



GUYANA GOLD BOARD

Annual Report 2012





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LETTER OF THE TRANSMITTAL

March 20, 2014

Honourable Robert M. Persaud, MBA, MP

Minister Natural Resources and the Environment

Ministry of Natural Resources and the Environment

Upper Brickdam,

Georgetown. Guyana.

Honourable Minister of Natural Resources and the Environment,

Your Board of Directors submits to you the Annual Report of the Guyana Gold Board along with the Audited Financial Statement for the year ended December 31, 2012 in accordance with Section 17 of the Guyana Gold Board Act 1981 (Chapter 66:01).

Thank you for your cooperation.

With the Highest Regards on behalf of the Board of Directors,

Gopnauth Bobby Gossai, Jr.

Secretary – Board of Directors



CORPORATE INFORMATION

AUDITORS

Audit Office of Guyana
63 High Street, Kingston
Georgetown, Guyana.

TSD Lall & Co.
77 Brickdam,
Georgetown, Guyana.

LEGAL ADVISORS

Attorney General Chambers
59 Charmichael Street, North Cummingsburg,
Georgetown, Guyana.

REGISTERED OFFICE

68 Upper Brickdam,
Georgetown, Guyana.
P.O.Box 12204
Tel. No.: 225-3173
Fax No. : 225-4963
E-mail : ggb@gol.net.gy

SUB OFFICE

First Avenue, Bartica
Region 7, Guyana.
Tel. No.: 455-0072
Fax No. : 455-0073

BANKERS

Bank of Guyana
1 Avenue of the Republic, Robbstown
Georgetown, Guyana.

Citizen Bank (Guyana) Limited
16 First Avenues, Bartica
Region 7, Guyana.

Republic Bank (Guyana) Limited
(Formerly)National Bank of Industry & Commerce
38 Water Street, Robbstown,
Georgetown, Guyana



GUYANA GOLD BOARD

Establishment (Extracted from Guyana Gold Board Act 1981 Chap. 66:01 Sections 3)

There is hereby established the Guyana Gold Board which shall be a body corporate and the provisions of the First Schedule shall have effect as to the constitution of the Board and otherwise in relation thereto.

Commencement

By Order No. 24 of 1982, the Guyana Gold Board commenced operations on May 15, 1982

Functions (Extracted from Guyana Gold Board Act Chap. 66:01 Sections 4)

It shall be the function of the Board –

- (a.) to carry on the business of trading in gold;
- (b.) to secure at all times an adequate supply of gold and to ensure its equitable distribution in Guyana at fair prices;
- (c.) subject to this Act, to purchase all gold produced in Guyana;
- (d.) subject to this Act, to sell all gold in Guyana and to sell gold outside Guyana;
- (e.) to engage in other commercial or industrial activities.

The Guyana Gold Board has continued to deliver on its mandated functions in 2012.



MINISTER RESPONSIBLE AND BOARD OF DIRECTORS

Minister Responsible:

The Honourable Robert Persaud
Minister Natural Resources and the Environment

Board of Directors:

| | |
|-------------------------------|-------------------------------------|
| Dr. Gobind Ganga | Chairman, Board of Directors |
| Mr. Anantram Balram | General Manager |
| Mr. Bobby Gossai, Jr. | Board Secretary |
| Mr. Nareshwar Harnanan | Legal Advisor |
| Mr. Jeffrey Thomas | Director |
| Mr. Paul Geer | Director |
| Mr. Jacques Foster | Director |
| Mr. Dabria Marcus | Director |
| Ms. Pavita Ramkissoon | Director |
| Ms. Karen Livan | Director |

GENERAL MANAGER'S REPORT

Introduction

Guyana has continued to reach new highs in gold declarations with its vibrant medium and small scale mining outfits in 2012. The Guyana Gold Board continues to fulfill on its legal mandated and to provide a service that is in excess of average expectations. The initiative taken to establish an office in Charity, on the Essequibo Coast, is a simple reflection of the efforts of the Guyana Gold Board to support the mining sector.

While, there are large scales gold mining prospects on the horizon, medium and small scale mining has kept the gold mining industry afloat for 2012. The combined efforts by Guyana Geology and Mines Commission and the Guyana Gold and Diamond Miners Association must be credited along with the guidance of the newly established Ministry of Natural Resources and the Environment must well recognized and noted.

The Government of Guyana has not reneged on its commitment to an evolving mining sector and this is mainly reflective through the Ministry of Finance - Guyana Revenue Authority and the Ministry of Home Affairs with tax waivers and exemption combined with security initiatives.

The Gold Market

The failure of the upward climb for the fourth quarter had dampened expectations heading into the year end. Most concerns were centered on the Quantitative Easing (QE) in the United States and the general poor economic performance in the Eurozone economies over 2012. The market was basically more in a cost trading mode, rather than a value inclined investments.

Gold prices started 2012 at USD1,590.00 and closed the year at USD1,664.00 per troy ounce, testing a low of USD1,537.50 in mid-May and reaching a high of USD1,791.75 in early October; averaging out the year

at USD1,668.98 on the London Daily Fixings. The Egypt and Syria unrest provided a short term catalyst that supported gold prices without the full dictate of the market trading influences.

Declaration and Purchases

The Guyana Gold Board purchased 294,743 of the 438,645 troy ounces declared for 2012, increasing by 6.51%. Declaration by Dealers' increased by 66.09 %, confirming that the Dealers may be competing with the Guyana Gold Board by strategically placing themselves in mining areas and also mining. Government incentives continue to be an integral part in promoting the mining industry; and this is promoting the medium scale miners to expand on their volumes.

Foreign Exchange Generator

In 2012, export earnings from gold were USD716.93 million compared with USD517.07 million in 2011. The Guyana Gold Board was responsible USD486.41 million in foreign exchange returned through the Central Bank; an increase of 47.32 over 2011. Direct exports by the Guyana Gold Board was 314,491 troy ounces at a value of USD484.99 million; exports by license Dealers increased continuously to 140,581 troy ounces at a value of USD231.85 million. These positions were achieved on high prices for most of the year.

Corporate Governance

The Guyana Gold Board Act provides for the subject Minister (Minister of Natural Resources and the Environment) to appoint a Board of Directors to examine and craft policies for the organization. The Board of Directors was appointed and Statutory Meetings were held as prescribed.

There are also two sub committees of the Board of Directors:

- Audit and Finance Sub-Committee that examines monthly financial performance of the organization.

- Technical Sub-Committee that guide and supports management in its technological advancement and upkeep.

The Board of Directors is empowered (by the Act) to co-opt the necessary and relevant specialist in the execution of its mandate.

Outlook for 2013

The general outlook is expectations of a continuation on the 2012 performance save for the volatility experienced towards the late third quarter and the fourth quarter. While, most analyst in the gold market feels that the fundamentals remain intact; it is the belief that the technical posture will test the activities of the short to medium term of the market. Most of the recognized gold traders see gold reaching a high of above USD1,900 with a low of around USD1,525 with a range of USD385 expected and an average of USD1,750 for 2013.

On the side of production, the investments are in place to ensure record levels of production providing that disputes and sufficient mining land availability does not remain a major issue. With the key Agencies responsible for land allocation in Guyana now under the umbrella of the Ministry of Natural Resources and the Environment, there should be more clarity on the direction of gold mining.

Acknowledgements

The newly created Ministry of Natural Resources and the Environment may have met a honeymoon period in the mining sector as the issues of falling prices towards the end of the third and entire fourth quarter did



not help. However, the Guyana Gold Board recognized and is appreciative of the uniformed and coordinated approach, towards policy guidance, that was introduced to the sector.

The constitution of a Board of Directors, with mostly new members, provided for a wider pool of available and tested technical and organizational skills. The direction from the Board of Directors remains sound; and management expresses gratitude for this committed group of individuals that went beyond normal expectations in the deliverance of their obligations.

I would like to express thanks to the hardworking staff and the management team that ensure the continued quality service afforded daily to our clients. The clients and stakeholders remains the reason for our existence; to them we are very grateful.

Thank you.

Anantram Balram

General Manager



CHAIRMAN'S REPORT

The Board continued to function effectively within the Guyana Gold Board Act of 1998 in 2012. In 2012, corporate governance improved significantly at the Guyana Gold Board. There have been more frequent meetings of the Board of Directors with more than one meeting per month. In addition, the various sub-committees – Technical and Audit & Finance – have met regularly in intensified deliberations on the relevant areas of concern. This provided for a stronger institution to continue its objectives for the benefit of all stakeholders. The Board deliberated substantively on a number of areas to inform policies. These include those to strengthen management, security, internal controls; improve staff working environment and compensation, expand and deepen the Guyana Gold Board intermediation function, and more specifically, providing additional licenses to dealers as well as establishing a branch at Charity; and resolve issues relevant to the Guyana Gold & Diamond Miners Association and other customers. The Board received tremendous technical and other support from the Ministry of Natural Resources and Environment (MNRE) in its endeavours, which resulted in its achievement of almost all of its undertaking during the year 2012, including financial independence with an G\$320 million in profit. However, the late fall in prices requires that an inventory impairment be taken into account bringing in a loss position of G\$481 million.

In its intermediation role, the Guyana Gold Board continued to buy and sell gold in a very volatile market. The effects of the global financial crisis which unfolded in 2007 and resulted in a surge in gold demand from investors including central banks, due to the depreciating US dollar and declining interest rates declining remained relevant. The increase in demand and the resultant higher gold price from US\$834 per ounce in 2007 to an average of US\$872 per ounce in 2008 and to US\$972 and US\$1,225 per ounce in 2009 and 2010 respectively, continued in 2011 and 2012. In most of 2011, gold price increased and recorded its



highest level at US\$1895 per ounce in August 2011. However, in September, it declined to US\$1,620 per ounce and closed the year at US\$1,531 per ounce, after much volatility in the last quarter.

In 2012, gold price continued to be quite volatile and intermediation very challenging. This required consistent Board deliberations for viable intermediation. Gold price remained high generally due to the strong demand from investors in response to low interest rates, high inflation expectations, instability of the Euro and economies as well as from depreciation of the US dollar and other fiat currencies. As a consequence, gold prices fluctuated between US\$1,598 per ounce and US\$1,791.75 per ounce during the year, with 133 upward trends ranging from US\$1.0 to US\$77.0 and 113 downward trends ranging from US\$0.50 to US\$56.0 during the year. In January and February 2012, the spot price for gold increased to US\$1,744 per ounce and US\$1,770 per ounce respectively, in response to better world economic outlook. However, in March, gold price fell to US\$1,669 per ounce. During the second quarter of 2012, the average price of gold was US\$1609 per ounce closing the quarter at US\$1,559 per ounce. With the world economic outlook uncertain, demand for gold surged in the third quarter causing gold to rise to US\$1,776 per ounce at end-September 2012. During the last quarter, gold price reached its highest value at US\$1791.75 in October, and then hovered around US\$1,710 per ounce owing to the volatility in the world market. It ended the year at US\$1,664 per ounce.

The continued high gold prices and the Guyana Gold Board's intermediation role have contributed to high economic well-being. There was favourable impact on the declaration and exports of gold. In 2011, gold declaration was 363,083 ounces, 17.7 percent higher than 2010. In 2012, declaration reached 402,462 ounces, 10.8 percent above the 2011 level. Increased output and export prices caused gold export revenues to increase from US\$346.4 million in 2010 to US\$517.1 million in 2011 and to US\$716.9 million at end-2012. The boost in both output and prices caused gold to account for 42 percent of total export revenues in



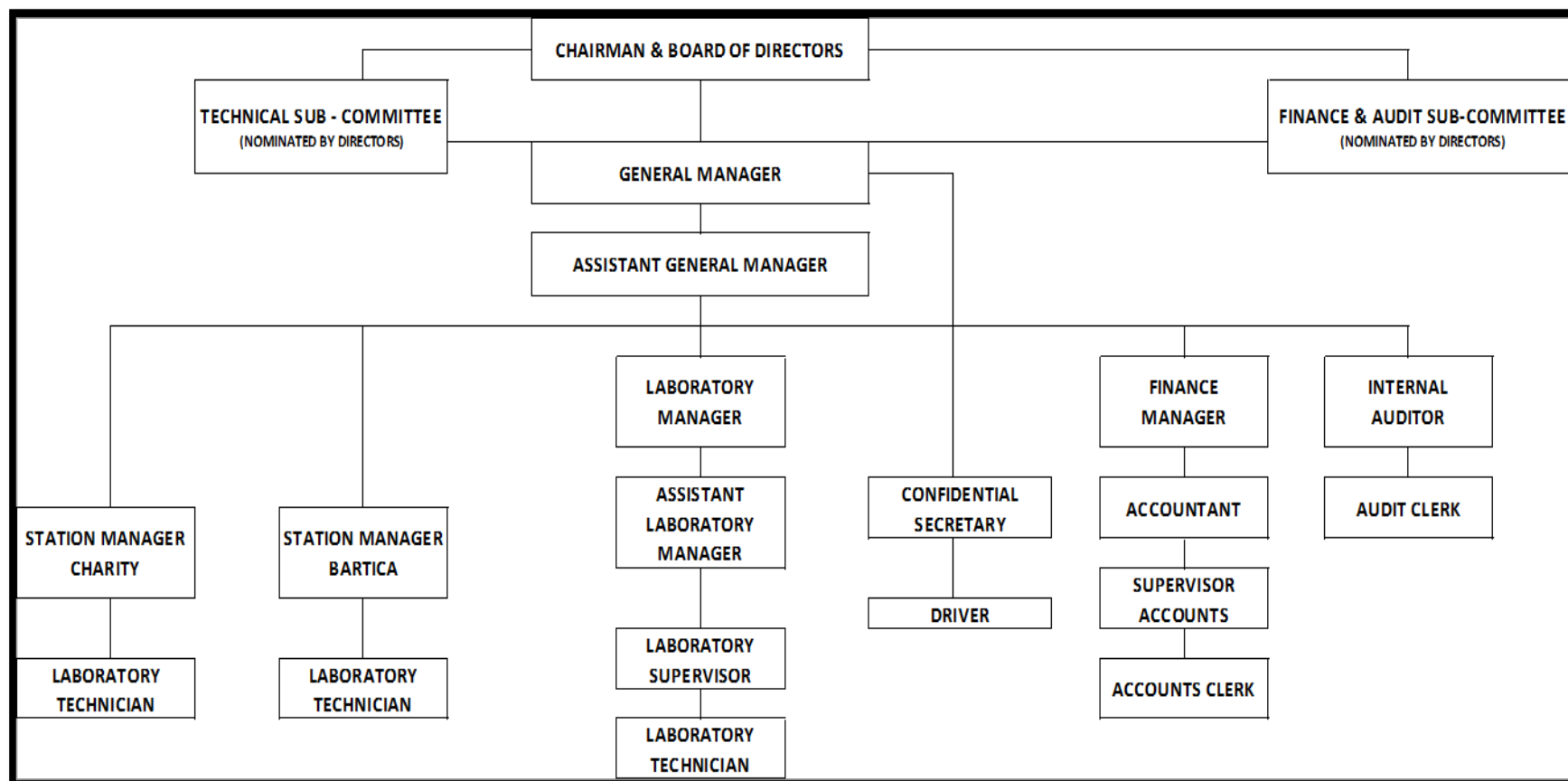
2011 and 51 percent in 2012. Guyana Gold Board intermediated 70.0 percent of gold declaration or US\$486.4 million which were sold to the Bank of Guyana. Licensed Dealers, whose number has increased from seven in 2011 to ten in 2012, intermediated the remaining 30.0 percent or US\$ million. Guyana Gold Board collected US\$ 6.7 billion in royalty and US\$ 2.6 billion in taxes from miners and dealers. The Former was transferred to the Guyana Geology and Mines Commission while the latter was remitted to the Guyana Revenue Authority.

2013 Prospects

In the near term, gold prices are expected to remain high and volatile because factors that have driven gold prices upwards are likely to continue. Given that gold miners are investing in technology to increase production and productivity so as to lower cost, they will continue to be profitable, even if there is a decline in prices. Therefore, gold declaration and exports will continue to expand in 2013. This will continue to provide a positive effect on growth and development of the Guyanese economy. The Guyana Gold Board will continue to facilitate this thrust by intensifying its intermediation role by issuing licenses to qualified dealers, establishing a branch in Port Kaituma and relocate its Bartica office nearby to a more accessible and comfortable facility. The Guyana Gold Board will also engage stakeholders in providing for a payment system that is more safe and efficient. In addition, the Board will seek to support value added in the industry via jewellery and more refinement.



GUYANA GOLD BOARD ORGANISATIONAL CHART





FINANCIAL AND OPERATIONS HIGHLIGHTS

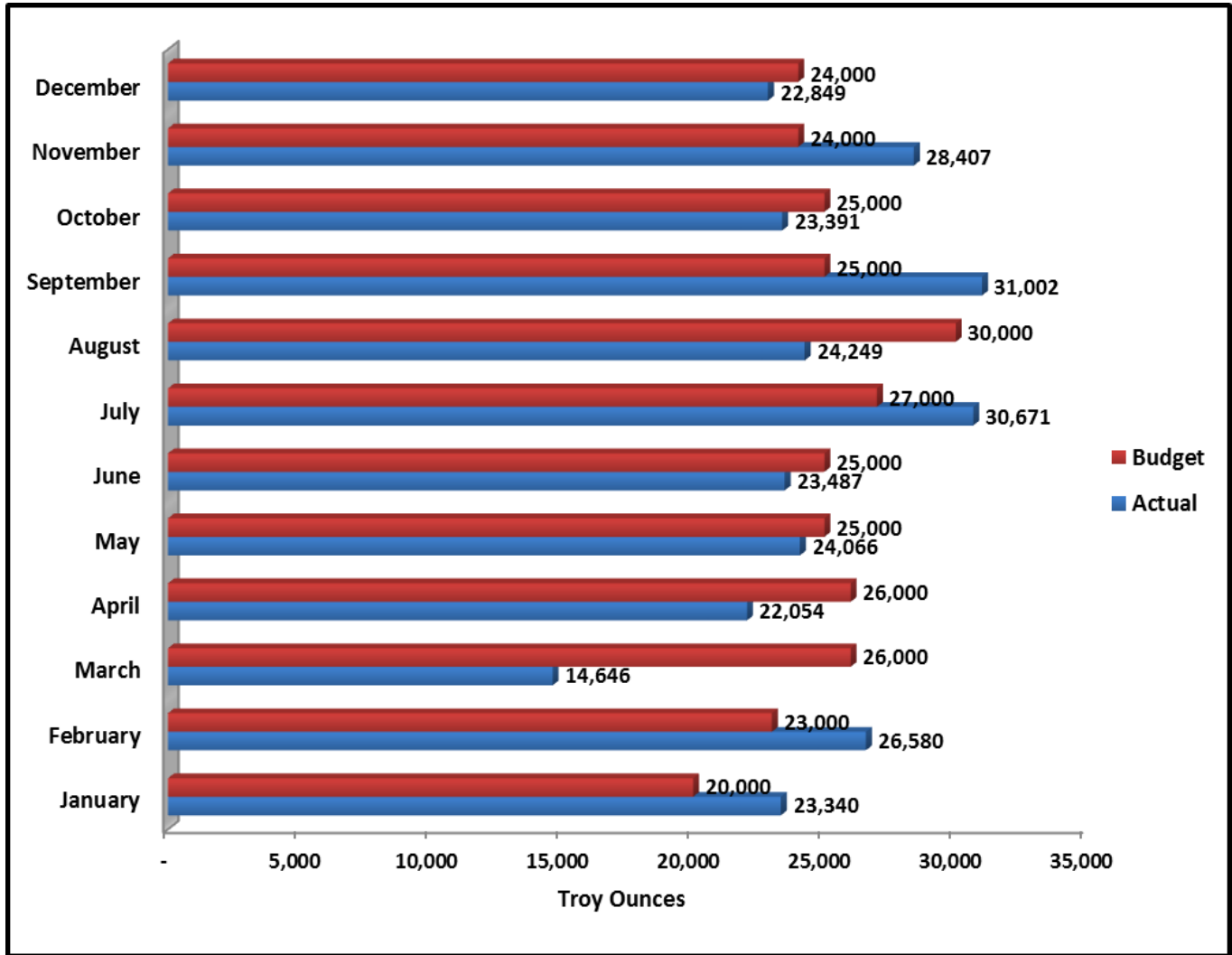
| | 2012 | 2011 | Inc/(Dec.) | % Change |
|--|-----------|-----------|------------|----------|
| Statement of Comprehensive Income | | | | |
| Operating Income | (148.79) | 426.05 | (574.84) | (134.92) |
| Operating Expenditure | 332.51 | 300.47 | 32.04 | 10.66 |
| Statement of Financial Position | | | | |
| Non- Current Assets | 93.21 | 83.74 | 9.47 | 11.30 |
| Total Current assets | 15,985.54 | 21,009.02 | (5,023.48) | (23.91) |
| Total Equity | 1,011.28 | 1,492.59 | (481.30) | (32.25) |
| Total Liabilities | 15,067.46 | 19,600.18 | (4,532.71) | (23.13) |
| (Amount shown G\$M) | | | | |

| PURCHASES ACTUAL VS BUDGET | | |
|-----------------------------------|----------------|----------------|
| (TROY OUNCES) | | |
| Period | Actual | Budget |
| January | 23,340 | 20,000 |
| February | 26,580 | 23,000 |
| March | 14,646 | 26,000 |
| April | 22,054 | 26,000 |
| May | 24,066 | 25,000 |
| June | 23,487 | 25,000 |
| July | 30,671 | 27,000 |
| August | 24,249 | 30,000 |
| September | 31,002 | 25,000 |
| October | 23,391 | 25,000 |
| November | 28,407 | 24,000 |
| December | 22,849 | 24,000 |
| TOTAL | 294,743 | 300,000 |

| PURCHASES 2003-2012 | |
|----------------------------|---------------|
| (TROY OUNCES) | |
| Period | Actual |
| 2003 | 103,438 |
| 2004 | 115,086 |
| 2005 | 161,683 |
| 2006 | 200,241 |
| 2007 | 238,298 |
| 2008 | 257,827 |
| 2009 | 274,129 |
| 2010 | 245,654 |
| 2011 | 276,736 |
| 2012 | 280,782 |

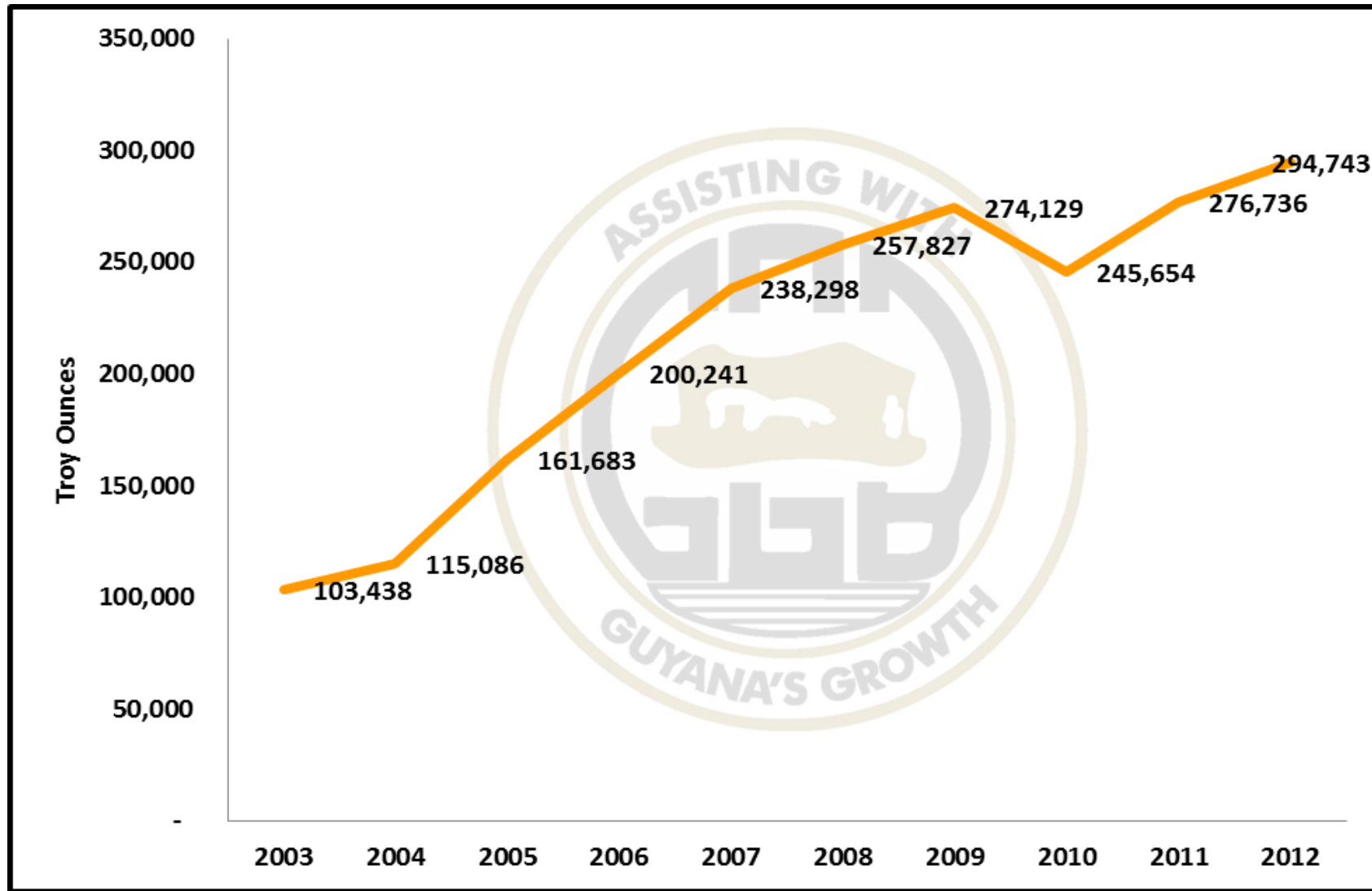


QUANTITY OF GOLD PURCHASED VS BUDGET 2012



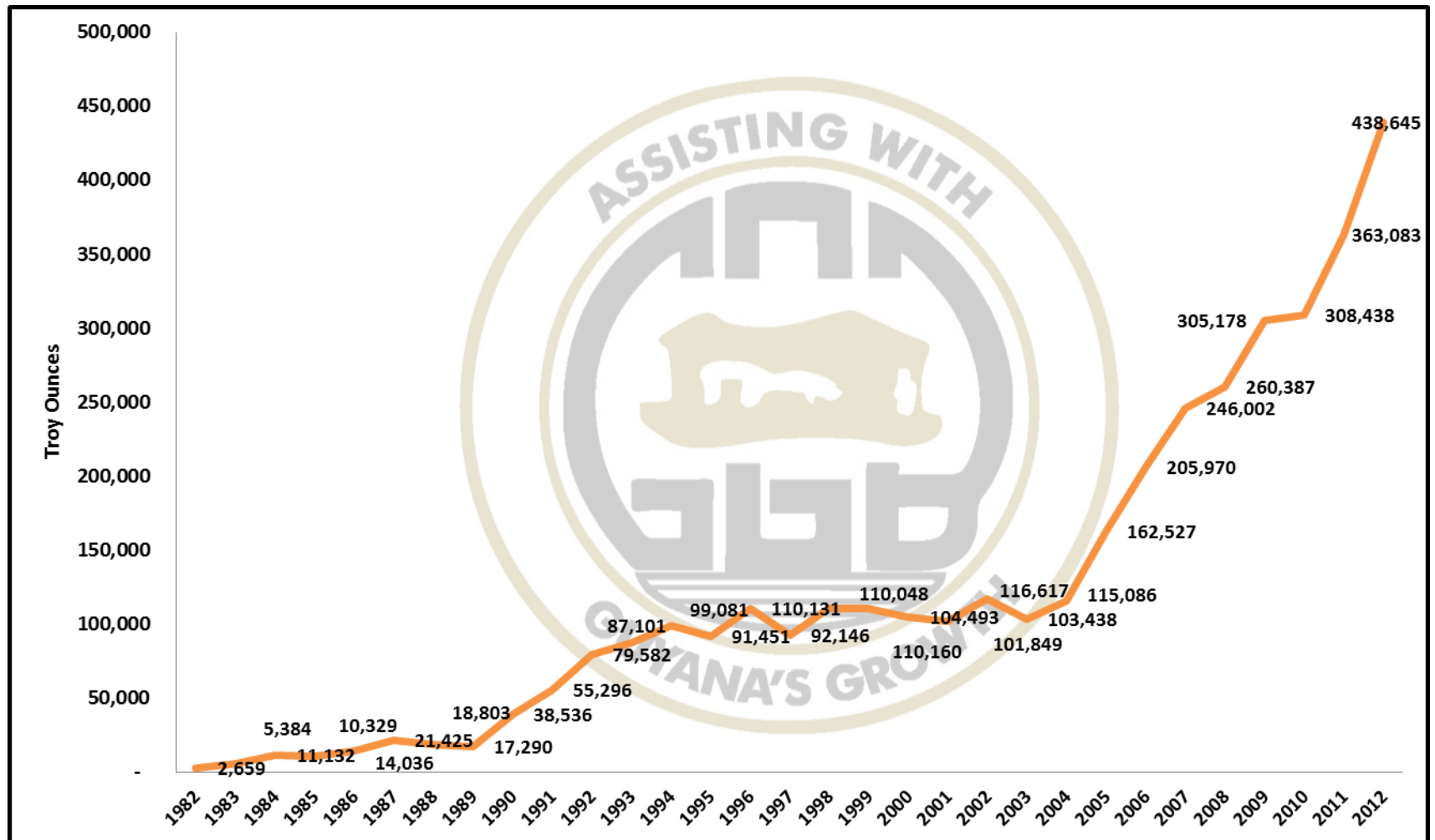


GOLD PURCHASED (2013 - 2012)

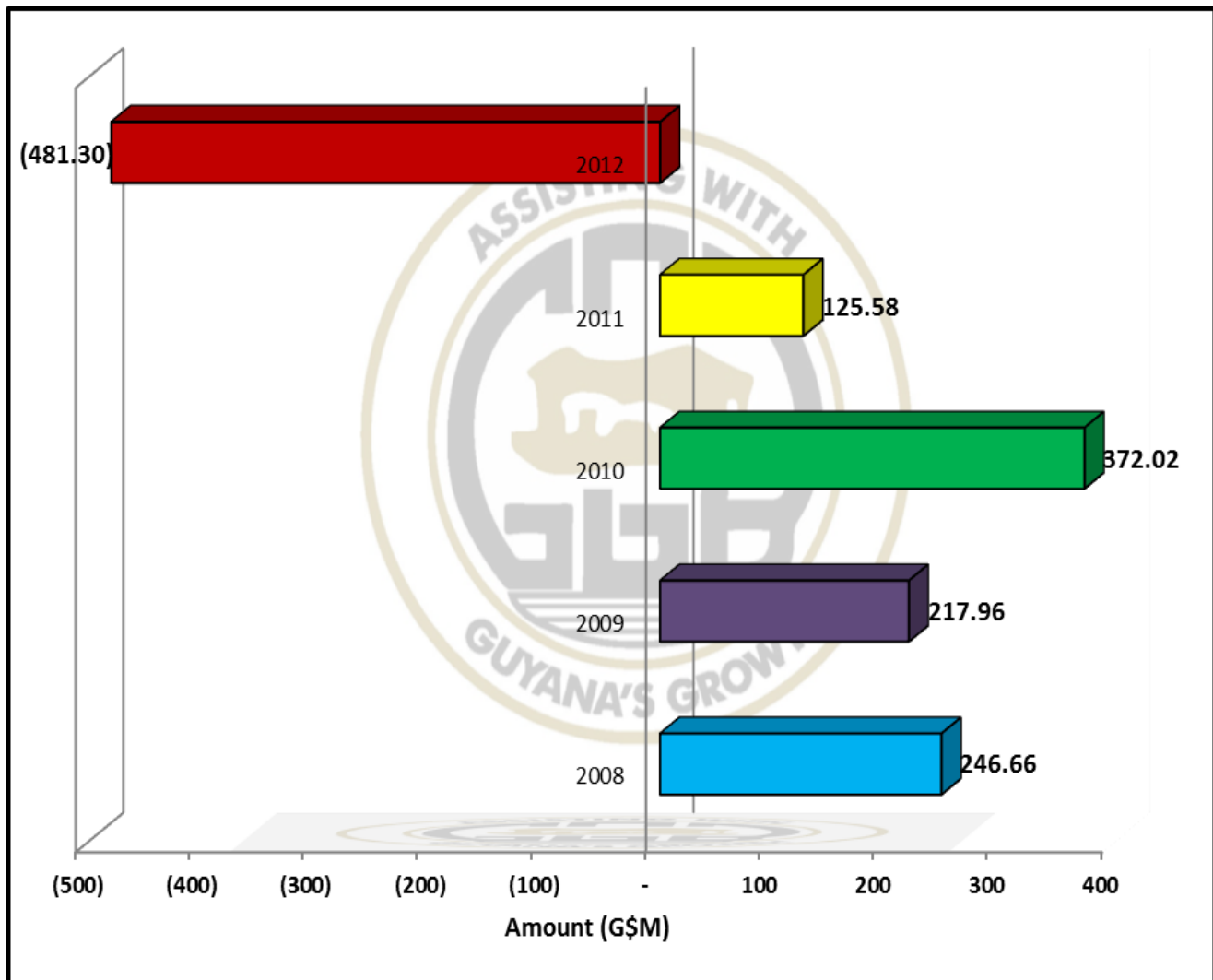




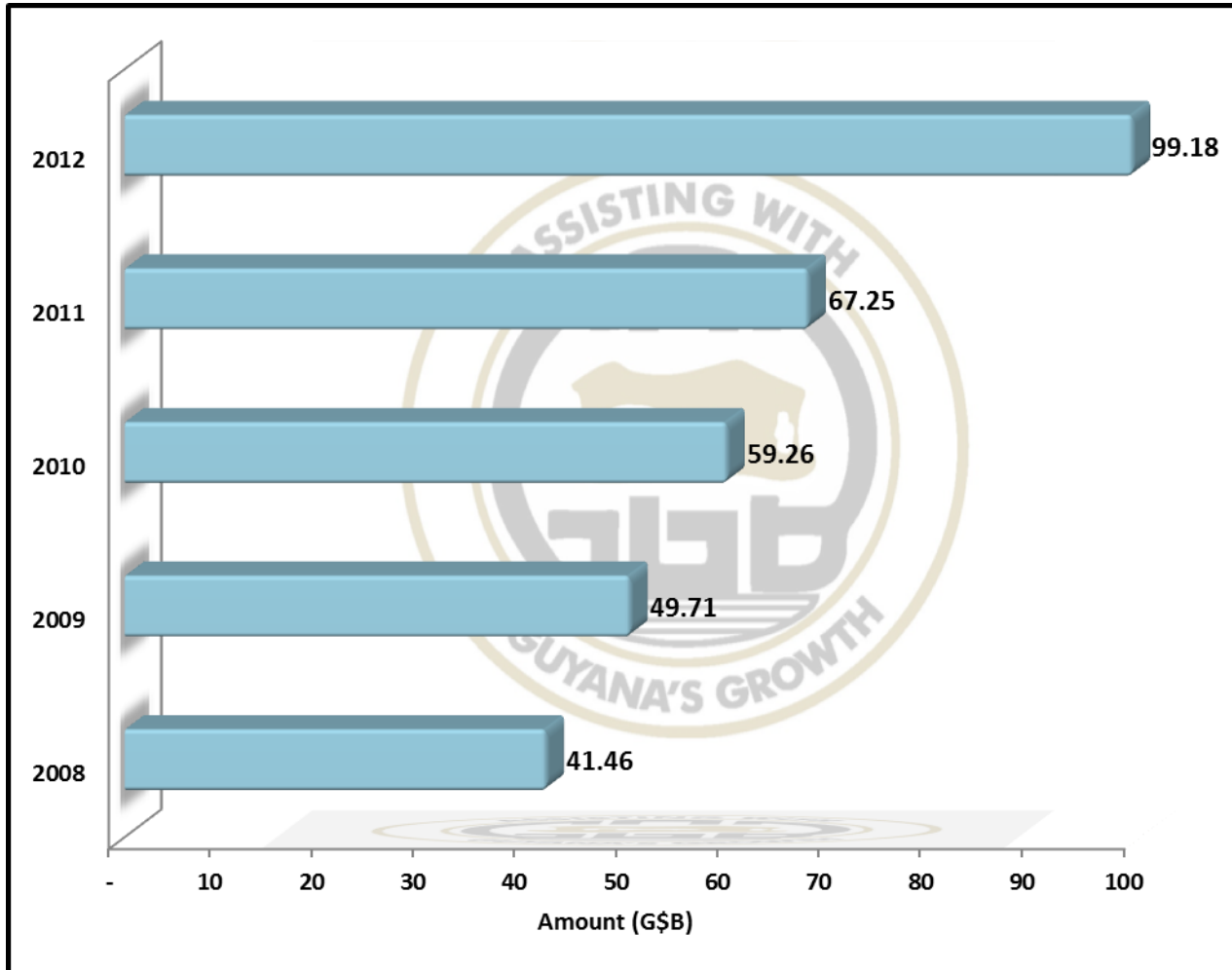
GOLD DECLARATION (1982 - 2012)



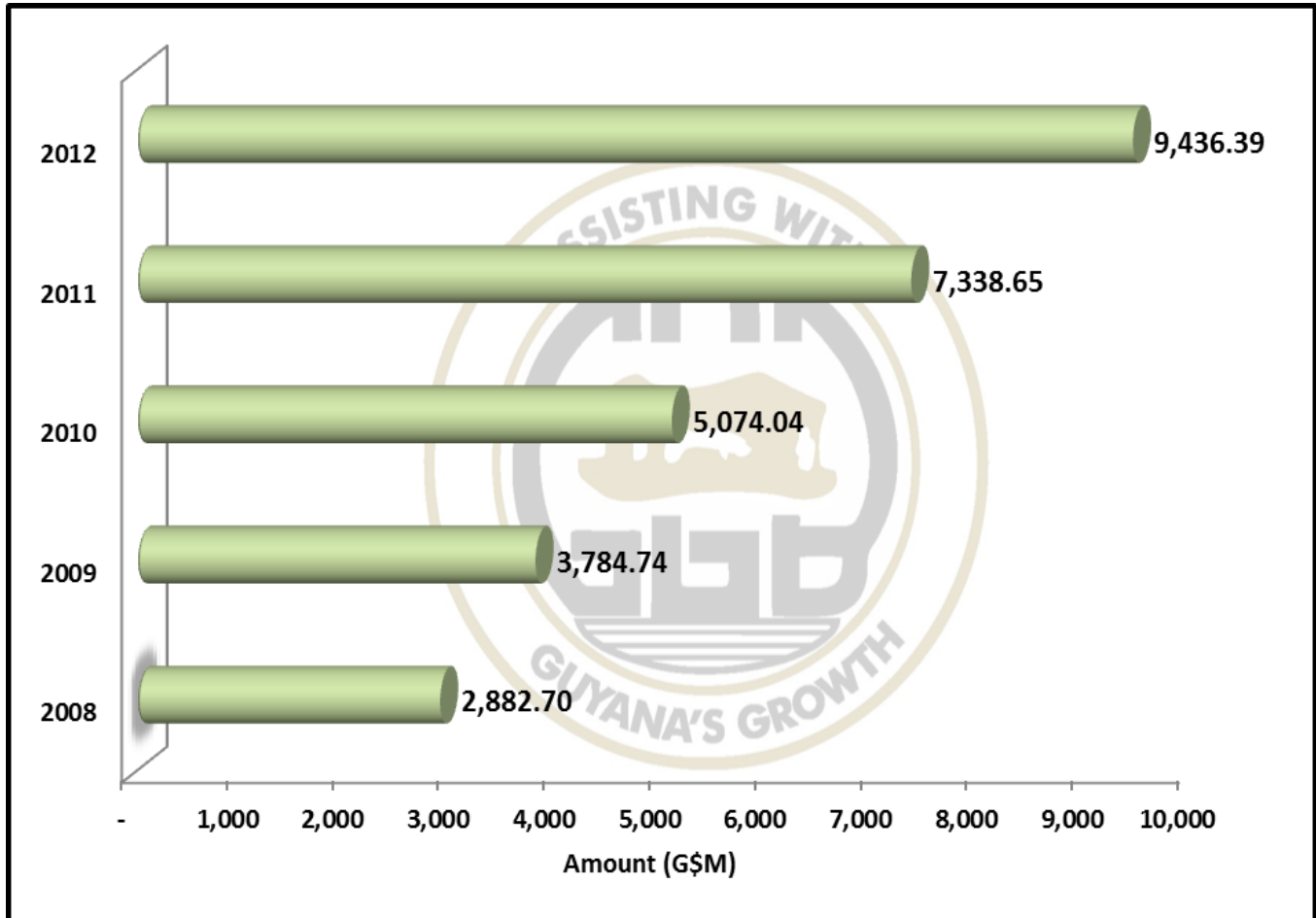
OPERATING SURPLUS (2008 – 2012)



TURNOVER (2018 - 2012)



ROYALTIES AND TAXES COLLECTED (2008 – 2012)





AUDITED FINANCIAL STATEMENTS OF THE **GUYANA GOLD BOARD**



Audit Office of Guyana

P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana

Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>

AG: 131/2013

09 October 2013

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD
OF THE GUYANA GOLD BOARD
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Chartered Accountants TSD Lal and Company have audited on my behalf the financial statements of Guyana Gold Board for the year ended 31 December 2012, as set out on pages 2 to 22. The audit was conducted in accordance with the Audit Act 2004.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC), and those of the International Organization of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, working papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit and had carried out additional examinations, as necessary, in arriving at my opinion.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

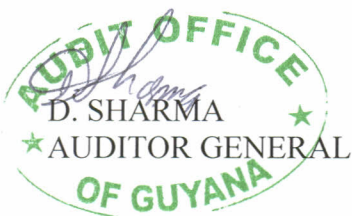
In my opinion, the financial statements give a true and fair view of the financial position of the Guyana Gold Board as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion I draw attention to note 3(i) of the financial statements. Management has represented to me that the Guyana Gold Board is exempt from Corporation and Property taxes. I am unable to ascertain the relevant authority that gives legal effect to this exemption. The Guyana Gold Board has not paid any Corporation or Property taxes since its formation and no provision for such taxes has been made in these financial statements.

Report and Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Guyana Gold Board Act of 1981.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA.

**INDEPENDENT AUDITORS' REPORT
TO THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS
OF THE GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2012**

Report on the Financial Statements

We have audited the accompanying financial statements of Guyana Gold Board which comprise the statement of financial position as at 31 December 2012, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 2 to 22.

Directors'/Management's Responsibility for the Financial Statements

The Directors/ Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Guyana Gold Board as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw attention to note 3(i) of the financial statements. Management has represented to us that the Guyana Gold Board is exempted from Corporation and Property Taxes. We were unable to ascertain the relevant authority that gives legal effect to this exemption. The Guyana Gold Board has not paid any Corporation or Property taxes since its formation and no provision for such taxes has been made in the financial statements.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Guyana Gold Board Act 1981.

TSD LAL & CO.

TSD LAL & CO.

CHARTERED ACCOUNTANTS

(An Independent Correspondent Firm of Deloitte Touche Tohmatsu)

Date: October 03, 2013

77 Brickdam,
Stabroek, Georgetown,
Guyana

GUYANA GOLD BOARD

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

| | <u>Notes</u> | <u>2012</u> G\$ | <u>2011</u> G\$ |
|--------------------------------|--------------|-----------------------------|---------------------------|
| Sales | 5 | 99,183,472,672 | 67,247,009,647 |
| Cost of Sales | 6 | <u>(99,351,714,482)</u> | <u>(66,926,910,926)</u> |
| Gross profit/(loss) | | (168,241,810) | 320,098,721 |
| Other income | 7 | <u>19,450,374</u> | <u>105,950,641</u> |
| Operating income/(loss) | | (148,791,436) | 426,049,362 |
| Administrative expenses | 8 | <u>(332,511,770)</u> | <u>(300,474,259)</u> |
| Net income/(loss) for the year | 9 | <u><u>(481,303,206)</u></u> | <u><u>125,575,103</u></u> |

"The accompanying notes form an integral part of these financial statements"

GUYANA GOLD BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Government <u>contribution</u> G\$ | Accumulated <u>surplus</u> G\$ | <u>Total</u> G\$ |
|-----------------------------|--|--------------------------------------|----------------------|
| Balance at 1 January 2011 | 108,577,100 | 1,258,433,591 | 1,367,010,691 |
| Net income for the year | <u>-</u> | <u>125,575,103</u> | <u>125,575,103</u> |
| Balance at 31 December 2011 | 108,577,100 | 1,384,008,694 | 1,492,585,794 |
| Net loss for the year | <u>-</u> | <u>(481,303,206)</u> | <u>(481,303,206)</u> |
| Balance at 31 December 2012 | <u>108,577,100</u> | <u>902,705,488</u> | <u>1,011,282,588</u> |

"The accompanying notes form an integral part of these financial statements"

GUYANA GOLD BOARD
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

| | <u>Notes</u> | <u>2012</u> G\$ | <u>2011</u> G\$ |
|-------------------------------------|--------------|--------------------|--------------------|
| ASSETS | | | |
| Non Current Asset | | | |
| Plant and equipment | 10 | 93,210,675 | 83,743,717 |
| Current assets | | | |
| Inventories | 11 | 15,579,229,796 | 20,926,936,155 |
| Accounts receivable and prepayments | 12 | 362,035,894 | 37,893,143 |
| Cash on hand and at bank | 13 | 44,270,208 | 44,189,157 |
| | | 15,985,535,898 | 21,009,018,455 |
| TOTAL ASSETS | | 16,078,746,573 | 21,092,762,172 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Government contribution | 14 | 108,577,100 | 108,577,100 |
| Accumulated surplus | | 902,705,488 | 1,384,008,694 |
| | | 1,011,282,588 | 1,492,585,794 |
| Liabilities | | | |
| Advance from Ministry of Finance | 15 | 8,731,630,794 | 6,358,465,727 |
| Accounts payable | 16 | 1,178,642,832 | 733,505,643 |
| Bank overdraft(unsecured) | 17 | 5,157,190,359 | 12,508,205,008 |
| | | 15,067,463,985 | 19,600,176,378 |
| TOTAL EQUITY AND LIABILITIES | | 16,078,746,573 | 21,092,762,172 |

These financial statements were approved by the board of directors on *October 03, 2013*

On behalf of the board:

Director

Director

"The accompanying notes form an integral part of these financial statements"

GUYANA GOLD BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | <u>2012</u> G\$ | <u>2011</u> G\$ |
|--|-------------------------------|--------------------------------|
| Operating activities | | |
| Net (loss)/income for the year | (481,303,206) | 125,575,103 |
| Adjustment for: | | |
| Fixed assets(net) | 24,402 | - |
| Depreciation | <u>16,846,149</u> | <u>5,605,898</u> |
| Operating income/(loss) before working capital changes | (464,432,655) | 131,181,001 |
| Decrease/(Increase) in inventories | 5,347,706,359 | (16,830,029,914) |
| Increase in accounts receivable and prepayments | (324,142,751) | (14,049,450) |
| Increase in advance from Ministry of Finance | 2,373,165,067 | 2,419,601,614 |
| Increase in accounts payable | <u>445,137,189</u> | <u>99,533,412</u> |
| Net cash (used in)/provided by operating activities | <u>7,377,433,209</u> | <u>(14,193,763,337)</u> |
| Investing activities | | |
| Purchase of plant and equipment | <u>(26,337,509)</u> | <u>(6,314,084)</u> |
| Net cash used in investing activities | <u>(26,337,509)</u> | <u>(6,314,084)</u> |
| Increase/(decrease) in cash and cash equivalent | 7,351,095,700 | (14,200,077,421) |
| Cash and cash equivalent at the beginning of the year | <u>(12,464,015,851)</u> | <u>1,736,061,570</u> |
| Cash and cash equivalent at the end of the year | <u><u>(5,112,920,151)</u></u> | <u><u>(12,464,015,851)</u></u> |
| Cash and cash equivalent comprise of: | | |
| Cash on hand and at bank | 44,270,208 | 44,189,157 |
| Bank overdraft | <u>(5,157,190,359)</u> | <u>(12,508,205,008)</u> |
| | <u><u>(5,112,920,151)</u></u> | <u><u>(12,464,015,851)</u></u> |

"The accompanying notes form an integral part of these financial statements"

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

1 Incorporation and activities

The Guyana Gold Board was formed under the Act of Parliament which is referred to as the Guyana Gold Board Act 1981. Its principal activities as defined in section 4 are as follows:-

- (a) To carry on the business of trading in gold ;
- (b) To secure at all times an adequate supply of gold and to ensure its equitable distribution in Guyana at fair prices;
- (c) To purchase all gold produced in Guyana;
- (d) To sell all gold in and out of Guyana;
- (e) To engage in other related commercial or industrial activities.

Under regulation 4 of 1997 made under the Guyana Gold Board Act 1981, the Board may issue an authorization to possess, sell or export gold produced in Guyana. The gold held by dealers can either be exported or sold to the Board directly. At 31 December 2012-Ten (10) - 2011-seven (7) such dealers were licensed.

The Guyana Gold Board entered into an agency agreement with Mitsui & Co Precious Metals Inc on 8 July 2002 for the sale of its gold overseas. Under this arrangement the agent informs the Board of offer price. The Board then considers the price offer and advises the agent (Mitsui & Co Precious Metals Inc) whether to sell. Mitsui and Co Precious Metals Inc does not earn any commission from the Board on sale of gold .

2 New and revised standards and interpretations

Effective for the current year end

New and Amended Standards

| | Effective for annual periods beginning on or after |
|---|---|
| IFRS 1 Removal of Fixed Dates for First-time Adopters | 1 July 2011 |
| IFRS 1 Severe Hyperinflation | 1 July 2011 |
| IFRS 7 Enhanced Derecognition Disclosure Requirements | 1 July 2011 |
| IAS 12 Amendments to IAS 12 – Income Taxes | 1 January 2012 |

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations-cont'd

Available for early adoption for the current year end

**Effective for annual
periods beginning
on or after**

New and Amended Standards-cont'd

| | |
|--|----------------|
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2015 |
| IFRS 9 Additions for Financial Liability Accounting | 1 January 2015 |
| IFRS 10 Consolidated Financial Statements | 1 January 2013 |
| IFRS 11 Joint Arrangements | 1 January 2013 |
| IFRS 12 Disclosure of Interests in Other Entities | 1 January 2013 |
| IAS 27(2011) Separate Financial Statements | 1 January 2013 |
| IAS 28(2011) Investments in Associates and Joint Ventures | 1 January 2013 |
| IFRS 13 Fair Value Measurement | 1 January 2013 |
| IAS 1(2011) Amendments to IAS 1 – Presentation of Other Comprehensive Income | 1 July 2012 |
| IAS 19 Amendments to IAS 19 – Employee Benefits | 1 January 2013 |
| IFRS 7 Financial Instruments - Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| IAS 32 Financial Instruments - Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| IFRS 1 First-time Adoption of International Financial Reporting Standards (Government loans) | 1 January 2013 |
| IFRS 1 Amendments as part of improvements to IFRSs 2011 | 1 January 2013 |
| IAS 1 Amendments as part of improvements to IFRSs 2011 | 1 January 2013 |
| IAS 16 Amendments as part of improvements to IFRSs 2011 | 1 January 2013 |
| IAS 32 Amendments as part of improvements to IFRSs 2011 | 1 January 2013 |
| IAS 34 Amendments as part of improvements to IFRSs 2011 | 1 January 2013 |
| IFRS 10 Consolidated Financial Statements (Transitional arrangements) | 1 January 2013 |
| IFRS 11 Joint Arrangements (Transitional arrangements) | 1 January 2013 |
| IFRS 12 Disclosure of Interests in Other Entities (Transitional arrangements) | 1 January 2013 |
| IFRS 10 Consolidated Financial Statements (Exemptions) | 1 January 2014 |
| IFRS 12 Disclosure of Interests in Other Entities (Exemptions) | 1 January 2014 |
| IAS 27 Separate Financial Statements (Exemptions) | 1 January 2014 |

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

- 2 New and revised standards and interpretations-cont'd
Available for early adoption for the current year end-cont'd
New interpretation

**Effective for annual
periods beginning
on or after**

IFRIC 20 Stripping Costs in the Production Phase of a
Surface Mine

1 January 2013

The Board has not opted for early adoption.

The standards and amendments that are expected to have a material impact on the Board's accounting policies when adopted are explained below.

IFRS 9

IFRS 9 was issued in November 2009 and was initially required to be applied from 1 January 2013. However, new requirements were added in November 2010 and the revised date for adoption is now 1 January 2015. This standard specifies how an entity should classify and measure its financial assets.

The application of IFRS 9 may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. When adopted, the standard will be applied retrospectively in accordance with IAS 8

IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

When adopted, the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

IAS 1

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories

The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations-cont'd

IAS 32

Amends the disclosure requirements in IFRS 7 Financial Instruments, to require information about all recognised financial instruments that are set off.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments as part of Annual improvements to IFRSs

IFRS 1 — Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets

IAS 1 — Clarification of the requirements for comparative information

IAS 16 — Classification of servicing equipment

IAS 32 — Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes

IAS 34 — Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments.

The directors do not anticipate that the amendments will have a significant effect on the Board's financial statements.

IFRIC 20

The directors anticipate that IFRIC 20 will have no effect on the Board's financial statements as the Board does not engage in such activities.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified for revaluation of fixed assets and the accounting policies conform with International Financial Reporting Standards.

(b) Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than work in progress, over their estimated useful lives using the straight line method as follows:

| | |
|---|---------|
| Furniture, fixtures and fittings | -10% |
| Office Equipment | -12.50% |
| Motor Vehicles | -25% |
| Laboratory and smelting room renovation | -25% |
| Computer software | -25% |

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(c) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises of the weighted average method of valuation. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in the marketing, selling and distribution.

(d) Foreign currency transactions

Transactions in currencies other than Guyana dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognized directly in equity.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies- cont'd

(e) Revenue and expense recognition

Local Sales

The Board recognizes revenue from local sales when the customer takes possession of the gold. Prices are fixed according to the London Daily Fix at the time of the sale. Local sales are made directly to Goldsmiths.

Foreign Sales

The Board recognizes revenue when Bank of Guyana acknowledges receipt from Mitsui & Co Precious Metals Inc. Smelted gold is sent to Royal Canadian Mint where it is refined and then marketed through its agent-Mitsui & Co Precious Metals Inc. The agent makes payment on sales contract when gold has been transferred to the agent's account.

Sale of refined gold is marketed as follows:-

- (i) Spot transactions
- (ii) Forward transactions
- (iii) Option transactions

There were no forward nor option contracts entered into by the Board during the year.

Expenses

Expenses are recognised on an accrual basis.

(f) Impairment of tangible assets

At each reporting date, the Board reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies -cont'd

(g) Provisions

Provisions are recognised when the Board has a present obligation (legal or constructive) as a result of a past event, it is probable that the Board will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(h) Financial instruments

Financial assets and liabilities are recognized on the Board's statement of financial position when the Board becomes a party to the contractual provisions of the instruments.

Accounts receivable and prepayments

Accounts receivable and prepayments are measured at amortised cost.

Accounts payable

Accounts payable are recognized at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investments or other purposes. These are readily convertible to a known amount of cash, with maturity dates of three (3) months or less.

(i) Taxation

The Guyana Gold Board is exempt from Corporation and Property Taxes

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies- cont'd

(j) Purchases

Purchases of gold are made based on the London daily fix per ounce of gold quoted in United States dollar(US\$). The payment for gold purchased is based on an assumed purity with a payout factor of the average historical result from assaying. An initial payment is made after a deduction of G\$4.25 per ounce from the average US\$:G\$ exchange rates obtained from six commercial banks. Payment made on the payout factor is adjusted when actual assaying results are determined. For results higher than the payout factor, the Board pays the miners an additional amount. For results lower than the payout factor, the miners reimburse the Board with the difference from future transactions.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Board's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statements:

i) Accounts receivable and prepayments

On a regular basis, management reviews accounts receivable and prepayments to assess impairment. Based on information available as to the likely impairment in cash flows, decisions are taken in determining appropriate provisions to be made for impairment.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting judgements and key sources of estimation uncertainty-cont'd Key sources of estimation uncertainty-cont'd

ii) Useful lives of plant and equipment

Management reviews the estimated useful lives of plant and equipment at the end of each year to determine whether the useful lives of plant and equipment should remain the same.

iii) Impairment of financial assets

Management makes judgement at each reporting date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

| | <u>2012</u> | <u>2011</u> |
|--|------------------------|-----------------------|
| | G\$ | G\$ |
| 5 Sales | | |
| Local sales | 72,120,504 | 26,854,833 |
| Foreign sales | 99,111,352,168 | 67,220,154,814 |
| | <u>99,183,472,672</u> | <u>67,247,009,647</u> |
| 6 Cost of sales | | |
| Inventory at 1 January | 20,926,936,155 | 4,096,906,241 |
| Purchases | 93,887,193,846 | 83,636,896,656 |
| Shipping and refining cost | 116,814,277 | 120,044,184 |
| | <u>114,930,944,278</u> | <u>87,853,847,081</u> |
| Inventory at 31 December | (15,579,229,796) | (20,926,936,155) |
| | <u>99,351,714,482</u> | <u>66,926,910,926</u> |
| 7 Other income | | |
| Silver sales(a) | - | 101,053,117 |
| Lease income | 5,745,791 | 2,578,256 |
| Miscellaneous income | 3,704,583 | 919,268 |
| Exporter's licence fee(Dealers) | 10,000,000 | 1,400,000 |
| | <u>19,450,374</u> | <u>105,950,641</u> |
| (a) No sales were made for the current year since the Guyana Gold Board expected market price would reach US\$40 per ounce. The price did not reach this figure. | | |
| 8 Administrative expenses | <u>2012</u> | <u>2011</u> |
| | G\$ | G\$ |
| Insurance | 16,134,920 | 10,921,097 |
| Employment cost | 67,955,203 | 57,791,308 |
| Depreciation | 16,846,149 | 5,605,898 |
| Auditors' remuneration | 2,500,818 | 2,053,660 |
| Security | 28,931,549 | 27,389,070 |
| Motor vehicle | 1,977,858 | 1,252,202 |
| Sample tests | 15,685,000 | 18,222,530 |
| Legal fees | 597,400 | 17,400 |
| Stationery and supplies | 2,539,377 | 1,715,389 |
| Others | 15,859,892 | 12,716,051 |
| Silver payments | 90,278,170 | 60,990,004 |
| Gold burning | 7,108,713 | 11,908,289 |
| Office maintenance | 434,813 | 412,711 |
| Meal allowances | 821,199 | 515,327 |
| Staff welfare and training | 1,863,719 | 1,034,164 |
| Telephone, internet and telex | 1,382,872 | 1,498,629 |
| Gifts, donations and hospitality | 5,451,642 | 1,443,476 |
| Stamp expenses | 24,624,251 | 78,012,782 |
| Advertisement | 1,520,474 | 575,821 |
| Repairs to equipment and furniture | 2,171,193 | 1,215,295 |
| Books and publications | 1,513,760 | - |
| Bank charges | 480,061 | 1,129,156 |
| Entertainment-Others | 668,853 | - |
| Medical expenses | 714,000 | 2,057,000 |
| Admin Exp-NRE | 15,441,870 | - |
| Repairs & Maintenance-Office | 4,820,814 | - |
| Directors' fees | 4,187,200 | 1,997,000 |
| | <u>332,511,770</u> | <u>300,474,259</u> |

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

| | | | | | | | | | |
|----|---------------------------------|--|-----------------------------|---------------------------|-----------------|------------------------------|------------------------------------|-----------------------------|--------------------|
| | | | | | | <u>2012</u> G\$ | <u>2011</u> G\$ | | |
| 9 | Net income/(loss) for the year | | | | | <u>(481,303,206)</u> | <u>125,575,103</u> | | |
| | After charging: | | | | | | | | |
| | Depreciation | | | | | 16,846,149 | 5,605,898 | | |
| | Directors fees(see note 18) | | | | | 4,187,200 | 1,997,000 | | |
| | Auditors' remuneration | | | | | <u>2,500,818</u> | <u>2,053,660</u> | | |
| 10 | Plant and equipment | | | | | | | | |
| | Cost/valuation | Furniture,fixtures & fittings | Office equipment | Motor vehicles | Firearms | Computer software | Lab & smelting room | Work in progress | Total |
| | | G\$ | G\$ | G\$ | G\$ | G\$ | G\$ | G\$ | G\$ |
| | At 1 January 2012 | 8,322,819 | 43,711,079 | 19,684,410 | 489,016 | 3,570,895 | 13,057,971 | 65,096,255 | 153,932,445 |
| | Additions | 1,016,856 | 1,443,158 | 13,650,000 | - | - | 1,110,620 | 9,116,875 | 26,337,509 |
| | Transfers | - | - | - | - | - | 66,473,395 | (66,473,395) | - |
| | Adjustment | - | 24,402 | - | - | (148,000) | - | - | (123,598) |
| | At 31 December 2012 | <u>9,339,675</u> | <u>45,178,639</u> | <u>33,334,410</u> | <u>489,016</u> | <u>3,422,895</u> | <u>80,641,986</u> | <u>7,739,735</u> | <u>180,146,356</u> |
| | Represented by | | | | | | | | |
| | Cost | 9,339,675 | 44,713,639 | 31,654,410 | 489,016 | 3,422,895 | 80,641,986 | 7,739,735 | 178,001,356 |
| | Valuation | - | 465,000 | 1,680,000 | - | - | - | - | 2,145,000 |
| | | <u>9,339,675</u> | <u>45,178,639</u> | <u>33,334,410</u> | <u>489,016</u> | <u>3,422,895</u> | <u>80,641,986</u> | <u>7,739,735</u> | <u>180,146,356</u> |
| | Accumulated depreciation | | | | | | | | |
| | At 1 January 2012 | 4,871,122 | 35,071,628 | 13,884,410 | 489,016 | 3,570,895 | 12,301,657 | - | 70,188,728 |
| | Charge for the year | 514,431 | 2,061,027 | 5,255,208 | - | - | 9,015,483 | - | 16,846,149 |
| | Adjustment | - | - | - | - | - | (99,196) | - | (99,196) |
| | At 31 December 2012 | <u>5,385,553</u> | <u>37,132,655</u> | <u>19,139,618</u> | <u>489,016</u> | <u>3,570,895</u> | <u>21,217,944</u> | <u>-</u> | <u>86,935,681</u> |
| | Net book values | | | | | | | | |
| | At 31 December 2012 | <u>3,954,122</u> | <u>8,045,984</u> | <u>14,194,792</u> | <u>-</u> | <u>(148,000)</u> | <u>59,424,042</u> | <u>7,739,735</u> | <u>93,210,675</u> |
| | At 31 December 2011 | <u>3,451,697</u> | <u>8,639,451</u> | <u>5,800,000</u> | <u>-</u> | <u>-</u> | <u>756,314</u> | <u>65,096,255</u> | <u>83,743,717</u> |

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|-----------------------|
| | G\$ | G\$ |
| 11 Inventories | | |
| <u>Gold</u> | | |
| Laboratory | 233,579,392 | 309,657,649 |
| Bank of Guyana | 1,940,683,386 | 8,318,987,717 |
| Royal Canadian Mint | 9,029,085,703 | 12,225,035,087 |
| Guyana Geology and Mines Commission | 10,585,431 | 10,782,477 |
| Mitsui & Co Precious Metals Inc.(a) | 4,849,985,583 | 24,050,580 |
| Gold available for sale | 47,214,487 | 35,779,309 |
| Bartica | 138,403,839 | 2,643,336 |
| Citizen's Bank-Charity | 3,889,546 | - |
| | <u>16,253,427,367</u> | <u>20,926,936,155</u> |
| Write down of inventory(b) | (801,827,104) | - |
| | <u>15,451,600,263</u> | <u>20,926,936,155</u> |
| <u>Silver</u> | | |
| Royal Canadian Mint | 127,629,533 | - |
| | <u>15,579,229,796</u> | <u>20,926,936,155</u> |
| (a) Under the agency arrangement between the Guyana Gold Board and Mitsui & Co Precious Metals Inc., the Board may effect certain sales contract for gold without gold being transferred to the agent's account. Mitsui & Co Precious Metals Inc would normally hold stock balance of 2,000 troy ounces of gold as security deposits for such transactions, which will be available upon settlement of outstanding sales contracts. | | |
| (b) Write down of inventory represents difference in valuation between market prices per ounce of Gold and average price per ounce of Gold. | | |
| (c) The cost of inventory recognised as expenses during the year amounted to G\$99,351,714,482 (2011-G\$66,926,910,926). | | |
| (d) There was no write off of inventories during the year. | | |
| (e) All inventories are expected to be recovered within 12 months. | | |
| 12 Accounts receivable and prepayments | | |
| | <u>2012</u> | <u>2011</u> |
| | G\$ | G\$ |
| Trade debtors | 361,179,316 | 28,878,774 |
| Prepayments | 856,578 | 9,014,369 |
| | <u>362,035,894</u> | <u>37,893,143</u> |
| 13 Cash on hand and at bank | | |
| Republic Bank (Guyana) Limited | 17,896,772 | 19,080,615 |
| Citizen's Bank Guyana Limited | 19,328,890 | 19,438,210 |
| Bank of Guyana-US\$ account | 688,989 | - |
| Petty Cash-Head Office | 6,305,557 | 5,620,332 |
| Petty Cash-Bartica | 50,000 | 50,000 |
| | <u>44,270,208</u> | <u>44,189,157</u> |
| 14 Government contribution | <u>108,577,100</u> | <u>108,577,100</u> |
| 15 Advances from Ministry of Finance | <u>8,731,630,794</u> | <u>6,358,465,727</u> |
| The Guyana Gold Board receives advances from Ministry of Finance which are used to purchase gold and finance operational expenditures. Revenue from sale of gold overseas is used to repay this advance. The balance remaining in this account represents advances not yet reimbursed. | | |
| 16 Accounts payable | | |
| | <u>2012</u> | <u>2011</u> |
| | G\$ | G\$ |
| Trade creditors | 102,416,758 | 68,940,350 |
| Gold dealers' tax payable | 312,620,642 | 187,843,231 |
| Gold dealers' royalties payable | 669,134,610 | 369,976,998 |
| Accruals | 18,187,300 | 22,103,500 |
| Others | 76,283,522 | 84,641,564 |
| | <u>1,178,642,832</u> | <u>733,505,643</u> |

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

| | | |
|-------------------------------------|----------------------|-----------------------|
| 17 Bank overdraft | <u>2012</u> | <u>2011</u> |
| | G\$ | G\$ |
| Bank of Guyana-disbursement account | 5,153,870,672 | 12,502,025,670 |
| Republic Bank-current account | 3,319,687 | 6,179,338 |
| | <u>5,157,190,359</u> | <u>12,508,205,008</u> |

The Guyana Gold Board does not have an overdraft facility with either Republic Bank Limited or the Bank of Guyana. Funds are deposited to the Disbursement Account and transferred via standing orders to the General Account. The balances shown above are due to timing differences that arose from unrepresented cheques drawn that have not yet been issued or presented.

18 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

The Board considers the directors and key management personnel as related parties

| | | |
|---------------------------------------|------------------|------------------|
| | <u>2012</u> | <u>2011</u> |
| | G\$ | G\$ |
| Directors' fees paid during the year: | | |
| Gobind Ganga | 633,200 | - |
| Bobby Gossai | 712,000 | - |
| Jacques Foster | 428,000 | - |
| Nareshwar Harnanan | 378,000 | 305,000 |
| Jeffrey Thomas | 520,000 | 400,000 |
| William Woolford | - | 10,000 |
| Paul Geer | 428,000 | - |
| Sonya Roopnauth | - | 392,000 |
| Marcus Debria | 330,000 | 380,000 |
| Pavita Ramkisson | 438,000 | 300,000 |
| Lisaveta Ramotar | - | 60,000 |
| Karen Livan | 320,000 | 150,000 |
| | <u>4,187,200</u> | <u>1,997,000</u> |

Key management personnel comprised of the General Manager(ag), the Finance Manager, the Station Manager-Bartica, the Internal Auditor and the Head of Laboratory. During the year remunerations paid to these individuals amounted to G\$23,728,039 (2011-G\$22,738,002)

Mr Marcus Dabria, director of the Guyana Gold Board is also a director of the Guyana Gold and Diamond Miners Association(GGDMA). During the year total gold sold by Mr Marcus Dabria to the Guyana Gold Board amounted to G\$44,242,008(2011-G\$75,684,427). The prices for these gold purchased from him are the same as that paid to non-related clients.

19 Financial risk management

Financial risk management objectives

The Board's management monitors and manages the financial risks relating to the operations of the Board through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), liquidity risk and credit risk .

The Board seeks to minimise the effects of these risks by the use of techniques that are governed by management's policies on foreign exchange risk, interest rate risk and credit risk which are approved by the board of directors.

The Board's management reports at statutory meetings to the Board of Directors on matters relating to risk and management of risk

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management -cont'd

(a) Market risk

The Board's activities expose it to the financial risks of changes in foreign currency exchange rates. The Board uses interest rate sensitivity to financial instruments to manage its exposure to foreign currency risk. There has been no change in the Board's exposure to market risks or the manner in which it manages these risks.

(i) Interest rate risk

The Board is exposed to various risks that are associated with the effects of variations in interest rates. This impacts directly on its cash flows.

| | Average interest rate % | Maturing 2012 | | |
|-------------------------------------|----------------------------------|-------------------------|--------------------------------|----------------|
| | | Within 1 year G\$ | Non-interest bearing G\$ | Total G\$ |
| Assets | | | | |
| Accounts receivable and prepayments | - | - | 362,035,894 | 362,035,894 |
| Cash on hand and at bank | - | - | 44,270,208 | 44,270,208 |
| | | - | 406,306,102 | 406,306,102 |
| Liabilities | | | | |
| Bank overdraft | 18.25 | 5,157,190,359 | - | 5,157,190,359 |
| Advance from Ministry of Finance | - | - | 8,731,630,794 | 8,731,630,794 |
| Accounts payable | - | - | 1,178,642,832 | 1,178,642,832 |
| | | 5,157,190,359 | 9,910,273,626 | 15,067,463,985 |
| Interest sensitivity gap | | (5,157,190,359) | | |

| | Average interest rate % | Maturing 2011 | | |
|-------------------------------------|----------------------------------|-------------------------|--------------------------------|----------------|
| | | Within 1 year G\$ | Non-interest bearing G\$ | Total G\$ |
| Assets | | | | |
| Accounts receivable and prepayments | - | - | 37,893,143 | 37,893,143 |
| Cash on hand and at bank | - | - | 44,189,157 | 44,189,157 |
| | | - | 82,082,300 | 82,082,300 |
| Liabilities | | | | |
| Bank overdraft | 18.25 | 12,508,205,008 | - | 12,508,205,008 |
| Advance from Ministry of Finance | - | - | 6,358,465,727 | 6,358,465,727 |
| Accounts payable | - | - | 733,505,643 | 733,505,643 |
| | | 12,508,205,008 | 7,091,971,370 | 19,600,176,378 |
| Interest sensitivity gap | | (12,508,205,008) | | |

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management - cont'd

(b) Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form.

The following table shows the distribution of assets and liabilities by maturity:

| | Maturing 2012 | | |
|-------------------------------------|------------------------|-------------------------|-------------------------|
| | On demand | Within 1 year | Total |
| | G\$ | G\$ | G\$ |
| Assets | | | |
| Accounts receivable and prepayments | - | 362,035,894 | 362,035,894 |
| Cash on hand and at bank | 44,270,208 | - | 44,270,208 |
| | <u>44,270,208</u> | <u>362,035,894</u> | <u>406,306,102</u> |
| Liabilities | | | |
| Bank overdraft | - | 5,157,190,359 | 5,157,190,359 |
| Advance from Ministry of Finance | 8,731,630,794 | - | 8,731,630,794 |
| Accounts payable | - | 1,178,642,832 | 1,178,642,832 |
| | <u>8,731,630,794</u> | <u>6,335,833,191</u> | <u>15,067,463,985</u> |
| Net liabilities | <u>(8,687,360,586)</u> | <u>(5,973,797,297)</u> | <u>(14,661,157,883)</u> |
| | Maturing 2011 | | |
| | On demand | Within 1 year | Total |
| | G\$ | G\$ | G\$ |
| Assets | | | |
| Accounts receivable and prepayments | - | 37,893,143 | 37,893,143 |
| Cash on hand and at bank | 44,189,157 | - | 44,189,157 |
| | <u>44,189,157</u> | <u>37,893,143</u> | <u>82,082,300</u> |
| Liabilities | | | |
| Bank overdraft | - | 12,508,205,008 | 12,508,205,008 |
| Advance from Ministry of Finance | 6,358,465,727 | - | 6,358,465,727 |
| Accounts payable | - | 733,505,643 | 733,505,643 |
| | <u>6,358,465,727</u> | <u>13,241,710,651</u> | <u>19,600,176,378</u> |
| Net liabilities | <u>(6,314,276,570)</u> | <u>(13,203,817,508)</u> | <u>(19,518,094,078)</u> |

(c) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Board.

The Board faces credit risk in respect of its cash and cash equivalents and its accounts receivables. However, this risk is controlled by close monitoring of these balances by the Board. The maximum credit risk faced by the Board is the balance reflected in the financial statements.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management - cont'd

(c) Credit risk cont'd

Cash and cash equivalent are held by commercial banks. These banks have been assessed by the Directors as being credit worthy, with very strong capacity to meet their obligations as they fall due.

The related risk is therefore considered very low.

Accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable on a regular basis

The table below shows the company's maximum exposure to credit risk:

| | <u>2012</u> | <u>2011</u> |
|--|--------------------|-------------------|
| | G\$ | G\$ |
| Cash on hand and at bank | 44,270,208 | 44,189,157 |
| Accounts receivable(excluding prepayments) | <u>361,179,316</u> | <u>28,878,774</u> |
| Total credit risk exposure | <u>405,449,524</u> | <u>73,067,931</u> |
| The accounts receivable balances are classified as follows:. | | |
| Current | 355,098,084 | 24,737,168 |
| Past due but not impaired | <u>6,081,232</u> | <u>4,141,606</u> |
| | <u>361,179,316</u> | <u>28,878,774</u> |
| <u>Ageing of accounts receivable which was past due but not impaired</u> | | |
| 365+ days | <u>6,081,232</u> | <u>4,141,606</u> |

20 Analysis of financial assets and liabilities by measurement basis

| 2012 | <u>Loans and receivable</u> | <u>Financial assets and liabilities at amortised cost</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|---|-----------------------|
| | G\$ | G\$ | G\$ |
| Assets | | | |
| Accounts receivable and prepayments | 362,035,894 | - | 362,035,894 |
| Cash on hand and at bank | <u>-</u> | <u>44,270,208</u> | <u>44,270,208</u> |
| | <u>362,035,894</u> | <u>44,270,208</u> | <u>406,306,102</u> |
| Liabilities | | | |
| Bank overdraft | - | 5,157,190,359 | 5,157,190,359 |
| Advance from Ministry of Finance | - | 8,731,630,794 | 8,731,630,794 |
| Accounts payable | <u>-</u> | <u>1,178,642,832</u> | <u>1,178,642,832</u> |
| | <u>-</u> | <u>15,067,463,985</u> | <u>15,067,463,985</u> |

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

20 Analysis of financial assets and liabilities by measurement basis-cont'd

| 2011 | Loans and receivable G\$ | Financial assets and liabilities at amortised cost G\$ | Total G\$ |
|-------------------------------------|--------------------------------|---|-----------------------|
| Assets | | | |
| Accounts receivable and prepayments | 37,893,143 | - | 37,893,143 |
| Cash on hand and at bank | - | 44,189,157 | 44,189,157 |
| | <u>37,893,143</u> | <u>44,189,157</u> | <u>82,082,300</u> |
| Liabilities | | | |
| Bank overdraft | - | 12,508,205,008 | 12,508,205,008 |
| Advance from Ministry of Finance | - | 6,358,465,727 | 6,358,465,727 |
| Accounts payable | - | 733,505,643 | 733,505,643 |
| | <u>-</u> | <u>19,600,176,378</u> | <u>19,600,176,378</u> |

21 Fair value of financial instruments

The following table details the carrying costs of financial assets and liabilities and their fair values

| | 2012 | | 2011 | |
|--------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | Carrying amount G\$ | Fair value G\$ | Carrying amount G\$ | Fair value G\$ |
| ASSETS | | | | |
| Accounts receivables and prepayments | 362,035,894 | 362,035,894 | 37,893,143 | 37,893,143 |
| Cash on hand and at bank | 44,270,208 | 44,270,208 | 44,189,157 | 44,189,157 |
| | <u>406,306,102</u> | <u>406,306,102</u> | <u>82,082,300</u> | <u>82,082,300</u> |
| LIABILITIES | | | | |
| Bank overdraft | 5,157,190,359 | 5,157,190,359 | 12,508,205,008 | 12,508,205,008 |
| Advance from Ministry of Finance | 8,731,630,794 | 8,731,630,794 | 6,358,465,727 | 6,358,465,727 |
| Accounts payable | 1,178,642,832 | 1,178,642,832 | 733,505,643 | 733,505,643 |
| | <u>15,067,463,985</u> | <u>15,067,463,985</u> | <u>19,600,176,378</u> | <u>19,600,176,378</u> |

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows.

Financial instruments where the carrying amounts are equal to fair values:-Due to their short-term maturity, the carrying amounts of certain financial instruments are assumed to approximate their fair values. These include accounts receivable and prepayments, cash on hand and at bank, accounts payable, bank overdraft and advance from Ministry of Finance.