64,222	72,191
Inventory	156,456	208,624
Prepaid expenses	7,024	12,187
Current portion of deferred marketing costs	<u>15,821</u>	<u>63,285</u>
	250,484	409,565
<b>DEFERRED FINANCE CHARGES</b>	2,476	5,039
<b>EQUIPMENT - NET</b>	<u>96,503</u>	<u>125,408</u>
	<u>\$ 349,463</u>	<u>\$ 540,012</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accruals	\$ 212,754	\$ 145,612
Current portion of deferred marketing revenue	90,000	360,000
Current portion long term debt	<u>150,144</u>	<u>181,099</u>
	<u>452,898</u>	<u>686,711</u>
<b>LONG TERM DEBT</b>	380,133	369,097
<b>SHAREHOLDERS' EQUITY</b>		
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>(4,567,721)</u>	<u>(4,599,950)</u>
	<u>(483,567)</u>	<u>(515,796)</u>
	<u>\$ 349,464</u>	<u>\$ 540,012</u>

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

	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>2004</b></u>	<u><b>2003</b></u>
<b>REVENUE</b>				
Sales	\$ 131,030	\$ 192,067	\$ 360,946	\$ 536,089
Cost of Sales	<u>40,216</u>	<u>69,327</u>	<u>111,361</u>	<u>166,775</u>
Gross margin	90,814	122,740	249,585	369,314
Project revenue	-	6,125	5,689	37,513
Marketing agreement revenue	90,000	90,000	270,000	270,000
Other revenue	<u>193</u>	<u>5</u>	<u>434</u>	<u>1,587</u>
	<u>181,007</u>	<u>218,870</u>	<u>525,708</u>	<u>678,414</u>
<b>EXPENSES</b>				
Product development	46,807	44,272	117,314	242,609
Marketing	33,836	36,005	101,251	140,438
Finance & administration	64,209	84,652	201,163	288,438
Amortization	9,683	10,560	29,440	32,179
Interest on debt	<u>13,522</u>	<u>21,423</u>	<u>44,311</u>	<u>63,366</u>
	<u>168,057</u>	<u>196,912</u>	<u>493,479</u>	<u>767,030</u>
<b>NET INCOME (LOSS)</b>	\$ 12,950	\$ 21,958	\$ 32,229	\$ (88,616)
<b>DEFICIT, BEGINNING OF PERIOD</b>	<u>4,580,671</u>	<u>4,566,442</u>	<u>4,599,950</u>	<u>4,455,868</u>
<b>DEFICIT, END OF PERIOD</b>	<u>\$ 4,567,721</u>	<u>\$ 4,544,484</u>	<u>\$ 4,567,721</u>	<u>\$ 4,544,484</u>
<b>INCOME (LOSS) PER SHARE</b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>

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

	Three months ended September 30		Nine months ended September 30	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net income (loss)	\$ 12,950	\$ 21,958	\$ 32,229	\$ (88,616)
Items not affecting cash				
Amortization	9,683	10,560	29,440	32,179
Non-cash interest expense	854	5,667	5,500	23,736
Non-cash marketing expense	15,821	15,429	47,464	26,427
Non-cash marketing revenue	(90,000)	(90,000)	(270,000)	(270,000)
Gain on sale of fixed assets	-	168	-	168
	<u>(50,692)</u>	<u>(36,218)</u>	<u>(155,367)</u>	<u>(276,106)</u>
Changes in non-cash working capital				
Accounts receivable	(992)	126,943	7,969	(5,471)
Inventory	(19,403)	222,923	52,168	100,553
Prepaid expenses	6,697	7,193	5,162	18,376
Accounts payable and accruals	42,976	(38,119)	67,141	(218,238)
Marketing agreement costs	-	(53,598)	-	(76,578)
<b>Cash flows used in operating activities</b>	<u>(21,414)</u>	<u>229,124</u>	<u>(22,927)</u>	<u>(457,464)</u>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>INVESTING ACTIVITIES</b>				
Acquisition of equipment	(535)	(369)	(535)	(4,646)
Disposals of equipment	-	350	-	350
<b>Cash flows used in investing activities</b>	<u>(535)</u>	<u>(19)</u>	<u>(535)</u>	<u>(4,296)</u>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>FINANCING ACTIVITIES</b>				
Costs of share issuance	-	-	-	(6,597)
Repayment of long term debt	(700)	(34,781)	(22,855)	(94,881)
<b>Cash flows used in financing activities</b>	<u>(700)</u>	<u>(34,781)</u>	<u>(22,855)</u>	<u>(101,478)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(22,649)	194,324	(46,317)	(563,238)
<b>CASH POSITION, BEGINNING OF PERIOD</b>	<u>29,610</u>	<u>22,917</u>	<u>53,278</u>	<u>780,479</u>
<b>CASH POSITION, END OF PERIOD</b>	<u>\$ 6,961</u>	<u>\$ 217,241</u>	<u>\$ 6,961</u>	<u>\$ 217,241</u>
<b>Interest Paid</b>	<u>\$ 12,668</u>	<u>\$ 15,756</u>	<u>\$ 39,480</u>	<u>\$ 39,631</u>