**KOZA ALTIN İŞLETMELERİ A.Ş.**

**FINANCIAL STATEMENTS**
**AT 31 DECEMBER 2013**
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION INTO ENGLISH -**
**THE TURKISH TEXT IS AUTHORITATIVE)**

**INDEPENDENT AUDITOR'S REPORT**
**(Convenience translation into English - the Turkish text is authoritative)**

To the Board of Directors of Koza Altın İşletmeleri A.Ş.

*Report on the Financial Statements*

1. We have audited the accompanying financial statements of Koza Altın İşletmeleri A.Ş. (the "Company") which comprise the balance sheet as at 31 December 2013 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's responsibility for the financial statements*

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards accepted by the Turkish Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards issued by the Turkish Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers*
*BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat 9 Akaretler Beşiktaş 34357 İstanbul-Turkey*
*www.pwc.com/tr Telephone: +90 (212) 326 6060 Facsimile: +90 (212) 326 6050*

*Opinion*

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Koza Altın as at 31 December 2013 and it's financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

*Reports on independent auditor's responsibilities arising from other regulatory requirements*

5. In accordance with Article 402 of the Turkish Commercial code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January- 31 December 2013 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

6. Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 7 January 2013 and it is comprised of two members. The committee has met six times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

**ORIGINAL COPY ISSUED AND SIGNED IN TURKISH**

Murat Sancar, SMMM

Partner İstanbul, 3 March 2014

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## KOZA ALTIN İŞLETMELERİ A.Ş.

## FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2013

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## KOZA ALTIN İŞLETMELERİ A.Ş.

## BALANCE SHEETS AT 31 DECEMBER 2013, 2012 AND 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

| | Notes | 31 December 2013 | *Restated (*)* 31 December 2012 | *Restated (*)* 31 December 2011 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | **1.111.896** | **1.037.849** | **670.280** |
| Cash and cash equivalents | 4 | 940.727 | 927.526 | 579.356 |
| Trade receivables | | 306 | 646 | 10.151 |
| - Due from related parties | 5 | 63 | 433 | 5.800 |
| - Other trade receivables | 7 | 243 | 213 | 4.351 |
| Other receivables | | 41.660 | 17.375 | 13.230 |
| - Due from related parties | 5 | 3 | - | 77 |
| - Other receivables | 8 | 41.657 | 17.375 | 13.153 |
| Inventories | 9 | 117.403 | 81.970 | 59.166 |
| Prepaid expenses | 11 | 8.128 | 6.614 | 5.404 |
| Other current assets | 19 | 3.672 | 3.718 | 2.973 |
| **Non-current assets** | | **741.374** | **487.587** | **381.936** |
| Investment properties | 12 | 20.083 | 10.630 | - |
| Property, plant and equipment | 13 | 609.331 | 391.420 | 350.609 |
| Intangible assets | | 15.390 | 15.417 | 14.784 |
| - Goodwill | 14.a | 14.017 | 14.017 | 14.017 |
| - Other intangible assets | 14.b | 1.373 | 1.400 | 767 |
| Prepaid expenses | 11 | 91.037 | 69.878 | 3.895 |
| Deferred tax asset | 28 | 5.039 | - | 12.337 |
| Other non-current assets | 19 | 494 | 242 | 311 |
| **TOTAL ASSETS** | | **1.853.270** | **1.525.436** | **1.052.216** |

(*) Please refer to Note 2.4

These financial statements as of and for the year ended 31 December 2013 have been approved for issue by the Board of Directors ("BoD") of Koza Altın İşletmeleri A.Ş. on 3 March 2014.

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## KOZA ALTIN İŞLETMELERİ A.Ş.

## BALANCE SHEETS AT 31 DECEMBER 2013, 2012 AND 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

| | Notes | 31 December 2013 | *Restated (*)* 31 December 2012 | *Restated (*)* 31 December 2011 |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Current liabilities** | | **87.317** | **86.919** | **130.028** |
| Short term portion of long term financial liabilities | 6 | - | 6.905 | 18.143 |
| Trade payables | | 46.854 | 33.099 | 32.220 |
| - Due to related parties | 5 | 4.591 | 6.648 | 283 |
| - Other payables | 7 | 42.263 | 26.451 | 31.937 |
| Employee benefit payables | 18 | 2.567 | 2.155 | 2.968 |
| Other payables | | 14.752 | 10 | 235 |
| - Due to related parties | 5 | 14.752 | 10 | 235 |
| Current income tax liabilities | 28 | - | 20.746 | 39.808 |
| Short term provisions | | 19.194 | 20.957 | 31.949 |
| - Short term provisions for employee benefits | 18 | 2.313 | 1.825 | 1.721 |
| - Other short term provisions | 16 | 16.881 | 19.132 | 30.228 |
| Other current liabilities | 19 | 3.950 | 3.047 | 4.705 |
| **Non-current liabilities** | | **72.666** | **73.148** | **63.174** |
| Financial liabilities | | - | - | 7.265 |
| Other payables | | 11.738 | 24.543 | 25.127 |
| - Due to related parties | 5 | - | 14.738 | 14.738 |
| - Other payables | 8 | 11.738 | 9.805 | 10.389 |
| Long term provisions | | 60.928 | 47.857 | 30.782 |
| - Long term provisions for employee benefits | 18 | 2.725 | 2.755 | 2.370 |
| - Other long term provisions | 16 | 58.203 | 45.102 | 28.412 |
| Deferred tax liabilities | 28 | - | 748 | - |
| **TOTAL LIABILITIES** | | **159.983** | **160.067** | **193.202** |
| **EQUITY** | | **1.693.287** | **1.365.369** | **859.014** |
| Share capital | 20 | 152.500 | 152.500 | 152.500 |
| Adjustments to share capital | 20 | 3.579 | 3.579 | 3.579 |
| Other comprehensive income/expense not to be reclassified to profit or loss | | (646) | (390) | (213) |
| -Gain/loss arising from defined benefit plans | | (646) | (390) | (213) |
| Restricted reserves | 20 | 89.264 | 73.044 | 57.923 |
| Distribution to shareholders | | - | - | (3.647) |
| Retained earnings | 20 | 950.617 | 518.534 | 198.603 |
| Profit for the period | 20 | 497.973 | 618.102 | 450.269 |
| **TOTAL LIABILITIES AND EQUITY** | | **1.853.270** | **1.525.436** | **1.052.216** |

(*) Please refer to Note 2.4

The accompanying notes form an integral part of these financial statements.

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## KOZA ALTIN İŞLETMELERİ A.Ş.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

| | Notes | 31 December 2013 | Restated (*) 31 December 2012 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 21 | 929.414 | 1.043.145 |
| Cost of sales (-) | 21 | (361.688) | (267.079) |
| **Gross profit** | | **567.726** | **776.066** |
| General administrative expenses (-) | 22 | (71.908) | (61.461) |
| Research and development expenses (-) | 22 | (20.446) | (26.582) |
| Selling and marketing expenses (-) | 22 | (2.070) | (2.134) |
| Other income from operating activities | 24 | 18.798 | 11.793 |
| Other expenses from operating activities | 24 | (45.530) | (20.316) |
| **OPERATING PROFIT** | | **446.570** | **677.366** |
| Income from investment activities | 25 | 70.914 | 74.807 |
| **Operating profit before financial expenses** | | **517.484** | **752.173** |
| Financial income | 26 | 8.498 | 15.746 |
| Financial expenses (-) | 27 | (3.348) | (15.164) |
| **PROFIT BEFORE TAXATION ON INCOME** | | **522.634** | **752.755** |
| Income tax expense | | **(24.661)** | **(134.653)** |
| - Taxes on income | 28 | (30.448) | (121.568) |
| - Deferred tax income/ (loss) | 28 | 5.787 | (13.085) |
| **PROFIT FOR THE PERIOD** | | **497.973** | **618.102** |
| **Discontinued operations** | | | |
| Profit after discontinued operations | | - | - |
| **PROFIT FOR THE PERIOD** | | **497.973** | **618.102** |
| **Other comprehensive loss** | | | |
| **Items not to be reclassified to profit or loss** | | **(256)** | **(177)** |
| Gain/loss arising from defined benefit plans | | (320) | (221) |
| Tax effect of other comprehensive income /expense not to be reclassified to profit or loss | | 64 | 44 |
| - Deferred tax income | | 64 | 44 |
| **Other comprehensive loss** | | **(256)** | **(177)** |
| **Total comprehensive income** | | **497.717** | **617.925** |
| **Earnings per share - TL (Per 100 shares with 1TL face value)** | **29** | **3,2654** | **4,0531** |

(*) Please refer to Note 2.4

The accompanying notes form an integral part of these financial statements.

## KOZA ALTIN İŞLETMELERİ A.Ş.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

| | | | Accumulated other comprehensive income/expense not to be reclassified to profit or loss | | | Retained Earnings | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Adjustment to share capital | Loss arising from defined benefit plans | Distribution to shareholders | Restricted reserves | Retained earnings | Profit for the period | Total Equity |
| **1 January 2012- previously reported** | **152.500** | **3.579** | **-** | **(3.647)** | **57.923** | **198.603** | **460.494** | **869.452** |
| Change in accounting policy (Please refer to Note 2.4) | - | - | (213) | - | - | - | (10.225) | (10.438) |
| **1 January 2012- restated (*)** | **152.500** | **3.579** | **(213)** | **(3.647)** | **57.923** | **198.603** | **450.269** | **859.014** |
| Transfers | - | - | - | - | - | 450.269 | (450.269) | - |
| Transfer to restricted reserves | - | - | - | - | 15.121 | (15.121) | - | - |
| Legal merge | - | - | - | 3.647 | - | (3.647) | - | - |
| Dividends paid (Note 5.ii.f) | - | - | - | - | - | (111.570) | - | (111.570) |
| Total comprehensive income | - | - | (177) | - | - | - | 618.102 | 617.925 |
| **31 December 2012** | **152.500** | **3.579** | **(390)** | **-** | **73.044** | **518.534** | **618.102** | **1.365.369** |
| **1 January 2013 – previously reported** | **152.500** | **3.579** | **-** | **-** | **73.044** | **528.759** | **642.124** | **1.400.006** |
| Change in accounting policy (Please refer to Note 2.4) | - | - | (390) | - | - | (10.225) | (24.022) | (34.637) |
| **1 January 2013 – restated (*)** | **152.500** | **3.579** | **(390)** | **-** | **73.044** | **518.534** | **618.102** | **1.365.369** |
| Transfers | - | - | - | - | - | 618.102 | (618.102) | - |
| Transfer to restricted reserves | - | - | - | - | 16.220 | (16.220) | - | - |
| Dividends paid (Note 5.ii.f) | - | - | - | - | - | (169.799) | - | (169.799) |
| Total comprehensive income | - | - | (256) | - | - | - | 497.973 | 497.717 |
| **31 December 2013** | **152.500** | **3.579** | **(646)** | **-** | **89.264** | **950.617** | **497.973** | **1.693.287** |

(*) Please refer to Note 2.4

The accompanying notes form an integral part of these financial statements

## KOZA ALTIN İŞLETMELERİ A.Ş.

## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

| | **Notes** | **1 January - 31 December 2013** | ***Restated* (*) 1 January - 31 December 2012** |
|---|---|---|---|
| **A. Cash flows from operating activities:** | | | |
| **Net profit for the year** | | **497.973** | **618.102** |
| **Adjustments to reconcile net profit for the year to net cash generated from operating activities** | | | |
| Depreciation and amortisation | 13 | 139.015 | 80.695 |
| Interest and other financial income | 26 | (69.982) | (73.589) |
| Interest and other financial expense | | 398 | 844 |
| Provision for employment benefits | | 889 | 3.684 |
| Provision for royalty and rents | 16.i | 15.293 | 18.444 |
| Exploration costs | 22.i | 20.446 | 26.582 |
| Short term provisions for employee benefits | 18.b | 488 | 104 |
| Provision for rehabilitation recognized as (income)/ expense due to change in estimates discount rates and foreign exchange rates | 16 | 5.946 | (2.792) |
| Gain from sales of property, plant and equipment - net | | (1.215) | (1.417) |
| Tax expenses | 28 | 24.661 | 134.653 |
| Taxes paid | 28 | (51.193) | (140.630) |
| Unrealized foreign exchange loss-net | | 1.892 | (2.798) |
| **Changes in net working capital:** | | | |
| Increase in inventories | 9 | (35.433) | (22.804) |
| Decrease in due to related parties - trade | 5.i | 370 | 5.367 |
| Increase in other receivables, prepaid expenses and assets | | (26.405) | (3.968) |
| Increase/ (decrease) in trade receivables | | (30) | 681 |
| Increase/ (decrease) in trade payables | | 17.498 | (5.484) |
| (Increase)/decrease in due to related parties - trade | 5.i | (2.057) | 6.365 |
| Increase in other payables and liabilities | | (17.801) | (19.966) |
| Payment for rehabilitation activities | 16.i | (1.487) | (759) |
| Payment for exploration activities | | (22.132) | (26.134) |
| Employee termination benefits paid | 18 | (919) | (3.299) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 12.663 | 3.584 |
| **Net cash generated from operating activities** | | **508.878** | **595.465** |
| **B. Cash flows from investing activities:** | | | |
| Interest received | | 70.635 | 71.380 |
| Purchases of property, plant, equipment and intangibles and given advances for property plant and equipment | | (378.150) | (192.528) |
| Proceeds from sales of property, plant, equipment and intangibles | | 1.605 | 3.541 |
| Loans granted to the related parties - non-trade receivables | 5.i | - | 77 |
| **Net cash used in investing activities** | | **(305.910)** | **(117.530)** |
| **C. Cash flows from financing activities:** | | | |
| Redemption of bank borrowings | | (6.859) | (13.660) |
| Interest paid | | (447) | (951) |
| Dividends paid | 5.ii.f | (169.799) | (111.570) |
| **Net cash used in financing activities** | | **(177.105)** | **(126.181)** |
| **Net increase in cash and cash equivalents before foreign currency translation differences** | | **25.863** | **351.754** |
| **D. EFFECT OF CURRENCY TRANSLATİON DIFFERENCES ON CASH AND CASH EQUIVALENTS** | | **(12.662)** | **(3.584)** |
| **Net increase in cash and cash equivalents** | | **13.201** | **348.170** |
| **E. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD** | **4** | **927.526** | **579.356** |
| **Cash and cash equivalents at end of the period** | **4** | **940.727** | **927.526** |

(*) Please refer to Note 2.4

The accompanying notes are an integral part of these financial statements.

## NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Koza Altın İşletmeleri A.Ş. ("Koza Altın" or "the Company") was established with the name Eurogold Madencilik A.Ş. ("Eurogold") on 6 September 1989 in order to operate a gold mine at Ovacık-Bergama in İzmir. After acquisition of all shares of Eurogold by Normandy Mining Ltd., title of Eurogold registered as Normandy Madencilik A.Ş. ("Normandy Madencilik"). On 3 March 2005, ATP İnşaat ve Ticaret A.Ş. ("ATP"), a group company of Koza İpek Holding A.Ş. ("Koza İpek Holding"), and Koza İpek Holding acquired all shares of Normandy Madencilik from Autin Investment. After this acquisition, its legal title has been registered as "Koza Altın İşletmeleri A.Ş." on 29 August 2005.

As of 31 December 2013, 45,01% of the shares of the Company were held by ATP and 24,99% of the shares were held by Koza İpek Holding (31 December 2012: 45,01% of the shares were held by ATP and 24,99% of the shares were held by Koza İpek Holding) including shares trading in Borsa Istanbul ("BIST"), and 30,00% (2012: 30%) of its shares are quoted on BIST(Note 20).

The Company is currently engaged in exploring, operating and developing the gold mines through seven operational gold mines located in Ovacık – Bergama - İzmir, Çukuralan - İzmir, Mastra – Gümüşhane, Kaymaz – Eskişehir, Çoraklıtepe-Balıkesir, Söğüt Bilecik, and Himmetdede-Kayseri. The Company sells unprocessed bullions comprising of gold and silver ("dores") to domestic and foreign gold refineries.

On 27 December 2011, the Company acquired 99,98% of the shares of Doğu Anadolu Maden Arama Sondaj A.Ş ("Doğu Anadolu Maden") from Koza İpek Holding and ATP in order to perform mining activities at certain regions. As of 27 December 2011, the control of Doğu Anadolu Maden was transferred to the Company and Doğu Anadolu Maden has been consolidated as a subsidiary since then. According to Board of Director's decision dated 7 September 2012, the Company decided to take over all assets and liabilities of Doğu Anadolu Maden as of 31 July 2012, through dissolution without liquidation in line with Turkish Commercial Code ("TCC"), Corporate Tax Law and relevant jurisdictions of the Capital Market Board ("CMB"). The merger application is approved by the CMB on 5 November 2012 and then Board of Directors of the Company approved the merger on 17 December 2012.

The address of the registered head office is as follows:

Necatibey caddesi No: 56/B
Demirtepe/ Ankara, Türkiye

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 2.1 Basis of Presentation

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly.

The Company maintains their books of accounts and prepares their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. These financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

### 2.2 Amendments in International Financial Reporting Standards

**a) New standards, amendments and interpretations issued and effective as of 1 January 2013 have not been presented since they are not relevant to the operations of the Company or have significant impact on the financial statements:**

- Amendment to TAS 1, 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012**.** The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- TAS 19 (Amendment),"Employee benefits is effective for annual periods beginning on or after 1 January 2013. These amendment s eliminate the corridor approach and calculate the finance costs on a net funding basis. Actuarial gains and losses arising from the calculations of provision for employment termination benefits will be classified under other comprehensive income without having an effect on the net profit /loss for the year.

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.2 Amendments in International Financial Reporting Standards (Continued)

As a result of retrospective application of these amendments actuarial loss classified as general administrative expenses in Company's statement of comprehensive income as of 31 December 2012 and 2011 amounting to TL 221 thousand and TL 266 thousand respectively is restated by presenting in other comprehensive expense and actuarial loss fund in the balance sheet, interest cost classified as general administrative expenses amounting to TL 111 thousand and TL 117 thousand respectively is restated by presenting in financial expenses. As a result of the restatement on deferred tax effect related to employee termination benefits as of 31 December 2012 and 2011 the Company's net profit are increased by amounting TL 177 thousand and TL 213 thousand respectively whereas the restatement has no effect on total comprehensive income and equity.

- TFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. TFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles

- TFRS 13, 'Fair value measurement'; is effective for annual periods beginning on or after 1 January 2013. TFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs. The amendment does not have a significant impact on the Company's financial statements.

- TAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. TAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of TFRS 11. The amendment does not have a significant impact on the Company's financial statements.

- Amendment to TFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting¸; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The amendment does not have a significant impact on the Company's financial statements.

- Amendment to IFRSs 10, 11 and 12 on transition guidance¸; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before TFRS 12 is first applied.

- Within the scope of annual improvements of IFRS five new amendments was issued in 2011 which is effective for annual periods beginning on or after 1 January 2013. It includes changes to: TFRS 1, 'First time adoption', TAS 1, 'Financial statement presentation', TAS 16, 'Property plant and equipment', TAS 32, 'Financial instruments; Presentation' and TAS 34.

**NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Amendments in International Financial Reporting Standards (Continued)**

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" is effective for annual periods beginning on or after 1 January 2013 and early adaption is permitted.

- IFRIC 20, 'Stripping Costs in the Production Phase of a Surface Mine', sets out the accounting for overburden waste removal costs or production stripping costs during the production phase of a mine. The Interpretation applies for annual periods beginning on or after 1 January 2013, with early application permitted IFRIC 20 addresses the initial recognition and measurement, and subsequent measurement of applicable waste removal costs.

As a result of retrospective application of this amendment Company's financial statements and statement of comprehensive income as of 31 December 2012 and 2011 is restated. These restatements are clarified in Note 2.4

**b) New standards, amendments and interpretations issued and effective as of 1 January 2013 have not been presented since they are not relevant to the operations of the Company or have significant impact on the financial statements**

**c) New standards, amendments and interpretations to existing standards that are not yet effective in 2013 and not adopted by the Company:**

- IAS 32 (amendment)," Financial ınstruments: Presentation", on offsetting financial assets and financial liabilities" is effective for annual periods beginning on or after 1 January 2014. These amendment updates the application guidance in TAS 32)," Financial ınstruments: Presentation", to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet

- TFRS 9, "Financial instruments", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement, and recognition of financial assets and financial liabilities.

- Amendment to TAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to TAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- IFRIC 21- TAS 37, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of, 'Provisions, contingent liabilities and contingent assets' that identifies the obligating event for the recognition of a liability for levy as the activity that triggers the payment of the levy in accordance with the relevant legislation.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.2 Amendments in International Financial Reporting Standards (Continued)

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards:

  - IFRS 2, 'Share-based payment'
  - IFRS 3, 'Business Combinations'
  - IFRS 8, 'Operating segments'
  - IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets'
  - Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
  - IAS 39, Financial instruments – Recognition and measurement'

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014.

- The amendments include changes from the 2011-2012-2013 cycle of the annual improvements project that affect 4 standards:

  - IFRS 1, 'First time adoption'
  - IFRS 3, 'Business combinations'
  - IFRS 13, 'Fair value measurement' and
  - IAS 40, 'Investment property'.

The Company will apply above changes on the consolidated financial statements considering effective dates after reviewing the effects of changes on Company's operations. These changes are not expected to have a significant impact on the financial statements of the Company

### 2.3 Basis of consolidation

As of 31 December 2013, the Company has no subsidiaries, thus the Company does not have consolidated financial statements. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Company's share of its associate's post-acquisition profits or losses is recognised in the statement of comprehensive income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The table below sets out the investment in associate included in the scope of and shows the related controlling interest at 31 December 2013 and 2012

| **Investment in associate** | **Ownership interest (%)** |
|---|---|
| Koza İpek Tedarik | 44,00 |

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.3 Basis of consolidation (Continued)

The ultimate controlling party of Koza İpek Tedarik Danışmanlık ve Araç Kiralama Ticaret A.Ş. (Koza İpek Tedarik) which was established on 1 November 2011 is İpek Family and the Company has participated in 44% of the capital of Koza İpek Tedarik. The main operations of Koza İpek Tedarik is to perform import, export, representation, brokerage and agency activities by establishing network in between suppliers. Since Koza İpek Tedarik has not been fully operational yet as of 31 December 2011, the Company did not perform equity accounting, on the ground of materiality.

*Transaction Under Common Control*

In share transactions between the Company and under common control entities, provisions of IFRS 3 "Business Combinations" is not applicable since IFRS 3 or any other IFRS does not cover those transactions. In this type of share transactions, the Company applies the predecessor values method and uses the financial statements of the acquired under common control entity which was also used in the preparation of the financial statements of the parent of the Company, the highest entity having common control. Predecessor values method is applied prospectively from the date control is transferred to the Company and the effects of this transaction is accounted for as an adjustment to the equity as "Distribution to or Contribution from shareholders".

*Foreign currency translation*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### 2.4 Comparative information and the correction of prior period financial statements

In order to facilitate trend analysis on the financial position and performance of the Company, financial statements are prepared on comparative basis. The Company has restated its balance sheets starting with 1 January 2012 in accordance with IFRIC 20" 'Stripping Costs in the Production Phase of a Surface Mine' retrospectively.

Previous periods deferred stripping costs incurred during the production phase of open pit mine fields to remove waste ore, are deferred and charged to operating costs on the basis of the average life-of-mine stripping ratio. Deferred stripping costs was attributed to the period's production cost using a stripping ratio through depreciation. The cost of "excess stripping" was capitalised as a mining asset, when the actual stripping ratio exceeds the average life of mine stripping ratio. According to IFRIC 20 which is effective as of 1 January 2013, initial recognition of stripping asset and subsequent depreciation is determined by reference to components of ore body rather than by reference to entire operation considering the recognition and measurement principles of IFRIC 20.The effects of these adjustments in the financial statements is as follows:

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

The Company restated and represented statement of financial position as of 31 December 2012 and 2011; mining assets under property, plant and equipment's amounting to TL 54.350 thousand, TL 15.587 thousand, respectively, inventory amounting to TL 11.057 thousand and TL 2.540 thousand, respectively, deferred tax assets/ (liabilities) amounting to TL 8.615 thousand and TL 2.610 thousand, respectively, as a result of retrospective application. The Company restated and represented statement of comprehensive income for the years ended as or 31 December 2012 and 2011; cost of sales amounting to TL 30.247 thousand and TL 13.093 thousand, respectively , deferred tax income/(expense) – net TL 6.005 thousand and TL 2.609 thousand , respectively, as a result of retrospective application.

As a result of restatement, net income of the Company for the years ended as of 31 December 2012 and 2011 decreased amounting to TL 24.199 thousand and TL 10.438 thousand, respectively and equity of the Company as of 31 December 2012 and 2011 decreased amounting to TL 34.637 thousand and TL 10.438 thousand, respectively.

TAS 1 (Revised) "Presentation of financial statements" requires when an entity makes a retrospective restatement of items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. The Company has presented its balance sheets, property, plant and equipment (Note 13), Inventory (Note 9) and Taxes on Income (Including deferred tax assets and liabilities) (Note 28) notes with the comparative financial information at 31 December 2013, 2012 and 2011.

The Company has made below reclassifications in prior period consolidated financial statements in line with the illustrative financial statements and disclosures guidance issued by CMB with the decision taken on the meeting held on 7 June 2013, numbered 20/670. Reclassifications in the Company's financial statements as of 31 December 2012 and 2011 are as follows;

- "Order advances given" and "prepaid expenses" amounting to TL 6.614 thousand as of 31 December 2012 (31 December 2011: TL 5.404 thousand) previously classified as" "other current assets" are reclassified as "prepaid expenses" under current assets.

- "Fixed asset advances given" amounting to TL 6.968 thousand as of 31 December 2012 (31 December 2011: None) previously classified as "Long term trade receivables from related parties" are reclassified under as "prepaid expenses" under non-current assets.

- "Fixed asset advances given" amounting to TL 6.190 thousand as of 31 December 2012 (31 December 2011: TL 3.895 thousand) previously classified as "other non-current assets" are reclassified under as "prepaid expenses" under non-current assets.

- "Goodwill" amounting to TL 14.017 thousand (31 December 2011: TL 14.017 thousand) reclassified as "intangible assets"

- "Payable to personnel" amounting to TL 1.825 thousand (31 December 2011: TL 1.721 thousand) previously classified as "other short term payables" are reclassified as "short term payables for employee benefits"

- "Social security payables" amounting to TL 2.155 thousand (31 December 2011: TL 2.968 thousand) previously classified as "other short term payables" are reclassified as "employee benefits payables"

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.4 Comparative information and the correction of prior period financial statements (Continued)

- "Employee termination benefits" amounting to TL 2.755 thousand (31 December 2011: TL 2.370 thousand) previously classified as "employee termination benefits" are reclassified as long term provisions - provisions for employee termination benefits "

- "Provisions for expenses" amounting to TL 45.102 thousand (31 December 2011: TL 28.412 thousand) previously classified as "provisions" are reclassified under "other long term provisions"

- "Foreign exchange gain/ (loss)" amounting to TL 7.423 thousand and TL (7.965) thousand, respectively, as of 31 December 2012 previously classified as "finance income / (expense)"are reclassified under "other income / (expense) from operating activities".

- "Gain from sales of property, plant and equipment" amounting to TL 1.417 thousand previously classified as "Other operating income" are reclassified under "Income from investment activities".

- "Interest and other financial income" amounting to TL 73.390 thousand previously classified as "finance income" is reclassified under "income from investment activities".

### 2.5 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net if the nature of the transaction or the event qualify for offsetting.

### 2.6 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the financial statements are summarized below:

#### 2.6.1 Revenue Recognition

Sales revenue, consisting of a mixture of gold and silver dore bars, gold refiners that by delivering the significant risks and rewards are transferred to the gold refiners, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 21).

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6 Summary of Significant Accounting Policies (Continued)

Rent income is recognized on an accrual basis. Interest income is recognised on a time-proportion basis using the effective interest method. The amount of the provision for receivables is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate and recognized as interest income.

### 2.6.2 Trade receivables

Trade receivables that are created by the Company by way of providing goods or services in the ordinary course of business directly to a debtor are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less provision for impairment. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

### 2.6.3 Inventories

Inventories are mainly comprised of ore stock piles, gold in circuit, dores, chemicals and spare parts Inventories are valued at the lower of cost and net realisable value. For each mine field, cost of inventory consists of purchase of materials, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of conversion includes direct labour and allocation of fixed and variable production overheads (fixed production overheads are allocated based on normal capacity). Stockpiles, gold in circuit and dores are measured by the number of contained gold oz. and the estimated recovery rate based on the processing method. Stockpiles and gold in circuit amounts are verified by periodic surveys. Production overheads for each mine facility, include amortisation and depreciation of mining assets in the respective mine field like asset retirement costs, mine development costs and deferred stripping cost, at the relevant stage of production. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The costs of inventories are determined on a weighted average basis for each mine field (Note 9).

### 2.6.4 Property, plant and equipment, investment property and related depreciation

**a) Mining assets**

Mining asset; consist of lands, mine development costs, deferred stripping costs, mineral and surface rights and rehabilitation assets, whereafter they are measured at cost less accumulated amortisation and impairment, if any Mining assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated depreciation and impairment losses, if any (Note 13.a) .The depreciation starts when the production begins in the mining area. Depreciation of mining assets are included in production costs of related mining areas.

Development costs incurred to evaluate and develop new ore bodies, or to define mineralisation in existing ore bodies, road construction, or to establish or expand productive capacity or to maintain production are capitalised. Mine development costs are capitalised to the extent they provide probable access to gold bearing reefs, have future economic benefits and they are attributable to an area of interest or those that can be reasonably allocated to the area of interest (Note 13.a).

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6 Summary of Significant Accounting Policies (Continued)

Development costs include sinking shafts, construction of underground galleries, roads and tunnels. Where revenue from gold sales is recognised in the statement of comprehensive income, costs incurred during commissioning period which are directly attributable to developing the operating capability of the mine, are capitalised and only the costs that represent costs of producing gold is recognised in the statement of comprehensive income. In cases where it is difficult to separate the development costs from the production costs, the entire costs are recognised as expense.

The depreciation starts when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Development costs incurred during the production phase are capitalised and depreciated to the extent that they have future economic benefits. The development cost is allocated at initial recognition to its significant components (such as mine fields) and each component is depreciated separately by respective units of production method, considering the attributable area of interest. The major overhauls that extend the future economic benefits throughout the life of mine are capitalised as future benefits will flow to the Company. Other than major overhauls, repairs are expensed as incurred. Depreciation and amortisation of development costs are calculated principally by the units of production method based on estimated proven and probable reserves of attributable area of interests. Apart from the lands on which the production facilities are established and for storage of the waste material, the Company also purchases lands for further exploration activities. These lands are recognised within mining assets and initially measured at acquisition cost including expenditures that is directly attributable to the acquisition. When the extraction activity in the respective mine field initiates, these lands are depreciated to its expected residual value using the lower of relevant life of the mining operation or units of production method which is the ratio of the number of oz. of ore extracted during the period from the respective areas of interest to the remaining proven and probable gold reserves, or the premium is attributed to the mineral resources and depreciated accordingly.

In accordance with the unit of production method, the depreciation charge of development costs are calculated by dividing the number of oz. of ore extracted during the period to the remaining proven and probable gold reserves in terms of oz. for attributable area of interest (Note 13.a). To the extent that these costs benefit the entire ore body or area of interest, they are amortised over the estimated life of the ore body or area of interest. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits in the attributable area of interest.

Deferred stripping costs are direct costs incurred in order to gain access to identified mineral ore body for each open pit mine field separately and overhead costs attributable to stripping activities during the period. When the benefit from stripping activity is realised in the current period, the stripping costs are accounted for as the cost of inventory. Depreciation of deferred stripping costs for the period is calculated by using the lower of each separate mine area useful life or by calculating actual stripping costs incurred for the period, divided by the actual stripping ratio for the period, and then multiplied by the estimated stripping ratio of each separate mine area. Actual stripping ratio is calculated as the cumulative number of tonnes of extracted ore from the open pit areas and respective wastage considering the related cumulative processed number of tonnes of ore as of the balance sheet date, divided by the gold mine extracted from the open pit areas during the period in terms of oz. The estimated stripping ratio for the remaining life of the each open pit mine is calculated as the estimated cumulative number of tonnes of extracted ore from the open pit areas and respective wastage considering the cumulative processed number of tonnes of ore as of the balance sheet date, to the remaining

**NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)**

**2.6 Summary of Significant Accounting Policies (Continued)**

proven and probable gold reserves in each open pit areas in terms of oz. The cost of "excess stripping" is capitalised as a mining asset, when the actual stripping ratio exceeds the average life of mine stripping ratio. Where the average life of the mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the statement of comprehensive income as production cost. The average life-of-mine ratio is revised annually in light of additional knowledge and changes in the life of stripping ratio are accounted for prospectively as change in estimates, (Note 13.a).

Mineral and surface rights are recorded at acquisition cost and amortised principally by the units of production method based on estimated proven and probable reserves for each respective mine field. In accordance with the unit of production method, the amortisation charge of mineral and surface rights are calculated by using the lower of related mine useful life or by dividing the number of oz. of ore extracted during the period to the remaining proven and probable gold reserves in terms of oz. for each respective mine field (Note 13.a).

Rehabilitation assets are estimated at the present value of the expenditures needed to settle the rehabilitation and mine closure obligation, using estimated cash flows based on the current prices. The estimates are discounted at a pre-tax rate that reflects current market assessments of time value of money and where appropriate the risk specific to the liability. The provision for the rehabilitation and mine closure is capitalised in the cost of the related mining asset (recognised as separately as "rehabilitation asset"). Changes in estimates of this provision are added to, or deducted from, the cost of the related asset subject to certain limits unless the related mine fields are depleted and the operation of gold mine extraction in the fields is ceased. The rehabilitation assets are depreciated using the lower of their useful life or units of production method which is the ratio of the number of oz. of ore extracted from the open pit areas during the period from the respective areas of interest to the remaining proven and probable gold reserves in the respective open pit mine field (Note 13.a). The cost of ongoing current programmes to prevent and control pollution, and the effect of changes in estimates regarding the provision for the mine field depleted and on which gold mine extraction activity is ceased, is charged against the statements of comprehensive income as incurred.

Mining assets are reviewed for impairment whenever amounts or changes in circumstances indicate that carrying amounts may not be recoverable in accordance with IAS 36 "Impairment of Assets". An impairment loss is recognised in comprehensive income statement as an expense for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Mining assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**b) Non-mining assets**

Property, plant and equipment other than mining assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated depreciation and impairment losses, if any (Note 13.b). Cost includes expenditures that are directly attributable to the acquisition of the items. Depreciation is provided on the restated amounts for property, plant and equipment on a straight-line basis less any impairment. The cost of property, plant and equipment is allocated at initial

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6 Summary of Significant Accounting Policies (Continued)

recognition to its significant components and each component is depreciated separately over its useful life. Except for the lands categorised as mining assets, land is not depreciated as it is deemed to have an indefinite life. The useful lives of facilities and equipments do not exceed the estimated respective life of mines based on proven and probable reserves, as the useful lives of these assets are considered limited to the life of the relevant mine.

Buildings, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified under non - current assets until the related asset is capitalized. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively. The depreciation periods for property, plant and equipments, which are not depreciated on the units of production method, approximate the useful lives of such assets, are as follows:

| | Years |
|---|---|
| Buildings | up to relevant life of mines (5-10) |
| Machinery and equipment | up to relevant life of mines (5-10) |
| Motor vehicles | 5 - 10 |
| Furniture and fixtures | 3 - 10 |

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value ore recognised as separate asset, are depreciated based on their useful lives.

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate (Note 25).

### c) Investment properties

Buildings that are held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property. Investment properties carried at cost less accumulated amortization and impairment losses, if any. Depreciation is provided on the amounts of investment properties on a straight line basis (Note 12).

**NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)**

### 2.6.5 Exploration and evaluation costs

Exploration costs are expensed as incurred. When a decision is taken that a mining property is capable of commercial production (when the Company management are able to demonstrate that future economic benefits are probable, which will be the establishment of increased proved and probable reserves at the relevant location) and legal permissions are obtained (e.g. mining license) for a specific area of interest; all further pre-production expenditure, including the costs related to property acquisitions and mineral and surface rights together with evaluation activities such as geological, geochemical studies and drilling for further technical feasibility (such as in-field exploration) in the relevant area of interest, are capitalised (Note 13.a). Besides the regular exploration activities in green field zones, the Company continues further drilling activities within the area of operational mines, defined as "exploration during mine". All related expenditures of exploration during mine, are monitored and assessed by each drilling zone at each balance sheet date, and accordingly the Company capitalises the expenditures of particular drillings only when it is probable to get future economic benefits, namely as proven and probable reserve is established as a result of the those drillings and/ or considering the existence of new or additional proven and probable reserves in the respective mine area ("area of interest").

Where the Company management considers that there is an impairment indicator such as significant decrease in resource and reserve, serious mine accidents, expiration or permanent cancellation of rights, impairment is assessed and recognised for the amount by which the carrying amount of the asset exceeds its recoverable amounts, which is the higher of fair value less cost to sell or value in use.

### 2.6.6 Provision for environmental obligations

Estimated environmental obligations, comprising rehabilitation and mine closure arising from development activities are based on the Company's environmental management plans in compliance with current technological, environmental and local regulatory requirements. The net present values of expected rehabilitation and mine closure cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using pre-tax rates that reflect current market assessments of the time value of money and where appropriate the risk specific to liability. Annual changes in the provision consist of finance costs relating to the change in the present value of the provision, as well as changes in estimates (Note 16.i).

The provision for the rehabilitation and mine closure is capitalised in the cost of the related mining asset (recognised as separately as "rehabilitation asset") (Note 13.a). Changes in estimates of this provision are added to, or deducted from, the cost of the related asset subject to certain limits, unless the reserve is depleted and mining operations are ceased in the relevant mine field. Subsequent changes in Board of Directors' estimations for provision amounts calculated due to environmental rehabilitation related to finished mines, improvement of mine areas and their closures and other changes such as reducement of deferred liability are reflected in comprehensive income statement.

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6.7 Intangible assets

Intangible assets comprise information systems, software and acquired rights. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of between three and five years from the date of acquisition (Note 14). Residual values of intangible assets are deemed as negligible. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

### 2.6.8 Impairment of assets

**i. Impairments of non-financial assets**

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset (Note 28) and goodwill (Note 14.a). When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amounts of intangible assets not yet available for use to be measured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets are allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. All impairment losses are accounted for in the statement of comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognized.

**ii. Impairments of financial assets**

The criteria that the Company uses to determine that there is objective evidence of an impairment loss for financial assets include:

- Adverse changes in the payment status of borrowers in the portfolio,
- A breach of contract, such as a default or delinquency in interest or principal payments,
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of Significant Accounting Policies (Continued)

#### 2.6.9 Borrowings and borrowings cost

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred In subsequent periods, borrowings are measured at amortised cost using the effective yield method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowing costs are expensed as incurred (Note 27). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Notes 6).

On a mandatory basis to get ready for its intended use or sale of qualifying assets are defined as assets that require a long time According to IAS 23 (Revised), borrowing costs of qualifying assets having capitalization date 1 January 2009 or later, can be capitalized, based on borrowing cost of qualifying asset, directly or as an asset acquisition or with an extent to associate directly with production, these borrowing costs should be capitalized as a part of cost of related asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

#### 2.6.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. If the trade payables mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 7).

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.6.11 Financial assets

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. As of 31 December 2013, the Company's financial assets consists of loans and receivables.

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. Loans and receivables comprised of trade receivables, other receivables and cash and cash equivalents in the balance sheet. Loans are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans and receivables are stated at amortised cost using the effective yield method. Other short term trade receivables without a determined interest rate are evaluated with the invoice amount if the effective interest rate is negligible.

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of Significant Accounting Policies (Continued)

#### 2.6.12 Goodwill/ Negative goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. All business combinations shall be accounted for by applying the purchase method in accordance with IFRS 3 "Business Combinations".

In the acquisition of an entity, acquisition costs shall be allocated between the individual identifiable assets and liabilities and contingent liabilities in the group based on their relative fair values at the acquisition date. Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. If the acquisition cost is lower than the fair value of the acquired identifiable assets and liabilities and contingent liabilities negative goodwill arises and charges to statement of comprehensive income. In a business combination, there might be intangible assets not previously recognised in the acquiree's financial statements (brands) or contingent liabilities which can be separated from goodwill. Those assets and liabilities shall be measured at their fair values in financial statements. Goodwill in the acquired entity's financial statements is not considered as an identifiable asset.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### 2.6.13 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 29).

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

#### 2.6.14 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 33).

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of Significant Accounting Policies (Continued)

### 2.6.15 Contingent assets, liabilities and provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to settle the liability. The rate used to discount provisions to their present values is determined considering the interest rate in the related markets and the risk associated with the liability. The discount rate must be pre-tax and does not consider risks associated with future cash flow estimates. In cases where the time value of money is material and the provisions approach to their expected realisation date, the increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 16). Provisions are not recognised for future operating losses. On the other hand, in line with past experiences, Company management cannot qualify possible future economic benefits as contingent asset those are very likely to be occurred.

### 2.6.16 Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of change in accounting estimate shall be recognized prospectively by including it in the statement of comprehensive income within the period of the change, if the change affects that period only; or period of the change and future periods, if the change affects both.

### 2.6.17 Related parties

For the purpose of these financial statements, shareholders having control, joint control or significant influence over the Company, İpek Family, key management and personnel and board members, together companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 5).

### 2.6.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that takes strategic decisions.

Since the chief operating decision makers regularly monitor and review the operational results based on the mining areas, the mining areas are defined as operating segments. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment of each mining area are identical, there is single reportable segment in accordance with the provisions in IFRS 8 "Operating Segments".

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of Significant Accounting Policies (Continued)

#### 2.6.19 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The adjustments related to prior period tax liabilities are recognised in other operating expenses.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Also, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Tax is recognised in the comprehensive income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred income tax assets are deducted to the extent that the related amounts will not be utilized against any future taxable profits partially or wholly (Note 28).

#### 2.6.20 Provision for employment termination benefits

In accordance with social security legislation and Turkish Labour Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated by independent actuaries with the assumptions made in accordance with the discounted net present value. All actuarial gains and losses are recognised in the comprehensive income (Note 18). All actuarial gains and losses which is arising from changes in actuarial assumptions are recognized in statements of comprehensive income

The Company allocates bonus for the management and board of directors and recognises a provision during the related year with respect to this bonus.

#### 2.6.21 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipments, and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources.

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of Significant Accounting Policies (Continued)

### 2.6.22 Share capital and dividends

Ordinary shares are classified as equity. Dividend payables are recognised as an appropriation of the profit in the period in which they are declared. Dividend income is recognized when the Company's right to receive the payment established.

### 2.6.23 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months. Cash and cash equivalents, which are stated at amortised cost, are stated their fair values (Note 4).

### 2.7 Critical accounting estimates and judgments

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows:

**a) Gold mineral reserves**

At the end of each reporting period, the estimate of proven and probable gold mineral reserves are updated by the Company management, and also external independent valuers for certain reporting periods determine the proven and probable reserves. In this respect, as of 31 December 2013 and 2012 in accordance with the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code') "SRK Consulting", independent valuers, determined the proven and probable reserves of the Company. The information on ore reserves are prepared by or under the supervision of Competent Persons as defined in the JORC code.

There are numerous uncertainties inherent which are depending to some extent on commodity prices, exchange rates, geological assumptions and statistical inferences in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Such changes in reserves could have an impact on depreciation of mining assets, deferred stripping costs, rehabilitation costs and would be adjusted on a prospective basis.

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.7. Critical accounting estimates and judgments (Continued)

### b) Carrying value of goodwill and property, plant and equipment

All mining assets are amortised using the units-of-production method where the mine operating plan calls for production from well-defined mineral reserves over proved and probable reserves. For mobile and other equipment, the straight-line method is applied over the estimated useful life of the asset. The calculation of the units-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable mineral reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating mineral reserves. These factors could include;

- changes in proved and probable mineral reserves;
- the grade of mineral reserves may vary significantly from time to time;
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at mine sites;
- changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates; and
- changes in mineral reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine.

Impairment calculation assumptions also include management's estimate of future gold price, based on current market price trends, foreign exchange rates and a pre-tax discount rate adjusted, the respective for project risk.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the gold price assumption may change which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as spot and future gold prices, discount rates, foreign currency exchange rates, estimates of costs to produce reserves and future capital expenditure.

## NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.7. Critical accounting estimates and judgments (Continued)

**c) Stockpiles, gold in circuit and dores**

Stockpiles and gold in circuit are measured by the number of contained gold oz. based on scaling and measuring data, and the estimated recovery percentage based on the processing method. Stockpile and gold in circuit ore tonnages are verified by periodic surveys. The Company management monthly compares the estimated recovery rate with the actual recovery rates by reconciling the estimated grades of ore to the quantities of gold actually recovered, and accordingly revises the rates used in the cost of stockpiles.

**d) Environmental rehabilitation, reclamation and closure of mining sites.**

Estimated environmental obligations, comprising rehabilitation and mine closures are based on the Company's environmental management plans in compliance with current technological, environmental and local regulatory requirements. Estimated environmental obligations are also affected by the discount rates applied and amendments in the environmental management plans due to the changes in estimations of proven and probable gold reserves deviations from projected production plan, use of pattern and physical conditions (Note 16.i).

**e) Income taxes**

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes.

The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

**f) Legal risks**

As a mining company, the Company is exposed to numerous legal risks. The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit or future changes in environmental rules could result in additional cost that are not covered, either wholly or partly, under insurance policies and that could significantly influence the business and results of operations (Note 16.iii).

### 2.8. Declaration of conformity to resolutions published by TAS/TFRS and POA

The Company's management is responsible for the preparation and fair presentation of financial statements published by TAS / TFRS’s and POA according to the resolution of POA. As the Company management declares that the current and prior periods’ financial statements and summary of significant accounting policies and disclosures have been prepared and presented in accordance with TAS/TFRS.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 3 - BUSINESS COMBINATIONS

***Entities under common control***

On 27 December 2011, Koza Altın acquired 99,98% of the shares of Doğu Anadolu Maden from Koza İpek Holding and ATP in exchange for the consideration of TL 14.738 thousands. The Company applied the predecessor values method for this transaction prospectively (Note 2.3). As a requirement of the use of the predecessor values method, Doğu Anadolu Maden has been consolidated as a subsidiary since 27 December 2011, on which the control of Doğu Anadolu Maden is transferred to Koza Altın. The effects of this transaction are accounted for as an adjustment to equity as "Distribution to shareholders".

| **Net assets acquired** | **27 December 2011** |
|---|---|
| Cash and cash equivalents | 10.396 |
| Factored receivables | 3.837 |
| Trade receivables | 410 |
| Other receivables | 3.289 |
| Due from related parties | 1.388 |
| Other current assets | 22 |
| Financial liabilities | (3.457) |
| Trade payables | (1.970) |
| Due to related parties | (325) |
| Other payables | (2.499) |
| **Total identifiable net assets acquired** | **11.091** |
| **Purchase consideration (Note 5.i.e)** | **(14.738)** |
| **Distribution to shareholders (see changes in equity)** | **(3.647)** |

According to Board of Director's decision dated 7 September 2012, the Company decided to take over all assets and liabilities of Doğu Anadolu Maden as of 31 July 2012, through dissolution without liquidation in line with Turkish Commercial Code ("TCC"), Corporate Tax Law and relevant jurisdictions of the Capital Market Board ("CMB"). The merger application is approved by the CMB on 5 November 2012 and then General Assembly of the Company approved the merger on 17 December 2012. As a result of legal merge, distribution to shareholders is transferred to the retained earnings

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 4 - CASH AND CASH EQUIVALENTS

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Cash in hand | 128 | 126 |
| Banks | | |
| - Demand deposits | 2.203 | 969 |
| -TL | 1.424 | 634 |
| -Foreign currency | 779 | 335 |
| - Time deposits | 938.396 | 926.431 |
| -TL | 873.800 | 855.453 |
| -Foreign currency | 64.596 | 70.978 |
| | **940.727** | **927.526** |

As of 31 December 2013, time deposits are denominated in USD and TL and all maturing within one month with the effective weighted average interest rates of 2.50% and 9.43% per annum (p.a.), respectively (2012: 3.00% and 9.60% for USD and TL denominated time deposits, respectively). Based on the independent data with respect to the credit risk assessment of the banks at which the Company has deposits, are sufficient in terms of credit quality of the banks.

Cash and cash equivalents at 31 December 2013 include foreign currency denominated balances, USD 30.631 thousands and EUR 12 thousands (2012: USD 39.926 thousand and EUR 10 thousand). The fair values of cash and cash equivalents approximate their carrying values, including accrued interest income at the respective balance sheet dates.

## NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2013 and 2012 is as follows:

**i) Due from related parties:**

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **a) Trade receivables from related parties - current:** | | |
| Özdemir Antimuan Madenleri A.Ş. ("Özdemir Antimuan") | - | 303 |
| Other | 65 | 138 |
| | 65 | 441 |
| Less: Unearned finance income | (2) | (8) |
| | **63** | **433** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

| | **31 December 2013** | **31 December 2012** |
|---|---|---|
| **b) Prepaid expenses to related parties - non-current:** | | |
| İK Akademi İnşaat Proje ve Taah. A.Ş. ("İ.K. Akademi") | 88.562 | 62.968 |
| | **88.562** | **62.968** |

As of 31 December 2013, the non-current prepaid expenses to related parties are comprised of the advances given to İ.K. Akademi for Himmetdede facility investment (Note 11).

As of 31 December 2013, effective weighted average interest rates applied for receivables from related parties to TL, USD and EUR denominated receivables are 9.65%, 0.59% and 0.53% p.a., respectively (31 December 2012: 6.29%, 0.24 and 0.45% p.a. TL, USD and EUR, respectively).

**c) Other receivables from related parties - current:**

| | | |
|---|---|---|
| ATP İnşaat ve Sanayi Ticaret A.Ş. ("ATP") | 3 | - |
| | **3** | **-** |

**d) Trade payables to related parties:**

| | | |
|---|---|---|
| ATP | 2.949 | - |
| Koza İpek Holding | 1.309 | 5.534 |
| ATP Havacılık Ticaret A.Ş. ("ATP Havacılık") | 138 | 432 |
| Koza İpek Sigorta | 72 | 177 |
| ATP Koza Turizm Seyahat ve Ticaret A.Ş. ("ATP Koza Turizm") | - | 144 |
| Other | 123 | 361 |
| | **4.591** | **6.648** |

Due to related parties have an average maturity of one month as of 31 December 2013 (2012: one month).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **e) Other payables to related parties - current:** | | |
| ATP (*) | 12.347 | - |
| Koza İpek Holding (*) | 2.391 | - |
| İpek Family | 14 | 10 |
| | **14.752** | **10** |

Due to related parties have an average maturity of two month as of 31 December 2013 (2012: five month).

| | | |
|---|---|---|
| **f) Other payables to related parties - non- current:** | | |
| ATP (*) | - | 12.347 |
| Koza İpek Holding (*) | - | 2.391 |
| | **-** | **14.738** |

Non-current due to related parties is comprised of notes payables maturing on 20 February 2014, which are consideration given in exchange for the control of Doğu Anadolu Maden.

### ii) Transactions with related parties

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| **a) Service purchases:** | | |
| Koza İpek Holding | 3.118 | 5.534 |
| ATP Havacılık | 2.809 | 1.875 |
| Koza İpek Tedarik | 1.513 | 974 |
| Koza İpek Sigorta | 961 | - |
| ATP Koza Turizm | 454 | 1.695 |
| Other | 473 | 567 |
| | **9.328** | **10.645** |

Services purchases from Koza İpek Holding Company are consists of consultancy charges. The company obtains transportation services from ATP Havacılık, insurance services from Koza İpek Sigorta; and accommodation services from ATP Turizm.

| | | |
|---|---|---|
| **b) Financial income** | | |
| Koza İpek Holding | 4 | - |
| ATP | - | 229 |
| Other | - | 3 |
| | **4** | **232** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| **c) Product purchases:** | | |
| ATP Koza Gıda | 332 | 59 |
| Koza İpek Basın ve Basım San. ve Tic. | 209 | 355 |
| Other | 58 | 85 |
| | **599** | **499** |
| **d) Property plant equipment purchases:** | | |
| İ.K. Akademi | 138.820 | - |
| ATP | 9.440 | - |
| | **148.260** | **-** |

Property plant equipment purchases from İ.K. Akademi are consists of investment expenditures of Himmetdede gold mine.

| | | |
|---|---|---|
| **e) Rent expenses** | | |
| İpek Enerji | 1.994 | 1.812 |
| Koza Anadolu Metal | 42 | 25 |
| | **2.036** | **1.837** |
| **f) Dividends paid:** | | |
| ATP | 59.053 | 42.685 |
| Publicly held | 39.363 | 28.451 |
| İpek Family | 38.591 | 16.735 |
| Koza İpek Holding | 32.792 | 23.699 |
| | **169.799** | **111.570** |

(*) Based on the decision of General Assembly dated 10 May 2013, 38.591 TL thousands dividend payment upon the profit for the year 2012 is decided to paid to the Board members representing the shareholders of Group A.

| | | |
|---|---|---|
| **g) Donations:** | | |
| İpek Üniversitesi (*) | 28.483 | 11.401 |
| Koza-İpek Eğitim Sağlık Hizmet Yardım Vakfı | 1.000 | - |
| | **29.483** | **11.401** |

(*) The name of the Altın Koza University was changed to İpek University in the year 2013.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

### h) Key management compensation:

Key management includes general manager, vice general managers and members of Board of Directors. The compensations paid or payable to key management for employee services is shown below:

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| Short-term benefits | 7.273 | 4.756 |
| Performance bonus and profit sharing | 1.734 | 1.214 |
| Benefits due to layoff | - | - |
| Post-employment benefits | - | - |
| Other long-term benefits | 17 | 23 |
| | **9.024** | **5.993** |

### i) Guarantees received from related parties:

As of 31 December 2013, the Company entered into the loan facility agreements for TL300.000 thousands and (2012: TL62.500 thousands and USD100.000 thousands), in which Koza Holding, ATP and İpek family are the joint guarantors of this loan agreement. The amount of borrowing utilised from these loan facilities by the Company is USD7.692 thousands (equivalent of TL13.712 thousands) for mainly financing the manufacturing facility investment in Mastra-Gümüşhane mine area.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 6 - FINANCIAL LIABILITIES

| | 31 December 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Effective weighted average interest rate p.a.%** | **Original currency** | **TL** | **Effective weighted average interest rate p.a.%** | **Original currency** | **TL** |
| **Short-term portion of long-term bank borrowings:** | | | | | | |
| USD borrowing (*) | - | - | - | 3,59 | 3.874 | 6.905 |
| **Total short-term bank borrowings** | **-** | **-** | **-** | | | **6.905** |

(*) As of 31 December 2013 the Company does not have any financial liabilities. USD denominated bank borrowings at 31 December 2012, with a maturity date of 13 May 2013, are comprised of initial principal amount of USD 25.000 thousands and quarterly floating interest rate of Libor+2,75% p.a.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 6 - FINANCIAL LIABILITIES (Continued)

The carrying amounts and fair values of borrowings at period end dates are as follows:

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Carrying amounts | - | 6.905 |
| Fair values | - | 6.856 |

As of 31 December 2012, the fair values are based on cash flows discounted using the rate of 3,32% p.a. for USD denominated bank borrowings.

As of 31 December 2012, the carrying amounts of the borrowings with floating and fixed rates which were classified in terms of periods remaining to contractual repricing dates are as follows:

| | Up to 3 months | Total |
|---|---|---|
| - 31 December 2012: | | |
| Borrowings with floating rates | 6.905 | 6.905 |
| **Total** | **6.905** | **6.905** |

## NOTE 7 – TRADE RECEIVABLES AND PAYABLES

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **a) Trade receivables - current:** | | |
| Customer current accounts | 262 | 229 |
| | **262** | **229** |
| Less: Unearned finance income arising from credit sales | (19) | (16) |
| | **243** | **213** |

As of 31 December 2013, customer current accounts have an average maturity of one month (31 December 2012: The average maturity of the customer current accounts are one month.) and the weighted average interest rate applied to TL denominated receivables is % 8.25(31 December 2012: %6.48).

The aging of receivables as of 31 December 2013 and 2012 were as follows

| | | |
|---|---|---|
| 0-30 days | 243 | 213 |
| | **243** | **213** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

**b) Trade payables - current:**

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Supplier current accounts | 42.520 | 26.602 |
| Less: Unincurred finance cost arising from credit purchases | (257) | (151) |
| | **42.263** | **26.451** |

Supplier current accounts have an average maturity of one month (2012: one month) and the weighted average interest rate applied to trade payables is %8.21 (2012: %6.56). A majority portion of supplier current accounts is arising from outsourced services obtained and fixed asset purchases.

## NOTE 8 - OTHER RECEIVABLES AND PAYABLES

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **a) Other current receivables:** | | |
| Value Added Tax "VAT" receivable | 41.657 | 17.375 |
| | **41.657** | **17.375** |
| **b) Other non-current payables:** | | |
| Payable arising from the business combination | 11.738 | 9.805 |
| | **11.738** | **9.805** |

## NOTE 9 - INVENTORIES

| | 31 December 2013 | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| Ore stock pile | 47.512 | 32.782 | 17.487 |
| Gold in circuit and dores | 20.443 | 10.755 | 14.449 |
| Chemicals and other materials | 23.482 | 16.435 | 12.381 |
| Spare parts | 25.966 | 21.998 | 14.849 |
| | **117.403** | **81.970** | **59.166** |

Cost of chemicals and other materials recognised as an expense and included in cost of sales amounted to TL 41.530 thousand for the period ended 31 December 2013 (2012: TL 38.080 thousand) (Note 23). Spare parts are expected to be used within one-year and for on-going operations of the existing mines.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 10 - INVESTMENT-IN-ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD

Please refer to Note 2.3.

## NOTE 11 – PREPAID EXPENSES

### a) Prepaid expenses - current

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Prepaid expenses | 6.267 | 2.996 |
| Order advances given | 1.861 | 3.618 |
| | **8.128** | **6.614** |

### b) Prepaid expenses – non-current

| | | |
|---|---|---|
| Advances given | 91.037 | 69.878 |
| | **91.037** | **69.878** |

As of 31 December 2013, prepaid expenses amounted TL 88.562 thousand are comprised of the advances given to related party (2012: TL 62.968 thousand) (Note 5.i.b).

## NOTE 12 – INVESTMENT PROPERTY

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **As of 1 January** | | |
| Building | 10.630 | - |
| Accumulated depreciation | - | - |
| **Net book value** | **10.630** | **-** |
| Transfers | 9.682 | 10.630 |
| Current year amortisation | (229) | - |
| **Net book value at the end of period** | **20.083** | **10.630** |
| **As of 31 December** | | |
| Building | 20.312 | 10.630 |
| Current year amortisation | (229) | - |
| **Net book value at the end of period** | **20.083** | **10.630** |

As of 31 December 2013 and 2012, the net book value of the investment properties of the Company reflects their fair values.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment consist of mining assets and non-mining assets, and their net book values are as follows:

| | 31 December 2013 | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| Mining assets | 233.621 | 204.261 | 150.941 |
| Non-mining assets | 375.710 | 187.159 | 199.668 |
| | **609.331** | **391.420** | **350.609** |

### a) Mining assets

Mining assets include mine development costs, deferred stripping costs, mineral and surface rights and rehabilitation assets as of 31 December 2013, 2012 and 2011; and the net book values of these assets are as follows:

| | 31 December 2013 | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| Mine development costs | 154.604 | 140.147 | 111.805 |
| Deferred stripping costs | 7.372 | 9.278 | 12.042 |
| Rehabilitation assets | 24.297 | 18.847 | 14.317 |
| Land | 44.918 | 32.148 | 7.876 |
| Mineral and surface rights | 2.430 | 3.841 | 4.901 |
| | **233.621** | **204.261** | **150.941** |

The movements of mining assets as of 1 January -31 December 2013, 2012 and 2011 are as follows:

| | 1 January 2013 | Addition | Disposal | 31 December 2013 |
|---|---|---|---|---|
| **Cost:** | | | | |
| Land | 32.322 | 15.388 | - | 47.710 |
| Mine development costs | 268.679 | 75.396 | - | 344.075 |
| Deferred stripping costs | 152.496 | 14.740 | - | 167.236 |
| Rehabilitation assets | 52.809 | 11.521 | - | 64.330 |
| Mineral and surface rights | 14.022 | - | (98) | 13.924 |
| | **520.328** | **117.045** | **(98)** | **637.275** |
| **Accumulated depreciation:** | | | | |
| Land | (174) | (2.618) | - | (2.792) |
| Mine development costs | (128.532) | (60.939) | - | (189.471) |
| Deferred stripping costs | (143.218) | (16.646) | - | (159.864) |
| Rehabilitation assets | (33.962) | (6.071) | - | (40.033) |
| Mineral and surface rights | (10.181) | (1.385) | 72 | (11.494) |
| | **(316.067)** | **(87.659)** | **72** | **(403.654)** |
| | **204.261** | | | **233.621** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

**NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

The movements of mining assets in 2012 and 2011 are as follows:

| | **1 January 2012** | **Addition** | **Disposal** | **31 December 2012** |
|---|---|---|---|---|
| **<u>Cost:</u>** | | | | |
| Land | 7.939 | 24.383 | - | 32.322 |
| Mine development costs | 207.398 | 61.281 | - | 268.679 |
| Deferred stripping costs | 146.296 | 6.200 | - | 152.496 |
| Rehabilitation assets | 44.633 | 8.710 | (534) (*) | 52.809 |
| Mineral and surface rights | 13.764 | 258 | - | 14.022 |
| | **420.030** | **100.832** | **(534)** | **520.328** |
| **<u>Accumulated depreciation:</u>** | | | | |
| Land | (63) | (111) | - | (174) |
| Mine development costs | (95.593) | (32.939) | - | (128.532) |
| Deferred stripping costs | (134.254) | (8.964) | - | (143.218) |
| Rehabilitation assets | (30.316) | (3.712) | 66 | (33.962) |
| Mineral and surface rights | (8.863) | (1.318) | - | (10.181) |
| | **(269.089)** | **(47.044)** | **66** | **(316.067)** |
| | **150.941** | | | **204.261** |

| | **1 January 2011** | **Addition** | **31 December 2011** |
|---|---|---|---|
| **<u>Cost:</u>** | | | |
| Land | 7.075 | 864 | 7.939 |
| Mine development costs | 164.307 | 43.091 | 207.398 |
| Deferred stripping costs | 126.636 | 19.660 | 146.296 |
| Rehabilitation assets | 27.930 | 16.703 | 44.633 |
| Mineral and surface rights | 13.660 | 104 | 13.764 |
| | **339.608** | **80.422** | **420.030** |
| **<u>Accumulated depreciation:</u>** | | | |
| Land | - | (63) | (63) |
| Mine development costs | (75.730) | (19.863) | (95.593) |
| Deferred stripping costs | (111.174) | (23.080) | (134.254) |
| Rehabilitation assets | (20.514) | (9.802) | (30.316) |
| Mineral and surface rights | (8.011) | (852) | (8.863) |
| | **(215.429)** | **(53.660)** | **(269.089)** |
| | **124.179** | | **150.941** |

(*) The disposals are related with the change in the management's estimations regarding to rehabilitation, which are netted against the current year's the production in the current period (Note 16.i.b).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

**NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

**b) Non-mining property, plant and equipment**

Movements of non-mining property, plant and equipment in 2013 are as follows:

| | 1 January 2013 | Additions | Disposals | Transfers | 31 December 2013 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Land, land improvements and buildings | 126.956 | 8.770 | - | 2.418 | 138.144 |
| Machinery and equipment | 216.225 | 23.076 | (20) | 178.187 | 417.468 |
| Motor vehicles | 20.182 | 7.062 | (1.595) | 9.786 | 35.435 |
| Furniture and fixtures | 21.634 | 1.599 | - | 1.168 | 24.401 |
| Construction in progress (*) | 4.521 | 208.864 | - | (201.279) | 12.106 |
| | **389.518** | **249.371** | **(1.615)** | **(9.720)** | **627.554** |
| **Accumulated depreciation:** | | | | | |
| Land improvements and buildings | (52.120) | (11.599) | - | - | (63.719) |
| Machinery and equipment | (125.142) | (33.599) | 8 | - | (158.733) |
| Motor vehicles | (12.076) | (3.296) | 1.243 | - | (14.129) |
| Furniture and fixtures | (13.021) | (2.242) | - | - | (15.263) |
| | **(202.359)** | **(50.736)** | **1.251** | **-** | **(251.844)** |
| **Net book value** | **187.159** | | | | **375.710** |

(*) Transfers from construction in progress were mainly comprised of capitalisation of manufacturing facility in Himmetdede-Kayseri, Kaymaz-Eskişehir and Çukuralan-İzmir.

Movements of non-mining property, plant and equipment in 2012 are as follows:

| | 1 January 2012 | Additions | Disposals | Transfers | 31 December 2012 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Land, land improvements and buildings | 118.011 | 3.725 | (2.744) | 7.964 | 126.956 |
| Machinery and equipment | 204.489 | 12.178 | (545) | 103 | 216.225 |
| Motor vehicles | 18.992 | 2.250 | (1.060) | - | 20.182 |
| Furniture and fixtures | 19.297 | 2.350 | (13) | - | 21.634 |
| Construction in progress (*) | 10.244 | 12.974 | - | (18.697) | 4.521 |
| | **371.033** | **33.477** | **(4.362)** | **(10.630)** | **389.518** |
| **Accumulated depreciation:** | | | | | |
| Land improvements and buildings | (44.824) | (8.028) | 732 | - | (52.120) |
| Machinery and equipment | (105.620) | (20.058) | 536 | - | (125.142) |
| Motor vehicles | (10.136) | (2.881) | 941 | - | (12.076) |
| Furniture and fixtures | (10.785) | (2.239) | 3 | - | (13.021) |
| | **(171.365)** | **(33.206)** | **2.212** | **-** | **(202.359)** |
| **Net book value** | **199.668** | | | | **187.159** |

(*) Transfers from construction in progress were mainly comprised of construction of investment property (Note 12) and capitalisation of manufacturing facility in Kaymaz-Eskişehir and Çukuralan-İzmir.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

### b) Non-mining property, plant and equipment (Continued)

Movements of non-mining property, plant and equipment in 2011 are as follows:

| | 1 January 2011 | Additions | Disposals | Transfers | 31 December 2011 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Land, land improvements and buildings | 93.028 | 5.425 | (3) | 19.561 | 118.011 |
| Machinery and equipment | 150.511 | 17.749 | (154) | 36.383 | 204.489 |
| Motor vehicles | 16.196 | 4.588 | (1.792) | - | 18.992 |
| Furniture and fixtures | 14.734 | 4.560 | - | 3 | 19.297 |
| Construction in progress (*) | 15.323 | 50.868 | - | (55.947) | 10.244 |
| | **289.792** | **83.190** | **(1.949)** | **-** | **371.033** |
| **Accumulated depreciation:** | | | | | |
| Land improvements and buildings | (39.640) | (5.185) | 1 | - | (44.824) |
| Machinery and equipment | (94.495) | (11.278) | 153 | - | (105.620) |
| Motor vehicles | (9.452) | (2.130) | 1.446 | - | (10.136) |
| Furniture and fixtures | (8.725) | (2.060) | - | - | (10.785) |
| | **(152.312)** | **(20.653)** | **1.600** | **-** | **(171.365)** |
| **Net book value** | **137.480** | | | | **199.668** |

(*) Transfers from construction in progress were mainly comprised of capitalisation of manufacturing facility in Kaymaz-Eskişehir.

TL 78.553 thousands (2012: TL 47.652 thousand, 2011: TL 54.686 thousand) of depreciation and amortisation of the current period, were allocated to costs of sales and TL 60.462 thousands (2012: TL 33.043 thousand 2011: TL 20.006 thousand) were included in cost of inventories.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 14 - INTANGIBLE ASSETS

### a) Goodwill

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Goodwill from acquisition of Newmont Altın | 11.232 | 11.232 |
| Goodwill from acquisition of Mastra Madencilik | 2.785 | 2.785 |
| | **14.017** | **14.017** |

### *a) Acquisition of Newmont Altın*

On 28 June 2010, Koza Altın acquired the 99,84% of the shares in Newmont Altın which was a subsidiary of the Newmont Overseas and Canmont in exchange for the consideration of USD8.500 thousands and obtained the control on Newmont Altın. The Company expects to utilise acquired mine fields in the future and to create a synergy though mine fields and facilities at Mastra.

USD 538 thousands and USD 2.462 thousands of the total purchase consideration were paid on 28 June 2010 and 2 July 2010, respectively. USD 3.000 thousands of the remaining USD 5.500 thousand will be paid as the Diyadin Project which will be operative on the aforementioned acquired mine fields, starts to operate and USD 2.500 thousand will be paid one year after the beginning of Diyadin Project.

For the purpose of impairment assessment of the goodwill arising from Newmont Altın acquisition, the Company designated single cash generating unit comprising of the Mastra plant and the mine areas acquired through Newmont Altın together, since the proximity of the acquired mine areas to the Mastra plant and the current strategic plans for processing ore, that will be extracted from such acquired mine areas, at Mastra plant. Furthermore, according to the geological and geochemical studies together with the management estimations regarding future gold prices, it is highly probable that there will be proven and probable reserve in the acquired mine areas. Based on these assessments, the Company management believes that there is no impairment indicator with respect to the goodwill as of 31 December 2013.

### *b) Acquisition of Mastra Madencilik*

On 12 August 2005, the Company purchased 50,43% of shares of Mastra Madencilik, which was an associate of the Company with the founder shareholding rate of 49,57%, from Dedeman Holding A.Ş. and Dedeman family members. After this acquisition, based on the decision of the general assembly of Mastra Madencilik, Mastra Madencilik legally merged with the Company as of 15 September 2005. The difference between total purchase consideration and the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, is amounting to TL 2.784 thousand and accounted as goodwill in financial statements.

The goodwill related to the acquisition of Mastra Madencilik stemmed from the synergy of the net assets acquired as well as other benefits, such as factors related to gaining a comparative advantage in the market. Considering the results of the assessment designed to determine "the fair value less cost of sale" performed by the Company as of 31 December 2013, there was no impairment. The Company management assess the surplus of the value of proven and probable reserve after deducting net book value of mining and non-mining assets ("net value of proven and probable reserve") at Mastra mine over the goodwill, as there is observable market data in terms of price per oz. Since net value of proven and probable reserve of Mastra mine is well above the goodwill, there is no impairment at 31 December 2013.

The likelihood of the impairment of goodwill is also highly related to changes in the proven and probable reserves and it is updated for each reporting period.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 14 - INTANGIBLE ASSETS (Continued)

### b) Other intangible assets

| | 1 January 2013 | Additions | Transfers | 31 December 2013 |
|---|---|---|---|---|
| Rights | 4.629 | 555 | 38 | 5.222 |
| Less: Accumulated amortisation | (3.229) | (620) | - | (3.849) |
| **Net book value** | **1.400** | | | **1.373** |

| | 1 January 2012 | Additions | Transfers | 31 December 2012 |
|---|---|---|---|---|
| Rights | 3.551 | 1.078 | - | 4.629 |
| Less: Accumulated amortisation | (2.784) | (445) | - | (3.229) |
| **Net book value** | **767** | | | **1.400** |

## NOTE 15 – GOVERNMENT GRANTS

The calculated employer's share of social security and the income tax is calculated at 80% of wages of the employers at the Company's mineral processing Mastra-Gümüşhane, according to the no 5084 "Incentives for Investments and Employment and the Law on the Amendment of Certain Laws" are covered by the scope of Treasury.

The Company benefits investment incentive from Ovacık - İzmir, Çukuralan - İzmir and Kaymaz – Eskişehir facility. Strategic investment incentive certificate has been obtained on 17 December 2013 for new facility in Himmetdede- Kayseri which is comprising expenses after 29 March 2013. Company utilizes corporate tax income discount and contribution to investment rate 90% and 50% respectively within the scope of this certificate.

## NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### i. Provisions

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **a) Short-term provisions:** | | |
| Provision for royalty and rents | 15.293 | 18.444 |
| Provision for environmental rehabilitation and mine closure | 1.588 | - |
| Other | - | 688 |
| | **16.881** | **19.132** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

**b) Long-term provisions:**

| | **31 December 2013** | **31 December 2012** |
|---|---|---|
| Provision for environmental rehabilitation and mine closure | 58.203 | 45.102 |
| | **58.203** | **45.102** |

The redemption schedules of long-term provision for environmental rehabilitation and mine closure 31 December 2013 and 2012 are as follows:

| | | |
|---|---|---|
| 2014 | 1.588 | 15.176 |
| 2015 | 13.828 | 12.026 |
| 2016 | 20.716 | 7.409 |
| 2017 and after | 23.659 | 10.491 |
| | **59.791** | **45.102** |

Movements of the provision for environmental rehabilitation in 2013 and 2012 are as follows:

| | **2013** | **2012** |
|---|---|---|
| **1 January** | **45.102** | **40.411** |
| Paid | (1.487) | (759) |
| Depletion cost and foreign currency valuation | 1.126 | 1.648 |
| Increase/decrease in obligation-net | 10.230 | 8.242 |
| Current year impact on profit and loss statement (*) | 4.820 | (4.440) |
| **31 December** | **59.791** | **45.102** |

(*) The effect of change in management estimation regarding the mine area at Himmetdede-Kayseri, Mastra – Gümüşhane, Çukuralan-İzmir and Kaymaz-Eskişehir on which the mining operation was ceased and the reserves were depleted, was accounted for in the comprehensive income.

In the calculation of the provision for environmental rehabilitation and mine closure, below mentioned discount rates are used and the effect of change in discount rate is adjusted, prospectively.

The following discount rates were used for discounting the provision for environmental rehabilitation:

| | **31 December 2013** | **31 December 2012** |
|---|---|---|
| Discount rates | %4.50 | %2.50 |

**ii. Commitments and Contingencies**

**a) Guarantees given:**

| | | |
|---|---|---|
| Letters of guarantee | 10.444 | 4.644 |
| Mortgages | 1 | 1 |
| | **10.445** | **4.645** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

**NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)**

As of 31 December 2013 and 2012 the guarantee, collateral and mortgage position of the Company is as below;

| | **31 December 2013** | | | **31 December 2012** | | |
|---|---|---|---|---|---|---|
| **CPM provided by the Company:** | **Original Currency** | **Amount** | **TL Equivalent** | **Original Currency** | **Amount** | **TL Equivalent** |
| **A.** Total amount of CPM given for the Company's own legal personality | | | 10.445 | | | 4.645 |
| | *TL* | *10.381* | *10.381* | *TL* | *4.591* | *4.592* |
| | *USD* | *30* | *64* | *USD* | 30 | 53 |
| **B.** Total amount of CPM given on behalf of fully consolidated companies | | - | - | | - | - |
| **C.** Total amount of CPM given for continuation of its economic activities on behalf of third parties | | | | | | |
| **D.** Total amount of other CPM | | | - | | | - |
| **i.** Total amount of CPM given | | | | | | - |
| on behalf of the majority shareholder | | - | - | | - | - |
| | | - | - | | - | - |
| **ii.** Total amount of CPM given to on behalf of other companies which are not in the scope of B&C | | - | - | | - | - |
| | | - | - | | - | - |
| **iii.** Total amount of CPM given on behalf of third parties which are not in scope of C. | | - | - | | - | - |
| | | | **10.445** | | | **4.645** |

| | | |
|---|---|---|
| The ratio of total amount of other CPM to Equity | % 0 | % 0 |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

| **b) Guarantees received:** | **31 December 2013** | **31 December 2012** |
|---|---|---|
| Letters of guarantee | 101.836 | 55.151 |
| Guarantee cheques (*) | 67.201 | 84.936 |
| Guarantee notes | 332 | 360 |
| | **169.369** | **140.447** |

(*) As of 31 December 2013 TL 100.269 thousand of the guarantee cheques received is obtained from a related party of the Company, İK Akademi İnşaat A.Ş. ("İK Akademi"), for the advance payments related to on-going investments.

As of 31 December 2013, the Company entered into the loan facility agreements for TL300.000 thousands and (2012: TL62.500 thousands and USD100.000 thousands), in which Koza Holding, ATP and İpek family are the joint guarantors of this loan agreement. The amount of borrowing utilised from these loan facilities by the Company is USD7.692 thousands (equivalent of TL13.712 thousands) for mainly financing the manufacturing facility investment in Mastra-Gümüşhane mine area.

### iii. Significant lawsuits against the Company

### a) Lawsuits Regarding Ovacık Mine

Lawsuits have been brought against the Company, requesting a suspension of execution decision and the cancellation of Affirmative EIA Certificate No. 1654, dated 18 February 2009 and issued for the region where the Ovacık Mine is located, but the plaintiffs' requests for the suspension of execution and annulment have been dismissed by the court; their objection in District Administration Court has also been rejected. In these cases a rejection decision made in favour of the Company. The plaintiffs' request for the suspension of the execution has also been dismissed in the Appellate Procedure.

There are 3 lawsuits brought against for the cancellation of recently granted Permit No. 40 (Workplace Opening and Operation Permits). One of these lawsuits is at initiation stage and procedural actions are taken by the court. For the other two lawsuits, plaintiff's request for a suspension of execution is dismissed by the court and also appeal against the decisions are also dismissed by the District Administration Court; and finally the lawsuits have been dismissed by the court. These rulings have been appealed by the plaintiffs, and the plaintiffs' request for the suspension of the execution has also been dismissed by the Council of State's 8th Chamber in the Appellate Procedure.

There are some pending lawsuits requesting cancellation of the Affirmative EIA decision dated 22 August 2008, granted by Ministry of Environment and Forestry for the project on "Increasing the Height of Waste Tailing" at Ovacık Mine. In these lawsuits, requests for suspension of the execution are dismissed and appeals made due to these decisions are also dismissed by the District Administration Court and İzmir 4th Administrative Court 2009/42 E.-2012/2443 K. and İzmir 4th Administrative Court 2008/978 E.-2012/2445 K. numbered and 28 December 2012 dated rulings indicated Affirmative EIA decision dated 22 August 2008 for the project on "Increasing the Height of Waste Tailing" isn't in contrary to the legislation or law, and the lawsuits has been dismissed by the court of these reasons. These rulings have been appealed by the plaintiffs with the request of suspension of execution, and the plaintiffs' request for the suspension of the execution has also been dismissed by the Council of State's 14th Chamber. New waste tailing is currently in use by the Company's operations and the former one which is subject to the mentioned lawsuit is no longer in use by the Company. Thus, the outcome of these lawsuits will not have any effect on Company's operations.

**NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)**

Another lawsuit has been filed requesting cancellation and suspension of execution regarding the Affirmative EIA Decision dated 3 June 2009 made in relation to the new storage space investment named "Ovacık Waste Storage Facility Capacity Increase Project" built in Ovacık Mine. During the lawsuit it is decided that request for suspension of the execution shall be discussed right after the view and expert examination. Preliminary Court Decision is constituted within this respect. Expert examination made on 21 January 2013 and experts mentioned in the report that Affirmative EIA Decision has been taken in respect to scientific facts, techniques and legislation. In respect to the report, İzmir 2nd Administrative Court dismissed suspension of execution unanimously. This ruling has been appealed by the plaintiffs with the request of suspension of execution, and the plaintiffs' request for the suspension of the execution has also been dismissed by the District Administrative Court. İzmir 2nd Administrative Court dismissed the lawsuit numbered 2009/1298 E. - 2013/1540 K.

There are some administrative lawsuits against the Company requesting the cancellation of the regulatory development schemes with respect to the area where the mine is located covering the site including Ovacık Mine as well. Three lawsuits have been filed on the basis of such demand. One of them; court ordered a decision for cancellation for development schemes with a reason that; it is not on a basis of a upper scale macro plan, environmental effects cannot be regulated physically on a limited plan which is limited with operation plan and ownerships with these regulatory development schemes and location development schemes are not suitable with city planning and public interest. The decision was appealed and Council of State affirmed the decision of Local Court and the decision finalized in this way. For the other ongoing cases; the court ordered a decision for cancelation in one and in the other case the court rejected the case because of no case subject administrative process exists due to Administration's decision of taking back such process. Rendered court decision about the no case subject is reversed during the correction of the decision period due to the reason that one of the plaintiffs has not got capacity to sue. In this lawsuit court rendered a decision in favour of Council of State decision and dismissed the case due to the reason that one of the plaintiffs has not got capacity to sue, this decision has been appealed by the plaintiff. In the appeal procedure, plaintiffs demand for appeal has been rejected with the ruling numbered D6D E.2012/5554 K.2013/1884; since the reasons for the appeal does not annul the decision of the court. There is no condition of Development Scheme for the Workplace Opening and Operation License which is the base of GSM license also there is no obligatory regulation regarding development schemes on the new mining law.
The result of other cases shall have no affect to our activities.

**b) Lawsuits Regarding Havran Mine**

The first set of legal actions comprise three separate lawsuits filed by local residents in September 2006 for the cancellation of the mining exploration licences and operating licence obtained to operate the Havran mine. The rulings stated that the licenses for Havran were granted in compliance with the respective laws and regulations and accordingly decided to these statements in the cases. In the lawsuits Local Administrative Courts dismissed the lawsuits. Plaintiffs appealed for the all three rulings. After an appeal; Council of State over ruled the local administrative court's decision in two of these with a reason that olive grove areas are very close. The Company request for correction of this decision was refused. After rejection the court case came back to local Administrative court. And the local court insisted on its decision again on favour of Company. The plaintiff has appealed now the decision will be given by the Council of States General Board regarding Administrative cases. One of the actions is still at the appellate stage, in this case 8th Chamber of State Council dismissed the plaintiffs' request for suspension of execution with the ruling number 2009/9043 E. The judgement process regarding action is waiting for the decision of Council of States General Board regarding Administrative cases. There is no ongoing mining process in Havran Mine, so this shall has no affect to Company's activities.

## NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

### c) Lawsuits Regarding Kaymaz Mine

The Company has exploration and operating licenses and administrative permissions for an Eskisehir-Sivrihisar-Kaymaz Area. Lawsuits were filed against the Ministry of Environment and Forestry and the Ministry of Energy and Natural Resources regarding the cancellation of these licences and permissions for mining activities in the Eskişehir-Sivrihisar region, the case was dismissed on the grounds that there is no harm to human health and no contrary circumstance law. Decision was appealed by the other party. 8th Chamber of State Council confirmed the decision of Eskişehir 1st Administrative Court's dismissal of the lawsuit.

An action claiming the suspension of execution of EIA Positive Permit No.1794 and its cancellation was filed against the Ministry of Environment and Forestry was filed. In this case, Local court rendered a decision on favour of Company; EIA Positive decision has no breach of regulation and other reasons rejected the case and gave no decision for the plaintiffs who waived the case; and for the proceeding plaintiffs, court has dismissed the lawsuit partially. The plaintiff has appealed this decision, 14th Chamber of State Council's decision reversal has been requested for revision of decision.
The lawyers of the Company see no risk for the cases.

### d) Lawsuits Regarding Other Mines

There are administrative lawsuits against the Company that requests cancellation of EIAs approved for the mining operations in Gelintepe, Uyuzkaya, Çukuralan and Yerlitahtacı.

*Lawsuits Regarding Gelintepe Mine:*

There are two pending cases requesting cancellation and suspension regarding the EAI Positive decision of "Gelintepe Gold Mine's Open Pit Mining Operation Project" dated 18 September 2009. In these cases the defensive statements have been submitted, In Gelintepe Project's EIA positive Permission's cancellation case the local court rejected the suspension requests of plaintiffs. For one of the lawsuits, the decision rendered for examination and expert visit. Expert examining made on 28 June 2012 and experts are given 90 days to submit their report. Expert report is constituted unfavourable to Company and objection made against it. In the 2 cases before İzmir 3rd Administrative Court with the 2010/1310 E. and 2009/1711 E file numbers. The administrative act subject to the case has been cancelled, this decision has been appealed.

Because there is no activity in these sites the decision of these cases will not affect the activities of Company.

*Lawsuits Regarding Çukuralan Mine:*

There are three pending cases requesting the cancellation of EIA positive reports about Çukuralan Mine. There one lawsuit brought against the EAI positive decision related "Çukuralan Gold Mine Open Pit Mining Project" for suspension of execution and cancellation dated 2 September 2009. One of the cases is about the EIA positive decision dated 3 November 2010 given for "Çukuralan Gold Mine Open and Closed pit operation capacity increase Project". Also a lawsuit has been filed requesting cancellation and suspension of EIA positive decision "Çukuralan Gold Mine open and closed pit mining operation's second capacity increase Project". All three cases have rendered a decision for expert visit and examination and the expert visit has been made in 28 February 2012. Expert report is given and it is seen as in favourable of the Company. Requests for suspension of execution are denied and appeal against local Administration court has been also denied.

## NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

These cases have come to a conclusion and on 31 December 2012, in favour of the company, the case numbered 2009/1705 E. in İzmir 4th Administrative Court regarding the suspension and the cancellation of the EIA positive reports about Çukuralan Gold Mine Open Pit Mining Project has been rejected with the decision numbered 2012/2447 because no legal and regulatory contradiction was found.

The case numbered 2011/665 E. regarding the suspension and cancellation of EIA positive reports on 3 November 2010 about Çukuralan Gold Mine Open and Closed Pit Mining Capacity Increase Project was rejected by the İzmir 4th Administrative Court on 31 December 2012 with the decision numbered 2012/2446 because no legal and regulatory contradiction was found.

The case numbered 2011/1041 E. regarding the suspension and cancellation of EIA positive reports on 11 March 2011 about Çukuralan Gold Mine Open and Closed Pit Mining 2nd Capacity Increase Project was rejected by the İzmir 4th Administrative Court on 31 December 2012 with the decision numbered 2012/2518 because no legal and regulatory contradiction was found.

All three decisions has been objected with cancellation and suspension by plaintiff`s and objection has been rejected by Council of State 14. Law Court at 26.June.2013.

A lawsuit has been filed to İzmir 4th Administrative Court for the cancellation of the decision given by İzmir Special Provincial Administration for retention of the operations due to the absence of environmental permissions of Çukuralan Mine. In this case, it has been decided to suspension of the execution of İzmir Special Provincial Administration's decision with the number 2014/39 K. Plaintiff, İzmir Special Provincial Administration has objected the decision about the suspension in Regional Administrative Court and Regional Administrative Court has refused this objection. The lawsuits are in first stage, proceedings are carried on.

*Lawsuits Regarding Yerlitahtacı Mine:*

There are two pending cases requesting cancellation and suspension regarding the EAI Positive decision of "Yerlitahtacı Gold Mine's Open Pit Mining Operation Project" dated 18 November 2009. In one of the case regarding the cancellation of Yerlitahtacı Project's EIA positive Permission, the court has rendered a decision for an expert examining, as well as a visit and examination, the visit has been made. According to İzmir 4th Administrative Court decision no: 2010/533 dated 21 September 2012 the execution was suspended. On 28 December 2012, with a decision numbered 2012/2444 K., the procedure was cancelled. The notification of this decision has just been received and the decision was appealed. In the second case in İzmir 4th Administrative Court numbered 2009/1810 E. regarding the suspension of Yerlitahtacı Project's EIA positive Permission, the Administrative Court has decided on 28 December 2012, with a decision numbered 2012/2448 K. that there was no need to make a decision on the gist of the action, since the procedure which was the subject of the case was already cancelled with the decision numbered 2010/533 E.-2012/2444 K. This decision was appealed. Because there is no activity in these sites and there is not any affect to current resource and Company's production, the decision of these cases will not affect the activities of Company.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 17 - COMMITMENTS

As of 31 December 2013, the Company has raw material and machinery and equipment purchase commitments amounting to EUR3.226 thousand and USD1.500 thousand that is equivalent to TL12.674 thousand in total (2012: EUR12.133 and GBP1.275 thousand that is equivalent to TL32.194 thousand in total).

## NOTE 18- EMPLOYEE BENEFITS

### a) Employee benefit payables:

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Social security payables | 2.567 | 2.155 |
| | **2.567** | **2.155** |

### b) Short term provisions for employee benefits

| | | |
|---|---|---|
| Accumulated unused vacation | 2.313 | 1.825 |
| | **2.313** | **1.825** |

### c) Long term provisions for employee benefits

| | | |
|---|---|---|
| Provision for employment termination benefits | 2.725 | 2.755 |
| | **2.725** | **2.755** |

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL3.254,44 for each year of service. (31 December 2012: TL3.033,98). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions. The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL3.438,22 which is effective from 1 January for employment termination benefits of the Company which is calculated in every six months.

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Discount rate (%) | 4,5% | 2,50% |
| Probability of retirement (%) | 96,67% | 96,31% |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 18- EMPLOYEE BENEFITS (Continued)

Movements of the provision for employment termination benefits during the years are as follows:

| | 2013 | 2012 |
|---|---|---|
| **1 January** | **2.755** | **2.370** |
| Interest costs | 69 | 111 |
| Actuarial losses | 321 | 221 |
| Increased during the period | 499 | 3.352 |
| Paid during the period | (919) | (3.299) |
| **31 December** | **2.725** | **2.755** |

The total of interest cost, actuarial losses and increased during the period at 31 December 2013 is amounting to TL889 thousands (2012: TL3.684 thousand) TL499 thousand was included in general administrative expenses (2012: TL3.352 thousand) and TL321 thousand was included in other comprehensive income (2012: TL221 thousand).

## NOTE 19 - OTHER ASSETS AND LIABILITIES

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **a) Other current assets** | | |
| Personnel advances given | 2.283 | 2.704 |
| Other | 1.389 | 1.014 |
| | **3.672** | **3.718** |
| **b) Other non-current assets:** | | |
| Other | 494 | 242 |
| | **494** | **242** |
| **c) Other current liabilities:** | | |
| Taxes, fund payables | 3.203 | 2.734 |
| Other | 747 | 313 |
| | **3.950** | **3.047** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 20 – EQUITY

| | | 31 December 2013 | | 31 December 2012 | |
|---|---|---|---|---|---|
| | **Share Type** | **Shareholding %** | **TL** | **Shareholding %** | **TL** |
| ATP | (A, B) | 45,01 | 68.636 | 45,01 | 68.636 |
| Koza İpek Holding | (A, B) | 24,99 | 38.114 | 24,99 | 38.114 |
| Other | (B) | 30,00 | 45.750 | 30,00 | 45.750 |
| Melek İpek | (A) | less than 1 | - | less than 1 | - |
| Hamdi Akın İpek | (A) | less than 1 | - | less than 1 | - |
| Cafer Tekin İpek | (A) | less than 1 | - | less than 1 | - |
| Pelin Zenginer | (A) | less than 1 | - | less than 1 | - |
| İsmet Kasapoğlu | (B) | less than 1 | - | less than 1 | - |
| **Share capital** | | **100** | **152.500** | **100** | **152.500** |
| Adjustment to share capital | | | 3.579 | | 3.579 |
| **Total paid-in capital** | | | **156.079** | | **156.079** |

The Company's board of directors consists of five members and four of the five shall be nominated by the shareholders holding (A) type shares, and one member shall be independent member nominated by the General Assembly. The Board of Directors select the president and vice president among the members representing the shareholders holding (A) they shares after each General Assembly or the General Assembly in which the members are nominated and selected. Other than those stated, (A) and (B) types of shares have no privileges.

Adjustment to share capital amounting to TL3.579 thousands (2012: TL3.579 thousands) represents the remaining amount after net-off the accumulated losses of 2006 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment). As of 31 December 2013, the share capital is TL 152.500 thousands and there are 15.250.000.000 units of shares with a face value of TL0.01 each (31 December 2012: 15.250.000.000 units of shares with a face value of TL0.01 each.). All issued shares are fully paid.

Adjustment to share capital (restated to 31 December 2004 purchasing power) is the difference between restated share capital and historical share capital.

Share premium account refers the difference between par value of the company's shares and the amount the company received for newly issued shares. The share premium account is disclosed under equity as a separate line item and may not be distributed. It may be used in capital increase.

The legal reserves consist of first and second legal reserves appropriated in accordance with The Turkish Commercial Code (‘' TCC").The first capital reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. Under TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid in share capital.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 20 – EQUITY (Continued)

Listed companies shall distribute dividends in accordance with the Dividend Communique of CMB, numbered II-191 and effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communique does not state a minimum dividend rate. Companies distribute dividends in accordance with the method defined in their dividend policy or articles of association. Additionally dividend can be paid in installments with same or different amounts and dividend advances can be paid over the profit in the interim financial statements.

Unless the general reserves that has to be appropriated in accordance with TCC or the dividend to shareholders as determined in the articles of association or dividend policy are set aside; no decision can be taken to set aside other reserves, to transfer reserves to the subsequent year or to distribute dividends to holders of dividend right certificates , to board of directors members, to employees to whom other than shareholders; and no dividend can be distributed to those unless the determined dividend to shareholders is paid in cash.

According to Board of Director's decision taken on 18 April 2013, in the General Assembly meeting dated 10 May 2013, it is decided that the Company will distribute TL131.209 thousands of the year 2012's profit as the dividend to its shareholders, TL16.217 thousands of the 2012's profit as will be reserved as second legal reserves and TL456.108 thousands of the 2012's profit will be reversed as the extraordinary reserves. The Company management has not performed a calculation for the dividend distribution of the year 2013 in order to submit the General Assembly, yet.

## NOTE 21 - SALES AND COST OF SALES

| | **1 January - 31 December 2013** | **1 January - 31 December 2012** |
|---|---|---|
| Domestic sales | 929.414 | 1.043.145 |
| Export sales | - | - |
| **Net Sales** | **929.414** | **1.043.145** |
| Cost of sales | (361.688) | (267.079) |
| **Gross profit** | **567.726** | **776.066** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 22 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| **i. Research and development expenses:** | | |
| Exploration costs | 20.446 | 26.582 |
| | **20.446** | **26.582** |
| **ii. Selling and marketing expenses:** | | |
| Sales commissions | 219 | 236 |
| Other | 1.851 | 1.898 |
| | **2.070** | **2.134** |
| **iii. General administrative expenses:** | | |
| Staff costs | 27.333 | 22.071 |
| Outsourced services | 12.452 | 10.566 |
| Travel | 9.594 | 7.038 |
| Rent | 3.870 | 3.632 |
| Taxes and funds | 2.120 | 1.944 |
| Energy and utilities | 2.100 | 2.044 |
| Professional services | 1.994 | 1.878 |
| Communication | 1.384 | 1.134 |
| Maintenance | 675 | 695 |
| Insurance | 580 | 301 |
| Employment termination benefit expenses | 499 | 3.352 |
| Other | 9.307 | 6.806 |
| | **71.908** | **61.461** |
| **Total operating expenses** | **94.424** | **90.177** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 23 - EXPENSES BY NATURE

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| Depreciation and amortisation | 111.596 | 67.658 |
| Staff cost | 69.848 | 54.538 |
| Outsourced services (*) | 67.658 | 57.934 |
| Cost of chemicals and other materials | 41.530 | 38.080 |
| Maintenance | 25.948 | 25.106 |
| Energy and utilities | 25.373 | 20.283 |
| Exploration costs | 20.446 | 26.582 |
| Transportation | 19.912 | 14.335 |
| Royalties | 18.231 | 16.741 |
| Travel | 9.594 | 7.038 |
| Rent | 9.500 | 8.443 |
| Taxes and funds | 2.120 | 1.944 |
| Sales commissions | 2.070 | 2.134 |
| Professional services | 1.994 | 1.878 |
| Rehabilitation costs | 1.487 | 759 |
| Employment termination benefits | 499 | 3.352 |
| Other | 28.306 | 10.451 |
| | **456.112** | **357.256** |

(*) Outsourced services are mainly comprised of stripping costs.

## NOTE 24 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| **a) Other income from operating activities:** | | |
| Foreign exchange gains | 15.443 | 7.423 |
| Gain on scrap sales | 364 | 315 |
| Gain on insurance claims | 49 | 61 |
| Other | 2.942 | 3.994 |
| | **18.798** | **11.793** |
| **b) Other expense from operating activities:** | | |
| Donations | (29.483) | (11.401) |
| Foreign exchange loss | (15.583) | (7.966) |
| Other | (464) | (949) |
| | **(45.530)** | **(20.316)** |

In the year 2013, the Company donated TL28.483 thousands (2012: TL11.401 thousands) to Ipek University (Note 5.ii).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 25 – INCOME FROM INVESTMENT ACTIVITIES

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| **Income from investment activities:** | | |
| Interest and other financial income | 69.699 | 73.390 |
| Sales of property plant and equipment | 1.215 | 1.417 |
| | **70.914** | **74.807** |

## NOTE 26 – FINANCE INCOME

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| Foreign exchange gain | 8.498 | 15.746 |
| | **8.498** | **15.746** |

## NOTE 27 - FINANCE EXPENSES

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| Foreign exchange loss | 1.954 | 12.562 |
| Interest and other finance expenses | 1.394 | 2.602 |
| | **3.348** | **15.164** |

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

## NOTE 28 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS & LIABILITIES)

As of 31 December 2013 and 2012, corporation taxes currently payable are as follows:

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Corporation taxes currently payable | 30.448 | 121.568 |
| Less: Prepaid corporate tax | (30.448) | (100.822) |
| **Current income tax liabilities** | **-** | **20.746** |

Corporation tax is payable at a rate of 20% for 2013 (2012: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2012:15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2012: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end (2012: 17th). Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during when the tax authorities have the right to examine tax returns and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. However, tax losses cannot be carried back to offset profits from previous periods.

In Corporate Tax Law, there are many exemptions for corporations, those related to the Company are explained below:

Dividend income from shares in the capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) is exempt from corporate tax.

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sales of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales considerations has to be collected up until the end of the second calendar year following the year the sale was realised.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 28 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS & LIABILITIES) (Continued)

75% of the profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax.

Accordingly, the aforementioned gains/ (losses) which have been included in trade profit/ (loss) have been taken into consideration in calculation of corporate tax.

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 8$^{th}$ article of Corporate Tax Law, and 40$^{th}$ article of the Income Tax Law, together with other deductions mentioned in 10$^{th}$ article of Corporate Tax Law, have been taken into consideration in calculation of the corporate tax.

*Transfer Pricing*

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the Company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalised and paid.

In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalised and paid.

Taxation on income in the statement of comprehensive income for the period between1January - 31 December 2013 and 2012 are as follows:

| | **1 January - 31 December 2013** | **1 January - 31 December 2012** |
|---|---|---|
| Current income tax expense | (30.448) | (121.568) |
| Deferred tax (expense)/ income | 5.787 | (13.085) |
| | **(24.661)** | **(134.653)** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 28 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS & LIABILITIES) (Continued)

For the period between 1 January - 31 December 2013 and 2012 the reconciliations of the taxation on income for are as follows:

| | **1 January - 31 December 2013** | **1 January - 31 December 2012** |
|---|---|---|
| **Profit before tax** | **522.634** | **752.755** |
| Tax calculated at tax rates applicable to the profit | (104.527) | (150.551) |
| Investment incentive used (*) | 78.979 | 3.696 |
| Carry forward tax losses utilized (**) | - | 11.918 |
| Disallowable expenses | (775) | (536) |
| Other | 1.662 | 820 |
| **Taxation on income** | **(24.661)** | **(134.653)** |

(*) The Company has investment incentives, for the operations and on-going investment at Himmetdede-Kayseri, Çukuralan - İzmir and Kaymaz - Eskişehir. The range of contribution margins of the investment incentives upon the respective investments are in between 20% and 60%, whereas to the extent of the incentives, the applicable corporation tax are in between 2% and 10%.

(**) The Company has utilized carry forward tax losses amounted TL59.590 thousand of its subsidiary, Doğu Anadolu Maden, after the legal merge.

*Deferred taxation*

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between its financial statements as reported and their tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled under the liability method using the principal enacted tax rate of 20% (2012: 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2013 and 2012 using the enacted tax rates at the balance sheet dates are as follows:

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 28 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS & LIABILITIES) (Continued)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets / (liabilities) provided at 31 December 2013, 2012 and 2011 using the enacted tax rates at the balance sheet dates are as follows:

| | **Cumulative temporary differences** | | | **Deferred income tax assets/ (liability)** | | |
|---|---|---|---|---|---|---|
| | **31 December 2013** | **31 December 2012** | **31 December 2011** | **31 December 2013** | **31 December 2012** | **31 December 2011** |
| Difference between carrying value and tax base of property, plant and equipment and intangible assets | (45.667) | (21.483) | (12.641) | (8.170) | (5.185) | (2.528) |
| Difference between carrying value and tax base of inventory | 42.893 | (16.846) | 34.487 | 8.579 | 3.369 | 6.897 |
| Provision for state royalty | 14.854 | - | - | 2.971 | - | - |
| Investment incentives | - | - | 27.385 | - | - | 5.904 |
| Employment termination benefits (Note 18) | 2.725 | 2.755 | 2.370 | 545 | 551 | 474 |
| Provision for unused vacation | 2.313 | 1.825 | 1.439 | 463 | 365 | 288 |
| Other | 3.250 | 780 | 6.510 | 651 | 152 | 1.302 |
| **Deferred tax / liability net** | | | | **5.039** | **(748)** | **12.337** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 28 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS & LIABILITIES) (Continued)

For the period of 1 January – 31 December 2013, 2012 and 2011 the movement of net deferred tax assets / (liabilities) are as follow:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **1 January** | **(748)** | **12.337** | **8.994** |
| (Charged)/ credited to the statement of comprehensive income | 5.787 | (13.085) | 3.343 |
| **31 December** | **5.039** | **(748)** | **12.337** |

## NOTE 29 - EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of (loss)/ earning per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

Basic earnings per share are calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the year.

| | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---|---|---|
| Net profit for the year | 497.973 | 618.102 |
| Number of share with a TL 1 face value (*) | 15.250.000.000 | 15.250.000.000 |
| **Earnings per share with a 1 TL face value** | **3,2654** | **4,0531** |

(*) With a face value of TL 1 each comprised of 100 units of paid-in shares.

There are no differences between basic and diluted earnings per share.

As of 31 December 2013, no dividend distribution is calculated and determined by the Board of Directors, yet.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 30-OTHER COMPREHENSIVE INCOME ANALYSIS

The analysis of other comprehensive income for the period 1 January- 31 December 2013 and 2012 are as follows:

| | **1 January - 31 December 2013** | **1 January - 31 December 2012** |
|---|---|---|
| **Other comprehensive income/expense not to be reclassified to profit or loss** | **(256)** | **(177)** |
| Gain/loss arising from defined benefit plans | (320) | (221) |
| Tax effect of other comprehensive income not to be reclassified to profit or loss | 64 | 44 |
| - Deferred tax income | 64 | 44 |
| **Other comprehensive loss** | **(256)** | **(177)** |

## NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk, capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out by the senior management and finance department of the Company under policies approved by Board of Directors. The Board of Directors provides principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and capital risk and closely monitors financial and operational risks mainly arise from fluctuations in gold prices.

The financial risk management objectives of the Company are defined as follows:

- Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk
- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures; and
- Effective monitoring and minimizing risks sourced from counterparts.

### a) Credit risk:

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. As the Company sells the dores to only one refinery in Turkey, with a maturity of less than one month, the credit risk for the Company is very low. The Company management, in line with the past experiences, there were never defaults or delays in payments, thus, believes that the credit risk is well managed and monitored effectively and credit risk is limited to carrying amounts of the financial assets.

The credit risk exposure in terms of financial instruments as of 31 December 2013 and 2012 are as follows:

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

| **31 December 2013** | **Receivables** | | | | | |
|---|---|---|---|---|---|---|
| | **31 December 2013** | | | **31 December 2012** | | |
| | **Related Parties** | **Third Parties** | **Bank Deposits** | **Related Parties** | **Third Parties** | **Bank Deposits** |
| **Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)** (1) | **63** | **243** | **940.599** | **433** | **213** | **927.400** |
| - The part of maximum credit risk covered with guarantees | 63 | - | - | 433 | - | - |
| **A.** Net book value of financial assets not due or not impaired | - | - | - | - | - | - |
| **B.** Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired (2) | - | - | - | - | - | - |
| **C.** Net book value of assets past due but not impaired (3) | - | 243 | - | - | 213 | - |
| - The part covered by guarantees | - | - | - | - | - | - |
| **D.** Net book value of assets impaired | - | - | - | - | - | - |
| - Past due amount (gross book value) | - | - | - | - | - | - |
| - Impairment amount (-) | - | - | - | - | - | - |
| - Collateral held as security and guarantees received | - | - | - | - | - | - |
| - Due amount (gross book value) | - | - | - | - | - | - |
| - Impairment amount (-) | - | - | - | - | - | - |
| - Collateral held as security and guarantees received | | - | - | - | - | - |
| **E.** Off-balance items exposed to credit risk | - | - | - | - | - | - |

(1) In the determination of related amounts, guarantees received providing increase credit reliability are not take into account.
(2) None.
(3) The Company's management does not anticipate any risk for overdue receivables but not impaired.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

### b) Liquidity risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund provider lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the timely collection of trade receivables, takes actions to minimize the effect of delay in collections and arranges cash and non-cash credit lines from financial institutions in case of a requirement. In addition, the Company's liquidity management policy involves projecting cash flows, considering the level of liquid asset, monitoring balance sheet liquidity ratios against the budgets, maintaining debt financing plans.

As of 31 December 2013 and 2012, the table below analyses the Company's financial liabilities into relevant maturity based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Total Cash outflows per agreement (=I+II+III)** | **Less than 3 months (I)** | **3 months to 1 year (II)** | **1 to 5 years (III)** |
| **Contractual maturity dates:** | | | | | |
| Other trade payables | 42.263 | 42.520 | 42.520 | - | - |
| Due to related parties | 19.343 | 19.446 | 19.446 | - | - |
| | **61.606** | **61.966** | **61.966** | **-** | **-** |

| | 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Total Cash outflows per agreement (=I+II+III)** | **Less than 3 months (I)** | **3 months to 1 year (II)** | **1 to 5 years (III)** |
| **Contractual maturity dates:** | | | | | |
| Financial liabilities | 6.905 | 6.956 | 3.441 | 3.515 | - |
| Other trade payables | 26.451 | 26.602 | 26.500 | 102 | - |
| Due to related parties | 21.396 | 21.413 | 6.675 | - | 14.738 |
| | **54.752** | **54.971** | **36.616** | **3.617** | **14.738** |

## NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

### c) Market risk:

### i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the board of directors regularly and the foreign exchange rates relevant to the foreign currency position of the Company is monitored.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

| | **Foreign Currency Position** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **31 December 2013** | | | | **31 December 2012** | | | |
| | TL Equivalent | USD | EUR | Other (TL Equivalent) | TL Equivalent | USD | EUR | Other (TL Equivalent) |
| 1. Trade Receivables | - | - | - | - | - | - | - | - |
| 2a. Monetary Financial Assets (Cash, Bank accounts included) | 65.448 | 30.631 | 12 | 37 | 71.359 | 39.926 | 10 | 163 |
| 2b. Non-monetary Financial Assets | - | - | - | - | - | - | - | - |
| 3. Other | - | - | - | - | - | - | - | - |
| **4. Current Assets (1+2+3)** | **65.448** | **30.631** | **12** | **37** | **71.359** | **39.926** | **10** | **163** |
| 5. Trade Receivables | 44 | 21 | - | - | 525 | 294 | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - | - | - | - |
| 6b. Non-monetary Financial Assets | - | - | - | - | - | - | - | - |
| 7. Other | - | - | - | - | - | - | - | - |
| **8. Non-current Assets (5+6+7)** | **44** | **21** | **-** | **-** | **525** | **294** | **-** | **-** |
| **9. Total Assets (4+8)** | **65.492** | **30.652** | **12** | **37** | **71.884** | **40.220** | **10** | **163** |
| 10. Trade Payables | (10.843) | (4.206) | (544) | (269) | (7.873) | (3.484) | (611) | (226) |
| 11. Financial Liabilities | - | - | - | - | (6.905) | (3.874) | - | - |
| 12a. Monetary Other Liabilities | (36) | (17) | - | - | - | - | - | - |
| 12b. Non-monetary Other Liabilities | - | - | - | - | - | - | - | - |
| **13. Short-term Liabilities (10+11+12)** | **(10.879)** | **(4.223)** | **(544)** | **(269)** | **(14.778)** | **(7.358)** | **(611)** | **(226)** |
| 14. Trade Payables | - | - | - | - | - | - | - | - |
| 15. Financial Liabilities | - | - | - | - | - | - | - | - |
| 16a. Monetary Other Liabilities | (11.739) | (5.500) | - | - | (9.804) | (5.500) | - | - |
| 16b. Non-monetary Other Liabilities | - | - | - | - | - | - | - | - |
| **17. Long-term Liabilities (14+15+16)** | **(11.739)** | **(5.500)** | **-** | **-** | **(9.804)** | **(5.500)** | **-** | **-** |
| **18. Total Liabilities (13+17)** | **(22.618)** | **(9.723)** | **(544)** | **(269)** | **(24.582)** | **(12.858)** | **(611)** | **(226)** |
| **19. Net Asset/ (Liability) Position of Off-balance Sheet Derivative Instruments (19a-19b)** | - | - | - | - | - | - | - | - |
| **19a. Amount of Hedged Assets** | - | - | - | - | - | - | - | - |
| **19b. Amount of Hedged Liability** | - | - | - | - | - | - | - | - |
| **20. Net Foreign Currency Asset/ (Liability) Position (9-18+19)** | **42.874** | **20.929** | **(532)** | **(232)** | **47.302** | **27.362** | **(601)** | **(63)** |
| **21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a+7-10-11-12a-14-15-16a)** | **42.874** | **20.929** | **(532)** | **(232)** | **47.302** | **27.362** | **(601)** | **(63)** |
| **22. Total Fair Value of Financial Instruments Use Foreign Currency Hedging** | - | - | - | - | - | - | - | - |
| **23. Export** | - | - | - | - | - | - | - | - |
| **24. Import** | **44.263** | **2.252** | **11.852** | **9.988** | **31.367** | **585** | **10.371** | **6.424** |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

**NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

| **31 December 2013** | **Sensitivity Analysis for Foreign Currency Risk** | | | |
|---|---|---|---|---|
| | **Profit/Loss** | | **Equity** | |
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| **Change of USD by 10% against TL:** | | | | |
| 1- Asset/Liability denominated in USD-net | 4.467 | (4.467) | - | - |
| 2- The part hedged for USD risk (-) | - | - | - | - |
| **3- USD Effect-net (1+2)** | **4.467** | **(4.467)** | - | - |
| **Change of EUR by 10% against TL:** | | | | |
| 4- Asset/Liability denominated in EUR-net | (156) | 156 | - | - |
| 5- The part hedged for EUR risk (-) | - | - | - | - |
| **6- EUR Effect-net (4+5)** | **(156)** | **156** | - | - |
| **Change of Other Currencies by 10% against TL:** | | | | |
| 7- Assets/Liabilities denominated in other foreign currencies-net | (23) | 23 | - | - |
| 8- The part hedged for other foreign currency risk (-) | - | - | - | - |
| **9- Other Foreign Currency Effect-net (7+8)** | **(23)** | **23** | - | - |
| **TOTAL (3+6+9)** | **4.288** | **(4.288)** | - | - |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

| 31 December 2012 | Sensitivity Analysis for Foreign Currency Risk | | | |
|---|---|---|---|---|
| | Profit/Loss | | Equity | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| **Change of USD by 10% against TL:** | | | | |
| 1- Asset/Liability denominated in USD-net | 4.878 | (4.878) | - | - |
| 2- The part hedged for USD risk (-) | - | - | - | - |
| **3- USD Effect-net (1+2)** | **4.878** | **(4.878)** | - | - |
| **Change of EUR by 10% against TL:** | | | | |
| 4- Asset/Liability denominated in EUR-net | (141) | 141 | - | - |
| 5- The part hedged for EUR risk (-) | - | - | - | - |
| **6- EUR Effect-net (4+5)** | **(141)** | **141** | - | - |
| **Change of Other Currencies by 10% against TL:** | | | | |
| 7- Assets/Liabilities denominated in other foreign currencies-net | (6) | 6 | - | - |
| 8- The part hedged for other foreign currency risk (-) | - | - | - | - |
| **9- Other Foreign Currency Effect-net (7+8)** | **(6)** | **6** | - | - |
| **TOTAL (3+6+9)** | **4.731** | **(4.731)** | - | - |

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

### ii) Interest rate risk

The company is exposed to interest rate risk arising from the rate changes on interest- bearing liabilities and assets. The Company's interest rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates and other interest bearing liabilities expose the Company to cash flow interest rate risk which is partially offset by interest bearing assets. The interest rate risk is partially managed through the balancing of assets and liabilities that are responsive to the fluctuations in interest rates.

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **Financial instruments with fixed interest rates** | | |
| Financial assets | 938.702 | 927.077 |
| Financial liabilities | 46.854 | 47.847 |
| **Financial instruments with floating interest rates** | | |
| Financial assets | - | - |
| Financial liabilities | - | 6.905 |

According to the interest rate sensitivity analysis performed as at 31 December 2012, if interest rates had been 1% higher while all other variables being constant, net loss for the year would be TL66 thousands lower (2011:TL155 thousands) as a result of additional interest expense that would be incurred on financial instruments with floating rates.

### iii) Price risk

The gold price is the most important operational risk of the Company.

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the prices of gold, if the gold prices fall below the cash based operational cost of production of the company and continue in this manner in the event of a certain period, the Company's operational profitability may be reduced. The Company does not anticipate that prices of gold will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in the prices of gold. Moreover, the Company is active in terms of financial and operational risk management regularly reviews the market prices.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

## NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

### d) Capital Risk Management

The Company's objectives when managing capital to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (as shown in the balance sheet) less cash and cash equivalents.

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Total financial liabilities (Note 6) | - | 6.905 |
| Other payables to related parties (Note 5) | 14.752 | 14.748 |
| Less: Cash and cash equivalents (Note 4) | (940.727) | (927.526) |
| Net cash and cash equivalents | (925.975) | (905.873) |
| Total equity | 1.693.287 | 1.365.369 |
| Total capital | 767.312 | 459.496 |
| **Net debt/equity ratio** | **(121%)** | **(197%)** |

The Company management regularly monitors and updates, if necessary, the debt/equity ratio.

## NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

### Classification of financial instruments

The Company classified financial assets and liabilities as, and due from related parties, borrowings and receivables. Cash and cash equivalents, trade receivables of the Company are categorized as loans and receivables; and measured at amortised cost using effective interest method. Financial liabilities, other financial liabilities, trade payables, and due to related parties are categorized as financial liabilities measured at amortised costs using effective interest method.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

## NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

**Financial assets**

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at year-end, is considered to approximate their fair value. The fair values of certain financial assets carried at cost, including cash and due from banks. Receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

**Financial liabilities**

The fair values of financial liabilities disclosed in Note 6.

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

## NOTE 33- SUBSEQUENT EVENTS

As of 31 December 2013, İzmir Special Provincial Administration has decided to retention of the operations of the company in Çukuralan – İzmir facility due to the absence of environmental permissions and licences of Çukuralan mine. As of 10 January 2014, operations of the company has been started again in accordance with the decision of İzmir 4$^{th}$ Administrative Court.

The Company announced a decision as of 28 January 2014 in order to temporarily stop ongoing operations in Mastra Gümüşhane Region as end of February 2014.

## NOTE 34 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

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