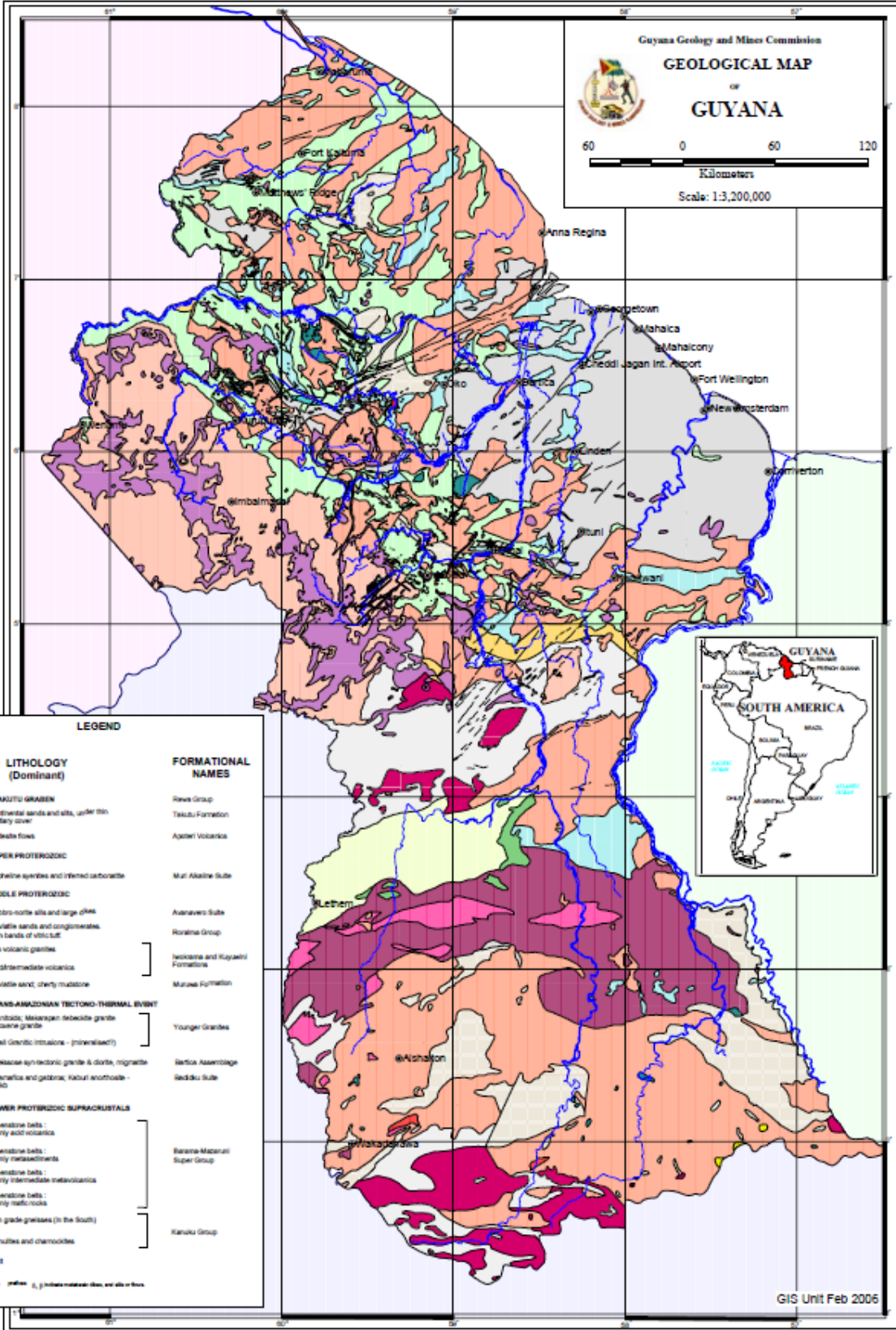


# GUYANA GOLD BOARD

## *Annual Report* *2013*

**MINISTRY OF NATURAL RESOURCES AND THE ENVIRONMENT**



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# **LETTER OF THE TRANSMITTAL**

**February 17, 2015**

**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**

In accordance with Section 17 of the Guyana Gold Board Act 1981 (Chapter 66:01) the Board of Directors has the honour to submit to you the Annual Report of the Guyana Gold Board along with the Audited Financial Statement for the year ended December 31, 2013

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**

39 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 Avenue, 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 Section 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 1981 Chap. 66:01 Section 4)

It shall be the functions 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 2013

# **MINISTER RESPONSIBLE AND BOARD OF DIRECTORS**

## **Minister Responsible:**

**The Honourable Robert Persaud**  
Minister Natural Resources and the Environment

## **Board of Directors:**

<b>Dr. Gobind Ganga</b>	<b>Chairman, Board of Directors</b>
<b>Mr. Jeffrey Thomas</b>	<b>Director</b>
<b>Mr. Paul Geer</b>	<b>Director</b>
<b>Mr. Dabria Marcus</b>	<b>Director</b>
<b>Ms. Patricia Bacchus</b>	<b>Director</b>
<b>Ms. Pavita Ramkissoon</b>	<b>Director</b>
<b>Mr. Rickford Vieira</b>	<b>Ex-Officio Member</b>
<b>Mr. Jacques Foster</b>	<b>Ex-Officio Member</b>
<b>Mr. Anantram Balram</b>	<b>General Manager</b>
<b>Ms. Andrea Selochan</b>	<b>Assistant General Manager</b>
<b>Mr. Bobby Gossai, Jr.</b>	<b>Board Secretary</b>

# **General Manager's Report**

## **Introduction**

The mining sector has continued to play an important role for Guyana's economic growth. Even though there was a significant price decline over the review period, this did not fully dampen gold production by local economic players who in total declared 481,103 ounces, surpassing the set target by 6.9 percent.

While the Guyana Gold Board continued with its mandate of purchasing gold produced in the country, they faced competition from the licensed dealers who bought 36 percent of the total gold declared.

Through the Ministry of Natural Resources and the Environment, the Guyana Gold Board has been enhancing its policy objectives on the trading of gold to ensure that the maximum wealth of the yellow metal is channeled to the development of the economy.

Operationally however, it must be noted that the Board ended the period in a deficit recording a total net loss of \$9.9 billion. This loss was as a result of lower revenue flows to cover the high cost of sales.

## **The Gold Market**

Gold prices started 2013 with the London Bullion Market Agency (London Daily Fix) at USD 1,681.50/toz, and ended the year on USD 1,201.50/toz, a decrease of US480/toz or 28.5 percent. For the year under review the price of gold was at its highest of USD1,693.75/toz at the opening



of the year, January 2<sup>nd</sup> , and its lowest on December 23<sup>rd</sup> at USD1,192.75/toz. For the year ended December 31, 2013, the price of gold averaged USD1, 413.91 /toz.

The price drop itself reflected a 15 percent decline in demand to end the year at 3,756.1 metric tons – the largest decline since 1981. The decline in demand masks varying investor behaviors. Specifically, investment in gold saw a 21 percent increase from the consumer and value investor segments. This growth however was not sufficient to thwart the sell off from Exchange Traded Funds (ETFs). Analysts indicate that the sell-off of ETFs was prompted by the Fed’s indication that it would end its monetary policy of quantitative easing.

### **Declaration and Purchases**

For the year of January 01 – December 31, 2013, the authorities budgeted for total purchases by the Guyana Gold Board to amount to 310,000 troy ounces. The Guyana Gold Board fell short of the set target by less than 1 percentage point recording total purchases at 307,241 troy ounces.

Total Declarations for 2013 was 9.7 percent higher than the same period last year at 481,103 troy ounces. The Guyana Gold Board continued to see competition in the purchase of gold as more dealers became licensed and hence actively participating in the local gold market. The Guyana Gold Board purchased 63.9 percent of the total declarations made.

### **Foreign Exchange Generator**

In 2013, export earnings from gold were USD648.54 million compared to USD716.93 million in 2012. Direct exports by the Guyana Gold Board was 305,206.31 troy ounces at a value of USD401.75 million; exports by license dealers decreased to 177,320.48 troy ounces at a value of USD246.79 million.

## **Corporate Governance**

The Guyana Gold Board Act provides for subject Minister Robert Persaud 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 and audit reports of the organization.
- Technical and HR Sub-Committee that guide and supports management in its technological advancement and human resource functions of the agency.

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 2014**

### **The Market**

The market is expected to get a boost from China, a country expected to continue recording positive growth numbers. This increase in China's expected growth will continue to stimulate consumer demand for the metal. Additionally, market makers have noted that China's government has been buying gold over the 2013 period and there are no expectations for this upward momentum to reduce. The Chinese market is thus expected to put upward pressure on prices.

It is important to also point out that with the end of the quantitative easing by the US Fed, investors may revalue their view of the US debt build-up which would put downward pressure on the US dollar which is likely to cause institutional investors to switch to gold – a move that will push prices higher. Generally, analyst consensus is that Gold will end the year at USD1,350/toz.

On the home front, the government has continued to stress the importance of the mining sector improving infrastructure. Miners themselves have been employing improved technologies to increase recovery. According to the National Budget of 2014 the authorities have targeted gold production to be at 454,562 toz, representing a growth of 7.6 percent over the 2013 target. This increase is as a result of expected increase in world market prices, additional utilization and availability of mining properties as well as the government's continued support through among other things appropriate incentives to stimulate the small and medium scale miners.

**Anantram Balram**

**General Manager**

# Chairman's Report

The Board continued to function effectively within the Guyana Gold Board Act of 1998 during the course of 2013. Its main activities consisted of the trade of gold, licensing of dealers, supervising exports, collection of royalty and taxes for relevant agencies as well as technical advice to stakeholders. In 2013, Guyana Gold Board further improved its corporate governance with more timely provision of required Board documents, frequent meetings, and implementation of systems to better monitor Board resolutions. In addition, a draft Directors' Handbook was prepared and circulated for comments. During the year, the Board of Directors addressed issues to: strengthen management, security and internal controls; improve staff working environment and compensation; expand and deepen the Guyana Gold Board intermediation function; and more specifically, provide additional licenses to qualified dealers. A highly volatile gold market and declining prices remained the major challenges for the Guyana Gold Board in 2013. The Board, in collaboration with the Ministry of Natural Resources and Environment (MNRE) and the Ministry of Finance, resolved the issue of gold miners' foreign exchange accounts and payments in 2013.

The world market for gold was very volatile with waning investors' sentiments in 2013. The price of gold plunged by 27.2 percent, losing US\$451 per ounce, from a high of US\$1,693.75 per ounce in January to US\$1,204 per ounce at end-December 2013. There were 118 upward trends ranging from US\$0.25 to US\$64.5 and 131 downward trends ranging from US\$0.25 to US\$140.5 during the year. In the first quarter of 2013, the average price for gold was US\$1,631.77 per ounce. However, the real problems for gold became evident in April when gold prices plunged US\$200 in a five-day span. With the banking crisis in Cyprus going on at the

time, gold investors feared that the island nation's central bank would have to liquidate its gold reserves in order to shore up its financial system. That change in sentiment reversed the conventional thinking that central-bank purchases would continue to support the price of gold through 2013.

The average price of gold during the second quarter was US\$1,414.80 per ounce closing the quarter at US\$1,192 per ounce. During the third and fourth quarters, the average price for gold was US\$1,326.28 per ounce and US\$1,276.16 per ounce, respectively having stemmed from increasing worries about an imminent shift in the Federal Reserve's monetary policy to pull back on its latest round of quantitative easing. Low interest rates have supported gold prices for years, as investors did not have to give up appreciable income-earning opportunities when they owned gold bullion. However, with the 10-year Treasury yield increasing to 3.0 percent towards the end of December, gold investors face a rising opportunity cost and hence they choose not to put their money into gold but rather in other income-producing assets.

Notwithstanding the volatility of and general decline in gold prices, there were increases in both gold declaration and export volume in 2013. Gold declaration increased by 9.7 percent to 481,103 ounces from 438,645 ounces in 2012. Export volume increased by 6.0 percent to 482,527 ounces from 455,072 ounces in 2012. Guyana Gold Board and the dealers exported 305,206 ounces and 177,320 ounces respectively in 2013 compared with 314,491 ounces and 140,581 ounces respectively in 2012. As a consequence of falling gold prices, export revenues declined to US\$648 million at end-2013 from US\$717 million at end-2012. Guyana Gold Board export earnings declined to US\$401.8 million from US\$485 million in 2012 while that for

dealers increased to US\$246.8 million from US\$232 million in 2012. Gold export revenues accounted for approximately 48.4 percent of total export revenues and remained the largest foreign exchange earner in the economy for 2013.

Guyana Gold Board continued to provide functional services to other organisations. It collected from miners and dealers royalty of G\$6 billion compared with G\$6.8 billion in 2012 for the Guyana Geology and Mines Commission. It also collected taxes amounting to G\$2.4 billion compared with G\$2.7 billion in 2012 for the Guyana Revenue Authority. In addition, the Guyana Gold Board has supported the MNRE in a number of ventures to develop technical capacity and awareness in the mining sector.

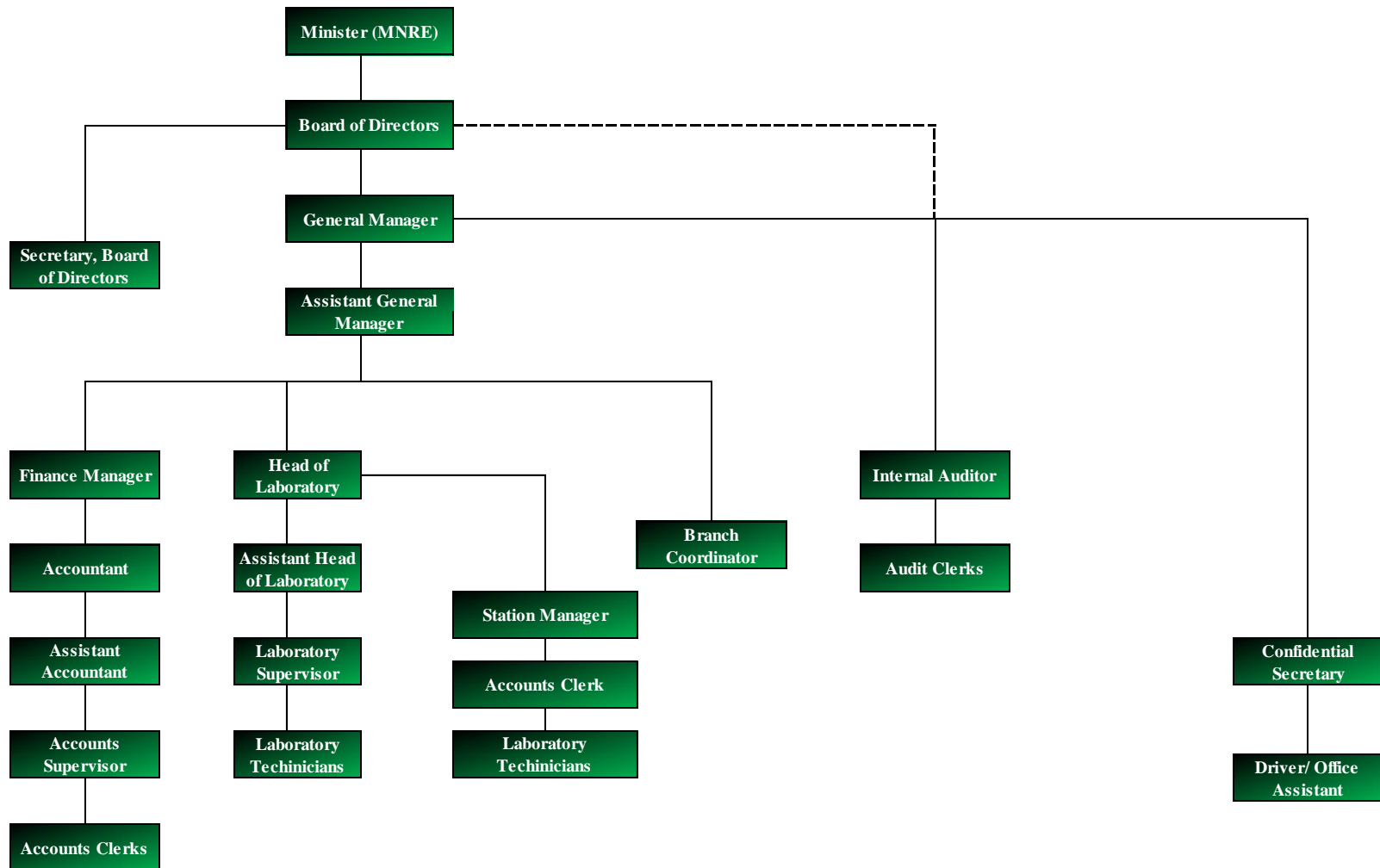
In November 2013, permission was granted to miners and dealers, who sell gold to the Guyana Gold Board, to open a foreign currency account at a local commercial bank. This will allow for easy access to foreign currency when purchasing required equipment and spares directly from overseas suppliers, resulting in a reduction in operating expenses. The miners and dealers can access 10 percent of the accumulated sales value in US dollars from the Bank of Guyana providing that the necessary requirements are met with the Guyana Gold Board.

### **2014 Prospects**

Looking ahead to 2014, gold prices are expected to be volatile, following the trend experienced during the last quarter of 2013 because those factors that have driven gold prices downwards are likely to continue. However, given that gold miners continued to invest in technology that can increase production and productivity so as to lower cost, so as to remain profitable with declining

gold prices, gold declaration and exports are expected to continue to expand in 2014. This will continue to provide a positive effect on growth, exports, employment and general development of the Guyanese economy. The Guyana Gold Board will continue to facilitate this thrust by intensifying its intermediation role by renewing licenses to qualified dealers, expanding its operations in Port Kaituma and engaging stakeholders in providing for a payment system that is more safe and efficient. The Guyana Gold Board would also continue to support value added in the industry via jewellery and enhanced refinement of raw gold. In the first quarter of 2014, the Guyana Gold Board will have to put anti-money laundering policy in place to aid authorities in preventing money laundering. In this regard, the Guyana Gold Board will have to set up the requisite compliance office and provide the necessary training to staff for effective implementation.

# GUYANA GOLD BOARD ORGANISATIONAL CHART





## FINANCIAL AND OPERATING HIGHLIGHTS

### Statement of Income For the period ended December 31, 2013

GYD ('000)

	2013	2012	Inc./ (Dec)	% Change
Items				
Sales	76,885,762	99,183,473	(22,297,711)	-22%
Cost of Goods Sold	(86,544,106)	(99,351,714)	(12,807,608)	-13%
Gross Profit (Loss)	(9,658,344)	(168,242)	(9,490,102)	5641%
Other Income	20,860	19,450	1,410	7%
Operating Profit (Loss)	(9,637,484)	(148,791)	(9,488,693)	6377%
Administrative Expenses	(301,103)	(332,512)	(31,409)	-9%
<b>Net Profit (Loss)</b>	<b>(9,938,587)</b>	<b>(481,303)</b>	<b>(9,457,284)</b>	<b>1965%</b>

### Statement of Financial Position As at December 31, 2013

GYD ('000)

	2013	2012	Inc./ (Dec)	% Change
Items				
Non Current Assets	77,719	93,211	(15,492)	-17%
Current Assets	13,043,366	15,985,535.90	(2,942,170)	-18%
<b>Total Assets</b>	<b>13,121,085</b>	<b>16,078,747</b>	<b>(2,957,661)</b>	<b>-18%</b>
Total Equities	(8,927,305)	1,011,283	(9,938,587)	-983%
Non Current Liabilities	8,731,631	8,731,631	-	0%
Current Liabilities	13,316,759.03	6,335,833	6,980,926	110%
			-	
<b>Total Equities and Liability</b>	<b>13,121,085</b>	<b>16,078,747</b>	<b>(2,957,661)</b>	<b>-18%</b>

## Purchases for 2013

Troy Ounces

Period	Bartica	Charity	Georgetown	Total Purchases	Budgeted Purchases
January	10,802	1,191	10,348	22,342	23,000
February	11,663	314	12,050	24,027	25,000
March	11,020	764	14,491	26,275	26,000
April	9,610	618	22,430	32,659	26,000
May	9,098	558	13,698	23,354	25,000
June	14,568	780	13,070	28,419	25,000
July	14,952	777	15,238	30,968	30,000
August	9,679	623	15,630	25,932	30,000
September	10,672	672	13,986	25,330	25,000
October	13,457	521	14,857	28,835	25,000
November	7,141	541	12,966	20,648	25,000
December	2,898	883	14,672	18,453	25,000
<b>Total</b>	<b>125,561</b>	<b>8,243</b>	<b>173,437</b>	<b>307,241</b>	<b>310,000</b>

## Declaration as at December 31, 2013

Troy Ounces

Period	Dealers			GGB	Declarations	YTD
	Opening Bal.	Closing Bal.	Exports			
January	13,738	9,166	16,230	22,342	34,000	34,000
February	9,166	2,994	13,259	24,027	31,114	65,114
March	2,994	3,472	13,409	26,275	40,161	105,276
April	3,472	1,245	16,050	32,659	46,482	151,758
May	1,245	20,017	11,087	23,354	53,213	204,970
June	20,017	10,074	11,053	28,419	29,528	234,498
July	10,074	10,552	12,183	30,968	43,629	278,128
August	10,552	18,993	20,424	25,932	54,797	332,925
September	18,993	5,155	18,531	25,330	30,024	362,948
October	5,155	11,716	16,904	28,835	52,299	415,248
November	11,716	8,347	7,605	20,648	24,884	440,132
December	8,347	10,279	20,586	18,453	40,971	481,103

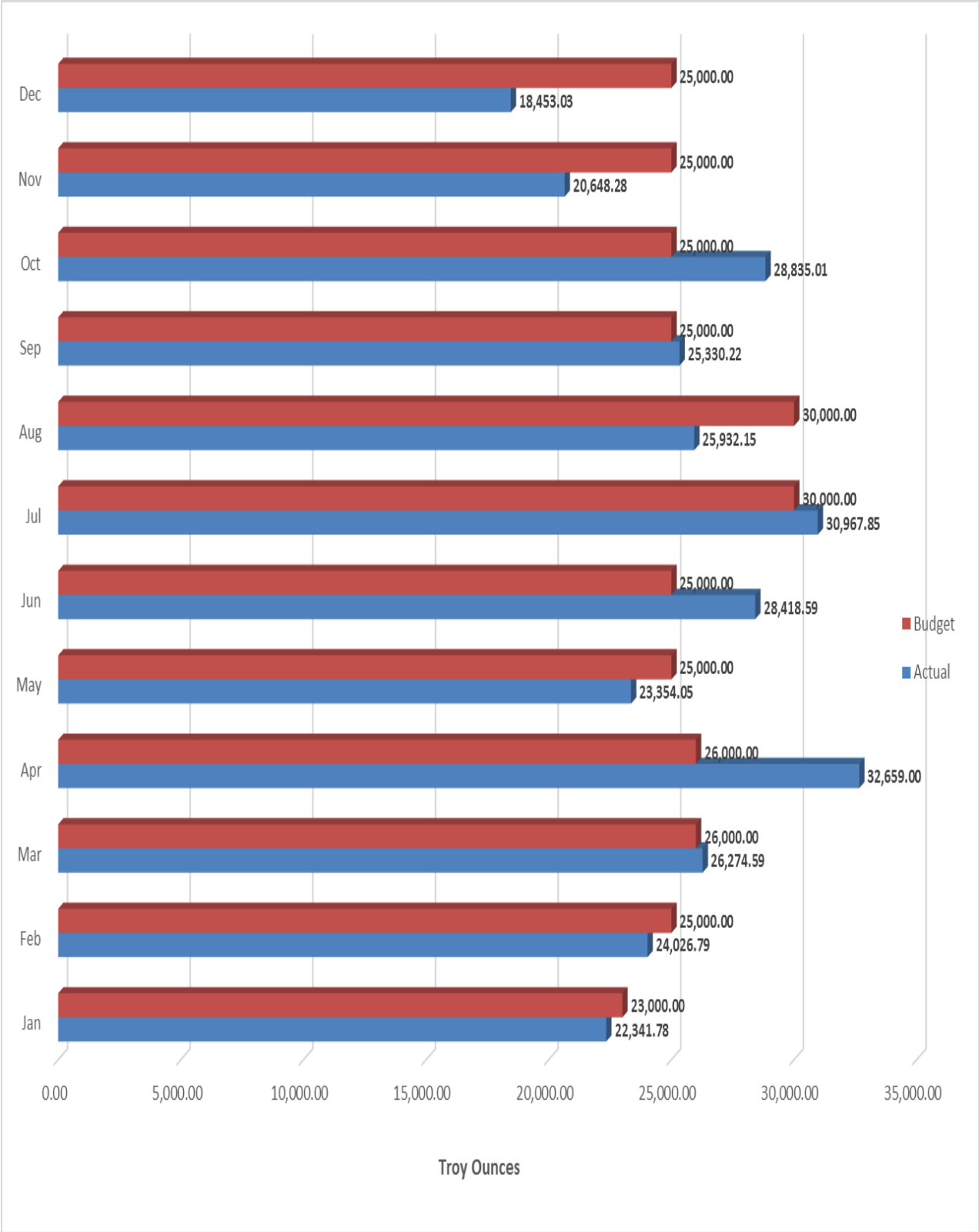
**Total**

**177,320**

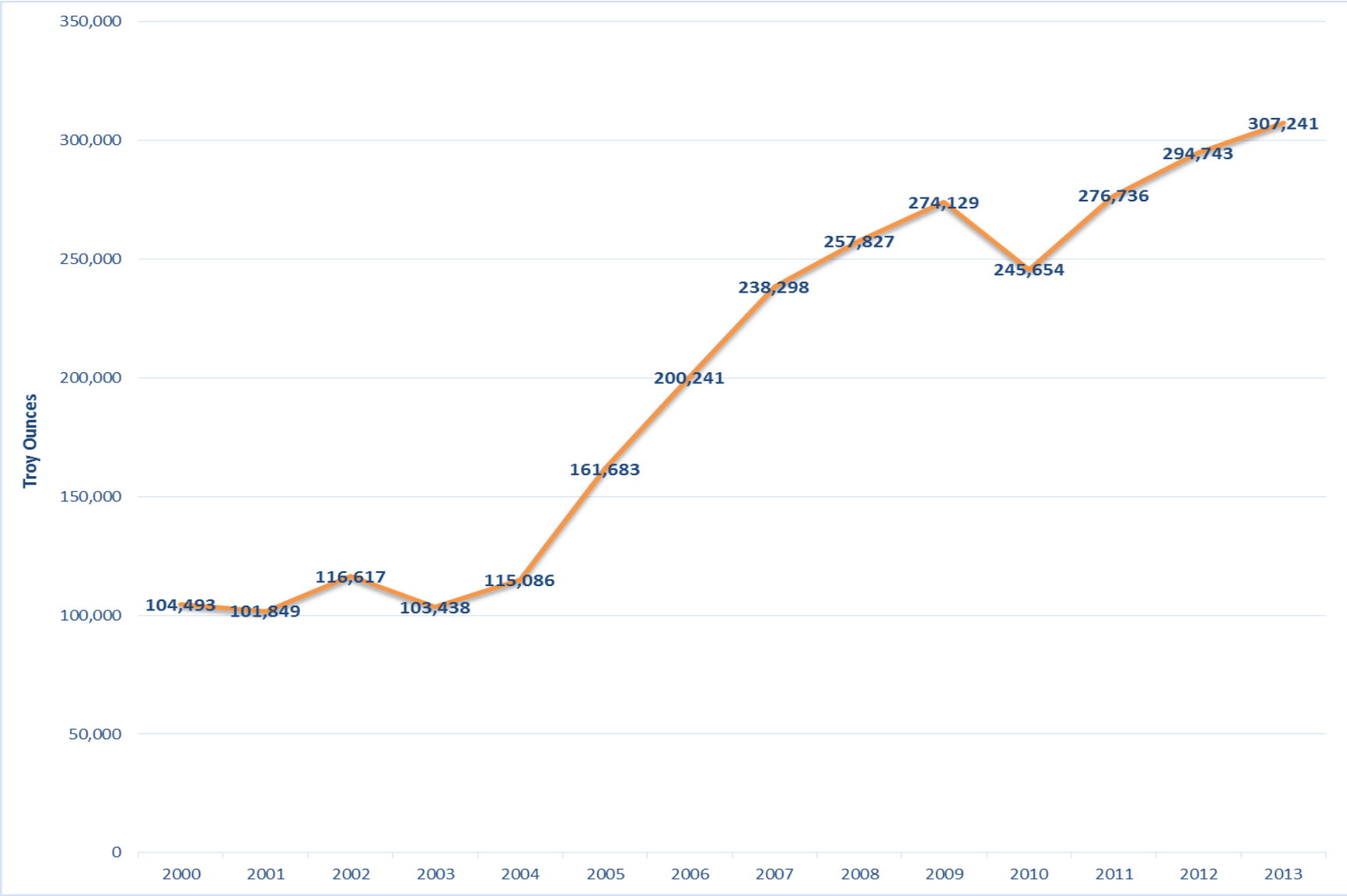
**307,241**

**481,103**

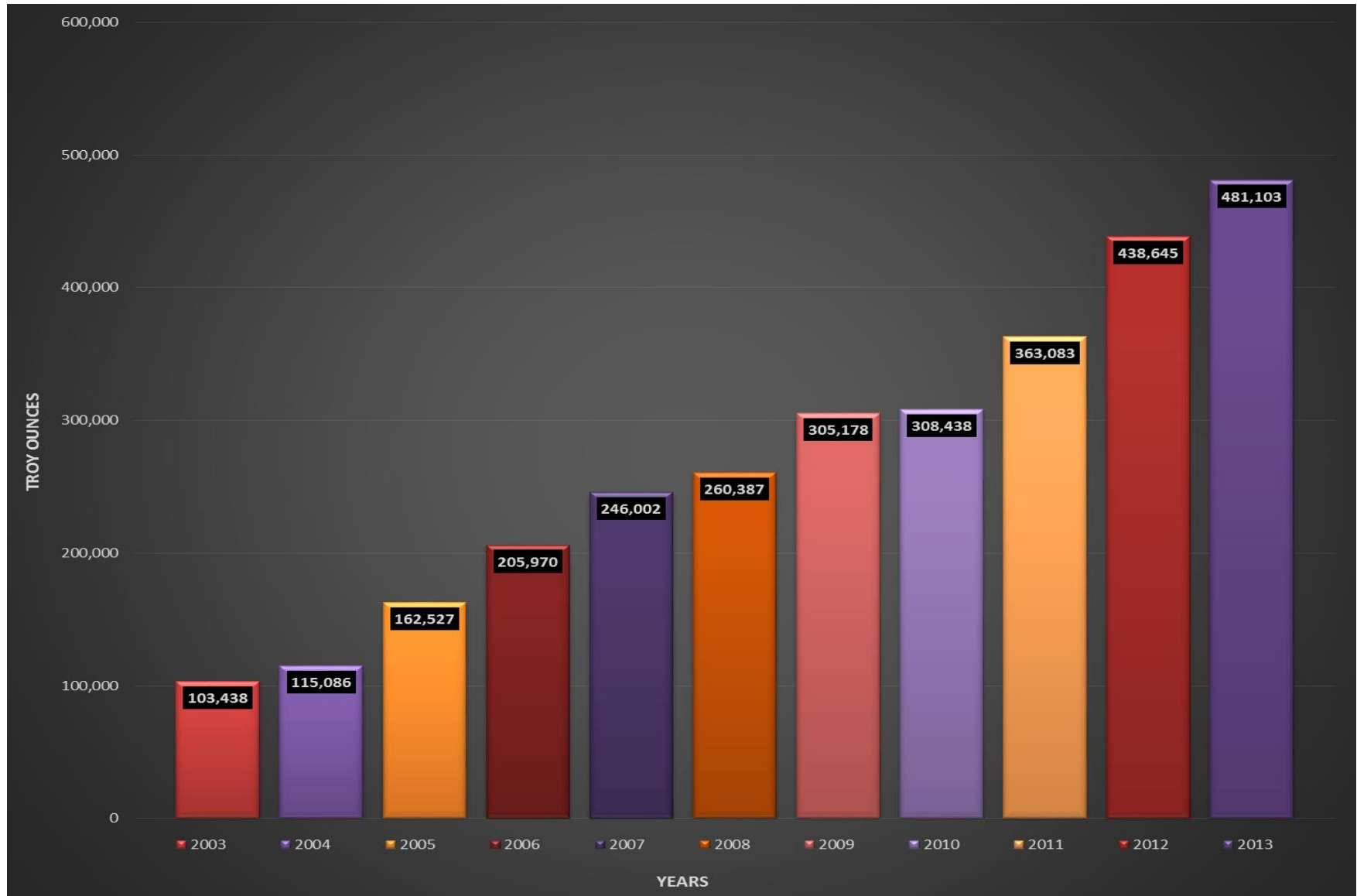
# **QUANTITY OF GOLD PURCHASED VS BUDGET 2013**



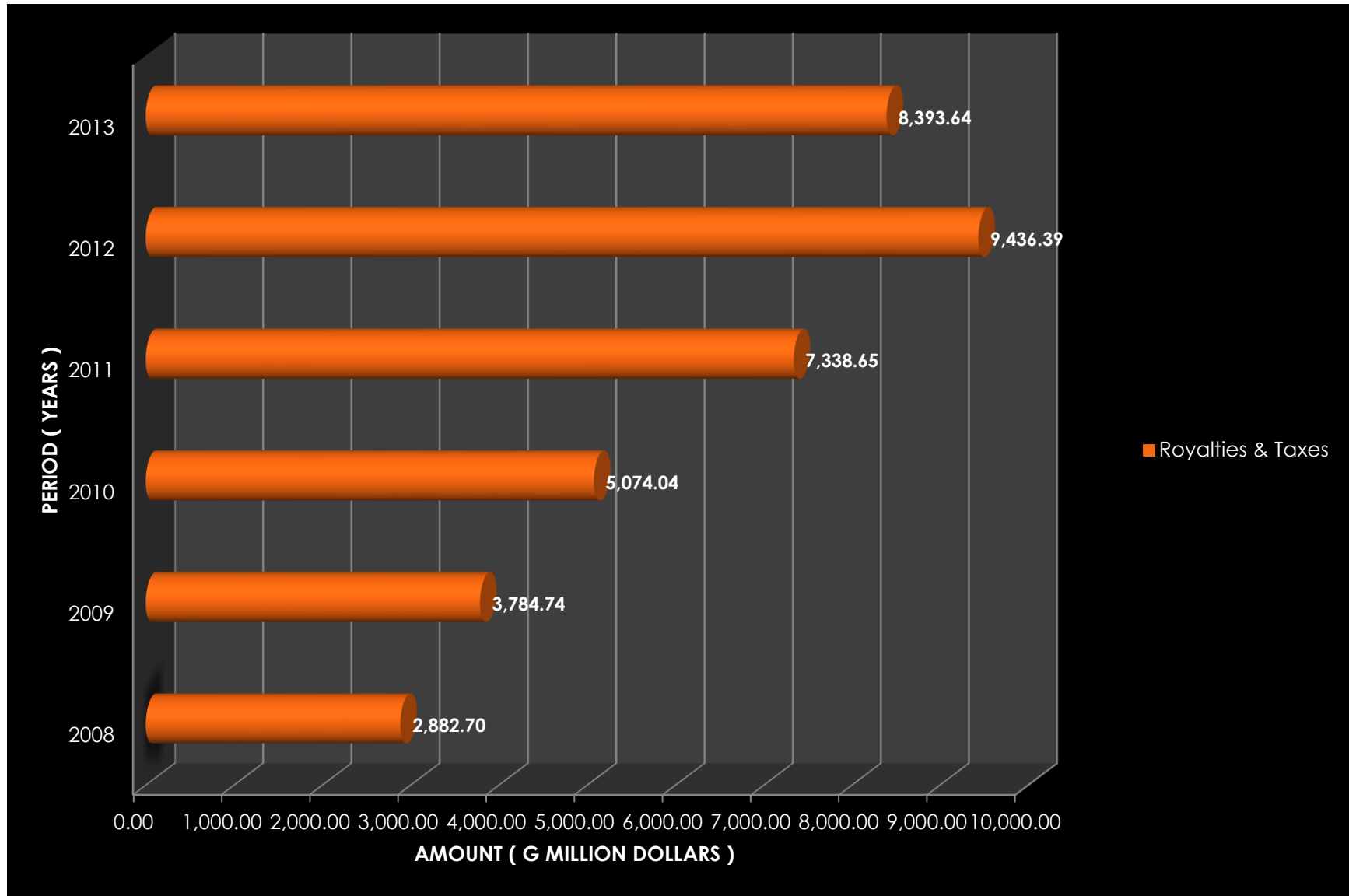
# GOLD PURCHASED (2003 – 2013)



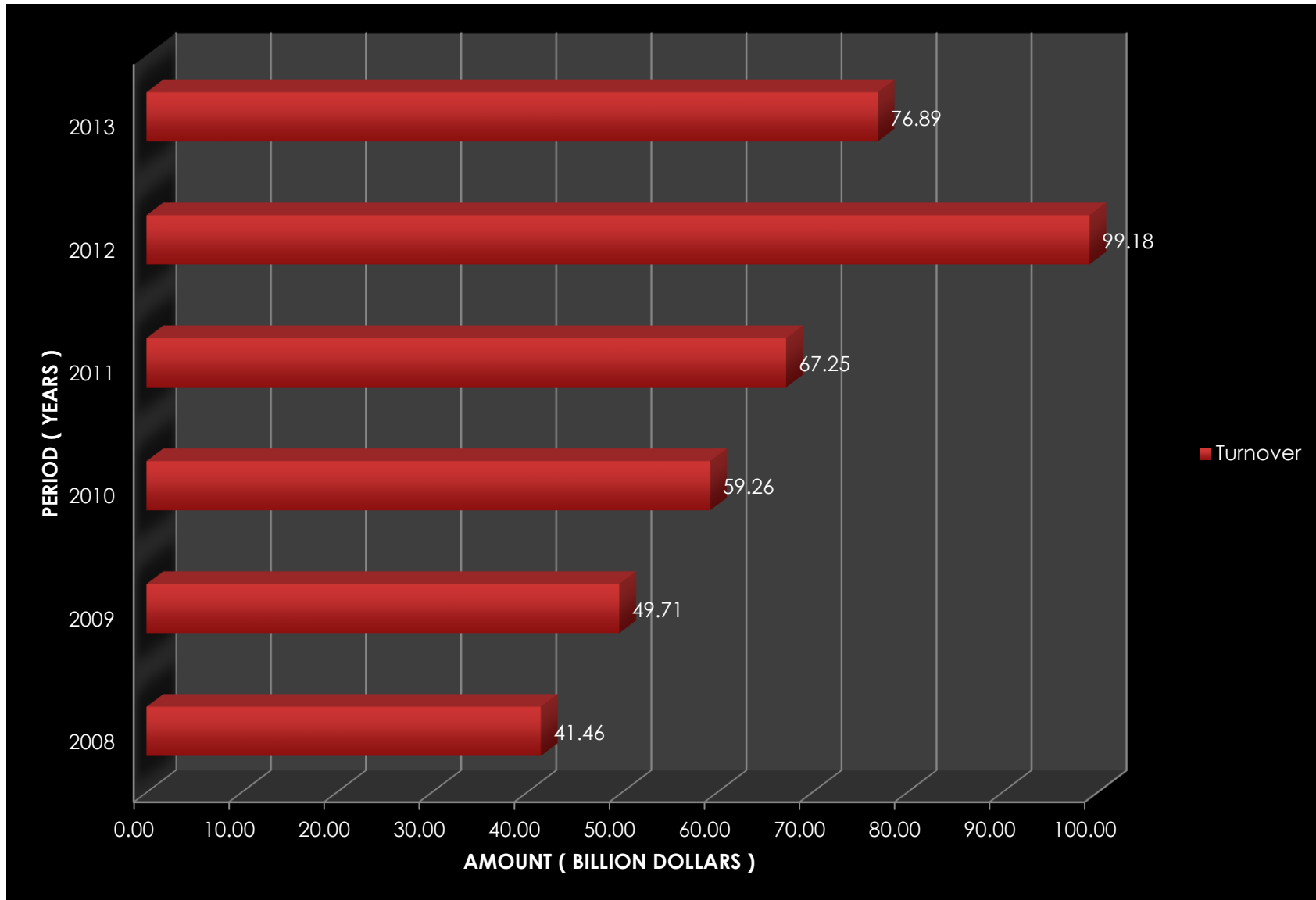
## GOLD DECLARATION (2003 – 2013)



## ROYALTIES AND TAXES (2008 – 2013)



## TURNOVER (2008 – 2013)





# OPERATING SURPLUS (2008 – 2013)

