

February 25, 1997

***Nothing in Solv-Ex's entire plant works. Funds run out. Plant site and equipment have insignificant residual value.***

Foremen and supervisors for pipe fitters, iron workers and laborers at Solv-Ex's plant have reported to us that absolutely no electrical, no fresh water, no steam, and no gas connections of any kind necessary to operate the plant have been made. They also reported that the plant's blueprints are incomplete and that important components are missing. Yet yesterday Mr. Rendall reiterated his preposterous claim that the plant will produce bitumen in March. Below is a summary of some of the reports we have received on the existing equipment and work done to date, and what still needs to be procured and installed.

The Plant's electrical wiring is completely undone. Absolutely no electrical work has been commenced on installing electrical trays, running cables, or making any of the electrical connections needed to operate any equipment in the plant. There is not one connection made between the electrical control panels located, non-installed, in a small building adjacent to the plant ("Control Room"), the Master Control Center and the Plant. In fact, there is no connection, not even a ditch has been dug, between the Control Room and the Plant. Only the simplest blueprints, which have been labeled "boot-leg" prints by the workers, exist for any of the electrical design. These boot-leg prints do not contain sufficient detailed specifications necessary to run and connect the Plant's operating electrical cables to its control panels, switches, motors and pumps. No motors or pump shave been installed.

The Plant building is an iron structure, which was purchased used and is not designed to house the extraction equipment being installed. We have received reports that the land beneath the Plant was not properly drained before the foundation was laid, that the pilings are too swallow, and that no concrete piping was installed for drainage. Iron workers report that the plant building's uprights, horizontals and cross beams were improperly bolted and welded. It is believed that the Plant building is unsafe, and may sink or tilt when the ground unfreezes.

The Mine Maintenance Building's floor is reported to have cracked under the weight of the very equipment it was built to house. This building is reported to have no pilings at all. The building is equipped with one boiler generating a reported 1 million BTUs. At least 2.5 million BTUs are needed to heat the building. To compensate, a used roof top unit was installed, which is not operational. As a result, parts of the original heating system have frozen and are broken.

At the heart of the Plant is a more than 60 feet long, 14 feet wide and 6 feet high metal vessel where the tar sands are to be dumped, boiled, and agitated ("log washer"). This vessel, which was bought used and was not designed or ever used as a log washer, is being very crudely converted. It is being outfitted with two 3-foot-wide screws ("augers"), steam and water nozzles and valves, and funnels along its open top ("launders"). It was cut and lengthened with no design specifications for installation of the bearings for the augers or their placement. Reports indicate that the log washer needs to be relined. The steam injection system was placed on the bottom of the log washer and consists of 56 spring loaded Poppett valves with metal-to-metal seats and no screens. Once the valves are opened, the tar sands will fall into the valve mechanism, and they will not be able to close, rendering them useless. With the valves and the top completely open, all the heat will escape. No conveyor, or even the support for a conveyor system, has been installed to supply the log washer with tar sand.

In addition to the above, several major tasks have not even been commenced. None of the necessary steam, water or bitumen piping has been commenced. Not one inch of piping has been installed in the plant, on the knock-out drum, log washer, the launders or the boiler. No piping or pumps have been installed to supply the boiler with fresh water. There is no water treatment plant. There is no water storage facility. The clarifier tank has not been built. No piping has been installed to supply the boiler with propane. The piping foreman estimates that it would take at least four months just to complete the steam pipe work alone.

There are approximately seventeen 85-to-150 ton heavy pay loader trucks on the site, and 4 or 5 of them are constantly out of service. One of these trucks can cost \$1 million. Solv-Ex is believed to have bought nine of these trucks for a total price of \$1 million. All of the trucks, even after extensive repairs are in poor conditions with large rust holes and dents.

Solv-Ex's labor relations are extremely poor. Even though Solv-Ex laid-off 240 workers this weekend, a total of seven unions have filed or plan to file for certification. Despite Solv-Ex's well known financial, legal and operational problems a conglomeration of four of se unions has been organized to deal with Solv-Ex employees. We believe that this is the result of the larger community's concerns about the impact that Solv-Ex's "scam" might have on the area's legitimate operators and its desire to end all ties with Solv-Ex and its management. Votes are scheduled as early as this week. Worker dissatisfaction among the remaining Solv-Ex employees and contractors is very high.

The Plant is no where near operational, completely ill designed and highly unlikely to ever function. Several workers we spoke to claim that management has told them that "all we need is to somehow produce one truck tanker of bitumen to send to Albuquerque". In fact, we firmly believe that management knows that the project was ill-fated and has merely staged an attempt to construct a plant. To use this explains Solv-Ex's lack of planning, budgeting, blueprints and specifications.

Solv-Ex Corporation (Trading Symbol: SOLVQ) (Price: \$12.75)

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