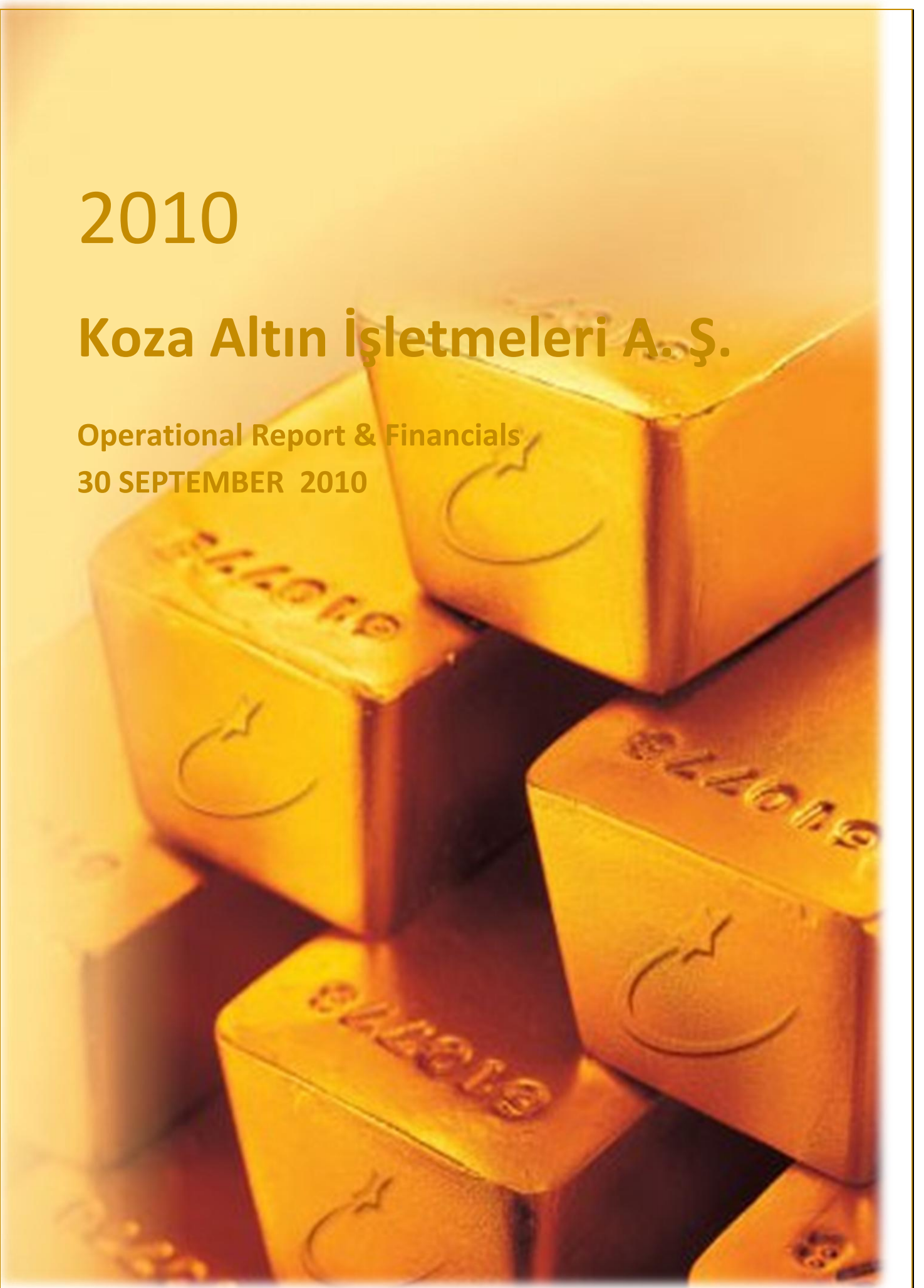


# 2010

## Koza Altın İşletmeleri A. Ş.

Operational Report & Financials

30 SEPTEMBER 2010



# Our Strategy

Our goal is to develop our portfolio of existing gold assets and find, develop and selectively acquire gold projects in Turkey to grow our resource base and maximise profitable production.

This goal aims to capitalise on our position as the leading gold producer in Turkey, our hub operating strategy and our track record of successfully growing resources and production.

We also seek to provide leadership in safety, stewardship of the environment, including responsible rehabilitation of the completed areas, and social responsibility to local communities.

Koza Gold is a leading Turkish gold mining company with a track record of sustained profitability underpinned by low costs. We produced 123koz of gold in first six month of 2010 and generated revenues of TL 207.9m

Within our acquisition strategy, 63 licensed areas including all exploration works covering all activities in Turkey were completely purchased from Newmont Overseas Exploration Limited ve Canmont Mining Properties Limited Companies on 28 June 2010 thus bringing Newmont Gold with 99.84% of its shares under our Company's control.



# Our Performance

2010 Jan-Sep

2009 Jan-Sep

2009 Jan-Dec

<b>Production</b>	192koz of gold (6.38g/t) 101koz of silver (6.34g/t)	159koz of gold (6.59g/t) 156koz of silver (10.90g/t)	228koz of gold (6.56g/t) 213koz of silver (10.29g/t)
<b>Cash Costs</b>	\$314/oz	\$249/oz	\$270/oz
<b>Revenue</b>	TL 339.5 million	TL 220.5 million	TL 342.4 million
<b>EBITDA</b>	TL 247.4million	TL 159.3 million	TL 244.7 million
<b>EBIT</b>	TL 204.6 million	TL 111.5 million	TL 183.6 million





# About Us

## A leading Turkish Gold producer

We are a leading Turkish gold mining company based on our gold production of approximately 191,914 ounces in first nine month of 2010. As at 30 September 2010, we had 26 operating licences and around 480 exploration licences throughout Turkey in the Aegean and Marmara regions, the Black Sea region and Central and Eastern Anatolia.

We currently own three operating mines: an underground mine at Ovacık, and a mine at Mastra where we utilise both underground and open pit mining methods and an openpit mine at Cukuralan. Our mining operations at Kucukdere, an open pit mine located 80 km from the Ovacık mine, completed in March 2010 and rehabilitation process is still continuing.



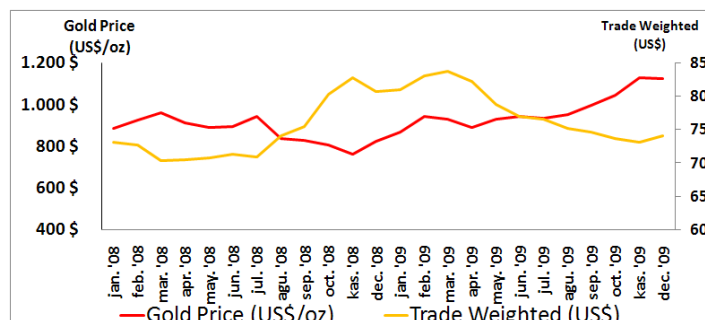
In addition, we have one advanced development project: Kaymaz project in the Kaymaz area. Kaymaz project will involve open pit mining.

We have a pre-feasibility stage project, Mollakara, located near Ağrı in the north-east of Turkey. In addition, our properties also include 17 exploration prospects in Turkey, ranging from early-stage to advanced exploration prospects with resource estimations completed in 2009. At most of our exploration prospects, mapping and sampling programmes are ongoing or completed and drilling and geophysical surveys have already commenced or are planned for 2010. Additionally, we have identified several target exploration sites where the nature of the mineralised deposits suggests that there is potential for resource development.



# Exposure to the gold price and gold fundamentals

Substantially all of our revenues are generated from the production and sale of gold, and as a result our financial performance is, and will continue to be, influenced by the market price of gold. Historically, we have not hedged our exposure to gold enabling us to benefit from the positive trend in gold prices in recent years. We intend to continue to operate as an unhedged producer. Between 1 January 2010 and 30 September 2010, the price of gold as quoted on the London Bullion Market ranged between a low of \$1,058.00 and a high of \$1,307.00 per ounce, based on the P.M. fixing price.



# We are a leading Turkish gold mining company

We are a leading Turkish gold mining company producing approximately 191,914 ounces of gold in first nine month of 2010. Turkey has a rich mining history which dates back thousands of years and today is one of the few underexplored developed countries in the world. According to SRK, as of 2006 Turkey's gold endowment was estimated at 31.5 million ounces of gold contained in 51 deposits. SRK believes that there is promising potential for greenfield exploration in Turkey because over half of the known gold resources in Turkey are in relatively recent discoveries.

"As of 2006, Turkey's gold endowment was estimated at 31.5moz gold contained in 51 deposits ... Since over half of the known gold resources in Turkey are in recent discoveries, there is great potential for greenfield exploration within Turkey." (SRK)

## Sector

Changes in mining law Turkey, increasing gold price trend and developments in technology have led to the increase in gold potential in Turkey. Studies indicate that there are approximately 6500 tones of gold in Turkey.(resource:Turkey's Gold Potential and Mining Resources Cutting Methods, Ayhan Erler, METU, Geology Department,1997) Only 10% of this, which is 650 tones are classified as reserves. Therefore, when market's current situation is examined, it is seen that priority is given to gold exploration. Under the current procedure, exploration licence is issued for 3 years and can be renewed for two years. Afterwards this license is to be converted to operational license.

With foregoing reasons, the competition in this sector has intensified on exploration activities. Koza Gold has been pursuing these two activities in paralel. In next three years, competition will be from domestic and foreign companies and intensify at West Anatolia. In the production areas, competition is expected to be from Eldorado(Tuprag, which is currently in production

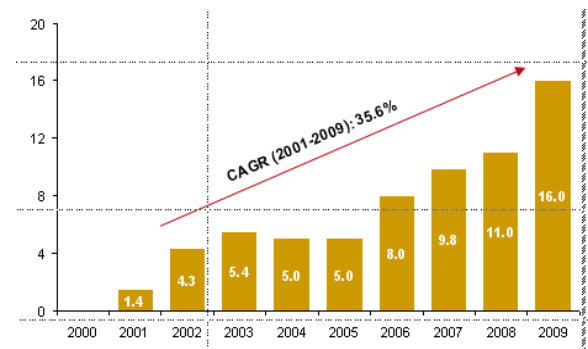
and Anatolia minerals (YAMAS,Cukurdere), currently in permitting stage. Domestic companies who are involved in exploration activities are thought to be starting production at later stages.

Despite 6500 tones of gold potential and 650 tones of reserves, Turkey only produces between 10 and 20 tones of gold and 250 -300 tones of gold need to be imported to meet the demand.

## Company

Koza Gold Operations Company is a Turkish company formed by 100% Turkish capital to explore and operate gold mines in our country. ATP Construction and Trade A.Ş. and Koza-Ipek Holding A.Ş. have acquired all the shares of from Normandy Mining A.Ş. and Newmont Mining Corporation Limited in 3 March 2005 thus becoming first Turkish company in the history of Republic of Turkey to realize gold production in this country. Company's Ovacik Gold Mine situated at Bergama, Izmir has been a key factor in turning the country's big gold potential into economical gain and it is the first gold mine operated in the Republic of Turkey.

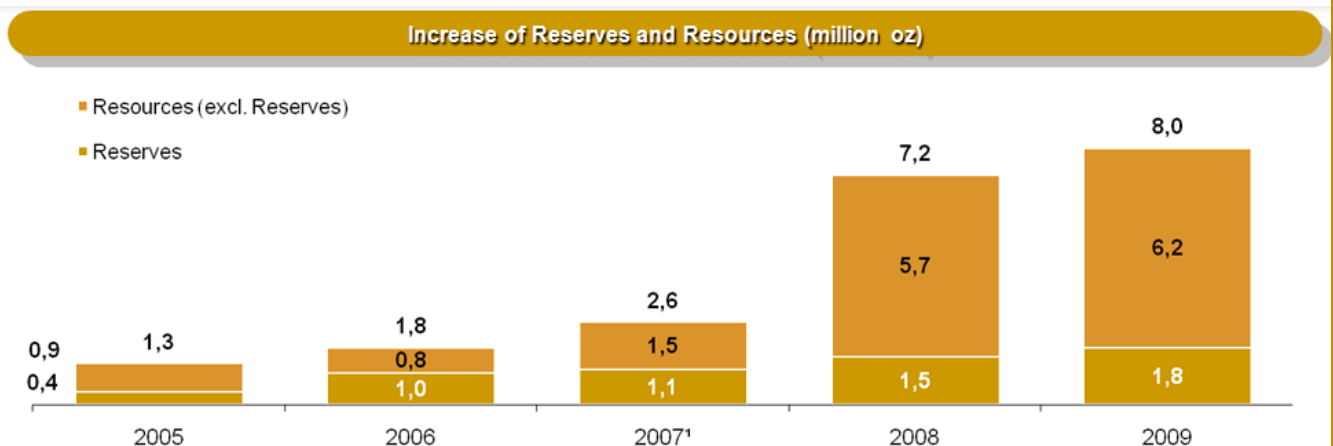
Within our acquisition strategy, 63 licensed areas including all exploration works covering all activities in Turkey were completely purchased from Newmont Overseas Exploration Limited ve Canmont Mining Properties Limited Companies on 28 June 2010 thus bringing Newmont Gold with 99.84% of its shares under our Company's control.



# We have a track record of growing production, reserves and resources

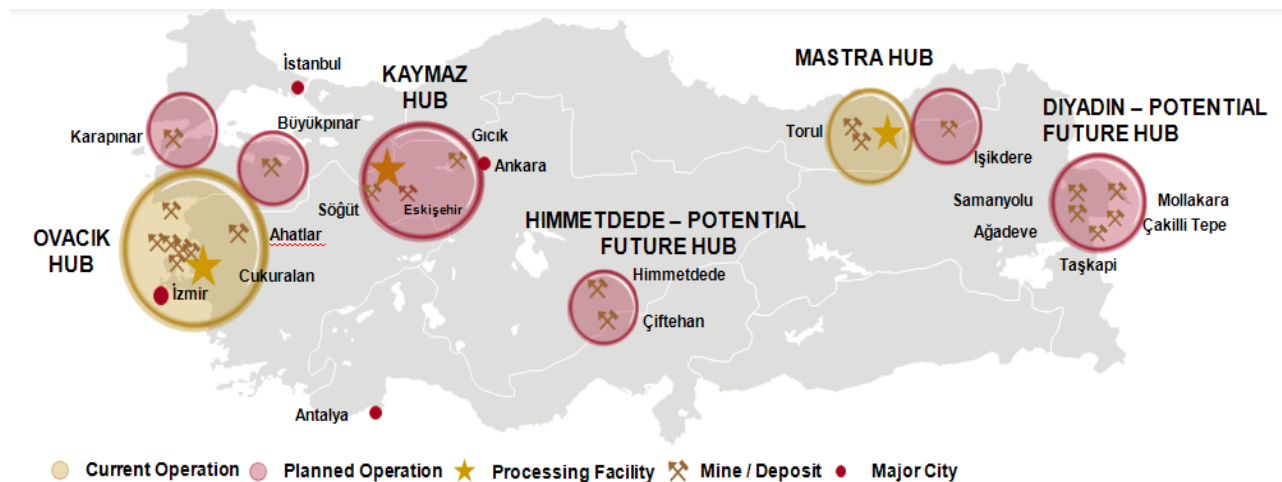
We have demonstrated an overall trend of growing production levels since our inception in 2005, and we believe that our mines, development projects and exploration prospects provide significant potential for continued growth. In 2005, we successfully restarted ore production at the Ovacik mine after acquiring it. We developed and brought into full production the Kucukdere mine in 2006, the Mastra mine in 2008 and the Gıcık mine in 2009. We produced approximately 187,000 ounces of gold in each of 2006 and 2007. In 2008, our production dipped to approximately 167,000 ounces due to the depletion of the open-pit mine at Ovacik in 2007. We produced 228,000 ounces of gold in 2009. Ore production at the Cukuralan mine, which has measured and indicated gold resources of 1.3 million ounces, is expected to begin from open-pit operations in 2010, which we expect to enable us to continue operating the Ovacik processing plant at its current levels of gold production. An agreement was signed for the construction of Cukuralan mining haul roads. It is planned to start ore production at Cukuralan Open Pit Mining in the last quarter of 2010.

Since March 2005, we have successfully increased both our reserve and resource base as a result of acquisitions, exploration activities and the increase in gold prices. As at 31 December 2009, our total measured, indicated and inferred resource base had increased to 8.0 million ounces of gold from 1.3 million ounces, and our total proven and probable reserve base had increased to 1.8 million ounces of gold from 0.4 million ounces. As of 31 December 2007 and 30 September 2009 all of our reserves and resources were audited by SRK. It is planned to have an audit by SRK for the reserves and resources as of 31 December 2010.



# Our business model focuses on a regional hub strategy to maximise profitable production

We are pursuing a strategy of using our processing facilities as hubs to process ore from regional deposits. We expect that this centralised processing will minimise our capital expenditure requirements, enabling us to develop relatively smaller deposits in each hub area that are high grade but not of sufficiently large scale to justify the construction of dedicated processing facilities. Our first application of this business model has been the development of the Ovacık hub and the Küçükdere deposit, located 80 km by road from the Ovacık processing plant. We plan to replicate this model for other deposits located in the vicinity of Ovacık, such as Çoraklık Tepe. In addition, we established a second processing hub at Mastra in 2009 and are planning to establish a third processing hub in Kaymaz in 2011.





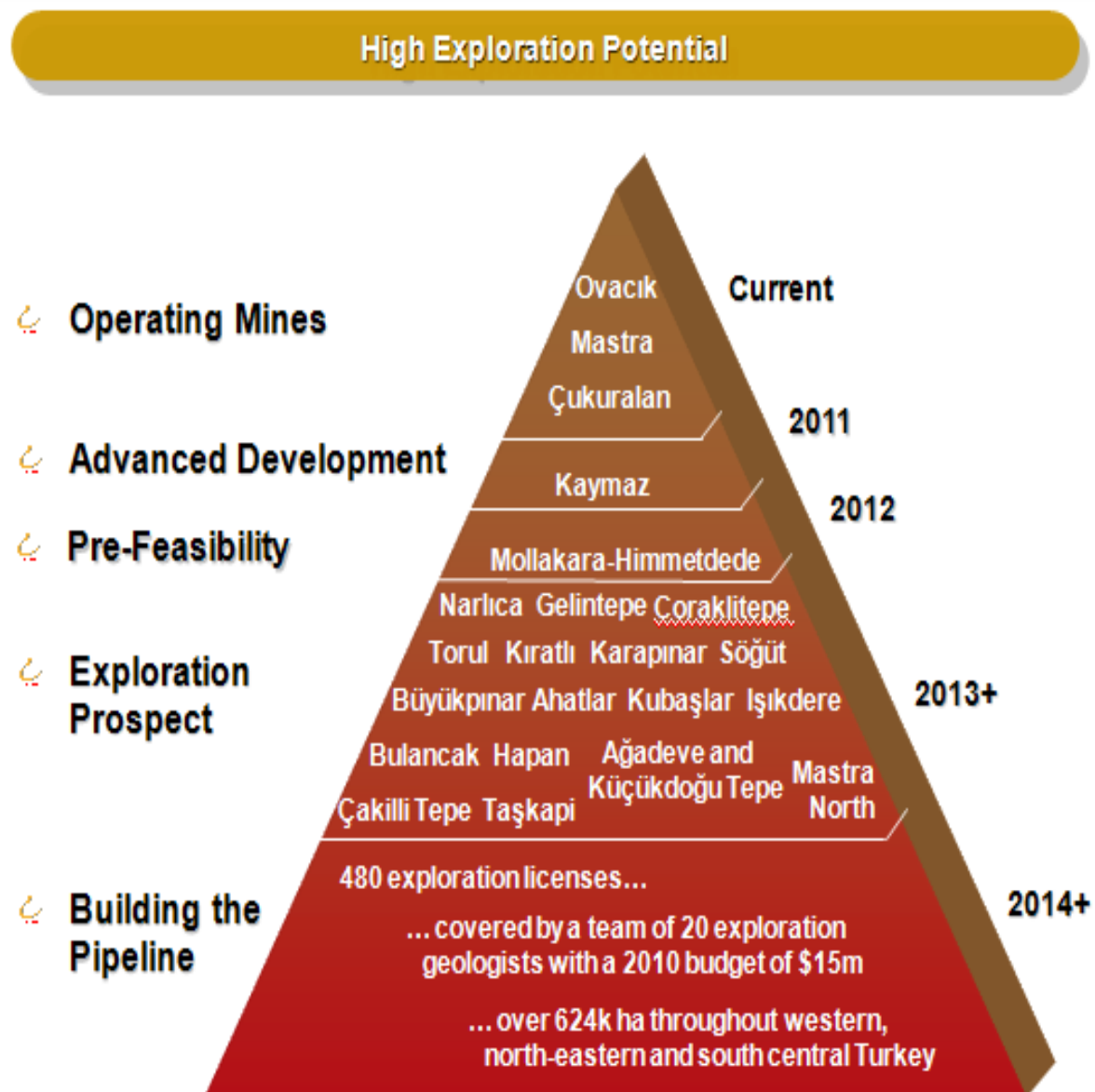
## We have historically had low cash costs

Historically we have enjoyed relatively low cash costs, on an adjusted basis, in part as a result of our use of regional hubs for gold production, our reliance on third party contracting for open-pit mining, low logistics costs and sales of silver by-products. Our unit cash costs derived from our accounts for the first nine months of 2009 ,the first nine months of 2010 and full year 2009 amounted to 391 TL (\$249), 475 TL (\$314) and 419 TL (\$270) respectively.



## Turkey Highly Prospective: We have a significant pipeline of development and exploration assets in Turkey

We believe that our growth opportunities include the expansion of existing operations through discovery of additional resources adjacent to currently delineated deposits as well as the development of our pipeline of projects and greenfield exploration .



# Health and Safety

We are committed to the highest standards of safety and continuously seek to develop, improve and implement new safety programmes and procedures to protect the safety of our employees. We continuously improve the safety of our working conditions by implementing practices such as monthly workplace inspections and weekly safety committee meetings. We regularly conduct safety audits and assessment programmes to ensure the adequacy of our health and safety policies. We also strive to improve our employees' response to emergencies by maintaining an underground and a mine rescue team for each site. For example, at Ovacık we have two emergency response teams, an underground rescue team comprising 13 employees and a mine rescue team comprising 22 employees. We believe we are currently in material compliance with all health and safety regulations. We pay specific attention to include in our subcontractor agreements clauses regarding health and safety measures and guidelines that are required to be followed by the contracting parties



# Environment

Our environmental department is responsible for filing EIA reports with the MEF and ensuring that our operations comply with all applicable environmental laws and regulations

The MEF considers several categories of environmental factors and compares the projected impact of the proposed mining activities to previously set environmental thresholds

We ensure that our employees and contractors understand and comply with our environmental policies and management plans as well as our high level of commitment to environmental management. Our Environment Department at the same time has been providing training program since March 2007 on environmental awareness to all employees and as well as on environmental policies and implementations for newly recruited personnel at the mine site.

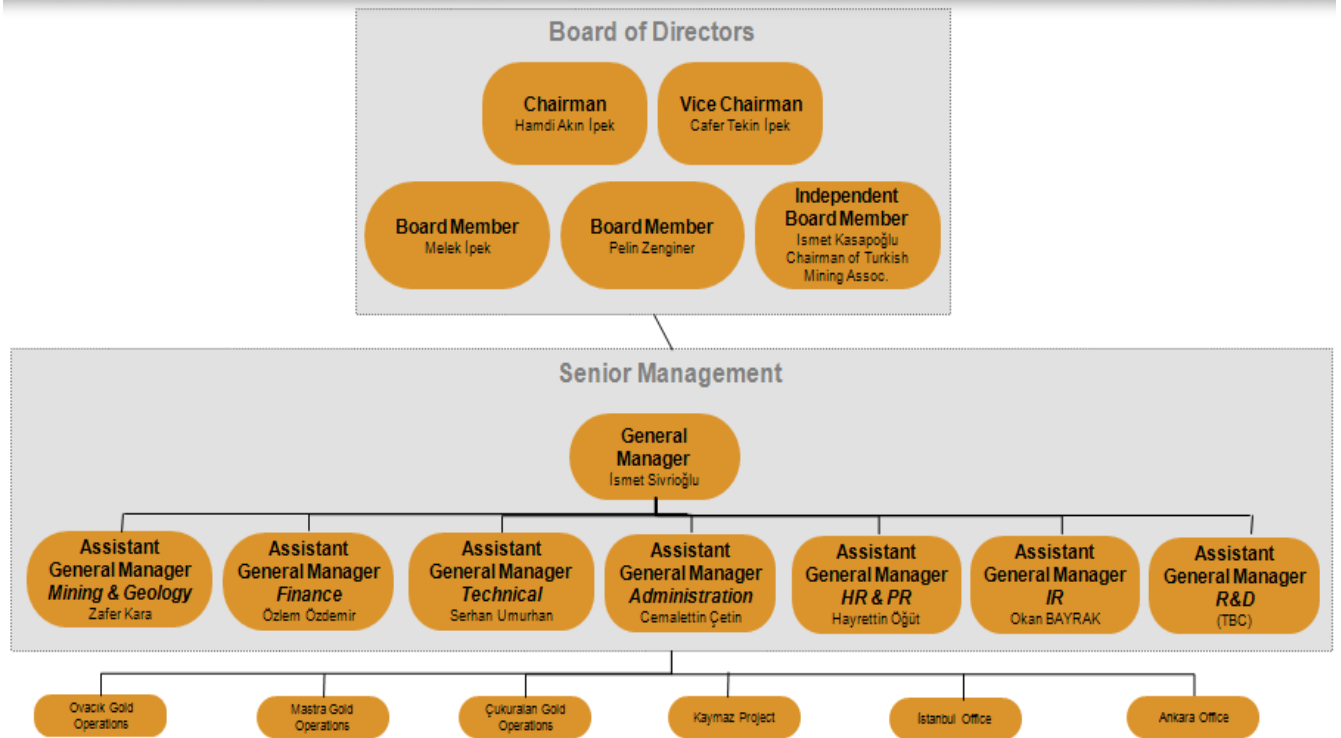
We have timely made all required emissions payments in full and have not faced any fines or penalties

According to the Competent Person's Report, in the seven years since the mining of ore began at Ovacık, no claims have been made against us by any governmental entity in respect of environmental non-compliances. We believe that we are in material compliance with all relevant environmental laws and regulations





# Board & Management Structure



## Board of Directors

Hamdi Akın İpek

Cafer Tekin İpek

Melek İpek

Pelin Zenginler

İsmet Kasapoğlu

## Denetim Kurulu

Selim Elmasoğlu

Atilla Arman

## Şirket Yönetimi

İsmet Sivrioğlu

Zafer Kara

Özlem Özdemir

Serhan Umurhan

Hayrettin Ögüt

Cemalettin Çetin

Okan Bayrak

Hasan Giray

Ali Vedat Oygur

Chairman

Vice Chairman

Board member

Board member

Independent Member

Auditor

Auditor

General Manager

Assistant General Manager- Mining and Geology

Assistant General Manager-Finance and Commercial

Assitant General Manager-Technical

Assistant General Manager-Human Resources and Public Relations

Assistant General Manager-Administration

Assistant General Manager-Investor Relations

Operation Manager

Project Manager

# Directors

Hamdi Akin İpek

## *Chairman*

He worked as the marketing manager of Koza Anadolu Metal between 1992 and 1996, where he also serves as the chairman of the board of directors. Between 2004 and 2008, Mr. İpek has served as the chairman of the Board of Directors of Koza İpek Gazetecilik. Additionally, Mr. İpek also serves as the chairman of the Board of Directors of Koza Holding, ATP, ATP Havacılık, İpek Matbaacılık and Koza İpek Sigorta. In 1986, Mr. İpek received a Graduate degree in Economics from Harlaxton College, UK (British Campus of the University of Evansville, Indiana, USA) and a Bachelor's degree in Business Administration from Hacettepe University, Ankara, in 1990.

Cafer Tekin İpek

## *Vice Chairman*

He worked as the finance manager for İpek Matbaacılık between 1992 and 1997 and was named its general manager in 1995. Since 2004, Mr. İpek has served on the Board of Directors of Koza Holding, Koza İpek Gazetecilik and Koza İpek Sigorta. Additionally, Mr. İpek is a member of the Board of Directors of Koza Anadolu Metal, ATP, ATP Havacılık and İpek Matbaacılık. In 1990, Mr. İpek received a Bachelor's degree in Economics from Harlaxton College, UK (British Campus of the University of Evansville, Indiana, USA).

Melek İpek

## *Board Member*

Mrs. İpek is a philanthropist and has worked with many charitable organizations such as Hospital Volunteers Foundation and Children's Care. She is

the chairman of the Board of Directors of the Turkish charitable organization YOYAV. Mrs İpek also serves as a member of the Board of Directors of Koza Holding, İpek Matbaacılık, Koza Anadolu Metal, ATP and ATP Havacılık.

Pelin Zenginer

## *Board Member*

Mrs. Zenginer is a member of the İpek family. She worked as the manager of foreign trade for İpek Matbaacılık between 1992 and 1997. In addition, starting from 2003, Mrs. Zenginer serves as a member of the Board of Directors of Koza Holding, Koza Anadolu Metal, ATP, ATP Havacılık and İpek Matbaacılık. She is also a board member of ATP. In 1992, Mrs. Zenginer received a Bachelor's degree in Business Administration from Hacettepe University, Turkey.

İsmet Kasapoğlu

## *Independent Board Member*

Mr. Kasapoğlu has more than 40 years of mining experience at a variety of different domestic mining companies. Between 1985 and 2001, he worked as a manager, and later as a board member of Soma Local Operations; between 2001 and 2006, he served as the chairman of the Board of Directors of the trona and natural soda company, Eti Soda A.Ş. He has served as the TOBB(the Union of Chambers and Commodity Exchanges of Turkey) chairman of the Turkish Mining Assembly since 2006, the chairman of the Board of Directors of the Council of Chairmen of the Mining Sector since 1999 and the chairman of the Turkish Miners' Association since 1991. He received a master's degree in mining engineering from the İstanbul Technical University, Mining Faculty in 1963.

# Management

İsmet Sivrioğlu

*General Manager*

Chemical Engineer with more than 40 years of experience in several production plants and management positions. Between 1970 and 1983, Mr.Sivrioğlu worked at the sulphuric acid, borax, asitboric and perborate plants of Etibank where he held numerous positions, including, as shift engineer, chief engineer and assistant general manager, technical. In 1984, he was appointed the general manager of Kütahya Silver Mine where he worked until 1994, supervising the plant's construction, commissioning and operational stages. He was promoted to Etibank Corporate and served as its assistant general manager between 1994 and 1998. During this time he also served as the chairman of the Board of Directors of Çayeli Copper Operations Inc. He served as the advisor to the Minister of State during 1997 and 1998. He joined Koza Gold in 1999 as the General Manager for community relations and government relations. Since 2005 he served as the General Manager of Koza Gold.

Zafer Kara

*Assistant General Manager, Mining and Geology*

He has served as Assistant General Manager responsible for Mining and Geology since march 2007, but has worked for all of our predecessor entities since 1988. He has more than 20 years of mining experience, including from Newmont and Normandy, as a mine and exploration geologist. Additionally, he has been involved in exploration projects in Iran, Kazakhstan, Ghana and Australia. He is a member of Australian Institute of Geoscientists.

Özlem Özdemir

*Assistant General Manager, Finance and Commerical*

She has Bachelor's degree in Business Administration and serves the Company as CFO since 2007. She has worked for all of the predecessor entities since 1996. She served Newmont as the Financial Controller being responsible for the preparation of the budgets, forecasts and financial reports in accordance with US GAAP and Turkish Accounting Standards.

Serhan Umurhan

*Assistant General Manager, Technical*

He serves as Assistant General Manager, Technical, and is responsible for gold processing facilities, maintenance, environmental compliance and the assay laboratory. Between 2001 and 2005 he served in various positions with Normandy and Newmont during their respective ownership of Ovacık, including as project and infrastructure manager. He graduated in 1997 with a B.Sc. degree in Electrical and Electronical Engineering.

Hayrettin Ögüt

*Assistant General Manager, Human Resources and Public Relations*

He serves as Assitant General Manager of human resources and public relations. Between 1993 and 2005, he worked for Newmont and Normandy as their respective public relations manager. He obtained a B.Sc. degree in Chemistry.

Cemalettin Çetin

*Assitant General Manager, Administration*

He serves as te Assistant General Manager in charge of administration. He has held various management positions in the public and private sectors. He has held senior management positions at İpek since 2001. He obtained a Bachelor's degree in Mechanics.

Okan Bayrak

*Assitant General Manager, Investor Relations*

Okan Bayrak, an Assistant General Manager in charge of Investor Relations in our Company has graduated from the Department of Economics of Middle East Technical University in 1995. He joined the Capital Market Board as an Expert in the same year. He has held an office as an Expert at CMB Partnership Finance Department in May 1999. Between 2002 - 2003, he has participated in the training programs covering US stock exchange arrangements, financial institutions and capital markets at the Wharton School of the University of Pennsylvania. On December, 2007, he started to work as a Deputy Head at the Department of Capital Market Board.

Okan Bayrak joined Koza Gold Operations as an Assistant General Manager in May 2010.

# Financial Review

- Production increased to TL 192 koz in first nine months of 2010 by % 21.0 when compared to TL 159 koz in first nine months of 2009.
- Revenue increased to TL 339.5 million in first nine months of 2010 by % 54.0 when compared to TL 220.5 million in first nine months of 2009.
- EBIT increased to TL 204.6 million in first nine months of 2010 by % 83.6 when compared to TL 111.5 million in first nine months of 2009.
- %30.0 of the company is listed in Istanbul Stock Exchange (ISE) in February 2010.
- Within our acquisition strategy, 63 licensed areas including all exploration works covering all activities in Turkey were completely purchased from Newmont Overseas Exploration Limited ve Canmont Mining Properties Limited Companies on 28 June 2010.

## Production

We are a leading Turkish Gold Mining Company based on gold production of approximately 191,914 ounces in first nine months of 2010. As at September 30, 2010 we had 26 operating licences and around 480 exploration licences throughout Turkey.

We currently have two processing plants. Our first processing plant at Ovacık has been operating since 2001. The plant is currently processing 900,000 tpa. In first nine months of 2010 we produced 94koz of gold and 76koz of silver from Ovacık



processing plant. Our second processing plant at Mastra has been commissioned in 2009 and has been operating since March 2009. It is currently processing around 40,000-45,000 tpm. In first nine months of 2010 we produced 98koz of gold and 25koz of silver from Mastra processing plant. We produced 192koz of gold in total in first nine months of 2010 with an increase of %21.0 from 159koz of gold in first nine months of 2009.

The increase in gold production resulted principally from the fact that our ore processing plant at Mastra commenced operations at the end of March 2009.

### Revenues

Our revenues increased by TL 119.0 million, or %54.0 to TL 339.5 million for the nine months ended 30 September 2010 from TL 220.5 million for the nine months ended 30 September 2009. We sold 188,344 ounces of gold in first nine months of 2010 compared to 148,997 ounces of gold in first nine months of 2009, a % 26.4 increase. Attributable production of 192koz was higher than the first nine months of previous year 159koz, following the start-up of production in our second process plant at Mastra. The average realized price per ounce for gold sold was TL 1,788.58 (\$1,182.64) in first nine months of 2010 compared to TL 1,457.49 (\$942.41) in first nine months of 2009.

### Cost of sales

Our cost of sales increased by TL 17.0 million or %20.7 to TL 99.1 million from TL 82.2 million in first nine months of 2009. The principal reason for the increased cost of sales start up of production at our Mastra processing plant , this cost increase caused by staff costs, direct materials, maintenance costs, utilities and transportation costs. Staff costs increased by TL 4.3 million, or % 60.7, to TL 11.3 million in first nine months of 2010 from TL 7.1 million in first nine months of 2009. This increase was mainly attributable to additional employees hired by us in connection with the commencement of operations at our Mastra ore processing plant in March 2009 and to a lesser extent an overall increase in wages which was generally in line with inflation. Direct materials costs increased by TL 1.2 million, or %13.6, to TL 10.2 million in first nine months of 2010 from TL 9.0 million in first nine months of 2009. Maintenance costs increased by TL 3.2 million, or %59.5 to TL 8.5 million in first nine months of 2010 from TL 5.3 million in first nine months of 2009. Utilities increased by TL 2.0 million, or %70.4 to TL 4.8 million in first nine months of 2010 from TL 2.8 million in first nine months of 2009. Increases in the general production, maintenance and energy expenditures have been mainly due to start of production at Mastra in March 2009. Transportation costs increased by TL 2.0 million, or % 51.6, to TL 5.8 million in first nine months of 2010 from TL 3.8 million in first nine months of 2009. Principally due to the additional transportation costs incurred for the transportation of the high grade ores from Gicik Project to Kaymaz and increased transportation of Kucukdere ores in first nine months of 2010 compared to previous year.

Cash cost was 475 TL (US\$314) per ounce in first nine months of 2010, and 391 TL(US\$249) per ounce in first nine months of 2009.

## Selling and Marketing Costs

Our selling and marketing costs decreased by TL 0.8 million, or %23.8, to TL 2.5 million from TL 3.3 million in first nine months of 2009 . In February 2010 we signed an agreement with Turkish Refinery Atasay Kıymetli Madenler A.Ş. which allows us to sell all dore in Turkey. Sale costs would drop in coming months as the produced gold and silver have been sold domestically and 1% of sale commission which arises from export will not be paid..And the sale of the gold and silver is executed in two working days.

## General Administrative Expenses

Our general administrative expenses increased by TL 6.4 million, or %38.0, to TL 23.2 million in first nine months of 2010 from TL 16.8 million in first nine months of 2009. These increased expenses were principally attributable to an increase in consultancy and audit costs. Our consultancy and audit costs increased by TL 2.4 million, or %341.7, to TL 3.1 million in first nine months of 2010 from TL 0.7 million in first nine months of 2009. This increase resulted principally from the IPO consultancy and audit costs. The donation expense incurred in first nine months of 2010 was 1.1 million TL.

## Exploration Costs

Exploration costs increased by TL 2.9 million, or %40.2, to TL 10.0 million in first nine months of 2010 from TL 7.2 million. This increase resulted primarily as a result of the increased scope of our exploration and surveying of various development and exploration projects

## Profit for the Period

As a result of the foregoing, our profit for first nine months of 2010 increased by TL 82.8 million, or %92.4, to TL 172.4 million in first nine months of 2010 from TL 89.6 million in first nine months of 2009. Our profit margin for first nine months of 2010 increased to % 50.8 from %40.6 in first nine months of 2009.

## Capital Expenditures

We primarily incur capital expenditures to build new mines and processing plants, expand, upgrade and improve existing mines, processing plants, and related infrastructure, purchase mining and processing equipment to replace aged, inefficient, or obsolete machines and explore our licence areas for new resources. Our mining and non-mining capital expenditures for first nine months of 2010 are as below with comparison first nine months of 2009. As operation has started in Çukuralan there is an increase in the capital expenditure. Additionally, the construction of Kaymaz Process Plant has started in September 2010.

	2010 Jan-Sep	2009 Jan-Sep
Ovacık	22.816.357,7	17.876.857,8
Mastra	25.468.678,2	40.140.343,9
Küçükdere	1.222.643,8	10.145.837,7
Kaymaz	5.394.179,8	2.692.275,0
Çukuralan	15.578.346,6	4.496.085,9
Gıcık	3.269,8	758.562,1
Other	3.839.246,2	160.940,6
<b>Total</b>	<b>74.322.722,0</b>	<b>76.270.902,9</b>

## Cash flow

Net cash generated from operating activities increased TL 151.7 million or %4,922.2 to TL 154.8 million for the nine months ended 30 September 2010 from TL 3.1million for the nine months ended 30 September 2009. Mainly as a result of increased gold sales by increased gold production and gold price. Also this increase is due to increase of 44.3 million TL in collection of trade receivables from related parties and decrease of 42.2 million TL in dividends paid related to previous period. There is an increase of 24.0 million TL in tax and 9.8 million TL increase in fixed asset purchases material and non- material and fixed asset advances given.

Our corporate tax for first nine month of 2010 has increased to 40.7M TL from 22.2M TL due to the higher revenue in first nine month of 2010 when compared to first nine month of 2009 . The reason for this is the , increase in production effected by Mastra Plant and high gold prices. (Average gold price for the first nine months of 2009 was 1,457.49 TL(\$942.41); average of 1,788.58TL (\$1,182.64) for the first nine months of 2010.)Our debt structure is strong. Currently we are financing our capital expenditures from cash that we are generating from operations.

With the construction of our third processing plant in Kaymaz, our plan is to increase our production in 2011 with maintaining strong balance sheet and debt structure.

RATIOS	30 September 2010	31 December 2009	30 September 2009
Net Sales	339.462.915	342.381.493	220.500.983
EBIT	204.612.571	183.632.403	111.454.798
EBITDA	247.433.729	244.698.521	159.276.639
Net profit	172.363.122	146.819.752	89.606.265
EBITDA Margin	72,9%	71,5%	72,2%
Liquidity Ratios			
Current Ratio	3,7	2,2	1,3
Quick Ratio	2,8	1,2	0,5
Cash ratio	2,6	0,4	0,1
Financial Leverage Ratios			
Debt Ratio	0,2	0,3	0,4
Debt-to-Equity Ratio	0,3	0,5	0,6
Profitability Ratios			
Return On Equity	0,5	0,6	0,5
Return On Assets	0,4	0,4	0,3
EBIT/Sales	0,6	0,5	0,5
Net profit/Sales	0,5	0,4	0,4

## Investment Policy

Exploration activities of the Company consist of exploring new gold and silver deposits, calculating resources by sampling and modelling; and directing the pre-production process for the areas that are economically feasible. Company's exploration team is continuously exploring the potential areas. In case of any positive result, the Company applies for an exploration licence, and the exploration team is sampling and modelling the licenced area. All the samples taken are analyzed by the Company and by the international consultants for resource calculation. If any economically feasible resource deposit is explored, the production is planned by a construction of a new process plant or by processing the ore in the nearest hub.

## Dividend Policy

Our company firstly aims to grow in present areas of production and operational facilities, to make strategic investments in new gold fields and to weigh on exploration activities within current exploration licenses. Within this framework, our Company has been targeting to meet all these investments by cash inflow derived from production areas

Within the framework of strategically targets, growth trend, investment policies, profitability and cash status and the provisions of Turkish Trade Act, Capital Market Regulations, Taxation Regulation and relevant clause of our principal contract related to the distribution of profit, Our Company will pay the dividend in the form of cash and/or unpaid shares in minimum proportion of it as basically specified by the Capital Market Board. The dividend, which will be distributed in pursuant to the decision to be taken at General Board meeting may be paid in full or in the form of unpaid shares or be determined to be as partially in cash and unpaid shares.

In parallel with the profit distribution policy of the recent years, it is always possible for the Board of Directors to decide proportion of profit distribution to be above the minimum ratio and submit this to the General Board for the approval.

Payments of dividend will be effected within the legal period based on the articles of associations.

## Financial Risk Management

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, existing and prospective debt requirements, the Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

In addition, the Group'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. Cash flow forecasting is



performed for each operating mines and aggregated by the Group treasury and finance. Such forecasting takes into consideration the Group's financing plans.

#### Foreign exchange risk

As the Group's trade receivables and bank borrowings are mainly denominated in USD, foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. The price in global gold market predominately is USD which also exposes the Group to the foreign exchange risk. The Group is exposed to foreign exchange risk through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. These risks are monitored by analysis of the foreign currency position.

#### Price risk

The main operational risk is derived from gold price risk. Gold price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of gold. The profitability of the Group's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold, such that a fall in the price of gold relative to the Group's operating cost of production for any period may lead to a decrease in operational profitability of the Group. The Group does not anticipate that prices in global gold markets will decrease significantly in the foreseeable future, and therefore, has not entered into derivative or other contracts to manage the risk of a decline in prices in global gold markets. Furthermore, the Group reviews its outlook for the market prices regularly in considering need for active financial risk management. This risk is closely monitored by analysis of the prices in global gold markets.

#### Interest rate risk

The Group's interest rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates and other interest bearing liabilities expose the Group 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.

#### 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 Group sells the doros to only refineries, one in Turkey other in Europe, with a maturity of less than one month, the credit risk for the Group is very low. The Group 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.

## Personnel

Personnel details are below:

Location	2006	2007	2008	2009	2009 Jan-Sep	2010 Jan-Sep
Exploration	25	29	18	51	52	75
Ovacık Production	122	123	158	134	119	140
Ovacık Other	152	183	236	213	219	215
Mastra Mine Geology	-	10	11	21	24	20
Mastra Production	4	27	71	145	129	130
Mastra Other	28	25	101	107	105	108
Küçükdere Mine Geology	-	7	7	8	7	0
Küçükdere Production	3	6	11	14	14	4
Küçükdere Other	10	11	18	18	18	10
Kaymaz Mine Geology	-	-	-	-	0	4
Kaymaz Production	-	-	-	-	0	4
Kaymaz Other	-	-	-	-	13	22
Cukuralan Mine Geology	-	-	-	-	-	12
Cukuralan Production	-	-	-	-	-	22
Cukuralan Other	-	-	-	-	-	27
<b>TOTAL</b>	<b>344</b>	<b>421</b>	<b>631</b>	<b>711</b>	<b>700</b>	<b>793</b>

## Incentives

The Province of Gumushane where Mastra Gold Mine is situated has been one of the provinces which are covered under Investment and Employment Incentive Act 5084. 80% of the income tax is borne by the Treasury. The amount met by the Treasury must not exceed 80% of the sum as calculated by multiplying number of employees with income tax commuted on the minimum wage. Minimum living reduction total for the personnel calculated should be deducted from this amount. We also benefit from Employer incentive premium applied within the same Act. Treasury meets 20 % of the energy expenditure. For companies employing more than 10 people, 0.5% is added for each additional employee. Energy Support share paid by the Treasury can not exceed 40%. As 10% of the investment has been completed as at 31.12.2010 for investment granted with Incentive Certificate at Gumushane, contribution rate to investment is 60% and corporate tax reduction rate is 90%.

For our workplaces other than Gumushane, we also benefit 5% employer premium incentive based on the Act 5510.

## Post Balance Sheet Events

### • 18.10.2010 -

It has been necessary to issue a statement as there has been some news circulated around some press groups and data circulating channels regarding Ovacik Gold Mine.

European Human Rights Court has not penalized Turkey for exploring gold by using cyanide at Ovacik Gold Mine. No gold has been and is being explored at Ovacik Gold Mine with use of cyanide. The verdict by the Court is not related to any mining activities or usage of chemical. EHRC has found that administrative process was at fault during implementation of operational permit issued to Normandy Mining in 2001.

EHRC has considered a procedural fault at the Cabinet's request to have TUBITAK (Turkish Institute of Scientific And Technical Research) to prepare a report in 2001 and on the basis of that report, to issue an operating permit, and failure to publish it in the Official Gazette; whereas EIA report should have been arranged by the authorized Ministry of Environment. In its judgement, the Court has awarded applicants non-pecuniary damages due to procedural mistake. The Court has rejected compensation claims of the applicants since there had not been any damages. Upon this verdict and in line with it, EIA report was prepared within the EU standards by the authorized Ministry of Environment and Forestry and the permits have been issued by the relevant authorities conforming to EHRC's decision.

Ovacik Gold Mine has been operating based on the new EIA report prepared in EU standards. Carrying out its activities for 15 years, Ovacik Gold Mine has been and is being regularly inspected by the inspection committees formed with participation of authorized government agencies and international inspecting institutions. The reports by the experts appointed by the courts have so far proved that there has not been any single harm to the environment and human health. With its environment performance, Ovacik Gold Mine has been shown an example to the world mining by EU.

## Changes in the Articles of Association

i. By increasing our company's fully paid capital of 60.000.000.TL to 152.500.000TL to be met by the year 2009 profits, and in order to register nominal value shares of 92.500.000TL, which will be issued and offered to public within Capital Market Board, following draft amendments and inclusions on the Company's Articles of Association have been approved by the CMB dated 16.04.2010 with resolution no:10/329.

Amendment of article 6 titled; "Capital and Type of Shares" ; inclusions of article 7/A titled; "Related Party Transactions", Article 7/B titled; "Committees attached to Board Management", and article 10/A titled; "Auditing Committee". The changes to these articles 6, 7, and 10 have also been permitted by the Ministry of Trade and Industry with their reference letter no:2262.

### CAPITAL AND TYPES OF SHARES ARTICLE 6.

The capital of the company is TL 60.000.000 (Sixty million Turkish Liras) and has been divided into 1.200.000.200 A-group shares and 4.799.999.800 B-group shares, each of which has nominal value of 1 New Kurush, which correspond to 6.000.000.000 (sixty billion) shares in total. The distribution of shares by their groups and types is as follows;

Group	Registered/Bearer	Number of Shares	Share Amount (TL)
A	Registered	1.200.000.200	12.000.002,00
B	Bearer	4.799.999.800	47.999.998,00

### CAPITAL AND TYPES OF SHARES ARTICLE 6.

The capital of the company is TL 152,500.000 (One hundred fifty two million and five hundred thousand Turkish Liras) and is divided into 3.050.000.508 A-group shares and 12.199.999.492 B-group shares, each of which has nominal value of 1 New Kurush, which corresponds to 15,250.000.000 (fifteen billiontwohundredfifty thousand) shares in total. The distribution of shares by their groups and types is as follow

Group	Registered/Bearer	Number of Shares	Share Amount (TL)
A	Registered	3.050,000,508	30,500.005,08

<b>Total</b>		<b>6.000.000.000</b>	<b>60.000.000,00</b>
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This capital has been fully paid. A-group shares are registered shares and B-group shares are bearer shares. In any capital increase, A-group new shares will be issued against A-group shares and B-group shares against B-group shares. Transfer of share certificates of the company is allowed provided that the provisions of Turkish Trade Code, Capital Market Law and these articles of association are reserved.

<b>B</b>	<b>Bearer</b>	<b>12,199.999.492</b>	<b>121.999.994,92</b>
<b>Total</b>		<b>15,250,000,000</b>	<b>152,500,000.00</b>

Former capital has been fully paid. The entire amount of 92.500.000-TL representing this increase was met by the 2009 profit. The shares to be issued for 92.500.000TL added into Company capital from internal resources (profit from year 2009) will be given to company's share holders as bonus issue and in the ratio of their current shares. A-group new shares will be issued against A-group shares and B-group shares against B-group shares. Shares representing capital are monitored within the frameworks of recordings. Transfer of share certificates of the company is allowed provided that the provisions of Turkish Trade Code, Capital Market Law and these articles of association are reserved.

#### **THE BOARD OF DIRECTORS AND PERIOD THEREOF ARTICLE 7.**

The Board of Directors consists of five persons. Four of these are elected by the General Assembly from the persons to be nominated by the owners of A-group registered shares and one independent member is elected by the General Assembly from the persons nominated at the General Assembly meeting.

Majority of board members must be Turkish national and have the qualifications set forth in the legislation of Turkish Trade Code and Capital Market. At the 1st meeting after each Ordinary General Assembly or each General Assembly at which members are elected, the Board of Directors elects President and Vice President from the members representing the owners of (A)-group registered shares.

In case of vacancies in the Board of Directors due to death and resignation of members or other reasons, the Board of Directors elects a new board member having the legal qualifications specified in Turkish Trade Code and Capital Market Law from the owners of the share group from which old member is elected and the circumstance is submitted to approval of the first General Assembly to convene. The members elected in this way serve until the the first General Assembly, and complete remaining periods of office of old members when their election is approved by the General Assembly.

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#### **Related Party Transactions**

##### **Article 7/A**

The Board of Management must approve loan transactions and agreements signed with the company and group companies, affiliates and all related parties and all kinds of loan, advance,



	<p>sales and purchases carried out by the board members, managers and officials with the company. It is mandatory for an independent member to attend and cast vote (in favour or against) at the meetings where Board management approves the transactions with related parties. If there are more than two independent members on the board, majority of the members must attend and vote (in favour or against) for related resolution. Board member who possesses benefit in related party transaction must disclose it. Those who oppose the resolution sign it with stating the reasons of objections. Independent Board Members can vote in favour or against in relation with related party transactions and state their objections and have them included in the minutes of meeting. It is compulsory to record all the notices of objections and statement of benefits as well as votes and to keep minutes within the company.</p> <p><b>Committees attached to Management of Board Article 7/B</b></p> <p>In order to execute duties and responsibilities in sound manner and taking into the consideration of the needs of the Company, the Management of Board, sets up Auditing Committee and if required, sufficient number of other committees. Duties and areas of the activities are defined in detail when deciding to set up these committees in the light of the provisions of Articles of Association.</p> <p>The committees are structured within the frameworks of this Articles of Association and Capital Market Board's Corporate Governance principles. Committee president is elected amongst the Independent members.</p> <p>Committee members may be elected from non-executive board members. Committees act independently and submits proposals to the Board Management. They have no authority to take executionary decisions. Board of Management is authorized to take decisions on matters proposed by the committees.</p> <p>Committees convene upon a call by the Committee President whenever necessary. All works are conducted in writing and necessary records are kept. All communication and notification process are conducted by Secretariat of the Board Management.</p>
<p><b>AUDITORS AND DUTIES THEROF ARTICLE 10.</b></p> <p>The General Assembly assigns two auditors for a period of at most three years. Auditors are elected from the persons to be nominated by (A)-group registered shares.</p> <p>Auditors are obliged to carry out the duties set forth in articles 353 and 357 of Turkish Trade Code.</p>	<p><b>AUDITORS AND DUTIES THEROF ARTICLE 10.</b></p> <p>The General Assembly assigns two auditors for a period of at most three years. Auditors are elected from the persons to be nominated by (A)-group registered shares.</p> <p>Auditors are obliged to carry out the duties set forth in articles 353 and 357 of Turkish Trade Code.</p> <p><b>Auditing Committee Article 10/A</b></p> <p>Auditing Committee is formed and acts in pursuant to the Capital Market Law, arrangements of Capital Market Board other applicable provisions of procedures Auditing Committee is chaired by independent board member.</p>

The audit committee should take all necessary measures in order to ensure that internal and external auditing are carried out adequately and transparently, in particular with the duties and responsibilities for following matters

- a) Observes Company's accountancy system, disclosing financial information to public, functioning and effectiveness of internal control system and independent auditing
- b) Selects independent auditing firm, prepares auditing contracts and initiates independent auditing process and monitors auditing firm works at all stages,
- c) Determines independent auditing firm and the services to be provided and submit it Board Management's approval.
- d) The audit committee should evaluate and resolve any issues pertaining to the complaints and suggestions on the accounting practices, internal control system and external auditing as submitted to the company and also ensure that complaints lodged by the employees in this respect are evaluated within the framework of confidentiality principle.
- e) Compiles opinions from Company's responsible officials and independent auditors in relation with accountancy principles pursued by the company and its authenticity and adding own assessment, notifies Board of Management in writing
- f) When necessary, benefits from independent expert opinions. The costs associated with consulting services are met by the Company.

Auditing Committee convenes at least quarterly and four times a year and the minutes resulting from these meetings are submitted to the Board Management. The Committee responsible for auditing immediately notifies Board of Management in writing of any findings and proposals related with the area of duties and responsibilities.

The duties and responsibilities of Auditing Committee,

Duties and responsibilities of Auditing Committee does not abolish the responsibilities of Board of Management arising from Turkish Trade Act.

If necessary, Auditing Committee may inform Company's General Board of the certain matters

**CONSOLIDATED BALANCE SHEETS****AT 30 SEPTEMBER 2010 AND 31 DECEMBER 2009**

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

	30 September 2010	31 December 2009
<b>ASSETS</b>		
<b>Current assets:</b>	<b>219.271.464</b>	<b>123.081.336</b>
Cash and cash equivalents	154.783.483	20.826.910
Trade receivables from related parties	0	34.892.688
Other receivables from related parties	11.407	9.309.183
Other receivables	6.479.657	4.404.473
Inventories	55.575.663	52.731.103
Other current assets	2.421.254	916.979
<b>Non-current assets:</b>	<b>258.571.126</b>	<b>212.396.217</b>
Property, plant and equipment	225.371.467	199.431.106
Intangible assets	779.338	919.929
Goodwill	14.017.036	2.784.852
Deferred income tax assets	7.467.280	4.188.089
Other non-current assets	10.936.005	5.072.241
<b>TOTAL ASSETS</b>	<b>477.842.590</b>	<b>335.477.553</b>

**CONSOLIDATED BALANCE SHEETS****AT 30 SEPTEMBER 2010 AND 31 DECEMBER 2009**

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

	30 September 2010	31 December 2009
<b>LIABILITIES</b>		
<b>Current liabilities:</b>	<b>58.715.085</b>	<b>56.319.583</b>
Borrowings	11.317.189	9.188.029
Trade payables	13.192.523	19.890.121
Trade payables to related parties	229.703	208.502
Trade payables to other parties	12.962.820	19.681.619
Other payables	1.083.973	758.760
Other payables to related parties	11.686	28.383
Other payables to other parties	1.072.287	730.377
Current income tax liabilities	17.352.644	16.466.835
Provisions	13.465.129	7.437.841
Other Current liabilities	2.303.627	2.577.997
<b>Non-current liabilities:</b>	<b>43.696.796</b>	<b>48.590.384</b>
Borrowings	19.535.385	28.955.769
Provisions	14.133.060	18.093.604
Provision for employment benefits	2.046.751	1.541.011
Other non-current liabilities	7.981.600	0
<b>TOTAL LIABILITIES</b>	<b>102.411.881</b>	<b>104.909.967</b>
<b>EQUITY</b>	<b>375.430.709</b>	<b>230.567.586</b>
Share capital	152.500.000	60.000.000
Adjustment to share capital	3.578.596	3.578.596
Legal reserves	65.233.675	29.504.842
Accumulated losses/Retained earnings	(18.244.685)	(9.335.604)
Net period income	172.363.123	146.819.752
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>477.842.590</b>	<b>335.477.553</b>

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2010 AND 30 SEPTEMBER 2009**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	1 January - 30 September 2010	1 July 30 September 2010	1 January - 30 September 2009	1 July 30 September 2009
Revenue	339.462.915	131.609.368	220.500.983	94.737.543
Cost of sales	(99.121.033)	(35.260.945)	(82.153.136)	(36.475.757)
<b>Gross profit</b>	<b>240.341.882</b>	<b>96.348.423</b>	<b>138.347.847</b>	<b>58.261.786</b>
General administrative expenses	(23.225.124)	(7.514.381)	(16.831.892)	(5.568.948)
Exploration costs	(10.044.874)	(4.035.042)	(7.162.246)	(3.509.966)
Selling and marketing costs	(2.525.058)	(419.619)	(3.315.398)	(1.379.920)
Other operating income	521.507	217.744	424.421	
Other operating expenses	(455.762)	(455.006)	(7.934)	(44.909)
<b>Operating profit</b>	<b>204.612.571</b>	<b>84.142.119</b>	<b>111.454.798</b>	<b>47.758.043</b>
Finance income	20.606.473	7.940.325	6.239.061	5.343.997
Finance expense	(14.405.760)	(4.660.020)	(5.861.452)	(905.532)
<b>Profit before taxation on income</b>	<b>210.813.284</b>	<b>87.422.424</b>	<b>111.832.407</b>	<b>52.196.508</b>
	(38.450.161)	(16.971.851)	(22.226.142)	(10.497.036)
Income tax Expense	(40.954.680)	(17.362.678)	(22.189.309)	(10.325.038)
Deferred Tax Income	2.504.519	390.827	(36.833)	(171.998)
<b>Profit for the year</b>	<b>172.363.123</b>	<b>70.450.573</b>	<b>89.606.265</b>	<b>41.699.472</b>
<b>Other comprehensive income for the period/year, net of tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period/year</b>	<b>172.363.123</b>	<b>70.450.573</b>	<b>89.606.265</b>	<b>41.699.472</b>
<b>Earnings per share</b>	<b>1,1302</b>	<b>0,4620</b>	<b>0,5876</b>	<b>0,2734</b>



**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS AND YEARS ENDED 30 JUNE 2010 AND 31 DECEMBER 2009**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	1 January - 30 September 2010	1 January - 30 September 2009
<b>Cash flows from operating activities:</b>		
Profit before taxation on income	210.813.284	111.832.407
<b>Adjustments to reconcile profit to net cash generated from operating activities:</b>		
Depreciation and amortisation	48.647.874	53.783.776
Interest income	(5.532.276)	(594.590)
Interest expense	962.017	587.376
Provision for employment benefits	567.313	491.373
Exploration costs	10.044.874	7.162.246
Depletion cost	1.135.818	1.050.028
(Gain)/ loss from sales of property, plant and equipment and intangible assets-net	(52.686)	(281.220)
Taxes paid	(40.068.871)	(16.077.918)
<b>Net cash generated before changes in assets and liabilities</b>	<b>226.517.347</b>	<b>157.953.478</b>
<b>Changes in assets and liabilities:</b>		
Increase in inventories	(2.844.560)	(22.337.422)
Increase in due from the related parties- trade receivables	34.892.688	(9.401.371)
Decrease / (increase) in other assets and receivables	(1.872.386)	1.090.377
(decrease)/ increase in trade payables	(6.976.977)	(432.193)
(Decrease)/ increase in due to the related parties- trade receivables	21.201	87.523
Increase / (decrease) in other short term liabilities	(4.837.587)	3.127.033
Payment for rehabilitation activities	(1.785.788)	(3.985.350)
Payment for exploration activities	(9.786.696)	(7.059.497)
Employment benefits paid	(61.573)	(185.246)
Unrealized Foreign exchange (losses)/gains	(773.879)	(92.064)
<b>Net cash generated from operating activities</b>	<b>232.491.790</b>	<b>118.765.268</b>
<b>Cash flows from investing activities:</b>		
Interest received	5.306.858	1.298.015
Purchases of property, plant and equipment and order advances given	(81.214.798)	(71.428.036)
Proceeds from sales of property, plant and equipment and intangibles	71.376	558.801
Proceeds from the related parties- non-trade receivables	16.386.333	17.975.027
Loans granted to the related parties- non-trade receivables	(7.314.577)	(13.150.620)
Increase in other liabilities related to subsidiary acquisition	7.981.600	0
The cash out of during the acquisition of Subsidiaries	(4.755.949)	0
<b>Net cash used in investing activities</b>	<b>(63.539.157)</b>	<b>(64.746.813)</b>
<b>Cash flows from financing activities:</b>		
Redemption of bank borrowings	(5.838.077)	(2.675.651)
Interest paid	(972.951)	(414.048)
Loans granted by the related parties- non-trade payables	0	13.602.342
Repayment to the related parties- non-trade payables	(16.697)	(368.168)
Dividends paid	(27.500.000)	(69.653.898)
<b>Net cash used in financing activities</b>	<b>(34.327.725)</b>	<b>(59.509.423)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>134.624.908</b>	<b>(5.490.968)</b>
Cash and cash equivalents at start of year	20.826.910	8.480.909
Foreign exchange gains/ (losses) on cash and cash equivalents	(668.335)	92.064
<b>Cash and cash equivalents at the end of year</b>	<b>154.783.483</b>	<b>3.082.005</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED 30 JUNE 2010 AND 30 JUNE 2009**  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

		Adjustment to		(Accumulated losses)/	Net Period	Total
	Share Capital	Share capital	Legal Reserves	Retained earnings	income	Equity
<b>1 January 2010</b>	<b>60.000.000</b>	<b>3.578.596</b>	<b>29.504.842</b>	<b>(9.335.604)</b>	<b>146.819.752</b>	<b>230.567.586</b>
Transfer to previous period profit of previous year profit	0	0	0	146.819.752	(146.819.752)	0
Transfer from retained earnings to paid-in capital	92.500.000	0	0	(92.500.000)	0	0
Separation of legal reserve	0	0	35.728.833	(35.728.833)	0	0
Dividend payment	0	0	0	(27.500.000)	0	(27.500.000)
Net period income	0	0	0	0	172.363.123	172.363.123
<b>30 September 2010</b>	<b>152.500.000</b>	<b>3.578.596</b>	<b>65.233.675</b>	<b>(18.244.685)</b>	<b>172.363.123</b>	<b>375.430.709</b>
<b>1 January 2009</b>	<b>44.350.000</b>	<b>3.578.596</b>	<b>22.761.202</b>	<b>2.440.096</b>	<b>80.271.838</b>	<b>153.401.732</b>
Transfer to previous period profit of previous year profit	0	0	0	80.271.838	(80.271.838)	0
Transfer from retained earnings to paid-in capital	15.650.000	0	0	(15.650.000)	0	0
Separation of legal reserve	0	0	6.743.640	(6.743.640)	0	0
Dividend payment	0	0	0	(69.653.898)	0	(69.653.898)
Net period income	0	0	0	0	89.606.265	89.606.265
<b>30 September 2009</b>	<b>60.000.000</b>	<b>3.578.596</b>	<b>29.504.842</b>	<b>(9.335.604)</b>	<b>89.606.265</b>	<b>173.354.099</b>

# Operational Review

- 159koz gold production in first nine month of 2009, 192koz gold production in first nine month of 2010.

We currently own three operating mines: an Underground mine at Ovacık, and a mine at Mastra where we utilise both underground and open pit mining methods and an openpt mine at Çukuralan. Our mining operations at Küçükdere, an open pit mine located 80 km from the Ovacık Mine, completed in March 2010 and rehabilitation work is continuing. In addition we have one advanced development project: Kaymaz Project in the Kaymaz area. Kaymaz project will involve open pit mining.



## Mining Operations

### Ovacık

The Ovacık mine is located near Ovacık village in western Turkey, approximately 100 km north of İzmir. It is an underground and open pit mine complex. Material from the open pit operation was depleted in September 2007. The open pit has been partially backfilled and no further production is currently planned. The current underground ore reserves give operations at Ovacık an expected lifespan through the end of May 2012; however drilling is currently being undertaken with the aim of increasing the ore reserve at depth to extend the mine life.

The table below presents an overview of our mining operations at the Ovacık mine:

	2010 Jan-Sep	2009 Jan-Sep
Ore mined (t)	139.817	132.826
Open pit (t)	0	0
Underground (t)	139.817	132.826
Au average head grade (g/t)	6,72	8,23
Ag average head grade (g/t)	3,94	4,94

The table below presents an overview of our processing operations at Ovacık (including processing ore from Küçükdere):

	2010 Jan-Sep	2009 Jan-Sep
Ore milled (t)	638.836	579.516
Recovery rate, Au %	94,15	94,52
Au Grade (g/t)	4,85	5,83
Au poured (oz)	94.567	101.956
Ag poured (oz)	77.441	140.883

The Ovacık processing plant is our regional processing hub for ore located in the Ovacık area. It is currently operating mainly on feed from the Küçükdere ore stockpile along with some materials from the Ovacık underground mine. It is aimed to start production at Cukuralan project in last quarter 2010.

### Ovacık & Surrounding Properties



## Mastra

Our mining operations at Mastra are located 80 km south of the Black Sea, in northeastern Turkey. Mastra comprises both open pit and underground mining operations. Mining operations at the Mastra open pit are scheduled to complete in July 2011.

The table below presents an overview of our mining operations at the Mastra mine:

	2010 Jan-Sep	2009 Jan-Sep
Ore mined (t)	316.824	428.694
Open pit (t)	196.014	338.345
Underground (t)	120.810	90.349
Au average head grade (g/t)	11,39	10,65
Ag average head grade (g/t)	6,21	4,92

The table below presents an overview of our processing operations at Mastra:

	2010 Jan-Sep	2009 Jan-Sep
Ore milled (t)	343.961	224.664
Recovery rate, Au %	94,92	90,60
Au Grade (g/t)	9,24	8,53
Au poured (oz)	93.863	52.930
Ag poured (oz)	24.772	13.706

The construction of the processing plant has been completed and the commissioning has began in March 2009. Feed to the plant is blended from open pit and underground material from Mastra. Plant throughput is currently around 40,000tpm.





### Küçükdere

The Küçükdere mine is located 80 km from the Ovacık mine. We acquired this property in November 2005 from Tüprag and we started the production in several small pits in 2006. The Küçükdere operation ended in March 2010. Rehabilitation works are currently continued.

The table below presents an overview of our mining operations at the Küçükdere mine:

	2010 Jan-Sep	2009 Jan-Sep
Ore mined (t)	43.613	639.823
Open pit (t)	43.613	639.823
Underground (t)	0	0
Au average head grade (g/t)	6,65	5,03
Ag average head grade (g/t)	14,14	11,97

### Gıcık

The Gıcık Project is located on the east side of Ankara. It was a small open pit mining operation which was completed in December 2009 with high grade ore transported 800 km to the Mastra processing plant. Run-of-mine ore has been stockpiled and transported to Kaymaz property for processing when the Kaymaz facility is commissioned, which we anticipate will be in second half of 2011.

The table below presents an overview of our mining operations at the Gıcık mine:

	2010 Jan-Sep	2009 Jan-Sep
Ore mined (t)	0	24.146
Open pit (t)	0	24.146
Underground (t)	-	-
Au average head grade (g/t)	0,00	7,18
Ag average head grade (g/t)	-	19,94

### Çukuralan

Çukuralan is a development stage project in the Ovacık area and is located approximately 40km northwest of the Ovacık mine. This exploration property is low sulfidation, epithermal gold vein system. Since 2005, we performed extensive work on the project, including detailed mapping, stream sediment and soil sampling, resulting in identification of a vein system. The road construction and waste removal have already at Çukuralan.

We expect to commence mining ore at Çukuralan in last quarter of 2010 from open pit operations and in first quarter of 2011 from an underground mine. The ore will be transported 40 km on trucks to the Ovacık processing plant. The project Environmental Impact Assessment(EIA) report was issued in September 2009 and the relevant EIA affirmative certificate has been granted to begin deforestation of the pit area. We plan to follow the Küçükdere model for grade control, contract mining and stockpile management.

We plan to transport high grade and run-of-mine ores to the Ovacık processing plant based on demand and to stockpile surplus low grade material for processing at a later date. We plan to use our staff to monitor contractor operations. The current production schedule is based on a 30,000 tpd total mining rate with a stripping ratio of 18:1 (ore:waste). The underground mine at Çukuralan will be accessed at the beginning of 2011, with ore mining planned to begin in the same year.

## Advanced Development Projects

### Kaymaz

The Kaymaz project is located in north western Turkey, approximately 150 km from Ankara. The Kaymaz deposits comprises a number of different mineralisation styles, including manto-type mineralisation, quartz stock works, quartz veinlets and episodic brecciation adjacent to the granite dike. We expect to commence ore mining at our advanced development project at Kaymaz in 2011 and complete construction of our planned third processing plant, with commissioning in second half of 2011. The primary and secondary mills for Kaymaz have already been ordered and are scheduled to be delivered in 2010. The detailed processing plant design commenced in December 2009. We have elected to use a processing plant flowsheet and design almost identical to those installed at Ovacık and Mastra. It is envisaged that the Kaymaz processing plant will be able to process around 50 tph and this will result in an annual nominal treatment rate of around 400,000 tpy. We are currently targeting gold recoveries of around 84.0%.

## Pre-feasibility Project

### Mollakara

The Mollakara Project is approximately 55 km southeast of Ağrı adjacent to the village of Mollakara and is located in Diyadin area in Eastern Anatolia. The Mollakara Project was held by Newmont between 2005 and 2008. Mineralisation at Mollakara is both structurally and lithologically controlled. We have not satisfactorily identified the feeder zones for this project and this is currently a focus for our exploration activities at Mollakara. In addition, we are searching for potential structural extensions. Exploration at Mollakara will include deeper drilling, additional mapping and resource modeling.

Depending on the grade and mineralogy of the deposit, cyanide heap leaching is likely to be used for gold extraction. We plan to construct a Mollakara heap leach facility to serve as a central processing plant for

Mollakara and other nearby deposits. We have undertaken studies which will be included in a pre-feasibility study for the Mollakara project. These studies include metallurgical test work commenced by SGS Mineral Services UK in December 2009 and a rock mechanics study that commenced in November 2009.

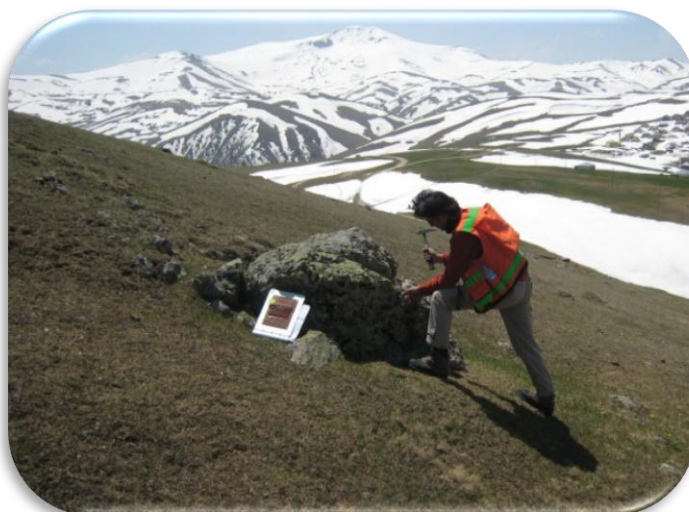
The payment of 2% of royalty from production in pursuant to the contract signed with Newmont in November 2008, has been cancelled as the 99.84% of the company was acquired on 28 June 2010.

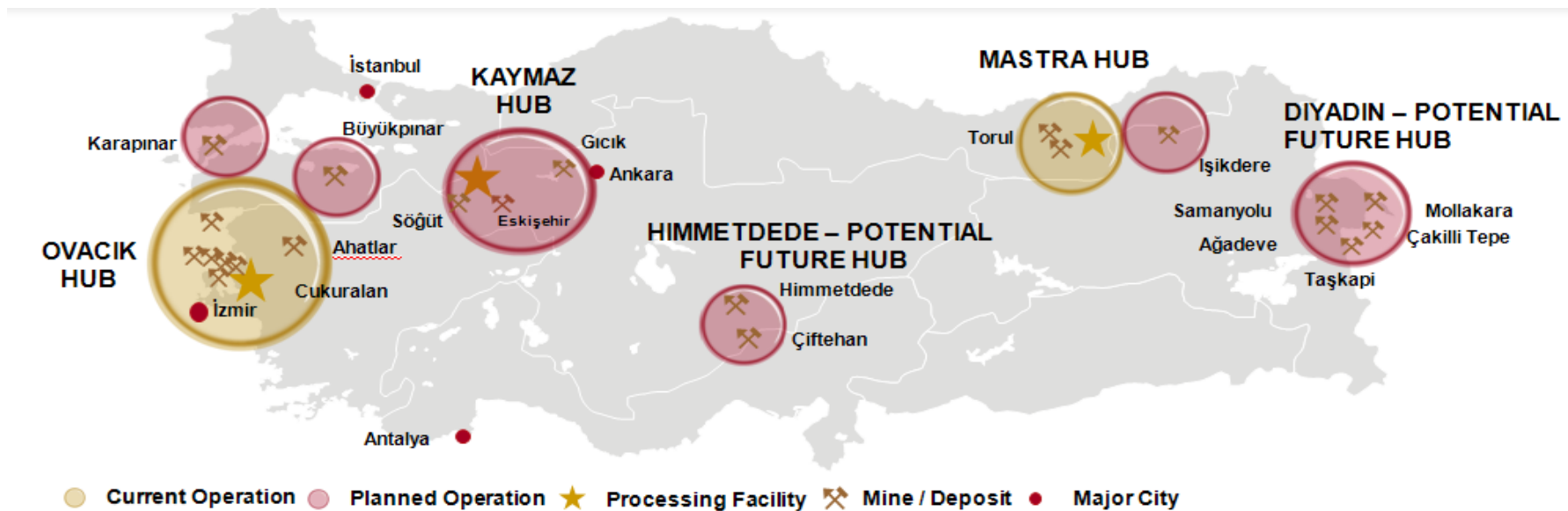
## Reserves and Resources

As 31 March 2010 we had 26 operating licences and around 480 exploration licences throughout Turkey in the Aegean and Marmara regions, the Black Sea region and Central and Eastern Anatolia.

We have a pre-feasibility stage project, Mollakara, located near Ağrı in the north-east of Turkey. In addition our properties also include 17 exploration prospects in Turkey, ranging from early-stage to advanced exploration prospects with resource estimations completed in 2009. At most of our exploration prospects, mapping and sampling programmes are ongoing or completed and drilling and geophysical surveys have already commenced or are planned for 2010. Currently our exploration activities are focused on the expansion of resources surrounding our current and planned mining operations in Ovacık, Mastra and Kaymaz mine areas and in the Diyadin and Himmetdede exploration areas.

As a result of acquisitions and exploration activities, from our inception in March 2005 to 31 December 2009 our total gold resource base increased more than sixfold to 8.0 million ounces from 1.3 million ounces. Over the same period, our total reserve base increased to 1.8 million ounces from 0.4 million ounces, also benefiting from increasing gold prices. Almost half of the resources consist of inferred material. Therefore, Koza is planning to utilize 8 rigs during the year to continue exploration programme and to convert the inferred resources into the higher confidence categories of measured and indicated allowing economic assessments to be made on the resources.





- ☞ A Hub strategy = a central processing plant, surrounded by satellite mining operations
- ☞ A Hub strategy is central to Koza Gold achieving its production and resource objectives
  - Enables profitable acquisition and development of smaller, high-grade deposits, Significantly reduces capital costs
- ☞ Turkey remains largely untapped relative to regions with similar gold resource endowments
  - Combination of high-grade small deposits (e.g. epithermal veins) and lower grade large deposits (e.g. Porphyry)
- ☞ Koza Gold's local operating expertise is a distinct competitive advantage
  - The Ovacık Hub currently has one processing plant with two mining operations
  - A second processing plant is in operation at the Mastra Hub
  - A third hub in Kaymaz is being planned
  - 3 other potential areas for hubs have been identified –Diyadin (proposed Mollakara mine, Himmetdede, Hapan)

## High Exploration Potential



Our current operations are supported by a significant pipeline of development and exploration projects

- In 2010, we aim to add Çukuralan to the Ovacık hub and aim to establish Kaymaz as the 3rd hub in 2011

Proven track record of discovering resources, with the intention of continuing to explore our large portfolio and advanced projects



### Mineral Resources (Inclusive of Reserves)

31 December 2009	Tonnage	Grade		Content	
Measured	(Mt)	(Au g/t)	(Ag g/t)	(Au Moz)	(Ag Moz)
Ovacık	1.892	6.07	3.89	0.369	0.237
Küçükdere	0.000			-	-
Çukuralan Open Pit	2.750	6.33	3.08	0.560	0.272
Çukuralan Underground	0.399	5.72	3.02	0.073	0.039
Çoraklık Tepe	0.041	9.43	12.66	0.012	0.017
Gelintepe	0.000			-	-
Narlıca	0.000			-	-
Kıratlı	0.000			-	-
Kaymaz	1.661	5.77	5.32	0.308	0.284
Mastra Open Pit	0.340	11.54	6.23	0.126	0.068
Mastra Underground	0.531	8.71	4.66	0.149	0.080
Himmetdede	0.000			-	-
Mollakara Leach -oxide	0.000			-	-
Mollakara Leach -sulphide	0.000			-	-
Söğüt	0.000			-	-
Gıcık	0.000			-	-
Ovacık RoM	0.019	5.91	4.47	0.004	0.003
Küçükdere RoM	0.331	4.90	11.60	0.052	0.123
Mastra RoM	0.334	10.07	4.64	0.108	0.050
Gıcık RoM	0.028	5.08	17.14	0.005	0.015
Ovacık Processing Plant	0.023	5.87	4.29	0.004	0.003
Küçükdere Processing Plant	0.014	5.14	11.85	0.002	0.005
Mastra Processing Plant	0.014	8.94	8.29	0.004	0.004
Ovacık LG	0.000			-	-
Küçükdere LG	0.000			-	-
Mastra LG	0.000			-	-
Gıcık LG	0.000			-	-
<b>Total Measured Resources</b>	<b>8.377</b>	<b>6.60</b>	<b>4.45</b>	<b>1.777</b>	<b>1.200</b>

31 December 2009	Tonnage	Grade		Content	
Indicated	(Mt)	(Au g/t)	(Ag g/t)	(Au Moz)	(Ag Moz)
Ovacık	0.732	5.43	2.29	0.128	0.054
Küçükdere	0.985	2.13	6.87	0.067	0.218
Çukuralan Open Pit	2.569	5.86	2.69	0.484	0.222
Çukuralan Underground	0.916	5.21	2.66	0.153	0.078
Çoraklık Tepe	0.107	9.23	12.31	0.032	0.042
Gelintepe	0.000			-	-
Narlıca	0.319	2.70	11.87	0.028	0.122
Kıratlı	0.000			-	-

Kaymaz	0.982	4.49	4.50	0.142	0.142
Mastra Open Pit	0.398	8.85	8.38	0.113	0.107
Mastra Underground	0.283	6.48	5.10	0.059	0.046
Himmetdede	0.000			-	-
Mollakara Leach -oxide	6.000	1.16	0.53	0.224	0.102
Mollakara Leach -sulphide	11.086	1.01	0.29	0.360	0.103
Söğüt	0.000			-	-
Gıcık	0.000			-	-
Ovacık RoM	0.000			-	-
Küçükdere RoM	0.000			-	-
Mastra RoM	0.000			-	-
Gıcık RoM	0.000			-	-
Ovacık Processing Plant	0.000			-	-
Küçükdere Processing Plant	0.000			-	-
Mastra Processing Plant	0.000			-	-
Ovacık LG	0.383	1.65	1.56	0.020	0.019
Küçükdere LG	0.388	1.36	6.29	0.017	0.079
Mastra LG	0.090	1.16	2.38	0.003	0.007
Gıcık LG	0.028	1.49	9.23	0.001	0.008
<b>Total Indicated Resources</b>	<b>25.267</b>	<b>2.26</b>	<b>1.66</b>	<b>1.832</b>	<b>1.350</b>

31 December 2009	Tonnage	Grade		Content	
Inferred	(Mt)	(Au g/t)	(Ag g/t)	(Au Moz)	(Ag Moz)
Ovacık	0.509	7.24	2.64	0.118	0.043
Küçükdere	0.382	2.02	4.88	0.025	0.060
Çukuralan Open Pit	1.909	4.71	2.18	0.289	0.134
Çukuralan Underground	1.752	4.28	1.85	0.241	0.104
Çoraklık Tepe	0.052	8.76	11.72	0.015	0.020
Gelintepe	0.060	3.12	5.99	0.006	0.012
Narlıca	0.159	3.08	11.71	0.016	0.060
Kıratlı	1.469	2.63	38.39	0.124	1.813
Kaymaz	0.926	3.14	3.53	0.094	0.105
Mastra Open Pit	0.436	5.58	12.22	0.078	0.171
Mastra Underground	0.368	8.71	4.92	0.103	0.058
Himmetdede	13.693	0.95	0.00	0.418	-
Mollakara	38.649	0.65	0.17	0.808	0.211
Mollakara Sulphide	74.173	0.83	0.21	1.980	0.501
Söğüt	0.537	5.94	1.36	0.103	0.023
Gıcık	0.000			-	-
<b>Total Inferred Resources</b>	<b>135.074</b>	<b>1.02</b>	<b>0.76</b>	<b>4.417</b>	<b>3.315</b>

## Mineral Reserves

31 December 2009	Tonnage	Grade		Content	
Proven	(Mt)	(Au g/t)	(Ag g/t)	(Au Moz)	(Ag Moz)
Ovacık Underground	0.353	6.23	4.19	0.071	0.048
Çukuralan Underground	0.815	5.81	2.62	0.152	0.069
Çukuralan Open Pit	1.294	6.99	3.39	0.291	0.141
Mastra Underground	0.547	6.74	3.93	0.118	0.069
Mastra Open Pit	0.243	12.32	4.51	0.096	0.035
Kaymaz Damdamca	1.108	6.34	5.32	0.226	0.190
Kaymaz Main Zone	0.262	5.17	6.33	0.044	0.053
Çoraklık Tepe	0.041	9.40	12.66	0.013	0.017
Gıcık	0.000			0.000	0.000
Ovacık Run-of-Mine ("RoM") Stockpile	0.019	5.91	4.47	0.004	0.003
Küçükdere RoM Stockpile	0.331	4.90	11.60	0.052	0.123
Mastra RoM Stockpile	0.334	10.07	4.64	0.108	0.050
Gıcık RoM Stockpile	0.028	5.08	17.14	0.005	0.015
Ovacık Processing Plant Emergency Stockpile	0.023	5.87	4.29	0.004	0.003
Küçükdere Processing Plant Emergency Stockpile	0.014	5.14	11.85	0.002	0.005
Mastra Processing Plant Emergency Stockpile	0.014	8.94	8.29	0.004	0.004
<b>Total Proven Reserves</b>	<b>5.426</b>	<b>6.82</b>	<b>4.73</b>	<b>1.190</b>	<b>0.825</b>

31 December 2009	Tonnage	Grade		Content	
Probable	(Mt)	(Au g/t)	(Ag g/t)	(Au Moz)	(Ag Moz)
Ovacık Underground	0.039	9.38	2.47	0.012	0.003
Küçükdere	0.038	4.97	7.98	0.006	0.010
Çukuralan Underground	1.009	4.49	2.18	0.146	0.071
Çukuralan Open Pit	0.662	7.25	3.3	0.154	0.070
Mastra Underground	0.311	5.3	6.07	0.053	0.061
Mastra Open Pit	0.184	12.00	6.14	0.071	0.036
Kaymaz Damdamca	0.432	4.97	4.59	0.069	0.064
Kaymaz Main Zone	0.112	4.71	5.74	0.017	0.021
Çoraklık Tepe	0.107	9.22	12.32	0.032	0.043
Ovacık Low Grade ("LG") Stockpile	0.383	1.65	1.56	0.020	0.019
Küçükdere LG Stockpile	0.388	1.36	6.29	0.017	0.079
Mastra LG Stockpile	0.090	1.16	2.38	0.003	0.007
Gıcık LG Stockpile	0.028	1.49	9.23	0.001	0.008
<b>Total Probable Reserves</b>	<b>3.784</b>	<b>4.94</b>	<b>4.03</b>	<b>0.602</b>	<b>0.491</b>

<b>Total Proven and Probable Reserves</b>	<b>9.210</b>	<b>6.05</b>	<b>4.45</b>	<b>1.791</b>	<b>1.316</b>
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# Corporate Governance Report

## Corporate Governance Statement

Our Company in principal adopts “Principles of Corporate Governance” accepted by the resolution 35/385 of Capital Market Board on 04 July 2003. Company is aware that implementation of these principles will derive benefit for our company, stakeholders and ultimately our country. Therefore, our Company has initiated implementation of Corporate Governance principles.

## SECTION I – SHAREHOLDERS

### 1. Relationship Unit with Shareholders

Our Company has set up an investor’s relations unit to reach the investors. This section will be operated under the coordination of Okan Bayrak, Assistant General Manager, Investor Relations. It is full-time position for promoting it to domestic and international corporates and individuals, to inform them accurately, fully and correctly, to answer questions immediately. Interviews conducted for a position to assume responsibilities of this section are underway and appropriate candidate will soon be recruited for related position. This section will be available for individual and corporate investors by telephone, fax, e-mail at all times. Any significant developments in connection with company’s business affairs if required will be shared with the public via press releases. It is planned the copies of press bulletins released and presentations shared by the research experts and all documents not in nature of trade secret of the company’s affairs will be available on the internet. This section can be accessed at [yatirimciiliskileri@kozagold.com](mailto:yatirimciiliskileri@kozagold.com) and telephone no: 0 232 641 80 17 or fax no: 0 232 641 80 19

### 2. Right of receiving information of the investors

A section is reserved in the internet website under the heading of “Investors Relations”. Without any prejudice, all information publicly disclosed are available on the website for shareholders who will have easily and equally access to company information. An internal operating system was set up to quickly reply any queries directed to Investors Relations Unit verbally or written within the information disclosed to the public.

### 3. Information on General Meeting

Prior to Public Offer, call to General Meeting of our Company was extended in accordance with the provisions of Turkish Trade Act and relevant clauses of Company’s Articles of Association. Following the company’s public offer, call to the General Meeting will be made in accordance with the provisions of Turkish Trade Act as well as Capital Market Act and company’s articles of association by the Management Board and upon the Board’s decision statement will be issued and ISE and CMB will be informed accordingly.

General Board Meetings are held under the supervision of Government Commissioner from Ministry of Trade and Industry and shareholders exercise all of their rights entitled as shareholder and they are allowed to express their opinions and raise questions and make suggestions, all of which will be ensured by the Chairman according to the procedures.

Summary information of attendance of Company's latest general Board meetings are as follow:

- i) Our company's Ordinary General Assembly Meeting for the year 2009 was held at 3 p.m. on 07.05.2010 at the address of Şeker Mahallesi İstanbul Yolu 19.km No:10 Etimesgut / Ankara under the supervision of Ministry's Commissioner assigned by the Provincial Department of Industry and Trade with a letter of assignment no: 17666.Of the total of 6.000.000.000 shares which make up the company's total capital of 60.000.000.00 TL, 4.862.559.476 shares were represented in person at the meeting along with proxy shares of 64.785.724 totaling 4.927.345.200 shares thus fulfilling the legal requirement to form meeting quorum, as specified in the memorandum of association for holding the meeting.In the Meeting's Agenda, amendments of article 6, 7 and 10, which had been approved by the Capital Market Board on 16.04.2010 no: B.02.1.SPK.0.13-509/3950 for which preliminary permit had been issued by the Ministry of Trade and Industry on 19.04.2010 ref no: 2262 were submitted to Assembly's approval. Furthermore, Independent Auditing Company elected by the Board of Management in accordance with article 14 of the Regulation for Independent Internal Auditing in Capital Market has also been submitted to Assembly's approval.

#### 4. Voting Rights

The holders of Group A shares have right of privilege to nominate candidates for the Board of Directors and Auditor.

#### 5. Profit Distribution Policy

Our company firstly aims to grow in present areas of production and operational facilities, to make strategic investments in new gold fields and to weigh on exploration activities within current exploration licenses. Within this framework, our Company has been targeting to meet all these investments by cash inflow derived from production areas

Within the framework of strategically targets, growth trend, investment policies, profitability and cash status and the provisions of Turkish Trade Act, Capital Market Regulations, Taxation Regulation and relevant clause of our principal contract related to the distribution of profit, Our Company will pay the dividend in the form of cash and/or unpaid shares in minimum proportion of it as basically specified by the Capital Market Board. The dividend, which will be distributed in pursuant to the decision to be taken at General Board meeting may be paid in full or in the form of unpaid shares or be determined to be as partially in cash and unpaid shares.

In parallel with the profit distribution policy of the recent years, it is always possible for the Board of Directors to decide proportion of profit distribution to be above the minimum ratio and submit this to the General Board for the approval.

Payments of dividend will be effected within the legal period based on the articles of associations.

#### 6. Transfer of Shares

Clause 6 of the Company's Articles of Association states: "Transfer of share certificates of the company is allowed provided that the provisions of Turkish Trade Code, Capital Market legislation and these articles of association are reserved".

## SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

### 7. Company's Information Policy

Koza Gold will observe and fulfill corporate governance principles mainly Capital Market Act and the arrangements related with this legislation and all kinds financial information and other explanations and announcements and generally accepted accounting principles within frameworks of Turkish Trade Act and its related procedures and follow a detailed Information and Public Disclosure Policy within this scope.

Basic aim of information policy is to ensure shareholders, employees, customers, creditors and stakeholders are disclosed information and explanations, not in the nature of trade secret, through easily accessible at low cost, accurate, complete, comprehensible at equal condition.

In connection with all practices of public informing, it complies with Capital Market procedures and arrangements of ISE and aims to implement most effective communication policy within CMB Corporate Governance Principles.

### 8. Disclosing Significant Events

Our Company was listed on the ISE in February 2010. All significant events will be disclosed in accordance with the Circular for "Public Disclosure of Significant Events" Serial no:VIII No:39 issued by the Capital Market Board

- **15.02.2010 09:29**-Koza Altın's shareholders ATP and Koza Holding have each transferred a fund amounting 25.000.000TL, totalling 50.000.000TL to increase price stability fund by adding 15% of the revenue, which represents 99.360.000TL generated from the proceeds of sale as stated in IPO explanation to the Is Yatirim Menkul Degerler A.S. where it will be used to maintain price stability. Thus price stability fund stated in IPO Explanation was increased approximately by 50%
- **15.02.2010 09:55**-Koza Gold has increased the amount from 99.360.000TL to 149.360.000TL. which is allocated for price stability fund. Koza Ipek Holding A.Ş. and ATP İnşaat ve Ticaret A.Ş. has each provided 25.000.000.TL for transferred additional fund.
- **09.03.2010 14:09**-It has been necessary for us to make a public announcement after an article was published in a daily newspaper. Koza Gold has made all IPO sales to domestic and foreign investors at the same price. ATP and Koza Holding transferred 150 million TL to a price stability fund for Koza Gold. The shares purchased by the price stability fund cannot be sold until Koza Altın shares reach their IPO price of TRY36.8. Furthermore, shares acquired by group companies cannot be sold for 365 days.
- **11.03.2010 14:58**-Negotiations between Koza Gold and Turkish Mine Workers' Union for the 5th term of the collective labour agreement have been concluded with compromising and agreement was signed covering the period of January 1, 2010 - December 31, 2011.
- **12.03.2010 15:42**-Financial chart sent at 2.36 p.m. contained no term information and said chart will be sent to KAP again.
- **12.03.2010 17:46** -Following Koza Gold Operations Inc( KOZAL)'s IPO process, transactions carried out to ensure price stability between 12.02.2010 and 12.03.2010 are enclosed.



- **15.03.2010 16:09**-Board of Directors' decision taken on 15.03.2010 to increase capital by 154.17% through a bonus issue funded by 2009 profit and distribution of 20.32% of 2009 profit as a cash dividend and this is to be submitted for the General Board Meeting for approval.

Cash dividend of 27.500.000 TL is to be commenced as from 24.05.2010 and bonus issue is to be distributed after said shares being recorded by Capital Market Board

According to our financial table covering accounting period of 01.01.2009 - 31.12.2009 prepared within the framework of CMB's Circular Serial XI no:29, and in compliance with International Financial Reporting Standards and audited by Basaran Nas Independent Auditing and Chartered Accountancy and Financial Consultants A.S.( a member of PricewaterhouseCooper) net term profit has been 146.819.752 TL. Our proposal for profit distribution prepared in parallel to our company's investment and financial policies, profitability and cash status is given below and payment of dividend is foreseen according to decision to be taken at General Board Meeting.

Conforming with Capital Market Act and the arrangements of Capital Market, distributable profit of 134.354.148 was derived after deduction of 3.130.000TL being 1.set Legal Reserve Fund, which is required by the provision of article 466/1 of Turkish Trade Act and past term losses of 9.335.604 TL. And by adding 948.020TL of donation thus forming 1st dividend base of assesment and for the reason net distributable profit calculated in legal records as to be 152.598.833.15TL;

It was unanimously decided to propose following matters at General Board Meeting

Calculated in compliance with Capital Market Board procedures. Of the net distributable profit of 135.302.165TL added donation, which 1st dividend will be calculated;

Allocating shareholders of gross 27.500.000TL 1st Cash Dividend, and second bonus dividend of 92.500.000.TL totaling dividends of 120.000.000.00TL., 10% II. Set Reserve Fund of 11.700.000.00TL and arrear of 2.654.148TL as to be allocated for Extra ordinary Reserve, and distribution of gross cash dividend of 27.500.000.TL is to commence as from 24.05.2010.

It was unanimously decided to propose following matters, based on our legal records; allocating shareholders gross 27.500.000TL 1st Cash Dividend and second bonus dividend of 92.500.000TL, 1st Set Legal Reserve Fund of 3.130.000TL as required by article 466/1 of Turkish Trade Act, allocating 10% of II set Reserve Fund, and arrear of 20.898.833.15TL to be allocated for Extraordinary reserve. The sums will be met by current year Legal Profit 152.598.833.15TL.

- **18.03.2010 13:15**-We have signed an agreement with a refinery firm based in Turkey for a period of one year to conduct refinery process, which has been done abroad.
- **31.03.2010 14:39**-Resolution of the Board of Management dated 31.03.2010 and no:2010/10 for amendments of articles 6, 7, and 10 of Articles of Association and draft amendments for mentioned articles are enclosed as follow:

Amendment of article 6 to increase our company's fully paid capital of 60.000.000.TL by total of 92.500.000TL to 152.500.000TL to be met by from 01.01.2009-31.12.2009 profits ; amendement of article 7 to ensure approval of Company' board of management for related party transactions to which Company and group companies, board members and officials are party to, and amendment of article

10 in relation with Auditors and Duties to form an auditing committee and ensure its function in pursuant to Corporate Governance Principles published by CMB and to apply these changes to CMB's approval for these changes.

- **31.03.2010 16:04**-Board's decision in relation to Capital Increase

Draft amendment in relation to Article 6 "Capital and Type of Shares" is enclosed.

- **01.04.2010 14:04** - Signing of an Independent Auditing Agreement

A decision was taken to appoint Basaran NAS Independent Auditing and Chartered Accountancy Financial Consultancy Inc. (a member of PricewaterhouseCoopers) and submit this decision for the General Board's approval.

- **02.04.2010 15:42**- Purchasing of a new field

Within the exploration activities around Ovacik, Koza Gold operations has identified gold containing quartz vein, which is 1.3km length and 14 meter thick (maximum thickness is 50 meter). Approximately 400 meters of mentioned mineralization is located at the area owned by Dogu Akdeniz Minerals Industry and Trade Co.Ltd. Following negotiations with Dogu Akdeniz Minerals, royalty agreement was signed and said property has fully come under the ownership of Koza Gold Operations. MTA has previously had 6 shallow drillings in this area. MTA has intercepted 7 meter, 5.73g/t ore in these drillings. According to the results of exploration and analysis conducted by Koza Gold so far, it is thought mineralization continues deeper with potential grade increases to depth. Koza Gold aims to achieve the existing potential by speeding up exploration activities on the area. Upon start of the operations, it is planned the ore mined in vicinity of the Ovacik be transported and processed at the Ovacik Plant, which is currently operating.

- **19.04.2010 11:53**- CMB APPROVAL FOR AMENDMENT ON ARTICLES OF ASSOCIATION

Amendment of article 6 titled; "Capital and Type of Shares"; inclusions of article 7/A titled; "Related Party Transactions", Article 7/B titled; "Committees attached to Board Management", and article 10/A titled; "Auditing Committee" on the Articles of Association have been found appropriate by Capital Market Board of the Republic of Turkey on 16 April 2010, ref .no:10/329. The letter is attached

- **20.04.2010 17:30**- General Board Meeting Date and Agenda for the Year 2009

AGENDA:

General Meeting for the year 2009 and Agenda: AGENDA FOR ORDINARY GENERAL MEETING FOR THE YEAR 2009

1. Opening the meeting and elect the Chairing Committee
2. Authorizing Chairing Committee to sign general Meeting documents.
3. Examining and discussing Board of Directors' Activity Report and Auditor's Report for the year ear 2009 and approve them
4. Explaining the donations and aids granted during the term.
5. Examining Company's balance sheet and profit and loss chart and approve them
6. Taking decision for separately acquitting the activity reports of Board and Auditors for the year 2009

7. Submitting General Assembly the amendments of the Articles 6 related with the capital, 7 and 10, which were approved by Capital Market Board on 16.04.2010, ref no. B.021.SPK.0.13-509/3950 for which preliminary permit had been issued by Ministry of Trade and Industry on 19.04.2010i Ref no:2262

8. Discussing and reaching decision for distribution of profit for the year 2009.

9. Naming members of the Board and auditors to hold office and taking decision for issues related to their election and terms

10. Determining the payments to be made to the members of the Board and Auditors for 2009

11. Approving Independent External Auditing Firm, chosen by the Board in pursuant to article 14 of the Regulation of Independent External Auditor in Capital Market.

12. Taking decision to vest members of the Board with authorities and permissions, as specified in Articles 3 and 335 of Turkish Trade Act.

13. Requests and Proposals

14. Closing

- **30.04.2010 09:37-KOZA GOLD ENTERS INTO NEGOTIATION FOR ITS PURCHASE OF A GOLD COMPANY BASED IN TURKEY**

Koza Gold Operations Inc entered into negotiation for its purchase of a Gold Company based in Turkey in respect of its entire assets in Turkey. Under the terms of the proposed agreement, Koza Gold will purchase the Company, which holds properties, exploration data and other assets in Turkey. No agreement has yet been signed and Koza Gold and the Company have agreed that no binding agreement will be constituted until the execution of a definitive agreement by both parties. Acquisition of these highly potential properties, which are neighboring some of the properties already held by Koza Gold and the data, obtained by the Company through many years of exploration activities carried out in Turkey will provide great contribution to our exploration activities, which are being conducted with implementation of world's latest technological and scientific methods .

Koza Gold, as in the past, will take firm steps to continue to increase its growth.

- **07.05.2010 19:38 - Date of Distribution of Profit as decided at Ordinary General Assembly Meeting held on 07.05 2010 and Distribution Chart.**

- **07.05.2010 20:00- Outcome of Ordinary General Assembly Meeting held 07.05.2010**  
**DECISIONS TAKEN / MATTERS DISCUSSED:**

Our company's Ordinary General Assembly Meeting for the year 2009 was held at 3 p.m. on 07.05.2010 at the address of Şeker Mahallesi İstanbul Yolu 19.km No:10 Etimesgut / Ankara. The decisions taken at the meeting follow:

1. Following submitting a written motion, it was unanimously decided to elect Ismet Kasapoğlu to preside Quorum, Huseyin Erdem to collect votes and Selim Elmasoğlu as secretary..
2. It was unanimously decided to authorize Presidency of Quorum to sign general board documents.
3. Board of Directors' Activity Report and Auditor's Report were separately and unanimously accepted and approved.

4. Company's Statement of Balance Sheet for 2009 Loss and Profit Chart were read and unanimously accepted  
5. The members of the Board of Directors and Auditors have been separately voted to be acquitted and following voting it was unanimously decided to acquit them separately. ( In accordance with article 334 of Turkish Trade Act)

6. It was unanimously decided to amend article 6, 7 and 10, which were approved by the Capital Market Board on 16.04.2010 no: 3950 for which preliminary permit had been issued by the Ministry of Trade and Industry on 19.04.2010 ref no: 2262. (Enclosure 1 – 2 pages).

7. In line with the proposal of the Board of Directors, it was decided to propose General Assembly that of the profit for the year 2009, 1st cash dividend of gross 27.500.000.TL, and bonus 2nd Dividend of 92.500.000.TL totaling the amount of 120.000.000.00TL of dividend are to be set aside for shareholders, and; 11.700.000TL10% for II.Tranche Statutory reserve and balance of 2.654.148TL for Extraordinary reserve fund. cash dividend distribution is to commence as from 24.05.2010. Following voting, it was unanimously decided distribute the profit for the year 2009, as proposed by the Board of directors.

8. As required by the agenda, upon submitting a written motion, it was unanimously decided to elect the members of the Board of Directors as follow:

İsmet Kasapoğlu for period of 1 (one) year, Hamdi Akin İpek, Cafer Tekin İpek, Melek İpek and Pelin Zengin for period of 3 (three) years, while Selim Elmasoğlu and Atilla Arman to be members of the Auditing Committee for period of 1 (one) year.

9. In pursuant to article 14 of the Regulation for Independent External Auditing at Capital Market, it was unanimously decided to elect Başaran Nas Independent auditing and chartered accountant financial consultancy Inc., chosen by the Board of Directors.

10. It was unanimously decided to authorize members of the Board of Directors to conduct the transactions in accordance with the requirements of articles 334 and 335 of Turkish Trade Act...

Minutes of General Assembly meeting, Attendance List and Profit Distribution Chart are enclosed as pdf.

- **21.05.2010 15:57-** CORRECTION ON PROFIT DISTRIBUTION CHART, WHICH WAS ENCLOSED TO OUTCOME OF GENERAL ASSEMBLY MEETING  
DECISIONS TAKEN / MATTERS DISCUSSED:

Net cash profit share representing 1TL nominal value share on profit distribution chart, which was enclosed to the outcome of General Assembly Meeting held on 07.05.2010 at 8 p.m. was inadvertently stated. Announcement made for Cash Profit Share date on the same day at 7.38 pm. for Net cash profit share representing 1TL nominal value share is correct. Corrected Profit Share Chart is enclosed.

- **27.05.2010 10:57-** Assistant General Manager responsible for Investor Relations has commenced to work.

Okan BAYRAK has commenced to work at Koza Gold Operations Inc on 19.05.2010 as an Assistant General Manager- Investor Relations.

- **07.06.2010 11:58 - PURCHASE OF A PROPERTY IN RETURN FOR ROYALTY**

Our Company has signed an agreement to acquire a licensed mining area, which is 38km bird fly from its own Mastra Gold Mine, in return for royalty of 1.5%(one and half). Previous drillings on the site have shown 180m @ 0.3 gr/t gold and rock samples taken by us revealed 7 gr/t gold values.

Within the scope of signed agreement, exploration activities have speeded and it is significantly important for our company that the ore to be extracted from the area after the completion of exploration and feasibility works will be able to be processed at Mastra Gold mine which is very close to it and currently in operation.

- **10.06.2010 17:28- RECORDING OF CAPITAL INCREASE BY CMB**

As the result of the decisions taken at Ordinary General Assembly, which was held on 7. May 2010, it was decided to increase Company's capital to 152.500.000.-TL (one hundredfiftytwo million and five hundred thousand) - from 60.000.000.-TL (sixty million). The shares to be issued because of capital increase have been recorded by CMB on 10.06.2010 ref no: 23/329.

Our notice in relation with bonus share distribution will be announced to public as soon as possible.

- **11.06.2010 11:44-NOTICE IN RELATION WITH DATE FOR USING RIGHT TO BUY BONUS SHARE**

Registered Capital Upper (TL)	:	0
Paid/Issued Capital before increase (TL)	:	60.000.000,00
Paid/Issued after increase (TL)	:	152.500.000,00
Bonus Increase Amount (TL)	:	92.500.000,00
From Internal Resources (TL)	:	0
From Dividends (TL)	:	92.500.000,00
% of Bonus Increase	:	154,17
Beginning Date of using the right to buy bonus share	:	16.06.2010
What Account Profit Period will first be benefited by issued shares representing increased capital	:	2010

It was stated that company's entire capital approved at the General Assembly meeting held on 7 May 2010 is to be increased from 60.000.000 TL to 152.500.000 by adding to it 2009 dividend and the shares to be issued because of capital increasing has been recorded by CMB on 10.06.2010 with ref no: 23/329.

Our shareholders' rights to receive bonus share at the rate of 154.77% of the shares they hold held representing increased capital of 92.500.000.-TL will be started to be used on 16 June 2010 with book-entries.

Shareholders (those shareholders whose shares are traded on the stock exchange) who are monitored by the Central Registry Authority within the frameworks of book entry system of regulations of Capital Market procedures will receive their bonus shares with the framework of Capital Market Board Procedures with book-entries.

- **11.06.2010 15:36-** REGISTRATION OF AMENDMENT ON ARTICLES OF ASSOCIATION

Because of Company's capital was increased by the inclusion of dividend for 2009 into it from 60.000.000.-(sixty million) TL to 152.500.000.-(one hundred and fifty two million and five hundred thousand) TL, amendment on articles of association was approved by the General Assembly meeting held on 7 May 2010 and mentioned amendment was registered within trade registry on 02.06.2010 and published in Turkish Trade Registry Journal on 6.6.2010.

- **25.06.2010 10:02-** About the news circulated within foreign data resources.

There has been news circulated within some foreign data resources that we have authorized Investment companies to enter into 20 million US\$ deal covering Azarbaijan, Kazakhsitan, Kyrgyzstan an Uzbekistan. This is the result of a misunderstanding and it does not reflect the truth. Although, it is quite possible for us to take an interest in domestic and international investments as part of our growth target policy, we have not signed any contracts or entered into any deals in authorizing investment companies in this regard.

- **28.06.2010 15:03-** PURCHASING OF A COMPANY

Our Company Koza gold has completely purchased Newmont Altın Madencilik A.Ş., a subsidiary of one the world's biggest and leading gold producing company Newmont Mining Corporation. Newmont altın has been operating in Turkey since 2002 and Koza has purchased entire company on 28 June 2010 for the amount of 8.5 million US\$ including 63 licensed areas, all gold projects and research data obtained as the result of its activities throughout Turkey. As agreed on, of the contractual price of 8.5 million US\$; 3 millions\$ will be paid immediately and second payment of 3 million US\$ will be paid when production begins in Diyadin and 2.5 million US\$ will be one year after the commencement of production. With this agreement, royalty agreement with option signed with Newmont Altın on October 25, 2008 for the Diyadin project has been cancelled. There will not be royalty payment for the Diyadin licence after commencement of production.

Data regarding some of the important exploration results are summarized below:

the project is in an important porphyrial gold and copper belt. Limited exploration and drilling activity results show up to 6.04 gr/t gold and 1.32% copper figures

Another project in the same porphyrial gold and copper belt is located approximately 40 km west of Koza Gold's Mastra Project. Limited exploration and drilling activity (total 19 drillings) in that region indicates 125m @ 0.69 gr/t gold (24.2m @ 2.39 gr/t gold in 125 m zone).

Results obtained from the 50 rock samples taken from the north of a vein that is identified from studies at 3 fields in West Anatolia result in 4.27 gr/t gold and 49 rock samples from the south of the vein result in 1,59 gr/t gold

In 63 licensed areas located in the far west and far east of Turkey and generally neighboring to very important sites owned by Koza Gold, Newmont Gold Company's research team has so far obtained very high anomalies in terms of gold and copper and most of these fields have potential to be transformed into development projects and operating mines.

- **16.09.2010-** Within the activities carried out by our Company's geological team at west of Ovacik Gold Mine, a new gold vein with high grade gold and silver mineralisation was intersected (7.6 metres at 23.8 ppm au.)  
Drilling works were conducted at the holes M297, M298 and M299, approximately 500 metres of north west of Ovacik Gold Mine's M vein at 25 metre intervals. M Vein, together with S Vein have produced gold and silver ore from epithermal style mineralisation at Ovacik since 2001. The new vein is located just 950 metres from our production plant and 200 metres from the underground mine at Ovacik.  
The results of three drillings are detailed in enclosed table.  
In order to clarify these results and define these mineralizations, Our Company currently plans further drillings to increase resources and extend the mine life at Ovacik Gold Mine.

#### Drillings

Drilled hole	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)
M297	265.40	273.00	7.60	23.78	6.83
M298	264.00	268.40	4.40	14.75	3.35
	275.25	279.25	4.00	5.32	3.00
M299	243.60	251.00	7.40	7.01	3.91

#### 9. Company's web site and contents

Our company's web site is [www.kozaaltin.com.tr](http://www.kozaaltin.com.tr). A section is included for Investor Relations on the web site and preparations are on the way to have dialog box and constant information service to be provided on the web site. Various information is comprehensively placed open the internet website, updated in line with developments. And there is a section "investors relations" which has minimum matters as outlined by CMB

#### 10. Statement for Real Personalities Final Dominant Shareholder(s)

September 2010	Share Group	TL	%
ATP İnşaat ve Ticaret A.Ş.	(A,B)	74.076.873,04	48,57
Koza İpek Holding A.Ş.	(A,B)	43.556.203,04	28,56
Halka Arz	(B)	28.921.467,42	18,96
Koza Anadolu Metal Madencilik A.Ş.	(B)	3.033.395,29	1,99
İpek Matbaacılık	(B)	2.912.061,21	1,91
Melek İpek	(A)	-	1'den az
Hamdi Akın İpek	(A)	-	1'den az
Cafer Tekin İpek	(A)	-	1'den az
Pelin Zenginer	(A)	-	1'den az
İsmet Kasapoğlu	(B)	-	1'den az
<b>Total</b>		<b>152.500.000,00</b>	<b>100,00</b>



## 11. Public Disclosure of Persons who provide information from inside

The persons who can reach to the information, which may be in the nature of effecting the value of company's capital market instruments may be identified in Activity Report as the persons holding offices in Board of Management, Members of Auditing Committee and executives therefore who can be in position to learn from inside. In order to maintain balance between transparency policies and protecting investors' interests with informing public fully and accurately, it should be significantly emphasized that all company employees and directors must comply with legal arrangements in using information obtained from inside. All employees and directors should not directly or indirectly use the company related inside information and they are fully aware of all the limitations to the legal arrangements and the nature of information and they act in accordance with these limitations and prohibitions.

## SECTION III – STAKEHOLDERS

### 12. Informing the Stakeholders

Koza corporate governance practices secure the stakeholders of the procedures, monthly arrangements and their rights arranged by mutual agreements. Company employees, partners and third person or institutions that have business relations can directly communicate with company directors any proposals or violations on this matter.

Stakeholders are being informed through e-mail or telephone on the matters related to themselves or company-related issues.

### 13. Stakeholders' Participation in the Management

Employees' participation in the management is realized through the periodic meetings conducted within the Company and target defining and performance assessment meetings held each year.

### 14. Human Relations Policy

Company's Recruitment policy is defined with priority given to development of local region. There is a recruitment process starting from nearest village neighboring the mine site. When there is need to recruit a personnel, according to the nature of position required, candidates are assessed from the nearest village then to nearest towns and provinces. If no suitable local candidates are selected, nation-wide candidates are sought.

As the gold mining industry is new sector in Turkey, it is sometimes difficult to find qualified personnel. Newly graduated personnel who are possessed with required qualifications are selected and when they are employed, on the job training occupational training have been provided.

As Koza respects the people in gold mining sector, it has been a choice and priority of those who received training in this sector.

Considering the mining industry, the workforce recycle has been on low levels, is a clear indication of employee satisfaction as well as good implementation of company's human resources policy.

### 15. Information on Customer and Suppliers Relations

As part of our Company's main business activity, doré, which contains gold and silver are produced and sent to refineries to be refined. All marketing and sales works are carried out by the refineries.

## 16. Social Responsibility

Our Company, while operating, shows great care for the principles of transparency, values its employees and locals and continuously develops itself and follows and implements technological changes. The company has been involved in to concentrate on the problems of local communities and has produced and continues to produce number of projects to assist their economical as well as social developments. As a part of its "Social Responsibility", Koza Altın İşletmeleri A.Ş has adopted attitude which will provide local region with highest economical and social contribution.

## SECTION IV – BOARD OF DIRECTORS

### 17. Structure, Formation and Independent Members

Company's Board of Directors consists of 5 members, elected by General Board.

Hamdi Akın İpek	Chairman
Cafer Tekin İpek	Vice Chairman
Melek İpek	Member
Pelin Zenginer	Member
İsmet Kasapoğlu	Independent Member

### 18. Qualifications of Members of Board of Directors

Entire members of the Board of Directors have vast knowledge backed with education and experience and exemplifying professionals in the sector as well in the world of business.

### 19. Company's Mission and Vision and Strategic Goals

#### Our Vision

To be the first Turkish international company in gold mining sector.

#### Our Mission

To carry out gold mining operations by using best available technology and displaying highest environmental performance and showing respect to local people in a mutual trust.

#### Our Strategies

- To be one of the most important international gold producer in world's gold market.
- To further develop current Environment and Job Safety standards.
- To increase annual gold production to 1 million ounces.

### 20. Risk Management and Internal Control Mechanism

An Auditing Committee will be formed at Board of Directors. Upon forming of the Committee, internal auditing department will be set up. Stages will be determined to effectively implement internal auditing and procedures will be prepared and implemented.

## 21. Authorities and Responsibilities of the Board of Directors

Company's management rights and authorities of representation are defined in the Articles of Association.

## 22. Activities of Board of Directors

Our Board of Directors have held number of meetings to discuss several issues and have taken decisions during the first six months of 2010. All kinds of opinions were raised in those meetings and no different opinions were expressed against the member of the Board of Directors during these meetings in 2010.

## 23. Committees

The amendments about our company's Articles of Association's 7/B titled "Committees attached to Board Management", and 10/A titled "Auditing Committee" have been approved by the CMB dated 16.04.2010 with resolution no:10/329. The changes to these articles 7, and 10 have also been permitted by the Ministry of Trade and Industry with their reference letter no:2262.

### THE BOARD OF DIRECTORS AND PERIOD THEREOF ARTICLE 7.

The Board of Directors consists of five persons. Four of these are elected by the General Assembly from the persons to be nominated by the owners of A-group registered shares and one independent member is elected by the General Assembly from the persons nominated at the General Assembly meeting.

Majority of board members must be Turkish national and have the qualifications set forth in the legislation of Turkish Trade Code and Capital Market. At the 1st meeting after each Ordinary General Assembly or each General Assembly at which members are elected, the Board of Directors elects President and Vice President from the members representing the owners of (A)-group registered shares.

In case of vacancies in the Board of Directors due to death and resignation of members or other reasons, the Board of Directors elects a new board member having the legal qualifications specified in Turkish Trade Code and Capital Market Law from the owners of the share group from which old member is elected and the circumstance is submitted to approval of the first General Assembly to convene. The members elected in this way serve until the the first General Assembly, and complete remaining periods of office of old members when their election is approved by the General Assembly.

### THE BOARD OF DIRECTORS AND PERIOD THEREOF ARTICLE 7.

The Board of Directors consists of five persons. Four of these are elected by the General Assembly from the persons to be nominated by the owners of A-group registered shares and one independent member is elected by the General Assembly from the persons nominated at the General Assembly meeting.

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In case of vacancies in the Board of Directors due to death and resignation of members or other reasons, the Board of Directors elects a new board member having the legal qualifications specified in Turkish Trade Code and Capital Market Law from the owners of the share group from which old member is elected and the circumstance is submitted to approval of the first General Assembly to convene. The members elected in this way serve until the the first General Assembly, and complete remaining periods of office of old members when their election is approved by the General Assembly.

	<p><b>Related Party Transactions</b></p> <p><b>Article 7/A</b></p> <p>The Board of Management must approve loan transactions and agreements signed with the company and group companies, affiliates and all related parties and all kinds of loan, advance, sales and purchases carried out by the board members, managers and officials with the company. It is mandatory for an independent member to attend and cast vote (in favour or against) at the meetings where Board management approves the transactions with related parties. If there are more than two independent members on the board, majority of the members must attend and vote (in favour or against) for related resolution. Board member who possesses benefit in related party transaction must disclose it. Those who oppose the resolution sign it with stating the reasons of objections. Independent Board Members can vote in favour or against in relation with related party transactions and state their objections and have them included in the minutes of meeting. It is compulsory to record all the notices of objections and statement of benefits as well as votes and to keep minutes within the company.</p> <p><b>Committees attached to Management of Board</b></p> <p><b>Article 7/B</b></p> <p>In order to execute duties and responsibilities in sound manner and taking into the consideration of the needs of the Company, the Management of Board, sets up Auditing Committee and if required, sufficient number of other committees. Duties and areas of the activities are defined in detail when deciding to set up these committees in the light of the provisions of Articles of Association.</p> <p>The committees are structured within the frameworks of this Articles of Association and Capital Market Board's Corporate Governance principles. Committee president is elected amongst the Independent members.</p> <p>Committee members may be elected from non-executive board members. Committees act independently and submits proposals to the Board Management. They have no authority to take executionary decisions. Board of Management is authorized to take decisions on matters proposed by the committees.</p> <p>Committees convene upon a call by the Committee President whenever necessary. All works are conducted in writing and necessary records are kept. All communication and notification process are conducted by Secretariat of the Board Management.</p>
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**AUDITORS AND DUTIES THEROF  
ARTICLE 10.**

The General Assembly assigns two auditors for a period of at most three years. Auditors are elected from the persons to be nominated by (A)-group registered shares.

Auditors are obliged to carry out the duties set forth in articles 353 and 357 of Turkish Trade Code.

**AUDITORS AND DUTIES THEROF  
ARTICLE 10.**

The General Assembly assigns two auditors for a period of at most three years. Auditors are elected from the persons to be nominated by (A)-group registered shares.

Auditors are obliged to carry out the duties set forth in articles 353 and 357 of Turkish Trade Code.

**Auditing Committee  
Article 10/A**

Auditing Committee is formed and acts in pursuant to the Capital Market Law, arrangements of Capital Market Board other applicable provisions of procedures  
Auditing Committee is chaired by independent board member.

The audit committee should take all necessary measures in order to ensure that internal and external auditing are carried out adequately and transparently, in particular with the duties and responsibilities for following matters

- g) Observes Company's accountancy system, disclosing financial information to public, functioning and effectiveness of internal control system and independent auditing
- h) Selects independent auditing firm, prepares auditing contracts and initiates independent auditing process and monitors auditing firm works at all stages,
- i) Determines independent auditing firm and the services to be provided and submit it Board Management's approval.
- j) The audit committee should evaluate and resolve any issues pertaining to the complaints and suggestions on the accounting practices, internal control system and external auditing as submitted to the company and also ensure that complaints lodged by the employees in this respect are evaluated within the framework of confidentiality principle.
- k) Compiles opinions from Company's responsible officials and independent auditors in relation with accountancy principles pursued by the company and its authenticity and adding own assessment, notifies Board of Management in writing
- l) When necessary, benefits from independent expert opinions. The costs associated with consulting services are met by the Companyt.

Auditing Committee convenes at least quarterly and four times a year and the minutes resulting from these meetings

	<p>are submitted to the Board Management. The Committee responsible for auditing immediately notifies Board of Management in writing of any findings and proposals related with the area of duties and responsibilities.</p> <p>The duties and responsibilities of Auditing Committee,</p> <p>Duties and responsibilities of Auditing Committee does not abolish the responsibilities of Board of Management arising from Turkish Trade Act.</p> <p>If necessary, Auditing Committee may inform Company's General Board of the certain matters</p>
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#### 24. Code of Ethics

Procedure, which contains the code of ethics, is in process of preparation.

#### 25. Financial Rights provided to the Board of Directors

Attendance fee to be paid to Company's Board of Directors is determined by General Board. The members of the Board receive attendance fee of net 30.000TL.