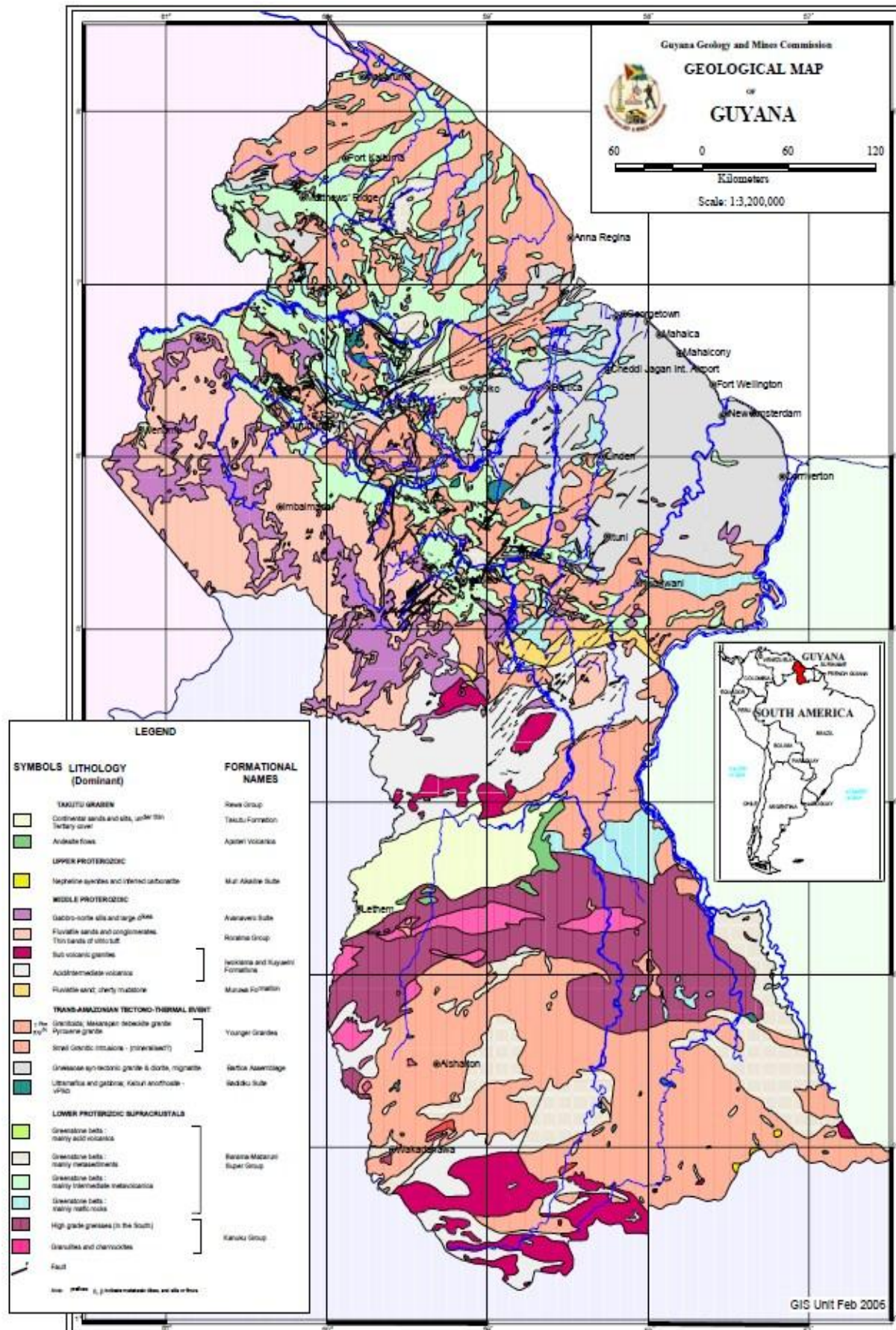




GUYANA GOLD BOARD

Annual Report
2018

MINISTRY OF NATURAL RESOURCES



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, 10
General Manager's Report	11, 13
Guyana Gold Board Organizational Chart	14
Financial and Operating Highlights:	
a. Statement of Financial Income	15
b. Statement of Financial Position.....	16
c. Quantity of Gold Purchased, 2018.....	17
d. Gold Declarations , 2018	18
Quantity of Gold Purchased vs Budget 2018	19
Gold Purchased (2001 – 2018)	20
Gold Declaration (2003 – 2018)	20
Royalties and Taxes Collected (2008 – 2018)	21
Turnover (2008 – 2018)	21
Audited Financial Statements of the Guyana Gold Board	22

LETTER OF THE TRANSMITTAL

April 23, 2019

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, 2018.

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
Tel No.: 455-0072
Fax No.: 455-0073

BANKERS

Bank of Guyana

1 Avenue of the Republic,
Robbstown
Georgetown, Guyana.

Citizen Bank (Guyana) Limited

16 First Avenue, Bartica
Region 7, Guyana

Republic Bank (Guyana) Limited

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 corporate body, and the provisions of the First Schedule shall govern its constitution and other related matters.

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	-	Chairman of the Board of Directors
Ms. Dela Britton	-	Vice Chair
Mr. John Yates	-	Director
Mr. Andron Alphonso	-	Director
Ms. Theresa Foster	-	Director
Ms. Eondrene Thompson	-	General Manager
Ms. Stacey Weever	-	Legal Officer, Guyana Gold Board



CHAIRPERSON'S REPORT

In many respects, 2018 was challenging for the Guyana Gold Board. The Guyana Gold Board was under intense scrutiny from many different directions; a few were rational, most were unjustified, and all were troubling. Still, the management and staff rose to meet these circumstances through determined and consistent effort. When all developments are revisited and reviewed, it is comforting that, although the final results did not turn out to be as strong as was anticipated, they did not end up as negatively as was once thought. Accolades for most of the better-than-once-feared final report are due to the dedication and diligence of the Guyana Gold Board's team under very trying convergences of events.

The Guyana Gold Board was able to recover quickly from mercury-related apprehensions when a technical support team from the Pan American Health Organization/World Health Organization (PAHO/WHO), in collaboration with the National Institute for Occupational Health and Safety (NIOSH), found that mercury readings at its facilities were below internationally recognized thresholds. In other words, these readings are what is considered safe and acceptable. Moreover, in the face of other uncertainties, stringencies, health concerns, continuing intelligence about efforts to undermine, and inappropriate and unacceptable behavior from fellow public servants in sister agencies, all staff of the Guyana Gold Board rolled up their sleeves. They served the sector and country in a most commendable manner. Colleagues rose to the occasion: Whether under emergency conditions, at temporary accommodations, or in the current location, the bulk of the Guyana Gold Board's staff displayed a stirring degree of dedication and professionalism. The General Manager, laboratory, and accounting staff put their shoulders to the wheel in a continuous team effort. The Board of Directors was most pleased with the application and commitment of those who gave above and beyond. They were there when needed.

Also, in 2018, the Guyana Gold Board was able to source temporary space, construct a healthy working environment, and serve the mining sector, sometimes almost literally, while on the run

and at warp speed. From slowed operations to interruptions and resumptions in work, to the quest for a roof overhead, the Guyana Gold Board met most of the needs of its customers and the public. Crucial assistance came from different people and places. A word of appreciation is due to the management of Pure Diamond, Inc., a licensed dealer, for the facilities and courtesies extended to the Guyana Gold Board and the nation in a time of need. Thanks are also due to longstanding customers, who manifested tremendous loyalty to the organization during its hour of test and trouble by continuing to bring their business and displaying great patience. Additionally, some contractors and vendors performed in a highly ethical manner.

Regrettably, in 2018, the Guyana Gold Board had to endure its share of scurrilousness from several sources. It persisted and managed, while taking the high road all the time. Further, through a series of subterfuges, there were unrelenting efforts to compromise the clean operations of the Guyana Gold Board from within and without. As the leading foreign exchange earner for Guyana, the Guyana Gold Board's compliance regime attracts continuing attention and unrelenting scrutiny from local and foreign agencies. Despite this environment, the board and management of the Guyana Gold Board continued to pursue the development and implementation of a comprehensive, principled, and efficient mechanism to meet its mine-to-market oversight obligations.

Though more of its customer base have come to embrace the need and responsibility for adherence to required policies and procedures, there are still significant pockets of resistance. The entity perseveres in its efforts, as it moves ahead to enhance its own readiness and that of the nation for the upcoming Mutual Evaluation review under the CFATF program. Since the Guyana Gold Board plays such a prominent and pivotal part in the Guyanese economy, keen and continued attention is focused on its operations. The Guyana Gold Board is called upon to regulate and deliver in a medium to high-risk sector, with all the responsibilities and vulnerabilities that follow from such a classification. The Guyana Gold Board has to fulfill and deliver.

Despite other unfavorable factors such as prices, weather, roads, and operating instability, it still turned out to be an encouraging year. Total declarations for 2018 were 613,073 oz, which is

only 6.22% less than in 2017. The dealer community closed out the year aggressively, after a labored start during the first half of 2018. It has partnered reluctantly in complying with policies and procedures introduced; steps at educating and conditioning continue unabated. This group could do much more to signal cooperation with, and deliver on, obligations owed to the state, through the Guyana Gold Board's agency. There must be tighter controls of operations; much is involved, which can be attained through working as a complementary component of a bigger whole for the nation's benefit.

The board expects to build and move into a new, modern home that reflects the nation's natural wealth and growing strength. It is expected to be a facility and operation that offers a welcoming atmosphere for customers, presents a prestigious image of the country, and complies with all health, safety, and environmental standards. One of the main goals is to meet internationally recognized safety limits and consistently record near-zero mercury emissions. Additionally, the board plans to collaborate with other domestic and international stakeholders to reduce and prevent revenue loss from illegal activities. Gold production is reportedly, and often known to be, above the amounts declared to the Guyana Gold Board. This ongoing drain on the nation's wealth must be curbed.

The Board of Directors functioned in an understaffed state for much of the year due to absences, exigencies, and other reasons. Gratitude is extended to the handful of directors who stayed the course and lent invaluable support throughout the year, to the workings of the directorate and the overall visions, strategies, and thrusts of the Guyana Gold Board. The Honorable Minister of Natural Resources and the Cabinet are thanked for the confidence vested and the support extended. On behalf of the 2018 Board of Directors, serving the nation and its peoples was a privilege. There is much more work ahead.



MANAGEMENT REPORT

Introduction

Reflecting on 2018, I see that it has been a rather turbulent one for The Guyana Gold Board (GGB) in more than one respect. The organization grappled with heavy price volatility, industrial accidents due to mercury contamination, relocation of the head office, and improving the regulatory measures in the gold trading sector, to name a few. Nevertheless, GGB skillfully navigated the turbulence, continues contributing to Guyana's economic development, and remains committed to executing its mandate.

At the start of the second quarter of 2018, a decision was made for GGB to suspend its gold burning operation, which ultimately meant stopping the purchase of gold. Many gold miners lamented this decision; however, it was short-lived because negotiations were made to share space with one of our licensed gold dealers, who was very helpful and accommodating. Despite a contingency plan to continue buying gold, many loyal customers were still unhappy, so they sought other avenues to sell their gold, contributing to GGB's low declarations in 2018.

In 2018, the gold mining sector faced stricter regulatory measures. As a result, gold miners, traders of valuable minerals and precious stones, and licensed gold dealers were responsible for ensuring their businesses complied with the new regulations. GGB held outreach sessions at various mining sites to inform gold miners about these regulatory measures.

Declarations

Total gold declarations in 2018 were about 5.8% lower than in 2017, equating to a reduction of approximately 38,000 ounces. The GGB purchased a total of 90,588 ounces of gold in 2018, which is roughly 39% or 58,000 ounces less compared to the previous year. Licensed gold dealers declared 271,383 ounces, just about 669 ounces more than in 2017.

A snap survey of the gold trading sector revealed the following were the main reasons for the decrease in gold declarations:

- Increased crime rate at mining locations
- Mined out lands – persons are unable to acquire lands to continue gold mining
- Perceived smuggling across borders
- Inclement weather

Gold Exports

In 2018, six licensed dealers exported their gold overseas; therefore, GGB did not experience the usual offloading when the gold price dropped significantly. Dealers' exports increased slightly by 6,804 ounces, or 2.60%, compared to 2017. Guyana Gold Fields reported a decline in exports of 2.70%, or 4,543 ounces, while Troy Resources saw an increase of 37.35%, or 24,660 ounces. Guyana Gold Board exported 88,843 ounces in 2018, which is 47.62% less than the exports in 2017.

While GGB's purchase of gold fell short, the agency still managed to realise an operating surplus of GYD 417,260,761.

Market Review

2018 was a very challenging year for precious metals. The Fed tightened its monetary policy further, raising interest rates four times. The US economy accelerated, while inflation remained subdued. The yellow metal started 2018 at US\$1,312.05 and ended the year at US\$1,268, meaning gold declined by 3.4 percent. Market analysts considered the gold market for 2018 as 'neutral to slightly bearish'.

Guyana's gold trading sector responded favourably to the challenging market conditions—when price spikes occurred, miners took full advantage and sold; GGB and licensed gold dealers did likewise.

Revenue from gold exports by GGB totalled **US\$103,960,335.75**, while for the licensed gold dealers **US\$ US\$340,001,330.60**

Outlook for 2019

Operation

Much remains to be achieved during 2019. GGB's immediate priority is to ensure that the year-long pending proposed legislative reform is completed and processed through Parliament. This is intended to give the Guyana Gold Board muscle to effectively function as a regulatory/supervisory body in the gold trading sector and a means of increasing gold purchases. The Guyana Gold Board's headquarters needs a permanent location. The current rented space cannot adequately support the staff and operations. Therefore, one of the main goals 2019 is to purchase land to build a modern facility that highlights the country's wealth.

Staff development also remains paramount for the organization's positioning. Staff will be exposed to appropriate training sessions to ensure they are adequately equipped to perform assigned tasks. Quarterly stakeholders' consultation will also keep the communication channel open between GGB and the stakeholders.

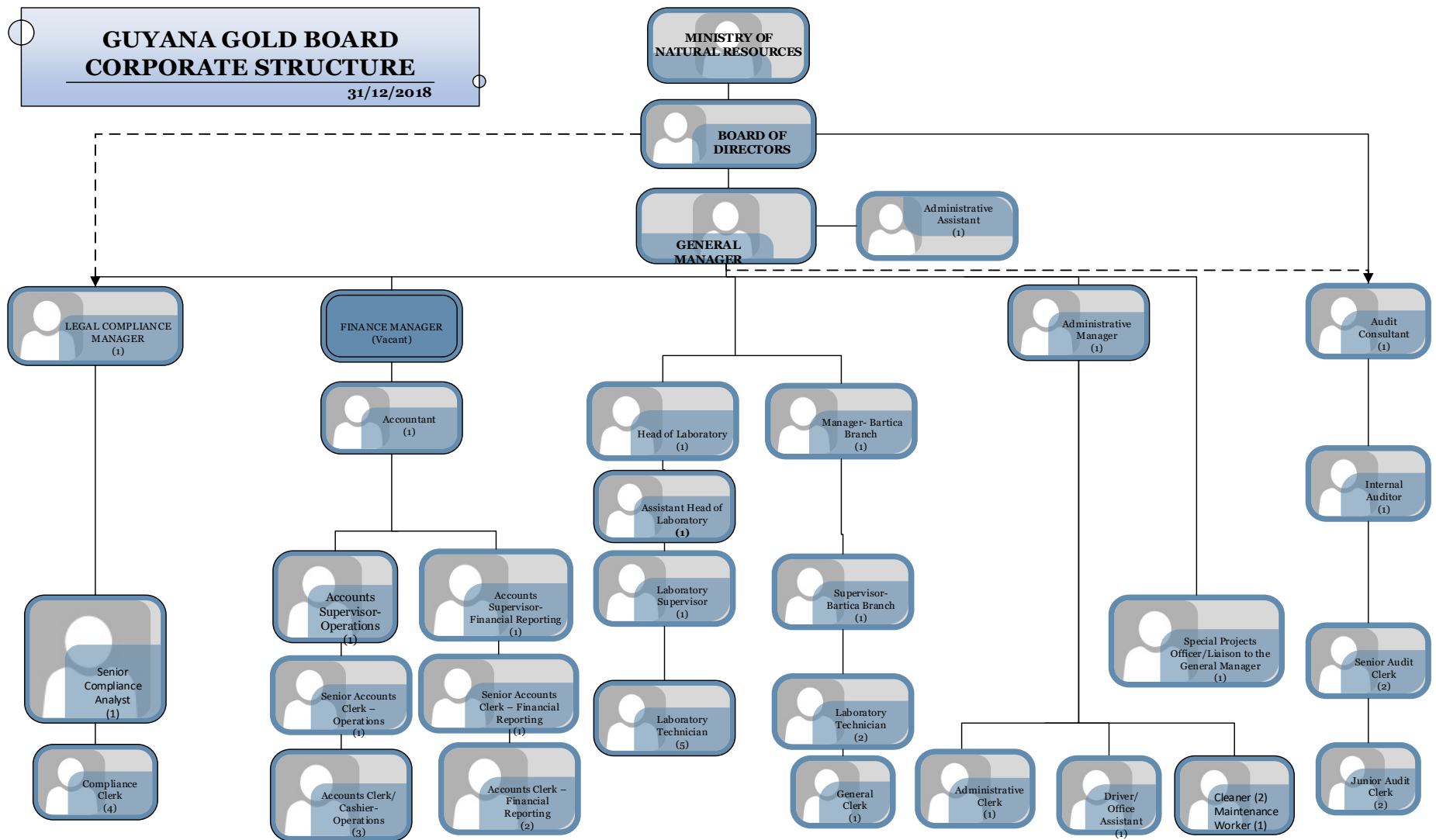
Market

While the gold price ended somewhat strongly toward the end of 2018, predictions suggest an even greater increase in 2019. Year-end price action for 2018 showed gold being bearish; however, in the short term, prices are expected to find support in 2019. Analysts forecast that gold prices will be bullish during the first half of 2019 and reach a peak of US\$1,450 by the end of the year.

GGB remains committed to delivering strong performance under any market conditions. While the Total Gold Declaration for 2019 is projected at 656,000 ounces, GGB took a conservative approach and projected gold purchases in 150,000 ounces, an average purchase price of US\$1,250, and a selling price of US\$1,265.

Conclusion

I thank the Board of Directors for providing wise leadership. My appreciation for the management team exceeds my own expectations. We are united by a shared culture of discipline, flexibility, and teamwork that makes us unstoppable. To our customers whose support cannot be measured by the amount of gold they sold to GGB, their cooperation and encouragement were nothing short of love and appreciation; I am forever grateful.



FINANCIAL AND OPERATING HIGHLIGHTS 2018

GUYANA GOLD BOARD

STATEMENT OF FINANCIAL INCOME FOR THE PERIOD ENDING DECEMBER 31, 2018

GYD (000)

<u>Items</u>	2018	2017	Inc/ (Dec)	% Change
Sales	21,668,249,146.00	49,723,102,947.00	(28,054,853,801.00)	(56)
Cost of Goods Sold	21,085,542,808.00	48,957,538,341.00	(27,871,995,533.00)	(57)
Gross Profit	582,706,338.00	765,564,606.00	(182,858,268.00)	(24)
Other Income	192,508,563.00	193,185,329.00	(676,766.00)	(0.35)
Operating Profit (Loss)	775,214,901.00	958,749,935.00	(183,535,034.00)	(19.14)
Administrative Expenses	(357,954,150.00)	(309,983,606.00)	(47,970,544.00)	15.48
Net Profit (Loss)	417,260,751.00	648,766,329.00	(231,505,578.00)	(35.68)

GUYANA GOLD BOARD

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

GYD (000)

<u>Items</u>	2018	2017	Inc/(Dec)	% Change
Non-Current Assets	105,833,031.00	93,187,302.00	12,645,729.00	14
Current Assets	6,514,696,386.00	4,380,111,629.00	2,134,584,757.00	49
Total Assets	6,620,529,417.00	4,473,298,931.00	2,147,230,486.00	48
Total Equities	(9,575,411,040.00)	(9,992,671,791.00)	(417,260,751.00)	(4)
Non-Current Liabilities	8,731,630,794.00	8,731,630,794.00	-	-
Current Liabilities	7,464,309,663.00	5,734,339,928.00	1,729,969,735.00	30
Total Equity and Liability	6,620,529,417.00	4,473,298,931.00	2,147,230,486.00	48

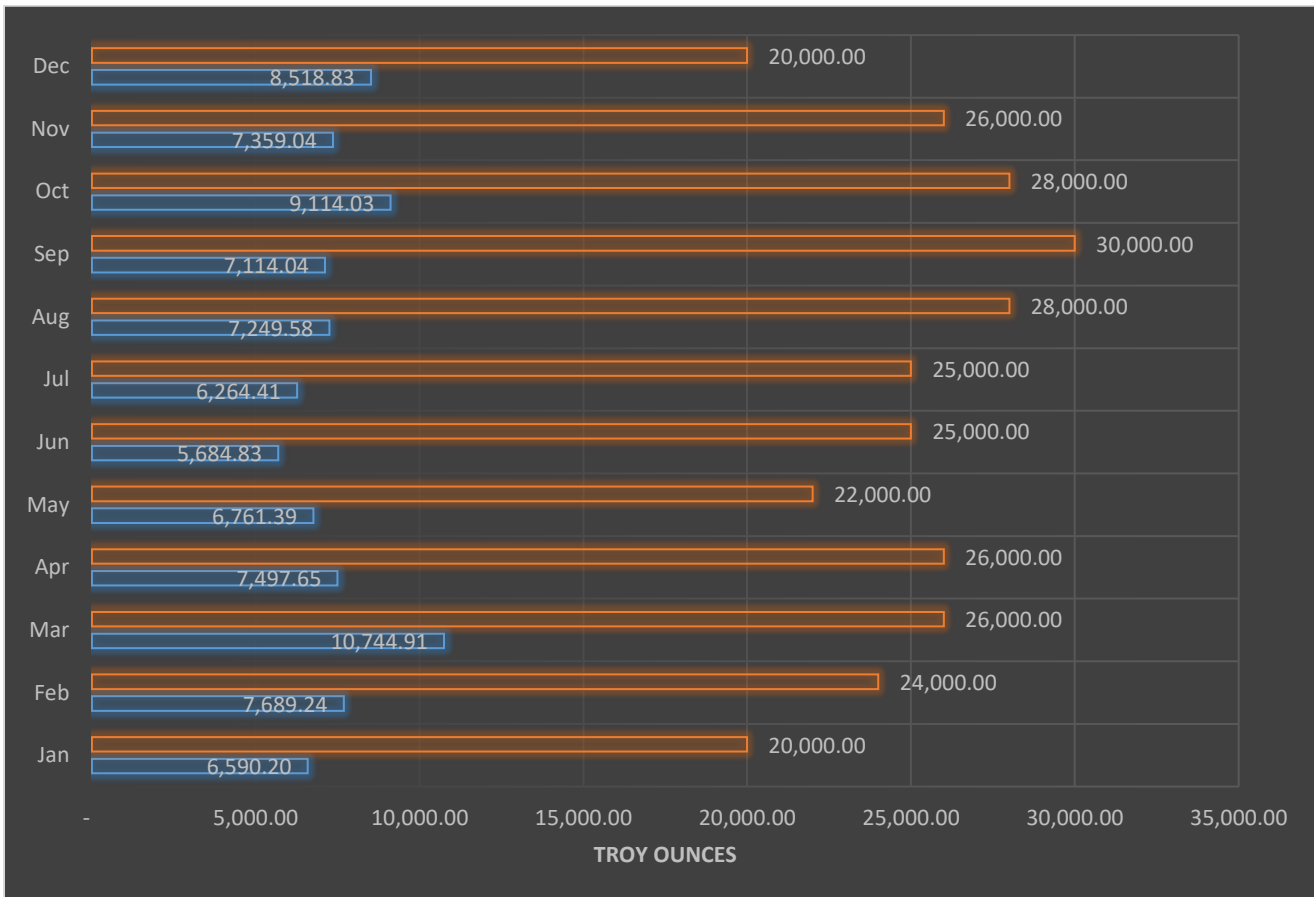
GUYANA GOLD BOARD
PURCHASES FOR 2018 TROY OUNCES

Period	Total Purchases	Budgeted Purchases
January	6,590.20	20,000.00
February	7,689.24	24,000.00
March	10,744.91	26,000.00
April	7,497.65	26,000.00
May	6,761.29	22,000.00
June	5,684.83	25,000.00
July	6,264.41	25,000.00
August	7,249.58	28,000.00
September	7,114.04	30,000.00
October	9,114.03	28,000.00
November	7,359.04	26,000.00
December	8,518.83	20,000.00
TOTAL	90,588.05	300,000.00

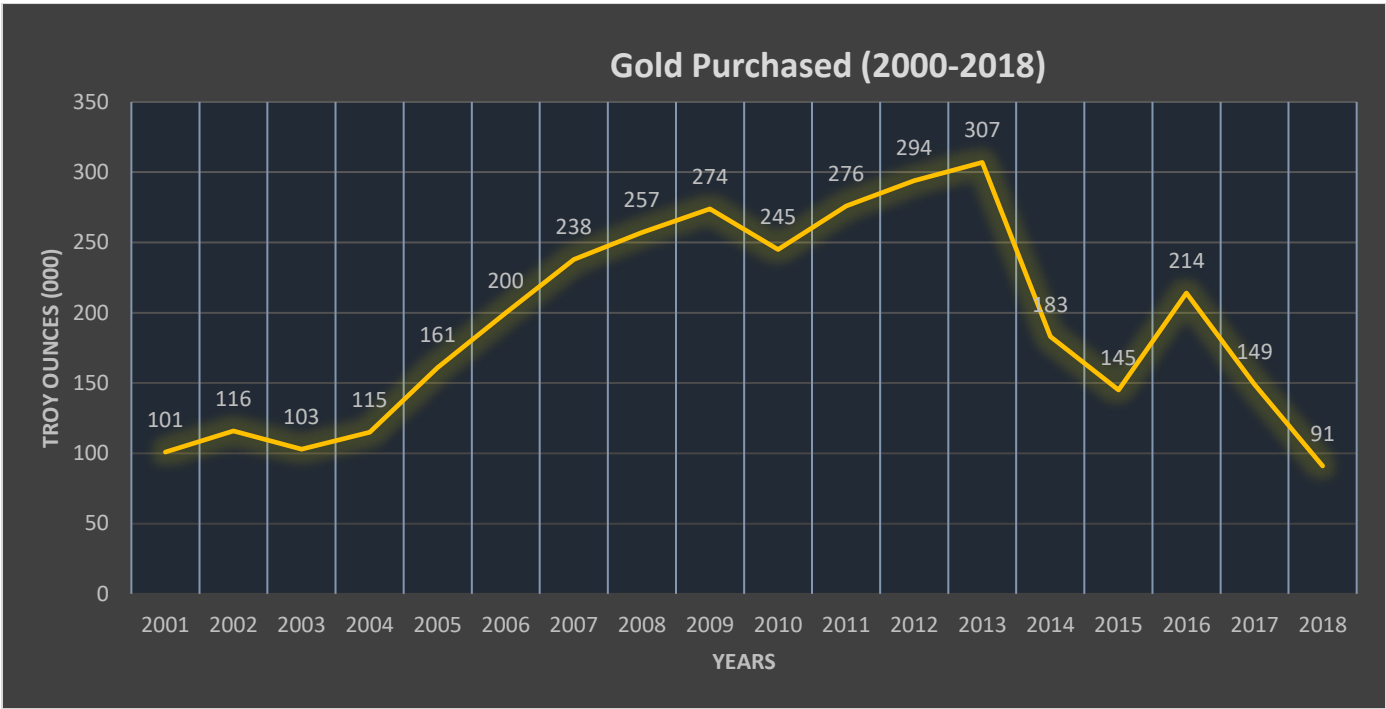
DECLARATIONS AS AT DECEMBER 31, 2018, IN TROY OUNCES

Dealers								
Period	Opening Bal.	Closing Bal.	Exports	Guyana Gold Fields	Troy Resources	GGB	Declarations	YTD
Jan	27,726.55	27,672.14	17,919.24	14,461.92	7,539.28	6,590.20	46,456.23	46,456.23
Feb	27,672.14	23,163.03	20,905.67	12,897.02	8,734.32	7,689.24	45,717.14	92,173.37
Mar	23,163.03	17,799.50	26,380.90	14,404.34	9,943.04	10,744.91	56,109.66	148,283.03
Apr	17,799.50	15,302.02	21,867.02	10,397.87	9,868.48	7,497.65	47,133.54	195,416.57
May	15,302.02	19,347.05	16,937.84	11,928.67	9,235.07	6,761.29	48,907.90	244,324.47
June	19,347.05	19,551.23	22,285.79	12,318.04	6,446.80	5,684.83	46,939.64	291,264.11
July	19,551.23	15,046.38	22,270.73	14,459.32	5,724.66	6,264.41	44,214.27	335,478.38
August	15,046.38	15,706.90	18,131.46	19,513.44	6,924.92	7,249.58	52,479.92	387,958.30
September	15,706.90	18,701.61	17,066.06	11,249.48	9,487.52	7,114.04	47,911.81	435,870.11
October	18,701.61	22,625.64	14,617.40	10,019.09	6,822.26	9,114.03	44,496.81	480,366.92
November	22,625.64	21,713.85	29,295.38	14,606.02	5,238.58	7,359.04	55,587.23	535,954.15
December	21,713.85	30,960.28	40,471.70	17,312.78	4,719.44	8,518.83	80,269.18	616,223.33
TOTAL			268,149.19	163,567.99	90,684.37	90,588.05	616,223.33	

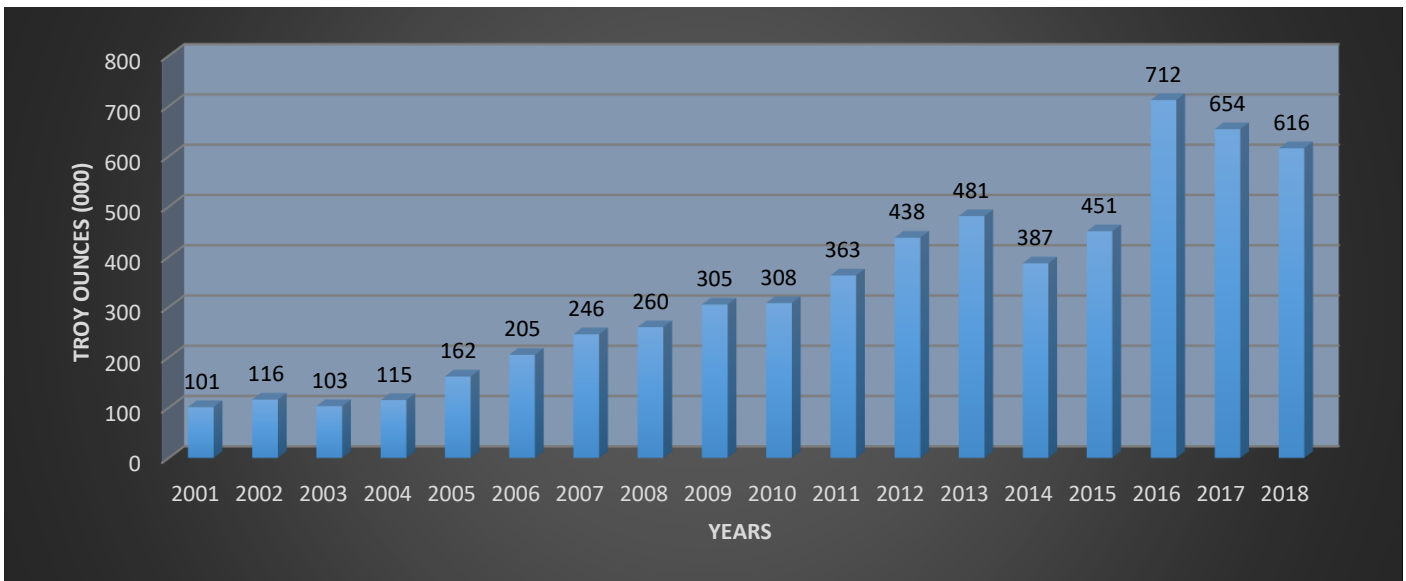
QUANTITY OF GOLD PURCHASED VS BUDGET 2018



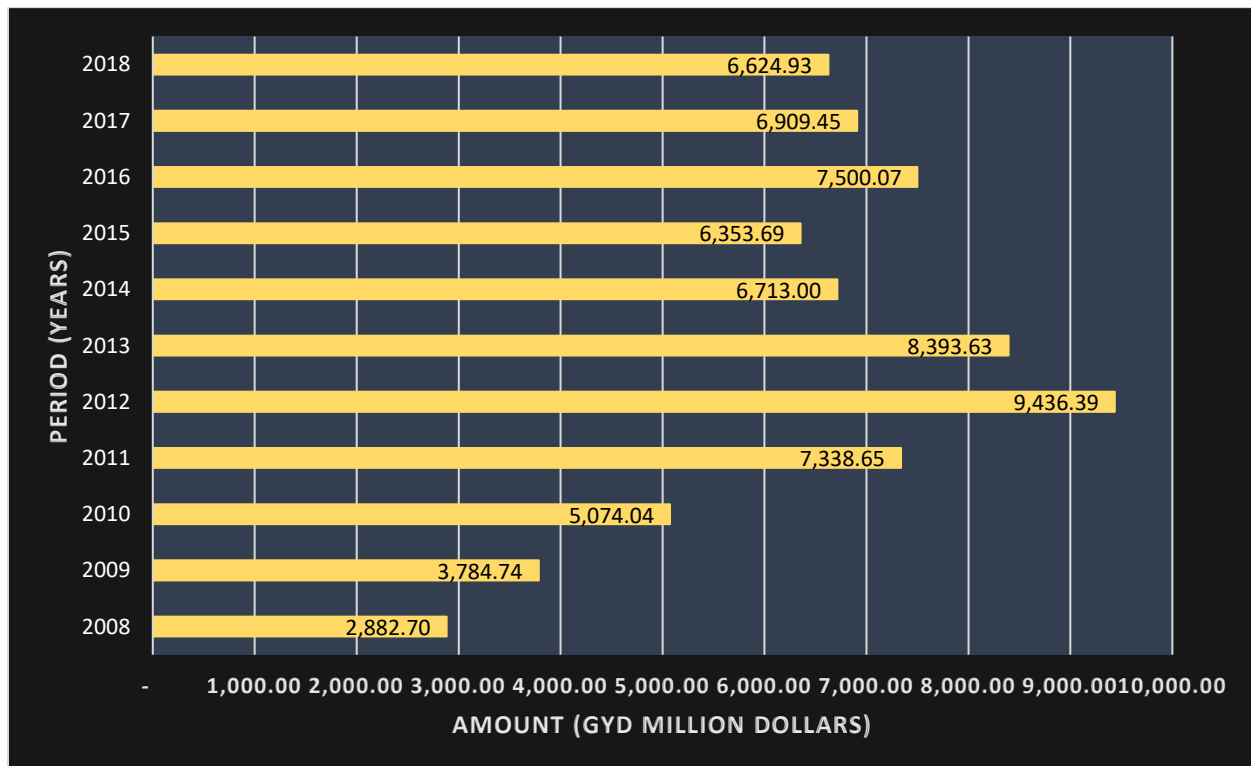
GOLD PURCHASED (2001-2018)



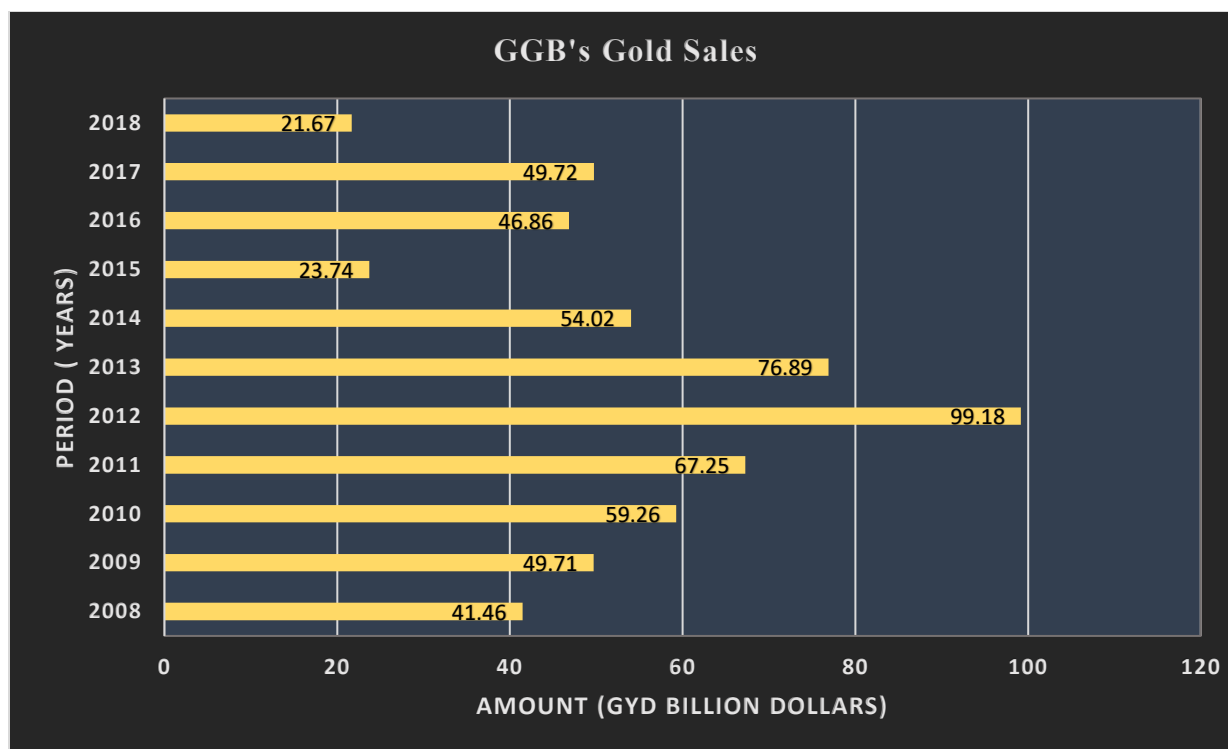
GOLD DECLARATION (2001-2018)



ROYALTIES AND TAXES (2008-2018)



TURNOVER (2008-2018)



On behalf of the Board of Directors of 2018, let me say how honored we were to serve in Guyana's most economically important sector, working 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 2018, defying conventional beliefs about the role of natural resources in developing countries.

Output and declarations buoyed in 2018, however, confirming that the sector continued to attract investment and reinvestment, responding to the constructive policies and business environment governing it. Medium-level gold prices assisted the upward thrust.

The Guyana Gold Board in 2018 benefited from a very constructive and engaging Board of Directors, appointed by the new coalition government. The Board of Directors evinced a 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 Gold Board's central importance to small and medium miners and to the entire economy of Guyana will continue to remain evident and that these stakeholders will sustainably support its mandate.

On behalf of the Board of Directors of 2018, we express our thanks again for the privilege of serving in this sector.