

2014

## Koza Altın İşletmeleri A. Ş.

Operational Report & Financials

31 MARCH 2014



# 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 capitalize 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 96 koz of gold in the first three months of 2014 and generated revenues of TL 288.4 million.



# Our Performance

2014 Jan-Mar

2013 Jan-Mar

<b>Production</b>	96 koz of gold (4.62 g/t) 45 koz of silver (4.25 g/t)	72 koz of gold (5.47 g/t) 34 koz of silver (3.94 g/t)
<b>Cash Costs</b>	\$448/oz	\$639/oz
<b>Revenue</b>	TL 288.4 million	TL 185.7 million
<b>EBITDA</b>	TL 185.4 million	TL 109.2 million
<b>EBIT</b>	TL 158.9 million	TL 92.2 million



# About Us

## A leading Turkish Gold producer

We are a leading Turkish gold mining company based on our gold production of approximately 96,126 ounces in the first three months of 2014. As at 31 March 2014, we had 56 operating licenses and 339 exploration licenses throughout Turkey in the Aegean and Marmara regions, the Black Sea region and Central and Eastern Anatolia.

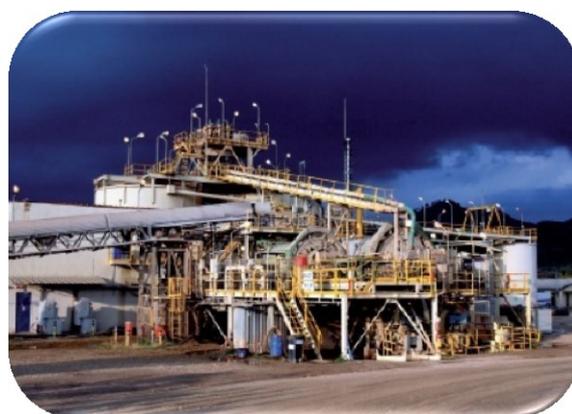
We currently own six operating mines: an underground mine at Ovacık, a mine at Mastra where we utilise both underground and open pit mining methods, a mine in Çukuralan where we utilise both underground and open pit mining methods, an open pit mine at Kaymaz. Open pit production at Çoraklıktepe mine has started in the first quarter of 2013. After completion of phase 1 leach pad and ADR plant, test production has commenced and first gold was poured on 19th November 2013 at Himmedede mine. Himmedede crushing circuit construction is expected to be finished on 2nd quarter 2014.



We have feasibility stage projects, Mollakara, located near Ağrı in the north-east of Turkey and projects in the middle of Turkey. In addition, our properties also include 15 exploration projects in Turkey, ranging from early-stage to advanced exploration prospects with resource estimations completed in 2014. 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 2013. 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. Between 1 January 2014 and 31 March 2014, the price of gold as quoted on the London Bullion Market ranged between a low of \$1,221.00 and a high of \$1,385.00 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 96,126 ounces of gold in the first three months of 2014. 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 green field 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

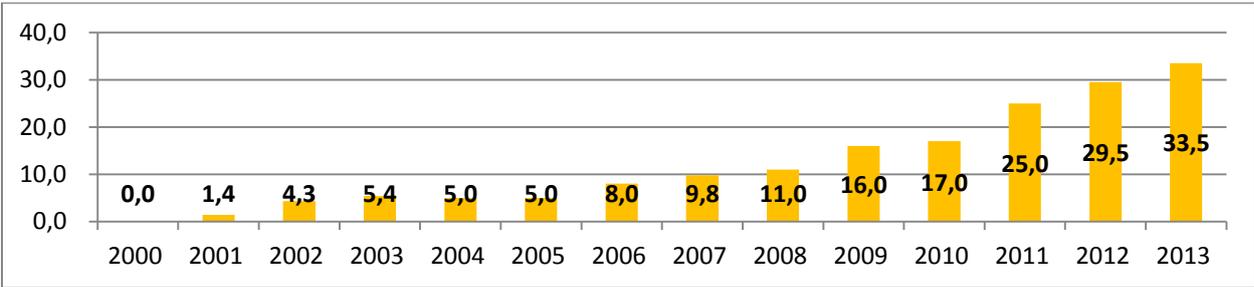
Changes in mining law Turkey, increasing gold price trend and developments in technology have led to the increase in gold potential in Turkey. Studies indicate that there are approximately 6500 tones of gold in Turkey. (Resource: Turkey’s Gold Potential and Mining Resources Cutting Methods, Ayhan Erler, METU, Geology Department,1997) Only 10% of this, which is 650 tones, is classified as reserves. Therefore, when market’s current situation is examined, it is seen that priority is given to gold exploration. “As per previous procedure, exploration license was to be issued for 3 years and extended for 2 years. It was required that this license was then to be changed to operational license. Under the new legal arrangements, total exploration period has been increased to 7 years. It covers 1 year for pre-exploration, 2 years for general exploration and 4 years for detailed exploration respectively.”

With foregoing reasons, the competition in this sector has intensified on exploration activities. Koza Gold has been pursuing these two activities in parallel. 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 (Alacer Gold, Cukurdere), currently in permitting stage. Domestic companies who are involved in exploration activities are thought to be starting production at later stages. Despite 6,500 tonnes of gold potential and 650 tonnes of reserves, Turkey only produces between 10 and 20 tonnes of gold and 250 -300 tonnes of gold need to be imported to meet the demand.

### Company

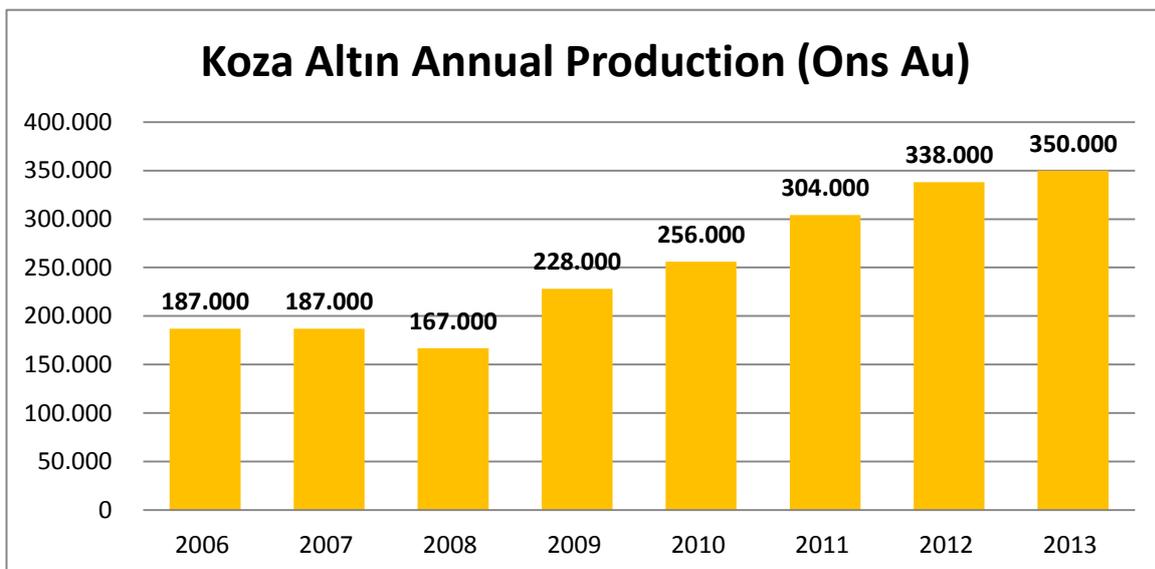
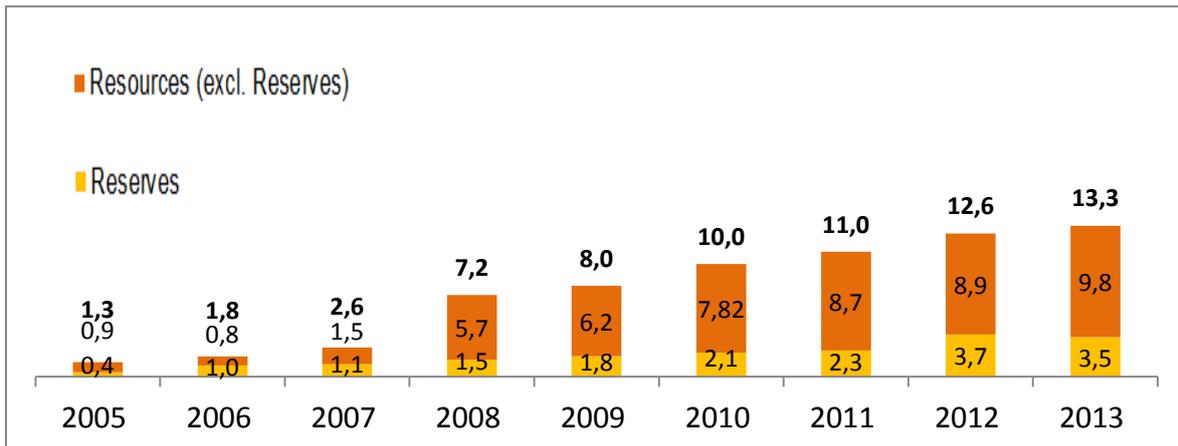
Koza Gold Operations Company is a Turkish company formed by 100% Turkish capital to explore and operate gold mines in our country. ATP Construction and Trade A.Ş. and Koza-Ipek Holding A.Ş. have acquired all the shares of from Normandy Mining A.Ş. and Newmont Mining Corporation Limited in 3 March 2005 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.

**TURKEY GOLD PRODUCTION (TONNES)**



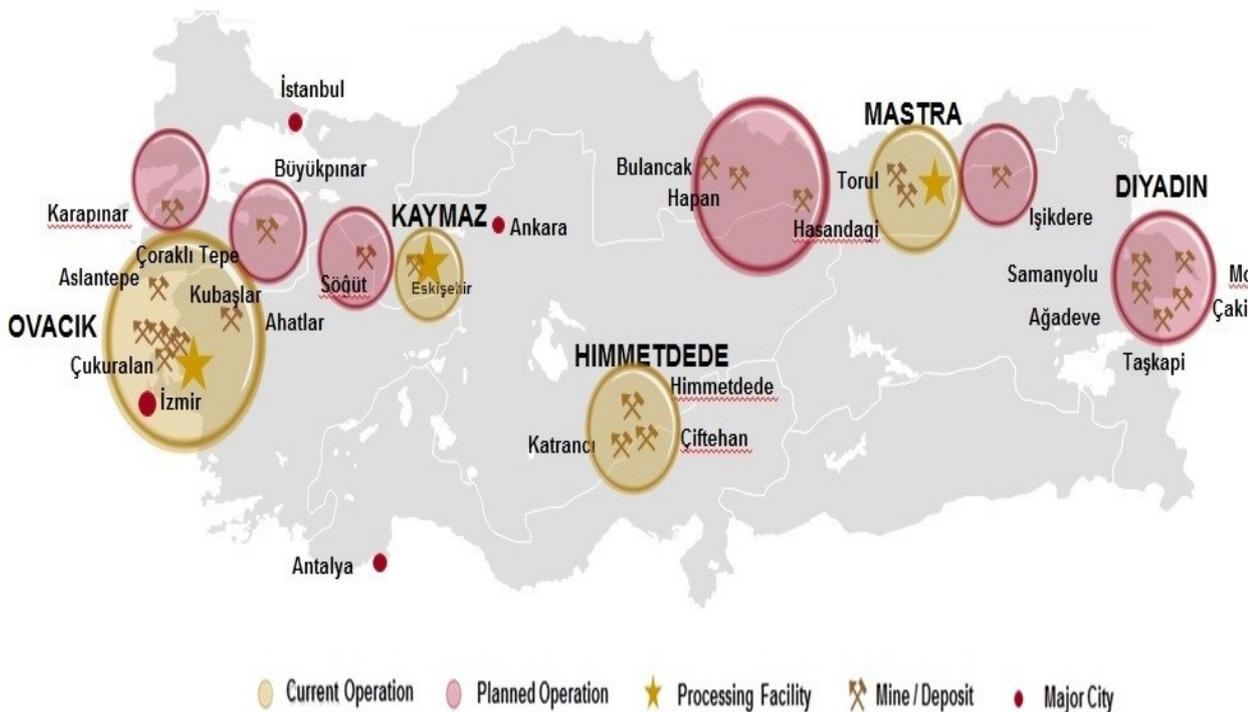
# We have a track record of growing production, reserves and resources

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 Ovacık mine after acquiring it. We developed and brought into full production the Kucukdere mine in 2006, the Mastra mine in 2008, the Gıcık mine in 2009, Çukuralan mine in 2010 and Kaymaz mine in 2011. Kaymaz open pit facilities, which has 511,000 ounces of gold reserves, commenced the production in March 2011. As shown from the figure below, our gold production came from Ovacık between 2006 and 2008, Ovacık and Mastra between 2009-2010 and Ovacık, Mastra and Kaymaz from 2011 and 2012 and test production has started in November 2013 at Himmetdede. 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 2012, our total measured, indicated and inferred resource base had increased to 13.3 million ounces of gold from 1.8 million ounces, and our total proven and probable reserve base had increased to 3,5 million ounces of gold from 0,4 million ounces. As of 31 December 2007, 30 September 2009, 31 December 2010, 31 December 2011, 31 December 2012 and 31 December 2013, 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 2014.



# 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, third processing plant at Kaymaz in 2011. Our fourth process plant construction, Himmetdede, has started in 4<sup>th</sup> quarter of 2012. After completion of phase 1 leach pad and ADR plant, test production has commenced and first gold was poured on 19th November 2013 at Himmetdede mine. Himmetdede crushing circuit construction is expected to be finished on 2nd quarter 2014.



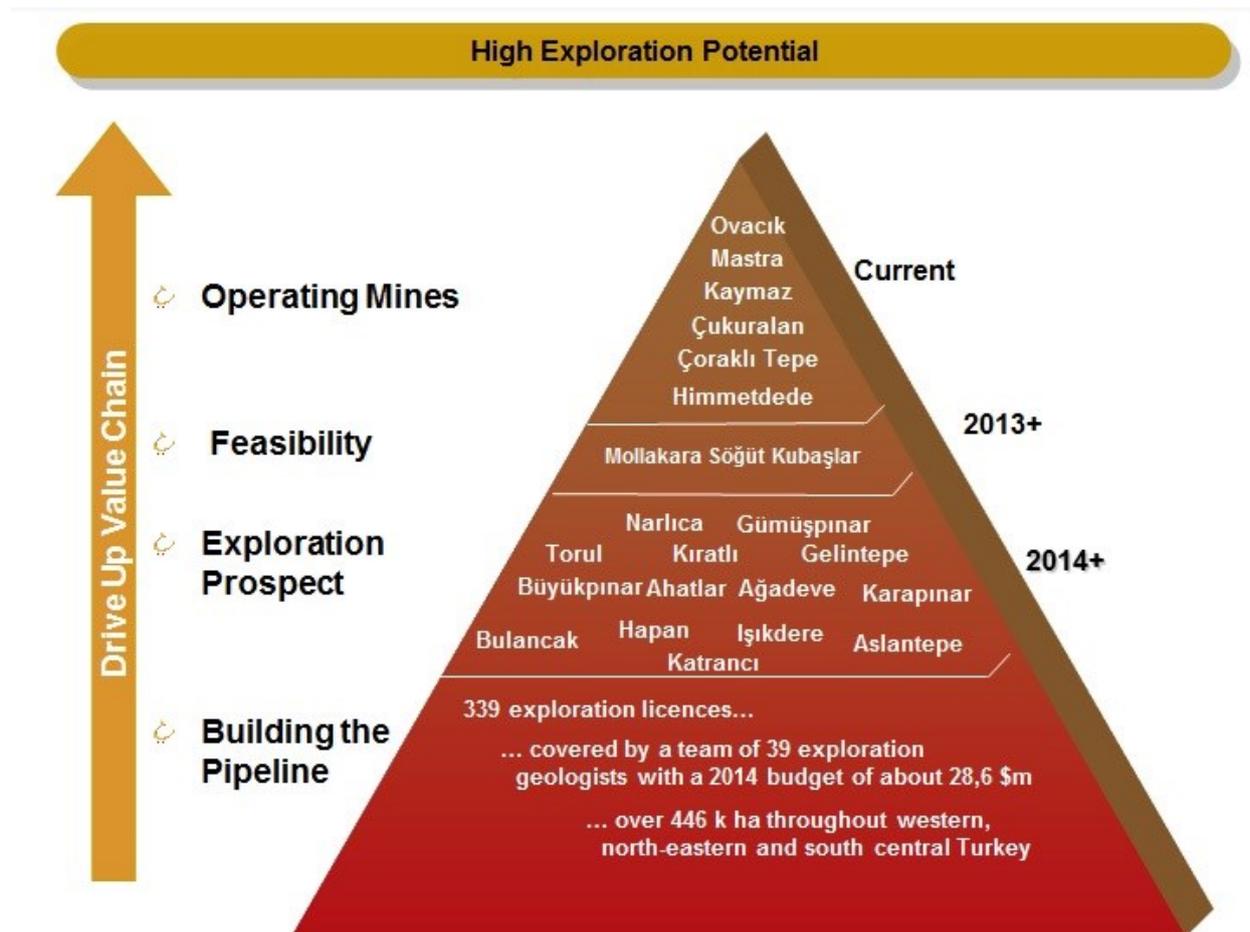
## Cash costs

Our unit cash costs derived from our accounts for the first three months of 2014 and in the first three months of 2013 amounted to 992 TL (\$448) and 1.137 TL (\$639) respectively. Compared to the previous year, the reason of this decrease is mainly because of the production performance due to increased average processed gold grade at Ovacik process plant.



# 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 and Çukuralan, we have two emergency response teams comprising of 10 and 12 employees respectively, and a mine rescue team comprising of 16 employees at Ovacık-Çukuralan sites. 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.

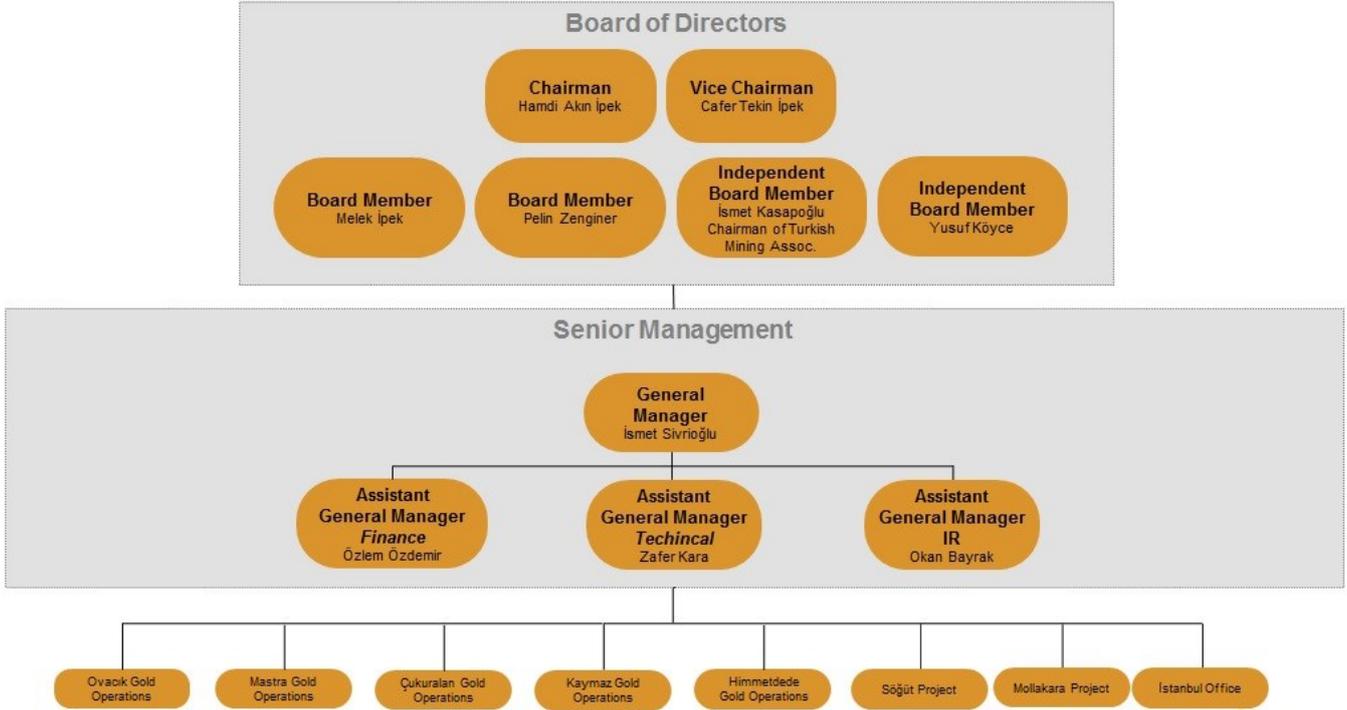
We ensure that our employees and contractors understand and comply with our environmental policies and management plans as well as our high level of commitment to environmental management. Our Environment Department at the same time has been providing training program since March 2007 on environmental 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 Ovack, 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	Chairman
Cafer Tekin İpek	Vice Chairman
Melek İpek	Board member
Pelin Zenginler	Board member
İsmet Kasapoğlu	Independent Member
Yusuf Köyce	Independent Member

## Independent Auditor

PWC

## Company Management

İsmet Sivrioğlu	General Manager
Zafer Kara	Assistant General Manager-Technical
Özlem Özdemir	Assistant General Manager-Finance and
Okan Bayrak	Assistant General Manager-Investor Relations
Cemalettin Çetin	Assistant General Manager-Security
Feridun Akyol	Operation Manager
Ahmet Deniz	Operation Manager
Deniz Beşir	Operation Manager
Süleyman Akşit	Project Manager

# Management

İsmet Sivriođlu

*General Manager*

Chemical Engineer with more than 40 years of experience in several production plants and management positions. Between 1970 and 1983, Mr.Sivriođlu 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.

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Zafer Kara

*Assistant General Manager, Technical*

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 Commercial*

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.

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Cemalettin Çetin

*Assistant General Manager, Security*

He serves as the Assistant General Manager in charge of security. 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.

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Okan Bayrak

*Assistant 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 Corporate 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

- 96 koz of production in the first three months of 2014 increased by 33.2% when compared to 72 koz in the first three months of 2013.
- TL 288.4 million of revenue in the first three months of 2014 increased by 55.3% when compared to TL 185.7 million in the first three months of 2013.
- TL 158.9 million of EBIT in the first three months of 2014 increased by 66.8% when compared to TL 92.2 million in the first three months of 2013.

## Production

We are a leading Turkish Gold Mining Company based on gold production of approximately 96,126 ounces in the first three months of 2014. As at March 31, 2014 we had 56 operating licences and 339 exploration licences throughout Turkey.

We currently have four processing plants. Our first processing plant at Ovacık has been operating since 2001. The plant is currently processing 900,000 tpa. In the first three months of 2014 we produced 44.7 koz of gold and 17.5 koz 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 480,000-540,000 tonnes per year. In the first three months of 2014 we produced 16.2 koz of gold and 11.8 koz of silver from Mastra processing plant. Our third processing plant, Kaymaz, started production in September 2011. In the first three months of 2014 we produced 31.6 koz of gold and 15.7 koz of silver from Kaymaz processing plant. Our fourth processing plant Himmetdede started production in 4<sup>th</sup> quarter 2013 and 3.7 koz of gold has been produced in 2014. We produced 96.1 koz of gold in total in the first three months of 2014, 33.2% higher than the 72.2 koz of gold in the first three months of 2013.

The increase in gold production in 2014 resulted principally from the fact that the average processed gold grade at Ovacık processing plant has risen (2014-3m: 7.29 g/t, 2013-3m: 4.37 g/t) and the tonnes crushed at Kaymaz processing plant (2014-3m: 222,491 t, 2013-3m: 120,409 t) have risen due to capacity increase. Also, Himmetdede process plant has started production in 4Q 2013.

## Revenues

Our revenues for the first three months of 2014, TL 288.4 million, is 55.3% higher than the TL 185.7 million for the first three months of 2013. We sold 99,905 ounces of gold in the first three months of 2014 compared to 63,916 ounces of gold in the first three months of 2013, a 56.3% increase. Revenues have increased because of the high gold sales. The average realized price per ounce for gold sold was TL 2,845.70 (\$1,285.44) in the first three months of 2014 compared to TL 2,898.88 (\$1,626.31) in the first three months of 2013. Furthermore, there is 19 oz of gold available for sale in our stock as of 31 March 2014.

## Cost of sales

Our cost of sales increased by TL 42.1 million or 63.6% to TL 108.2 million from TL 66.1 million in the first three months of 2014. Royalty costs and state mining rights increased by TL 0.1 million, to TL 5.4 million in the first three months of 2014 from TL 5.3 million in the first three months of 2013. Staff costs increased by TL 4.3 million, or 45.1 % to TL 13.7 million in the first three months of 2014 from TL 9.4 million in the three months of 2013. This increase was mainly attributable to additional employees hired by us to Himmetdede which is newly being developed, to additional employees for Çoraklıktepe and Söğüt in connection with the commencement of operations at our open pits, to more workers hired for Kaymaz and Çukuralan mines because of the increased production and to a lesser extent an overall increase in wages which was generally in line with inflation. Direct material costs increased by TL 6.1 million, or 72 % to TL 14.5 million in the first three months of 2014 from TL 8.4 million in the three months of 2013. Maintenance costs increased by TL 0.7 million, or 12.3 % to TL 6.4 million in the first three months of 2014 from TL 5.7 million in the first three months of 2013. Utilities increased by TL 3.2 million, or 68.3 % to TL 7.9 million in the first three months of 2014 from TL 4.7 million in the first three months of 2013. Increases in energy expenditures has been mainly due to the escalating unit prices of energy in 2014. Subcontractor costs increased by 9.9 million TL, or 86.3% to TL 21.4 million in the first three months of 2014 from TL 11.5 million in the first twelve months of 2013.

Cash cost was 992 TL (US \$448) per ounce in the first three months of 2014, and 1.137 TL (US \$639) per ounce in the first three months of 2013. The reason of this decrease is mainly because of the production performance due to increased average processed gold grade at Ovacik process plant.

## Selling and Marketing Costs

Our selling and marketing costs in the first three months of 2014 increased by TL 0,35 million to TL 0.67 million from TL 0.32 million in the first three months of 2013.

## General Administrative Expenses

Our general administrative expenses increased by TL 0.3 million, or 1.9% to TL 16.4 million in the first three months of 2014 from TL 16.1 million in the first three months of 2013. Our personnel costs decreased by TL 0.3 million, or 4.2 % to TL 7.0 million in the first three months of 2014 from TL 7.3 million in the first three months of 2013.

## Exploration Costs

Exploration costs decreased by TL 2.7 million, or 37.8 % to TL 4.4 million in the first three months of 2014 from TL 7.1 million in the first three months of 2013.

## Net Profit for the Period

As a result of the foregoing, our net profit for the first three months of 2014 increased by TL 42.0 million, or 40.6% to TL 145.5 million from TL 103.5 million in the first three months of 2013. Our profit margin for the first three months of 2014 decreased to 50.4% from 55.7% in the first three months of 2013. This is mainly because of the decrease in gold prices. (2014 3m: \$1,285.44/oz –2013 3m: \$1,626.31/oz)

## 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. Furthermore, during 2012 we have performed land acquisitions related to Himmetdede project that we finished construction at 4<sup>th</sup> quarter of 2013. Our mining and non-mining capital expenditures for the three months of 2014 are as below with comparison the three months of 2013. Because construction works and machine and equipment purchases has started in Himmetdede, there is an overall increase in the capital expenditures in 2013.

Thousands of TRY	2014 – 3m	2013 – 3m
Ovacık	611	460
Mastra	519	13,669
Kaymaz	5,056	9,238
Çukuralan	3,895	10,289
Himmetdede	2,654	40,094
Söğüt	1,819	374
Other	285	161
<b>Total</b>	<b>14,839</b>	<b>74,285</b>

## Cash flow

Net cash generated from operating activities increased by TL 162.4 million or 17.3% to TL 1.103,3 million for the first three months ended 31 March 2014 from TL 940.9 million for the first three months ended 31 March 2013. Earnings before tax increased by TL 72.5 million mainly because of increased gold sales in the first three month period of 2014. Our corporate tax for the three months of 2014 has increased to 35.5 M TL from 7.0 M TL due to the higher revenues in the first three months of 2014. (Average gold price for the first three months of 2014 was TL 2,845.70 (\$1,285.44); average gold price for the first three months of 2013 was TL 2,898.88 (\$1,626.31) Currently, we are financing our capital expenditures from cash that we are generating from operations.

RATIOS	31 March 2014	31 March 2013
Net Sales	288,436	185,674
EBIT	158,942	92,188
EBITDA	185,369	109,159
Net profit	145,507	103,508
EBITDA Margin	64.3%	58.8%
Liquidity Ratios		
Current Ratio	5.0	16.2
Quick Ratio	4.4	14.8
Cash ratio	4.2	14.2
Financial Leverage Ratios		
Debt Ratio	0.2	0.1
Debt-to-Equity Ratio	0.2	0.1
Profitability Ratios		
Return On Equity	0.1	0.1
Return On Assets	0.1	0.1
EBIT/Sales	0.6	0.5
Net profit/Sales	0.5	0.6

## 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.

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 and the decisions taken at the General Board Meeting which was held on 31 Mar 2014.

## 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 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

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:

Faaliyet Alanı	2011	2012	2013	2014 – Q1
Ovacık Exploration	46	78	60	59
Ovacık Production	116	106	101	100
Ovacık Other	169	176	184	183
Head Office	106	130	130	130
Mastra Mine Geology	22	25	15	15
Mastra Production	136	144	172	99
Mastra Other	119	128	105	90
Kaymaz Mine Geology	17	16	29	31
Kaymaz Production	40	50	57	60
Kaymaz Other	84	110	126	123
Cukuralan Mine Geology	18	18	21	30
Cukuralan Production	79	83	81	75
Cukuralan Other	72	90	98	97
Himmetdede Mine Geology	-	-	15	23
Himmetdede Production	-	-	108	117
Himmetdede Other	-	-	45	87
Söğüt	-	-	22	23
Çoraklitepe	-	-	26	26
<b>TOTAL</b>	<b>1,024</b>	<b>1,154</b>	<b>1,395</b>	<b>1,368</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. We also benefit from Employer incentive premium applied within the same Act.

For all our workplaces, we benefit 5% employer premium incentive based on the Act 5510.

Incentive certificates, by which we benefited from reduced corporate tax in the year 2013 are as follows:

At Çukuralan, as 10% of the investment has been completed as at 31.12.2010 for investment granted with Incentive Certificate, contribution rate to investment is 20% and corporate tax reduction rate is 50%. For the first incentive certificate, the investment completion visa was arranged at 12.02.2014 for the purchases that had been made to the date of 27.06.2013.

In relation with the first investment visa at Çukuralan, benefiting from support for employer's share of insurance premium for 199 persons started.

A new certificate application has been made, which comprises both Ovacık and Çukuralan purchases that will be made beginning from 28.06.2013, and the certificate was granted at 24.07.2013. Because 10% of the certificate has been spent by the end of 2013, application will be made for a visa of start of investment to the Ministry of Economy. Corporate tax reduction rate will be %80 and contribution rate to investment will be 40%.

In relation with the first investment visa at Kaymaz, benefiting from support for employer's share of insurance premium for 168 persons started.

For the second certificate issued as the result of capacity increase at Kaymaz, application has been made, which comprises all investments beginning from 13.08.2012, and certificate was granted at 25.12.2012. Because 10% of investment was spent by the end of 2013, application for a visa of start of investment will be made to the Ministry of Economy. As 10% of the investment has been completed as at 31.12.2013, contribution rate to investment will be 40% and corporate tax reduction rate will be 80%.

For Himmetdede project, Certificate of Incentive has been granted at 17.12.2013, which comprises all investments that have been made beginning from the date of 29.03.2013. Because Himmetdede is being classified as a strategic investment, we will be benefiting from following supports without the need of visa for start of investment as in other certificates. The corporate tax reduction rate will be 90% and contribution rate to investment will be 50%.

In addition to the above mentioned incentive certificates, the Company has been working on the new incentive certificates within "Decree on Investment Grants by State" which came into force on 15 December 2012 by decree of the Cabinet of Ministers no: 2012/3305.

#### Events after date of Balance Sheet

None available.

#### Changes in the Articles of Association

None available.

**CONSOLIDATED BALANCE SHEETS**  
**AT 31 MARCH 2014 and 31 DECEMBER 2013**

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

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>ASSETS</b>		
<b>Current Assets</b>	<b>1.317.537</b>	<b>1.111.896</b>
Cash and Cash Equivalents	1.103.325	940.727
Trade Receivables	362	306
- Trade Receivables From Related Parties	19	63
- Trade Receivables From Non-Related Parties	343	243
Other Receivables	52.141	41.660
- Other Receivables From Related Parties	-	3
- Other Receivables From Non-Related Parties	52.141	41.657
Inventories	149.372	117.403
Prepaid Expenses	8.260	8.128
Other Current Assets	4.077	3.672
<b>Non-Current Assets</b>	<b>704.530</b>	<b>741.374</b>
Investment Properties	19.981	20.083
Property, Plant and Equipment	573.585	609.331
Intangible Assets	15.231	15.390
- Goodwill	14.017	14.017
- Other Intangible Assets	1.214	1.373
Prepaid Expenses	91.169	91.037
Deferred Tax Assets	4.012	5.039
Other Non-Current Assets	552	494
<b>TOTAL ASSETS</b>	<b>2.022.067</b>	<b>1.853.270</b>

**CONSOLIDATED BALANCE SHEETS**  
**AT 31 MARCH 2014 and 31 DECEMBER 2013**

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

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>	<b>265.603</b>	<b>87.317</b>
Trade Payables	38.205	46.854
- Trade Payables to Related Parties	4.634	4.591
- Trade Payables to Other Parties	33.571	42.263
Employee Benefit Obligations	2.436	2.567
Other Payables	160.568	14.752
- Other Payables to Related Parties	160.568	14.752
Current Income Tax Liabilities	32.270	-
Provisions	28.654	19.194
- Provisions due to employee benefits	4.921	2.313
- Other provisions	23.733	16.881
Other Current Liabilities	3.470	3.950
<b>Non-Current Liabilities</b>	<b>78.228</b>	<b>72.666</b>
Other Payables	12.045	11.738
- Other Payables to Related Parties	12.045	11.738
Long-term Provisions	66.183	60.928
- Long term provisions for employee benefits	2.607	2.725
- Other provisions	63.576	58.203
<b>TOTAL LIABILITIES</b>	<b>343.831</b>	<b>159.983</b>
<b>EQUITY</b>	<b>1.678.236</b>	<b>1.693.287</b>
Paid-in Share capital	152.500	152.500
Inflation Adjustment to Share Capital	3.579	3.579
Other comprehensive income/expense not to be reclassified to profit or loss	(650)	(646)
- Actuarial Loss On Defined Benefit Plans	(650)	(646)
Legal Reserves	104.557	89.264
Retained earnings	1.272.743	950.617
Net Period Income	145.507	497.973
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2.022.067</b>	<b>1.853.270</b>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED 31 MARCH 2014 and 2013**

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

Restated (\*)

	1 January - 31 March 2014	1 January - 31 March 2013
<b>Continuing Operations</b>		
Revenue	288.436	185.674
Cost of Sales	(108.185)	(66.111)
<b>Gross Profit</b>	<b>180.251</b>	<b>119.563</b>
General Administrative Expenses	(16.430)	(16.124)
Exploration Costs	(4.402)	(7.082)
Selling and Marketing Costs	(678)	(323)
Other Operating Income	1.601	4.066
Other Operating Expense	(1.400)	(7.912)
<b>Operating Profit</b>	<b>158.942</b>	<b>92.188</b>
Income from Investment Activities	23.322	16.866
<b>Operating Profit before Financial Income</b>	<b>182.264</b>	<b>109.054</b>
Financial Income	5.937	1.929
Financial Expenses	(6.147)	(1.474)
<b>Profit Before Taxation On Income from Continuing Operations</b>	<b>182.054</b>	<b>109.509</b>
Taxation on Income from Continuing Operations	(36.547)	(6.001)
- Income Tax Expense	(35.520)	(6.977)
- Deferred Tax Income	(1.027)	976
<b>Net Income for the Period From Continuing Operations</b>	<b>145.507</b>	<b>103.508</b>
Discontinued Operations		
Net Profit after tax from discontinued operations		
<b>Net Income for the Period</b>	<b>145.507</b>	<b>103.508</b>
<b>Other Comprehensive Income / (Loss)</b>		
<b>Items not to be reclassified to profit or loss in subsequent periods</b>	<b>(4)</b>	-
Actuarial Loss On Defined Benefit Plans	(5)	-
Tax effect of other comprehensive income not to be reclassified to profit or loss in subsequent periods	1	-
- Deferred Tax Effect	1	-
<b>Other Comprehensive Income / (Loss)</b>	<b>(4)</b>	-
<b>Total Comprehensive Income</b>	<b>145.503</b>	<b>103.508</b>
<b>Earnings Per Share</b>	<b>0,9541</b>	<b>0,6787</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED 31 MARCH 2014 AND 2013**

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

	Restated (*)	
	1 January - 31 March 2014	1 January - 31 March 2013
<b>Cash flows from operating activities:</b>		
Profit for the period	145.507	103.508
<b>Adjustments to reconcile period profit to net cash generated from operating activities:</b>		
Depreciation and amortisation	50.660	24.869
Interest and other financial income	(23.426)	(16.898)
Interest and other financial expenses	288	259
Provision for employee termination benefit	1.521	461
Provision for royalty and state mining right	4.937	17.615
Exploration costs	4.402	7.082
Provision for employment benefits	2.608	2.103
Provision for environmental rehabilitation, reclamation of mining areas and mine closure	1.819	570
Gain from sales of property, plant and equipment and intangible assets - net	(91)	44
Adjustments to tax expense	36.547	6.001
Taxes paid	(3.250)	(20.747)
Unrealized foreign exchange expenses	404	248
<b>Changes in working capital</b>		
Increase in inventories	(31.969)	(10.098)
Decrease in due from the related parties- trade receivables	44	9.670
Increase in other receivables, assets and prepaid expenses	(9.556)	(17.735)
Increase /(decrease) in trade receivables	(100)	(533)
Increase /(decrease) in trade payables	(8.757)	(2.946)
Increase /(decrease) in due to the related parties- trade receivables	43	(4.931)
Increase in other short and long term liabilities	141	(15.587)
Payment for rehabilitation activities	(527)	(73)
Payment for exploration activities	(4.337)	(6.700)
Employment benefits paid	(1.639)	(241)
Foreign exchange (losses)/gains on cash and cash equivalents	5.282	527
<b>Net cash generated from operating activities</b>	<b>170.551</b>	<b>76.468</b>
<b>Cash flows from investing activities:</b>		
Interest received	21.917	18.671
Purchases of property, plant and equipment and order advances given	(9.757)	(77.532)
Proceeds from sales of property, plant and equipment and intangibles	195	11
The cash out of during the acquisition of subsidiaries	(14.738)	-
<b>Net cash used in investing activities</b>	<b>(2.383)</b>	<b>(58.850)</b>
<b>Cash flows from financing activities:</b>		
Redemption of bank borrowings	-	(3.398)
Interest paid	(288)	(284)
<b>Net cash used in financing activities</b>	<b>(288)</b>	<b>(3.682)</b>
(Decrease)/ increase in cash and cash equivalents	<b>167.880</b>	<b>13.936</b>
Foreign exchange gains/ (losses) on cash and cash equivalents	<b>(5.282)</b>	<b>(527)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>162.598</b>	<b>13.409</b>
<b>Cash and cash equivalents as of 01 January</b>	<b>940.727</b>	<b>927.526</b>
<b>Cash and cash equivalents as of 31 December</b>	<b>1.103.325</b>	<b>940.935</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIODS ENDED 31 MARCH 2014 AND 2013**

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

	Paid-in Share Capital	Adjustment to Share Capital	Other Comprehensive income items not to be reclassified to profit or loss	Restricted reserves allocated from profits	Retained earnings		Total Equity
			Actuarial Loss On Defined Benefit Plans		(Accumulated losses) /Retained earnings	Net Period Income	
<b>1 January 2013 - as previously reported</b>	<b>152.500</b>	<b>3.579</b>	-	<b>73.044</b>	<b>528.759</b>	<b>642.124</b>	<b>1.400.006</b>
Changes in accounting policies	-	-	(390)	-	(10.225)	(24.022)	(34.637)
<b>1 January 2013 - as restated</b>	<b>152.500</b>	<b>3.579</b>	<b>(390)</b>	<b>73.044</b>	<b>518.534</b>	<b>618.102</b>	<b>1.365.369</b>
Transfers	-	-	-	-	618.102	(618.102)	-
Separation of Restricted Legal Reserve	-	-	-	-	-	-	-
Dividend Payment	-	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	-	-	103.508	103.508
<b>31 March 2013 - as restated</b>	<b>152.500</b>	<b>3.579</b>	<b>(390)</b>	<b>73.044</b>	<b>1.136.636</b>	<b>103.508</b>	<b>1.468.877</b>
<b>1 January 2014</b>	<b>152.500</b>	<b>3.579</b>	<b>(646)</b>	<b>89.264</b>	<b>950.617</b>	<b>497.973</b>	<b>1.693.287</b>
Transfers	-	-	-	-	497.973	(497.973)	-
Separation of Restricted Legal Reserve	-	-	-	15.293	(15.293)	-	-
Dividend Payment	-	-	-	-	(160.554)	-	(160.554)
Total Comprehensive Income	-	-	(4)	-	-	145.507	145.503
<b>31 March 2014</b>	<b>152.500</b>	<b>3.579</b>	<b>(650)</b>	<b>104.557</b>	<b>1.272.743</b>	<b>145.507</b>	<b>1.678.236</b>

# Operational Review

- 72 koz gold production in the first three months of 2013, 96 koz gold production in the first three months of 2014.

We currently own six operating mines: an Underground mine at Ovacık, a mine at Mastra where we utilise both underground and open pit mining methods, a mine at Çukuralan where we utilise both underground and open pit mining methods and an open pit mine in Kaymaz. Open pit production at Söğüt and Çoraklıktepe mines has been started in the first quarter of 2013. The ore from Çoraklıktepe open pit has been transferring to Ovacık and Mastra process plants. The first party of this ore was processed in May 2013 in Ovacık. Himmetdede project construction has started in 4<sup>th</sup> quarter of 2012. After completion of phase 1 leach pad and ADR plant, test production has commenced and first gold was poured on 19th November 2013 at Himmetdede mine. Himmetdede crushing circuit construction is expected to be finished on 2nd quarter 2014. Our mining operations at Küçükdere, an open pit mine located 80 km from the Ovacık Mine, completed in March 2010. Rehabilitation works has been completed and the area has been returned to Ministry of Forestry.

We have feasibility stage projects, Mollakara, located near Ağrı in the north-east of Turkey and projects in the middle of Turkey. In addition to this, and within our own properties, we have 15 projects ranging from early developed to exploration stages with resources estimates have been completed. We are currently focused on developing our resources in the exploration areas at Ovacık, Mastra, Kaymaz, Çukuralan, Himmetdede, Söğüt, and Diyadin.



## Mining Operations

### Ovacık

The Ovacık mine is located near Ovacık village in western Turkey, approximately 100 km north of İzmir. It is an underground complex. Material from the open pit operation was depleted in December 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 January 2018; 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:

	2014 Jan-Mar	2013 Jan-Mar
Ore mined (t)	31,390	41,179
Underground (t)	31,390	41,179
Au average head grade (g/t)	9.18	2.83
Ag average head grade (g/t)	5.44	2.36

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

	2014 Jan-Mar	2013 Jan-Mar
Ore milled (t)	214.563	212.410
Recovery rate, Au %	94,98%	95,10%
Au Grade (g/t)	7,29	4,37
Au poured (oz)	44.659	27.701
Ag poured (oz)	17.499	11.598

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 Çukuralan ore stockpile along with some materials from the Ovacık underground and Çoraklıktepe open pit. Ore production at Çukuralan project's open pit and underground site commenced in the last quarter of 2010 and in August 2011 respectively. Also, Çoraklıktepe ore has been processed at Ovacık mill since May 2013. As of 31 March 2014, 226.057 tonnes of Çoraklıktepe ore were transported to Ovacık.



## 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 main open pit was completed in December 2011. New open pit activities have been started in 2012 and completed in January 2014. Also, Mastra North open pit production has not been started because of forestry permits not issued. In 2012, second underground mining operation started with an underground contractor. Mastra process plant commenced operations in 2009. Ore feed is done from Mastra OP and UG mines and from Çoraklıktepe mine. Current capacity is 45.000 tpm.

Due to permitting issues of 2. TSF of Mastra project, process plant feed was stopped on February 28<sup>th</sup> 2014. However, underground mining operations continue the ore production. Also, as a result of permitting issues, Çoraklıktepe ore transport was stopped since beginning of 2014.

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

	2014 Jan-Mar	2013 Jan-Mar
Ore mined (t)	94.058	104.930
Open pit (t)	4.173	22.538
Underground (t)	89.885	82.392
Au average head grade (g/t)	6,05	5,85
Ag average head grade (g/t)	5,72	4,52

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

	2014 Jan-Mar	2013 Jan-Mar
Ore milled (t)	87.077	123.272
Recovery rate, Au %	90,96%	92,19%
Au Grade (g/t)	4,99	4,76
Au poured (oz)	16.200	17.659
Ag poured (oz)	11.787	5.978



### Çukuralan

Çukuralan is in the Ovacik area and is located approximately 40km northwest of the Ovacik 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. Open pit mining ore at Çukuralan started in last quarter of 2010. Underground activities started on February 2011 and ore production began on August 2011. The ore is transported 40 km on trucks to the Ovacik 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 are following the Küçükdere model for grade control, contract mining and stockpile management.

	2014 Jan-Mar	2013 Jan-Mar
Ore mined (t)	267.831	175,060
Open pit (t)	223.462	138,779
Underground (t)	44.369	36,281
Au average head grade (g/t)	8,97	5,18
Ag average head grade (g/t)	4,96	2,77

We are transporting high grade and run-of-mine ores to the Ovacik processing plant based on demand and stockpiling surplus low grade material for processing at a later date. The current production schedule is based on a 50,000 tpm total mining rate with a stripping ratio of 13:1 (waste:ore). Also, 16,000 tpm production is planned from underground operations.

## Kaymaz

The Kaymaz project is located in north western Turkey, approximately 150 km from Ankara. The Kaymaz deposits comprise a number of different mineralisation styles, including manto-type mineralisation, quartz stock works, quartz veinlets and episodic brecciation adjacent to the granite dike. Open Pit mining at our Kaymaz Project started in March 2011. Kaymaz operation has 4 different open pit areas, that are Damdamca, Mainzone, Mermerlik and Kızılağıl. We have elected to use a processing plant flowsheet and design almost identical to those installed at Ovacık and Mastra. As of September 2013, capacity increase has been completed at Kaymaz process plant. After commissioning, full capacity production has been achieved end of year. Current capacity is 100 tph and increased from 50 tph. With the capacity increase, it is targeted to keep gold production at same level even if the average feed grade decreases.

Mainzone (Karakaya) open pit production was stopped by government authorities on March 13<sup>th</sup> 2014 as reported in press release. Mine production continues from Damdamca open pit.

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

	2014 Jan-Mar	2013 Jan-Mar
Ore mined (t)	187.261	156,565
Open pit (t)	187.261	156,565
Au average head grade (g/t)	5,26	7,59
Ag average head grade (g/t)	3,61	6,61

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

	2014 Jan-Mar	2013 Jan-Mar
Ore milled (t)	222.491	120.409
Recovery rate, Au %	83,16%	84,34%
Au Grade (g/t)	5,15	8,12
Au poured (oz)	31.556	26.804
Ag poured (oz)	15.748	17.029

## Söğüt

About 70,000 tonnes of ore trial pit production will be done in Söğüt project in 2013. According to this plan, open pit trail production has started in March 2013 and completed in July 2013. The ore is being transferred to the Kaymaz site and was started to be processed at Kaymaz mill.

Tests works are ongoing for the main production of the Söğüt project.

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

	2014 Jan-Mar	2013 Jan-Mar
Ore mined (t)	-	7.763
Open pit (t)	-	7.763
Au average head grade (g/t)	-	5,93
Ag average head grade (g/t)	-	3,82

## Çoraklıktepe

Çoraklıktepe open pit production has started in March 2013. The ore is being transferred to the Ovacık and Mastra sites and started to be processed at the Ovacık and Mastra mills. As of 31 March 2014, 91,831 tonnes of ore were transported to Ovacık and 145,865 tonnes of ore were transported to the Mastra.

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

	2014 Jan-Mar	2013 Jan-Mar
Ore mined (t)	75.612	15.680
Open pit (t)	75.612	15.680
Au average head grade (g/t)	4,07	5,93
Ag average head grade (g/t)	9,12	3,82

## Construction Projects

### Himmetdede

The Himmetdede project was discovered by Koza. The property is identified as thrust related low sulfidation epithermal mineralization. Drilling works are underway for testing the proven areas which were found by geophysical methods carried on the region. All of the required technical performances and ensuring the permits have come to an end. Also, open pit production equipments have been ordered.

Operations for possible ore enrichment methods on gold extraction according to the deposit's tenor and mineralogy are still in progress. As in Mollakara project, Himmetdede project will also have a central processing plant to cover nearby deposits. In 2010, first phase operations of the rock mechanics for Himmetdede Project has been completed. Required metallurgical tests and process designing have been completed by McClelland company in USA. The pre-feasibility works of the Heap Leach facility has been completed by SRK, and final phase design studies are in progress. The EIA report has been granted in March 2012 and about 90% of the land acquisitions have been completed. As a result of the detailed prefeasibility performances, which were prepared by Koza and approved by SRK, Himmetdede reserve studies were completed in December 2012.

Process plant and leach pad constructions started in 4<sup>th</sup> quarter of 2012. After completion of phase 1 leach pad and ADR plant, test production has commenced and first gold was poured on 19th November 2013 at Himmetdede mine. Himmetdede crushing circuit construction is expected to be finished on 2nd quarter 2014.

Himmetdede ore deposit offers very suitable conditions in terms of its location, land conditions and logistic capabilities and other mining activities.

## Feasibility Projects

### 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 but now it is fully held by Koza. Mineralisation at Mollakara is both structurally and lithologically controlled. This project is made up of two regions which are oxide and sulfate.

This is currently a focus for our exploration activities at Mollakara because there is a huge amount of expanding and improving potential of this site which is currently constituting most of our reserves. Even with the recent explorations, the ore quantity in the area is still not certain. That basically means the deposit may be suitable for expanding on every side. Exploration at Mollakara will include deeper drilling, additional mapping and resource modeling.

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

deposits as well. We have already started the works on Mollakara project including pre-feasibility. The works carried out by SGS and the first stage of rock mechanics were completed.

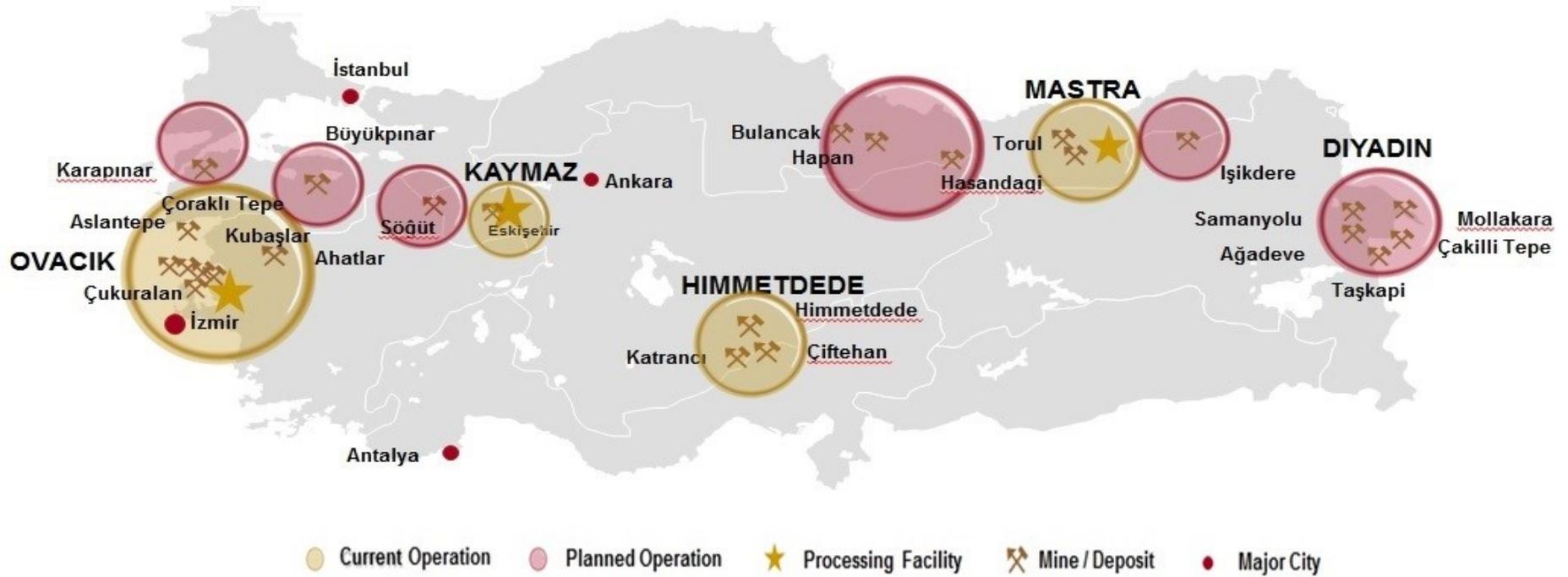
## Reserves and Resources

As 31 March 2014, we had 56 operating licences and 339 exploration licences throughout Turkey in the Aegean and Marmara regions, the Black Sea region and Central and Eastern Anatolia.

We have feasibility stage projects, Mollakara, located near Ağrı in the north-east of Turkey and projects in the middle of Turkey. In addition our properties also include 15 exploration projects 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 2013. 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 2013 our total gold resource base increased more than sixfold to 13,3 million ounces from 1,3 million ounces. Over the same period, our total reserve base increased to 3,5 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.
  - Our second processing plant is in operation at the Mastra Hub.
  - The third processing plant at Kaymaz started production on September 2011.
  - Construction of 4<sup>th</sup> processing plant Himmetdede was started in 4<sup>th</sup> quarter of 2012, and production will be commenced in 4<sup>th</sup> quarter of 2013.
  - 2 other potential areas for hubs have been identified – Diyadin, Hapan.
- ☺ Our current operations are supported by a significant pipeline of development and exploration projects
- ☺ Proven track record of discovering resources, with the intention of continuing to explore our large portfolio and advanced projects

## RESERVES

31 December 2013 Proven Reserve	Tonnage kt	Grade Au g/t	Grade Ag g/t	Ounces (Au Toz)	Ounces (Ag Toz)
Ovacık Underground	424.9	4.64	3.04	63	41
Çukuralan Underground	4,182.2	4.73	1.56	636	210
Open Pit	2,336.9	4.96	1.60	373	120
Mastra Underground	232.4	4.97	3.73	37	28
Kaymaz	1,005.4	3.83	4.91	124	159
Ovacık Rom Stockpile	96.7	3.98	3.46	12	11
Kaymaz Rom Stockpile	327.1	5.07	4.65	53	49
Mastra Rom Stockpile	24.7	4.51	6.64	4	5
Çoraklık Rom Stockpile	154.7	2.93	5.29	15	26
Çukuralan Rom Stockpile	100.0	7.51	4.68	24	15
Ovacık Mill Emergency Stockpile	30.4	5.19	3.21	5	3
Kaymaz Mill Emergency Stockpile	21.0	7.19	2.50	5	2
Mastra Mill Emergency Stockpile	19.8	4.86	5.27	3	3
Himmetdede	7,239.1	0.63	0.00	146	0
Himmetdede Leach Pad	373.5	1.06	0.00	13	0
Himmetdede Rom Stockpile	21.0	1.31	0.00	1	0
Mollakara	3,528.6	0.87	0.24	99	27
<b>Total Proven Reserve</b>	<b>20,135</b>	<b>2.50</b>	<b>1.09</b>	<b>1,616</b>	<b>702</b>

31 December 2013 Probable Reserve	Tonnage kt	Grade Au g/t	Grade Ag g/t	Ounces (Au Toz)	Ounces (Ag Toz)
Ovacık Underground	111.7	3.23	1.47	12	5
Çukuralan Underground	3,549.3	4.31	1.06	492	121
Open Pit	714.7	5.44	1.69	125	39
Mastra Underground	138.8	4.64	4.94	21	22
Open Pit	90.6	2.26	6.97	7	20
Kaymaz	2,108.2	5.07	5.44	344	369
Çoraklık Tepe	86.4	5.59	9.40	16	26
Ovacık LG Stockpile	149.7	1.39	1.49	7	7
Kaymaz LG Stockpile	585.8	0.66	2.56	12	48
Mastra LG Stockpile	265.8	1.14	3.12	10	27
Küçükdere LG Stockpile	389.1	1.36	6.28	17	79
Çukuralan LG Stockpile	502.0	0.84	1.16	14	19
Kubaslar	926.8	2.31	14.53	69	433
Sogut	111.2	2.29	1.11	8	4
Himmetdede	18,475.4	0.72	0.00	425	-
Mollakara	11,387.0	0.75	0.19	275	71
Himmetdede North	1,809.5	0.75	0.00	43	-
<b>Total Probable Reserve</b>	<b>41,402</b>	<b>1.42</b>	<b>0.97</b>	<b>1,895</b>	<b>1,290</b>

<b>Total Proven and Probable Reserve</b>	<b>61,537</b>	<b>1.77</b>	<b>1.01</b>	<b>3,511</b>	<b>1,992</b>
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## Mineral Resources (Inclusive of Reserves)

### MINERAL RESOURCES

31 December 2013	Tonnage	Grade		Ounces	
Measured Resources	kt	Au g/t	Ag g/t	(Au Toz)	(Ag Toz)
Ovacik	1,600.5	5.23	3.4	269	177
Cukuralan Open Pit	3,644.0	5.61	2.0	657	235
Cukuralan Underground	3,863.4	5.15	1.6	640	203
Coraklik Tepe	0.0	0.00	0.0	0	0
Gelintepe	0.0	0	0.0	0	0
Narlica	0.0	0	0.0	0	0
Kiratli	0.0	0	0.0	0	0
Kaymaz	1,129.6	3.73	4.9	136	179
Mastra	472.1	6.54	6.1	99	93
Mastra North	0.0	0.0	0.0	0	0
Himmetdede Oxide	7,160.2	0.66	0.0	153	0
Himmetdede Sulfide	21.9	0.80	0.0	1	0
Mollakara Oxide	2,942.0	0.80	0.2	76	20
Mollakara Transition	577.3	1.25	0.4	23	7
Mollakara Sulfide	9,597.0	1.10	0.2	339	55
Sogut Akbastepe Open Pit	0.0	0.0	0.0	0	0
Sogut Akbastepe Underground	0.0	0.0	0.0	0	0
Sogut Hayriye	0.0	0.0	0.0	0	0
Isikdere	0.0	0.0	0.0	0	0
Kubaslar	0.0	0.0	0.0	0	0
Ovacik Rom	96.7	3.98	3.5	12	11
Cukuralan Rom	100.0	7.51	4.7	24	15
Coraklik Rom	154.7	2.93	5.3	15	26
Mastra Rom	24.7	4.51	6.6	4	5
Himmetdede Rom	21.0	1.31	0.0	1	0
Kaymaz Rom	327.1	5.07	4.7	53	49
Ovacik Mill	30.4	5.19	3.2	5	3
Mastra Mill	19.8	4.86	5.3	3	3
Kaymaz Mill	21.0	7.19	5.5	5	4
Himmetdede Heap Leach	373.0	1.06	0.0	13	0
Ovacik LG	0.0	0.0	0.0	0	0
Cukuralan LG	0.0	0.0	0.0	0	0
Kucukdere LG	0.0	0.0	0.0	0	0
Mastra LG	0.0	0.0	0.0	0	0
Kaymaz LG	0.0	0.0	0.0	0	0
<b>Total Measured Resources</b>	<b>32,176</b>	<b>2.44</b>	<b>1.0</b>	<b>2,527</b>	<b>1,085</b>

## MINERAL RESOURCES

31 December 2013 Indicated Resources	Tonnage kt	Grade Au g/t	Ag g/t	Ounces (Au Toz)	(Ag Toz)
Ovacik	822.0	3.20	1.9	85	50
Cukuralan Open Pit	929.7	5.25	1.6	157	48
Cukuralan Underground	4,643.4	5.12	1.4	765	212
Coraklik Tepe	104.9	5.33	9.0	18	30
Gelintepe	0.0	0	0.0	0	0
Narlica	376.0	2.48	10.8	30	131
Kiratli	0.0	0	0.0	0	0
Kaymaz	2,485.1	4.71	5.3	376	421
Mastra	419.7	5.40	9.0	73	121
Mastra North	290.6	2.05	5.8	19	54
Himmetdede Oxide	35,070.7	0.62	0.0	703	0
Himmetdede Sulfide	2,560.9	1.32	0.0	108	0
Mollakara Oxide	9,477.6	0.73	0.2	223	58
Mollakara Transition	2,658.0	0.85	0.2	72	18
Mollakara Sulfide	34,707.9	0.97	0.2	1,087	231
Sogut Akbastepe Open Pit	2,514.3	12.28	1.1	993	91
Sogut Akbastepe Underground	348.0	9.99	1.0	112	11
Sogut Hayriye	164.8	3.07	0.0	16	0
Isikdere	91.6	1.66	9.5	5	28
Kubaslar	1,726.5	1.91	13.6	106	754
Ovacik Rom	0.00	0.0	0.0	0	0
Cukuralan Rom	0.00	0.0	0.0	0	0
Coraklik Tepe Rom	0.00	0.0	0.0	0	0
Mastra Rom	0.00	0.0	0.0	0	0
Kaymaz Rom	0.00	0.0	0.0	0	0
Ovacik Mill	0.00	0.0	0.0	0	0
Mastra Mill	0.00	0.0	0.0	0	0
Kaymaz Mill	0.00	0.0	0.0	0	0
Ovacik LG	149.7	1.39	1.5	7	7
Cukuralan LG	502.0	0.84	1.2	14	19
Kucukdere LG	389.1	1.36	6.3	17	79
Mastra LG	265.8	1.14	3.1	10	27
Kaymaz LG	585.8	0.66	2.6	12	48
<b>Total Indicated Resources</b>	<b>101,284</b>	<b>1.54</b>	<b>0.7</b>	<b>5,006</b>	<b>2,438</b>

## MINERAL RESOURCES

31 December 2013 Inferred Resources	Tonnage kt	Grade Au g/t	Ag g/t	Ounces (Au Toz)	(Ag Toz)
Ovacik	251.4	4.22	2.3	34	18
Çukuralan Open Pit	56.5	4.13	1.6	7	3
Çukuralan Underground	2,919.2	5.37	2.1	504	201
Çoraklık Tepe	340.0	4.22	8.3	46	91
Gelintepe	48.5	3.52	2.2	5	4
Narlica	124.9	3.05	11.1	12	45
Kiratli	1,875.4	2.24	38.1	135	2,299
Kaymaz	1,043.3	3.45	4.6	116	153
Mastra	533.6	6.94	5.9	119	100
Mastra North	24.1	2.39	5.5	2	4
Himmetdede Oxide	2,900.3	0.44	0.0	41	0
Himmetdede Sulfide	193.2	0.71	0.0	4	0
Mollakara Oxide	7,591.7	0.46	0.1	113	24
Mollakara Transition	4,719.6	0.68	0.1	104	19
Mollakara Sulfide	95,937.5	0.82	0.1	2,542	443
Sogut Akbastepe Open Pit	157.0	2.55	0.5	13	2
Sogut Akbastepe Underground	1,890.5	9.64	0.9	586	55
Sogut Korudanlık Open Pit	2,903.4	6.31	0.8	589	77
Sogut Korudanlık Underground	3,104.6	6.21	0.7	620	74
Sogut Hayriye Open Pit	155.4	3.04	0.4	15	2
Işıkdere	383.7	1.68	5.5	21	68
Kubaslar	204.2	2.17	12.5	14	82
Hasandag	7,799.4	0.41	0.2	102	59
Aslantepe	295.4	2.45	7.7	23	73
<b>Total Inferred Resources</b>	<b>135,452</b>	<b>1.32</b>	<b>0.9</b>	<b>5,769</b>	<b>3,896</b>

# 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: 0312 587 1000 or fax no: 0312 587 1100

### 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 Board Meeting

Following decisions were taken at the General Assembly, held on 31 March 2014;

1. The Activity Report and Auditor’s Report prepared by the Company’s Board of Directors for the year 2013 were presented to the General Assembly and both reports were accepted unanimously.
2. The Balance of Statement and Profit/Loss accounts prepared by the Company’s Board of Directors for the year 2013 were accepted unanimously.
3. Each member of the Board of Directors and the auditors were separately acquitted by the majority of votes
4. Discussion was held on the distribution of the profits for the year 2013. Following decisions were reached by the majority of votes :

- to pay shareholders first cash dividend gross 135,708,030.29 TL and distribute cash dividend of net 21,118,837.11 TL to the members of the Board of Directors, elected to represent Group A,

- to set the commencement date to be 04.04.2014 for distribution of dividends.

5. It was accepted by the majority of votes that Hamdi Akın İpek, Cafer Tekin İpek, Melek İpek and Pelin Zenginler to continue offices and in addition to them, İsmet Kasapođlu and Yusuf Kyuce to be elected as the independent members to the Board of Directors for a period of 1 year.

#### 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.

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 distributed within the legal period.

Profit distribution policy that presented to our shareholders is as follows;

If net term profit as the result of Company's activities according to financial report prepared by IFRS is,

- under 400 million TL, 2% of net distributable profit;
- between 401 million TL and 450 million TL, 3% of net distributable profit;
- between 451 million TL and 500 million TL, 4% of net distributable profit;
- over 500 million TL, 5% of net distributable profit.

#### 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

**KOZA GOLD OPERATIONS INC / KOZAL [] 02.01.2014 09:30:21**

#### **Special Event Disclosure (General)**

##### **DISCLOSURE:**

##### **Special Event (s) to disclose :**

There have been untrue and baseless remarks about our Company and Chairman Mr. Akın Ipek in an article published in today's Yenisafak newspaper,

In no way, our Company and/or Group companies are engaged in gold importation and as a matter of fact, the gold we produce is sold through Precious Metal Market of Istanbul Stock Exchange in pursuant to Circular 26350. All transactions are registered and certified by Istanbul Stock Exchange. It is not possible to sell gold to certain people.

Our Company is a mining company and has never conducted gold trading. We have no corporate and personal relationship regarding gold trading or any other business with the persons mentioned in newspaper's article.

Our company conducts its business with its own risk capital and carries out the mining starting from exploration stage onwards and fully complies with legal procedures.

We respectfully provide this for the public to be informed.

Koza Gold Operations Inc.

**KOZA GOLD OPERATIONS INC / KOZAL [] 02.01.2014 17:57:17**

#### **Special Event Disclosure (General)**

##### **DISCLOSURE:**

##### **Special Event (s) to disclose :**

In a press bulletin by the Special Administration of Izmir Province dated 02.01.2014, details were given related with the halting the activities of our Company's Cukuralan operations, referring to the basis outlined in Notice of Ministry of Environment and Urban Affairs dated 31.07.2013.

In the said Notice, it was quoted that "the present operations, that carry out their activities without Environment Permit are given time by our Ministry to complete their permitting process until 31.12.2013. No decision for administrative sanctions will be imposed on those operations that lodge application until that date".

According to temporary activity certificate issued by the Ministry to our Company, we need to make an e-application to obtain environment permit or environment permit and license by providing complete documentation and information required until

20.02.2014.

Our Company has therefore made the application and fulfilled all the requirements and being the last condition, it has paid the certificate fees to the Ministry's account on 10.12.2013.  
The Company has fulfilled its obligations on time.

Within this frame, we expect Special Administration of Izmir Province, as they have stated in their press bulletin, to implement provisions outlined in the Ministry's Notice dated 31.07.2013 and immediately lift the decision halting our Company's Cukuralan operations

With kind regards,  
Koza Gold Operations Inc.

Note: In order to avoid any confusion, we would like to clarify that there are no problems or conflicts in terms of "EIA Certificate" and Certificate to Run and Operate Workplace"

**KOZA GOLD OPERATIONS INC / KOZAL [] 06.01.2014 09:08:57**

**Special Event Disclosure (General)**

**DISCLOSURE:**

**Special Event (s) to disclose :**

In some press, there has been untrue news published in connection with stoppage of production at our Company's Mastra Gold Mine. As pointed out in the papers, "4 square meter sized gallery entrance" is in forestry land. An application to extend period of forestry permit was lodged but no reply has been received so far. General Directorate of Mine Works (MIGEM) has sent instructions on 27.12.2013 not to use this area as the gallery entrance is located on forestry land for which permit has not been received.

Since we have received no reply for our application to extend the period of our forestry permit, and considering such reply would take time, our Company has opened another gallery entrance on the permitted area. Our production activities are being carried out at this new permitted area. There was no need to make a public disclosure on this issue, as halting or interrupting the production at Mastra Gold Mine by MIGEM was not the case

Another issue of taxation probe raised in the same news article is a usual procedure that applies to corporate companies like us. Our Ministry of Finance is respected institution acting within the law. Ministry of Finance is not penalizing institution, as alleged.

We respectfully provide this for the public to be informed

**KOZA GOLD OPERATIONS INC / KOZAL [] 07.01.2014 10:34:35**

**Special Event Disclosure (General)**

**DISCLOSURE:**

**Special Event (s) to disclose :**

We have applied to the court to start legal proceedings for cancellation of the process, which had been initiated by Special Administration of Izmir Province to halt mining activities at Company's Cukuralan Mine.

**KOZA GOLD OPERATIONS INC / KOZAL [] 10.01.2014 10:48:57**

**Special Event Disclosure (General)**

**DISCLOSURE:**

**Special Event (s) to disclose:**

Upon our application for cancellation of the process, which had been initiated by Special Administration of Izmir Province to halt mining activities at Company's Cukuralan Mine? 4th Administrative Court of Izmir ordered stay of execution.

With this court decision, our Cukuralan Mine will resume its activities

**KOZA GOLD OPERATIONS INC / KOZAL [] 10.01.2014 13:44:55**

**Special Event Disclosure (General)**

**DISCLOSURE:**

**Special Event (s) to disclose:**

Our Cukuralan operations, which was sealed off by Special Administration of Izmir Province is now removed of the seals and resumed its activities.

**KOZA GOLD OPERATIONS INC / KOZAL, 2014 [] 15.01.2014 18:40:17**

**Certification of General Board Decisions**

**ADDITIONAL DISCLOSURE:**

The results of our Company's Ordinary General Board Meeting for the year 2012 held on 10.05.2013 have been certified by Trade Registry Office of Ankara on 13.05.2013.  
This is provided for your action.

**KOZA GOLD OPERATIONS INC / KOZAL [] 17.01.2014 17:54:04**

**Special Event Disclosure (General)**

**DISCLOSURE:**

**Special Event (s) to disclose :**

The results of our total resources and reserves as at 31.12.2013 produced in accordance with International JORC standards and audited by an international institution SRK Consulting USA are disclosed to the investors as follow:-

The samples of 144.998.6 meter core drilling carried out in 2013 and other geological works have been analysed by the laboratories of an international ALS Chemex (Australian Laboratory Service)

As at 31.12.2013, our measured, indicated, inferred resources have reached 13.3 million ounces ad reserves to be 3.5 million ounces.

At the end of 2012, our resources had been 12.6 million ounces and reserves 3.7 million ounces. In 2013 350.000 ounces were produced.

Due to permitting regulations on the use of public land, which came into force in June, 2012, not enough drilling opportunities existed transforming resource and reserve zones into measured and indicated categories. Furthermore, resources and reserve grade values went head to head affected by changes in gold prices. In 2013. In spite of this negative environment, our geology and exploration teams continue with their works.

**KOZA GOLD OPERATIONS INC / KOZAL [] 28.01.2014 10:07:34**

**Special Event Disclosure (General)**

**Special Event (s) to disclose:**

Due to restrictions and applications encountered in mining sector, following decisions were taken to protect company budget and our profit distribution plans and to maintain our growth performance at optimum level.

These decisions are as follow:-

- to halt activities of Mastra /Gumushane plant by the end of the February,
- In order not to have our budget performance be affected on short term, to cut back our exploration activities budget by 70%, like in other companies in our sector,
- Within the frame of our plans to reach our short and long-term targets, to expedite assessing the opportunities received/will be received from the countries mainly, where mining regulations have been well established.

The matter that should be known here is that the mining companies, which possess accumulated knowledge at all stages starting from exploration to setting up plant, and operate with its own risk capital are invited and encouraged by every country.

Due to restrictions and application, in every 300 drilling carried out in Turkey only one turns into the mining, whereas world ratio is 1 in 100.

We firmly believe that Koza mining teams who have proven themselves by showing success performance so far will be successful in the world.

Obviously, the most important factor that affects mining is the world's mineral prices. Apart from this effect, which is beyond our control, we plan not to have any major changes in our short and long term budgets and profit distribution targets.

## KOZA GOLD OPERATIONS INC / KOZAL 2014 [ ] 06.03.2014 18:31:32

### Call for General Board Meeting

Address	Necatibey Cd. No:56-B Demirtepe Çankaya
Phone	312 - 5871000
Fax	312 - 5871100
Department of Investor/Shareholders Relations, Phone no:	312 - 5871015
Department of Investor/Shareholders Relations, Fax no:	312 - 5871100
Is it updated disclosure?	No
Is it a deferred disclosure ?	No
Summary Information	NOTICE OF GENERAL BOARD MEETING FOR THE YEAR 2013

Decision Date	06.03.2014
Type of General Meeting	Ordinary
Fiscal Period commenced on	01.01.2013
Fiscal Period ended on	31.12.2013
Date and Time	31.03.2014 14:30
Address	Ramada Plaza Yaşam Cad. 4. Sok No:4 Söğütözü/Ankara
Agenda	<p>AGENDA OF ORDINARY GENERAL MEETING HELD ON 31.03.2014</p> <ol style="list-style-type: none"><li>1.- Opening the meeting and electing the Chairing Committee and Authorizing Chairing Committee to sign general Meeting documents.</li><li>2. - Examining and discussing and approving Board of Directors' Activity for the year 2013.</li><li>3.- Reading of summarized Report of Independent Auditor related to Fiscal Period of 2013</li><li>4.- Reading, discussing and approving of financial charts related to 2013 accounting year</li><li>5.- Taking decision to separately acquit the members of the Board for their accounts and activities for the year 2013</li><li>6.- In pursuant to the regulations of Capital Market Board, approve dividend distribution policy</li><li>7. - Accepting, accepting as being amended or rejecting the proposal by the Board for the date of dividend distribution for the year 2013.</li></ol>

	<p>8.- Electing members of the Board of Management, and deciding the term to hold office</p> <p>9.- As required by Capital Market Board arrangements, inform shareholders about "Remuneration Policy and the payments effected within this policy for the board members and top level officers</p> <p>10.- Determining monthly salaries for the Board Members,</p> <p>11. In pursuant to Turkish Trade Act and arrangements by the Capital Market Board, approve Board 's election of Independent Auditing firm,</p> <p>12. As required by the arrangements of Capital Market Board, to notify shareholders about " Disclosure Policy",</p> <p>13. Inform shareholders about the guarantees, securities, and mortgages given in favour of third parties.</p> <p>14. As required by the arrangements of the Capital Market Board, shareholders are informed about donations and aids granted to the foundations and societies within the purpose of Companies social assistance policy in 2013 and to determine top limits of the donations, which will be made in 2014.</p> <p>15., Permission to be given to shareholders who hold management powers, senior level officers and their spouses and relatives by blood and kinship up to third degree within the frame of Article 395 and 396 of Turkish Trade Act and to inform shareholders about the transactions conducted within this scope in 2012 in line with Corporate Management Principles</p> <p>16. Requests and recommendations.</p>
Is there an issue amongst the agenda for an amendment in the articles of association concerning Commercial Title?	No
Is there an issue amongst the agenda for amendment in the articles of association concerning type of business engaged?	No
Is there an issue amongst the agenda for amendment in the articles of association concerning Company's Head Office?	No

**KOZA GOLD OPERATIONS INC / KOZAL [] 06.03.2014 20:36:56**

**Special Event Disclosure (General)**

**DISCLOSURE:**

- In pursuant to Corporate Management Principles and the arrangements of Capital Market Board, notification document prepared for annual general meeting is enclosed.

**Board's Decision for Distribution of Profit Share**

Address	Necatibey Cd. No:56-B Demirtepe Çankaya
Phone	312 - 5871000
Fax	312 - 5871100
Department of Investor/Shareholders Relations, Phone no:	312 - 5871015
Department of Investor/Shareholders Relations, Fax no:	312 - 5871100
Is it updated disclosure?	No
Is it a deferred disclosure?	No
Summary Information	Profit Distribution for 2013

Date of Decision by the Board of Directors	06.03.2014
Date, the matter will be discussed at General Board Meeting,	31.03.2014

Proposed type of payment of cash profit	cash
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Share Group Information	Proposed cash dividend to be paid for nominal value share of 1 TL. (gross TL)	Proposed cash dividend to be paid for nominal value share of 1 TL. ( Net TL)
<b>Group B ,KOZAL(old),TREKOAL00014</b>	<b>0,8898887</b>	<b>0,7564054</b>
Group A, not transacted (privileged),TREKOAL00022	0,8898887	0,7564054

<b>Proposed Date to pay cash dividend share</b>
04.04.2014

Share Group Information	Cash share amount proposed to be distributed in form of share (TL)	Dividend share proposed to be distributed in form of share (%)
<b>Group B, KOZAL(old),TREKOAL00014</b>	<b>0,000</b>	<b>0,00000</b>
Group A, not transacted (privileged),TREKOAL00022	0,000	0,00000

**ADDITIONAL DISCLOSURES:**

Company's Board of Management has decided to propose to distribute gross 135.708.030,29 TL to shareholders of net distributional term dividend included with donations for the year 2013, to Group A Board of Management members net 21.713.284,85 TL and distribution of dividend is to be effective from 04.04.2014.

**KOZA GOLD OPERATIONS INC / KOZAL [] 06.03.2014 20:56:01****Special Event Disclosure (General)****DISCLOSURE:**

In pursuant to the principles of the Capital Market Board Act 6362 and Turkish Trade Act 6102, the Company's Board of Management receiving opinion from auditing committee has unanimously decided to nominate Basaran Nas Auditing and Chartered Accounting and Counselling Company A.S. ( a member of PricewaterhouseCoopers) to audit our Company's financial charts covering the accounting period for 2014 and take this nomination to the approval of Ordinary General Board Meeting for the 2013

**KOZA GOLD OPERATIONS INC / KOZAL, 2014 [] 07.03.2014 18:18:50****Decision by the Board of Management related to Distribution of Dividend****Reason for Amendment and Content of Amended Information**

**inadvertently errors on dividend distribution chart were corrected and updated. There are no changes in profit shares, which we will distribute to shareholders.**

**Our notice announced on 06/03/2014 20:48 through Public Disclosure Platform is amended as follows:**

Date of the Decision by Board of Directors	06.03.2014
Date, the matter will be discussed at General Board Meeting	31.03.2014

Proposed type of payment of cash profit	cash
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Share Group Information	Proposed cash dividend to be paid for nominal value share of 1 TL. (gross TL)	Proposed cash dividend to be paid for nominal value share of 1 TL. ( Net TL)
<b>Group B,KOZAL(old),TREKOAL00014</b>	<b>0,8898887</b>	<b>0,7564054</b>
Group A, not transacted (privileged),TREKOAL00022	0,8898887	0,7564054

<b>Proposed Date to pay cash dividend share</b>
04.04.2014

Share Group Information	Amount of Profit share proposed to be distributed in form of share (TL)	Profit share proposed to be distributed in form of share (%)
<b>Group B,KOZAL(old),TREKOAL00014</b>	<b>0,000</b>	<b>0,00000</b>
Group A, not transacted (privileged),TREKOAL00022	0,000	0,00000

**ADDITIONAL DISCLOSURES:**

Inadvertently errors on dividend distribution chart were corrected and updated. There are no changes in profit shares which we will distribute to shareholders. Company's Board of Management has decided to propose to distribute gross 135.708.030,29 TL to shareholders of net distributional term dividend included with donations for the year 2013, to Group A Board of Management members net 21.713.284,85 TL and distribution of dividend is to be effective from 04.04.2014.

**KOZA GOLD OPERATIONS INC / KOZAL [] 07.03.2014 18:25:56**  
**Special Event Disclosure (Amendment)**

**DISCLOSURE:**

The informative document prepared in relation with General Board Meeting pursuant to the Principles and arrangements of CMB corporate Management is attached herewith.

**KOZA GOLD OPERATIONS INC / KOZAL, 2014 [] 07.03.2014 18:36:35**

**Decision by the Board of Management related to Distribution of Dividend**

**Reason for Amendment and Content of Amended Information**

**Our notice announced on 07/03/2014 18:18 through Public Disclosure Platform is amended as follows:**

Date of the Decision by Board of Directors	06.03.2014
Date, the matter will be discussed at General Board Meeting	31.03.2014

Proposed type of payment of cash profit	cash
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Share Group Information	Proposed cash dividend to be paid for nominal value share of 1 TL. (gross TL)	Proposed cash dividend to be paid for nominal value share of 1 TL. ( Net TL)
<b>Group B,KOZAL(old),TREKOAL00014</b>	<b>0,8898887</b>	<b>0,7564054</b>
Group A, not transacted (privileged),TREKOAL00022	0,8898887	0,7564054

<b>Proposed Date to pay cash dividend share</b>
04.04.2014

Share Group Information	Amount of Profit share proposed to be distributed in form of share (TL)	Profit share proposed to be distributed in form of share (%)
<b>B Grubu,KOZAL(old),TREKOAL00014</b>	<b>0,000</b>	<b>0,00000</b>
Group A, not transacted (privileged),TREKOAL00022	0,000	0,00000

**ADDITIONAL DISCLOSURES :**

Inadvertently errors on dividend distribution chart were corrected and updated. There are no changes in profit shares, which we will distribute to shareholders. Company's Board of Management has decided to propose to distribute gross 135.708.030,29 TL to shareholders of net distributional term dividend included with donations for the year 2013, to Group A Board of Management members net 21.713.284,85 TL and distribution of dividend is to be effective from 04.04.2014.

**KOZA GOLD OPERATIONS INC / KOZAL [] 07.03.2014 18:39:55**

**Special Event Disclosure (Amendment)**

**DISCLOSURE:**

The informative document prepared in relation with General Board Meeting pursuant to the Principles and arrangements of CMB corporate Management is attached herewith.

**KOZA GOLD OPERATIONS INC / KOZAL [] 10.03.2014 09:25:33**

**Special Event Disclosure (General)**

**DISCLOSURE:**

Upon completion of inspections conducted by the Ministry of Environment and Urban Affairs, temporary Permit Certificate of Cukuralan Gold Mine has been converted into "Environment Permit Certificate to be valid until the year 2019. Environment and Permit Certificate has been submitted to Special Administration of Izmir Province.

**KOZA GOLD OPERATIONS INC / KOZAL [] 13.03.2014 13:26:36**

**Special Event Disclosure (General)**

**DISCLOSURE:**

Open pit activities at our Company's Kaymaz operations located in Karakaya Village region has been halted by Sivrihisar Sub-Governor Office upon instruction of Provincial Department of Food, Agriculture and Livestock of Eskisehir Governorship on the allegation of a part of our operation's activity area is pasture land. Although it is clearly defined on the Official Deed cadastre, present and open to public that these lands have not been registered as pasture land, process was implemented. Our operation has all the permits as required within Mine Act and other relevant acts.

As it can be clearly seen on the letters received from Sivrihisar Cadastre Department of Eskisehir Governor's Office, dated 27.05.2009, 06.10.2009, 29.11.2010, 06.11.2012 and 16.01.2014, the area, where we carry out our activities are the fields of which deeds are in our Company's ownership and defined in the cadastre registry as "UNCADASTRE STONY AREA". All the process in relation to the lands in our operation was conducted in accordance with official deeds registry records.

- Clause 10/Article 121 of the Regulation for Mining Activities Practices clearly specify that the process will be implemented according to current deeds registry records when exploration period, production permit or operation permit is required . Article 21 of the Pasture Act 4342, headed to prove the claims for meadow, pasture and wintering has ensured that if an existence of immovable is to be treated as a meadow, it is a requisite to have it been registered onto meadow registry book kept by the relevant register of deeds For all the official applications we have made within Deeds and Cadastre Department from 2009 to 2014, we have clearly notified that our operational area has been registered as "non-cadastre stony area" and it has not been meadow or treasury land according to meadow registry book records We quiet clearly believe this decision for stoppage contradicts the law and we would like to inform public that we will use all our legal rights regarding this process. Koza Gold Operations Inc.

**Outcome of General Board Meeting**

Type of General meeting	Ordinary
Date and Time	31.03.2014 14:30
Fiscal Period commenced on	01.01.2013
Fiscal Period ended on	31.12.2013
Was General Board Meeting held?	yes
Decisions taken	Board Management was acquitted. Board management's proposal for profit distribution was accepted as it was. Ismet Kasapoglu and Yusuf Köyce were elected to hold offices as Independent Members. Independent auditing firm elected by the Board Management was approved. Top limits were determined for donations to be made in 2014.
Is there an issue amongst the agenda for an amendment in the articles of association concerning Commercial Title ?	No
Is there an issue amongst the agenda for amendment in the articles of association concerning type of business engaged?	No
Is there an issue amongst the agenda for amendment in the articles of association concerning Company's Head Office?	No

**Information relating to the process amongst the items included in Agenda**

Was the issue of Profit Share Distribution discussed?	Yes
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Proposed type of payment of cash profit	cash
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Share Group Information	Proposed cash dividend to be paid for nominal value share of 1 TL. (gross TL)	Proposed cash dividend to be paid for nominal value share of 1 TL. ( Net TL)
<b>Group B,KOZAL(old),TREKOAL00014</b>	<b>0,8898887</b>	<b>0,7564054</b>
Group A, not transacted (privileged),TREKOAL00022	0,8898887	0,7564054

<b>cashKar Payı Ödeme Tarihi</b>
04.04.2014

Will Profit Share be Distributed in the form of share?	No
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**Acquisition of Financial Fixed Asset**



Date of Decision taken by the Board for acquisition	:	31.03.2014
Title of Acquired Fixed Asset	:	Koza Ltd.
Type of Activity of Acquired Financial Fixed Asset	:	Mining enterprising abroad
Capital of Acquired Financial Fixed Asset	:	60.000.000 GBP
Method of Acquiring Financial Fixed Assets	:	Establishing a new company.
Process completed/ will be completed on	:	31.03.2014
Acquisition conditions	:	Cash capital
Nominal amount of Acquired shares	:	60.000.000 GBP
Buying Price of each share	:	1 GBP
Total Amount	:	60.000.000 GBP
Ratio of Acquired Shares to the Capital of Acquired Financial Fixed Assets (%)	:	100%
Participation Rate in Financial Fixed Assets after Acquisition (%)	:	100%
Ratio of voting rights owned after acquisition to Total Voting Rights of Financial Fixed Assets (%)	:	100%
Ratio of Acquired Fixed Asset to Total Assets in Partnership's the latest Financial Statement disclosed to the Public (%)	:	0,117661215
Effect to Partnership's activities	:	To engage in mining abroad.
Whether an obligation has occurred to offer share purchase	:	No
If so, whether an application for exemption will be made	:	No
Name/Title of Seller/Transferor	:	-
Nature of Relationship of Partnership to Seller/Transferor Party	:	-
Method of Determining Value of Financial Fixed Asset	:	-
Whether a valuation report was prepared	:	Not prepared
If not prepared what is the reason?	:	Establishing a new company
Amount found as the result of valuation Report.	:	-
If the process has not been realized/will not be realized according to the results of Valuation Report, what is the reason	:	-

**ADDITIONAL DISCLOSURES:**

As announced in our Special Event Disclosure dated 28. January 2014, a company titled with " Koza Gold Ltd", based in England and wholly owned subsidiary of Koza Gold Operations Inc was established to undertake mining activities abroad.

**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)

December 2010	Share Group	TL	%
ATP İnşaat ve Ticaret A.Ş.	(A,B)	68.636	45,01
Koza İpek Holding A.Ş.	(A,B)	38.114	24,99
Halka Arz-Other	(B)	45.750	30,00
Melek İpek	(A)	-	Less than 1
Hamdi Akın İpek	(A)	-	Less than 1
Cafer Tekin İpek	(A)	-	Less than 1
Pelin Zenginer	(A)	-	Less than 1
İsmet Kasapoğlu	(B)	-	Less than 1
<b>Total</b>		<b>152.500</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 Zenginler	Member
İsmet Kasapoğlu	Independent Member
Yusuf Köyce	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 within the Board of Directors. After formation of Auditing Committee, works will begin on setting up an Internal Auditing Department. In pursuant to the Capital Market Board's Circular and provisions for Determining and Practicing the Principles of Corporate Management, dated 11.10.2011 and serial :IV no: 54, timing will be determined to effectively implement internal auditing and procedures will be prepared and practiced.

## 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 twelve 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", have been approved by the CMB dated 10.04.2012 with resolution no. B.02.6.SPK.0.13.00-110.03.02-1023-4021. The changes to the article 7/B has also been permitted by the General Directorate of Internal Trade of the Customs and Trade Ministry of Republic of Turkey with their reference letter no. 2592.

## 24. Code of Ethics

Procedure, which contains the code of ethics, has been finalized and is in the process of being used.

## 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.

Decision was taken at the General board meeting held on 31 March 2014, to include into profit distribution policy, a proposal to be made to general assembly to distribute to the members of the board representing Group A shareholders for the Company's performance, if net term profit as the result of Company's 2013 activities according to financial report prepared by IFRS is,

- under 400 million TL, 2% of net distributable profit;
- between 401 million TL and 450 million TL, 3% of net distributable profit;
- between 451 million TL and 500 million TL, 4% of net distributable profit;
- over 500 million TL, 5% of net distributable profit.