

March 31, 2024



Natural Resource Fund
Quarterly Report
January 1 – March 31, 2024

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1.0 INTRODUCTION

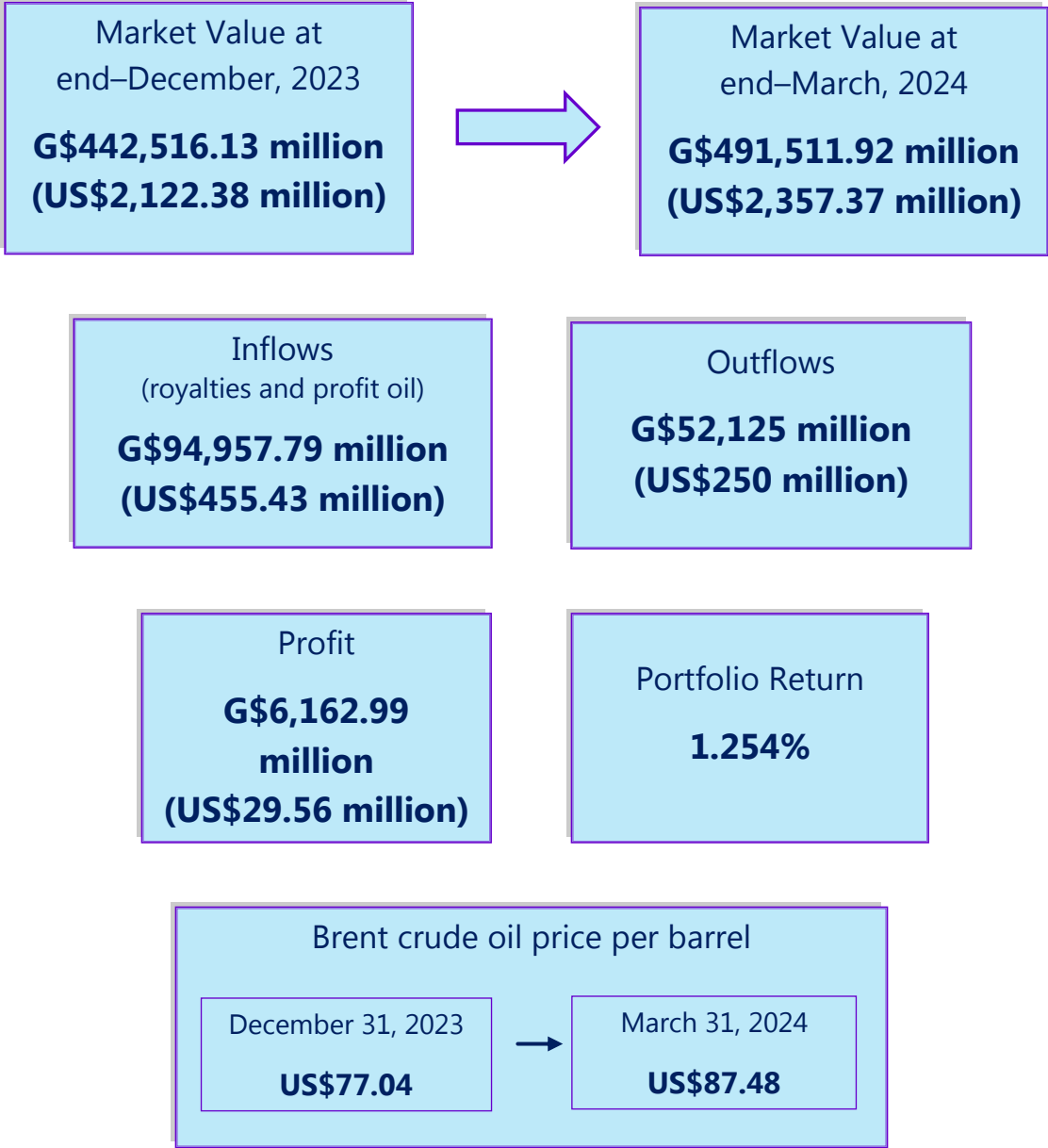
The Natural Resource Fund was formed by the enactment of the Natural Resource Fund Act 2019 which was passed in the National Assembly on January 3, 2019 and assented to by the President on January 23, 2019. This act was subsequently replaced with the Natural Resource Fund Act 2021 which was passed in 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 March 31, 2024 was GYD 208.50 = USD 1.

2.0 EXECUTIVE SUMMARY

This report covers the period January 1, 2024 – March 31, 2024



3.0 MARKET TRENDS DURING THE QUARTER

3.1 Global Market Conditions

According to the World Bank's Global Economic Prospects report published in January 2024, global growth is projected at 2.4% for 2024 while the most recent World Economic Outlook report published by the IMF pegged global growth a bit higher at 3.2%. The World Bank forecasts growth in advanced economies and emerging market economies at 1.2% and 3.9% respectively while the IMF on the other hand projects slightly higher growth levels of 1.7% and 4.2% for 2024. The IMF indicated that geopolitical conflicts, elevated central bank rates, and low underlying productivity growth will continue to influence global growth in 2024, marking the third consecutive year of deceleration.

In late-March 2024, President Joe Biden signed into law a \$1.2 trillion spending bill, keeping the U.S. government funded through a fiscal year that began six months ago on October 1, 2023. This came after the US House of Representatives passed a stopgap bill in January 2024 which funded US government functions until March 2024 delaying any potential government shutdown during that period.

The IMF forecasts inflation for 2024 at 5.9% compared to 6.8% in 2023, and projects inflation to slow even further to 4.5% in 2025. With disinflation and steady growth, the likelihood of a rough landing has subsided, and risks to global growth are becoming more balanced. On the contrary, faster disinflation could lead to further easing of financial conditions by global central banks. Inflation expectations continue to be data driven so premature easing of monetary policy than necessary could imply temporarily higher growth, but at the same time risk further monetary tightening later on.

During the first quarter of 2024, the US Federal Reserve continued its dovish monetary policy stance by holding its federal funds target range stable at 5.25% - 5.5%, with its last rate hike being in July 2023. The FOMC held two meetings during the quarter and decided to pause at both occasions. The committee does not anticipate reducing its

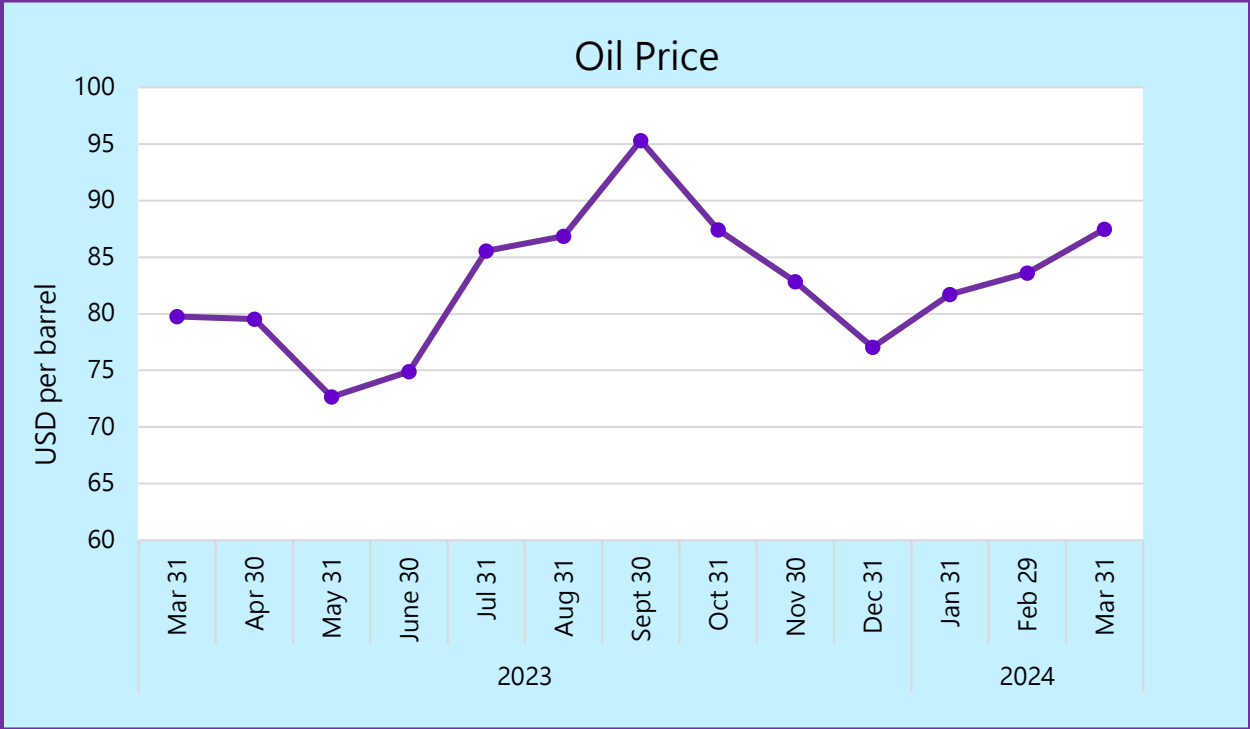
federal funds target range until it has gained greater confidence that inflation is moving sustainably towards its 2 percent target. The European Central Bank also maintained a less hawkish stance during the quarter and decided to keep interest rates unchanged at 4.5%. The Bank of England and the Bank of Canada followed suit, pausing on further rate increases during the quarter, leaving interest rates at 5.25% and 5% respectively.

Oil

Oil prices opened the quarter at \$77.04/bbl. and soon after started to rally until late January 2024. This drive in oil prices throughout January was mainly due to supply shortages caused by unexpectedly large drawdown in US inventories, elevated tensions in the Middle East, the ongoing war between Russia and Ukraine and continued production cuts out of OPEC. In early February, oil prices started to retreat and reached its lowest value for the quarter at 75.89/bbl. influenced mainly by rumors of Israel and Hamas agreeing to a ceasefire proposal that could potentially temper the geopolitical conflict that has buoyed oil in recent months. Notwithstanding, oil prices regained momentum soon after to close the quarter reaching a high of \$87.48/bbl. attributed to escalated tension in the Middle East contributing to supply barriers. Iran had vowed revenge on Israel after an airstrike on its embassy complex in Syria left two top generals and five military advisors dead, while yet another Ukrainian drone attack had struck one of Russia's biggest oil refineries.

The following graph shows the movement of oil prices over the period March 2023 to March 2024.

Graph 1



Gold

Gold prices opened the first quarter at US\$2062.98 per ounce and fluctuated for the majority of the quarter before trending significantly upwards in March 2024. During January and February gold prices were mainly influenced by changes in the US dollar, potential rate cuts in 2024, geopolitical uncertainty contributing to safe haven buying, robust US data and an increase in US treasury yields. Before rallying in March, gold prices hit a low of US\$1992.33 per ounce in Mid-February. This was attributed mainly to the idea of a less dovish Fed after stronger than expected inflation data was recorded in February. However, in early March, gold prices regained momentum and reached its peak value of US\$2229.87 per ounce as at end-March 2024. The rally towards the end of the quarter was mainly driven by the Fed’s signaling of potential rate cuts for the year, escalating conflict in the middle-east, and weak US jobs reports.

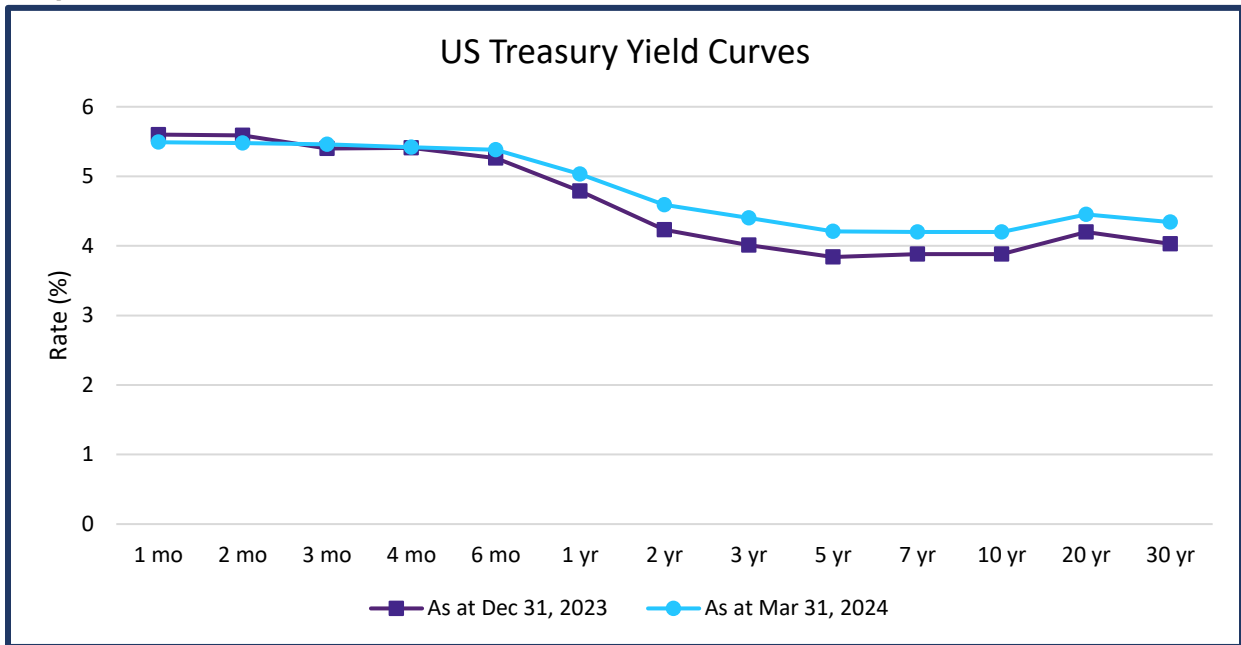
3.2 Global Fixed Income Bonds

The fixed income market reversed since the previous quarter and ended with negative returns driven by the changing expectations of future rate cuts. While major central banks maintained their interest rates, investors had expected faster rate cuts but given inflation was higher than anticipated and the economy seemed robust, those expectations were scaled back. Since the market had priced in much more cuts than the central banks projected, the resulting sell off brings the current bond yield more in line with central bank projections.

The yields of 10-year government bonds increased across the board during the quarter. The US 10 – year bond yield rose from 3.87% to 4.32%, the UK's from 3.54% to 3.98%, Spain's from 2.99% to 3.15%, France's from 2.56% to 2.80% and Germany's from 2.03% to 2.29%.

The graph below shows the US Treasury yield curve at December 31, 2023 and March 31, 2024. Market expectations of a less dovish Fed given persistent robust data led to a general rise in yields during the quarter. There was a considerable increase in yields of longer dated bonds while shorter dated bond remained relatively unchanged. As a result, the yield curve has become slightly less inverted.

Graph 2



Corporate bonds

Corporate bonds had an overall negative return but outperformed government bonds. Strong economic data resulted in further tightened credit spreads. According to the Bloomberg Global Aggregate Corporate Total Return Index, corporate bonds decreased from 272.48 to 270.40.

3.3 Global Equities

Despite changing expectations of the pace of future rate cuts, equities continued to rally over the quarter. The resilience of the economy and strong corporate earnings have supported strong gains. The S&P 500 index went up by 10% while the NASDAQ index increased by 9%.

4.0 LOCAL UPDATES

Since 2015, 43 discoveries have been made offshore Guyana. Thirty-eight (38) 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.

The Government of Guyana announced their approval of the Payara Offshore Development Project on 30th September, 2020, which holds an estimated resource base of approximately 600 million oil-equivalent barrels. Production began in Mid-November 2023 and reached its peak capacity of 220,000 bpd in the first quarter 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.

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 bpd to Guyana's daily oil production when operations begin. A sixth development, Whiptail, was approved by the Government of Guyana in mid-April 2024 since ExxonMobil Guyana submitted the Environmental Impact Assessment (EIA) for review and approval in August 2023. The project is expected to have a production capacity of 250,000 bpd and is scheduled to be operational by the end of 2027. It is projected that by the end of the decade, Guyana's oil production will increase to more than 1 million bpd.

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 had acquired Hess Guyana Exploration Ltd. in October 2023 holds the remaining 30%.

In December 2022, the Government of Guyana 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 five (5) 1-million-barrel (approximate) oil cargoes as its share of profit oil in comparison with six (6) lifts for the previous quarter taking total lifts to five (5) for the year thus far. The country is expected to benefit from a total twenty-five (25) lifts for 2024. To date, Guyana obtained forty-four (44) lifts of profit oil since the inception of the Fund.

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 March 31, 2024, there has been no changes made to the investment mandate as the federal funds rate remained within the range of 5.25% - 5.5%.

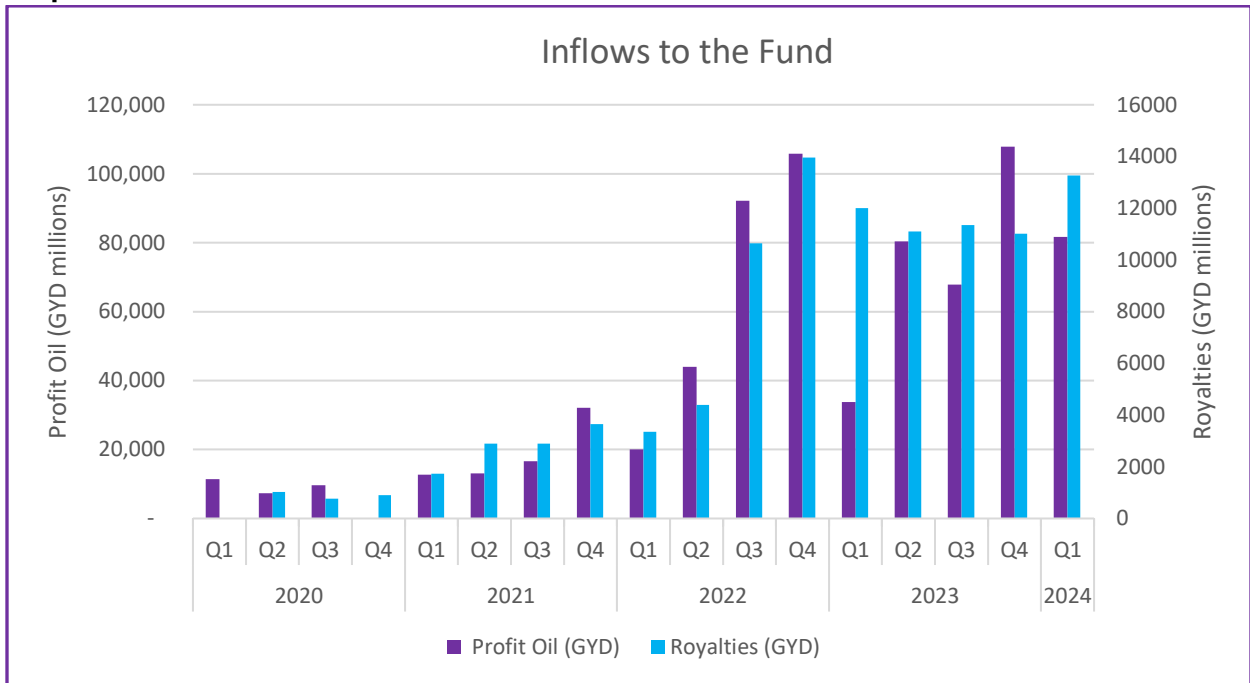
6.0 ACTIVITIES OF THE FUND

6.1 Receipts to the Fund

During the quarter, the Fund accounted for inflows amounting to G\$94,957.79 million (US\$455.43 million) comprising of profit oil - G\$81,697.35 million (US\$391.83 million) and royalties - G\$13,260.45 million (US\$63.6 million) in comparison to G\$107,857.06 million (US\$517.3 million) and G\$11,010.03 million (US\$52.81 million) respectively for the previous quarter. These funds were deposited into the Natural Resource Fund account held at the Federal Reserve Bank of New York.

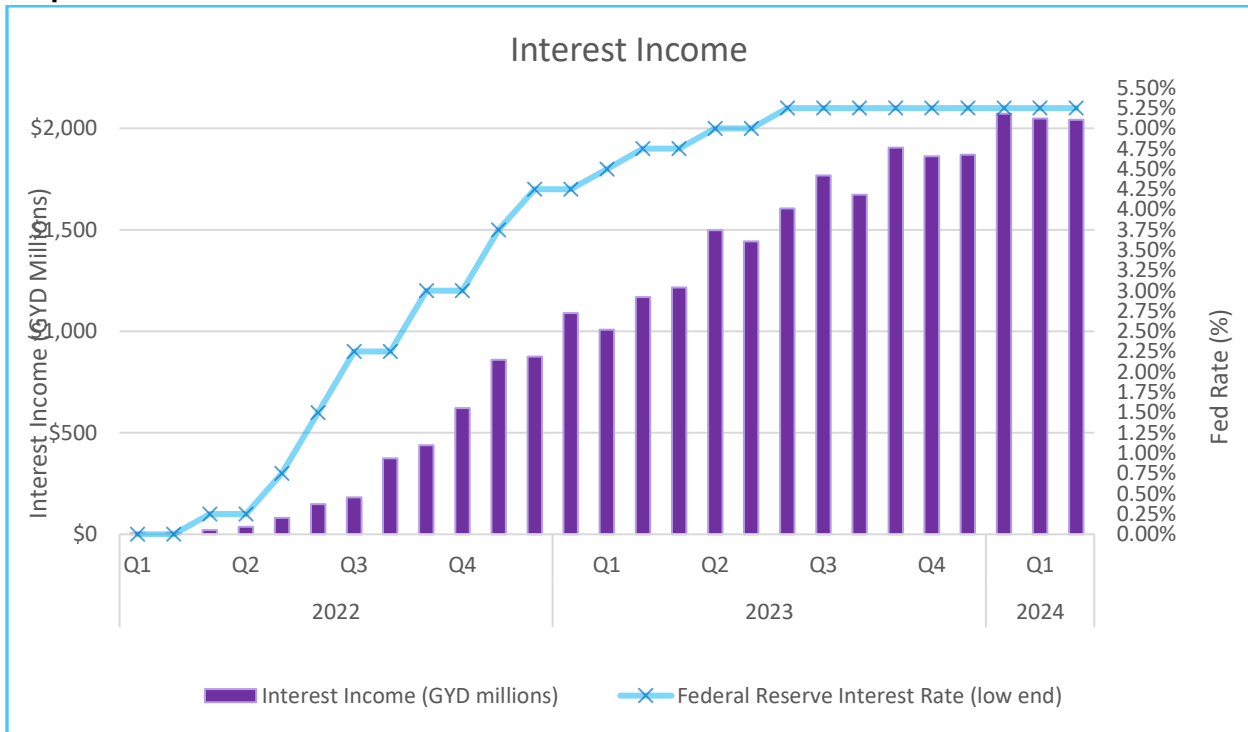
Since its inception, the Fund has accounted for G\$746,711.01 million (US\$3,581.35 million) from 44 lifts of profit oil and G\$104,617.57 million (US\$501.76 million) from royalties (see appendix).

Graph 3



During the quarter, the Federal Reserve continued to maintain 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\$6,162.99 million (US\$29.56 million) in interest income over the quarter compared to G\$5,636.98 million (US\$27.04 million) the previous quarter.

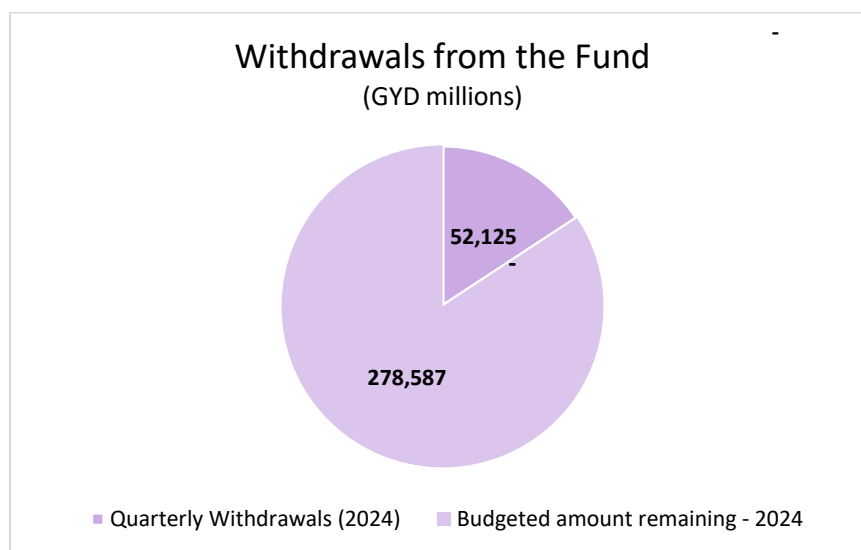
Graph 4



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\$52,125 million (US\$250 million). This amount represents 15.76% of the estimated amount budgeted to be withdrawn in 2024 - G\$330,712 million (US\$1,586.15 million).

Graph 5



7.0 PORTFOLIO PERFORMANCE

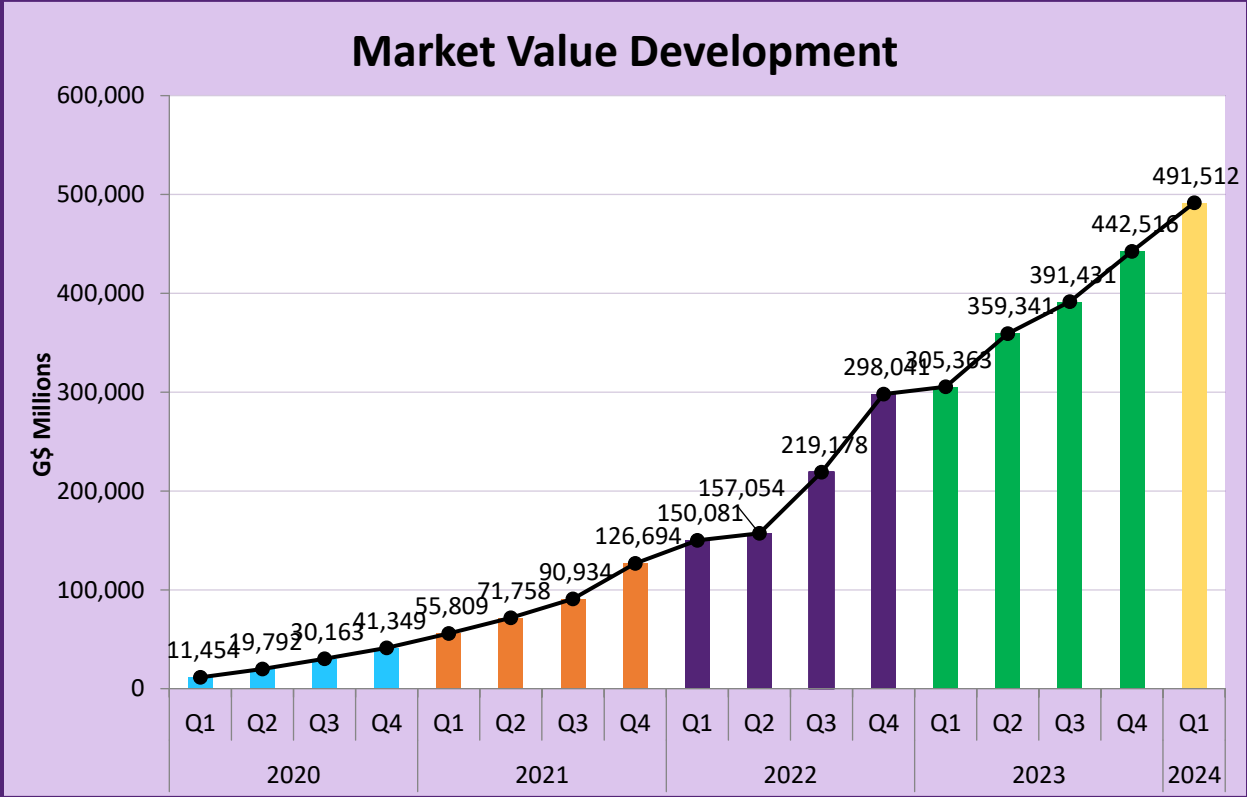
7.1 Market Value of the Fund

The value of the Fund amounted to G\$491,511.92 million (US\$2,357.37 million), an increase of 11.07% (G\$48,995.78 million US\$234.99 million) from the previous quarter's level of G\$442,516.13 million (US\$2,122.38 million).

Table 1

| Changes in Market Value | | | | | | G\$'000 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2023 | | | 2024 | | Since Inception |
| | Q2 | Q3 | Q4 | Q1 | YTD | |
| Starting Market Value | 305,363,388 | 359,340,928 | 391,431,221 | 442,516,135 | 442,516,135 | 0 |
| Inflows | 91,521,053 | 79,169,635 | 118,867,088 | 94,957,795 | 94,957,795 | 851,328,582 |
| Withdrawals | -41,700,000 | -52,125,000 | -73,419,157 | -52,125,000 | -52,125,000 | -387,763,467 |
| Interest Income | 4,156,487 | 5,045,658 | 5,636,983 | 6,162,986 | 6,162,986 | 27,945,808 |
| Capital Gains (Losses) | 0 | 0 | 0 | 0 | 0 | 993 |
| Admin., management and other costs | 0 | 0 | 0 | 0 | 0 | 0 |
| Final Market Value | 359,340,928 | 391,431,221 | 442,516,135 | 491,511,916 | 491,511,916 | 491,511,916 |

Graph 6



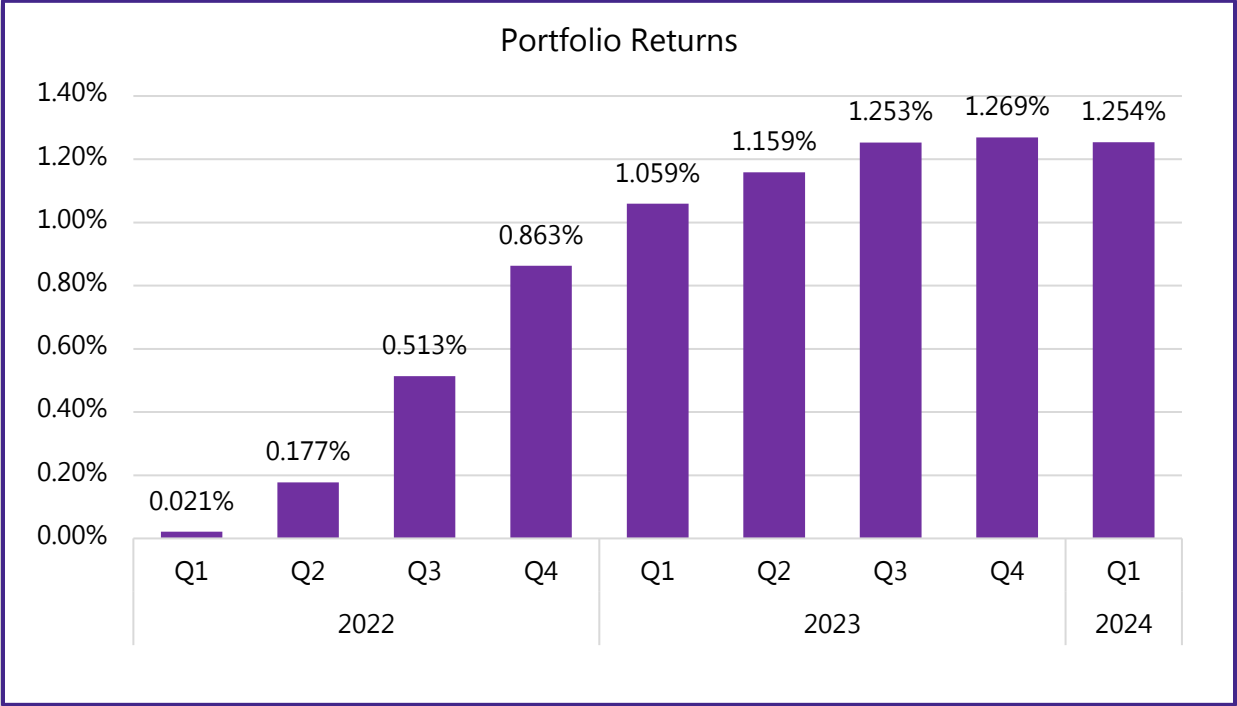
7.2 Performance

The Fund recorded a profit of G\$6,162.99 million (US\$29.56 million) this quarter in comparison with \$5,636.98 million (US\$27.04 million) for the preceding quarter solely due to interest earned on deposits. This resulted in a return¹ of 1.254% for the quarter compared with 1.269% in the previous quarter. The Fund earned an annualized return of 1.797% since its inception.

Table 2

| FUND PORTFOLIO | 2023 | | | 2024 | | Since Inception (Annualized) |
|----------------|--------|--------|--------|--------|--------|------------------------------|
| | Q2 | Q3 | Q4 | Q1 | YTD | |
| Return | 1.159% | 1.253% | 1.269% | 1.254% | 1.254% | 1.797% |
| Benchmark | - | - | - | - | - | - |
| Excess | - | - | - | - | - | - |

Graph 7



¹ The Fund is not currently tracking an index as funds were not invested in securities as at March 31, 2024.

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 | Q4 - 2023 | Q1 - 2024 | |
| Opening Balance at beginning of the period | 391,431,221 | 442,516,135 | |
| Inflows to Fund for the quarter: | | | |
| Royalties | 11,010,032 | 13,260,447 | |
| Profit Oil | 107,857,056 | 81,697,348 | |
| Outflows from Fund to Consolidated Fund a/c for the quarter | -73,419,157 | -52,125,000 | |
| Net Result for the quarter | 5,636,983 | 6,162,986 | |
| Closing Balance at the end of the quarter | 442,516,135 | 491,511,916 | |

Table 4

| Assets | | G\$'000 | |
|---|--------------------|--------------------|--|
| Period | Q4 - 2023 | Q1 - 2024 | |
| Cash and Cash Equivalents | 411,469,069 | 491,511,916 | |
| Other receivables | 31,047,066 | 0 | |
| Financial Assets held at fair value through profit and loss | 0 | 0 | |
| Less: | | | |
| Payables | (0) | (0) | |
| Total Net Assets | 442,516,135 | 491,511,916 | |

Table 5

| Income | | G\$'000 | |
|--|------------------|------------------|--|
| Period | Q4 - 2023 | Q1 - 2024 | |
| Interest Income | 5,636,983 | 6,162,986 | |
| 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 | 5,636,983 | 6,162,986 | |
| Expenses | | | |
| Management fees | (0) | (0) | |
| Transaction costs | (0) | (0) | |
| Other expenses | (0) | (0) | |
| Total Expenses | (0) | (0) | |
| Net Result for the Quarter | 5,636,983 | 6,162,986 | |

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 | Prosperity | | |
| 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 ² | | | 3,393,631,514.87 |
| 5-Dec-2023 | 85,139,327.68 | | | | 3,478,770,842.55 |
| 2-Jan-2024 | | 73,573,471.27 | | | 3,552,344,313.82 |
| 29-Jan-2024 | | | | 63,599,266.12 | 3,615,943,579.94 |
| 2-Feb-2024 | 76,535,681.54 | | 73,135,955.04 | | 3,765,615,216.52 |
| 15-Feb-2024 | | 75,333,318.77 | | | 3,840,948,535.29 |
| 6-Mar-2024 | | 81,660,988.38 | | | 3,922,609,523.67 |
| 8-Mar-2024 | | | 78,376,649.09 | | 4,000,986,172.76 |
| 25-Mar-2024 | 82,124,527.93 | | | | 4,083,110,700.69 |
| Total | 1,788,095,589.45 | 1,641,739,566.08 | 151,512,604.13 | 501,762,941.03 | 4,083,110,700.69 |

² 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 were received on January 2 & February 15, 2024 respectively.

Dated: 23rd April, 2024

.....
Chief Accountant
Bank of Guyana

.....
Governor
Bank of Guyana