

**PRESS RELEASE
FYTOKEM PRODUCTS INC
ASE:FYT**

DECEMBER 1, 1997

FYTOKEM RELEASES THIRD QUARTER REPORT FOR PERIOD ENDING SEPTEMBER 30, 1997

REPORT OF THE PRESIDENT

As this is Fytokem's first report to the shareholders since becoming a publicly traded corporation in early September, my objective in the following message is to encapsulate our past and provide a quick look at the future.

THE COMPANY

Fytokem Products Inc. was established in 1994 to develop plant extracts and phytochemicals as functional ingredients for use in the cosmetic, personal care, nutraceutical and therapeutic sectors. We combine traditional plant knowledge and forefront technical development, then rigorously test our findings to spawn superior new products. Our long-term vision is to become the premier North American supplier of functional plant extracts and refined phytochemicals.

The company focused on research from 1994-1996. In 1997 we made the transition to a production and marketing company. Fytokem successfully completed its first public offering in late August, raising \$1 million. This financing puts Fytokem in a position to market our products aggressively and prove the viability of the company. Although we will be extremely aggressive when introducing our products into the marketplace, we will continue to operate with fiscal responsibility.

THE MARKETS

In the cosmetics, skin care, and household products industries, companies are seeking functional plant based ingredients to replace animal, mineral, and petroleum based ingredients. Functional foods - phytochemicals in particular - are being hailed as dietary breakthroughs. More and more, we are finding that therapeutic companies are demanding these effective plant extracts as well.

Fytokem's products will be promoted as "active" ingredients in cosmetic and personal care preparations; in nutraceutical and functional food products; and in some non-prescription therapeutic preparations. Of the three potential markets for our products, we have initially chosen to focus our marketing efforts on the cosmetics and skin care industry: with which we have directly related experience.

We formally launched our first commercial product - Extract of Willowherb - at the Society of Cosmetics Chemists, Suppliers Day Trade Show and Scientific Seminar, in Pasadena, California on October 28. We received a positive response to our market launch and to our findings on the Willowherb, presented by our Dr. Steck. As a result of the show, product information and samples has been requested by and provided to most of the major U.S. cosmetic and skin care companies.

THE TECHNOLOGY

Since the company's inception in 1994 Fytokem has investigated some 1,500 plants native to the Canadian Prairie and in the northern forest; "north of 50." Through laboratory work, literature searches, and folklore we have gained a unique insight into these plants and their properties. We published the "public domain" portion of this information in, *Natural Chemicals From Northern Prairie Plants*, a book that has been sold to individuals and libraries in Europe and North America. Our knowledge, as demonstrated in the publication, gains us the needed credibility to open doors in the marketplace.

Through our research findings, we have prepared some 412 plant extracts for potential use screening, both in-house and with outside collaborators. Our in-house screening program identified Extract of Willowherb as our first commercial product. We also identified plant extracts for application in our anti-aging line of products. External screening programs have identified potential pesticide applications, as well. We have chosen to submit our extracts for external screening in order to identify uses outside our immediate market focus. This way, we can expand Fytokem's potential of "hitting the big one" in a cost effective manner.

THE PRODUCTS

Our research has uncovered a host of new products. Canola phytosterols is in the final stages of development and should be launched early in 1998. Exciting new products, including those which inhibit the enzymes that cause skin wrinkles and age spots, are being developed for release next year. These products are currently in testing with several potential users and early indications are very promising. In addition to these, we have also identified several prospective new products for development and potential release in 1999.

Through supply agreements with plant producers and manufacturing agreements with processors, Fytokem is able to supply extracts and phytochemicals that fully meet world markets stringent needs: those which are safe, effective, and reliable.

THE FUTURE

Effective plant products are increasingly in demand by the cosmetic and personal care industries as they strive to replace unpopular animal and synthetic ingredients. This trend is gaining momentum in other sectors as well: therapeutics and pest control, for example. We could not have chosen a better time to launch our company and our products.

The full report including financial statements was filed via SEDAR and should be available by accessing www.sedar.com

FOR FURTHER INFORMATION PLEASE CONTACT MR. JOHN SCHAW, PRESIDENT, OR MR. JOHN CHRISTENSEN, VICE PRESIDENT, OPERATIONS, AT 306-668-2552.

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