

May 20, 1997

Solv-Ex's "quiet" Form 10Q filing confirms its production claims are completely false and acknowledges its default.

On May 14th Solv-Ex Corporation filed its Form 10Q for the third quarter ended March 31, 1997 with the U.S. Securities and Exchange Commission ("SEC"). Solv-Ex did not announce the SEC filing to its shareholders. The Form 10Q is available to investors directly from the SEC. Since its inception 17 years ago, Solv-Ex has reported 67 consecutive quarters with no operating revenues and a loss. This quarter's loss was \$2.9 million, which is grossly understated. By capitalizing most of its expenses Solv-Ex has inflated the value of its "plant" to \$87 million and reduced its reported losses. The Solv-Ex plant has relatively little, if any, realizable value. It is highly probable that Solv-Ex's auditors will require a write-off of a major portion of this inflated asset in the next quarter. Solv-Ex owes over \$58 million. Solv-Ex has no cash flow or income it can use to service its debt.

In its Form 10Q Solv-Ex admits that even the "first module of the initial stage plant" is still under construction. However, Solv-Ex has fired almost all of its construction workers and admits it does not know how much time or money it will need to complete the construction. Solv-Ex does state "that it will be necessary to raise additional capital to complete" construction of its alleged "experimental" noncommercial plant.

In the Form 10Q Solv-Ex admits the so-called "plant" has only "primary bitumen extraction equipment", does not have use of a "clarifier vessel", a "utilities plant", or any "natural gas hook-ups". Solv-Ex also admits that it has not installed its "large boiler" and therefore was forced to admit it used "back-up boilers fired by diesel fuel" in its failed attempt to fake the production of bitumen. On March 7, 1997 Asensio & Company released a detailed report showing that Mr. Rendall's claim that the plant was "all ready" to start continuous production was a complete lie. Solv-Ex continued to insistently claim that the plant would produce "oil" by March 31st. On March 31, 1997 Solv-Ex announced that on March 29th oil production had commenced at its new plant. Mr. Rendall was reported to be "extremely pleased". The Form 10Q contains clear proof that both Solv-Ex and Mr. Rendall's statements were gratuitous lies.

In the Form 10Q Solv-Ex admits that it has requested a "waiver" from a "lender" related to its "non-compliance" with a certain "debt covenant". Solv-Ex also disclosed that the "lender" has not granted the "waiver". On March 13, 1997 Asensio & Company disclosed that Solv-Ex had defaulted on its Deutsche Bank loan. Solv-Ex denied being in default.

The fraudulent denials described above of plain, simple and indisputable facts are examples of the extent of Solv-Ex management's immense willingness make completely deceitful statements specifically designed to mislead investors. These statements include Solv-Ex's repeated absurd insistence that it is not under investigation by the SEC. This denial is blatantly false. The SEC has clearly stated in publicly available court documents that it is investigating Solv-Ex and Mr. Rendall for stock fraud.

The Form 10Q also provides a clear description of how Solv-Ex profits directly from its fraudulent stock promotion schemes. In the Form 10Q Solv-Ex admits that by March 31, 1997 its entire November 15, 1996 off-shore placement had been converted into 1,090,427 freely traded shares of Solv-Ex common stock. The instrument was supposedly a two (2) year debenture. However, Solv-Ex granted the off-shore purchasers terms that assured that they could quickly

convert and sell their shares with a virtually riskless profit. The off-shore purchasers converted their debentures as soon as they were allowed. Through this transaction Solv-Ex was able to create over 1 million new freely trading U.S. shares of Solv-Ex stock. All of these newly created shares can be sold into the U.S. market to U.S. retail investors without ever filing a registration statement with the SEC and without giving notice to existing shareholders.

It is important to note that in March, while Mr. Rendall was vehemently and falsely claiming that Solv-Ex would begin continuous production of bitumen by the end of the month, a total of 667,264 new freely trading unregistered Solv-Ex shares were created. As soon as Solv-Ex finished the November 15th deal it immediately entered into a similar new "off shore flipping" agreement. We note that Solv-Ex has failed to meet its obligation to file by April 17th a registration statement for the resale of the common stock related to its latest "off-shore" transaction. It is highly unlikely that Solv-Ex can make the necessary disclosures to have a registration statement declared effective. This indicates that these shares will also be sold to U.S. investors without notice to Solv-Ex shareholders or an effective SEC registration.

Solv-Ex Corporation (Trading Symbol: SOLVQ) (Price: \$8.375)

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks. Additional information is available upon request.