

News Release

FOR IMMEDIATE RELEASE:

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Fytokem Products Inc.

For further information please contact:

John Schaw, President and CEO

Fytokem Products Inc.

(306) 668-2552

ASE Symbol: FYT

The Alberta Stock Exchange has neither approved nor disapproved the information contained herein.

Fytokem Products Inc. Announces Agreement with Saskatchewan Opportunities Corporation and Proposed Private Placement

Fytokem Products Inc. (Fytokem) announces that it has entered into an agreement (the "SOCO Agreement") with Saskatchewan Opportunities Corporation (SOCO) whereby SOCO has agreed to provide a debt/equity financing of \$1,000,000.

Pursuant to the SOCO Agreement, Fytokem will issue SOCO a promissory note ("Note") in the principal amount of \$500,000, bearing interest of 12% per annum and maturing on January 31, 2005. SOCO will have the right to convert the principal and the interest of the Note into common shares of Fytokem at an exercise price \$0.33 for a two (2) year period after which the exercise price will increase at the minimum rate per year, as permitted by applicable regulatory authorities, with all conversion rights expiring within five (5) years from the date the Note is issued.

The SOCO Agreement provides that Fytokem will be entitled to an interest free period of one (1) year in consideration for the issuance of 240,000 common shares. Fytokem will have the option of a second interest-free period of one (1) year upon the issuance of additional 240,000 common shares on or before the first anniversary of the issuance of the note. Repayment of the principal and interest commences on the month following the second anniversary of the note. Fytokem has the option of repayment in full at any time during the term without penalty.

The advance of the principal amount of the Note by SOCO is conditional upon Fytokem obtaining an additional \$250,000 in equity financing from sources other than SOCO ("condition one").

The SOCO Agreement also provides that SOCO will make an equity investment of \$500,000 (the "Equity Investment") by subscribing for common shares of Fytokem, on the condition that Fytokem raises, in addition to the equity funds required to fulfill condition one, \$250,000 in equity financing from sources other than SOCO ("condition two"). The deemed price of the common shares issued to SOCO pursuant to the Equity Investment will be the average weighted market trading price of common shares for the previous ten (10) trading days less the permitted discount.

To fulfill condition one, Fytokem proposes to raise up to \$300,000 through a placement of up to 1,071,429 common shares at a price of \$0.28 per share (the "Private Placement"). Fytokem intends to raise further equity financing at a later date to fulfill condition two of the SOCO agreement. Closing of the private placement is subject to the receipt of all necessary regulatory approvals

The issuance of the Note is not dependent upon the subsequent completion of the Equity investment.

The net proceeds of the funds obtained by Fytokem pursuant to the SOCO Agreement and the Private Placement are intended to be used by Fytokem for the acquisition of capital and inventory, the study of a production facility and working capital.

Fytokem is a Canadian corporation established in 1994 to develop plant extracts and phytochemicals as functional ingredients for use in the cosmetic, personal care, nutraceutical and therapeutic sectors.

SOCO is provincial crown corporation that encourages economic development by investing in viable businesses, and developing and operating research parks.