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TSX Venture Exchange: FYT

FYTOKEM ANNOUNCES RECORD SALES IN 2005

Saskatoon, Saskatchewan, May 1, 2006 - Fytokem Products Inc. (the Company), today announced its financial results for the year ended December 31, 2005.

Fytokem recorded record sales of \$654,000 for 2005 up by 16% over 2004. This continues a growth trend established over the past five years that has seen sales grow an average of 18% per year. Gross margins suffered during the year due to a seasonal shortage of raw materials which caused smaller processing runs and higher costs. This situation allowed the development of some process improvements utilized in later 2005. The beneficial effects of the process improvements resulted in sharply lower production costs late in the year that will become evident in future financial periods.

“I am pleased with strong gains on two fronts; growing sales of existing products and improvements to our processing and quality control systems and efficiencies” said Art Hesje, President and CEO of Fytokem. “These gains will underpin improved financial performance in 2006 and beyond.”

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.

Fytokem has two product lines currently offered in the market. Canadian Willowherb™ is a multi-function plant extract with strong efficacies as an anti-irritant, and anti-oxidant that also has application as an acne treatment. Tyrostat™ is a multi-efficacy plant extract sold primarily for its use as a tyrosinase inhibitor which provides skin-lightening efficacy.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release. Statements contained in this news release, which are not historical facts, are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Fytokem disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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Fytochem Products Inc.

Statements of (Loss) Income and Deficit

	Years Ended December 31,	
	2005	2004 Restated
REVENUE		
Sales (Note 15)	\$ 654,478	\$ 562,694
Cost of sales	306,346	194,166
Gross margin	348,132	368,528
Project revenue (Note 16)	-	5,689
Marketing agreement revenue (Notes 12 and 17)	-	360,000
Other revenue	10,033	5,533
Gain on settlement of principal component of convertible demand loan (Note 8(b))	9,197	-
	<u>367,362</u>	<u>739,750</u>
EXPENSES		
Product development	158,899	172,673
Marketing	78,170	140,388
Finance and administration	306,259	280,171
Depreciation	35,311	38,890
Interest on long term debt	44,146	61,847
Dividend interest on Series A Preferred Shares (Note 4)	26,092	21,488
Accretion on convertible demand loan (Note 8(b))	18,313	-
Stock compensation expense (Note 10)	30,017	18,914
	<u>697,207</u>	<u>734,371</u>
NET (LOSS) INCOME	(329,845)	5,379
DEFICIT, BEGINNING OF YEAR (as previously reported)	4,573,841	4,602,136
Change in accounting policy (Note 4)	61,752	38,836
DEFICIT, BEGINNING OF YEAR (as restated)	<u>4,635,593</u>	<u>4,640,972</u>
DEFICIT, END OF YEAR	<u>\$ 4,965,438</u>	<u>\$ 4,635,593</u>
BASIC AND DILUTED (LOSS) INCOME PER SHARE (Note 14)	<u>\$ (0.02)</u>	<u>\$ 0.00</u>

Fytokem Products Inc.

Balance Sheets

	As at December 31,	
	2005	2004 Restated
CURRENT ASSETS		
Cash	\$ 35,860	\$ 49,670
Accounts receivable (Note 16)	1,675	145,475
Inventories (Note 5)	192,345	114,347
Prepaid expenses	710	6,165
	<u>230,590</u>	<u>315,657</u>
DEFERRED FINANCE CHARGES (Note 4)	4,344	2,819
CAPITAL ASSETS (Note 7)	<u>57,238</u>	<u>87,053</u>
	<u>\$ 292,172</u>	<u>\$ 405,529</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 384,760	\$ 225,664
Accrued liability relating to Series A Preferred Shares (Note 4)	83,263	57,171
Current portion of long term debt (Note 8)	432,674	381,788
	<u>900,697</u>	<u>664,623</u>
LONG TERM DEBT (Notes 4 and 8)	<u>313,970</u>	<u>394,416</u>
	<u>1,214,667</u>	<u>1,059,039</u>
CAPITAL DEFICIENCY		
Common Shares (Note 9)	3,866,999	3,866,999
Equity portion of convertible demand loan (Note 8(b))	56,683	63,984
Contributed surplus (Note 11)	119,261	51,100
Deficit	(4,965,438)	(4,635,593)
	<u>(922,495)</u>	<u>(653,510)</u>
	<u>\$ 292,172</u>	<u>\$ 405,529</u>

Fytekem Products Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2005	2004 Restated
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net (loss) income	\$ (329,845)	\$ 5,379
Items not affecting cash		
Depreciation	35,311	38,890
Amortization of deferred marketing costs	-	63,285
Non-cash interest expense (Note 4)	2,419	7,781
Non-cash accretion expense	18,313	-
Non-cash stock compensation expense	30,017	18,914
Gain on settlement of principal component of convertible demand loan (Note 8)	(9,197)	-
	<u>(252,982)</u>	<u>134,249</u>
Changes in non-cash working capital		
Accounts receivable	143,800	(73,284)
Inventories	(77,998)	94,277
Prepaid expenses	5,455	6,022
Accounts payable and accrued liabilities	159,096	80,053
Accrued liability relating to Series A Preferred Shares (Note 4)	26,092	21,488
Deferred marketing revenue (Note 12)	-	(360,000)
	<u>3,463</u>	<u>(97,195)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of equipment	<u>(5,498)</u>	<u>(535)</u>
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	-	125,000
Costs of share issuance	-	(3,950)
Costs of refinancing (Note 8(b))	(4,991)	-
Repayment of long term debt	(6,784)	(26,928)
	<u>(11,775)</u>	<u>94,122</u>
NET DECREASE IN CASH DURING THE YEAR	(13,810)	(3,608)
CASH POSITION, BEGINNING OF YEAR	49,670	53,278
CASH POSITION, END OF YEAR	<u>\$ 35,860</u>	<u>\$ 49,670</u>
REPRESENTED BY:		
Cash	\$ 35,818	\$ 49,628
Short-term investments	42	42
	<u>\$ 35,860</u>	<u>\$ 49,670</u>
SUPPLEMENTAL INFORMATION		
Cash interest paid	<u>\$ 40,142</u>	<u>\$ 46,078</u>