



**FOR IMMEDIATE RELEASE**

**TSX Venture Exchange: FYT**

**FYTOKEM ANNOUNCES SECOND QUARTER 2005 FINANCIAL RESULTS**

***-Year to date sales up 62% over last year-***

**Saskatoon, Saskatchewan, August 29, 2005** - Fytokem Products Inc. (Fytokem) today announced its second quarter financial results for the period ending June 30, 2005.

Second quarter sales growth brought sales for the first half of the year up by 62% over the first half of last year. This growth continues the strong overall sales trend established during the later months of last year and expected for the balance of the year. A quarterly reduction year-over-year of \$91,000 in other sources of revenue combined with a decrease in gross margin due to one-time increases in production costs resulted in a \$104,000 loss this quarter.

Sales of Tyrostat™, the Company's skin-lightening line of products, have grown sharply during the first half of 2005 to more than three times higher than all of last year. For the first time Tyrostat™, sales made up over half of total sales during the first six months of this year. Canadian Willowherb™ sales have grown as well, and several mass market customers are now conducting trials on Canadian Willowherb™ based products.

Long-term marketing efforts in India are showing positive results. The Company recently finalized an agreement with Unimarck Pharma (India) Ltd. (Unimarck). As part of this agreement Unimarck is now in the process of obtaining approval from the Indian Drug Authority for the use of the Company's products as active pharmaceutical ingredients for sale in India's pharma market.

"I am excited by the combination of strong sales growth within our existing markets, the anticipated approval of our products by the IDA and the sales expected to flow from this" said Art Hesje, President & CEO. "We are gearing up for an exciting second half of 2005."

**About Fytokem Products Inc.**

Fytokem Products Inc. develops and delivers proven natural ingredients to leading formulators in the personal care, nutraceutical and pharmaceutical industries. 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.  
STATEMENTS OF INCOME (LOSS) AND DEFICIT  
(Unaudited)**

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>REVENUE</b>				
Sales	\$ 149,339	\$ 127,231	\$ 372,699	\$ 229,916
Cost of Sales	<u>73,957</u>	<u>37,534</u>	<u>174,034</u>	<u>71,146</u>
Gross margin	75,382	89,697	198,665	158,770
Project revenue	-	1,278	-	5,689
Marketing agreement revenue	-	90,000	-	180,000
Other revenue	<u>35</u>	<u>241</u>	<u>40</u>	<u>242</u>
	<u>75,417</u>	<u>181,216</u>	<u>198,705</u>	<u>344,701</u>
<b>EXPENSES</b>				
Product development	34,704	34,570	73,445	70,507
Marketing	29,702	32,107	49,540	67,415
Finance & administration	86,288	71,943	163,005	136,954
Amortization	9,087	9,757	18,198	19,757
Interest on debt	12,475	13,989	25,221	30,788
Stock compensation expense	<u>7,172</u>	<u>-</u>	<u>17,394</u>	<u>-</u>
	<u>179,428</u>	<u>162,366</u>	<u>346,803</u>	<u>325,421</u>
<b>NET INCOME (LOSS)</b>	<b>\$ (104,011)</b>	<b>\$ 18,850</b>	<b>\$ (148,098)</b>	<b>\$ 19,280</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	<u>4,617,928</u>	<u>4,599,520</u>	<u>4,573,841</u>	<u>4,599,950</u>
<b>DEFICIT, END OF PERIOD</b>	<u>\$ 4,721,939</u>	<u>\$ 4,580,670</u>	<u>\$ 4,721,939</u>	<u>\$ 4,580,670</u>
<b>INCOME (LOSS) PER SHARE</b>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>

**FYTOKEM PRODUCTS INC.**  
**BALANCE SHEETS**  
**June 30, 2005 and December 31, 2004**  
(Unaudited)

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
<b>CURRENT ASSETS</b>		
Cash and temporary investments	\$ 71,717	\$ 49,670
Accounts receivable	54,200	145,475
Inventory	69,613	114,347
Prepaid expenses	<u>6,165</u>	<u>6,165</u>
	201,695	315,657
 <b>DEFERRED FINANCE CHARGES</b>	 1,114	 1,622
 <b>CAPITAL ASSETS</b>	 <u>69,962</u>	 <u>87,053</u>
	<u>\$ 272,771</u>	<u>\$ 404,332</u>
 <b>CURRENT LIABILITIES</b>		
Accounts payable and accruals	\$ 226,603	\$ 225,665
Current portion long term debt	<u>381,719</u>	<u>381,788</u>
	<u>608,322</u>	<u>607,453</u>
 <b>LONG TERM DEBT</b>	 142,688	 144,416
 <b>SHAREHOLDERS' EQUITY</b>		
Share capital	3,866,999	3,866,999
Preferred shares	244,221	244,221
Equity portion of convertible debt	63,984	63,984
Contributed surplus	68,495	51,100
Deficit	<u>(4,721,939)</u>	<u>(4,573,841)</u>
	<u>(478,239)</u>	<u>(347,537)</u>
	<u>\$ 272,771</u>	<u>\$ 404,332</u>

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

	Three months ended June 30		Six months ended June 30	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Net income (loss)	\$ (104,011)	\$ 18,850	\$ (148,098)	\$ 19,279
Items not affecting cash				
Amortization	9,087	9,757	18,198	19,757
Non-cash interest expense	134	854	508	4,645
Non-cash marketing expense	-	15,821	-	31,643
Non-cash marketing revenue	-	(90,000)	-	(180,000)
Non-cash stock compensation expense	<u>7,172</u>	<u>-</u>	<u>17,394</u>	<u>-</u>
	(87,618)	(44,718)	(111,998)	(104,676)
Changes in non-cash working capital				
Accounts receivable	37,285	(14,423)	91,275	8,961
Inventory	40,092	37,174	44,734	71,571
Prepaid expenses	15,726	(1,201)	-	(1,534)
Accounts payable and accruals	<u>(40,945)</u>	<u>16,337</u>	<u>938</u>	<u>24,165</u>
<b>Cash flows from (used) in operating activities</b>	<u>(35,460)</u>	<u>(6,831)</u>	<u>24,949</u>	<u>(1,513)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>				
Acquisition of equipment	<u>(1,107)</u>	<u>-</u>	<u>(1,107)</u>	<u>-</u>
<b>Cash flows used in investing activities</b>	<u>(1,107)</u>	<u>-</u>	<u>(1,107)</u>	<u>-</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>				
Repayment of long term debt	<u>(1,055)</u>	<u>(678)</u>	<u>(1,795)</u>	<u>(22,155)</u>
<b>Cash flows used in financing activities</b>	<u>(1,055)</u>	<u>(678)</u>	<u>(1,795)</u>	<u>(22,155)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(37,622)	(7,509)	22,047	(23,668)
<b>CASH POSITION, BEGINNING OF PERIOD</b>	<u>109,339</u>	<u>37,119</u>	<u>49,670</u>	<u>53,278</u>
<b>CASH POSITION, END OF PERIOD</b>	<u>\$ 71,717</u>	<u>\$ 29,610</u>	<u>\$ 71,717</u>	<u>\$ 29,610</u>
<b>Interest Paid</b>	<u>\$ 12,341</u>	<u>\$ 4,407</u>	<u>\$ 24,714</u>	<u>\$ 26,144</u>