

Government of Guyana Bonds issued to the Creditors of the Guyana Mining Enterprise Limited effective June 1992

This press release is issued following recent speculation on matters related to the abovementioned bonds to clarify the Government's position and to correct a number of inaccuracies in the current coverage of the issue.

Background

Following serious mismanagement in the 1980's, resulting in a range of operational and financial problems, the decision was taken by the then Government on June 19, 1992 to restructure the Guyana Mining Enterprise Limited (GUYMINE). GUYMINE, at the time, was a government-owned bauxite mining company. It was restructured into two separate entities, BERMINE and LINMINE.

As part of GUYMINE's restructuring, the then Government assumed the liabilities of GUYMINE in June 1992, totalling the equivalent of US\$28.4M. Subsequently, the bonds in question were issued on May 17, 1994 in lieu of the substantial outstanding debt owed by GUYMINE to its creditors. Whilst the issuance of these bonds took place on May 17, 1994, they were issued to pay interest retroactively for the period commencing on June 19, 1992.

The bonds were therefore issued as a substitute for the short-term trade credits provided by these creditors to GUYMINE. The bonds were issued to eighteen (18) different creditors of GUYMINE, the largest of which were Green Mining Incorporated, Esso Standard Oil Limited, Boskalis International B.V. and Caterpillar Americas Company.

Trading

Whilst the bonds were originally issued to the creditors of GUYMINE, they were subsequently traded on the secondary market. Many of the bonds changed ownership several times, often being exchanged at a price that represented a deep discount on the face value of the bonds. In one case, a bond was transferred to its present holder for as little as 15% of the face value of the bond.

Treatment under the Paris Club

The Government has for many years sought to restructure the country's debt and has made substantial progress in returning the country to debt sustainability. A substantial part of this restructuring has been conducted through agreements with the Paris Club group of creditors. In total, since 1996, the debt due by Guyana to Paris Club creditor countries has been reduced by more than US\$930M and the annual debt service has been reduced from around US\$60M to about US\$4M.

However, as a condition of the substantial debt relief accorded Guyana from the Paris Club group of creditors, the Government is compelled to seek debt relief of a comparable nature on all of its debts to bilateral and commercial creditors. This specifically includes the debts resulting from the restructuring of GUYMINE.

Clause III, Paragraph 1 of the Paris Club Agreed Minute of January 14, 2004 states:

"Consequently, the Republic of Guyana commits not to accord any category of creditors - and in particular creditor countries not participating in the present Agreed Minute, commercial banks, suppliers and bondholders (in particular the former debt of GUYMINE) - a treatment more favourable than that accorded to the Participating Creditor Countries." [emphasis added]

The consequence of this condition is that if the Government agrees to provide a more favourable treatment to any other creditor, including the current bondholders, the substantial debt relief received from Guyana's Paris Club creditors may be jeopardised.

Payment of Interest

In the case of the bonds, in keeping with its obligations to the IMF, the World Bank and the international community as a necessary part of the HIPC process and in order not to accumulate further arrears, the Government continued to service the debt to all bondholders. The following table shows the interest the Government has paid on the bonds up to the present day.

Interest Due and Paid on GUYMINE Bonds

Year	Interest on US\$ Bonds	Interest on Euro Bonds	Interest on British Pound Bonds
1994	2,734,000.85	497,673.72	2,695.67
1995	1,078,821.96	196,379.36	1,063.70
1996	1,078,821.96	196,379.36	1,063.70
1997	1,078,821.96	196,379.36	1,063.70
1998	1,078,821.96	196,379.36	1,063.70
1999	1,078,821.96	196,379.36	1,063.70
2000	1,078,821.96	196,379.36	1,063.70
2001	1,078,821.96	196,379.36	1,063.70
2002	1,078,821.96	196,379.36	1,063.70
2003	1,078,821.96	196,379.36	1,063.70
2004	1,078,821.96	196,379.36	1,063.70
2005	1,078,821.96	196,379.36	1,063.70
Total	US\$14,601,042.39	EUR2,657,846.70	GBP14,396.34

In total, over US\$18 million has been paid in interest to the bondholders. While payment of interest of this kind does not breach the requirement of comparable treatment described above, payment of the full amount of the principal certainly would, jeopardise Guyana's compliance with the Paris Club Agreed Minute and the relief obtained from other creditors thereunder.

Meeting

On January 4, 2006, the Minister of Finance wrote the Managing Director of Citizens Bank inviting the Bank to a meeting to discuss the bonds issue. The meeting took place on February 14, 2006 and, representatives of the Ministry of Finance informed representatives of the Citizens Bank of the requirements of the Paris Club Agreed Minute.

Subsequently, on May 3, 2006, the Minister of Finance invited the Managing Director of Citizens Bank to meet again. That second meeting took place on May 4, 2006. At that meeting, the Minister of Finance again informed Citizens Bank's representatives of Guyana's obligations under the Paris Club Agreed Minute and advised the Bank of the Government's position on this matter.

Both of those meetings took place before the maturity date of the bonds.

The Government remains willing to meet with the bondholders to discuss a solution to this matter.

MINISTRY OF FINANCE

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