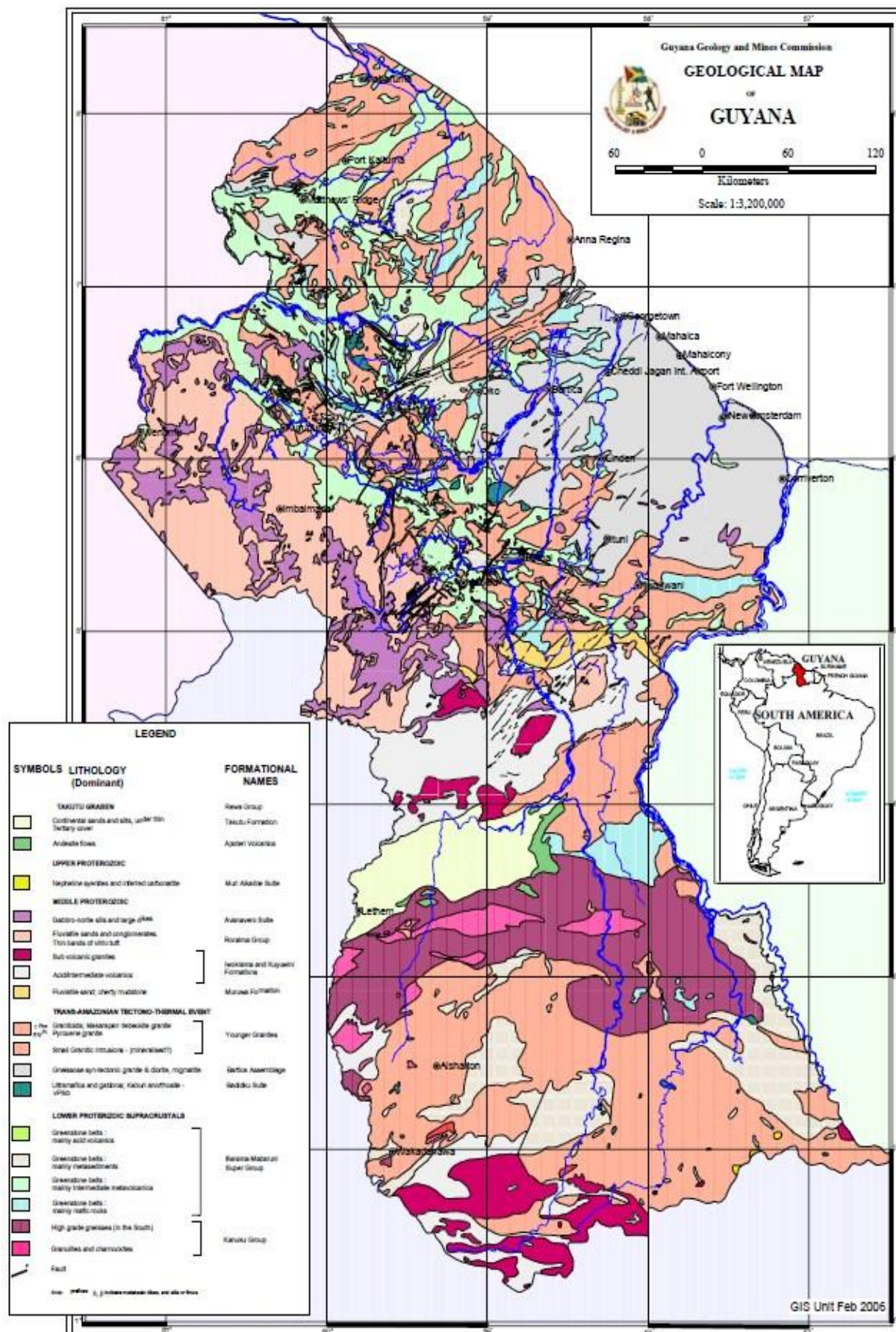


GUYANA GOLD BOARD

Annual Report
2017

MINISTRY OF NATURAL RESOURCES AND THE ENVIRONMENT



MINISTRY OF NATURAL RESOURCES

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LETTER OF THE TRANSMITTAL

March 13, 2018

Honourable Raphael Trotman, M.P

Minister of 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 Carmichael 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)

The Guyana Gold Board is hereby established as a body corporate, and the provisions of the First Schedule shall have effect as to the constitution of the Board and other matters related 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 THE 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, were 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 194,184,802 on January 1, 2017, to an Operating Surplus of GYD 648,370,179 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, especially as it relates to financial improprieties.

Additionally, a new management team is in place, which is noteworthy for internal promotions, and 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 an 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 Guyana's economic well-being 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 Guyana Gold Board (GGB) continues to make its sterling contribution to Guyana's economic development and remains committed to executing its mandate. This is a pursuit that is as rewarding as it is challenging, particularly in Guyana's economy, where the gold mining sector is progressively expanding and the world market remains volatile. Each week, the Agency interacts with at least one potential investor, seeking clarity on acquiring a gold dealership license to trade in gold; requesting permission to purchase gold directly from GGB for export; or to set up a gold refinery in Guyana. This presents a clear picture that the dynamics of the gold trading industry are ever-increasing and require diligence, enhanced surveillance, and astute leadership.

Highlights & Lowlights

While the year 2017 did not showcase the same level of quantum gold declarations as 2016, there are some notable success stories. Moving from a five-year deficit to a surplus is undoubtedly an achievement. GGB's revenue in 2017 exceeded that of 2016 by approximately US\$14 million, despite a roughly 30% decrease in gold purchased by GGB in 2017. Foreign sales for 2017 surpassed those of 2016 by about 9,000 ounces. Prudent fiscal management is evident in the reduction of GGB's deficit at the Bank of Guyana by 75.1%. As a supervisory authority, careful monitoring of the gold trading sector is essential to ensure compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) laws; however, legislative and regulatory uncertainties remain pressing issues—management and the Board continue to engage with the government to resolve them.

For 2017, six of the nine licensed dealers exported their gold overseas, avoiding the usual decline when gold prices drop. Dealers' exports increased by 15,710 ounces, or 6.40%, in 2017 compared to 2016. Aurora Gold Mines Inc. also increased exports in 2017 by 7,745 ounces, while Troy Resources experienced a shortfall of 3,433 ounces in 2017 compared to 2016. Guyana Gold Board exported 32,472 ounces, or 16.07% less in 2017 than in 2016.

Market Review

- i. The year 2017 was a mixed year for gold; the first half can be considered excellent in terms of price. Major factors affecting gold prices included a weaker US dollar, geopolitical uncertainties, higher interest rates, and expectations regarding President Trump's ability to implement his campaign agenda. In the first half of 2017, gold prices rose by 8%, and
- ii. GGB capitalized on these gains during that period. After June 2017, gold prices faced headwinds due to market expectations that the Fed would raise rates. This anticipation caused significant market movements, including a stronger dollar and lower gold prices. Toward the end of December 2017, gold prices gradually increased. In 2017, gold prices ranged from a low of US\$1,146 per ounce to a high of US\$1,350 per ounce, compared to 2016, when prices ranged from a low of US\$ 072.70 to a high of US\$1,378.

Outlook for 2018

Operations

Much remains to be achieved during 2018. GGB's immediate priority is to ensure that the proposed legislative reform is completed and processed through Parliament. This gives the Guyana Gold Board muscle to effectively function as a regulatory/supervisory body in the gold trading industry. The compliance department would be adequately staffed to conduct field audits, since greater emphasis will be placed on ensuring strict compliance with the regulatory framework laid out. Internal control measures would constantly be reviewed to ensure that systems are robust enough to combat any fraudulent activity. Staff development also remains paramount for the organization's positioning – staff will be exposed appropriate training sessions to ensure they are adequately equipped to perform assigned tasks. There will also be quarterly stakeholders' consultation to keep the communication channels open, and moreover

Market

While gold prices ended moderately strong toward the end of 2017, we expect an even bigger rally in 2018. The year-end price movement for 2017 lifted gold from its lows, indicating that, at least in the short term, prices would find support in 2018. Analysts predict that gold prices will keep rising against the US dollar in 2018, reaching a peak of US\$1,450 by year's end.

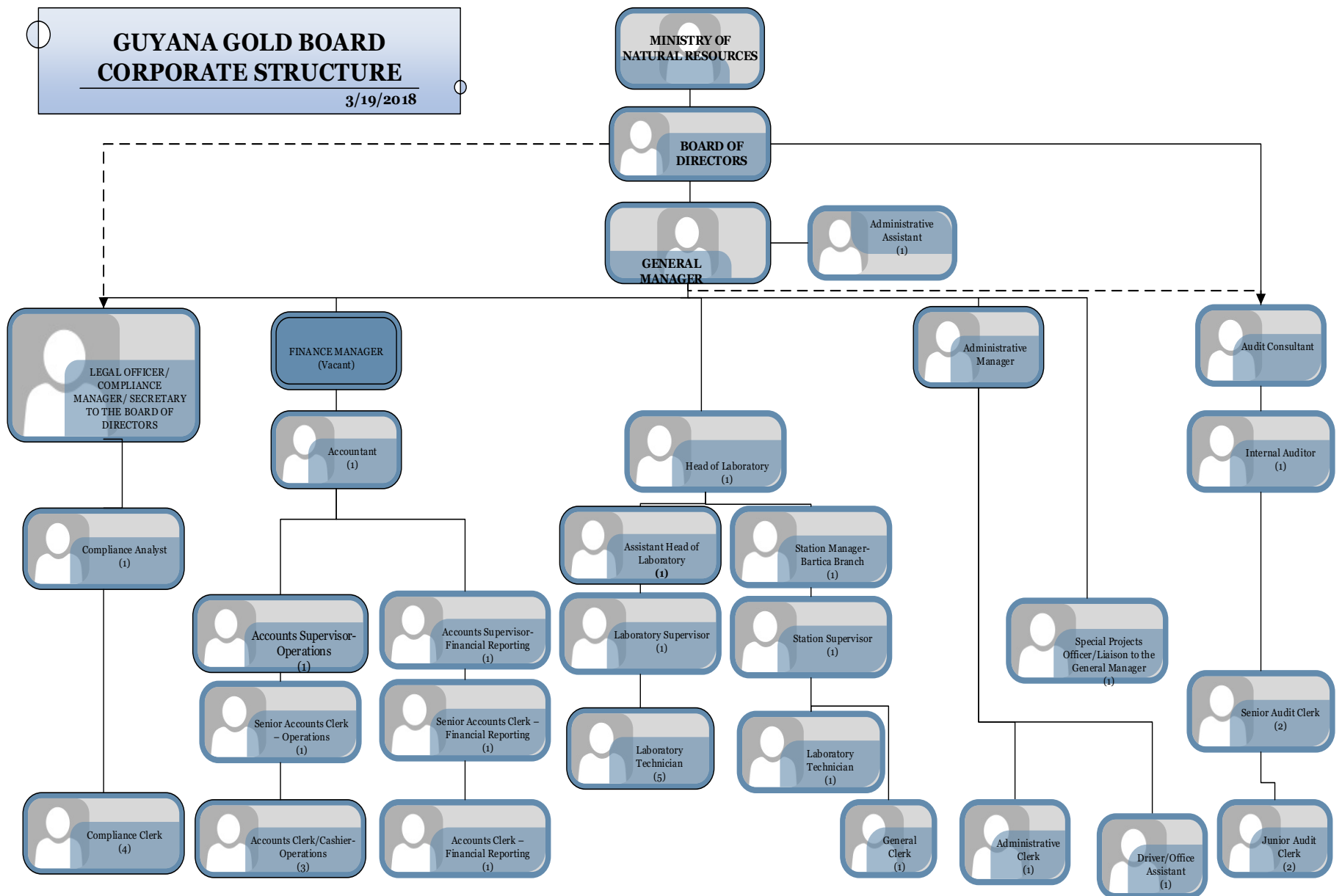
GGB remains committed to delivering strong performance under any market conditions. The Gold Declaration for 2018 is projected at 750,000 ounces. GGB's purchases are projected to be 200,000 ounces at an average purchase price of US\$1,260 and selling price of US\$1,265.

Conclusion

None of what has been achieved could have been possible without a team that showed commitment, resilience, and focus during a challenging 2017. We remain hopeful that we will implement our strategies for 2018 and ensure a sustainable Guyana Gold Board.

EONDRENE THOMPSON

GENERAL MANAGER



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
<u>Items</u>				
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	1,340%
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)

<u>Items</u>	2017	2016	Inc/(Dec)	% Change
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

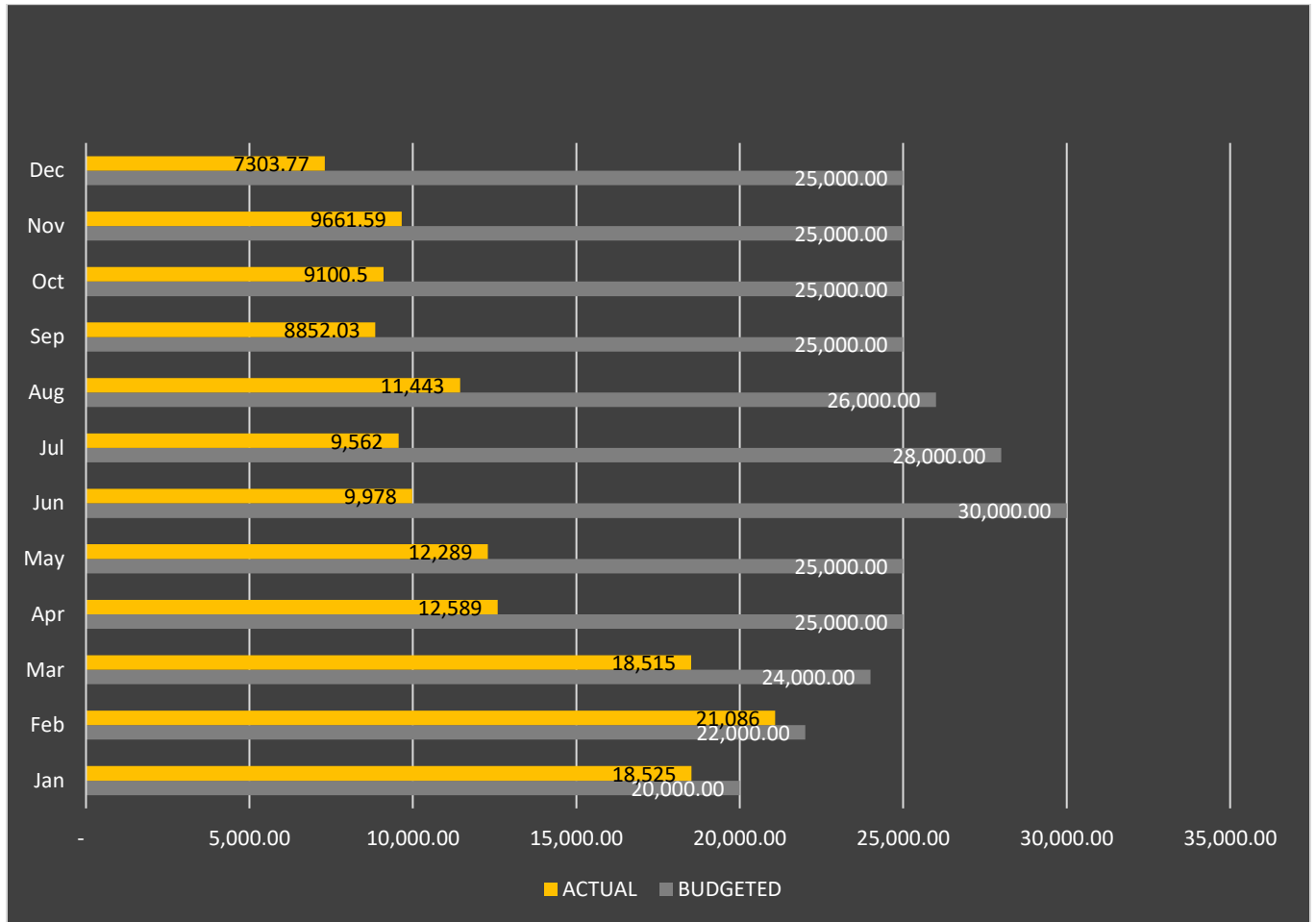
Period	Total Purchases	Budgeted Purchases
January	18,525.00	20,000.00
February	21,086.00	22,000.00
March	18,515.00	24,000.00
April	12,589.00	25,000.00
May	12,289.00	25,000.00
June	9,978.00	30,000.00
July	9,562.00	28,000.00
August	11,443.00	26,000.00
September	8,852.03	25,000.00
October	9,100.50	25,000.00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

GUYANA GOLD BOARD

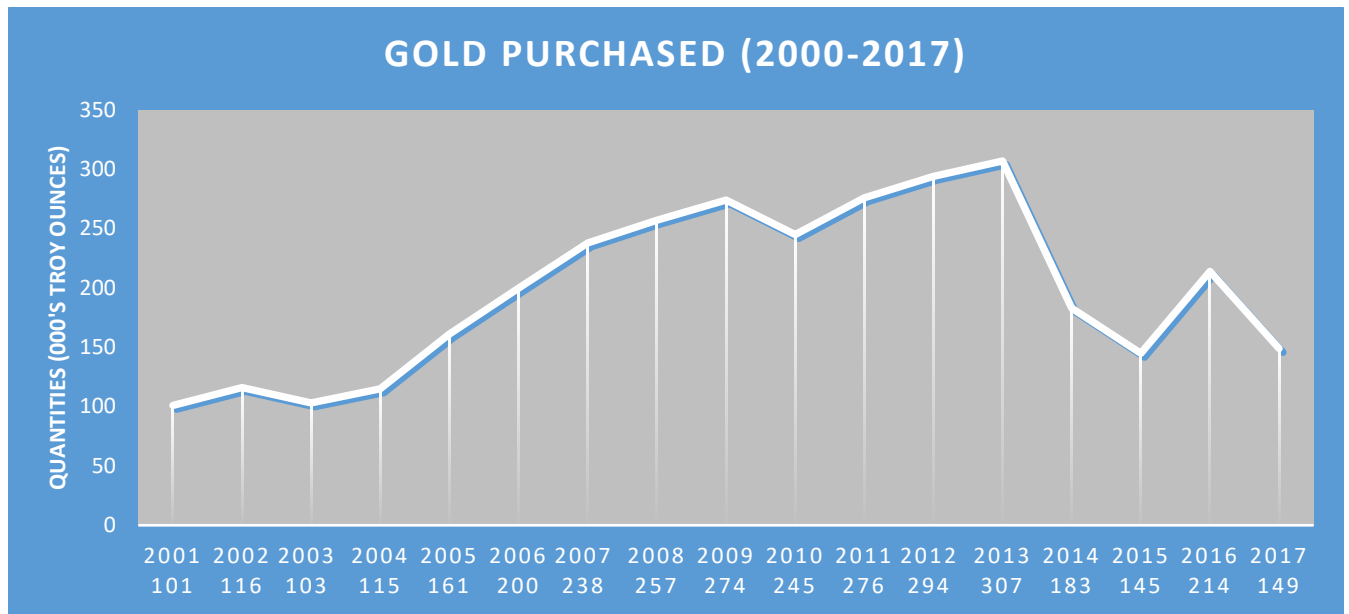
DECLARATIONS AS AT DECEMBER 31, 2017 IN TROY OUNCES

Period	DEALERS			Guyana Gold Fields	Troy Resources	GGB	Declarations	YTD
	Opening Bal.	Closing Bal.	Exports					
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			<u>261,345.38</u>	<u>168,111.61</u>	<u>66,024.42</u>	<u>148,903.79</u>	<u>653,754.41</u>	

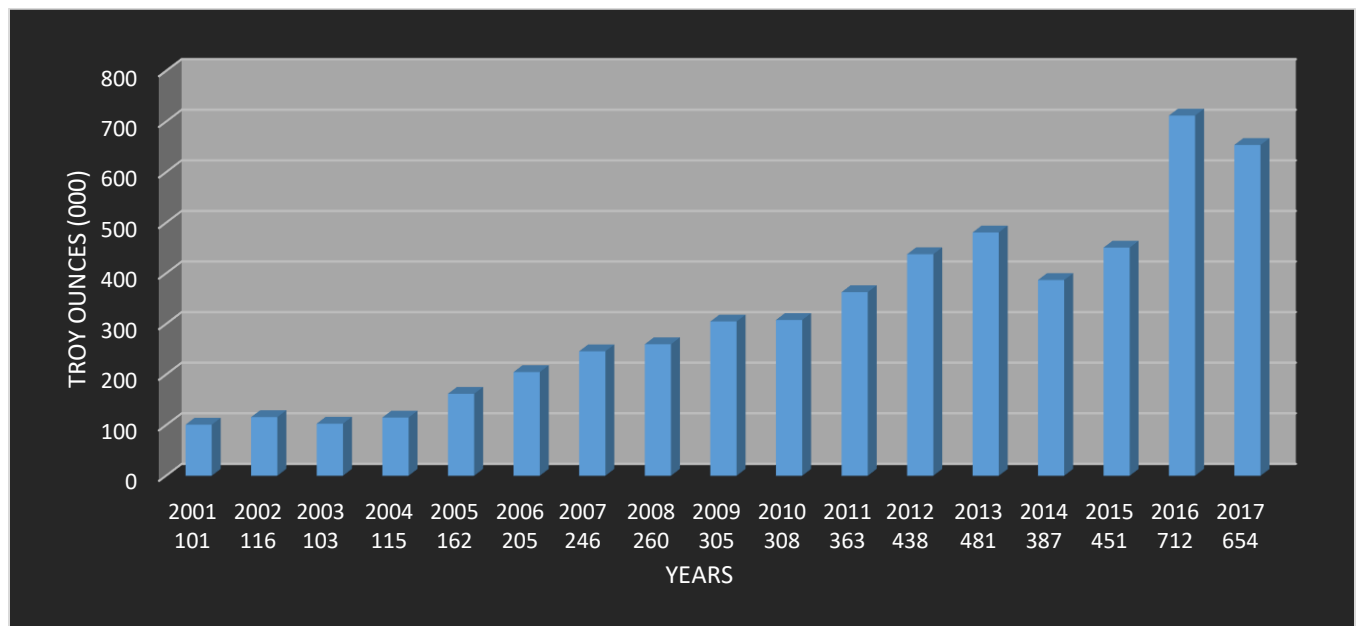
QUANTITY OF GOLD PURCHASED VS BUDGET 2017



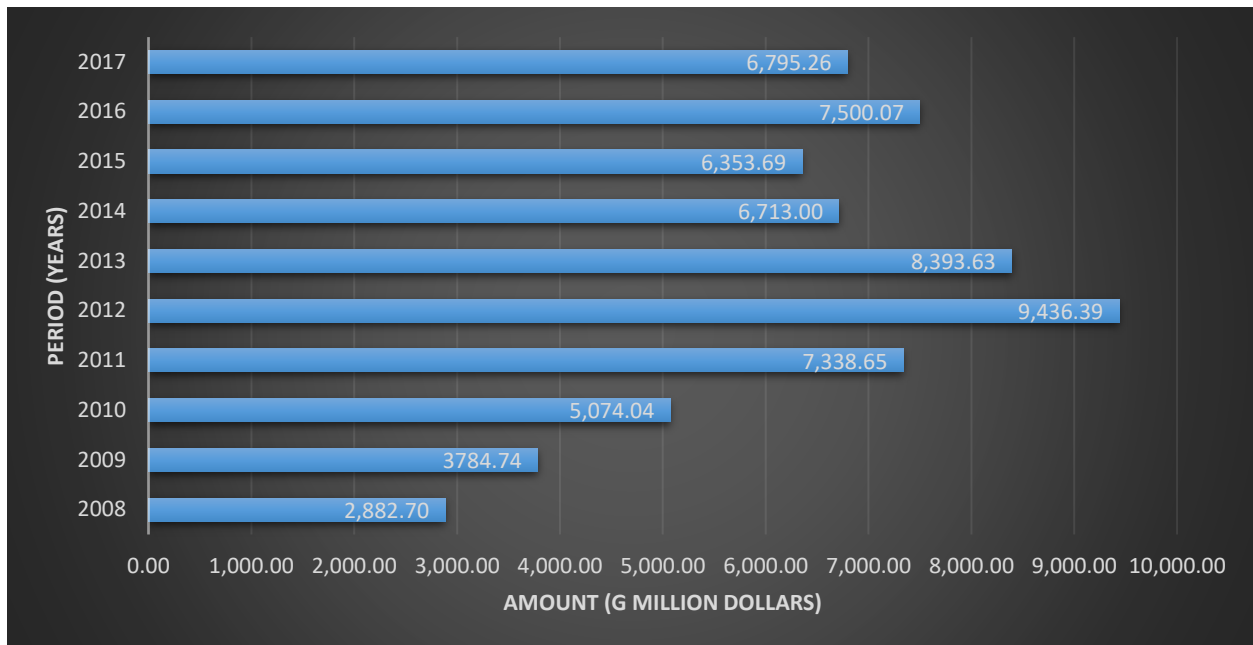
GOLD PURCHASED (2001-2017)



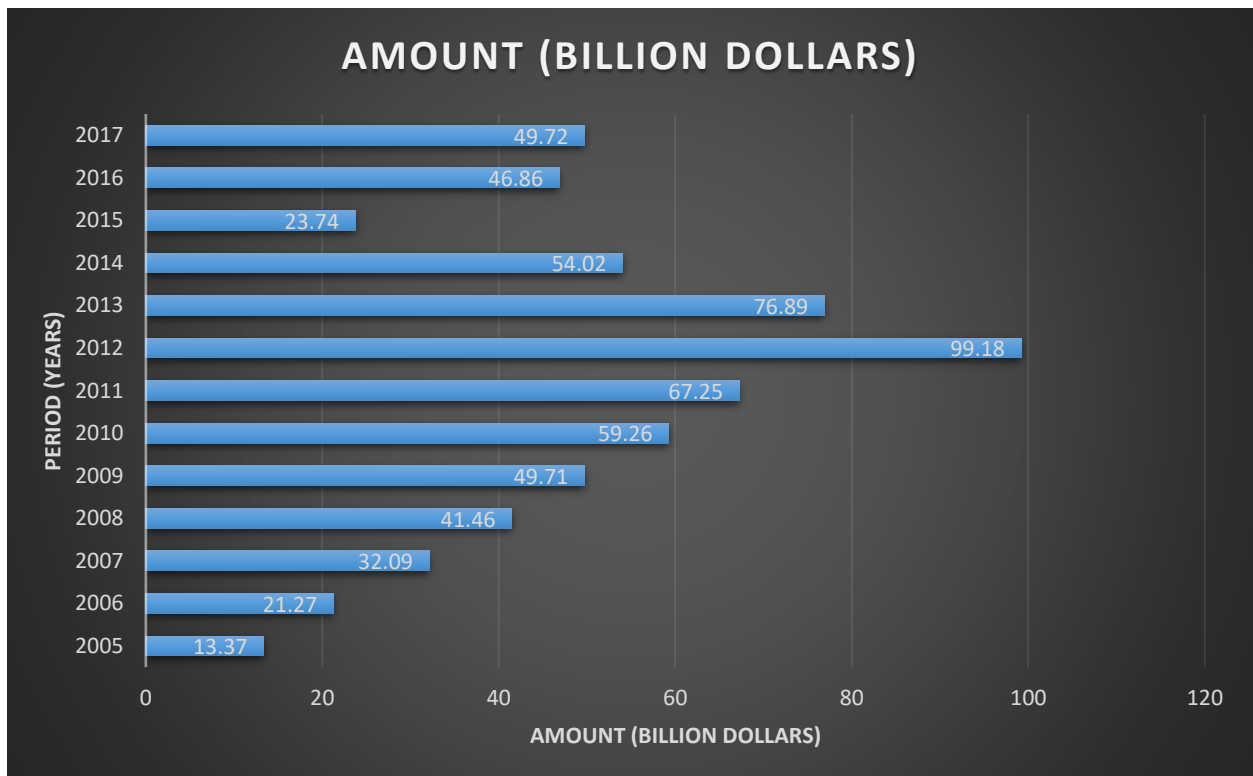
GOLD DECLARATION (2003-2017)



ROYALTIES AND TAXES (2008-2017)



TURNOVER (2008-2017)



On behalf of the Board of Directors of 2017, I want to express how honored we were to serve in Guyana's most economically important sector, working alongside the Ministry of Natural Resources to develop policy for the industry. The gold industry continued to be a natural blessing to the Guyanese economy in 2017, defying the common belief about the role of natural resources in developing countries.

Output and declarations continued their upward trend, confirming that the sector continued to attract investment and reinvestment, responding to the supportive policies and business environment governing the sector. Medium-level gold prices contributed to the upward momentum.

The Guyana Gold Board in 2017 benefited from a highly proactive and engaged Board of Directors, appointed by the coalition government. The Board showed a strong commitment to strengthening and improving the regulations of the sector by studying and re-evaluating many long-standing conventions regarding pricing and purchasing practices by the Gold Board, as well as the regulatory framework. Indeed, the Board maintained the firm stance that the Gold Board is an essential part of the industry in Guyana, ensuring that Guyanese benefit from their country's God-given endowment of El Dorado.

It is hoped that, moving forward, the Gold Board's vital role for small and medium miners and the entire Guyanese economy remains clear, and that these stakeholders continue supporting its mandate.

On behalf of the 2017 Board of Directors, we once again thank you for the privilege of serving in this sector.