

December 31, 2023



Natural Resource Fund
Quarterly Report
October 1 – December 31, 2023

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1.0 INTRODUCTION

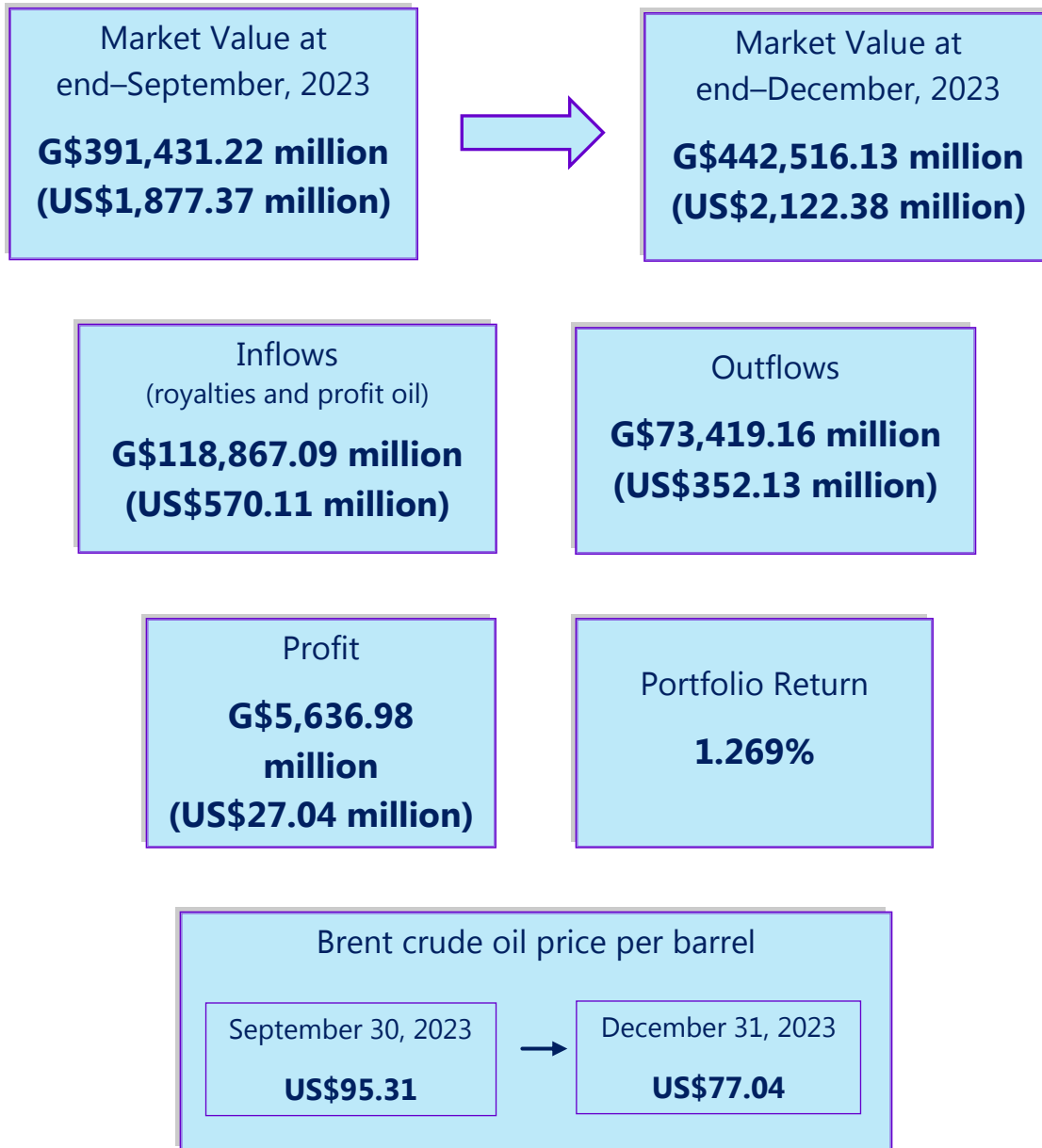
The Natural Resource Fund was formed by the enactment of the Natural Resource Fund Act 2019 which was passed in the National Assembly on January 3, 2019 and assented to by the President on January 23, 2019. This act was subsequently replaced with the Natural Resource Fund Act 2021 which was passed in the National Assembly on December 29, 2021 and assented to by the President on December 30, 2021. The Act gives the Bank of Guyana the responsibility for the operational management of the Fund.

This report is produced in fulfilment of the requirements set out in section 29 (2) of the Natural Resource Fund Act 2021 which requires the Bank of Guyana to report on the activities and financial performance of the Natural Resource Fund (referred to hereinafter as “the Fund”).

The financial statements in this report have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). Foreign currency transactions have been translated to G\$ at the rate of exchange prevailing at the dates of the transactions. The rate of exchange at December 31, 2023 was GYD 208.50 = USD 1.

2.0 EXECUTIVE SUMMARY

This report covers the period October 1, 2023 – December 31, 2023



3.0 MARKET TRENDS DURING THE QUARTER

3.1 Global Market Conditions

According to the World Bank's most recent Global Economic Prospects report published in January 2024, global growth was estimated at 2.6% for 2023 and is projected at 2.4% for 2024. The growth rate estimate for 2023 was revised upwards by 0.5% since the last report published in June 2023. Growth in advanced economies and emerging market economies were also revised and estimated at 1.5% and 4% respectively for 2023. The most recent World Economic Outlook report published by the IMF pegged global growth at 3% for 2023 and 2.9% for 2024, both lower growth estimates than the 3.5% estimated for 2022. Global growth continues to slow amid the lagged and ongoing effects of tightening monetary policy, weaker than anticipated economic activity in China, restrictive financial conditions and persistent global inflation. The year 2024 would potentially mark the third consecutive year in which global growth would have decelerated.

In mid-November 2023, the US House of Representatives passed a stopgap bill that funds US government functions until January 19, 2024, which kept government operations open throughout the remainder of 2023. On January 14, 2024, another short-term spending bill was passed and once again delayed any potential government shutdown until March 2024. That gives lawmakers more time to negotiate and pass the detailed spending legislation that should have been passed since the start of the fiscal year on October 1, 2023.

The IMF had estimated inflation for 2023 at 6.9% compared to 8.7% in 2022, and projects inflation to slow even further to 5.8% in 2024. Inflation expectations continue to be data driven as global prices generally moderated during the quarter causing the US Federal Reserve and other major global central banks to adopt a dovish stance towards monetary policy. Despite a moderation in global prices, adverse economic data can still contribute to inflationary pressures within the global economy.

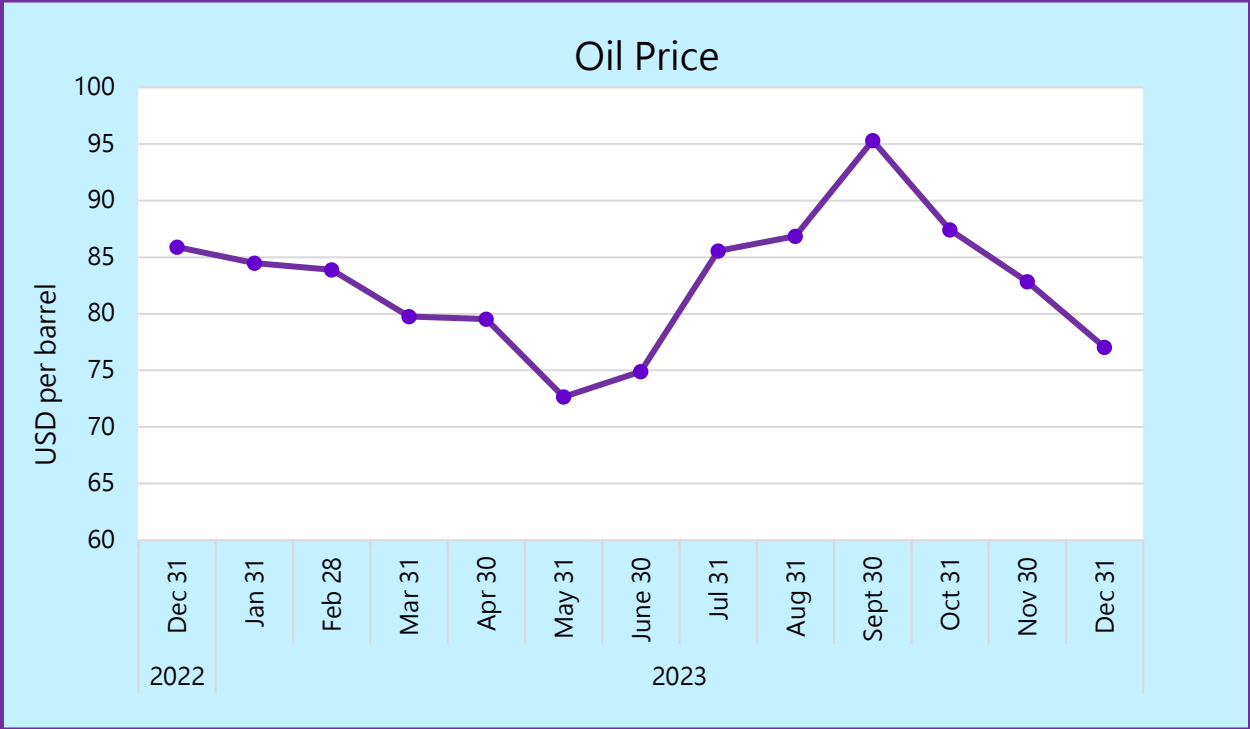
During the fourth quarter, the Federal Reserve decided to put a hold on its aggressive monetary policy stance by pausing interest rate hikes at its last two FOMC meetings for 2023. To close the quarter, the Federal Reserve kept interest rates at 5.25% - 5.5%. Following the FOMC's final policy meeting held in December, a majority of policymakers are in support of no further rate hikes and foresee rates going lower by the end of 2024. During 2023, the Fed approved four 25bps rate hikes, which led to an overall increase of 100bps compared to 425bps in 2022. The European Central Bank also adopted a less hawkish stance during the quarter and decided to keep interest rates at 4.5% to close the year. The Bank of England and the Bank of Canada followed suit, pausing further rate increases for the remainder of 2023, leaving interest rates at 5.25% and 5% respectively.

Oil

Oil prices declined significantly during the last quarter of 2023, opening at \$95.31/bbl. and closing at \$77.04/bbl. Oil prices peaked in mid-October 2023 at \$92.38/bbl. due to supply disruption concerns attributed mainly to geopolitical tensions in the Middle-East caused by the Israel-Hamas war. However, oil prices retreated in late October and trended downwards throughout the remainder of the quarter. Oil was traded at its lowest in mid-December at \$73.24/bbl. impacted mainly by a stronger US dollar and increased exports from OPEC caused by a lower domestic demand in the Middle-East.

The following graph shows the movement of oil prices over the period December 2022 to December 2023.

Graph 1



Gold

Gold prices opened the fourth quarter at US\$1,848.63 per ounce and briefly continued on a downward trend reaching its lowest value for the quarter at US\$1,820.30 per ounce as the US economy added 336,000 non-farm jobs in September, beating expectations. Gold prices then rebounded in mid-October 2023 mainly due to safe haven demand caused by geopolitical tensions in the Middle East and weaker than anticipated US economic data. Gold prices continued to surge throughout November as the US dollar weakened and bond yields ticked downward amid the Fed’s decision to pause rate hikes at its first policy meeting during the quarter. Gold prices briefly retreated in early December when the US dollar regained its footing and market participants held off on buying gold ahead of the report on US jobs data for November 2023. However, gold prices rallied again reaching its highest value for the quarter at US\$2,077.49 per ounce

after regaining momentum throughout the latter half of December 2023 due to the expectation of interest rate cuts by the Fed in early 2024.

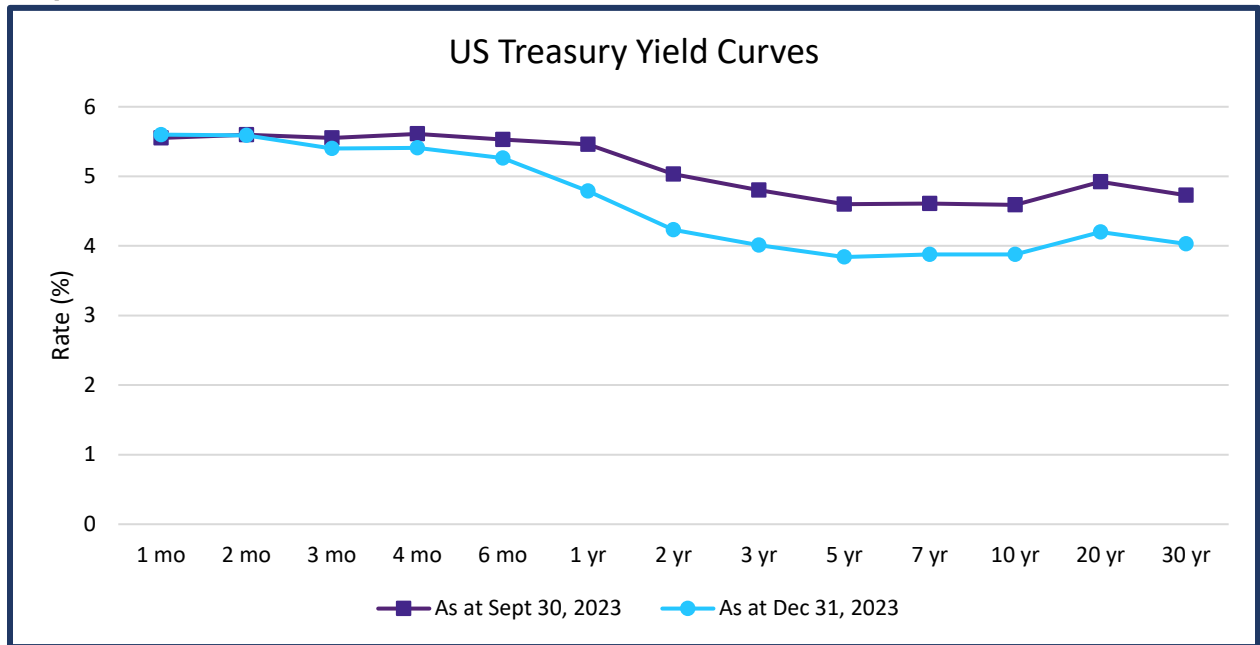
3.2 Global Fixed Income Bonds

Bond prices soared over the final quarter of 2023 while the fixed income market had its best quarter in over 15 years. Cooling inflation and a slowing global economy has resulted in central banks putting a pause on interest rate hikes with the Federal Reserve becoming more dovish and considering rate cuts in 2024. Bond yields peaked in October and then fell during the remainder of the quarter as the market started pricing in future rate cuts.

The yields of 10-year government bonds fell sharply during the quarter. The US 10 – year bond yield decreased from 4.59% to 3.87%, the UK's from 4.47% to 3.54%, Spain's from 3.96% to 2.99%, France's from 3.40% to 2.56% and Germany's from 2.84% to 2.03%.

The graph below shows the US Treasury yield curve at September 30, 2023 and December 31, 2023. As investors are expecting rate cuts in the coming year, the yield curve has flattened with yields generally falling across all maturities. However, yields of longer dated bonds fell more than the shorter dated bonds as investors tried locking in higher interest rates. This has led to the yield curve becoming more inverted.

Graph 2



Corporate bonds

Corporate bonds also rallied over the quarter and outperformed government bonds. Credit spreads tightened as investors seemed to want to take on more risk. According to the Bloomberg Global Aggregate Corporate Total Return Index, corporate bonds increased from 250.36 to 272.48.

3.3 Global Equities

Investor's expectations of future rate cuts have allowed the equities market to rally over the quarter. Sectors that are more sensitive to interest rates, such as real estate and information technology, performed particularly well but the energy sector declined due to lower oil prices. The S&P 500 index went up by 11% while the NASDAQ index increased by 12%.

4.0 LOCAL UPDATES

Since 2015, 42 discoveries have been made offshore Guyana. Thirty-seven (37) of those discoveries were made at the Stabroek block, 2 at the Orinduik block, 1 at the Kanuku block and 2 at the Corentyne block. Of these, 1 new discovery was made during the quarter - in the Stabroek block.

In the Stabroek block, the Liza Phase 1 Development began production in late 2019 and reached its peak capacity of 120,000 barrels per day (bpd) in December 2020. Production from Liza Phase 2 began in February 2022 and the project reached its full production capacity of 220,000 barrels per day (bpd) in December 2022. Currently both the Liza Destiny and Liza Unity FPSOs are reportedly producing above their expected production capacity of 120,000 and 220,000 barrels per day (bpd) respectively.

On 30th September, 2020, the government of Guyana announced their approval of the Payara Offshore Development Project. With an estimated resource base of approximately 600 million oil-equivalent barrels, and a maximum capacity of 220,000 bpd. Production began at the Payara project in mid-November 2023, and in just over two weeks the Prosperity FPSO reached a production level of approximately 101,000 barrels per day (bpd). It is anticipated that the FPSO will reach its full capacity of 220,000 barrels per day (bpd) over the first half of 2024.

Plans are advancing for ExxonMobil's 4th project – the Yellowtail Development project - which is expected to start production of 250,000 bpd in 2025 taking Guyana's production level to 810,000 bpd. It is projected that by 2027, 6 to 7 projects will be in operation and by the end of the decade, Guyana's oil production will increase to more than 1 million bpd.

During April 2023, the Government of Guyana approved the Uaru project – Guyana's 5th project approved for development offshore Guyana which is slated for start-up in 2026. The project will add approximately 250,000 bps to Guyana's daily oil production when operations begin. A sixth development, Whiptail, is currently set for approval in the first quarter of 2024 from the Environmental Protection Agency as ExxonMobil Guyana

submitted the Environmental Impact Assessment (EIA) for review and approval during late August 2023. The project is expected to have a production capacity of 250,000 bpd and is scheduled to be operational by late 2027 or 2028.

The Stabroek Block is estimated to contain resources of approximately 11 billion oil-equivalent barrels and is operated by ExxonMobil affiliate Esso Exploration and Production Guyana Limited. They hold a 45% interest in the block, CNOOC Petroleum Guyana Limited holds 25% while Chevron which recently acquired Hess Guyana Exploration Ltd. holds the remaining 30%.

In December 2022, the Government of Guyana had launched its first competitive bidding round for 14 of its existing offshore oil blocks; 11 being located in shallow water and 3 in ultra-deepwater. The first bidding round was expected to conclude in April, 2023 and new contracts to be awarded during the second quarter of the year. However, this was delayed as the government of Guyana decided to postpone its offshore licensing round beyond the July 2023 deadline to facilitate a review of the country's oil and gas regulatory framework. On September 12, 2023, Guyana's first offshore licensing round was concluded and the country received bids for 8 of its 14 existing oil blocks from 6 groups.

During the quarter, Guyana lifted six 1-million-barrel (approximate) oil cargoes as its share of profit oil, with the payment for two lifts to be received on January 2 & February 15, 2024 respectively. In 2023, Guyana accounted for the scheduled seventeen (17) lifts as expected for the year compared to thirteen (13) lifts for 2022. To date, Guyana obtained thirty-nine (39) lifts of profit oil since the inception of the Fund. Guyana reportedly projected a total of twenty-five (25) lifts for 2024, an increase from last year as it is anticipated that the Payara Offshore Development Project will ramp up its production capacity contributing to more lifts for Guyana.

5.0 INVESTMENT MANDATE

The Board of Directors of the Natural Resource Fund at its meeting held on June 26, 2023 approved the updated investment mandate for the Fund. It was mandated that the funds be maintained in the deposit account held at the Federal Reserve Bank of New York earning overnight deposit interest at the prevailing federal funds rate of 5.30%. It was also agreed that the Bank of Guyana will continue to monitor the overnight interest rate and inform the Chairman of any changes by the Federal Reserve Bank to consider redeploying cash. As at December 31, 2023, there has been no changes made to the investment mandate as the federal funds rate remained within the range of 5.25% - 5.5%.

6.0 ACTIVITIES OF THE FUND

6.1 Receipts to the Fund

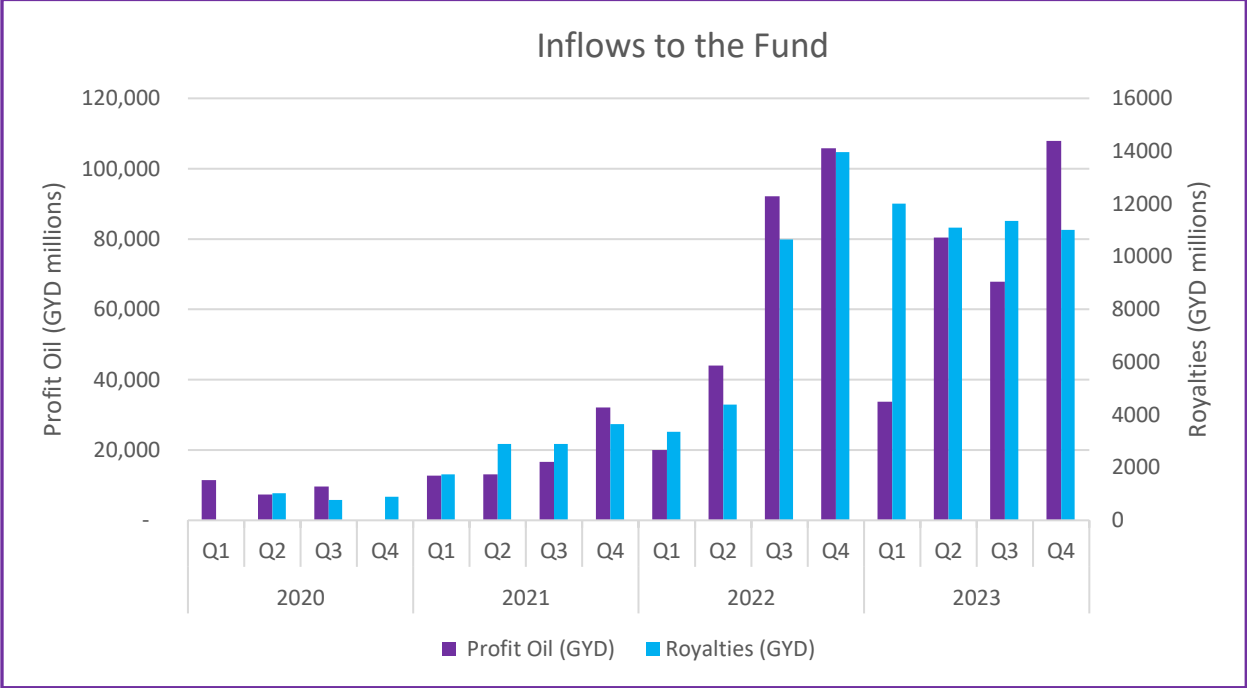
During the quarter, the Fund accounted for under the accrual basis¹ inflows amounting to G\$118,867.09 million (US\$570.11 million) comprising of profit oil - G\$107,857.06 million (US\$517.3 million) and royalties - G\$11,010.03 million (US\$52.81 million) in comparison to G\$67,819.59 million (US\$325.27 million) and G\$11,350.05 million (US\$54.44 million) respectively for the previous quarter. All of the Royalties were deposited into the Natural Resource Fund account held at the Federal Reserve Bank except for profit oil payments for two lifts which occurred in December 2023 totalling G\$31,047.07 million (US\$148.91 million) due for receipt in January and February 2024 respectively.

In 2023, the fund accounted for profit oil of G\$289,841.97 million (US\$1,390.13 million) and royalties of G\$45,471.97 million (US\$218.09 million) compared to G\$262,041.14 million (US\$1,256.79 million) and G\$32,349.87 million (US\$155.16 million) respectively for 2022. Since its inception, the Fund has accounted for G\$665,013.66 million

¹ The accrual basis of accounting was adopted in order to comply with the International Financial Reporting Standards (IFRS).

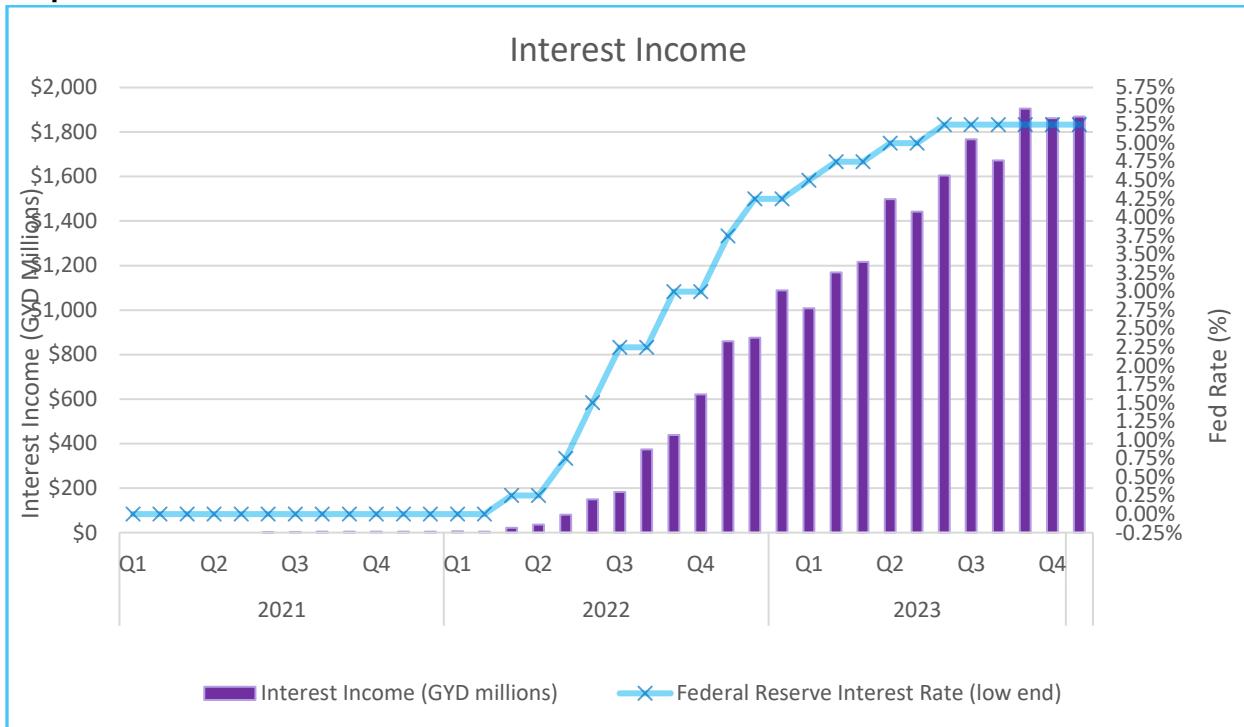
(US\$3,189.51 million) from 39 lifts of profit oil and G\$91,357.13 million (US\$438.16 million) from royalties (see appendix).

Graph 3



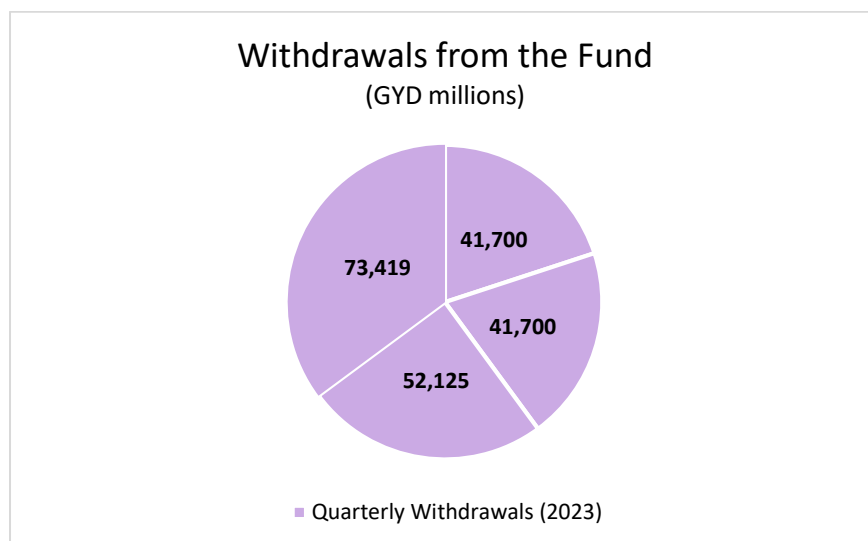
During the quarter the Federal Reserve paused rate hikes leaving interest rates at 5.25% - 5.50%. Sustained high interest rates coupled with a higher account balance resulted in the Fund earning a higher level of interest income on its overnight deposits than previous quarters. The Fund earned G\$5,636.98 million (US\$27.04 million) in interest income over the quarter compared to G\$5,045.66 million (US\$24.20 million) the previous quarter. In 2023, the Fund earned interest income of G\$18,105.25 million (US\$86.84 million) compared with G\$3,650.08 million (US\$17.51 million) for 2022.

Graph 4



6.2 Transfers to the Consolidated Fund

According to section 16 of the Natural Resource Fund Act 2021, all withdrawals from the Fund shall be deposited into the Consolidated Fund. During the quarter, transfers to the Government of Guyana’s Consolidated Fund account amounted to G\$73,419.16 million (US\$352.13 million). For the year, a total of G\$208,944.16 million (US\$1,002.13 million) has been transferred from the Fund, accounting for 100% of the estimated amount budgeted to be withdrawn in 2023.

Graph 5

7.0 PORTFOLIO PERFORMANCE

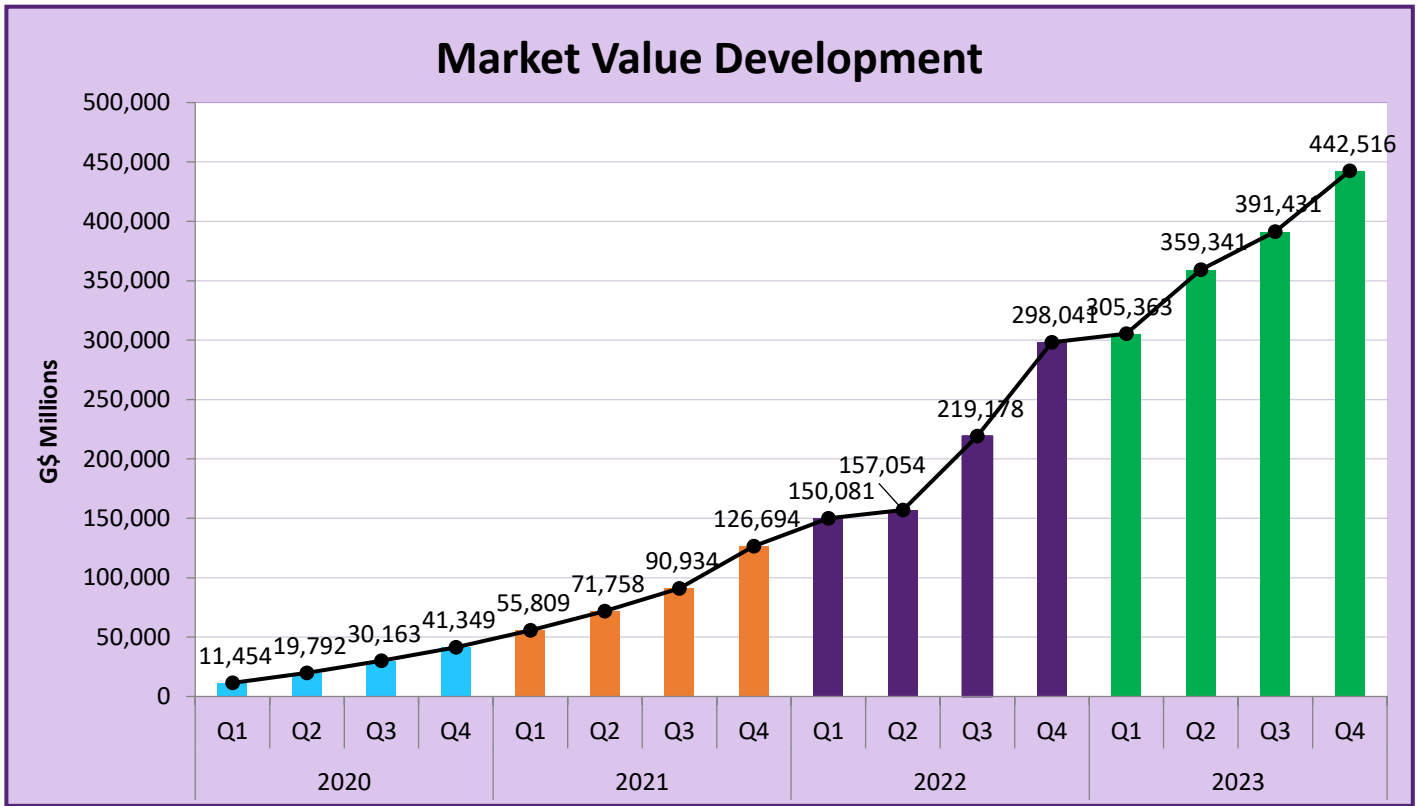
7.1 Market Value of the Fund

The value of the Fund (including cash deposits and revenue receivables) as at December 31, 2023, totalled G\$442,516.13 million (US\$2,122.38 million), an increase of 13.05% (G\$51,084.91 million US\$245.01 million) from the previous quarter's level of G\$391,431.22 million (US\$1,877.37 million).

Table 1

| Changes in Market Value | | | | | | G\$'000 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2023 | | | | | Since Inception |
| | Q1 | Q2 | Q3 | Q4 | YTD | |
| Starting Market Value | 298,041,094 | 305,363,388 | 359,340,928 | 391,431,221 | 298,041,094 | 0 |
| Inflows | 45,756,167 | 91,521,053 | 79,169,635 | 118,867,088 | 335,313,943 | 756,370,787 |
| Withdrawals | -41,700,000 | -41,700,000 | -52,125,000 | -73,419,157 | -208,944,157 | -335,638,467 |
| Interest Income | 3,266,127 | 4,156,487 | 5,045,658 | 5,636,983 | 18,105,255 | 21,782,822 |
| Capital Gains (Losses) | 0 | 0 | 0 | 0 | 0 | 993 |
| Admin., management and other costs | 0 | 0 | 0 | 0 | 0 | 0 |
| Final Market Value | 305,363,388 | 359,340,928 | 391,431,221 | 442,516,135 | 442,516,135 | 442,516,135 |

Graph 6



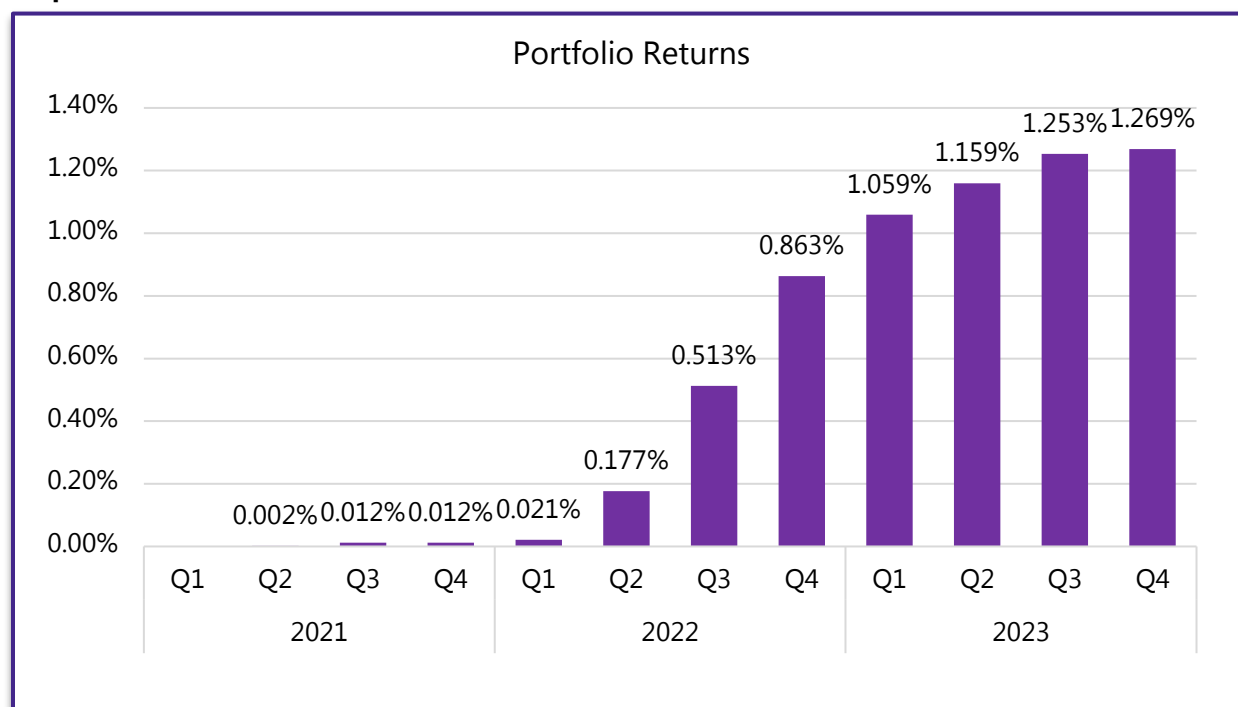
7.2 Performance

The Fund recorded a profit of G\$5,636.98 million (US\$27.04 million) this quarter in comparison with \$5,045.66 million (US\$24.20 million) for the preceding quarter solely due to interest earned on deposits. This resulted in a return² of 1.269% for the quarter compared with 1.253% in the previous quarter. The Fund earned an annualized return of 1.594% since its inception.

Table 2

| FUND PORTFOLIO | 2023 | | | | | Since Inception (Annualized) |
|----------------|--------|--------|--------|--------|--------|------------------------------|
| | Q1 | Q2 | Q3 | Q4 | YTD | |
| Return | 1.059% | 1.159% | 1.253% | 1.269% | 4.824% | 1.594% |
| Benchmark | - | - | - | - | - | - |
| Excess | - | - | - | - | - | - |

Graph 7



² The Fund is not currently tracking an index as funds were not invested in securities as at December 31, 2023.

8.0 FINANCIAL SUMMARY

The following financial information is presented for the purpose of providing a detailed overview of the performance of the Fund. The figures have been audited by the Internal Audit Department of Bank of Guyana.

Table 3

| Capital Account | | G\$'000 | |
|---|--------------------|--------------------|--|
| Period | Q3 - 2023 | Q4 - 2023 | |
| Opening Balance at beginning of the period | 359,340,928 | 391,431,221 | |
| Inflows to Fund for the quarter: | | | |
| Royalties | 11,350,048 | 11,010,032 | |
| Profit Oil | 67,819,587 | 107,857,056 | |
| Outflows from Fund to Consolidated Fund a/c for the quarter | -52,125,000 | -73,419,157 | |
| Net Result for the quarter | 5,045,658 | 5,636,983 | |
| Closing Balance at the end of the quarter | 391,431,221 | 442,516,135 | |

Table 4

| Assets | | G\$'000 | |
|---|--------------------|--------------------|--|
| Period | Q3 - 2023 | Q4 - 2023 | |
| Cash and Cash Equivalents | 391,431,221 | 411,469,069 | |
| Other receivables | 0 | 31,047,066 | |
| Financial Assets held at fair value through profit and loss | 0 | 0 | |
| Less: | | | |
| Payables | (0) | (0) | |
| Total Net Assets | 391,431,221 | 442,516,135 | |

Table 5

| Income | | G\$'000 | |
|--|------------------|------------------|--|
| Period | Q3 - 2023 | Q4 - 2023 | |
| Interest Income | 5,045,658 | 5,636,983 | |
| Other Investment Income | 0 | 0 | |
| Net gains/(losses) on market revaluation of financial assets | 0 | 0 | |
| Net gains/(losses) on foreign exchange | 0 | 0 | |
| Total Investment Income | 5,045,658 | 5,636,983 | |
| Expenses | | | |
| Management fees | (0) | (0) | |
| Transaction costs | (0) | (0) | |
| Other expenses | (0) | (0) | |
| Total Expenses | (0) | (0) | |
| Net Result for the Quarter | 5,045,658 | 5,636,983 | |

9.0 APPENDIX

The following table shows the receipts of profit oil and royalties to the Natural Resource Fund since its inception.

Table 6

| Inflows to the Natural Resource Fund | | | | |
|--------------------------------------|------------------|----------------|-----------------|-----------------------------|
| Date | Profit Oil (USD) | | Royalties (USD) | Total Inflows to Date (USD) |
| | Liza Destiny | Liza Unity | | |
| 11-Mar-2020 | 54,927,994.80 | | | 54,927,994.80 |
| 28-Apr-2020 | | | 4,919,505.30 | 59,847,500.10 |
| 9-Jun-2020 | 35,063,582.06 | | | 94,911,082.16 |
| 3-Aug-2020 | | | 3,698,152.63 | 98,609,234.79 |
| 24-Aug-2020 | 46,046,937.03 | | | 144,656,171.82 |
| 19-Oct-2020 | | | 4,304,275.30 | 148,960,447.12 |
| 11-Jan-2021 | 49,341,810.55 | | | 198,302,257.67 |
| 20-Jan-2021 | | | 8,332,957.12 | 206,635,214.79 |
| 3-Mar-2021 | 50.00 | | | 206,635,264.79 |
| 9-Mar-2021 | 61,021,098.64 | | | 267,656,363.43 |
| 20-Apr-2021 | | | 13,869,099.18 | 281,525,462.61 |
| 14-May-2021 | 62,617,616.23 | | | 344,143,078.84 |
| 23-Jul-2021 | | | 12,301,462.65 | 356,444,541.49 |
| 28-Jul-2021 | 79,617,561.87 | | | 436,062,103.36 |
| 22-Oct-2021 | 80,373,718.56 | | | 516,435,821.92 |
| 26-Oct-2021 | | | 17,492,005.29 | 533,927,827.21 |
| 24-Dec-2021 | 73,582,168.11 | | | 607,509,995.32 |
| 27-Jan-2022 | | | 16,087,959.27 | 623,597,954.59 |
| 28-Feb-2022 | 95,928,020.91 | | | 719,525,975.50 |
| 28-Apr-2022 | | | 21,059,488.63 | 740,585,464.13 |
| 25-May-2022 | | 102,548,225.10 | | 843,133,689.23 |
| 2-Jun-2022 | 108,556,874.23 | | | 951,690,563.46 |
| 20-Jul-2022 | | 122,973,502.40 | | 1,074,664,065.86 |
| 27-Jul-2022 | 117,445,452.90 | | 51,060,711.00 | 1,243,170,229.76 |
| 29-Aug-2022 | | 102,543,769.89 | | 1,345,713,999.65 |
| 13-Sep-2022 | 99,161,132.32 | | | 1,444,875,131.97 |
| 7-Oct-2022 | | 88,996,551.12 | | 1,533,871,683.09 |
| 25-Oct-2022 | | | 66,947,083.73 | 1,600,818,766.82 |
| 7-Nov-2022 | 89,149,227.73 | | | 1,689,967,994.55 |
| 14-Nov-2022 | | 87,993,773.93 | | 1,777,961,768.48 |
| 30-Dec-2022 | | 83,808,725.98 | | 1,861,770,494.46 |

| | | | | |
|--------------|-------------------------|-------------------------|-----------------------|-------------------------|
| 3-Jan-2023 | 82,612,294.01 | | | 1,944,382,788.47 |
| 23-Jan-2023 | | 75,074,493.46 | | 2,019,457,281.93 |
| 30-Jan-2023 | | | 57,591,504.37 | 2,077,048,786.30 |
| 16-Feb-2023 | 82,248,712.42 | | | 2,159,297,498.72 |
| 20-Mar-2023 | | 79,613,822.68 | | 2,238,911,321.40 |
| 10-Apr-2023 | 74,054,727.58 | 74,216,496.21 | | 2,387,182,545.19 |
| 28-Apr-2023 | | | 53,256,878.46 | 2,440,439,423.65 |
| 10-May-2023 | | 87,145,733.95 | | 2,527,585,157.60 |
| 14-Jun-2023 | 74,729,733.63 | | | 2,602,314,891.23 |
| 16-Jun-2023 | | 75,546,324.85 | | 2,677,861,216.08 |
| 20-Jul-2023 | | 73,773,346.19 | | 2,751,634,562.27 |
| 28-Jul-2023 | | | 54,436,683.89 | 2,806,071,246.16 |
| 7-Aug-2023 | 81,786,204.95 | | | 2,887,857,451.11 |
| 23-Aug-2023 | | 84,436,660.87 | | 2,972,294,111.98 |
| 20-Sep-2023 | | 85,277,583.54 | | 3,057,571,695.52 |
| 13-Oct-2023 | 96,031,133.77 | | | 3,153,602,829.29 |
| 23-Oct-2023 | | 96,959,767.23 | | 3,250,562,596.52 |
| 30-Oct-2023 | | | 52,805,908.09 | 3,303,368,504.61 |
| 28-Nov-2023 | | 90,027,503.19 | | 3,393,396,007.80 |
| 1-Dec-2023 | | 235,507.07 ³ | | 3,393,631,514.87 |
| 5-Dec-2023 | 85,139,327.68 | | | 3,478,770,842.55 |
| Total | 1,629,435,379.98 | 1,411,171,787.66 | 438,163,674.91 | 3,478,770,842.55 |

³ This figure represents the Government of Guyana's 12.5% interest in lift #22UNY000 - Liza Unity Off-Spec Oil emulsion.

Note: Profit oil payments for two (2) lifts which occurred in December 2023 of US\$73,573,471.27 & US\$75,333,318.77 are to be received on January 2 & February 15, 2024 respectively.

Dated: 26th January, 2024

.....
Chief Accountant
Bank of Guyana

.....
Governor
Bank of Guyana