



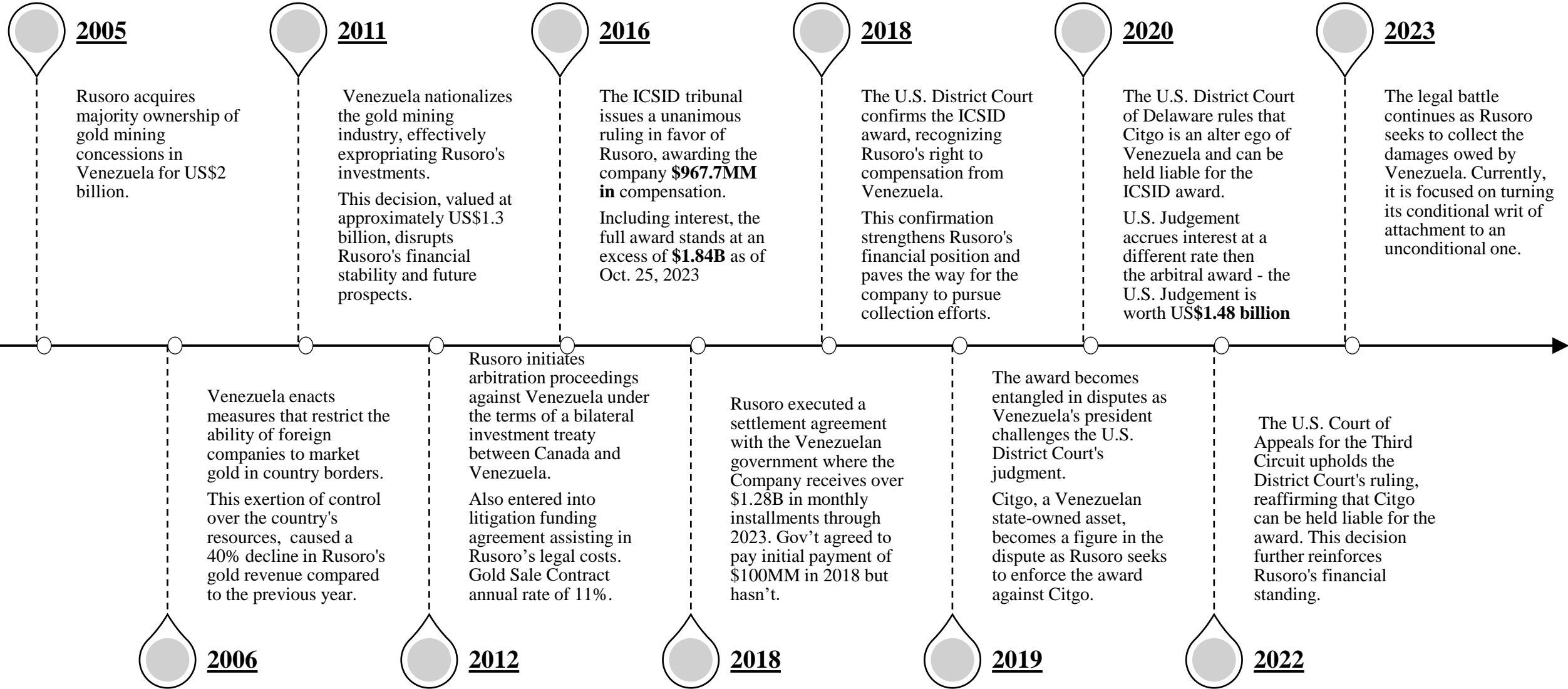
# Rusoro Mining Ltd.

December 1<sup>st</sup>, 2023

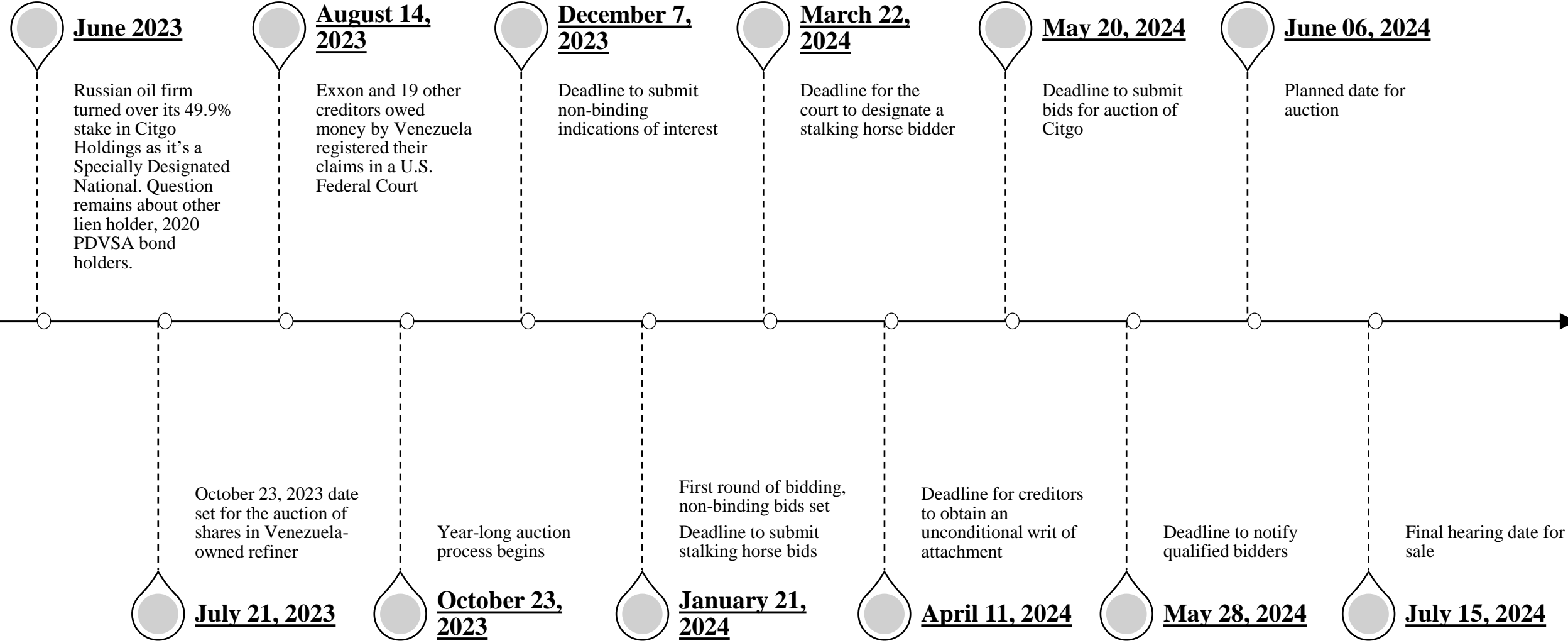
David Rabalais, Garrett Nobles, McKenzie Stanley, Rick Zhang, Thomas Dowdy



# Special Situation Timeline



# Citgo Auction Timeline



# Citgo Value

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## Reuters Article

HOUSTON/WILMINGTON, Sept 12 (Reuters) - Venezuela-owned oil refiner Citgo Petroleum has been valued by its parent company at between **\$32 billion and \$40 billion**, according to a court official during a hearing in Delaware on Tuesday.

The value of the Houston-based refiner was disclosed during the hearing to update a U.S. judge on talks to enact a court-ordered auction of shares in Citgo's parent to satisfy more than **\$23 billion in claims** against Venezuela and its state oil company PDVSA.

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## Yahoo Finance Article

The bonds are backed by a 50.1% stake in Citgo Holding, a Delaware-registered entity through which PDVSA owns Citgo. The eighth-largest refiner in the United States, Citgo's assets have been valued at some \$13 billion and include a 807,000 barrel-per-day refining network.

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## Bloomberg Article

Experts have valued the firm from \$8.1 billion to \$23.5 billion. EMFI Securities estimates that Citgo is worth  between \$13.3 and \$14 billion. Citgo has said it could tap its \$3 billion cash pile to settle claims.



# Companies affiliated with Crystallex case



Payout Ranking		
No.	Biggest Creditors	Gross Amount
1	PSDVA 2020 Bondholders*	\$2.1 B
2	Crystallex*	\$1.4 B
3	Tidewater Caribe S.A, Tidewater Investment	\$72 M
4	Phillips Petroleum	\$1.3 B
5	OI European Group	\$372.5 M
6	Northrop Grumman Ship Systems	\$138 M
7	ACL1 Investments	\$123 M
8	Red Tree Investments	\$284 M
9	Rusoro Mining*	\$1.5 B
10	ConocoPhillips	\$48 M
11	Koch Minerals	\$467 M
12	Gold Reserve	\$1.0 B
13	Siemens Energy	\$166 M
14	Contrarian Capital Management	\$395 M
15	Consorcio Andino, S.L., Valores Mundiales, S.L.	\$626 M
16	ConocoPhillips	\$10.5 B
<b>Total</b>		<b>\$20.49 billion</b>

\*Amount including interest



# Liabilities & Losses

## Key Financials

	2023	2022
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 3)	\$ 102,131,000	91,798,703
Convertible Loan (note 6)	29,750,000	29,750,000
Decommissioning and restoration provision (note 5)	6,970,000	3,960,502
Derivative Financial Ability (note 5)	41,843,000	38,153,738
Promissory notes payable (note 7)	7,559,000	5,503,620
<b>Total Liabilities</b>	<b>188,253,000</b>	<b>169,166,563</b>
<b>Operating Expenses</b>		
General and administrative, net of recoveries		1,250,520
Foreign exchange gain		(282,084)
Share based compensation		283,932
<b>Loss from Operations</b>		
Interest on convertible Loan		10,991,394
Interest on gold sale contract		3,751,894
Gain on revaluation of gold sale contract		(70,733)
Decommissioning, restoration provision, currency devaluation		2,761,218
		17,433,773
<b>Net Loss and Comprehensive Loss</b>		<b>(18,686,141)</b>

## Liabilities in Further Detail

	2023
<b>Accounts Payable/Accrued Liabilities</b>	
Accrual for interest on convertible debt	85,913,000
Accounts payable	10,925,000
Due to related parties	5,293,000
<b>Total</b>	<b>102,131,000</b>
<b>Promissory Notes Value 90 days after Award date</b>	
Promissory Notes 2015-2016	16,512,000
Promissory Notes 2023	8,220,000
<b>Total</b>	<b>24,732,000</b>

For the CSA, Lenders were provided a contingent success fee under the Loan of 20% of the value of the Loan: **\$5,950,000**

Between 2016 and 2017, Rusoro issued \$5,504,000 in promissory notes. Those notes will be worth three times their subscription amount ninety days from first payment from Venezuela

In 2023, Rusoro issued \$2,055,000 in promissory notes, which will be worth four times their subscription amount

## Contingent Liabilities

<b>Contingent Liabilities (Estimate)</b>	
Promissory Note	1,000,000
Trust & Contribution Agreements	29,600,000
Contingent success fees	222,000,000
<b>Total</b>	<b>252,600,000</b>

In 2012, pursuant to a lawsuit settlement between Gold Reserve, Inc., Rusoro Mining issued a conditional promissory note in the amount of \$1,000,000. The promissory note will only become payable if Rusoro is successful in its lawsuit against Venezuela Management estimates contingent success fees based on successful outcome of the lawsuit will **not exceed 15%** of the total award

In October 2012, Rusoro entered into a trust agreement where the board of directors receive a success fee equal to 2% of the award



# PDVSA Corporate Structure

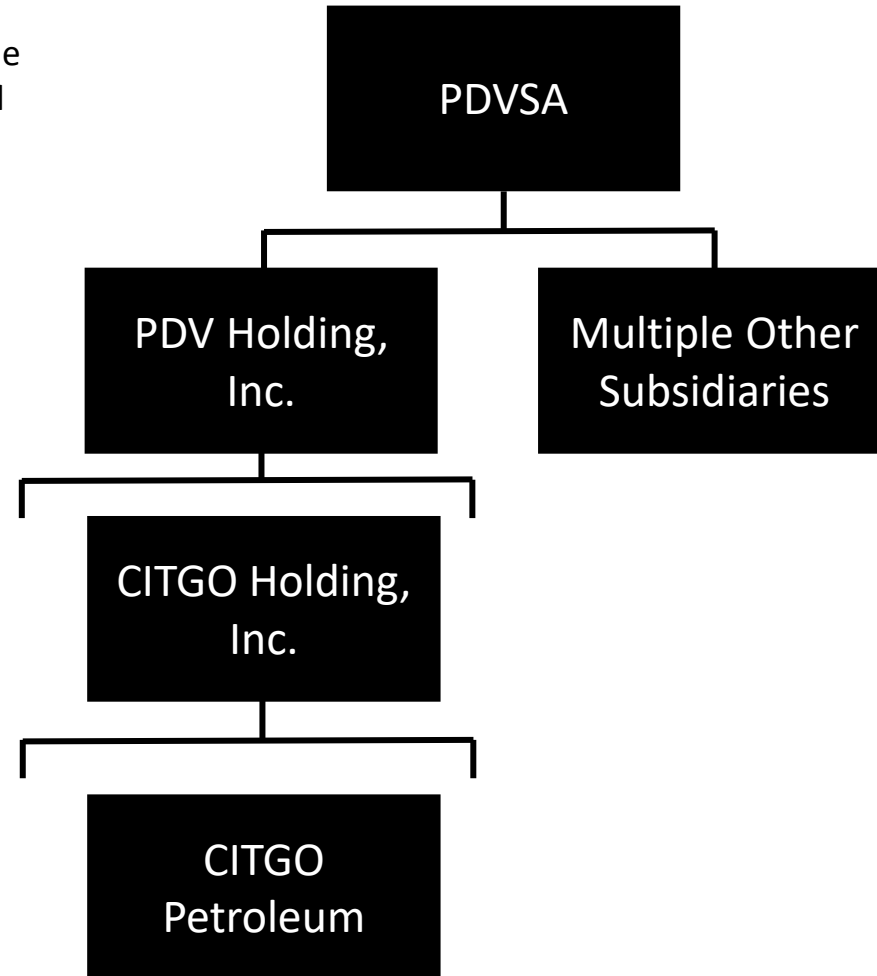
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Petroleos de Venezuela S.A is the Venezuelan state-owned oil and natural gas company

PDV Holdings is HQ in Houston and owns and operates US oil refineries through its subsidiaries

CITGO Holding is similar to PDV Holdings as it's a holding company

Actual company with operations. Private company with public debt profile, last publicly traded in 2005



# Context Overview of PDVSA 2020 Bonds

## Background

2013, Nicolas Maduro elected president and the economy struggled due to depressed oil prices. The additional decline in industrial production led to the highest inflation levels worldwide.

2016, PDVSA and the Venezuelan state was close to defaulting on its debt. Conducted debt swap with unsecured PDVSA bonds for new 2020 ones backed by 50.1% interest in CITGO Holding (put at risk country's primary asset in US). However, Maduro didn't seek legislative approval for the contract due to opposing lawmakers, but deal went through.

2022, the bonds are in default, Guaido is new president, and bondholders want collateral. PDVSA has challenged the validity of the bonds and falls under law of New York

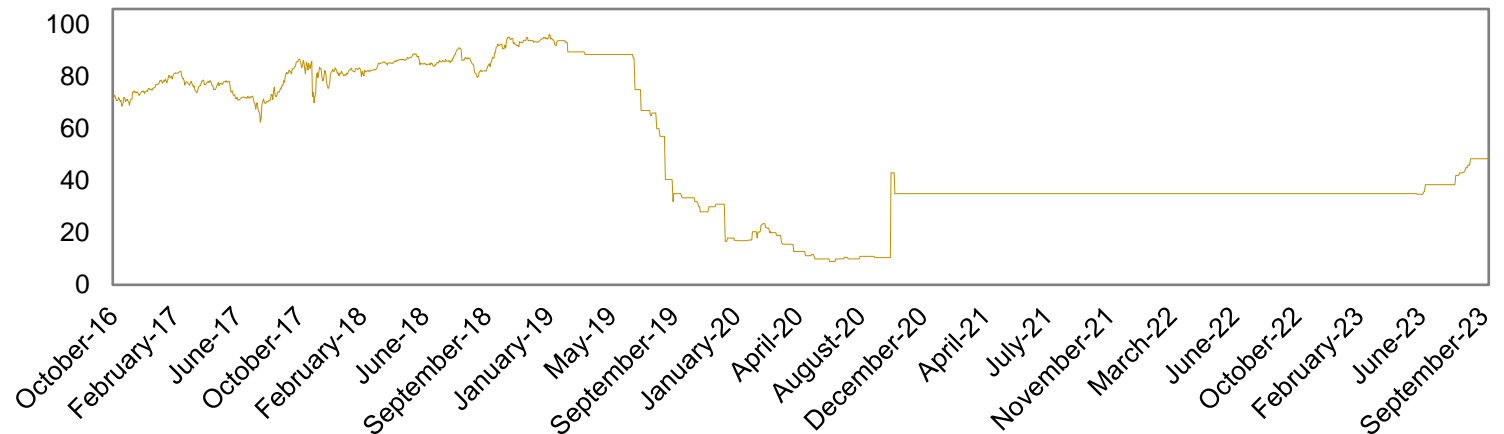
## Choice of Law

New president has appointed new board of directors for PDVSA, and they've sought a declaration that the entire bond transaction is void since it was never approved by the national assembly. Also, creditors were prohibited from executing on CITGO collateral.

The validity of bonds depends on if court applies New York or Venezuelan law.

2020, US District Court of NY concluded that New York law governed the issue, and the 2020 bonds were valid, and the defendant was entitled in amount of \$1.68B.

## PDVSA 8.5% Oct. 27, 2020; Bond Price

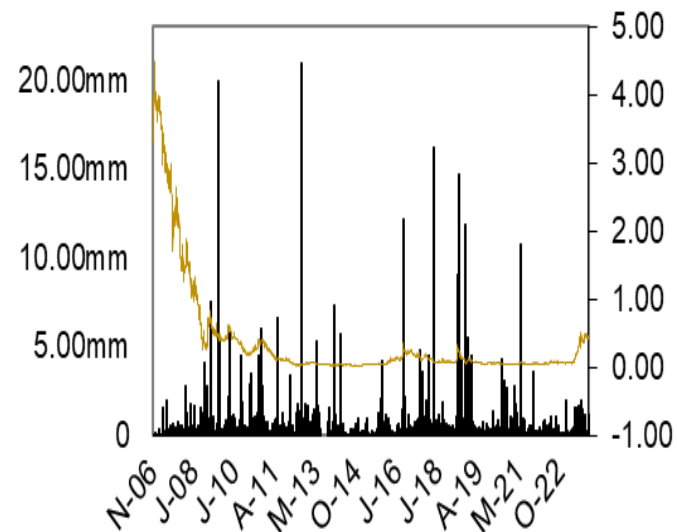




# Broad Risk Overview

## Bankrupt State

We are essentially investing in **quasi-bankrupt** business, whose sole existence is to win an award from Venezuela for past wrongs. Any events that make that collection on judgement less likely, such as the failed sale of Citgo, will likely result in massive drop in the share price and a subsequent massive drop in the value of investment. **Low Liquidity, High Volatility**



## Citgo Auction

### Domestic Risk:

- Citgo's auction is going full steam ahead right now solely because the Biden administration indicated on Spring of 2023 that the U.S. government will no longer protect Citgo Petroleum from seizure. If the U.S. government chooses to **reverse** that policy due to some arbitrary reason, the Citgo sale could be called off, and Rusoro's probability of recovering its judgement becomes slim to none
- If any activity results in the value of Citgo falling by more than half of its value, than it is unlikely that Rusoro will be able to collect the full amount stated in the arbitration award

### International Risk:

- The value of Citgo Petroleum is tied to its fixed assets and cashflows. Its cashflows are predominantly generated from the oil industry. Any drastic fall in the **price of oil** could negatively affect the value of Citgo, resulting in a lower auction price

## Writ of Attachment process

March 2023, U.S District for District of Delaware issues Rusuro Conditional Writ of Attachment

A **conditional** writ of attachment is will NOT be executed until OFAC authorizes the attachment and sale of PDVH shares to satisfy Rusoro's judgement

On October 11th, the Court Memorandum order states that the "Prefect Writ" Deadline SHALL be the date that is ninety calendar days after the "Writ" deadline

If Rusoro fails to turn its conditional writ to an unconditional writ by, as of now, **April 11, 2024**, Rusoro will have no right to collect is judgment on the sale of Citgo, which will result in a massive decrease in its share price

Final rounds of bids for auction due **May 20th, 2024**



# Thesis

## Ex-Post Award per Share Value

	2024
<b>Equity Value of Rusoro Mining After Payout</b>	
Payout	\$1.48 billion
Estimated Contingent Liabilities	(\$252.6 million)
Balance Sheet Liabilities	(\$188.3 million)
Adjustments to Promissory Notes	(\$17.2million)
<b>Estimated Market Value</b>	<b>1.02 billion</b>
<i>Shares Outstanding</i>	<i>564.9 million</i>
<b>Price/Share</b>	<b>\$1.81</b>

In a call with Investor Relations, the stated amount left for shareholders was \$1.1 billion. This would imply a price target of **\$1.95/share**.

## Cost-Benefit Analysis

- **If** the auction goes according to plan, we can expect ~5.65x - 6.05x price increase from current price of \$0.32/share.
- **Catalysts** are date specific, meaning we can time with great certainty drastic increases or decreases in price
- **Very** asymmetric return means we can decrease our risk exposure to investment while receiving high enough return
- **If** the auction does not go according to plan, we can expect the price to return to its original price of \$0.10/share or ~70% decrease





# Appendix

For Questions & Answers



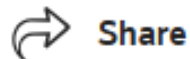
BANKRUPTCY

## U.S. Backs Sale of Citgo to Pay Venezuela's Debts

The federal government says it intends to strip Venezuela's Citgo of protections against seizure to make way for a forced sale of the oil refiner

*By Andrew Scurria*

Updated May 1, 2023 5:48 pm ET | **WSJ PRO**



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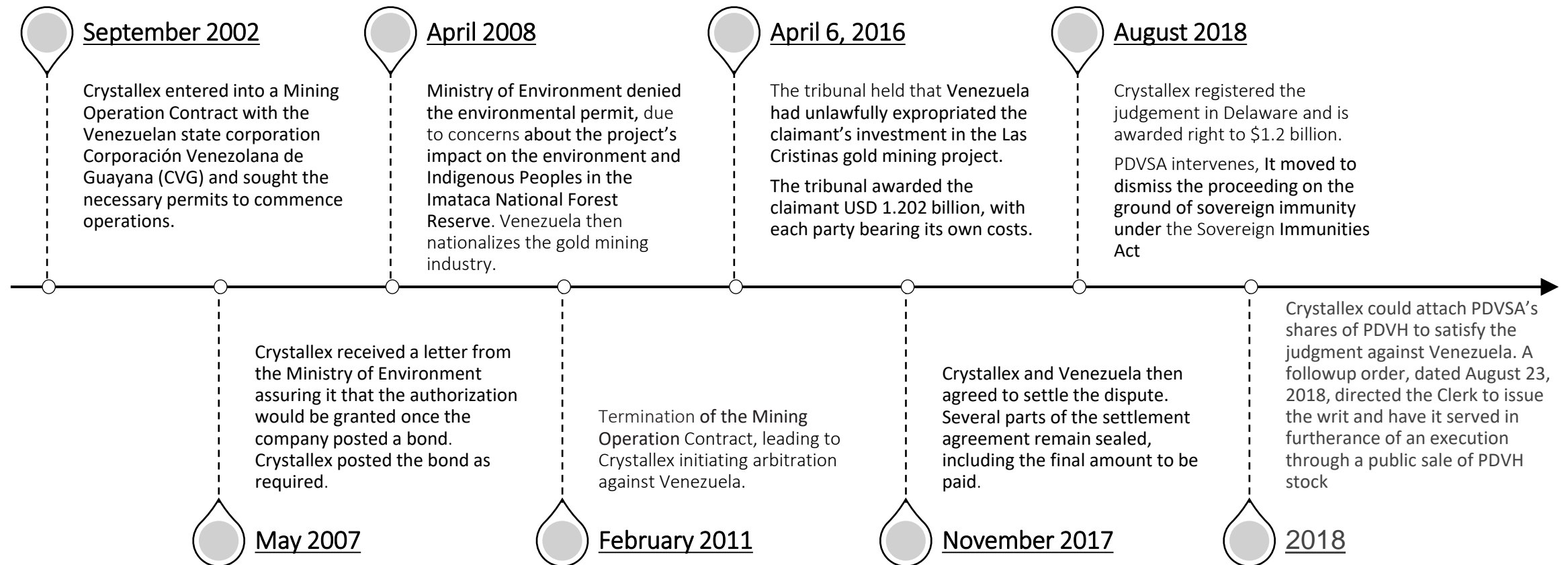
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# Crystallex International Corporation v. Bolivarian Republic of Venezuela



**Case Background:** Crystallex, a Canadian mining company, acquired the rights to exploit the gold deposits contained in the Las Cristinas gold mine, located within the Imataca National Forest Reserve of the Guayana region in Venezuela. The dispute between Crystallex and Venezuela occurred due to the denial to grant Crystallex the key environmental permit (the Natural Resources Permit).



# Continued, Crystallex International Corporation v. Bolivarian Republic of Venezuela

