



FOR IMMEDIATE RELEASE

August 12, 2004

Philom Bios Inc. Announces Third Quarter Results

Saskatoon, SK - Philom Bios Inc. is pleased to report its results for the third quarter ended June 30, 2004. On the strength of a 29% increase in year over year sales to date, net earnings have now reached \$2.5 million, compared to \$1.3 million for the same period a year ago.

John Cross, CEO and Chairman, comments, "Given our business cycle in which almost all revenues are generated in the second and third quarters, we acknowledge that annual earnings will decline over the balance of the year as fourth quarter operating costs are incurred. Nevertheless, costs are reduced over the prior year, on budget, and sales and cash are up. Management is very pleased with these very strong results."

Management Discussion and Analysis

Revenues

Results for the third quarter ended June 30, 2004, show year to date consolidated revenues of \$12,195,596. This results in net earnings for the nine months ended of \$2,484,015 or \$0.77 per share. This compares favourably with the prior year comparable period, which reported net earnings of \$1,317,050 on much lower sales. Year to date results reflect the interim earnings peak for the year as most sales are realized over the second and third quarter. Over the balance of the year, earnings will decline by approximately \$1.2 million, representing the amount of final quarter's operating costs, net of adjustment for income taxes.

Operations

Total operating costs for the quarter amounted to \$1,245,166 as compared to \$1,778,551 in the comparable prior quarter. Year to date operating costs now total \$4,241,728 (2003 - 4,733,415). The year over year reduction is mainly due to a \$404,000 accrual in the current quarter for investment tax credits which are expected to be realized on eligible research and development efforts, a key part of our ongoing growth investment. Certain departmental costs did increase over the prior year's quarter reflecting the planned effect of personnel changes and some expansion in seasonal costs of field test programs, but offset, in part, by reduced marketing costs due to timing and level of major advertising and promotional activities as compared to last year. Over the balance of the year, Management will continue to maintain close control over ongoing operating expenses even as we expect total overheads to remain within budget with no significant variation.



Liquidity and Capital Resources

During the third quarter, the Company's cash from operations increased by \$4,245,443, reflecting the success of the sales season that commenced in the second quarter. Most cash realized in the third quarter was from the draw down of production inventories and collection of the majority of trade receivables. Third quarter results also reflect additional cash proceeds of \$8,952 from the issuance of common shares on the exercise of options, offset by cash outflows for investment in capital assets of \$38,505 and further pay down of long-term debt of \$15,964. In total, cash increased in the quarter by \$4,199,926 and as at June 30, 2004, total cash assets are \$9,014,930. Immediately following the end of the quarter, cash increased by a further \$1.8 million as the balance of receivables was realized. However, cash reserves will be reduced over the balance of the year as the Company draws down cash to fund fourth quarter operations and begin next year's production build up cycle.

Outlook Update

With the primary selling season now complete, the Company has achieved targeted year end revenues. Once year end results are finalized, the Company expects to report both gains in market share, and growth in key markets.

Some uncertainty on final earnings outcomes will remain since not all inventory return provisions are finalized and the Company may still benefit from fall season sales efforts. However, assuming fourth quarter operating costs remain within estimate, year end earnings will approximate \$1.2 million. Looking ahead, the Company is now focused on its forward business planning process and preparation for next year's production cycle.

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About Philom Bios

Philom Bios is a world leading Inoculant Company with over 70 employees across North America in a wide range of research, manufacturing, marketing, and management positions. Headquartered in Saskatoon, SK, Philom Bios is a Canadian public company serving the needs of farmers with high-value inoculants. Philom Bios has a 20+ year commitment to farmers through a dynamic partnership with distributors and leading retailers.



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