

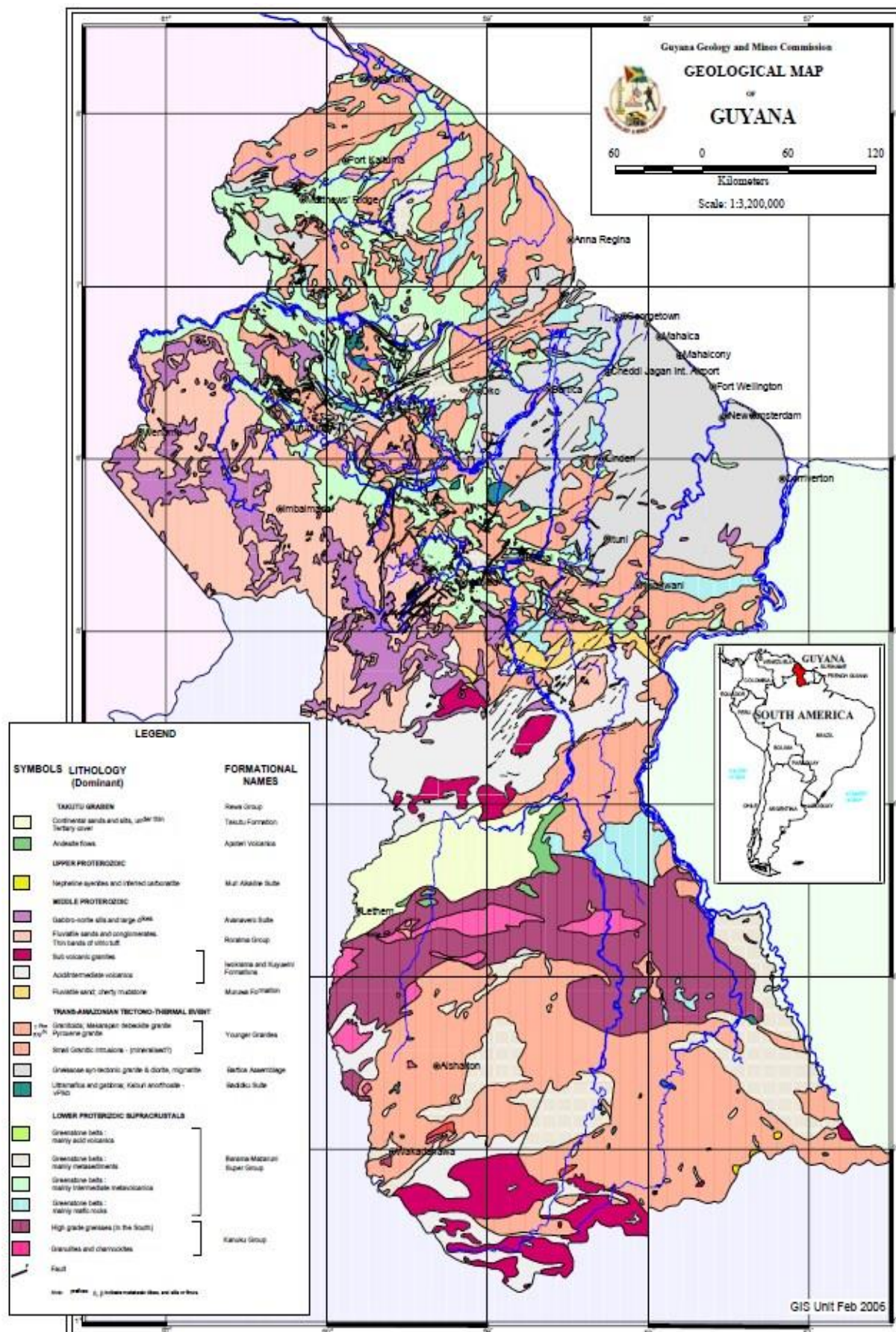


# GUYANA GOLD BOARD

*Annual Report*  
**2017**

MINISTRY OF NATURAL RESOURCES AND THE ENVIRONMENT





# MINISTRY OF NATURAL RESOURCES

## Table of Contents

Letter of the Transmittal .....	4
Corporate Information .....	5
Guyana Gold Board .....	6
Minister Responsible and Board of Directors .....	7
Chairman's Report .....	8, 9
General Manager's Report .....	10, 12
Guyana Gold Board Organizational Chart .....	13
Financial and Operating Highlights: .....	14
a. Statement of Financial Income .....	14
b. Statement of Financial Position.....	15
c. Quantity of Gold Purchased, 2017.....	16
d. Gold Declarations , 2017 .....	17
Quantity of Gold Purchased vs Budget 2017 .....	18
Gold Purchased (2001 – 2017) .....	19
Gold Declaration (2003 – 2017) .....	19
Royalties and Taxes Collected (2008 – 2017) .....	20
Turnover (2008 – 2017) .....	20
Audited Financial Statements of the Guyana Gold Board .....	21

## **LETTER OF THE TRANSMITTAL**

**March 13, 2018**

**Honourable Raphael Trotman, M.P**

Minister Natural Resources

Ministry of Natural Resources and the Environment

Upper Brickdam,

Georgetown

Guyana

**Honourable Minister Trotman,**

In accordance with Section 17 of the Guyana Gold Board Act 1981 (Chapter 66:01) the Board of Directors is submitting to you the Annual Report of the Guyana Gold Board along with the Audited Financial Statement for the year ended December 31, 2017.

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

**Eondrene Thompson**

**General Manager**

## **CORPORATE INFORMATION**

### **AUDITORS**

#### **Audit Office of Guyana**

63 High Street, Kingston  
Georgetown, Guyana.

#### **Maurice Solomon and Co**

92 Oronoque Street, Queenstown  
Georgetown Guyana

### **LEGAL ADVISORS**

#### **Attorney General Chambers**

39 Charmichael Street,  
North Cummingsburg,  
Georgetown, Guyana.

### **REGISTERED OFFICES**

#### **Main Office**

68 Upper Brickdam, Georgetown  
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  
Tele 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**

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.

## **MINISTER RESPONSIBLE AND BOARD OF DIRECTORS**

**The Honourable Raphael Trotman, M.P.**

Minister of Natural Resources

**Board of Directors:**

Mr. Gabriel Lall	-	Chairperson of the Board of Directors
Ms. Debra Britton	-	Vice Chair
Mr. John Yates	-	Member
Mr. Andron Alphonso	-	Member
Ms. Theresa Foster	-	Member
Ms. Eondrene Thompson	-	General Manager
Mr. Stacey Weever	-	Legal Officer, Guyana Gold Board



## **CHAIRPERSON'S REPORT**

The Guyana Gold Board succeeded in recording a turnaround year in 2017 despite a number of challenging circumstances. These ranged from the inherited to the existential, and tested the dedication and resolve of management, staff, and the incoming board of directors. Still, some positives were achieved.

During the year, the GGB and its new directorate were confronted by significant matters involving money laundering, worker misconduct, overdraft overhang, gold shipments to foreign partners, negative media coverage, and information security, to name a few issues of note. In fact, gold shipments from the GGB to the Royal Canadian Mint (RCM), its longstanding overseas refiner, was halted briefly due to conflict-free gold apprehensions. This development occurred in the second week following the new board's induction. The GGB was able to surmount this devastating setback through a combination of firm unambiguous commitments, follow-up operational reexaminations and overhaul, and other agreed-upon curative actions. The priorities and emphases have been on the qualitative: standards and values, and the building of trust and confidence with all stakeholders, particularly the GGB's core constituency in the mining sector, and the greater taxpaying base at large. These initiatives and processes are ongoing in every area of the GGB, inclusive of Laboratory Operations, Accounting, Compliance, and Internal Audit. In each instance, the focus is on professionalism, increased efficiencies, and principled customer interactions.

On the financial side, special mention is given to the 75.1% reduction of the GGB's overdraft at the Bank of Guyana, which went from a January 1, 2017 balance of GYD 18,929,651,009 to a closing balance of GYD 4,729,674,891 on December 31, 2017. The then acting and now new General Manager, Miss Eondrene Thompson, is due full credit for this sterling achievement. Another financial milestone was attained when the GGB went from an Operating Deficit of GYD 194,184,533 on January 1, 2017 to an Operating Surplus of GYD 651,220,179 on December 31, 2017. Further, the GGB signed a new 3-year Collective Bargaining Agreement with the Guyana Workers Union, which was considered fair and reasonable, given the prevailing economic climate.



Moreover, the opportunity was taken to tighten the existing disciplinary code, and especially as it relates to financial improprieties.

Additionally, new management team is in place, which is noteworthy for internal promotions, and that the majority of the new leadership team are women. The GGB stands poised to capitalize on this assembly of skills, talents, diverse backgrounds, and collective visions to chart a new and different way forward. As always, the new board of directors maintains its expectations on the display and practice of the ethical component at all levels in dealing with the customer base. As part of the GGB's forward strategies, costly enhancement projects in IT and equipment are underway, as well as an increased focus on training. This is to provide much-needed information security, high-class service, and robust operations platforms to conduct the business of the largest foreign exchange contributor to, and a major employer in, the national economy. Also, a marketing campaign is in the works to bring awareness of the role of the GGB, and the advantages of doing business with this semiautonomous state entity that places a high premium on principled service and clean relationships. Separately, there is urgent need for new accommodations for the GGB, which currently operates out of space that is both crowded and antiquated, and borrowed to boot. This will help to manage efficiently the anticipated increase in gold declarations in 2018 and beyond.

The Board of Directors was pleased to be part of a transitional phase in 2017 that was sometimes turbulent, but always pivotal. The 2017 board believes that the stage is set for the GGB to be an even more meaningful contributor to the economic wellbeing of Guyana through careful and honorable stewardship of the nation's patrimony. The board expresses appreciation to the Honorable Minister of Natural Resources and the Cabinet for the opportunity to serve the people of Guyana.

## **MANAGEMENT REPORT**



### **Introduction**

The gold mining sector continues to play a pivotal role in Guyana's economic development. It is reported by the Economic Policy Analysis Unit of the Ministry of Finance that Guyana's economic growth for 2016 was "fueled by strong performances in the gold industry". While the gold sector has recorded contributions of approximately 12 percent to the country's GDP, the fact is, that that number does not take into account the countless direct and indirect jobs and economic spill offs that have been created, particularly in communities living outside of

the various towns of the Cooperative Republic of Guyana (CRG). As such mining will continue to for some time to be an important part of lives for people of the CRG and as such dramatic movements in prices on the international market tend to have a direct and felt impact on the Guyanese economy.

The year 2016 was a mixed year for gold, the first half may be considered as excellent. Actually the several-month long bull market in gold started in December 2015 when gold price found a bottom at USD1, 049 per ounce, after the Federal Open Market Community (FOMC) historical meeting and the first interest rate hike for almost a decade. Ever since then, the shiny metal made higher highs and higher lows, reaching a peak at USD1,378 at the early July in the aftermath of the British referendum on the withdrawal from the EU.

With the gloomy outlook after the Brexit vote and the uncertainty about the outcome of the U.S presidential election, the future of gold was supposed to be rosy; however, that was furthest from the truth. During the month of August, gold prices moved lower after which with an accelerated decline which began immediately following the US Presidential election on November 08, 2016.

The year's declaration was a significant achievement in a heavy price volatility market environment and all miners, particularly small and medium scale miners must be commended for their work done within the mining sector.

The reopening of the Bartica Office was welcomed by many small and medium scale miners – this was evidenced in the significant improvements in declarations for 2016. Despite the fact that we did not regain some of our medium scale miners.

### **Purchases – Guyana Gold Board**

The year 2016 the mining sector grew by 45.5 percent compared to growth of 9.0 percent in 2015. This growth was mainly fostered by an upsurge in gold declarations by local and foreign mining companies. For the year under review, Guyana Gold Board purchased a total of 214,447 ounces of gold. This represents 47 percent or 68,736 ounces above total purchases for 2015. This increase was primarily due to the reopening of the Bartica office, concessions granted by Government and the Government of Guyana in collaboration with United States strategic approach in curbing gold smuggling

### **Gold Declaration**

The gold sector has broken its production record by a significant margin. Gold declarations for 2016 is in the sum of 712,707 ounces compared to 451,059 in 2015. This represents 261,648 ounces or 58% percent more than what was declared in 2015. Small and medium scale miners declared approximately 47.08 percent more in 2016 than that which was declared in 2015. Additionally our foreign investors, Guyana Goldfields Inc. and Troy Resources Limited, commenced commercial operations in 2015 together declared 190,604 ounces more in 2016 than that which was declared in 2015.

Guyana Gold Fields Inc. proposes to expand its operations, therefore a higher declaration is projected.

## **Outlook for 2017**

### **The Market**

Gold had a strong year in 2016 and we anticipate an even stronger advance in 2017. Year end price action for 2016 has moved gold off the lows, indicating at least on short term basis prices would find a level of support in 2017. While the past is not a guarantee of future correlations it is believed that the trends now being observed deserve consideration when adjusting the gold portfolio for optimization in 2017.

Analysts predicts that gold should top US\$1,300 towards the end of 2017 as the “Trump reflation trade” reverses and subdued real interest rates, coupled with moderating dollar strength, provide ‘positive momentum’ for the gold price.

LBMA analysts are bullish on the price of gold for 2017. They predicted an increase of 5.3 percent over the gold price seen for the latter part of 2016. It is also assumed that Fed’s rate hike will have the biggest impact on gold prices – this is proposed to be at least twice in 2017

There is the inherent risk that the new US administration will widen the federal budget deficit or inflation will get out of control. In such scenario, perhaps combined with greater trade protectionism and geopolitical tensions, gold could shine; however the expectations of fiscal stimulus may support the US dollar and real interest rates, which will be significant headwinds for gold at least for the first half of 2017.

In terms of production, Government pledges to continue to provide operational concessions and lend support through infrastructural works while putting in place to ensure that declarations for 2017 out-perform that of 2016

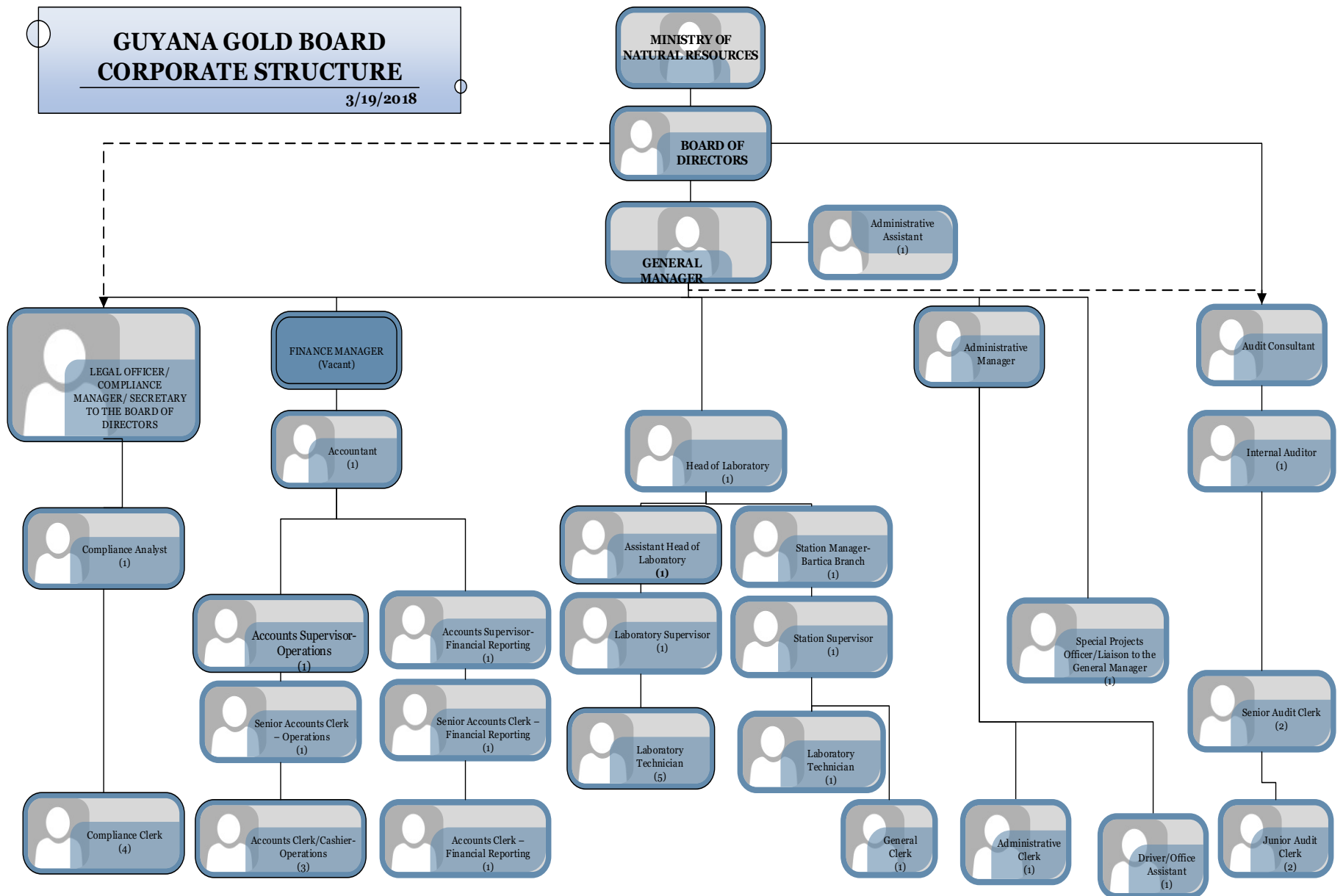
**EONDRENE THOMPSON**

GENERAL MANAGER



# GUYANA GOLD BOARD CORPORATE STRUCTURE

3/19/2018



## FINANCIAL AND OPERATING HIGHLIGHTS 2017

### GUYANA GOLD BOARD

#### STATEMENT OF FINANCIAL INCOME FOR THE PERIOD ENDING DECEMBER 31, 2017

GYD (000)

	2017	2016	Inc/ (Dec)	% Change
<b><u>Items</u></b>				
Sales	49,723,102,947	46,858,062,189	2,865,040,758	6%
Cost of Goods Sold	48,957,538,341	46,804,899,410	2,152,638,931	5%
Gross Profit	765,564,606	53,162,779	712,401,827	1340%
Other Income	193,185,329	45,924,108	147,261,221	321%
Operating Profit ( Loss)	958,749,935	99,086,887	859,663,048	868%
Administrative Expenses	(307,529,756)	(293,272,420)	(14,257,336)	5%
Net Profit (Loss)	651,220,179	(194,185,533)	845,405,712	435%

**GUYANA GOLD BOARD**

**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017**

GYP (000)

<b><u>Items</u></b>	<b>2017</b>	<b>2016</b>	<b>Inc/(Dec)</b>	<b>% Change</b>
Non-Current Assets	93,187,302	102,518,057	(9,330,755)	(9%)
Current Assets	4,380,111,629	17,738,173,629	(13,358,062,000)	(75%)
Total Assets	4,473,298,931	17,840,691,686	(13,367,392,755)	(75%)
Total Equities	(9,990,217,941)	(10,641,438,120)	651,220,179	(6%)
Non- Current Liabilities	8,731,630,794	8,731,630,794	-	-
Current Liabilities	5,731,886,078	19,750,499,012	(14,018,612,934)	(71%)
Total Equity and Liability	4,473,298,931	17,840,691,686	(13,367,392,755)	(75%)

GUYANA GOLD BOARD  
PURCHASES FOR 2017 TROY OUNCES



<b>Period</b>	<b>Total Purchases</b>	<b>Budgeted Purchases</b>
January	18,525.00	20,000.00
February	21,086.00	22,000.00
March	18,515.00	24,000.00
April	12,589.00	25,000.00
May	12,289.00	25,000.00
June	9,978.00	30,000.00
July	9,562.00	28,000.00
August	11,443.00	26,000.00
September	8,852.03	25,000.00
October	9,100.50	25,000.00
November	9,661.59	25,000.00
December	7,303.77	25,000.00
<b>Total</b>	<b>148,903.79</b>	<b>300,000.00</b>

**GUYANA GOLD BOARD**

**DECLARATIONS AS AT DECEMBER 31, 2017 IN TROY OUNCES**

<b>Period</b>	<b>DEALERS</b>			<b>Guyana Gold Fields</b>	<b>Troy Resources</b>	<b>GGB</b>	<b>Declarations</b>	<b>YTD</b>
	<b>Opening Bal.</b>	<b>Closing Bal.</b>	<b>Exports</b>					
January	34,221.92	18,357.34	14,932.80	11,501.99	2,672.40	18,524.64	47,631.83	47,631.83
February	18,357.34	23,161.45	14,251.46	18,656.06	4,291.44	21,085.57	63,088.64	110,720.47
March	23,161.45	17,310.29	17,454.50	13,381.15	8,567.47	18,515.29	52,067.25	162,787.72
April	17,310.29	15,191.80	24,510.72	11,148.88	3,916.15	12,589.31	50,046.57	212,834.29
May	15,191.80	18,120.73	22,921.74	10,646.41	7,850.49	12,288.70	56,636.27	269,470.56
June	22,921.74	18,358.09	21,409.24	9,846.91	6,154.23	9,977.52	47,625.26	317,095.82
July	21,409.24	22,458.71	21,076.88	10,974.38	5,051.56	9,561.72	50,765.16	367,860.98
August	22,458.71	19,509.04	25,430.47	11,108.67	4,500.22	11,443.15	49,532.84	417,393.82
September	25,430.47	17,314.58	26,004.15	19,737.83	5,408.30	8,852.03	57,807.85	475,201.67
October	26,004.15	22,154.35	18,784.87	19,352.40	5,361.08	9,100.50	57,438.62	532,640.286
November	18,784.87	13,941.24	30,275.41	15,762.97	5,545.27	9,661.59	53,032.13	585,672.416
December	13,941.24	27,726.55	24,293.14	15,993.96	6,705.81	7,303.77	68,081.99	653,754.406

**TOTAL**

261,345.38

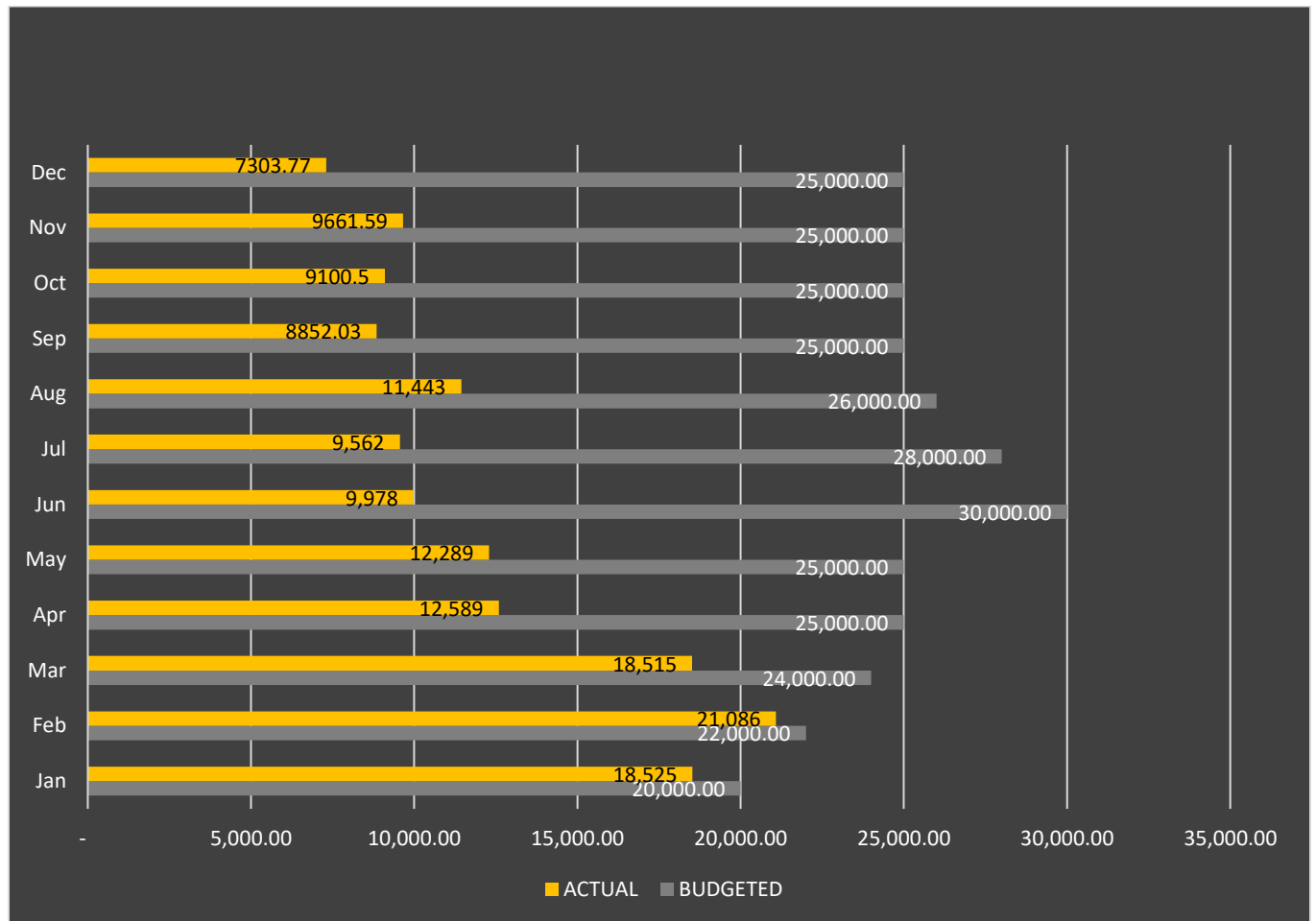
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66,024.42

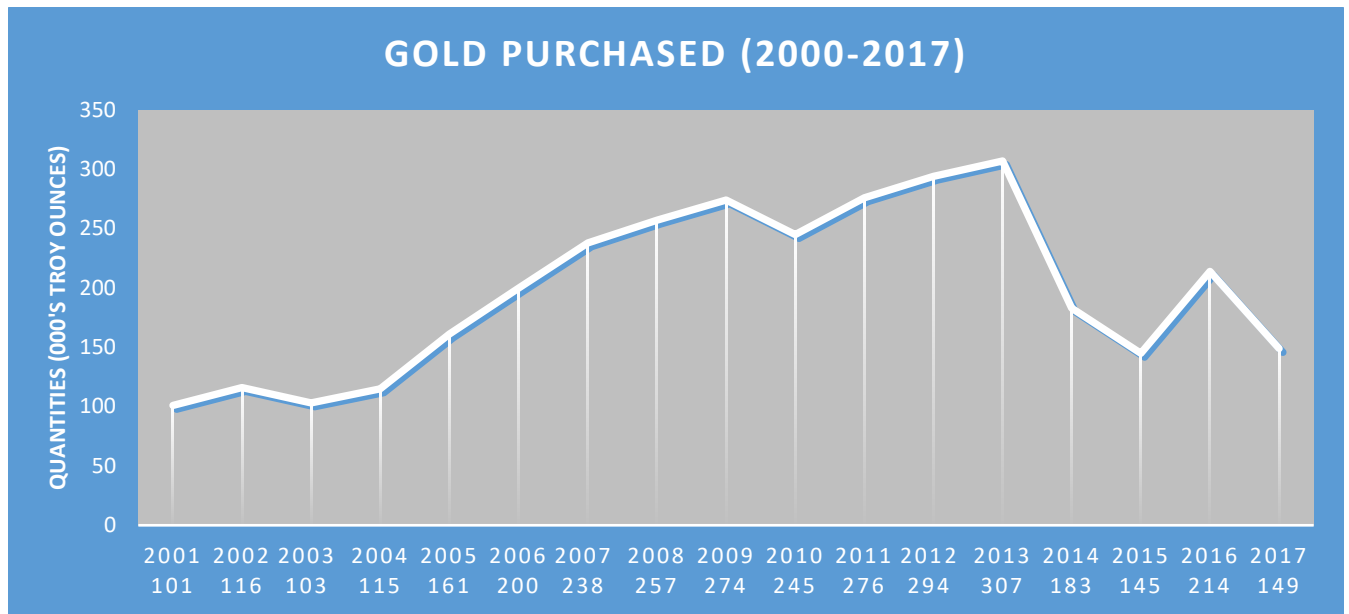
148,903.79

653,754.41

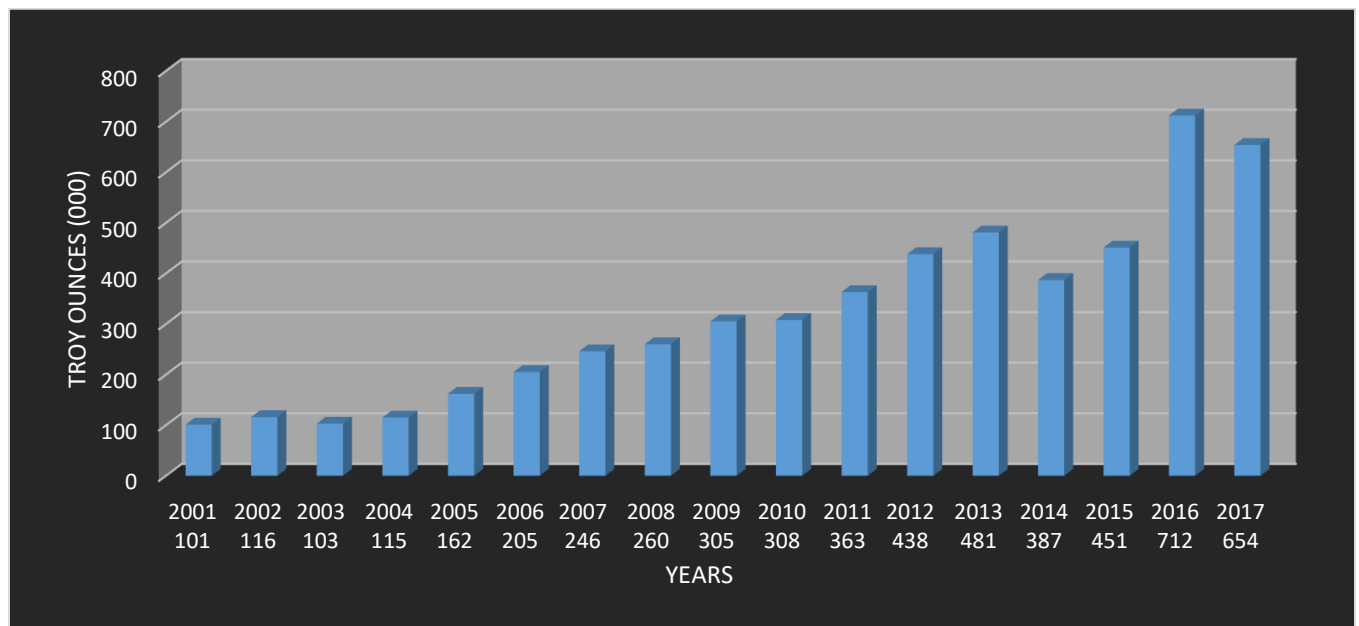
## QUANTITY OF GOLD PURCHASED VS BUDGET 2017



## GOLD PURCHASED (2001-2017)

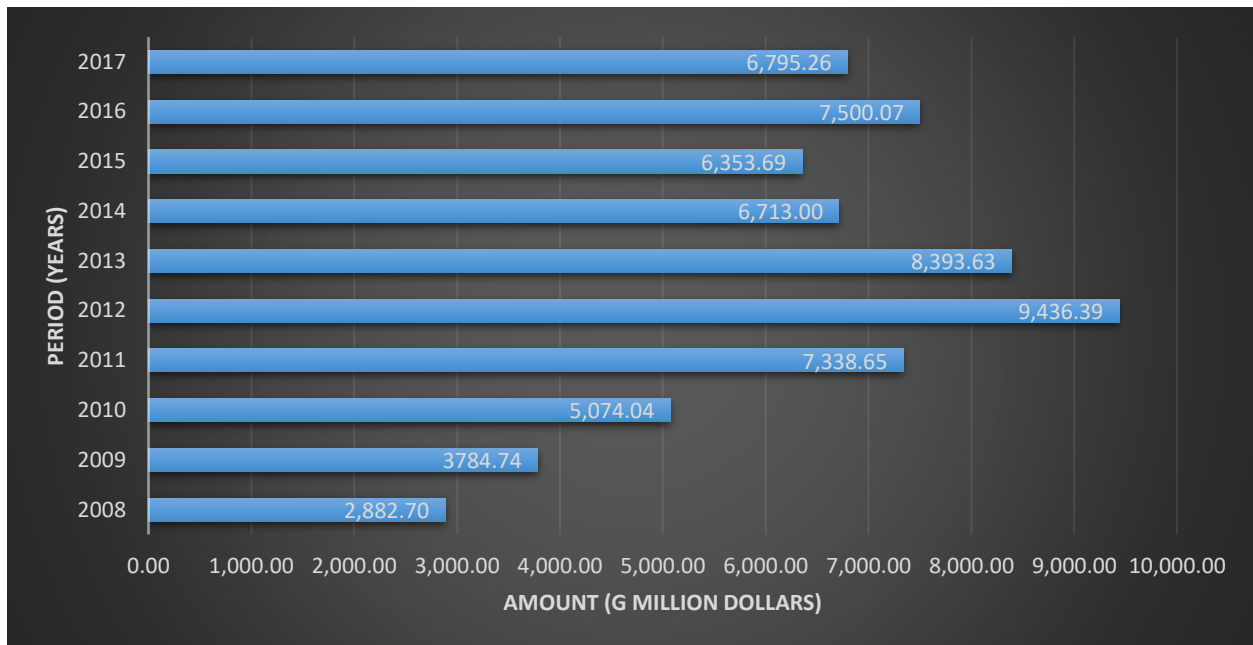


## GOLD DECLARATION (2003-2017)

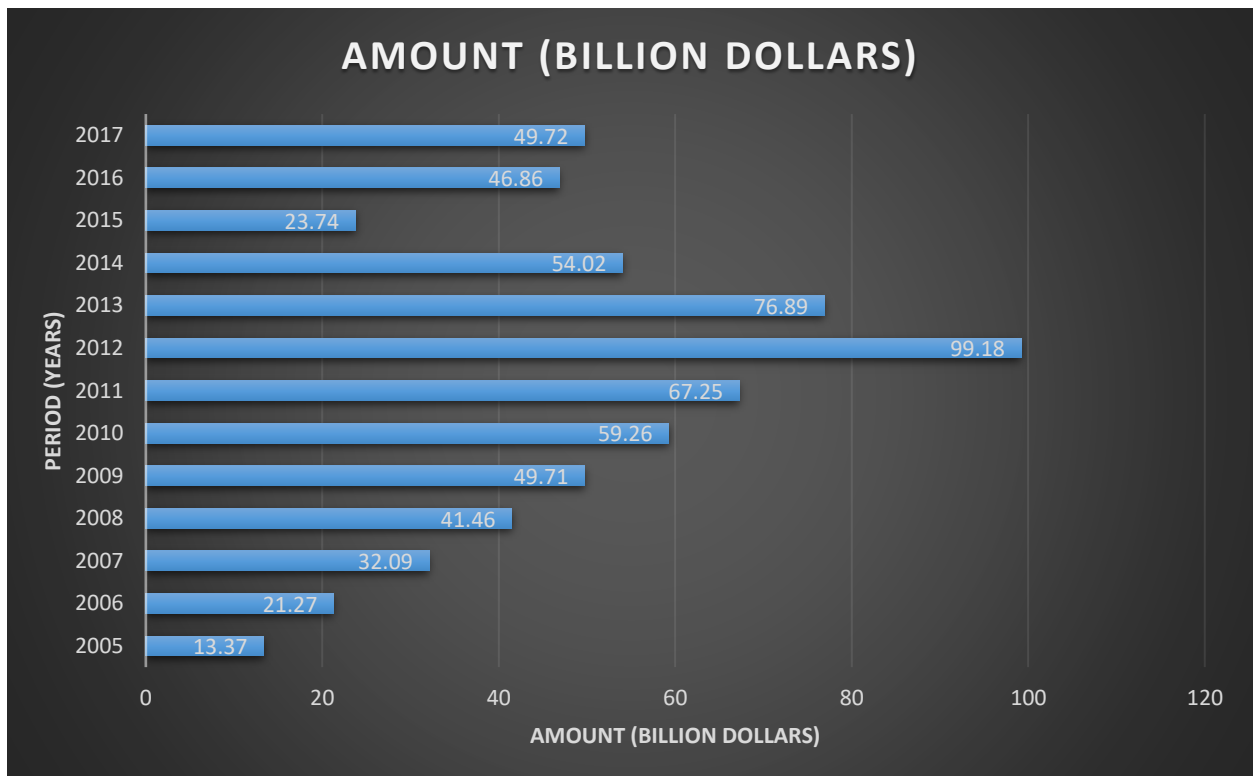




### ROYALTIES AND TAXES (2008-2017)



### TURNOVER (2008-2017)



On behalf of the Board of Directors of 2016, let me say how honored we were to serve in Guyana's most economically important sector, working along with the Ministry of Natural Resources to shape policy for the industry. The gold industry continued to be a natural blessing to the Guyanese economy in 2016, in defiance of conventional belief of the role of natural resources in developing countries.

Output and declarations continued their upward trend, and confirmed that the sector continued to attract investment and reinvestment, responding to the constructive policies and business environment governing the sector. Medium level gold prices assisted the upward thrust.

The Guyana Gold Board in 2016 benefited from a very constructive and engaging Board of Directors, appointed by the new coalition government. The Board of Directors evinced strong commitment to stronger and more robust regulation of the sector, by studying and re-examining many old, established conventions regarding pricing and buying practices by the Gold Board, and the regulatory framework. Indeed, the Board upheld the strong studied position that the Gold Board is an essential part of the industry in Guyana, to ensure that Guyanese benefit from the God-given endowment of their country with El dorado.

It is hoped that going forward, the central importance of the Gold Board to small and medium miners, and to the entire economy of Guyana, continues to remain evident and that sustained support is given to its mandate by these stakeholders.

On behalf of the Board of Directors of 2016, we express thanks again for the privilege of serving in this sector.