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FIRST ALBEMARLE EXPERT REPORT

I. Objections to Special Master's Recommendation of the Gold Reserve Bid

In the June 17, 2025 proposal submitted by Black Lion Capital Advisors to purchase 100% of the shares of CITGO parent PDV Holding (PDVH), Black Lion requested "full access to the data room and auction protocols" and "confirm[ed] our intent to engage in good faith negotiations with the Special Master and Court-appointed advisors to complete" the transaction.

Black Lion stated "Should the Court or Special Master require any additional information or wish to discuss this proposal further, please do not hesitate to contact the undersigned {Dariell Snapp, Senior Partner, and Richard Zepeda, Director]. We are prepared to address any inquiries and to promptly submit any further documentation in support of our bid as the Court may require."

Despite receiving this acquisition proposal ("bid") on June 18, 2025, the Special Master's attorneys did not contact Black Lion regarding its request for "full access to the data room" until June 25, 2025, according to Will Hiltz of Evercore, the Special Master's financial advisor, when the "the Special Master and Black Lion executed an NDA, and Evercore provided Black Lion with access to the VDR ("Virtual Data Room"), albeit for less than a day."

On June 25, 2025, after listing a number of so-called "deficiencies," the Special Master informed Black Lion through his attorneys at Weil Gotshal & Manges that Black Lion's bid was "noncompliant with the Bid Requirements and was contingent and unfinalized to a significant degree," according to Will Hiltz, and was disqualified from any further consideration.

On June 26, 2025 Chase Bentley of Weil, Gotshal & Manges, also informed Black Lion on behalf of the Special Master that "[W]e are no longer able to facilitate the Black Lion bid (or any other potential bid) including by executing NDAs and granting access to the data room," citing a "no solicitation" provision in the Stock Purchase Agreement that the Special Master had entered into with Red Tree Investments LLC and Red Tree Acquisitions, LLC.

Black Lion's objections to the Special Master's Final Recommendation of the Gold Reserve group's bid as the best bid include the following:

A) Black Lion's June 17, 2025 bid—which offers "total combined consideration of up to $12 billion"—is by far the highest bid received by the Special Master.

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B) The Special Master's disqualification of the Black Lion bid was improper, given the surrounding circumstances and Third Circuit Court of Appeals rulings that require *maximization of value* for Judgment creditors, as Judge Stark informed the Special Master on June 24, 2025.

C) By delaying for 7 days, from June 18, when the Court received Black Lion's bid, until June 25 to address Black Lion's bid, inform Black Lion promptly of any perceived "deficiencies" and provide Black Lion with the required NDA—which Black Lion had requested in its June 17, 2025 bid—and then cutting off Black Lion's access to the Virtual Data Room, preventing Black Lion from carrying out due diligence to complete its bid, finalize its financing arrangements and obtain written commitments from financing sources for the $12 billion referred to in Black Lion's bid—the Special Master prevented Black Lion from satisfying the Bid Requirements.

D) As a result of disqualifying Black Lion's bid, also disqualifying the bids of two other entities for reasons not applicable to Black Lion, the Special Master was left with (a) Red Tree's bid of $3.806 billion, which was only a fraction of Black Lion's bid, and (b) the Gold Reserve group's bid of $7.382 billion, which was almost $5.0 billion lower than Black Lion's bid.

E) Neither of those two bids is consistent with the present acquisition value of $12 billion for CITGO's refining and marketing business now, as stated in Black Lion's June 17, 2025 bid or its prospective value going forward.

F) The Court had granted "multiple extensions of the Stalking Horse process" and also granted extensions for the Topping Period, as the Special Master and Evercore knew, as Will Hiltz's Declaration confirms.

G) With Black Lion—which had not participated in the PDVH – CITGO sale process previously and, therefore, did not already have a proposed Stock Purchase Agreement or debt or equity financing commitments for their bid —being the only bidder which submitted a Topping Bid that could *maximize value* for the judgment creditors, as the Special Master knew the Third US Circuit Court of Appeals and Judge Stark requires, the Special Master should have pursued a very different course of action.

H) By June 25, the Special Master should have recommended that Judge Stark postpone the date for the Special Master to submit his Final Recommendation, at least until 2 weeks after June 25 (*i.e.*, until July 9), to enable Black Lion to finalize its proposed Stock Purchase Agreement and obtain written commitments from the financing sources that would provide the financing for its $12.0 billion bid.

I) But the Special Master did not do that. Instead, he signed Gold Reserve's proposed Stock Purchase Agreement on June 25, terminated Black Lion's access to the VDR, and disqualified Black Lion's bid.

J) Now, after Black Lion submits its proposed Stock Purchase Agreement, the Special Master should request Judge Stark's approval to extend the time for Black Lion to finalize its bid and meet any remaining Bid Requirements for an additional two weeks or more, so Black Lion can confirm that it has the financing for a bid of in excess of $8.0 billion and up to $12.0 billion.

II. <u>The Present and Prospective Value of Black Lion's Bid vs. Gold Reserve's Bid</u>

<u>Complete Business Enterprise</u>

CITGO is a complete refining and fuel marketing enterprise, that has 3 technically sophisticated refineries with total crude feedstock capacity of 807,000 bbls/day, supported by an extensive refined products distribution system of 46 storage terminals and 8 crude oil and refined products pipelines linked with 4,200 independently owned and operated CITGO-branded retail outlets in 22 states in the Eastern half of the US.

CITGO is unique and extraordinarily valuable, very different from refining businesses that have been for sale in recent years. It is the *only* US refining company with *all* of its refineries having coking units that can process heavy crude priced at deep discounts of $10 - $15 per barrel below the price of light crudes available in the US. As a result, each CITGO refinery can generate much larger operating profits per barrel of crude capacity than other refining companies, which lack such heavy crude processing capacity.

<u>Locational Advantages of CITGO's 3 Refineries</u>

Each CITGO refinery is located with ready access to:

(A) deeply-discounted heavy crude feedstocks available from foreign sources, and
(B) the very large refined product markets that the refinery can serve.

CITGO's Lake Charles (463,000 bbls/day capacity) and Corpus Christi refineries (167,000 bbls/day capacity) are located on the US Gulf Coast, with ready access to:

(A) deeply-discounted heavy crudes from South America and the Middle East, and

(B) the US East Coast, Southern and Central states products markets by pipeline.

CITGO's Lemont, Illinois refinery (177,000 bbls/day crude capacity), is located near Chicago in the Upper Midwest where it has ready access to:

(A) deeply-discounted ultra-heavy Canadian crudes, and

(B) the large Midwest product markets in the US by pipeline or truck.

Technical Sophistication of CITGO's 3 Refineries

A) CITGO's Lake Charles, LA refinery (463,000 bpd, 11.0 Nelson Complexity) has:

1) Strong feedstock and product logistics, with ready access to both foreign and US crude feedstocks, as well as marine docks that facilitate product exports

2) Multiple processing trains that enable the refinery to process both light sweet and heavy sour crude without crude oil incompatibility issues

3) Both catalytic cracking and hydrocracking capacity and high distillate yield;

B) Corpus Christi, TX refinery (167,000 bpd, 16.5 Complexity) a highly complex facility, with better chemicals production compared with many US Gulf Coast fuels refineries:

1) The refinery's location makes it well- positioned to take advantage of increasing volumes of light crude and condensate from the Permian Eagle Ford areas

2) Has available downstream capacity on all light oil processing units, including catalytic cracking units, reformers, distillate hydrotreaters and chemicals operations

C. Lemont, IL refinery (177,000 bpd, 12.2 Complexity) Among PADD II refineries, Lemont ranks in top 10 in size and complexity

1) Mid-Continent refiners enjoy price advantages for low-cost US crudes and access to large volume transportation fuels markets

2) Lemont produces a product slate well-suited for the PADD II market. All of Lemont's diesel output is ULSD and all of the gasoline output meets Tier III specifications

3) The refinery's liquid yield and production of high-valued transportation fuels is reasonable, given the refinery's crude feedstock slate and unit configurations

CITGO's Pipelines and Storage Terminals

In addition to its 3 well-located and technically sophisticated refineries, CITGO has an extensive refined products distribution system consisting of 46 refined products storage terminals and 8 crude oil and refined products pipelines linked with its 4,200 independently owned and operated CITGO-branded retail outlets in 22 states in the Eastern US.

Those pipelines and storage terminals are crucial for CITGO to carry out successfully its fuel marketing business to retail customers and give CITGO the ability to collect fees from the owners of the 4,200 retail outlets for their ability to attract and service retail customers for CITGO fuels by using the respected CITGO brand, which competes successfully in the retail market-place against the Shell, Exxon, Mobil, Chevron and Sunoco brands.

The 46 storage terminals have 22.6 million barrels of refined products storage. In addition to 4 terminals located at refinery sites, CITGO has 34 active refined products terminals that are fully owned and operated across the Eastern US. CITGO also has 8 joint interest terminals that are co-owned with partners, including Sunoco, Kinder Morgan, Buckeye, Irving and TPSI.

CITGO has 5 wholly-owned pipelines located in Texas, Louisiana and Florida, as well as an equity ownership position in 3 other pipelines within the Midwest, which support a range of products that include crude, gasoline and distillate, LPGs, natural gas, hydrogen and jet fuel.

CITGO's Value

CITGO—which has never been publicly owned—has two kinds of "hidden value" that can enrich CITGO acquirors and investors:

A) *$3.0+ billion of additional CITGO EBITDA per year* from readily achievable operational improvements. With those improvements complete, CITGO's refining and fuels marketing business will be worth *$25 - $30 billion*, using the EBITDA multiple for publicly-owned refining companies with refineries which can process heavy crudes.[1]

[1] The oil industry analytics firm Hart Energy, which represents that it has "the largest and most complete data base on energy infrastructure assets in North America," stated October 4, 2024 *"considering CITGO's reported EBITDA of $3.3 billion in 2023 and a 5 times EBITDA multiple, its potential value is around $16.5 billion."*

B) $2.5 billion of cash generated by monetizing the value of CITGO's infrastructure assets (46 refined products storage terminals and 8 pipelines) through a $2.5 billion sale-and-long-term-lease-back transaction with CITGO.

CITGO Can Generate More Than $3.0 Billion of Additional EBITDA Per Year

CITGO is not now utilizing the full processing and production capabilities of its 3 technically sophisticated refineries and is incurring enormous costs that are unnecessary.

For example, CITGO's Lake Charles refinery (463,000 bbls/day), processed deeply discounted heavy crudes only 12.1% of the time and high-cost light crudes 87.8% of the time over the 3-year period 2021–2023. In 2021, operational availability at CITGO's Lake Charles refinery was only 80.3% and only 84.0% at its Corpus Christi refinery (167,000 bbls/day). Operational availability at its Lemont refinery (177,000 bbls/day) was only 83.5% in 2022. CITGO, which has more than 4,900 employees and full-time contractors is incurring $615 million of unnecessary costs annually by employing 1,825 contractors and 911 employees whose services are not required.

Black Lion understands that by recruiting experienced refinery managers from other companies to direct, carry out and assure that CITGO can take full advantage of the operational improvements, it can increase EBITDA by *more than $2.0 billion* the 1st year to *$4.0 billion* or more, and by *more than $3.0 billion* per year thereafter, starting with EBITDA of *$5.0 billion* the 2nd year, and making CITGO's refining and fuels marketing business worth *$25 - $30 billion* within 2 years.

However, Gold Reserve and Rusoro Mining lack the knowledge, experience and operating expertise to identify, evaluate and oversee the operational improvements required to rectify CITGO's very substantial cost-effectiveness problems.

Moreover, a senior Koch executive officer informed me that Koch's objective was not to operate CITGO or acquire any of its refineries or other assets, but only to preserve Koch's Judgment claims of less than $500 million.

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Under these circumstances, it is highly unlikely that the Gold Reserve group can increase CITGO's value from the $7.382 billion that it bid to $25 - $30 billion within two years, if ever, and the Gold Reserve group's bid clearly will *not* maximize the value for the Judgment creditors. Thus, the prospective value of the Gold Reserve group's bid is also much lower than the prospective value of Black Lion's bid.

Edwin Wells

President, Albemarle Capital

July 7, 2025