KOZA ALTIN İŞLETMELERİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2010
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the consolidated financial statements

1. We have audited the accompanying consolidated financial statements of Koza Altın İşletmeleri A.Ş. and its subsidiary which comprise the consolidated balance sheet as of 31 December 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Koza Altın İşletmeleri A.Ş. and its subsidiary as at 31 December 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Haluk Yalçın, SMMM

İstanbul, 15 March 2011

KOZA ALTIN İŞLETMELERİ A.Ş.

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KOZA ALTIN İŞLETMELERİ A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER

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

	Notes	2010	2009
ASSETS			
Current assets:			
Cash and cash equivalents	7	196.691.766	20.826.910
Due from related parties	8	301	44.201.871
Inventories	9	45.674.781	52.734.061
Other current assets	10	11.340.317	5.321.452
Total current assets		**253.707.165**	**123.084.294**
Non-current assets:			
Property, plant and equipment	11	267.997.380	204.731.355
Intangible assets	12	814.895	925.282
Goodwill	30	14.017.036	2.781.408
Deferred income tax assets	17	8.964.383	4.140.825
Other non-current assets		367.921	-
Total non-current assets		**292.161.615**	**212.578.870**
TOTAL ASSETS		**545.868.780**	**335.663.164**

These consolidated financial statements as at and for the year ended 31 December 2010 have been approved for issue by the Koza Altın İşletmeleri A.Ş. management on 15 March 2011.

KOZA ALTIN İŞLETMELERİ A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER

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

	Notes	2010	2009
LIABILITIES AND EQUITY			
Current liabilities:			
Borrowings	13	12.013.902	9.188.029
Trade payables	14	17.390.360	19.681.619
Due to related parties	8	332.000	236.885
Current income tax liabilities	17	15.835.619	16.466.835
Provision for environmental rehabilitation and mine closure	16	6.335.190	4.473.820
Other current liabilities	15	10.131.807	6.272.395
Total current liabilities		**62.038.878**	**56.319.583**
Non-current liabilities:			
Borrowings	13	17.838.462	28.955.769
Provision for environmental rehabilitation and mine closure	16	16.780.654	18.093.604
Provision for employment benefits	18	1.975.478	1.541.011
Other non-current liabilities	14	8.503.000	-
Total non-current liabilities		**45.097.594**	**48.590.384**
Total liabilities		**107.136.472**	**104.909.967**
Equity:			
Share capital	19	152.500.000	60.000.000
Adjustment to share capital	19	9.831.922	9.831.922
Total paid-in capital	19	162.331.922	69.831.922
Retained earnings		276.400.386	160.921.275
Total equity		**438.732.308**	**230.753.197**
TOTAL LIABILITIES AND EQUITY		**545.868.780**	**335.663.164**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	1 January- 31 December 2010	1 January- 31 December 2009
Revenue	22	472.074.894	342.381.493
Cost of sales	23	(141.499.657)	(119.123.386)
Gross profit		**330.575.237**	**223.258.107**
Selling and marketing costs	24	(3.060.357)	(5.221.297)
General administrative expenses	25	(31.068.686)	(25.585.931)
Exploration costs		(14.624.569)	(9.975.717)
Other operating income	26	625.288	948.638
Other operating expenses	26	(3.704)	(10.006)
Operating profit		**282.443.209**	**183.413.794**
Finance income	27	27.320.460	11.021.550
Finance expense	27	(21.531.208)	(11.291.092)
Profit before taxation on income		**288.232.461**	**183.144.252**
Taxation on income		(52.753.350)	(36.499.388)
- Current income tax expense	17	(56.802.236)	(38.666.764)
- Deferred tax income	17	4.048.886	2.167.376
Profit for the year		**235.479.111**	**146.644.864**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**235.479.111**	**146.644.864**
Basic and diluted earnings per share	20	1,5441	0,9616

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

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

	Share capital	Adjustment to share capital	Retained earnings	Total equity
Balances at 1 January 2009	**44.350.000**	**9.831.922**	**99.580.309**	**153.762.231**
Increase in share capital	15.650.000	-	(15.650.000)	-
Dividend relating to 2008 (Note 8-l)	-	-	(69.653.898)	(69.653.898)
Total comprehensive income	-	-	146.644.864	146.644.864
Balances at 31 December 2009	**60.000.000**	**9.831.922**	**160.921.275**	**230.753.197**
Increase in share capital (Note 19)	92.500.000	-	(92.500.000)	-
Dividend relating to 2009 (Note 8-l)	-	-	(27.500.000)	(27.500.000)
Total comprehensive income	-	-	235.479.111	235.479.111
Balances at 31 December 2010	**152.500.000**	**9.831.922**	**276.400.386**	**438.732.308**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	1 January - 31 December 2010	1 January - 31 December 2009
Cash flows from operating activities:			
Profit before taxation on income		288.232.461	183.144.252
Adjustments to reconcile profit to net cash generated from operating activities:			
Depreciation and amortisation	11 - 12	66.361.730	75.303.757
Interest income		(8.133.854)	(957.384)
Interest expense		1.218.105	651.380
Exploration costs		14.624.569	9.975.717
Taxes paid		(57.433.452)	(26.437.562)
Gain from sales of property, plant and equipment - net	26	(189.591)	(630.552)
Changes in working capital	32	23.332.115	(55.423.185)
Payment for exploration activities		(13.875.559)	(9.499.852)
Provision for employment benefits	18	771.618	761.370
Employment benefits paid	18	(337.151)	(239.598)
Provision for royalty and rents	15	5.934.641	2.041.016
Depletion cost	16	1.335.992	1.286.300
Payment for rehabilitation activities	16	(2.397.072)	(3.985.351)
Net cash generated from operating activities		**319.444.552**	**175.990.308**
Cash flows from investing activities:			
Purchases of property, plant and equipment and intangibles		(127.911.878)	(95.171.536)
Loans granted to the related parties - non-trade receivables		(7.311.962)	(17.458.728)
Repayment of the related parties - non-trade receivables		16.394.824	18.733.697
Increase in other liabilities due to subsidiary purchase	30	8.503.000	-
Net cash paid due to purchase of subsidiary		(4.771.829)	-
Interest received		8.170.613	1.732.816
Proceeds from sales of property, plant and equipment		193.602	1.141.431
Net cash used in investing activities		**(106.733.630)**	**(91.022.320)**
Cash flows from financing activities:			
Loans granted by the related parties - non-trade payables		-	13.684.825
Repayment to the related parties - non-trade payables		(17.987)	(13.933.512)
Redemption of bank borrowings		(8.247.985)	(2.322.476)
Dividends paid	8.1	(27.500.000)	(69.653.898)
Interest paid		(1.261.556)	(486.336)
Net cash used in financing activities		**(37.027.528)**	**(72.711.397)**
Net increase in cash and cash equivalents		**175.683.394**	**12.256.591**
Cash and cash equivalents at start of year		20.826.910	8.480.909
Foreign exchange gains on cash and cash equivalents		181.462	89.410
Cash and cash equivalents at end of year	7	**196.691.766**	**20.826.910**

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

NOTE 1 – GENERAL INFORMATION

Eurogold Madencilik A.Ş. ("Eurogold") was established on 6 September 1989 in order to operate a gold mine at Ovacık-Bergama in İzmir. After acquisition of all shares of Eurogold by Normandy Mining Ltd., title of Eurogold registered as Normandy Madencilik A.Ş. ("Normandy Madencilik").

On 3 March 2005, ATP İnşaat ve Ticaret A.Ş. ("ATP"), a group company of Koza İpek Holding A.Ş. ("Koza Holding"), and Koza Holding acquired all shares of Normandy Madencilik from Autin Investment. Autin Investment was the parent of Newmont before this acquisition. After this acquisition, its legal title has been registered as "Koza Altın İşletmeleri A.Ş." ("Koza Altın" or "the Company") on 29 August 2005.

As of 31 December 2010, 48,57% of the shares of the Company were held by ATP and 28,56% of the shares were held by Koza Holding including shares trading in Istanbul Stock Exchange ("ISE"), and 30,00% (2009: None) of its shares are quoted on ISE (Note 19).

On 28 June 2010, Koza Altın has acquired the 99,84% of the shares of the Newmont Altın Madencilik Limited Şirketi ("Newmont Altın"), which is a subsidiary of the Newmont Overseas Exploration Limited ("Newmont Oversea") and Canmont Mining Properties Limited ("Canmont") and the control of the Newmont Altın also transferred to the Company (Note 30). On 27 August 2010, Newmont Altın registered its legal title as Koza ipek Madencilik A.Ş. ("Koza İpek Madencilik").

The Company and its subsidiary (together the "Group") are currently engaged in exploring and operating the gold mines through three operational gold mines located in Ovacık-Bergama-İzmir, Çukuralan-İzmir both in western Turkey and Mastra-Gümüşhane in north-eastern Turkey. The Group sells unprocessed bullions comprising of gold and silver ("dores") to domestic and foreign gold refineries. Until 18 March 2010, the export sales of the Group were performed via ATP to the refinery in Europe (Note 8), since then the Group sells only to a refinery operating in Turkey.

The address of the registered head office is as follows:

Necatibey Caddesi No:56/B
Demirtepe/Ankara, Turkey

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC Interpretations. The policies set out below have been consistently applied to all the years presented unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

Koza Altın and its Subsidiary registered in Turkey, maintain their book of account and prepare their statutory financial statements ("Statutory Financial Statements") in Turkish lira ("TL") in accordance with the Turkish Commercial Code ("TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance and as the Company is listed on the ISE, the accounting principles accepted by the Capital Market Board ("CMB"). These financial statements are based on the statutory records of the Company and its subsidiary with adjustments and reclassifications including the application of consistent accounting policies for the purpose of fair presentation in accordance with IFRS.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

a) New and amended standards adopted by the Group:

The Group has adopted the following new and amended IFRS for the financial year beginning on 1 January 2010:

- IFRS 3 (revised), "Business combinations" (effective from the first annual reporting period beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group applies IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 27 (revised), "Consolidated and separate financial statements", (effective from annual periods beginning on and after 1 July 2009) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests. The Group has applied IAS 27 (Revised) since the transfer of control in Newmont Altın as of 28 June 2010.

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

- IAS 38 (amendment), "Intangible Assets" (effective from the first annual reporting period beginning on or after 1 July 2009). The amendment is part of the IASB's annual improvements project published in April 2009 and the Group has applied IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment does not result in a material impact on the Group's financial statements. The Group applies IAS 38 (amendment) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), "Intangible Assets", (effective for periods beginning on or after 1 January 2010). Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. The Group applies IAS 38 (amendment) prospectively to all business combinations from 1 January 2010.

- IAS 36 (revised), "Impairment of Assets", (effective for periods beginning on or after 1 January 2010). Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment. It does not have an impact on the Group's consolidated financial statements.

- IAS 7 (revised), "Statement of cash flows", (effective for periods beginning on or after 1 January 2010). Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment does not result in a material impact on the Group's statements of cash flows.

- IFRS 8 (revised), "Operating Segments", (effective for periods beginning on or after 1 January 2010). It is not expected to have an impact on the Group's financial statements, as there is single reportable segment (Note 4-r).

b) All amendments and new standards and interpretations issued and effective other than those mentioned above are not relevant to the Group

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted by the Group:

- Revised IAS 24 (revised), "Related party disclosures", issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The Group management is still assessing the impact of IAS 24 (revised).

- IFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group management is still assessing the impact of IFRS 9.

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

d) New standards, amendments and interpretations that are not yet effective and not relevant for the Group.

- IAS 32, "Classification of rights issues", (amended October 2009, effective for annual periods beginning on or after 1 February 2010). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8, "Accounting policies, changes in accounting estimates and errors". It does not have an impact on the Group's consolidated financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have an impact on the Group's financial statements.

- "Prepayments of a minimum funding requirement" (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have an impact on the Group's financial statements.

e) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is the parent company's functional and the Group's presentation currency.

ii) Transactions and balances

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

NOTE 3 - GROUP ACCOUNTING

The consolidated financial statements include the accounts of the parent company, Koza Altın and its subsidiary on the basis set out below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with IFRS applying uniform accounting policies and presentation.

Subsidiary:

Subsidiary is the company over which the Group has the power to control the financial and operating policies for the benefit of the Group, generally accompanying a shareholding of more than one half of the voting rights relating to shares in the company as a result of shares owned directly and indirectly by itself or company where by the Group exercises control over the voting of the shares held by itself. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. The cost of, and the dividends arising from, shares held by Koza Altın in its subsidiary are eliminated from equity and income or loss for the year, respectively.

Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income (Note 30).

NOTE 3 - GROUP ACCOUNTING (Continued)

In accordance with IFRS 3 "Business Combinations", if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date (Note 30).

The table below sets out the subsidiary included in the scope of consolidation at 31 December 2010 and shows the related controlling interest;

Subsidiaries	**Total direct and indirect control by Koza Altın (%)**
Koza İpek Madencilik (Notes 1 and 3)	99,79

Since the share of non-controlling interests in the net asset and financial performance is not material, the Group did not recognize non-controlling interests as at 31 December 2010.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Group in the preparation of the consolidated financial statements are summarised below:

a) Related parties

For the purpose of the consolidated financial statements, shareholders having control, joint control or significant influence over the Group, İpek family members who are the ultimate controlling party of the Group, Koza Holding Companies, fellow subsidiaries and key management personnel, together with companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 8).

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand accounts, and bank deposits held at call with banks, and short-term highly liquid investments with original maturities of three months or less (Note 7).

c) Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, unless maturity is greater than 12 months after the balance sheet date, in which case they are included in long-term assets and recognised initially at fair value. All loans are recognised when cash is advanced to the borrowers and measured at amortised cost using the effective interest rate method, less any provision for impairment. The Group's loans and receivables comprise trade and other receivables, cash and cash equivalents in the consolidated balance sheet.

d) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future net cash inflows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of consolidated comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price, if any.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of consolidated comprehensive income.

e) Inventories

Inventories are mainly comprised of ore stock piles, gold in circuit, dores, chemicals and spare parts (Note 9). Inventories are valued at the lower of cost and net realisable value. For each mine field, cost of inventory consists of purchase of materials, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of conversion includes direct labour and allocation of fixed and variable production overheads (fixed production overheads are allocated based on normal capacity). Stockpiles, gold in circuit and dores are measured by the number of contained gold oz and the estimated recovery rate based on the processing method. Stockpiles and gold in circuit amounts are verified by periodic surveys. Production overheads for each mine facility, include amortisation and depreciation of mining assets in the respective mine field like asset retirement costs, mine development costs and deferred stripping cost, at the relevant stage of production. The costs of inventories are determined on a weighted average basis for each mine field. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

f) Property, plant and equipment and related depreciation

i) Mining assets

Mining assets, including lands, mine development costs, deferred stripping costs, mineral and surface rights and rehabilitation assets, are initially recorded at cost, whereafter they are measured at cost less accumulated amortisation and impairment, if any.

Development costs incurred to evaluate and develop new ore bodies, or to define mineralisation in existing ore bodies, or to establish or expand productive capacity or to maintain production are capitalised. Mine development costs are capitalised to the extent they provide probable access to gold bearing reefs, have future economic benefits and they are attributable to an area of interest or those that can be reasonably allocated to the area of interest (Note 11-a). Development costs include sinking shafts, construction of underground galleries, roads and tunnels. Where revenue from gold sales is recognised in the statements of consolidated comprehensive income, costs incurred during commissioning period which are directly attributable to developing the operating capability of the mine, are capitalised and only the costs that represent costs of producing gold is recognised in the statement of consolidated comprehensive income. In cases where it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The depreciation starts when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Development costs incurred during the production phase are capitalised and depreciated to the extent that they have future economic benefits. The development cost is allocated at initial recognition to its significant components (such as mine fields) and each component is depreciated separately by respective units of production method, considering the attributable area of interest. The major overhauls that extend the future economic benefits throughout the life of mine are capitalised as future benefits will flow to the Group. Other than major overhauls, repairs are expensed as incurred. Depreciation and amortisation of development costs are calculated principally by the units of production method based on estimated proven and probable reserves of attributable area of interests. In accordance with the unit of production method, the depreciation charge of development costs are calculated by dividing the number of oz of ore extracted during the period to the remaining proven and probable gold reserves in terms of oz for attributable area of interest (Note 11-a). To the extent that these costs benefit the entire ore body or area of interest, they are amortised over the estimated life of the ore body or area of interest. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits in the attributable area of interest.

Deferred stripping costs incurred during the production phase of open pit mine fields to remove waste ore, are deferred and charged to operating costs on the basis of the average life-of-mine stripping ratio. Deferred stripping costs are attributed to the period's production cost using a stripping ratio through depreciation. Depreciation of deferred stripping costs for the period is calculated as actual stripping costs incurred for the period, divided by the actual stripping ratio for the period, and then multiplied by the estimated stripping ratio. Actual stripping ratio is calculated as the cumulative number of tonnes of extracted ore and wastage considering the cumulative processed number of tonnes of ore as of the balance sheet date, divided by the gold mine extracted from the open pit areas during the period in terms of oz. The estimated stripping ratio for the remaining life of the mine is calculated as the estimated cumulative number of tonnes of extracted ore and wastage considering the cumulative processed number of tonnes of ore as of the balance sheet date, to the remaining proven and probable gold reserves in open pit areas in terms of oz. The cost of "excess stripping" is capitalised as a mining asset, when the actual stripping ratio exceeds the average life of mine stripping ratio (Note 11-a). Where the average life of the mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the statement of consolidated comprehensive income as production cost. The average life-of-mine ratio is revised annually in light of additional knowledge and changes in the life of stripping ratio are accounted for prospectively as change in estimates.

Mineral and surface rights are recorded at acquisition cost and amortised principally by the units of production method based on estimated proven and probable reserves for each respective mine field. In accordance with the unit of production method, the amortisation charge of mineral and surface rights are calculated by dividing the number of oz of ore extracted during the period to the remaining proven and probable gold reserves in terms of oz (Note 11-a) for each respective mine field.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rehabilitation assets are estimated at the present value of the expenditures needed to settle the rehabilitation and mine closure obligation, using estimated cash flows based on the current prices. The estimates are discounted at a pre-tax rate that reflects current market assessments of time value of money and where appropriate the risk specific to the liability. The provision for the rehabilitation and mine closure is capitalised in the cost of the related mining asset (recognised as separately as "rehabilitation asset"). Changes in estimates of this provision are added to, or deducted from, the cost of the related asset subject to certain limits unless the related mine fields are depleted and the operation of gold mine extraction in the fields is ceased. The rehabilitation assets are depreciated using the lower of their useful life or units of production method which is the ratio of the number of oz of ore extracted during the period from the respective areas of interest to the remaining proven and probable gold reserves in the respective mine field (Note 11-a). The cost of ongoing current programmes to prevent and control pollution, and the effect of changes in estimates regarding the provision for the mine field depleted and on which gold mine extraction activity is ceased, is charged against the statements of consolidated comprehensive income as incurred.

Apart from the lands on which the production facilities are established and for storage of the waste material, the Group also purchases lands for further exploration activities. These lands are recognised within mining assets and initially measured at acquisition cost including expenditures that is directly attributable to the acquisition. When the extraction activity in the respective mine field initiates, these lands are depreciated to its expected residual value using the lower of relevant life of the mining operation or units of production method which is the ratio of the number of oz of ore extracted during the period from the respective areas of interest to the remaining proven and probable gold reserves, or the premium is attributed to the mineral resources and depreciated accordingly.

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

ii) ***Non-mining assets***

Property, plant and equipment other than the mining assets, are carried at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the items. Depreciation is provided on the restated amounts for property, plant and equipment on a straight-line basis less any impairment. The cost of property, plant and equipment is allocated at initial recognition to its significant components and each component is depreciated separately over its useful life. Land is not depreciated as it is deemed to have an indefinite life (Note 11-b). The useful lives of facilities and equipments do not exceed the estimated respective life of mines based on proven and probable reserves, as the useful lives of these assets are considered limited to the life of the relevant mine. The depreciation periods for property, plant and equipments, which are not depreciated on the units of production method, approximate the useful lives of such assets, are as follows:

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Years
Buildings	up to relevant life of mines (2-10)
Machinery and equipment	up to relevant life of mines (5-10)
Motor vehicles	5 - 10
Furniture and fixtures	3 - 10

Buildings, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible.

Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Repairs and maintenance are charged to the statements of consolidated comprehensive income during the financial period in which they are incurred. The Group derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets.

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate (Note 26).

g) Exploration and evaluation costs

Exploration costs are expensed as incurred. When a decision is taken that a mining property is capable of commercial production (when the Group management are able to demonstrate that future economic benefits are probable, which will be the establishment of increased proved and probable reserves at the relevant location) and legal permissions are obtained (e. g. mining license) for a specific area of interest; all further pre-production expenditure, including the costs related to property acquisitions and mineral and surface rights together with evaluation activities such as geological, geochemical studies and drilling for further technical feasibility (such as in-field exploration) in the relevant area of interest, are capitalised (Note 11-a). Besides the regular exploration activities in green field zones, the Group continues further drilling activities within the area of operational mines, defined as "exploration during mine". All related expenditures of "exploration during mine", are monitored and assessed by each drilling zone at each balance sheet date, and accordingly the Group capitalises the expenditures of particular drillings only when it is probable to get future economic benefits, namely as proven and probable reserve is established as a result of the those drillings and/ or considering the existency of proven and probable reserves in the respective mine area ("area of interest"). Where the Group management considers that there is an impairment indicator such as significant decrease in resource and reserve, serious mine accidents, expiration or permanent cancellation of rights, impairment is assessed and recognised for the amount by which the carrying amount of the asset exceeds its recoverable amounts, which is the higher of fair value less cost to sell or value in use.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Intangible assets

Intangible assets have finite useful lives and comprise information systems and software rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period between three and five years from the date of acquisition (Note 12). Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their restated amounts are included in the related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

i) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

j) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated comprehensive income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The Group management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Also, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled (Note 17).

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liability is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future, whereas deferred income tax asset for all deductible temporary differences arising from investments in subsidiaries only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, at individual entity level. Consequently, the net deferred income tax positions of the parent company and the individual subsidiary are not offset in the consolidated financial statements.

k) Revenue recognition

Revenue represents dore sales and is recognised when the risks and rewards of ownership have passed to the buyer with delivery to the refinery, the amount of revenue can be reliable measured, it is probable that future economic benefits will flow to the Group. Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts (Note 22).

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Other incomes earned by the Group are recognised on the following bases:

- Rental income- on an accrual basis.

- Dividend income- when the Group's right to receive payment is established.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Contingent assets, liabilities and provisions

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities. The Group does not recognise contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable (Note 29).

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and, the risks specific to the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognised for future operating losses.

i. Employee benefits- defined benefit obligation

Defined benefit obligations represent the present value of the estimated total provision of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labour Law in Turkey, the Group is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. A provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in the statements of consolidated comprehensive income (Note 18).

ii. Provision for environmental obligations

Estimated environmental obligations, comprising rehabilitation and mine closure arising from development activities are based on the Group's environmental management plans in compliance with current technological, environmental and local regulatory requirements. The net present values of expected rehabilitation and mine closure cost estimates are recognised and provided for in full in the consolidated financial statements (Note 16). The estimates are reviewed annually and are discounted using pre-tax rates that reflect current market assessments of the time value of money and where appropriate the risk specific to liability. Annual changes in the provision consist of finance costs relating to the change in the present value of the provision, as well as changes in estimates. The provision for the rehabilitation and mine closure is capitalised in the cost of the related mining asset (recognised as separately as "rehabilitation asset"). Changes in estimates of this provision are added to, or deducted from, the cost of the related asset subject to certain limits, unless the reserve is depleted and mining operations are ceased in the relevant mine field. Changes other than resulting from changes in estimates, regarding the mine fields not yet depleted and on which mining operations continuing, are recognised in the statement of consolidated comprehensive income.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Share capital and dividends

Ordinary shares are classified as equity. Capital increases to existing shareholders are accounted for at par value as approved. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared.

n) Borrowings and borrowings costs

Borrowings are recognised initially at fair value net of any transaction costs incurred. In subsequent periods, borrowings are measured at amortised cost using the effective yield method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method (Note 13). Borrowing costs are expensed as incurred. On the other hand, borrowing costs are capitalised directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 14).

p) Changes in accounting estimates

Effects of changes in accounting estimates, except for the changes in accounting estimates with respect to the rehabilitation and mine closure costs, are included in the determination of net profit or loss in the period of change and future periods, if the change affects both.

q) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided the chief operating decision makers. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

Since the chief operating decision makers regularly monitor and review the operational results based on the mining areas (Note 1), the mining areas are defined as operating segments. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment of each mining area are identical, there is single reportable segment in accordance with the provisions in IFRS 8.

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, gold price risk etc.), capital risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by the finance department of the Group under policies approved by Board of Directors. The Board provides principles for over-all risk management as well as policies covering specific areas, such as foreign exchange risk, gold price risk, interest rate risk and capital risk.

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

- safeguarding the Group's core earnings stream from its major assets through the effective control and management of foreign exchange risk, gold price risk, and interest rate risk;
- effective and efficient usage of credit facilities in both the sort and long term through the adoption of reliable liquidity management planning and procedures;
- ensuring that investment transactions are undertaken with creditworthy counterparts; and
- ensuring that all contracts and agreements related to risk management activities are coordinated and consistent throughout the Group and that they comply where necessary with all relevant regulatory and statutory requirements.

I. Market risk

i) Foreign exchange risk

As the Group's bank borrowings are mainly denominated in USD, foreign exchange risk arises when 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 (Note 31).

ii) The Group is not exposed to equity securities price risk.

iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates and other interest bearing liabilities expose the Group to cash flow interest rate risk which is partially offset by interest bearing assets. The interest rate risk is partially managed through the balancing of assets and liabilities that are responsive to the fluctuations in interest rates (Note 13).

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

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT (Continued)

Interest rate position :

	31 December 2010	31 December 2009
Financial instruments with fixed interest rates		
Financial assets	181.798.528	60.303.526
Financial liabilities	17.722.360	20.268.103
Financial instruments with floating interest rates		
Financial assets	-	-
Financial liabilities	29.852.364	37.794.199

According to the interest rate sensitivity analysis performed as at 31 December 2010, if interest rates had been 1% higher while all other variables being constant, income for the period would be TL298.524 (2009: TL377.942) lower as a result of additional interest expense that would be incurred on financial instruments with floating rates.

2. *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt (or net cash and cash equivalents) is calculated as total borrowings, including non-trade due to related parties, less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt. The gearing ratios at 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Total borrowings (Notes 13)	29.852.364	38.143.798
Non-trade due to related parties (Note 8)	10.396	28.383
Less: Cash and cash equivalents (Note 7)	(196.691.766)	(20.826.910)
Net (cash and cash equivalents)/ debt	(166.829.006)	17.345.271
Total equity	438.732.308	230.753.197
Total capital	271.903.302	248.098.468
Gearing ratio	**(61%)**	**7%**

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

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT (Continued)

The Group's strategy is to maintain low levels of balance sheet gearing and indebtedness consistent with its conservative financial profile. The Group management regularly monitors the gearing ratio.

3. *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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	31 December 2010				
	Carrying value	**Total cash outflows (=I+II+III)**	**Less than 3 months (I)**	**3 months - 1 year (II)**	**1 - 5 years (III)**
Bank borrowings	29.852.364	31.163.446	3.105.639	9.104.152	18.953.655
Trade payables	17.390.360	17.441.497	16.865.960	575.537	-
Due to related parties	332.000	332.985	332.985	-	-
	47.574.724	**48.937.928**	**20.304.584**	**9.679.689**	**18.953.655**

(*) Considering the cash flows from operating activities and current assets, the Group management believes that there is no liquidation risk for the payment of these financial liabilities.

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

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT (Continued)

	31 December 2009				
	Carrying value	**Total cash outflows (=I+II+III)**	**Less than 3 months (I)**	**3 months - 1 year (II)**	**1 - 5 years (III)**
Bank borrowings	38.143.798	40.459.371	370.309	9.006.400	31.082.662
Trade payables	19.681.619	19.794.628	19.776.810	17.818	-
Due to related parties	236.885	237.537	237.537	-	-
	58.062.302	**60.491.536**	**20.384.656**	**9.024.218**	**31.082.662**

4. ***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 dores to only one refinery in Turkey, 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.

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

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT (Continued)

The following table analyses the Group's credit risk as of 31 December 2010 and 2009:

	31 December 2010		31 December 2009	
	Due from related parties (1)	**Banks**	**Due from related parties (1)**	**Banks**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**301**	**196.617.855**	**44.201.871**	**20.783.833**
A. Net book value of financial assets not due or not impaired (3)	301	196.617.855	37.106.923	20.783.833
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-
C. Net book value of assets past due but not impaired (4)	-	-	7.094.948	-
D. Net book value of assets impaired	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

(1) Note 8.a.
(2) Unearned credit finance income and secured portions of due and overdue receivables are taken into consideration while determining aforementioned amounts.
(3) Considering the past experiences the Group management believes that no credit risk for the collection of these receivables.
(4) Considering the past experiences and collections subsequent to the balance sheet date, the Group management does not foresee any collection problem for the overdue receivables (Note 8.a).

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT (Continued)

b) Fair value estimation

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

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

The carrying values of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

c) Financial instruments by category

The Group has classified its financial assets and liabilities as loans and receivables. The Group's financial assets are comprised of trade and other receivables (including due from related parties) and cash and cash equivalents which are categorized as loans and receivables and measured at amortised costs using effective interest method. The Group's financial liabilities are comprised of borrowings, trade payable and due to related parties which are categorised as financial liabilities and measured at amortised cost using effective interest method.

5. Operational risk management

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 and accordingly decisions for investment and further exploration activities continuously are assessed and revised as necessary.

NOTE 6 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

a) Gold mineral reserves

At the end of each reporting period, the estimate of proven and probable gold mineral reserves are updated by the Group management, and also external independent valuers for certain reporting periods determine the proven and probable reserves. In this respect, as of 31 December 2010 in accordance with the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code') "SRK Consulting", independent valuers, determined the proven and probable reserves of the Group. The information on ore reserves are prepared by or under the supervision of Competent Persons as defined in the JORC code.

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

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

All mining assets are amortised using the units-of-production method where the mine operating plan calls for production from well-defined mineral reserves over proved and probable reserves. For mobile and other equipment, the straight-line method is applied over the estimated useful life of the asset which does not exceed the estimated mine life based on proved and probable mineral reserves as the useful lives of these assets are considered to be limited to the life of the relevant mine. The calculation of the units-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable mineral reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating mineral reserves. These factors could include:

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

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

NOTE 6 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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

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

c) Stockpiles, gold in circuit and dores

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

d) Estimate of exposure and liabilities with regard to rehabilitation costs

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

e) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognises tax assets for the tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group recognised the deferred income tax assets arising from tax losses carried forward related to its subsidiary as their future utilisation is highly probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

f) Legal risks

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

NOTE 7 - CASH AND CASH EQUIVALENTS

		31 December 2010		31 December 2009
Cash in hand		73.911		43.077
Banks				
- Demand deposits		14.819.628		4.682.178
TL	1.156.972		4.678.718	
Foreign currency	13.662.656		3.460	
- Time deposits		181.798.227		16.101.655
TL	181.665.438		15.976.583	
Foreign currency	132.789		125.072	
		196.691.766		**20.826.910**

Time deposits at 31 December 2010 are denominated in USD and TL and all maturing within one month with the effective weighted average interest rates of 2,45% and 8,05% per annum (p.a.), respectively (2009: 3,88% and 10,41% for USD and TL denominated time deposits, respectively). Based on the independent data with respect to the credit risk assessment of the banks at which the Group has deposits, are sufficient in terms of credit quality of the banks.

Cash and cash equivalents at 31 December 2010 include foreign currency denominated balances, USD8.918.236 and EUR1.019 (2009: USD87.321 and GBP173.765). The fair values of cash and cash equivalents approximate their carrying values, including accrued interest income at the respective balance sheet dates.

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

ATP is the major shareholder, Koza Holding is the parent and İpek family is the ultimate controlling party of the Group, whereas all other related parties are the entities under common control (Note 1).

	31 December 2010	31 December 2009
a) Due from related parties		
ATP	301	34.947.234
Koza Holding	-	9.317.071
Other	-	7.489
	301	**44.271.794**
Less: Unearned finance income	-	(69.923)
	301	**44.201.871**

The receivables from ATP are comprised of trade and non-trade receivables. Trade receivables at 31 December 2009 amounting to TL34.892.688 due to the export sales conducted via ATP and have an average maturity of less than one month. The Group's receivables from Koza Holding are non-trade receivables, comprising funds provided for its liquidity needs.

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

The effective average interest rates applied to TL and USD denominated due from related parties as of 31 December 2009 are 6,80% p.a. and 0,23% p.a., respectively.

The aging of receivables from related parties as of 31 December 2010 and 2009:

	31 December 2010	31 December 2009
Overdue receivables from related parties	-	7.094.948
0-30 days	301	37.106.923
	301	**44.201.871**

The aging of overdue receivables from related parties as of 31 December 2010 and 2009 are as follows;

0-3 months	-	4.513.998
3-6 months	-	2.580.950
	-	**7.094.948**

b) Due to related parties

İpek Matbaacılık	167.650	117.568
Koza İpek Sigorta Aracılık Hiz. A.Ş. ("Koza İpek Sigorta")	130.208	88.580
İpek family	7.540	19.248
Koza Anadolu Metal Madencilik İşletmeleri A.Ş. ("Koza Anadolu Metal")	2.856	9.135
Other	23.746	2.354
	332.000	**236.885**

Due to related parties have an average maturity of one month as of 31 December 2010 (2009: one month). The Group's payable to İpek Matbaacılık and Koza İpek Sigorta are trade payables arising from; service charges for advertisement services and insurance services.

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

The aging of payables to related parties as of 31 December 2010 and 2009 are as follows;

	31 December 2010	31 December 2009
Overdue payables to related parties	-	231.239
0-30 days	332.000	5.646
	332.000	**236.885**

	1 January - 31 December 2010	1 January - 31 December 2009
c) Product sales		
ATP	**79.251.587**	**342.381.493**

Until 18 March 2010, The Group performed export sales through ATP in order to benefit from value added tax ("VAT") exemption in accordance with VAT Law No: 3297. Parallel with the change in aforementioned VAT exemption, the Group has started to sell to a refinery operating in Turkey since 18 March 2010 (Note 1).

d) Service purchases

ATP Havacılık	1.087.688	850.086
ATP	1.064.976	3.284.791
Koza İpek Sigorta	498.105	498.026
Koza Gazetecilik	3.920	96.395
Koza Holding	-	560.867
Other	344.406	386.638
	2.999.095	**5.676.803**

Service purchases from ATP are mainly composed of export commissions. The Group obtains transportation services from ATP Havacılık; insurance services from Koza İpek Sigorta; and public relation and advertisement services from Koza Gazetecilik. Service purchases from Koza Holding in 2009 were mainly related with consultancy charges.

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2010	1 January - 31 December 2009
e) Finance income		
ATP	807.157	63.764
Koza Holding	222.235	463.031
	1.029.392	**526.795**

Finance income from related parties is composed of interest charges calculated upon overdue receivables with the prevailing market interest rates. The effective weighted average interest rate upon overdue receivables from related parties is 7,95% p.a. for TL denominated receivables (2009: 11,45% p.a. and 0,58% p.a. for TL and USD denominated receivables, respectively).

	1 January - 31 December 2010	1 January - 31 December 2009
f) Finance expense		
ATP	80.391	-
Koza Holding	66.505	-
Koza Anadolu Metal	-	18.759
	146.896	**18.759**
g) Sales of property, plant and equipment		
Özdemir Antimuan Madenleri A.Ş. ("Özdemir Antimuan")	49.505	-
	49.505	-
h) Purchase of property, plant and equipment		
İpek Matbaacılık	40.200	-
	40.200	-
i) Rent income		
ATP	3.136	2.669
	3.136	**2.669**

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

j) **Rent expenses**	**1 January - 31 December 2010**	**1 January - 31 December 2009**
İpek Matbaacılık	280.593	11.616
Koza Anadolu Metal	19.526	17.746
	300.119	**29.362**

k) Product purchases

Keyland Turizm Seyahat ve Ticaret A.Ş.	97.727	-
	97.727	**-**

l) Dividends paid

ATP	14.731.259	41.797.059
Koza Holding	6.481.261	27.856.839
Other	6.287.480	-
	27.500.000	**69.653.898**

m) Key management compensation

Key management includes General Manager and members of Board of Directors. The compensations paid or payable to key management for employee services is shown below:

Salaries and other short-term employee benefits	5.765.412	2.535.806
Other long-term benefits	21.365	5.088
	5.786.777	**2.540.894**

n) Guarantees received:

At 31 December 2010, the Group entered into the loan facility agreements for TL50.000.000 and USD100.000.000 (2009: TL50.000.000 and USD100.000.000), in which Koza Holding, ATP and İpek family are (Note 28) the joint guarantors of this loan agreement. The amount of borrowing utilised from these loan facilities by the Group is TL29.730.769 (equivalent of USD19.230.769) (2009: TL37.642.500 equivalent of USD25.000.000) for mainly financing the manufacturing facility investment in Mastra mine area.

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

o) Guarantees given:

At 31 December 2010, the Group entered into the loan facility agreements along with İpek Matbaacılık, Koza Anadolu Metal, Özdemir Antimuan, Koza Prodüksiyon ve Ticaret A.Ş. ("Koza Prodüksiyon"), ATP Havacılık, Koza İpek Sigorta, ATP, Koza İpek Gazetecilik, Bugün Televizyon ve Radyo Prodüksiyon A.Ş. ("Bugün Televizyon") and Yaşam Televizyon ve Yayıncılık Hizmetleri ("Yaşam Televizyon"), as a joint guarantor for TL10.000.000, TL10.000.000, TL20.000.000, TL100.000, TL100.000, TL5.000.000, TL10.000.000, TL12.500.000, TL10.000.000 and TL5.000.000 (2009: along with Koza İpek Gazetecilik, Koza Holding, İpek Matbaacılık, Özdemir Antimuan, ATP, Koza Anadolu Metal, Koza İpek Sigorta Aracılık Hizmetleri A.Ş. and ATP Havacılık, as a joint guarantor for TL150.000.000, TL55.000.000, TL10.000.000, TL20.000.000, TL10.000.000, TL10.000.000, TL5.000.000 and TL100.000 respectively); and USD50.000.000 for ATP (2009: USD50.000.000)

NOTE 9 - INVENTORIES

	31 December 2010	31 December 2009
Ore stock pile	21.798.672	32.131.680
Gold in circuit and dores	5.391.520	3.890.609
Chemicals and other materials	4.198.074	1.804.093
Spare parts	14.286.515	14.907.679
	45.674.781	**52.734.061**

Cost of chemicals and other materials recognised as an expense and included in cost of sales amounted to TL14.948.189 in the period ended 31 December 2010 (2009: TL14.439.762) (Note 23).

NOTE 10 - OTHER CURRENT ASSETS

	31 December 2010	31 December 2009
Other current assets:		
VAT receivable	7.908.388	4.404.473
Prepaid expenses	2.094.485	410.990
Order advances given	932.816	330.266
Personnel advances	204.018	34.815
Other	200.610	140.908
	11.340.317	**5.321.452**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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

	31 December 2010	31 December 2009
Mining assets	123.978.686	90.145.957
Non-mining assets	144.018.694	114.585.398
	267.997.380	**204.731.355**

Mining assets include mine development costs, deferred stripping costs, mineral and surface rights and rehabilitation assets as of 31 December 2010 and 2009; and the net book values of these assets are as follows:

	31 December 2010	31 December 2009
a) Mining assets		
Land	7.075.400	-
Mine development costs	88.384.040	58.789.360
Mineral and surface rights	5.678.943	6.799.929
Rehabilitation assets	7.378.413	5.250.524
Deferred stripping costs	15.461.890	19.306.144
	123.978.686	**90.145.957**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of mining assets are as follows:

	1 January 2010	Additions	Transfer from non-mining assets	Disposals	31 December2010
Cost:					
Land	-	5.979.350	1.096.050	-	7.075.400
Mine development costs	109.332.249	56.034.052	-	-	165.366.301
Mineral and surface rights	13.208.969	461.612	-	-	13.670.581
Rehabilitation assets	24.587.381	6.540.954	-	(3.311.014) (*)	27.817.321
Deferred stripping costs	117.272.479	10.456.783	-	-	127.729.262
	264.401.078	**79.472.751**	**1.096.050**	**(3.311.014)**	**341.658.865**
Accumulated depreciation:					
Mine development costs	(50.542.889)	(26.439.372)	-	-	(76.982.261)
Mineral and surface rights	(6.409.040)	(1.582.598)	-	-	(7.991.638)
Rehabilitation assets	(19.336.857)	(1.436.160)	-	334.109 (*)	(20.438.908)
Deferred stripping costs	(97.966.335)	(14.301.037)	-	-	(112.267.372)
	(174.255.121)	**(43.759.167)**	**-**	**334.109**	**(217.680.179)**
	90.145.957				**123.978.686**

(*) The disposals are related with the change in the management's estimations regarding to rehabilitation (Note 16.b).

The additions to mine development costs are incurred mainly in Ovacık-Bergama-İzmir, Mastra-Gümüşhane, Çukuralan-İzmir and Kaymaz-Eskişehir mine areas. Mineral and surface rights are mainly comprised of cost of mine operating licences of Havran-Küçükdere-Balıkesir and Mastra-Gümüşhane. The additions to deferred stripping costs include waste ore removal costs incurred mainly in Mastra-Gümüşhane mine area by TL7.549.870, Havran-Küçükdere-Balıkesir mine area by TL780.968 and Çukuralan-İzmir mine area by TL2.125.944. In 2010, the Group purchased lands for exploration planned the upcoming years.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of mining assets are as follows:

	1 January 2009	Additions	31 December 2009
Cost:			
Mine development costs	74.758.770	34.573.479	109.332.249
Mineral and surface rights	12.988.594	220.375	13.208.969
Rehabilitation assets	23.240.180	1.347.201	24.587.381
Deferred stripping costs	91.528.405	25.744.074	117.272.479
	202.515.949	**61.885.129**	**264.401.078**
Accumulated depreciation:			
Mine development costs	(35.467.022)	(15.075.867)	(50.542.889)
Mineral and surface rights	(3.863.525)	(2.545.515)	(6.409.040)
Rehabilitation assets	(12.927.195)	(6.409.662)	(19.336.857)
Deferred stripping costs	(65.201.833)	(32.764.502)	(97.966.335)
	(117.459.575)	**(56.795.546)**	**(174.255.121)**
	85.056.374		**90.145.957**

The additions to mine development costs are incurred mainly in Ovacık-Bergama-İzmir, Mastra-Gümüşhane and Çukuralan-İzmir mine areas. Mineral and surface rights are mainly comprised of cost of mine operating licences of Havran-Küçükdere-Balıkesir, Ovacık-Bergama-İzmir, Kaymaz-Eskişehir and Mastra-Gümüşhane. The additions to deferred stripping costs include waste ore removal costs incurred mainly in Mastra-Gümüşhane mine area by TL15.941.671 and Havran-Küçükdere-Balıkesir mine area by TL9.687.811.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

b) Non-mining property, plant and equipment

Movements of non-mining property, plant and equipment in 2010 are as follows:

	1 January 2010	Additions	Disposals	Transfers to mining assets	Transfers	31 December 2010
Cost:						
Land and buildings	75.065.676	10.271.432	-	(1.096.050)	10.277.935	94.518.993
Machinery and equipment	136.945.855	6.954.353	-		9.794.643	153.694.851
Motor vehicles	13.978.467	2.380.344	(88.092)		-	16.270.719
Furniture and fixtures	11.729.926	3.205.801	(3.270)		-	14.932.457
Construction in progress and advances given (*)	11.709.238	29.956.782	-		(20.072.578)	21.593.442
	249.429.162	**52.768.712**	**(91.362)**	**(1.096.050)**	**-**	**301.010.462**
Accumulated depreciation:						
Buildings	(35.557.907)	(5.360.684)	-	-	-	(40.918.591)
Machinery and equipment	(84.487.657)	(13.035.262)	-	-	-	(97.522.919)
Motor vehicles	(7.199.636)	(2.399.970)	72.679	-	-	(9.526.927)
Furniture and fixtures	(7.598.564)	(1.424.940)	173	-	-	(9.023.331)
	(134.843.764)	**(22.220.856)**	**72.852**	**-**	**-**	**(156.991.768)**
Net book value	**114.585.398**					**144.018.694**

(*) Transfers from construction in progress were mainly comprised of capitalisation of manufacturing facility in Mastra-Gümüşhane and tailings storage facility in Ovacık-Bergama-İzmir.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of non-mining property, plant and equipment in 2009 are as follows:

	1 January 2009	Additions	Disposals	Transfers	31 December 2009
Cost:					
Land and buildings	58.279.770	4.684.008	(45.648)	12.147.546	75.065.676
Machinery and equipment	95.152.601	6.145.978	-	35.647.276	136.945.855
Motor vehicles	11.483.600	3.502.635	(1.007.768)	-	13.978.467
Furniture and fixtures	10.757.355	972.571	-	-	11.729.926
Construction in progress and advances given (*)	40.464.139	19.039.921	-	(47.794.822)	11.709.238
	216.137.465	**34.345.113**	**(1.053.416)**	**-**	**249.429.162**
Accumulated depreciation:					
Buildings	(30.663.432)	(4.900.812)	6.337	-	(35.557.907)
Machinery and equipment	(74.805.689)	(9.681.968)	-	-	(84.487.657)
Motor vehicles	(5.517.537)	(2.218.299)	536.200	-	(7.199.636)
Furniture and fixtures	(6.215.761)	(1.382.803)	-	-	(7.598.564)
	(117.202.419)	**(18.183.882)**	**542.537**	**-**	**(134.843.764)**
Net book value	**98.935.046**				**114.585.398**

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

TL43.845.537 (2009: TL54.732.193) of depreciation and amortisation of the current period, were allocated to costs of sales and TL22.516.193 (2009: TL20.571.564) were included in cost of inventories.

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

NOTE 12 - INTANGIBLE ASSETS

Movements of intangible assets in 31 December 2010 and 2009 are as follows:

	1 January 2010	Additions	31 December 2010
Information systems and software rights	3.005.690	271.320	3.277.010
Less: Accumulated amortisation	(2.080.408)	(381.707)	(2.462.115)
Net book value	**925.282**		**814.895**

	1 January 2009	Additions	31 December 2009
Information systems and software rights	2.717.195	288.495	3.005.690
Less: Accumulated amortisation	(1.756.079)	(324.329)	(2.080.408)
Net book value	**961.116**		**925.282**

NOTE 13 - BANK BORROWINGS

	31 December 2010			31 December 2009		
	Effective weighted average interest rate p.a. %	Original currency	TL	Effective weighted average interest rate p.a. %	Original currency	TL
Short-term portion of long-term bank borrowings:						
USD borrowing (**)	3,08	7.770.959	12.013.902	3,43	5.869.981	8.838.430
TL borrowings (*)	-	-	-	18,08	349.599	349.599
Total short-term bank borrowings			**12.013.902**			**9.188.029**
USD borrowing (**)	3,08	11.538.462	17.838.462	3,43	19.230.769	28.955.769
Total long-term bank borrowings			**17.838.462**			**28.955.769**

(*) TL denominated bank borrowings are comprised of bank borrowings with fixed interest rates.

(**) USD denominated bank borrowings at 31 December 2010 and 2009, with a maturity date of 13 May 2013, initial principal amount of USD25.000.000 and quarterly floating interest rate of Libor+2,75% p.a., are to finance investment of manufacturing facility in Mastra gold mine area.

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

NOTE 13 - BANK BORROWINGS (Continued)

The redemption schedules of long-term bank borrowings at 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
1 January - 31 December 2011	-	11.582.308
1 January - 31 December 2012	11.892.308	11.582.308
1 January - 31 December 2013	5.946.154	5.791.153
	17.838.462	**28.955.769**

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

Carrying amounts	29.852.364	38.143.798
Fair values	29.723.786	37.287.082

The fair values are based on cash flows discounted using the rate of 3,63% p.a. USD denominated bank borrowings, as of 31 December 2010 (2009: 7,18% p.a. and 3,96% p.a. for TL and USD denominated bank borrowings).

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

	Up to 3 months	Total
- at 31 December 2010:		
Borrowings with floating rates	29.852.364	29.852.364
Total	**29.852.364**	**29.852.364**
- at 31 December 2009:		
Borrowings with floating rates	37.794.199	37.794.199
Borrowings with fixed rates	-	349.599
Total	**37.794.199**	**38.143.798**

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

NOTE 14 - TRADE PAYABLES

	31 December 2010	31 December 2009
Supplier current accounts	17.441.497	19.794.628
Less: Unincurred finance cost	(51.137)	(113.009)
	17.390.360	**19.681.619**

Short-term trade payables have an average maturity of one month as of 31 December 2010 (2009: one months) and the effective weighted average interest rate on trade payables is 6,58% p.a. (2008: 6,83% p.a.). Supplier current accounts are mainly comprised of balances payable for outsourced services rendered and balances payable due to investments in mining areas.

NOTE 15 - OTHER LIABILITIES

	31 December 2010	31 December 2009
a) Other current liabilities:		
Provision for royalty and rents	5.934.641	2.041.016
Taxes payable	1.477.054	1.268.019
Social security premiums payable	1.452.485	1.290.019
Payable to personnel	785.609	730.377
Utilities accrual	422.316	259.598
Consultancy provision	-	663.407
Other	59.702	19.959
	10.131.807	**6.272.395**

b) Other non-current liabilities:

Payable arising from the business combination (Note 30)	8.503.000	-
	8.503.000	**-**

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

NOTE 16 - PROVISION FOR ENVIRONMENTAL REHABILITATION AND MINE CLOSURE

	31 December 2010	31 December 2009
a) Current provision for environmental rehabilitation and mine closure:		
Provision for environmental rehabilitation and mine closure	6.335.190	4.473.820
	6.335.190	**4.473.820**
b) Non-current provision for environmental rehabilitation and mine closure:		
Provision for environmental rehabilitation and mine closure	16.780.654	18.093.604
	16.780.654	**18.093.604**

The redemption schedules of long-term provision for environmental rehabilitation and mine closure at 31 December 2010 and 2009 are as follows:

2011	-	4.615.708
2012	10.617.663	7.291.774
2013	667.181	1.997.459
2014 and after	5.495.810	4.188.663
	16.780.654	**18.093.604**

Movements of the provision for environmental rehabilitation in 31 December 2010 and 2009 are as follows:

	2010	2009
1 January	**22.567.424**	**23.919.274**
Paid	(2.397.072)	(3.985.351)
Depletion cost	1.335.992	1.286.300
Current year impact on profit and loss statement (*)	(1.954.549)	-
Increase in obligation (Note 11.a)	6.540.954	1.347.201
Decrease in obligation (Note 11.a)	(2.976.905)	-
31 December	**23.115.844**	**22.567.424**

(*) The effect of change in management estimation regarding the mine area at Havran-Küçükdere-Balıkesir, on which the mining operation was ceased and the reserves were depleted, was accounted for in the consolidated comprehensive income.

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

	31 December 2010	31 December 2009
Discount rates	%4,66	5,92%

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

NOTE 17 - TAXES ON INCOME

	31 December 2010	31 December 2009
Corporation tax currently payable	56.802.236	38.666.764
Less: prepaid income taxes	(40.966.617)	(22.199.929)
Current income tax liabilities - net	**15.835.619**	**16.466.835**

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

The Group is subject to the following income taxation regime:

Corporation tax is payable at a rate of 20% (2009: 20%) on the total income of the Group after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19,8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2009: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2009: 20%) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during which time the tax authorities have the right to examine tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account and it must not be withdrawn from the entity for a period of 5 years. The cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realised.

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

NOTE 17 - TAXES ON INCOME (Continued)

Transfer Pricing

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

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

The tax amount on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group is as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Profit before taxation on income	**288.232.461**	**183.144.252**
Tax calculated at tax rates applicable to the profit	(57.646.492)	(36.628.850)
Investment incentive used - net (*)	4.050.000	-
Carry forward tax losses on the subsidiary	1.021.959	-
Disallowable expenses	(144.853)	(200.024)
Other	(33.964)	329.486
Taxation on income	**(52.753.350)**	**(36.499.388)**

(*) The Group has investment incentive of TL6.750.000, for the operations and on-going investment at Mastra-Gümüşhane. The coverage of the investment incentive upon the respective investments at Mastra is 60% whereas to the extent of the incentive, the corporation tax rate applicable is %2.

The taxation on income for the periods and years ended is summarised below:

Current income tax expense	(56.802.236)	(38.666.764)
Deferred income tax credit	4.048.886	2.167.376
Taxation on income	**(52.753.350)**	**(36.499.388)**

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

NOTE 17 - TAXES ON INCOME (Continued)

Deferred taxation

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and their tax financial statements on an individual consolidated company basis. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled under the liability method using the principal enacted tax rate of 20% (2009: 20%).

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

	Cumulative temporary differences		Deferred income tax assets	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Difference between carrying value and tax base of property, plant and equipments and intangible assets	12.018.998	12.259.467	2.403.800	2.451.893
Differences between carrying value and tax base of inventory	14.626.462	5.577.287	2.925.292	1.115.457
Provision for royalty and rents	3.859.338	-	771.868	-
Carry forward tax losses	5.109.797	-	1.021.959	-
Employment termination benefits (Note 18)	1.975.478	1.541.011	395.096	308.202
Investment incentives	1.565.188	-	939.113	-
Provision for unused vacation	756.662	535.630	151.332	107.126
Other	1.779.615	790.735	355.923	158.147
Deferred income tax asset			**8.964.383**	**4.140.825**

Years of expiration of tax losses, over which deferred income tax assets have been recognized as of 31 December in the consolidated financial statements, expire in the following years,

Expiration years	31 December 2010
2011	122.903
2013	1.899.626
2014	3.087.268
	5.109.797

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

NOTE 17 - TAXES ON INCOME (Continued)

Movements in deferred income tax assets can be analysed as follows:

	31 December 2010	31 December 2009
1 January	**4.140.825**	**1.973.449**
Credited to the statement of comprehensive income	4.048.886	2.167.376
Addition to scope of consolidation by acquisition (Note 30)	774.672	-
31 December	**8.964.383**	**4.140.825**

NOTE 18 - EMPLOYEE BENEFITS-DEFINED BENEFIT OBLIGATION

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TL2.623,23 (2009: TL2.427,04) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the financial statements, the Group reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Accordingly the following actuarial assumptions were used in the calculations of the provision are as follows:

	31 December 2010	31 December 2009
Discount rate (per annum)	4,66%	5,92%
Probability of retirement	97,75%	98,36%

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

NOTE 18 - EMPLOYEE BENEFITS-DEFINED BENEFIT OBLIGATION (Continued)

Movements of the provision for employment termination benefits as at 31 December were as follows:

	2010	2009
Balances at 1 January	**1.541.011**	**1.019.239**
Interest costs	91.167	60.339
Actuarial losses	95.844	233.786
Current service cost	584.607	467.245
Paid during the period	(337.151)	(239.598)
Balances at 31 December	**1.975.478**	**1.541.011**

The total of interest cost, actuarial losses and current service costs for the year amounting to TL771.618 as of 31 December 2010 (2009: TL761.370) was included in general administrative expenses (Note 24).

NOTE 19 - SHARE CAPITAL

Compositions of the Koza Altın paid-in share capital at 31 December 2010 and 2009 were as follows:

		31 December 2010		31 December 2009	
	Share Type	**%**	**Shareholding TL**	**%**	**Shareholding TL**
ATP	(A,B)	48,57	74.076.873	60,01	36.004.066
Koza İpek Holding	(A,B)	28,56	43.556.203	39,99	23.995.934
Other	(B)	18,96	28.921.467	-	-
Koza Anadolu Metal	(B)	1,99	3.033.395	-	-
İpek Matbaacılık	(B)	1,91	2.912.062	-	-
Melek İpek	(A)	less than 1	-	less than 1	-
Hamdi Akın İpek	(A)	less than 1	-	less than 1	-
Cafer Tekin İpek	(A)	less than 1	-	less than 1	-
Pelin Zenginer	(A)	less than 1	-	less than 1	-
İsmet Kasapoğlu	(B)	less than 1	-	less than 1	-
Total share capital		**100**	**152.500.000**	**100**	**60.000.000**
Adjustment to share capital			9.831.922		9.831.922
Total paid-in capital			**162.331.922**		**69.831.922**

Adjustment to share capital amounting to TL9.831.922 (2009: TL9.831.922) represents the restatement effect of cash nature contributions to share capital at 31 December 2005 purchasing power of TL.

There are 15.250.000.000 (2009: 6.000.000.000) units of paid-in shares with a face value of Ykr1 each. All issued shares are fully paid.

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

NOTE 19 - SHARE CAPITAL (Continued)

The Company's board of directors consists of five members and four of the five shall be nominated by the shareholders holding (A) type shares, and one member shall be independent member nominated by the General Assembly. The Board of Directors select the president and vice president among the members representing the shareholders holding (A) they shares after each General Assembly or the General Assembly in which the members are nominated and selected.

In accordance with the decision of the Board of Directors, dated 31 March 2010, paid-in capital was increased from TL60.000.000 to TL152.500.000 by the transfer from retained earnings.

Based on the Board of Director's decision dated 25 November 2009 and numbered 2009/19; ATP and Koza Holding's proposition for public offering of equal shares of the Group held by them that is equivalent to 30% (each of 15% by ATP and Koza Holding) of the total shares of the Group, is approved by the CMB decision dated 27 January 2010 and numbered 2/50. Based on the decision of İstanbul Stock Exchange dated 28 January 2010, and following the offering period of 3-5 February 2010, the shares of Koza Altın has been publicly quated and traded since 12 February 2010.

NOTE 20 - EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year (Note 19). If the number of ordinary shares outstanding increases as a result of a bonus issue, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. Since the company does not have dilutive ordinary shares, there are no differences between basic and diluted earnings per share.

	1 January - 31 December 2010	**1 January - 31 December 2009**
- Profit for the year	235.479.111	146.644.864
- Number of share with a TL 1 face value (*)	152.500.000	152.500.000
- Basic and diluted earnings per share	**1,5441**	**0,9616**

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

As of 31 December 2010, no dividend distribution is calculated and determined by the Board of Directors, yet.

NOTE 21 - STATUTORY RETAINED EARNINGS AND LEGAL RESERVES

The equity reserves in the balance sheet include certain adjustments that have been made to comply with IFRS. Retained earnings according to the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below:

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

NOTE 21 - STATUTORY RETAINED EARNINGS AND LEGAL RESERVES (Continued)

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of a company's paid-in share capital.

The second legal reserve is appropriated at the rate of 10% per annum of all cash distribution in excess of 5% of the paid-in share capital and at the rate of 9% p.a. of all cash distribution in excess of 5% of the paid-in share capital in case of full distribution of respective profit as dividend. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

In accordance with the announcement of the CMB dated 27 January 2010, there is no minimum profit distribution limit applicable for listed companies, shares of which are publicly traded on Istanbul Stock Exchange as either cash or bonus shares. According to the aforementioned announcement and the CMB Communiqué No: IV, No: 27, the dividend distribution for listed companies will be performed depending on the article of association and publicly available dividend distribution policies of each company.

On the other hand, the accumulated profits remaining after distribution of profit according to the Articles of Association of the Company pursuant to applicable provisions of the following:

- Unless legal reserves required to be set aside by law and the primary dividend determined for shareholders in the articles of association is distributed in cash and/or shares, it is not possible to decide to set aside other reserves; carry forward profits to the subsequent year; and distribute dividends to owners of privileged shares in terms of dividend distribution, owners of participation and founder shares, owners of common dividend shares, members of the board of directors, officials, employees and workers, foundations established for various purposes and other persons and/or entities with similar functions.

- Provided they do not contradict the relevant provision of the Capital Markets Law, necessary explanations for special cases are made and information about donations during the year is given to the shareholders at the general assembly, dividends, if any, given to members of the board of directors, officials, employees and workers, foundations established for various purposes, and other persons and/or entities with similar functions, as well as donations made, are set aside.

Shareholder's equity per statutory financial statements of the Group is as follows:

	31 December 2010	**31 December 2009**
Extraordinary reserves	20.898.833	-
Net profit	298.781.669	155.728.833
	319.680.502	**155.728.833**

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

NOTE 22 - REVENUE

	1 January - 31 December 2010	1 January - 31 December 2009
Domestic sales	392.823.307	-
Export sales	79.251.587	342.381.493
	472.074.894	**342.381.493**

NOTE 23 - COST OF SALES

	1 January - 31 December 2010	1 January - 31 December 2009
Depreciation and amortisation	64.417.101	61.284.615
Staff costs	16.515.654	10.510.193
Direct materials	14.948.189	14.439.762
Maintanence	12.205.924	8.609.870
Royalties	7.165.202	6.610.421
Utilities	6.924.612	4.823.165
Transportation	6.308.018	4.669.967
Other	13.014.957	8.175.393
	141.499.657	**119.123.386**

NOTE 24 - SELLING AND MARKETING COSTS

	1 January - 31 December 2010	1 January - 31 December 2009
Sales commissions	1.267.292	3.284.791
Public relations and advertisement expense	957.253	1.401.158
Other	835.812	535.348
	3.060.357	**5.221.297**

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

NOTE 25 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2010	1 January - 31 December 2009
Staff costs	13.971.339	11.159.825
Professional services	3.426.153	2.429.394
Travel	2.655.991	1.982.667
Outsourced services	2.316.961	2.303.306
Donations	1.696.274	948.020
Taxes and funds	1.081.385	1.638.314
Communication	944.153	558.912
Energy and utilities	804.276	635.820
Employment termination benefits	771.618	761.370
Insurance	658.484	408.136
Maintenance	548.338	381.169
Other	2.193.714	2.378.998
	31.068.686	**25.585.931**

NOTE 26 - OTHER OPERATING INCOME/ (EXPENSES) - NET

	1 January - 31 December 2010	1 January - 31 December 2009
Other operating income:		
Gain on sales of property, plant and equipment	189.591	639.594
Gain on scrap sales	131.317	65.933
Gain on insurance claims	44.499	92.942
Other	259.881	150.169
	625.288	**948.638**
Other operating expenses:		
Loss from sales of property, plant and equipment	-	(9.042)
Other	(3.704)	(964)
	(3.704)	**(10.006)**
Other operating income -net	**621.584**	**938.632**

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

NOTE 27- FINANCE INCOME AND EXPENSE

	1 January - 31 December 2010	1 January - 31 December 2009
Finance income:		
Foreign exchange gain	19.186.606	9.950.505
Interest and other finance income	8.133.854	1.071.045
	27.320.460	**11.021.550**
Finance expense:		
Foreign exchange loss	(18.915.888)	(8.967.429)
Interest and other finance expense	(2.615.320)	(2.323.663)
	(21.531.208)	**(11.291.092)**
Finance income/ (expense) - net	**5.789.252**	**(269.542)**

NOTE 28 – FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2010:

	Loans and receivables	Derivatives used for hedging	Available-for-sale	Total
Assets as per balance sheet:				
Due from related parties (Note 8)	301	-	-	301
Cash and cash equivalents (Note 7)	196.691.766	-	-	196.691766
Total	**196.692.067**	**-**	**-**	**196.692.067**

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet:			
Borrowings (Note 13)	-	29.852.364	29.852.364
Trade payables (Note 14)	-	17.390.360	17.390.360
Due to related parties (Note 8)	-	332.000	332.000
Other non-current liabilities	-	8.503.000	8.503.000
Total	**-**	**56.077.724**	**56.077.724**

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

NOTE 28 – FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2009:

	Loans and receivables	Derivatives used for hedging	Available-for-sale	Total
Assets as per balance sheet:				
Due from related parties (Note 8)	44.201.871	-	-	44.201.871
Cash and cash equivalents (Note 7)	20.826.910	-	-	20.826.910
Total	**65.028.781**	**-**	**-**	**65.028.781**

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet:			
Borrowings (Note 13)	-	38.143.798	38.143.798
Trade payables (Note 14)	-	19.681.619	19.681.619
Due to related parties (Note 8)	-	236.885	236.885
Total	**-**	**58.062.302**	**58.062.302**

NOTE 29 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

Historical amounts of commitments and contingencies, from which the Group management does not anticipate any significant losses or liabilities, are summarised below:

	31 December 2010	31 December 2009
a) Guarantees given:		
Letters of guarantee	1.363.142	1.840.358
Mortgages	900	900
	1.364.042	**1.841.258**

At 31 December 2010, the Group entered into the loan facility agreements along with İpek Matbaacılık, Koza Anadolu Metal, Özdemir Antimuan, Koza Prodüksiyon, ATP Havacılık, Koza İpek Sigorta, ATP, Koza İpek Gazetecilik, Bugün Televizyon and Yaşam Televizyon, as a joint guarantor for TL10.000.000, TL10.000.000, TL20.000.000, TL100.000, TL100.000, TL5.000.000, TL10.000.000, TL12.500.000, TL10.000.000 and TL5.000.000 (2009: along with Koza İpek Gazetecilik, Koza İpek Holding, İpek Matbaacılık, Özdemir Antimuan, ATP, Koza Anadolu Metal, Koza İpek Sigorta and ATP Havacılık, as a joint guarantor for TL150.000.000, TL55.000.000, TL10.000.000, TL20.000.000, TL10.000.000, TL10.000.000, TL5.000.000 and TL100.000 respectively); and USD50.000.000 for ATP (2009: USD50.000.000) (Note 8).

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

NOTE 29 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2010	31 December 2009
b) Guarantees received:		
Letters of guarantee	30.244.878	2.737.130
Cheques received	2.209.096	481.654
Guarantee notes	387.428	153.662
	32.841.402	**3.372.446**

At 31 December 2010, the Group entered into the loan facility agreements for TL50.000.000 and USD100.000.000 (2009: TL50.000.000 and USD100.000.000), in which Koza Holding, ATP and İpek family are (Note 8) the joint guarantors of this loan agreement. The amount of borrowing utilised from these loan facilities by the Group is TL29.730.769 (equivalent of USD19.230.769) (2009: TL37.642.500 equivalent of USD25.000.000) for mainly financing the manufacturing facility investment in Mastra mine area.

c) Purchase commitments

As of 31 December 2010, the Group has machinery and equipment purchase commitments amounting to EUR1.475.120 that is equivalent to TL3.022.668 in total (2009: EUR2.393.160 and SEK3.250.000 that are equivalent to TL5.846.659 in total).

d) Significant lawsuits against the Group

i. Lawsuits Regarding Ovacık Mine

Lawsuit have been brought against the Group, for the cancellation of the Environmental Impact Assessment ("EIA") Report dated 27 August 2004, issued for the region where the Ovacık Mine is located. During the course of the lawsuit, an expert committee was appointed by the court that issued their opinion in the form of a statement that the Ovacık Mine did not adversely affect the environment, all environment measures were taken at the facility on mine site in compliance with international standards. In consequence of this report, the Local court rejected plaintiffs' request for suspension of execution and the appeal by plaintiffs to such decision was also refused by Regional Administrative Court which is an upper court . Following the hearing held at the end of 2007, İzmir Administrative Court No. 3 ordered a decision for rejection of both actions filed by plaintiffs and those decisions were over ruled at the appeal stage on the fact that the temporary article 6 of the EIA Regulation was annulled and the administrative act remained baseless. On the other hand, before this stage, upon the cancellation of Provisional Article 6 of the Regulation on EIA, a new Affirmative EIA Certificate No. 1654 dated 18 February 2009, was granted to the Group, according to the current legislation. A verdict against the Group in the above mentioned lawsuits will have no effect on the Group's legal status and operations as it is currently carrying out its activities at Ovacık Mine in accordance with Affirmative EIA Certificate No. 1654.

NOTE 29 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

There are also pending lawsuits requesting a suspension of execution decision and the cancellation of Affirmative EIA Certificate No. 1654 and dated 18 February 2009, but the plaintiffs' requests for a suspension of execution have been dismissed by the court. These lawsuits are still in the initial stages and there has been no expert visit or examination made in this respect. Based on the comments of the Group's lawyers and legal advisors, as the Group acts completely in compliance with the legislations in effect and decisions made by judicial authorities regarding the cancellation of the temporary Article 6 Mining Law, it is highly probable that these lawsuits will be rejected by the related courts

There are also pending administrative lawsuits for the cancellation of the Workplace Opening and Operation Permits ("WOOP"), No. 2, 10 and 19, issued by the İzmir Governorship. The Group is carrying out its operations within the legal framework of Permit No. 21, and decisions rendered in the above mentioned lawsuits will not affect the Group's operations. There are also 2 pending lawsuits challenging Permit No.21, which is newly granted. These actions are now on the initial stage and procedural process is moving on. During the actions, the plaintiff's requests for suspension of execution have been rejected by Local Court. According to the Group's lawyer and legal advisors, it is highly probable that lawsuit will be dismissed by the related courts as the Group is acting completely in compliance with the relevant current legislation in effects.

There are some lawsuits related to the cancellation of the Usage Permit for Public Forests No. 132, dated 10 May 2005, which is valid until 6 December 2011, regarding the health band, road, waste dam, open mining and drilling for the usage of certain areas located within forestry zones. Following a favourable expert opinion regarding the Group's activities in the above mentioned lawsuit concerning the EIA Report, the court in this lawsuit recently rejected the plaintiffs' request for the suspension of execution. At this action, the Local Court rejected the case and the plaintiffs have appealed against the court's decision. Case file is still before Council of State and appeal process is moving on. Based on the comments of the Group's lawyers and legal advisors, it is highly probable that the case will be in favour of the Group.

There are some pending lawsuits requests cancellation of the Affirmative EIA decision dated 22 August 2008, granted by Ministry of Environment and Forestry for the project on "Increasing the Height of Waste Tailing" at Ovacık Mine. New waste tailing is currently in use by the Group's operations and the former one which is subject to the mentioned lawsuit is no longer in use by the Group. Thus, the outcome of these lawsuits will not have any effect on Group's operations. However, another lawsuit has been filed requesting cancellation and suspension of execution regarding the Affirmative EIA Decision dated 3 June 2009 made in relation to the project for increasing the capacity of new waste tailing at Ovacık. This lawsuit is currently at the initial stage. Based on the comments of the Group's lawyers and legal advisors, as the Group is acting completely in compliance with the relevant current legislation in effect, it is highly probable that the lawsuit will be dismissed by the related courts.

NOTE 29 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

There is a lawsuit against the Group that requests cancellation of 4th Group exploration licences for mine areas located in Güzelbahçe, Payamlı and Küçükkaya villages in Izmir. The lawsuit which has been filed by İZSU General Management is in its initial stage so no expert examination and exploration has made at the actions. Also this case will wait for the conclusion of the action which was requested the cancellation of the decision regarding the (Çamlı Dam) and Borrow Pit Projects no. B-18.0.ÇED 0.02-02-238-02-01-03-13965 dated 19 December 2007 of the Ministry of Environment and Forestry was not deem suitable. At this action a decision for suspension of execution was taken and the proceeding is now in progress. Another action claimed by Izmir Bar was refused by hostility, and request for appeal by the other party was examined by the Council of State and the decision of local court has been over ruled. Because the Group has no activity in the case subject exploration licence are neither positive nor negative conclusion of actions will not affect existing operation of the Group.

There are some administrative lawsuits against the Group requesting the cancellation of the regulatory development schemes with respect to the area where the mine is located covering the site including Ovacık Mine as well. 3 lawsuits have been filed on the basis of such demand. One of them; court ordered a decision for cancellation for development schemes with a reason that; it is not on a basis of a upper scale macro plan, environmental effects cannot be regulated physically on a limited plan which is limited with operation plan and ownerships with these regulatory development schemes and location development schemes are not suitable with city planning and public interest. The decision was appealed and Council of State affirmed the decision of Local Court and the decision finalized in this way.

During the one of the other pending cases court ordered a decision that case has no subject. Consequences of other actions will not affect the activities in case of a finalized decision related to this subject. Group's workplace and operation licence's basis regulation is Work Place Opening and Operation Permit regulation and it does not require development schemes as a condition. And also the obligation of environmental plan was removed in the new Mining Code. Based on the comments of the Group's lawyers and legal advisors, pending lawsuits will not affect Group's activities.

ii. Lawsuits Regarding Havran Mine

The first set of legal actions comprise three separate lawsuits filed by local residents in September 2006 for the cancellation of the mining exploration licences and operating licence obtained to operate the Havran mine. The local administrative court stated in their decisions that the licenses for Havran were granted in compliance with the respective laws and regulations and accordingly decided to dismiss all three cases. After an appeal; Council of State over ruled the local administrative court's decision in one of these with a reason that olive grove areas are very close. The Group request for correction of this decision was refused. One of the action is still at the appellate stage, and the judgement process regarding actions continues.

The second set of lawsuits relates to EIA permissions for the Havran Mine area. The relevant lawsuits were filed requesting cancellation of the permit for exemption from EIA, pursuant to Temporary Article 3 of the Regulation of Environmental Impact Assessment. The local court decided to accept the case on the justification that conditions for exemption were not fulfilled. The decision of acceptance by the local administrative court was also approved by the Council of State at the appeal stage. After that a request for correction decision has filed by the Group. At one of these actions filed which has filed with the request of the cancellation of "EIA not required decision" the Local Court decided for dismissal of action after the judicial process and positive expert persons reports.

NOTE 29 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

This time, these decisions were appealed with a request of suspension of execution by the plaintiff. Counsel of State decided to overrule the decisions at appeal stage, and the request for correction of decision was made against decision of over rule. According to the opinion of lawyers and legal advisors of the Group, the outcome of this lawsuit will not affect the Group's operations as they are continuing to operate in Havran Mine with EIA Positive Permit. No other lawsuit is known in relation to the newly granted EIA Positive Permit .

The third set of lawsuits comprises cases filed in relation to WOOP Nos. 2006/1 and 2007/1. With regard to the cases filed with the request for the cancellation of permit 2006/1, the court has decided to cancel the permit subject to the case . This decision was annulled by the Council of State with the justification that there had been insufficient inspection by the local administrative court regarding the permits and transfer process and a request for correction of decision was filed against the cancellation decision. This request was refused. The action regarding exploration and operating licence shown as a reason of overrule decision was reprocessed by Local Court and the action was rejected. According to the opinion of lawyers and legal advisors of the Group, it is highly probable that the Council of State' s request for correction process will be finalised in favour of group, even if such request have been rejected a decision in favour of group at Local Court is possible Also even if the license was decided to be cancelled the Group's operations will not be affected by the outcome of this lawsuit, as the Group is currently conducting its operations within the scope of the new permit.

Regarding the cases filed in relation to the cancellation of the Licence No.2007/1, the regional administrative court decided to dismiss the cases under direction of the expert reports. The plaintiffs appealed against these decisions. The Council of State's related Court over ruled such decision. Requests for correction of decision was claimed against decision of overrule but it was procedurally refused as the defendant municipality did not apply to this remedy. Local Court reprocessed the action and decided to obey the overrule decision. These decisions were appealed as well. However, the Group will not be affected by the Court decisions as the Group is continuing operations with a newly granted WOOP which has been given on the basis of the newly granted EIA Certificate. No other lawsuit is known to have been filed in relation to the newly granted EIA Certificate.

The fourth set of lawsuits requests the cancellation of the permission granted to perform operations in the forest. This lawsuit was filed at the local court on 12 September 2007 and the court has accepted the case. The reason for this ruling is the granting of a suspension of execution by the 8th Chamber of the Council of State with regard to the regulation concerning amendments to the Regulation for Permissions in Mining Operations, and the decision was rendered in terms of procedure rather quantity and/or quality of operation. Based on the comments of the Group's' lawyers and legal advisors Group is conducting it' s activities on the basis of new forest permits and which are still valid, thus the outcome of the lawsuit will not have an effect on the Group's operations.

NOTE 29 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

iii. Lawsuits Regarding Kaymaz Mine

The Group has exploration and operating licenses and administrative permissions for Eskisehir-Sivrihisar-Kaymaz Area and mining operations has not been started. Lawsuits were filed against the Ministry of Environment and Forestry and the Ministry of Energy and Natural Resources regarding the cancellation of these licences and permissions for mining activities in the Eskişehir-Sivrihisar region, the case was dismissed on the grounds that there is no harm to human health and no contrary circumstance law. Decision was appealed by the other party. According to the opinion of lawyers and legal advisors of the Group, it is highly probable that the action will be affirmed during appeal since current legislation is being adhered to.

In this respect, based on the expertise report on the law suits challenging EIA non -requirement decision and Operation Licence; the court decided to dismiss the cases accordingly, stating that gold mining operations in the region are to be carried out on the condition that no chemicals will be used in the extraction of mine ores and that any extraction will be done in such a manner so as not to cause damages to the local ecological balance. An appeal was filed by the plaintiffs against this decision. Based on the comments of the Group's lawyers and legal advisors, as the Group is acting completely in compliance with the relevant current legislation, it is highly probable that the lawsuit will be dismissed by the Council of State. On the other hand, "EIA Not Required" decision is not currently a basis for the operations of the Group. The consequence of this action will not affect the operations of the Group as it continues its operations with the EIA Positive Permit No.1794 dated 2 November 2009.

An action claiming the suspension of execution of EIA Positive Permit No.1794 and its cancellation was filed against the Ministry of Environment and Forestry and is now pending at the Local Court. Plaintiffs' requests for suspension of execution were refused by the Local Court. The appeal at Regional Administrative Court by the plaintiffs against the decision of refusal was refused as well. According to the opinion of lawyers and legal advisors of the Group, also it is highly probable that this action will be concluded positively in line with affirmative expert reports and decisions taken at other actions.

iv. Lawsuits Regarding Other Mines

There are administrative lawsuits against the Group that requests cancellation of EIAs approved for the mining operations in Gelintepe, Uyuzkaya, Çukuralan and Yerlitahtacı. These lawsuits are at the initial stages and, requests for intervention are currently being discussed.

Local Court dismissed the requests of plaintiffs for suspension of execution at the action claimed cancellation of Gelintepe Project EIA Positive Permit. From these actions, at the actions claiming cancellation of EIA Positive Permit of Yerlitahtaci and Cukuralan Project, it was decided that investigation and expert's examination will be made. Based on the comments of the Group's lawyers and legal advisors, as the Group is acting completely in compliance with the relevant current legislation, it is highly probable that the lawsuits will be dismissed by the related courts.

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

NOTE 30 - BUSINESS COMBINATIONS

	31 Aralık 2010	31 Aralık 2009
Goodwil from acquisition of Newmont Altın	11.232.184	-
Goodwil from acquisition of Mastra Madencilik	2.784.852	2.784.852
	14.017.036	**2.784.852**

Acquisition of Newmont Altın:

On 28 June 2010, Koza Altın acquired the 99,84% of the shares in Newmont Altın which was a subsidiary of the Newmont Overseas and Canmont in exchange for the consideration of USD8.500.000 and obtained the control on Newmont Altın. The Group expects to utilise acquired mine fields in the future and to create a synergy though mine fields and facilities at Mastra.

USD537.780 and USD2.462.220 of the total purchase consideration paid on 28 June 2010 and 2 July 2010, respectively. USD3.000.000 of the remaining USD5.500.000 will be paid as the Diyadin Project which will be operative on the aforementioned acquired mine fields, starts to operate and USD2.500.000 will be paid one year after the beginning of Diyadin Project.

IFRS 3, "Business combinations" requires that including intangible assets, which are not included the acquiree's financial statements , acquired identifiable intangible assets shall be accounted with their fair value as of acquisition date. The Group applied the provisions of measurement period in IFRS 3, "Business Combinations" in between 28 June – 31 December 2010 as the ongoing studies for identification and measurement of the acquired assets, liabilities, contingent assets and contingent liabilities had not been completed due to the ongoing valuation studies on proven and probable reserves, related rights and intellectual properties. Based on the report of SRK consulting, independent valuers, on the respective acquired mine fields, the Group obtained the required information and the related studies were substantially completed. In this respect, the Group decided to end the measurement period as of 31 December 2010.

The non-controlling interests' share in the net asset and financial performance was not recognized in the consolidated financial statements on the ground of materiality.

Net assets acquired and goodwill are as follows:

Cash paid	829.530
Remaining consideration payable to Newmont Overseas	12.400.972
Total consideration	13.230.502
Total identifiable net assets	(1.998.318)
Goodwill	**11.232.184**

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

NOTE 30 - BUSINESS COMBINATIONS (Continued)

The fair values of assets acquired and liabilities assumed recognized at the acquisition date are as follows;

Cash and cash equivalents	913
Other current assets	1.251.988
Deferred tax asset (Note 17)	774.672
Other	(29.255)
Total identifiable net assets	**1.998.318**

For the purpose of impairment assessment of the goodwill arising from Newmont Altın acquisition, the Group designated single cash generating unit comprising of the Mastra plant and the mine areas acquired through Newmont Altın together, since the proximity of the acquired mine areas to the Mastra plant and the current strategic plans for processing ore, that will be extracted from such acquired mine areas, at Mastra plant. Furthermore, according to the geological and geochemical studies together with the management estimations regarding future gold prices, it is highly probable that there will be proven and probable reserve in the acquired mine areas. Based on these assessments, the Group management believes that there is no impairment indicator with respect to the goodwill as of 31 December 2010.

Acquisition of Mastra Madencilik

On 12 August 2005, the Group purchased 50,43% of shares of Mastra Madencilik, which was an associate of the Group with the founder shareholding rate of 49,57%, from Dedeman Holding A.Ş. and Dedeman family members. After this acquisition, based on the decision of the general assembly of Mastra Madencilik, Mastra Madencilik legally merged with the Group as of 15 September 2005. The difference between total purchase consideration and the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, is amounting to TL2.781.408 and accounted as goodwill in financial statements.

The goodwill related to the acquisition of Mastra Madencilik stemmed from the synergy of the net assets acquired as well as other benefits, such as factors related to gaining a comparative advantage in the market. Considering the results of the assessment designed to determine "the fair value less cost of sale" performed by the Group as of 31 December 2010, there was no impairment. The Group management assess the surplus of the value of proven and probable reserve after deducting net book value of mining and non-mining assets ("net value of proven and probable reserve") at Mastra mine over the goodwill, as there is observable market data in terms of price per oz. Since net value of proven and probable reserve of Mastra mine is well above the goodwill, there is no impairment at 31 December 2010.

The likelihood of the impairment of goodwill is also highly related to the proven and probable reserves. The amount of proven and probable reserves is determined as 275.000 oz. as of 31 December 2010, approximately USD387.750 thousand (equivalent of TL599.461 thousand) at the current market price of USD1.410 per oz., based on the independent valuator's report by SRK Consulting as of 31 December 2010 that was updated by Company management as of 31 December 2010. The total net book value of the mining and non-mining assets at 31 December 2010 is TL104.681.265.

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

NOTE 31 - FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currencies held by the Group at 31 December 2010 were as follows:

	USD	EUR	Other TL Equivalent	TL Equivalent
Assets:				
Cash and cash equivalents	8.918.236	1.019	5.764	13.795.445
	8.918.236	**1.019**	**5.764**	**13.795.445**
Liabilities:				
Short-term portion of long-term borrowings	(7.770.959)	-	-	(12.013.902)
Trade payable	(2.845.382)	(375.185)	(2.389)	(5.170.141)
Long term borrowings	(11.538.462)	-	-	(17.838.462)
Other payables	(5.500.000)	-	-	(8.503.000)
	(27.654.803)	**(375.185)**	**(2.389)**	**(43.525.505)**
Net foreign currency liability position				**(29.730.060)**

Assets and liabilities denominated in foreign currencies held by the Group at 31 December 2009 were as follows:

	USD	EUR	Other TL Equivalent	TL Equivalent
Assets:				
Cash and cash equivalents	87.321	1.281	3.103	137.350
Due from related parties	23.973.497	-	-	36.096.894
	24.060.818	**1.281**	**3.103**	**36.234.244**
Liabilities:				
Short-term portion of long-term borrowings	(5.869.981)	-	-	(8.838.430)
Trade payable	(733.710)	(133.262)	(127.418)	(1.520.051)
Long term borrowings	(19.230.769)	-	-	(28.955.769)
	(25.834.460)	**(133.262)**	**(127.418)**	**(39.314.250)**
Net foreign currency liability position				**(3.080.006)**

NOTE 31 - FOREIGN CURRENCY POSITION (Continued)

The Group's foreign exchange rate sensitivity analysis regarding its foreign currency position is as follows:

The Group's net income for the year would be TL2.973.343 less in the case of the depreciation of TL against USD and EUR by 10% and the constancy of other variables, with respect to its assets and liabilities denominated in these foreign currencies (2009: Net income would be TL295.569 less in the case of the depreciation of TL against USD and EUR by 10%).

The Group's net income for the year would be TL2.896.673 less in the case of the depreciation of TL against USD by 10% and the constancy of other variables, with respect to its assets and liabilities denominated in USD (2009: Net income would be TL267.057 less in the case of the depreciation of TL against USD by 10%).

The Group's net income for the year would be TL76.670 less in the case of the depreciation of TL against EUR by 10% and the constancy of other variables, with respect to its assets and liabilities denominated in EUR (2009: Net income would be TL28.512 less in the case of the depreciation of TL against EUR by 10%).

NOTE 32 - CHANGES IN WORKING CAPITAL

	31 December 2010	31 December 2009
Due from related parties	34.892.688	(27.387.040)
Other liabilities	(10.996.744)	1.674.153
Inventories	7.059.280	(31.801.669)
Other current assets	(4.514.480)	3.126.649
Trade payables	(3.040.269)	(822.834)
Exchange gains on cash and cash equivalents	(181.462)	(89.410)
Due to related parties	113.102	(126.359)
Other non-current assets	-	3.325
Changes in working capital	**23.332.115**	**(55.423.185)**

NOTE 33 - POST BALANCE SHEET EVENTS

Based on the decision of the Board of Directors of the Company dated 8 November 2010, it was decided to legally merge with Koza İpek Madencilik, subsidiary of the Group. Pursuant to the decision of the Board of Directors and in accordance with the respective articles of TCC, Tax Law and the legislation of the CMB, the merger was based on the financial statements of Koza İpek Madencilik at 30 September 2010. As of 20 January 2011, the CMB approved the respective application of the Company for the legal merger.

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