

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

**FOR THE YEAR ENDED
31 DECEMBER 2016**

**CONTRACTED AUDITORS: TSD LAL & COMPANY
77 BRICKDAM
GEORGETOWN**

**AUDITORS: AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**

**AUDITED FINANCIAL STATEMENTS OF THE
GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2016**

TABLE OF CONTENTS

	PAGE
1. TRANSMITTAL LETTER	i
2. AUDITOR'S OPINION OF THE FINANCIAL STATEMENTS	ii - iv
3. TSD LAL & CO. REPORT ON THE FINANCIAL STATEMENTS	1 - 3
4. AUDITED FINANCIAL STATEMENTS	2 - 22
5. MANAGEMENT LETTER	2 - 9



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>

146/SO: 13/2/2017

21 June 2017

Ms. Eondrene Thompson
General Manager (ag.)
Guyana Gold Board
Upper Brickdam
Georgetown.

Dear Ms. Thompson,

AUDIT OF THE FINANCIAL STATEMENTS OF
THE GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2016

Please find attached seven copies of the audited financial statements, together with the report of the Auditor General, thereon.

Should you need any further explanation, please do not hesitate to contact us.

With best regards.

Yours sincerely,



Audit Manager (ag.)
for Auditor General



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: 56/2017

22 June 2017

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 2016

Opinion

Chartered Accountants TSD Lal and Company have audited on my behalf the financial statements of Guyana Gold Board, which comprise of the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies as set out on pages 2 to 22.

In my opinion, the financial statements give a true and fair view, in all material respects, the financial position of the Guyana Gold Board as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC), the International Standards of Supreme Audit Institutions (ISSAIs) and the Audit Act 2004. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Guyana Gold Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Guyana, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matters

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 exempted 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 the financial statements.

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. At 31 December 2016 the Guyana Gold Board made a loss of G\$194,184,802 and current liabilities exceeded current assets by G\$2,012,325,383.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Guyana Gold Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Guyana Gold Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Guyana Gold Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

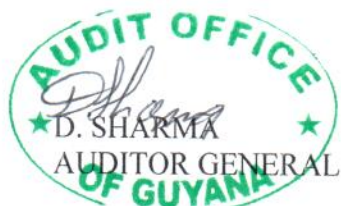
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Guyana Gold Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Guyana Gold Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Guyana Gold Board to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of section 17(i) of the Guyana Gold Board Act 1981 which states that the Guyana Gold Board shall not later than six months after the end of the calendar year, (i.e. 30 June 2017) submit to the Minister a report containing an account of its transactions throughout the preceding calendar year in such detail as the Minister may direct and a statement of accounts of the Board audited in accordance with Section 16.



AUDIT OFFICE OF GUYANA
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA.

INDEPENDENT AUDITOR'S REPORT
TO THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS
OF THE GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2016

Opinion

We have audited the accompanying financial statements of Guyana Gold Board which comprise the statement of financial position as at 31 December 2016 the statement of profit or loss and other comprehensive 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.

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Gold Board as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Guyana Gold Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guyana and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

Without qualifying our opinion:-

- (1) 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.
- (2) The financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the liquidation of liabilities in the normal course of business. At 31 December 2016 the Guyana Gold Board made a loss of G\$194,184,802 and current liabilities exceeded current assets by G\$ 2,012,325,383

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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.

In preparing the financial statements, management is responsible for assessing Guyana Gold Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Guyana Gold Board or to cease operations, or has no realistic but to do so.

Those charged with governance are responsible for overseeing the Guyana Gold Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Guyana Gold Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Guyana Gold Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Guyana Gold Board to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirement of Section 17(i) of the Guyana Gold Board Act 1981 which states that the Guyana Gold Board shall not later than six months after the end of the calendar year, (i.e. 30 June 2017) submit to the Minister a report containing an account of its transactions throughout the preceding calendar year in such detail as the Minister may direct and a statement of accounts of the Board audited in accordance with Section 16.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Rameshwar Lal-FCCA.

TSD LAL & CO

TSD LAL & CO

CHARTERED ACCOUNTANTS

Date: June 14, 2017

77 Brickdam,
Stabroek, Georgetown
Guyana

GUYANA GOLD BOARD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> G\$	<u>2015</u> G\$
Sales	5	46,858,062,189	23,740,792,843
Cost of Sales	6	<u>(46,804,898,679)</u>	<u>(24,786,059,981)</u>
Gross profit / (loss)		53,163,510	(1,045,267,138)
Other income	7	<u>45,924,108</u>	<u>161,505,197</u>
Operating profit/ (loss)		99,087,618	(883,761,941)
Administrative expenses	8	<u>(293,272,420)</u>	<u>(235,839,794)</u>
Net loss for the year	9	<u><u>(194,184,802)</u></u>	<u><u>(1,119,601,735)</u></u>
 Total comprehensive loss for the year		 <u><u>(194,184,802)</u></u>	 <u><u>(1,119,601,735)</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 2016

	Government contribution G\$	Accumulated deficit G\$	Total G\$
Balance at 1 January 2015	108,577,100	(9,436,228,683)	(9,327,651,583)
Change in equity 2015			
Total comprehensive loss for the year	-	(1,119,601,735)	(1,119,601,735)
Balance at 31 December 2015	108,577,100	(10,555,830,418)	(10,447,253,318)
Change in equity 2016			
Total comprehensive loss for the year	-	(194,184,802)	(194,184,802)
Balance at 31 December 2016	<u>108,577,100</u>	<u>(10,750,015,220)</u>	<u>(10,641,438,120)</u>

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

GUYANA GOLD BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> G\$	<u>2015</u> G\$
ASSETS			
Non Current Asset			
Plant and equipment	10	<u>102,518,057</u>	<u>119,831,489</u>
Current assets			
Inventories	11	16,176,414,605	10,990,144,511
Accounts receivable and prepayments	12	40,567,316	53,137,588
Cash on hand and at bank	13	<u>1,521,191,708</u>	<u>777,072,977</u>
		<u>17,738,173,629</u>	<u>11,820,355,076</u>
TOTAL ASSETS		<u>17,840,691,686</u>	<u>11,940,186,565</u>
EQUITY AND LIABILITIES			
Equity			
Government contribution	14	108,577,100	108,577,100
Accumulated deficit		<u>(10,750,015,220)</u>	<u>(10,555,830,418)</u>
		<u>(10,641,438,120)</u>	<u>(10,447,253,318)</u>
Non current liabilities			
Advance from Ministry of Finance	15	<u>8,731,630,794</u>	<u>8,731,630,794</u>
Current liabilities			
Accounts payable	16	818,486,500	788,240,157
Bank overdraft(unsecured)	17	<u>18,932,012,512</u>	<u>12,867,568,932</u>
		<u>19,750,499,012</u>	<u>13,655,809,089</u>
TOTAL EQUITY AND LIABILITIES		<u>17,840,691,686</u>	<u>11,940,186,565</u>

These financial statements were approved by the Board of Directors on June 14, 2017

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 2016

	<u>2016</u> G\$	<u>2015</u> G\$
Operating activities		
Net loss for the year	(194,184,802)	(1,119,601,735)
Adjustment for:		
Loss on disposal of plant & equipment	149,561	428,476
Depreciation	<u>26,721,657</u>	<u>27,622,981</u>
Operating loss before working capital changes	(167,313,584)	(1,091,550,278)
Increase in inventories	(5,186,270,094)	(7,979,614,631)
(Increase)/decrease in accounts receivable and prepayments	12,570,272	(1,700,460)
Increase in accounts payable	<u>30,246,343</u>	<u>898,885</u>
Net cash used in operating activities	<u>(5,310,767,063)</u>	<u>(9,071,966,484)</u>
Investing activities		
Purchase of plant and equipment	<u>(9,557,786)</u>	<u>(34,640,083)</u>
Net cash used in investing activities	<u>(9,557,786)</u>	<u>(34,640,083)</u>
Net decrease in cash and cash equivalents	(5,320,324,849)	(9,106,606,567)
Cash and cash equivalents at the beginning of the year	<u>(12,090,495,955)</u>	<u>(2,983,889,388)</u>
Cash and cash equivalents at the end of the year	<u><u>(17,410,820,804)</u></u>	<u><u>(12,090,495,955)</u></u>
Cash and cash equivalent comprise of:		
Cash on hand and at bank	1,521,191,708	777,072,977
Bank overdraft - unsecured	<u>(18,932,012,512)</u>	<u>(12,867,568,932)</u>
	<u><u>(17,410,820,804)</u></u>	<u><u>(12,090,495,955)</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 2016 – Nine (9) - 2015-Thirteen (13) 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.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

2. New and amended standards and interpretations

Pronouncements effective in future periods

Effective for annual periods beginning on or after

New and Amended Standards

IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 11 Joint Arrangements	1 January 2016
IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 & IAS 41 Agriculture: Bearer Plants	1 January 2016
IAS 27 Separate Financial Statements	1 January 2016
IFRS 10 & IAS 28 Sale or Contribution of Assets Between Investor and Associate or Joint Venture	1 January 2016
Disclosure Initiative Amendments to IAS 1	1 January 2016
Annual Improvements 2012-2014 Cycle	1 July 2016
IFRS 9 Financial Instruments: Classification and Measurement and additions for financial liability accounting	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018

The Company has not opted for early adoption.

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

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations-Cont'd

IFRS 15: Revenue From Contracts With Customers

This Standard provides a single, principles based five-step model to be applied to all contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method for the use of an asset that is not appropriate for property, plant and equipment.

Disclosure Initiative (Amendments to IAS 1)

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

- | | |
|--------|--|
| IFRS 5 | - Non-current Assets Held for Sale and Discontinued Operations |
| IFRS 7 | - Financial Instruments: Disclosures |
| IFRS 9 | - Financial Instruments |
| IAS 34 | - Interim Financial Reporting |

The application of the amendments to the above standards may have impact on amounts reported in the financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these amendments and hence have not yet quantified the extent of the impact.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies-cont'd

(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.

(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 Techmet Trading. Smelted gold is sent to Royal Canadian Mint where it is refined and then marketed through its agent- Techmet Trading. 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 contracts entered into by the Board during the year.

Expenses

Expenses are recognised on an accrual basis.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies-cont'd

(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.

(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.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies-cont'd

(h) Financial instruments – cont'd

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.

(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.

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

i) 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.

ii) 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>2016</u> G\$	<u>2015</u> G\$
5 Sales		
Local sales	115,234,532	91,075,489
Foreign sales	<u>46,742,827,657</u>	<u>23,649,717,354</u>
	<u>46,858,062,189</u>	<u>23,740,792,843</u>
6 Cost of sales		
Inventory at 1 January	10,990,144,511	3,010,529,880
Purchases	51,896,392,300	32,668,619,909
Shipping and refining cost	<u>94,776,473</u>	<u>97,054,703</u>
	<u>62,981,313,284</u>	<u>35,776,204,492</u>
Inventory at 31 December	<u>(16,176,414,605)</u>	<u>(10,990,144,511)</u>
	<u>46,804,898,679</u>	<u>24,786,059,981</u>
7 Other income		
Sale of silver	10,218,077	109,733,843
Lease income	1,633,109	6,666,868
Miscellaneous income	24,207,791	5,182,410
Exporter's licence fee(Dealers)	9,000,000	13,000,000
Option premiums	<u>865,131</u>	<u>26,922,076</u>
	<u>45,924,108</u>	<u>161,505,197</u>
8 Adminstrative expenses		
Insurance	20,072,724	14,311,376
Employment cost	117,030,510	82,381,179
Depreciation	26,721,657	27,622,981
Auditor's remuneration	2,000,000	2,200,000
Security	26,699,724	23,748,777
Motor vehicle	850,216	1,668,364
Sample tests	18,288,000	15,174,000
Legal fees	17,400	-
Stationery and supplies	3,339,740	3,078,368
Others	19,573,492	7,554,819
Silver payments	-	9,602,316
Gold burning	5,467,055	3,154,829
Office maintenance	586,918	256,295
Meal allowances	2,056,186	1,153,019
Staff welfare and training	1,173,413	1,335,245
Telephone, internet and telex	6,954,543	1,785,614
Gifts, donations and hospitality	2,333,005	1,876,340
Stamp expenses	5,374,397	4,549,350
Advertisement	328,978	512,506
Repairs to equipment and furniture	9,857,197	10,733,038
Bank charges	3,668,520	1,153,092
Entertainment-others	1,919,276	2,160,771
Medical expenses	546,000	1,100,000
Admin Exp-NRE	16,549,435	14,820,087
Repairs & maintenance-office	244,034	3,505,428
Directors' fees	<u>1,620,000</u>	<u>402,000</u>
	<u>293,272,420</u>	<u>235,839,794</u>

NOTES TO THE FINANCIAL STATEMENTS

- 9 Net loss for the year
After charging:
Depreciation
Directors fees(see note 18)
Auditor's remuneration

2016 G\$	2015 G\$
(194,184,802)	(1,119,601,735)
26,721,657	27,622,981
1,620,000	402,000
2,000,000	2,200,000

10 Plant and equipment

Cost/valuation	Furniture, fixtures & fittings G\$	Office equipment G\$	Motor vehicles G\$	Firearms G\$	Computer software G\$	Lab & smelting room G\$	Charity office G\$	Renovation of office space G\$	2016 Total G\$	2015 Total G\$
At 1 January	11,684,107	135,836,190	28,434,410	489,016	29,355,150	13,057,970	7,933,080	18,396,658	245,186,581	227,846,665
Additions	147,320	9,410,466	-	-	-	-	-	-	9,557,786	34,640,083
Disposal	(170,172)	(145,683)	-	-	-	-	-	-	(315,855)	(17,300,167)
At 31 December	11,661,255	145,100,973	28,434,410	489,016	29,355,150	13,057,970	7,933,080	18,396,658	254,428,512	245,186,581
Accumulated depreciation										
At 1 January	3,876,619	65,352,341	27,887,535	489,016	10,019,928	12,958,774	2,974,907	1,795,972	125,355,092	114,603,802
Charge for the year	1,110,415	16,658,492	546,874	-	6,494,408	-	991,636	919,832	26,721,657	27,622,981
Write back on disposal	(129,872)	(36,422)	-	-	-	-	-	-	(166,294)	(16,871,691)
At 31 December	4,857,162	81,974,411	28,434,409	489,016	16,514,336	12,958,774	3,966,543	2,715,804	151,910,455	125,355,092
Net book values										
At 31 December 2016	6,804,093	63,126,562	1	-	12,840,814	99,196	3,966,537	15,680,854	102,518,057	
At 31 December 2015	7,807,488	70,483,849	546,875	-	19,335,222	99,196	4,958,173	16,600,686		119,831,489

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

	<u>2016</u>	<u>2015</u>
	G\$	G\$
11 Inventories		
<u>Gold</u>		
Laboratory	269,641,684	253,960,677
Bank of Guyana	4,374,820,631	1,905,749,197
Royal Canadian Mint	-	4,200,982,229
Royal Canadian Mint Refrees	17,006,599	-
Guyana Geology and Mines Commission	5,485,385	-
Mitsui & Co Precious Metals Inc.	-	4,510,230,768
Gold available for sale	27,412,626	8,370,436
Gold refrees in transit	-	3,731,346
Scotia Bank	30,977	-
Techmet Trading (i)	10,854,450,550	-
Bartica	594,566,132	97,172,117
	<u>16,143,414,584</u>	<u>10,980,196,770</u>
<u>Silver</u>		
Royal Canadian Mint	8,919,710	9,947,741
Scotia Mocatta	24,080,311	-
	<u>16,176,414,605</u>	<u>10,990,144,511</u>
(i) 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. This agreement ceased in 2016. However, Techmet Trading were contracted by the Board of Director as the new broker.		
(a) The cost of inventory recognised as expenses during the year amounted to G\$ 46,804,898,679 (2015 G\$24,786,059,981).		
(b) There was no write off of inventories during the year.		
(c) All inventories are expected to be recovered within 12 months.		
12 Accounts receivable and prepayments		
	<u>2016</u>	<u>2015</u>
	G\$	G\$
Trade receivables	22,214,970	19,603,525
Prepayments	18,352,346	33,534,063
	<u>40,567,316</u>	<u>53,137,588</u>
13 Cash on hand and at bank		
Republic Bank (Guyana) Limited	72,524,839	18,159,712
Citizen's Bank Guyana Limited	914,012,603	67,478,903
Bank of Guyana-US\$ account	527,234,606	685,732,930
Petty Cash-Head Office	7,419,660	5,701,432
	<u>1,521,191,708</u>	<u>777,072,977</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>8,731,630,794</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>2016</u>	<u>2015</u>
	G\$	G\$
Trade payables	83,813,028	87,441,017
Gold dealers' tax payable	175,292,646	199,371,714
Gold dealers' royalties payable	456,098,868	400,363,597
Accruals	19,484,500	17,815,000
Dealers security deposit	25,651,840	25,733,130
Others	58,145,618	57,515,699
	<u>818,486,500</u>	<u>788,240,157</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

17 Bank overdraft

	<u>2016</u>	<u>2015</u>
	G\$	G\$
Bank of Guyana-disbursement account	18,929,651,009	12,865,994,724
Republic Bank-current account	<u>2,361,503</u>	<u>1,574,208</u>
	<u>18,932,012,512</u>	<u>12,867,568,932</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 unpresented 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.

i) Government related entities

	<u>2016</u>	<u>2015</u>
	G\$	G\$
GGMC - (a)		
Royalties collected and remitted during the year	<u>5,534,160,175</u>	<u>4,543,311,696</u>
Assay testing	<u>16,515,000</u>	<u>16,065,000</u>
Balance at year end - inventory	<u>5,485,385</u>	<u>-</u>
Balance at year end - assay	<u>19,484,500</u>	<u>17,815,000</u>
Royalties payable	<u>456,098,868</u>	<u>400,363,597</u>
GRA		
Taxes collected and remitted during the year	<u>1,965,914,201</u>	<u>1,810,378,001</u>
Taxes payable	<u>175,292,646</u>	<u>199,371,714</u>
Bank of Guyana - note 17	<u>18,929,651,009</u>	<u>12,865,994,724</u>
Balance at year end - cash at bank	<u>527,234,606</u>	<u>685,732,930</u>
Balance at year end - inventory	<u>4,374,820,631</u>	<u>1,905,749,197</u>
Ministry of Finance - note 15	<u>8,731,630,794</u>	<u>8,731,630,794</u>

(a) Guyana Gold Board office is located in a building owned by GGMC. There is no rental charges or fees payable to GGMC with regards to the building.

ii) Key management personnel

The company's key management personnel comprised of its Directors, the Secretary to the Board/Legal Officer, General Manager(ag), Asst. General Manager, the Finance Manager, the Station Manager-Bartica, the Internal Auditor and the Head of Laboratory. During the year remunerations paid to key management personnel was as follows:

	<u>2016</u>	<u>2015</u>
	G\$	G\$
Short- term employee benefit	52,021,378	34,589,951
Directors emoluments	<u>1,620,000</u>	<u>402,000</u>
	<u>53,641,378</u>	<u>34,991,951</u>

Gold sold by Adamantium Holdings (which is owned by the Alphonso family) amounted to nil (2015 G\$ 1,232,940,899) . The prices for gold purchased from them are the same as that paid to non-related clients.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

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

(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 2016		
		Within 1 year G\$	Non-interest bearing G\$	Total G\$
Assets				
Accounts receivable and prepayments	-	-	40,567,316	40,567,316
Cash on hand and at bank	-	-	1,521,191,708	1,521,191,708
		-	1,561,759,024	1,561,759,024
Liabilities				
Bank overdraft (unsecured)	-	2,361,503	18,929,651,009	18,932,012,512
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts payable	-	-	818,486,500	818,486,500
		2,361,503	28,479,768,303	28,482,129,806
Interest sensitivity gap		(2,361,503)		

	Average interest rate %	Maturing 2015		
		Within 1 year G\$	Non-interest bearing G\$	Total G\$
Assets				
Accounts receivable and prepayments	-	-	53,137,588	53,137,588
Cash on hand and at bank	-	-	777,072,977	777,072,977
		-	830,210,565	830,210,565
Liabilities				
Bank overdraft (unsecured)	-	1,574,208	12,865,994,724	12,867,568,932
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts payable	-	-	788,240,157	788,240,157
		1,574,208	22,385,865,675	22,387,439,883
Interest sensitivity gap		(1,574,208)		

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 2016		
	On demand	Within 1 year	Total
	G\$	G\$	G\$
Assets			
Accounts receivable and prepayments	-	40,567,316	40,567,316
Cash on hand and at bank	1,521,191,708	-	1,521,191,708
	<u>1,521,191,708</u>	<u>40,567,316</u>	<u>1,561,759,024</u>
Liabilities			
Bank overdraft (unsecured)	-	18,932,012,512	18,932,012,512
Advance from Ministry of Finance	8,731,630,794	-	8,731,630,794
Accounts payable	-	818,486,500	818,486,500
	<u>8,731,630,794</u>	<u>19,750,499,012</u>	<u>28,482,129,806</u>
Net liabilities	<u>(7,210,439,086)</u>	<u>(19,709,931,696)</u>	<u>(26,920,370,782)</u>
	Maturing 2015		
	On demand	Within 1 year	Total
	G\$	G\$	G\$
Assets			
Accounts receivable and prepayments	-	53,137,588	53,137,588
Cash on hand and at bank	777,072,977	-	777,072,977
	<u>777,072,977</u>	<u>53,137,588</u>	<u>830,210,565</u>
Liabilities			
Bank overdraft (unsecured)	-	12,867,568,932	12,867,568,932
Advance from Ministry of Finance	8,731,630,794	-	8,731,630,794
Accounts payable	-	788,240,157	788,240,157
	<u>8,731,630,794</u>	<u>13,655,809,089</u>	<u>22,387,439,883</u>
Net liabilities	<u>(7,954,557,817)</u>	<u>(13,602,671,501)</u>	<u>(21,557,229,318)</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 Central and 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

Inventory (gold and silver) held by third party.

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

	2016 G\$	2015 G\$
Cash at bank	1,513,772,048	771,371,545
Accounts receivable(excluding prepayments)	22,214,970	19,603,525
Inventory held with third party (i)	15,284,794,153	10,630,641,254
Total credit risk exposure	16,820,781,171	11,421,616,324
The accounts receivable balances are classified as follows:		
Current	5,664,498	2,955,413
Past due but not impaired	16,550,472	16,648,112
	22,214,970	19,603,525

Ageing of accounts receivable which was past due but not impaired

365+ days	16,550,472	16,648,112
-----------	------------	------------

(i) Inventory held with third parties were adequately insured at 31 December 2016 as such this will reduce the credit risk.

(d) Currency risk

The Company's exposure to the effects of fluctuations in foreign currency exchange rates arise mainly from inventory. The currency which the Company is mainly exposed to is United States Dollar.

The aggregate amounts of assets denominated in United States are as shown:

	Total G\$
31 December 2016	
Assets	16,703,649,211
31 December 2015	
Assets	11,675,877,441

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 2.5% increase or decrease in the Guyana dollar (GYD) against the United States dollar (US\$).

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2.5% change in foreign currency rates. A positive number indicates an increase in profit where the US\$ strengthens 2.5% against the GY\$. For a 2.5% weakening of the US\$ against G\$ there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	G\$	G\$
Profit/(loss)	417,591,230	291,896,936

(iii) Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

20 Analysis of financial assets and liabilities by measurement basis

	<u>Loans and receivable</u> G\$	<u>Financial assets and liabilities at amortised cost</u> G\$	<u>Total</u> G\$
2016			
Assets			
Accounts receivable and prepayments	40,567,316	-	40,567,316
Cash on hand and at bank	-	1,521,191,708	1,521,191,708
	<u>40,567,316</u>	<u>1,521,191,708</u>	<u>1,561,759,024</u>
Liabilities			
Bank overdraft (unsecured)	-	18,932,012,512	18,932,012,512
Advance from Ministry of Finance	-	8,731,630,794	8,731,630,794
Accounts payable	-	818,486,500	818,486,500
	<u>-</u>	<u>28,482,129,806</u>	<u>28,482,129,806</u>

	<u>Loans and receivable</u> G\$	<u>Financial assets and liabilities at amortised cost</u> G\$	<u>Total</u> G\$
2015			
Assets			
Accounts receivable and prepayments	53,137,588	-	53,137,588
Cash on hand and at bank	-	777,072,977	777,072,977
	<u>53,137,588</u>	<u>777,072,977</u>	<u>830,210,565</u>
Liabilities			
Bank overdraft (unsecured)	-	12,867,568,932	12,867,568,932
Advance from Ministry of Finance	-	8,731,630,794	8,731,630,794
Accounts payable	-	788,240,157	788,240,157
	<u>-</u>	<u>22,387,439,883</u>	<u>22,387,439,883</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

21 Fair value estimation

Fair value measurement recognised in the statement of financial position

Level 1 - Fair value determination is with reference to quoted prices in active markets for identical assets and liabilities. Quotation from recognised stock exchange was used to value investments under this ranking.

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The following table details the carrying cost of assets and liabilities at amortised cost. However their fair values are stated for disclosure purpose.

	IFRS 13 Levels	2016 Carrying amount G\$	Fair value G\$	IFRS 13 Levels	2015 Carrying amount G\$	Fair value G\$
ASSETS						
Plant and equipment	2	102,518,057	102,518,057	2	119,831,489	119,831,489
Accounts receivables and prepayments	2	40,567,316	40,567,316	2	53,137,588	53,137,588
Cash on hand and at bank	1	1,521,191,708	1,521,191,708	1	777,072,977	777,072,977
		<u>1,664,277,081</u>	<u>1,664,277,081</u>		<u>950,042,054</u>	<u>950,042,054</u>
LIABILITIES						
Advance from Ministry of Finance	2	8,731,630,794	8,731,630,794	2	8,731,630,794	8,731,630,794
Bank overdraft	1	18,932,012,512	18,932,012,512	1	12,867,568,932	12,867,568,932
Accounts payable	2	818,486,500	818,486,500	2	788,240,157	788,240,157
		<u>28,482,129,806</u>	<u>28,482,129,806</u>		<u>22,387,439,883</u>	<u>22,387,439,883</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:

(i) 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 receivables and prepayments, cash on hand and at bank, advance from Ministry of Finance, accounts payables and bank overdraft.

(ii) Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Management determines depreciation rates sufficient to write off the costs of assets over their useful lives.

22 Prospect

The Ministry along with the Board of Directors are currently implementing strategies geared at alleviating GGB's loss position. The following proposals are made:

1. Proposal for a new pricing method whereby the London Fix less 1.5% is used as the buying price. This will result in GGB being able to cover its variable and fixed costs and make a profit.
2. GGB currently employs strategies to cushion the effects of falling gold prices. For example the use of call and put options. It is intended to continue aggressively in this vein.
3. It is proposed that GGB would intensify its aggression in light of number 2 above. New markets would be sought and investment strategies applicable to gold trading.
4. The Ministry of Natural Resources and by extension the Government of Guyana is currently trying to combat all gold smuggling. GGB by way of support has systems in place to ensure that licensed dealers declare gold and all other persons involved in the gold business.

23 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on June 14, 2017.

Our Ref: RL/BS/vs/731

June 15, 2017

Ms. E. Thompson
Finance Manager
Guyana Gold Board
Upper Brickdam,
GEORGETOWN.

Dear Madam,

In accordance with our normal practice, we are reporting the results of our study and evaluation of Guyana Gold Board's internal accounting controls and procedures for the year ended 31 December, 2016. The matters discussed in this letter should be read in conjunction with Appendix A, which sets out the context of our study and evaluation. Appendix A further indicates that our study and evaluation is related solely to the audit and is not designed for a separate opinion on the internal accounting control systems. While we cannot, therefore, express an opinion on the system of internal accounting control taken as a whole, our study and evaluation did disclose certain matters that do not constitute material weaknesses.

MATTERS PREVIOUSLY REPORTED

1. PAYABLES

Comment

Confirmation from GGMC was still outstanding.

2. FIXED ASSETS

Comment

Purchase invoices for major assets were not filed separately.

/2...

June 15, 2017

Page 02

MATTERS PREVIOUSLY REPORTED-CONT'D

3. INTERNAL AUDIT

Comments

- 3.1 There was no payroll procedures manual.
- 3.2 Sales instructions to Mitsui & Co Precious Metals were not recorded in a log book, the sales proceeds were taken into account by way of journals.

4. GOING CONCERN

Comment

The financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the liquidation of liabilities in the normal course of business. At 31 December 2015 the Guyana Gold Board made a loss of G\$1,119,601,735 and current liabilities exceeded current assets by G\$ 1,835,454,013.

MATTERS NOW REPORTING

1. FIXED ASSETS

Comments

- 1.1 Some assets in the fixed assets register did not have identification numbers.
- 1.2 The various categories in the fixed assets register were not in agreement with the trial balance.
- 1.3 It was noted that depreciation of G\$17,913 was charged to assets that were disposed during the year.

Implications

- 1.1 There may be duplicated assets on the fixed assets register.
- 1.2 Internal controls may not be operating efficiently.
- 1.3 There may be a breach in the fixed assets accounting policy.

June 15, 2017

Page 03

MATTERS NOW REPORTING-CONT'D

FIXED ASSETS-CONT'D

Recommendations

- 1.1 Management should ensure that the fixed assets register is updated with asset identification numbers for all assets.
- 1.2 Management should make efforts to reconcile the register to the general ledger.
- 1.3 Management must comply with the accounting policies governing fixed assets.

Client's Comments

- 1.1 A labeling machine is to be purchased to update the labeling of assets newly acquired; however in the asset register careful note is taken of date purchased, location of the asset and for whom it is purchased. The source documents are also retained separately to eliminate any chances of duplication.
- 1.2 The balances reflected on the fixed asset register and those in the trial balance are in agreement as at December 31, 2016. It should be noted that these differences in categories of assets represent differences that were coming forward from the previous two audits and measures will be in place to correct these differences in 2017.
- 1.3 Depreciation is processed on a quarterly basis and as such any asset disposed of after the first quarter in the year would have been depreciated at the appropriate rate. However, upon disposal the depreciation charged to these assets during the year is reversed.

2. PAYABLES

Comments

- 2.1 Confirmation from Guyana Geology and Mines Commission was still outstanding.
- 2.2 The following trade payables balances in relation to gold and silver were coming forward from previous year. See appendix 1.
- 2.3 Other payables included a total of \$110,090 which was coming forward from the previous year.
- 2.4 Other payables included staled dated cheques which totaled G\$9,736,122. /4...

June 15, 2017

Page 04

MATTERS NOW REPORTING-CONT'D

PAYABLES-CONT'D

Implications

- 2.1
- To
- 2.4 Payables may be misstated.

Recommendations

- 2.1 Management should follow up this confirmation for audit verification.
- 2.2
- To
- 2.4 Management must investigate these balances with a view of having them cleared.

Client's Comments

- 2.1 Contact was made with the relevant official at GGMC and we were advised that they are still in the process of verifying the balance since their records are not up to date.
- 2.2 The balances brought forward are as a result of customers who have not conducted any business with the GGB during the year. As a result, these amounts accruing to them are reflected in the accounts.
- 2.3 The amount represents no pay deductions from staff who were absent from work. Amount inadvertently processed to payables account, prior year adjustment would be made for amount to be reflected in Misc. income account.
- 2.4 This is an aggregated amount of cheque payments made to clients who did not cash their cheques, as a result after six months the cheques go stale. These customers have not done business with the GGB during the year.

3. GOING CONCERN

Comment

The financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the liquidation of liabilities in the normal course of business. At 31 December 2016 the Guyana Gold Board made a loss of G\$ 194,184,802 and current liabilities exceeded current assets by G\$ 2,012,325,383.

/5...

June 15, 2017

Page 05

MATTERS NOW REPORTING-CONT'D

GOING CONCERN-CONT'D

Implication

The Guyana Gold Board may not continue to exist in the foreseeable future.

Recommendation

Management must implement stringent measures in the operations of the Guyana Gold Board to ensure that the institution is profitable.

Clients Comment

The Board of Directors is in the process of implementing strategies to alleviate the loss position. Such strategies are:

1. Reducing the London fix by a percentage, thereby GGB will not be purchasing unrefined gold using refined price.
2. Implementing hedging strategies for example call and put options and to a lesser extent forwards.
3. Increase awareness to gold miners, the need to sell their gold to GGB or only authorised sources.

4. INTERNAL AUDIT

Comment

There were twenty three payment transactions totalling G\$3,130,021 which were made without approved invoices.

Implication

Internal controls may not be operating efficiently.

Recommendation

Management should ensure that all payments are made with approved invoices.

Client's Comment

These payments were made either on photocopy invoices or email instructions from the Ministry of Natural Resources.

June 15, 2017

Page 06

MATTERS NOW REPORTING-CONT'D

5. INVENTORY

Comments

- 5.1 The agreement between Guyana Gold Board and Guyana Gold and Diamond Miners Association for reducing the average exchange rate of the six commercial banks by G\$4.25 was still outstanding.
- 5.2 Un-refined gold was purchased at the London Bullion Market Association (LBMA) price. LBMA usually quote prices for refined gold.

Implications

- 5.1 Inventory may be understated.
To
- 5.2 Inventory and income may be overstated.

Recommendations

- 5.1 Management should ensure that this agreement is provided to us.
- 5.2 The board of directors should make a decision on the pricing policy for unrefined gold.

Client's Comments

- 5.1 No agreement can be sourced. The issue of exchange rate is currently engaging the attention of the Board whether to use the existing BOG buying rate for all transactions.
- 5.2 The issue is currently engaging the attention of the Board of Directors. A decision will be taken to reduce the purchase price by at least 1% or 1.5%.

6. GENERAL

Comment

It was noted that the cash and bank balance and the inventory balances were converted from US\$ to G\$ using different exchange rates. This resulted in the bank balance to be understated by G\$8,601,295.

June 15, 2017

Page 07

MATTERS NOW REPORTING-CONT'D

GENERAL-CONT'D

Implication

Cash and bank may be misstated.

Recommendation

IAS 21 requires all foreign currency monetary items to be translated using the closing rate. This rate should be consistent with the company's accounting policies. As such both cash and bank and inventory exchange rate should be translated using the average of the six commercial bank rates at the year end.

Client's Comment

The exchange rate represents the exchange rate used as at close of business December 31, 2016 this is consistent with the international reporting standards on valuation of inventory – lower of cost and net realizable value.

7. RECEIVABLES

Comment

There were outstanding asset receivables totaling G\$22,214,970 which were coming forward from a number of years. See appendix 2.

Implication

These balances may be misstated

Recommendation

Management should review these balances to determine whether they are collectible or impaired.

Client's comment

This balance represents amounts owing to GGB by clients. It is the difference between the payout factor and the assay results when gold is purchased. Over the years the clients may not have returned to do business with GGB or in some cases out of the gold mining business.

June 15, 2017

Page 08

MATTERS NOW REPORTING-CONT'D

8. CASH AND BANK

Comment

Included in the Republic bank reconciliation was a balance of G\$14,705,500 which was not taken up in the accounting records.

Implication

Cash and bank may be misstated

Recommendation

Management should ensure that this amount is taken up in the accounting records.

Client's Comment

This amount represents insurance premium for the year 2017. Please note the amount was returned to the account because of incorrect banking information. Subsequently, the payment was made in January 2017.

9. GENERAL - BOARD MINUTES

Comments

9.1 The deputy noted that Techmet was not a member of the London Bullion Market Association (LBMA). However at December 31, 2016, Techment was the approved broker for the Guyana Gold Board.

9.2 The need for a head of department for the internal audit department was mentioned in the meeting held on February 22, 2016 as the department was not functioning as how it should be.

Implications

9.1 The Guyana Gold Board was not receiving services of an approved member of the London Bullion Market Association.

9.2 The Internal audit department may not be functioning as intended.

June 15, 2017

Page 09

MATTERS NOW REPORTING-CONT'D

GENERAL-BOARD MINUTES-CONT'D

Recommendations

- 9.1 Management should ensure all brokers whose services are utilized are members of the London Bullion Market Association.
- 9.2 Management must employ a head of department for the internal audit department.

Client's Comment

- 9.1 Response sought directly from Techemet Trading: we are actually not members of the LBMA. I spoke with the LBMA while I was in London to secure our membership and the LBMA actually said that they are changing their rules soon such that a refinery that is not a "good delivery" gold and silver refiner will no longer be able to join as a member of the LBMA. Given Techemet refines platinum and palladium, (and not gold and silver) we cannot join as members of the LBMA. That being said, we are affiliates of the LPPM (London Platinum and Palladium Market). Below is the link where you can find our name listed.
<http://www.lppm.com/affiliates-list/>
- 9.2 This matter was revisited by the current Board of Directors and the vacancy was advertised and would soon be filled.

The information contained in this letter is intended solely for the use of Management and the Board of Directors and should not be used for any purpose.

We wish to thank management and staff for the co-operation extended to us during the course of the audit.

Yours faithfully,


Ramesh Lal

Managing Partner – TSD LAL & CO

Cc: Ms. N. Harcourt
Audit Manager (ag)
Audit Office of Guyana

GUYANA GOLD BOARD

APPENDIX A

Our study and evaluation of the system of internal accounting control was made as part of our examination of the financial statements of Guyana Gold Board for the year ended 31 December, 2016 on which we reported in our auditor's report dated June 14, 2017.

During our examination we studied and evaluated Guyana Gold Board's system of internal accounting controls, to the extent we considered necessary in order to meet requirements of International Standards on Auditing. These standards require a study and evaluation of internal accounting control only for the purpose of determining the nature, timing and extent of the auditing procedures necessary for expressing an opinion on Guyana Gold Board's financial statements. Our study and evaluation is therefore, more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and would not necessarily disclose all material weaknesses in the system.

We understand that management of the Guyana Gold Board is responsible for establishing and maintaining a system of internal accounting control and is required to assess, using estimates and judgements, the expected benefit and related costs of control procedures. In our audit we remain alert to situations where improvements should be considered or where controls may no longer be cost effective. Consequently, we make recommendations related to the objectives of a system which is designed to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Appendix 1

Trade Payables – Gold assay

Year	Amount G\$
2006	958,991
2007	4,889,859
2008	2,992,300
2009	3,290,221
2010	4,841,352
2011	3,997,086
2012	11,081,262
2013	18,967,652
2014	8,861,568
2015	5,590,917

Trade Payables – Silver assay

Year	Amount G\$
2006	623,115
2007	681,417
2008	521,000
2009	3,758,518
2011	4,560,784
2012	8,612,208
2013	4,153,977
2014	5,041,145

Appendix 2

	G\$
Assay – receivables	
2006	221,617
2007	607,146
2008	532,375
2009	327,519
2010	745,602
2011	1,672,344
2012	2,319,287
2013	6,598,118
2014	2,260,230
2015	1,266,234
2016	<u>5,664,498</u>
	<u>22,214,970</u>