KOZA ALTIN İŞLETMELERİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2011
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 2011 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 notes.

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 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 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.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
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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 2011, and their financial performance and its 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

Murat Sancar, SMMM

İstanbul, 15 March 2012

KOZA ALTIN İŞLETMELERİ A.Ş.

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CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER

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

	Notes	2011	2010
ASSETS			
Current assets:			
Cash and cash equivalents	7	579.356	196.692
Trade receivables	8	4.351	-
Due from related parties	9	5.877	-
Inventories	10	56.626	45.675
Other current assets	11	21.530	11.340
Total current assets		**667.740**	**253.707**
Non-current assets:			
Property, plant and equipment	12	370.091	267.997
Intangible assets	13	767	815
Goodwill	31	14.017	14.017
Deferred income tax assets	18	9.727	8.964
Other non-current assets		312	369
Total non-current assets		**394.914**	**292.162**
TOTAL ASSETS		**1.062.654**	**545.869**

These consolidated financial statements as at and for the year ended 31 December 2011 have been approved for issue by the Koza Altın İşletmeleri A.Ş. management on 15 March 2012.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER

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

	Notes	2011	2010
LIABILITIES AND EQUITY			
Current liabilities:			
Borrowings	14	18.143	12.014
Trade payables	15	31.937	17.390
Due to related parties	9	518	332
Current income tax liabilities	18	39.808	15.836
Provision for environmental rehabilitation and mine closure	17	11.999	6.335
Other current liabilities	16	27.623	10.132
Total current liabilities		**130.028**	**62.039**
Non-current liabilities:			
Borrowings	14	7.265	17.838
Due to related parties	9	14.738	-
Provision for environmental rehabilitation and mine closure	17	28.412	16.781
Provision for employment benefits	19	2.370	1.975
Other non-current liabilities	16	10.389	8.504
Total non-current liabilities		**63.174**	**45.098**
Total liabilities		**193.202**	**107.137**
Equity:			
Share capital	20	152.500	152.500
Adjustment to share capital	20	9.832	9.832
Total paid-in capital	20	162.332	162.332
Distribution to shareholders	32	(3.647)	-
Retained earnings		710.767	276.400
Total equity		**869.452**	**438.732**
TOTAL LIABILITIES AND EQUITY		**1.062.654**	**545.869**

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 thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	1 January - 31 December 2011	1 January - 31 December 2010
Revenue	23	805.799	472.075
Cost of sales	24	(192.103)	(141.500)
Gross profit		**613.696**	**330.575**
Selling and marketing costs	25	(2.020)	(3.060)
General administrative expenses	26	(43.129)	(31.069)
Exploration costs		(26.532)	(14.625)
Other operating income	27	1.892	625
Other operating expenses	27	(17.506)	(2)
Operating profit		**526.401**	**282.444**
Finance income	28	69.881	27.320
Finance expense	28	(36.779)	(21.531)
Profit before taxation on income		**559.503**	**288.233**
Taxation on income		(99.121)	(52.754)
- Current income tax expense	18	(99.884)	(56.802)
- Deferred tax income	18	763	4.048
Profit for the year		**460.382**	**235.479**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year		**460.382**	**235.479**
Basic and diluted earnings per share	21	3,0189	1,5441

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 thousands of Turkish Lira ("TL") unless otherwise indicated)

	Share capital	Adjustment to share capital	Distribution to shareholders	Retained earnings	Total equity
Balances at 1 January 2010	**60.000**	**9.832**	**-**	**160.921**	**230.753**
Increase in share capital	92.500	-	-	(92.500)	-
Dividend relating to 2010 (Note 9-m)	-	-	-	(27.500)	(27.500)
Total comprehensive income	-	-	-	235.479	235.479
Balances at 31 December 2010 as previously reported	**152.500**	**9.832**	**-**	**276.400**	**438.732**
Management bonus relating to 2010 (Note 2.d)	-	-	-	(3.500)	(3.500)
Balances at 1Janurary 2011 corrected	**152.500**	**9.832**	**-**	**272.900**	**435.232**
Dividend relating to 2010 (Note 9-m)	-	-	-	(22.515)	(22.515)
Distribution to shareholders (Note 32)	-	-	(3.647)	-	(3.647)
Total comprehensive income	-	-	-	460.382	460.382
Balances at 31 December 2011	**152.500**	**9.832**	**(3.647)**	**710.767**	**869.452**

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 thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	1 January - 31 December 2011	1 January - 31 December 2010
Cash flows from operating activities:			
Profit before taxation on income		559.503	288.233
Adjustments to reconcile profit to net cash generated from operating activities:			
Depreciation and amortisation	12 - 13	76.084	66.361
Interest income	28	(28.474)	(8.133)
Interest expense		1.068	1.218
Exploration costs		26.532	14.625
Taxes paid		(75.912)	(57.433)
Gain from sales of property, plant and equipment - net	27	(792)	(190)
Payment for exploration activities		(26.132)	(13.876)
Provision for employment benefits	19	645	772
Employment benefits paid	19	(250)	(338)
Provision for royalty and rents	16	18.229	5.935
Depletion cost and foreign currency valuation of provision for rehabilitation	17	1.092	1.336
Payment for rehabilitation activities	17	(500)	(2.397)
Unrealized foreign exchange loss-net		6.851	2.381
Changes in working capital	34	(21.389)	23.707
Net cash generated from operating activities		**536.555**	**322.201**
Cash flows from investing activities:			
Purchases of property, plant and equipment and intangibles		(161.675)	(127.912)
Loans granted to the related parties - non-trade receivables		(77)	(7.312)
Collection from related parties - non-trade receivables		-	16.395
Increase in other liabilities due to acquisition		-	8.503
Purchase consideration in cash for acquisition		-	(4.772)
Net cash due to acquisition	32	10.396	-
Interest received		26.511	8.171
Proceeds from sales of property, plant and equipment		1.141	194
Net cash used in investing activities		**(123.704)**	**(106.733)**
Cash flows from financing activities:			
Loans granted by the related parties - non-trade payables		225	-
Repayment to the related parties - non-trade payables		-	(18)
Redemption of bank borrowings		(12.901)	(11.003)
Dividends paid	9.m	(22.515)	(27.500)
Interest paid		(1.033)	(1.263)
Net cash used in financing activities		**(36.224)**	**(39.784)**
Net increase in cash and cash equivalents		**376.627**	**175.684**
Cash and cash equivalents at start of year		196.692	20.827
Foreign exchange gains on cash and cash equivalents		6.037	181
Cash and cash equivalents at end of year	**7**	**579.356**	**196.692**

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 İpek Holding"), and Koza İpek 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 2011, 45,01% of the shares of the Company were held by ATP and 24,99% of the shares were held by Koza İpek Holding (31 December 2010: 48,57% of the shares were held by ATP and 28,56% of the shares were held by Koza İpek Holding) including shares trading in Istanbul Stock Exchange ("ISE"), and 30,00% (2010: 30%) of its shares are quoted on ISE (Note 20).

The Company and its subsidiary (together the "Group") are currently engaged in exploring and operating the gold mines through four operational gold mines located in Ovacık – Bergama - İzmir, Çukuralan - İzmir, Mastra - Gümüşhane and Kaymaz - Eskişehir. The Group sells unprocessed bullions comprising of gold and silver ("dores") to domestic and foreign gold refineries.

On 28 June 2010, Koza Altın has acquired 99,84% of the shares of 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 32). On 27 August 2010, Newmont Altın registered its legal title as Koza ipek Madencilik A.Ş. ("Koza İpek Madencilik"). According to Board of Director's decision dated 8 November 2010, the Company decided to take over all assets and liabilities of Koza İpek Madencilik as of 30 September 2010, through dissolution without liquidation in line with Turkish Commercial Code ("TCC"), Corporate Tax Law and relevant jurisdictions of the Capital Market Board ("CMB"). The merger application is approved by the CMB on 20 January 2011 and then General Assembly of the Company approved the merger on 28 February 2011.

On 27 December 2011, the Company acquired 99,98% of the shares of Doğu Anadolu Maden Arama Sondaj A.Ş ("Doğu Anadolu Maden") from Koza İpek Holding and ATP in order to perform mining activities at certain regions. As of 27 December 2011, the control of Doğu Anadolu Maden was transferred to the Company and Doğu Anadolu has been consolidated as a subsidiary since then (Notes 3 and 32).

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"). 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 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 2011:

- IAS 24 (Revised), "Related party disclosures" supersedes IAS 24, "Related party disclosures", issued in 2003. IAS 24 (revised) is mandatory for annual periods beginning on or after 1 January 2011. This amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It clarifies and simplifies the definition of a related party.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted by the Group:

- IFRS 7 (Amendment), "Financial instruments: Disclosures" is effective for annual periods beginning on or after 1 July 2011. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

- IAS 1 (Amendment), "Financial statement presentation" is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially recycled to profit or loss. The amendment does not provide information about which accounts or financial statement line item should be included in other comprehensive income.

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

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The Group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012.

- IAS 27, "Separate financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group is yet to assess the amendment's full impact.

- IAS 28, "Associates and joint ventures" is effective for annual periods beginning on or after 1 January 2013. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group is yet to assess the amendment's full impact.

- IFRS 10, "Consolidated financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

- IFRS 12, "Disclosures of interests in other entities" is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose instruments and other off balance sheet instruments. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

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

c) 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.

d) Comparative information and the correction of prior period financial statements

The Group prepared its consolidated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its consolidated balance sheet at 31 December 2011 on a comparative basis with consolidated balance sheet at 31 December 2010; and consolidated statements of comprehensive income, consolidated cash flows and consolidated changes in equity for the period of 1 January - 31 December 2011 on a comparative basis with consolidated financial statements for the period of 1 January - 31 December 2011.

Adjustment with respect to the financial statements at 31 December 2010 is as follows:

According to International Accounting Standard 37, "Provisions, Contingent Liabilities and Contingent Assets", the management bonus paid to the management of the Group, should be recognised as a provision within the period in which such liability arises. Based on the General Assembly dated 25 April 2011, it was decided to pay management bonus relating to 2010 to the senior management. In this respect, as the bonus accrual was not recognised in the financial statements at 31 December 2010, the accrual was reported as an adjustment to the opening balance of retained earnings as of 1 January 2011, without restating prior year financial statements on the grounds of materiality (see "the consolidated statements of changes in equity").

NOTE 3 - CONSOLIDATION

The consolidated financial statements include the accounts of the parent company, Koza Altın, its subsidiary and investment in associate 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.

a) 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 Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

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 fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an investment in associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control:

Transactions with non-controlling interests that do not result in gain/ (loss) of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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 purchases from/ disposals to non-controlling interests are also recorded in equity.

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

NOTE 3 - CONSOLIDATION (Continued)

Transaction Under Common Control:

In share transactions between the Group and under common control entities, provisions of IFRS 3 "Business Combinations" is not applicable since IFRS 3 or any other IFRS does not cover those transactions. In this type of share transactions, the Group applies the predecessor values method and uses the financial statements of the acquired under common control entity which was also used in the preparation of the consolidated financial statements of the parent of the Group, the highest entity having common control. Predecessor values method is applied prospectively from the date control is transferred to the Company and the effects of this transaction is accounted for as an adjustment to the equity as "Distribution to or Contribution from shareholders" (Note 32).

The table below sets out the subsidiary included in the scope of consolidation at 31 December 2011 and shows the related controlling interest at 31 December 2011:

Subsidiary	**Total direct and indirect control by Koza Altın (%)**
Doğu Anadolu Maden (Note 1 and 32)	99,98

Since the share of non-controlling interests in the net asset and financial performance is not material, the Group did not recognise non-controlling interests at 31 December 2011.

b) Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investment in associate are recognised in the consolidated statement of comprehensive income.

NOTE 3 - CONSOLIDATION (Continued)

Investment in associate	**Ownership interest (%)**
Koza İpek Tedarik Danışmanlık ve Araç Kiralama Ticaret A.Ş (“Koza İpek Tedarik”),	44,00

The ultimate controlling party of Koza İpek Tedarik İpek Family and the main operations of Koza İpek Tedarik is to perform import, export, representation, brokerage and agency activities by establishing network in between suppliers. Since Koza İpek Tedarik was established on 1 November 2011 and has not been fully operational yet as of 31 December 2011, the Group did not consolidate through equity method, on the ground of materiality.

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 İpek 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 9).

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 deposits.

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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 10). 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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 12-a). Development costs include sinking shafts, construction of underground galleries, roads and tunnels. Where revenue from gold sales is recognised in the statement 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 development costs from the production costs, the entire costs are recognised as expense.

The depreciation starts when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Development costs incurred during the production phase are capitalised and depreciated to the extent that they have future economic benefits. The development cost is allocated at initial recognition to its significant components (such as mine fields) and each component is depreciated separately by respective units of production method, considering the attributable area of interest. The major overhauls that extend the future economic benefits throughout the life of mine are capitalised as future benefits will flow to the 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 12-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 by using the lower of related mine useful life or by calculating actual stripping costs incurred for the period, divided by the actual stripping ratio for the period, and then multiplied by the estimated stripping ratio. Actual stripping ratio is calculated as the cumulative number of tonnes of extracted ore from the open pit areas and respective wastage considering the related cumulative processed number of tonnes of ore as of the balance sheet date, divided by the gold mine extracted from the open pit areas during the period in terms of oz.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated stripping ratio for the remaining life of the mine is calculated as the estimated cumulative number of tonnes of extracted ore from the open pit areas and respective wastage considering the cumulative processed number of tonnes of ore as of the balance sheet date, to the remaining 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 12-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 using the lower of related mine useful life or by dividing the number of oz of ore extracted during the period to the remaining proven and probable gold reserves in terms of oz (Note 12-a) for each respective mine field.

Rehabilitation assets are estimated at the present value of the expenditures needed to settle the rehabilitation and mine closure obligation, using estimated cash flows based on the current prices. The estimates are discounted at a pre-tax rate that reflects current market assessments of time value of money and where appropriate the risk specific to the liability. The provision for the rehabilitation and mine closure is capitalised in the cost of the related mining asset (recognised as separately as "rehabilitation asset"). Changes in estimates of this provision are added to, or deducted from, the cost of the related asset subject to certain limits unless the related mine fields are depleted and the operation of gold mine extraction in the fields is ceased. The rehabilitation assets are depreciated using the lower of their useful life or units of production method which is the ratio of the number of oz of ore extracted from the open pit areas during the period from the respective areas of interest to the remaining proven and probable gold reserves in the respective open pit mine field (Note 12-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 in accordance with IAS 36 "Impairment of Assets". 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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Non-mining assets

Non- mining assets, are carried at cost less accumulated depreciation and less impairment, if any. 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 12-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:

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

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 27).

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 12-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 new or additional 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.

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 13). 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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with IFRS 3 "Business Combinations", 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 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.

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 income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Also, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. 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 18).

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 is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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.

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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 23).

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.

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 30).

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

Provision for employment termination benefits 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 19).

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 17). 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.

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) Factoring transactions

The Group collects some of its trade receivables by means of factoring. According to factoring agreements, related amounts are considered in the assets as "Factoring Receivables" under "Trade Receivables" (Note 8) and in liabilities as "Factoring Payables" under "Bank Borrowings" (Note 14). Since the Group retains substantially all risks and rewards arising from the cash flows of the trade receivables subject to factoring, the receivables are not derecognised from the consolidated financial statements until the ultimate collection from customers. Commission charges by the factoring firms for the transactions are recognised as finance expense when they are incurred, in the consolidated statement of comprehensive income.

o) 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 14). 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 for which the commencement date for capitalization is on or after 1 January 2009, as part of the cost of that asset.

p) 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 15).

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) 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.

r) 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.

s) 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

a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow risk, 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.

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

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT

1. 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 33).

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 14).

Interest rate position :

	31 December 2011	**31 December 2010**
Financial instruments with <u>fixed interest rates</u>		
Financial assets	588.723	181.799
Financial liabilities	47.193	17.722
Financial instruments with <u>floating interest rates</u>		
Financial assets	-	-
Financial liabilities	21.951	29.852

According to the interest rate sensitivity analysis performed as at 31 December 2011, if interest rates had been 1% higher while all other variables being constant, income for the period would be TL 155 thousands (2010: TL 299 thousands) lower as a result of additional interest expense that would be incurred on financial instruments with floating rates.

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

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT (Continued)

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 2011 and 2010 are as follows:

	31 December 2011	**31 December 2010**
Total borrowings (Notes 14)	25.408	29.852
Non-trade due to related parties (Note 9)	14.973	10
Less: Cash and cash equivalents (Note 7)	(579.356)	(196.692)
Net cash and cash equivalents	(538.975)	(166.830)
Total equity	869.452	438.732
Total capital	330.477	271.902
Gearing ratio	**(163%)**	**(61%)**

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.

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

NOTE 5 - FINANCIAL AND OPERATIONAL RISK MANAGEMENT (Continued)

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 2011				
	Carrying value	**Total cash outflows (=I+II+III)**	**Less than 3 months (I)**	**3 months - 1 year (II)**	**1 - 5 years (III)**
Bank borrowings	25.408	25.799	6.101	12.129	7.569
Trade payables	31.937	32.139	32.000	139	-
Due to related parties	15.256	15.263	525	-	14.738
	72.601	**73.201**	**38.626**	**12.268**	**22.307**

	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	31.164	3.106	9.104	18.954
Trade payables	17.390	17.441	16.865	576	-
Due to related parties	332	332	332	-	-
	47.574	**48.937**	**20.303**	**9.680**	**18.954**

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 thousands of 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 2011 and 2010:

	31 December 2011			31 December 2010	
	Due from related parties (1)	**Trade Receivables**	**Banks**	**Due from related parties** (1)	**Banks**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**5.877**	**4.351**	**579.231**	**-**	**196.618**
A. Net book value of financial assets not due or not impaired (3)	5.877	3.475	579.231	-	196.618
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)	-	581	-	-	-
D. Net book value of assets impaired	-	295	-	-	-
Past due	-	440	-	-	-
Impairment	-	(145)	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) Note 9
(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).

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.

As of 31 December 2011 and 2010, there is no financial asset and liability that are measured at fair value.

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 in deposits 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 payables 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 2011 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. The calculation of the units-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable mineral reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating mineral reserves. These factors could include:

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

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

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

NOTE 6 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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 17).

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 did not recognised the deferred income tax assets arising from tax losses carried forward related to its subsidiary as their future utilisation is not probable by the subsidiary. 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.

On the other hand, the Group recognised deferred tax income tax asset on unutilized investment incentives as their future utilization is highly probable (Note 18).

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.

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

NOTE 7 - CASH AND CASH EQUIVALENTS

		31 December 2011		31 December 2010
Cash in hand		125		74
Banks				
- Demand deposits		736		14.820
TL	719		1.157	
Foreign currency	17		13.663	
- Time deposits		578.495		181.798
TL	528.851		181.665	
Foreign currency	49.644		133	
		579.356		**196.692**

Time deposits at 31 December 2011 are denominated in USD and TL and all maturing within one month with the effective weighted average interest rates of 4,70% and 12,13% per annum (p.a.), respectively (2010: 2,45% and 8,05% 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 2011 include foreign currency denominated balances, USD 26.293 thousands and EUR9 thousands (2010: USD 8.918 thousands and EUR 1 thousand). The fair values of cash and cash equivalents approximate their carrying values, including accrued interest income at the respective balance sheet dates.

NOTE 8 – TRADE RECEIVABLES

	31 December 2011	31 December 2010
Factored receivables	3.837	-
Customer current accounts	676	-
Cheques and notes receivable	43	-
	4.556	-
Less: Provision for impairment of receivables	(145)	-
Unearned finance income	(60)	-
Trade receivables- net	**4.351**	**-**

Trade receivables have an average maturity of three months (2010: None). The annual effective weighted average interest rate applied to is 11.20% p.a. as of 31 December 2011 (2010: None). The majority of the customer current accounts, cheques and notes receivable are derived from Doğu Anadolu Maden.

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

NOTE 8 – TRADE RECEIVABLES (Continued)

The agings of receivables as of 31 December 2011 and 2010 were as follows

Period to due date	31 Aralık 2011	31 Aralık 2010
Overdue	876	-
0-30 days	146	-
31 -60 days	32	-
61 - 90 days	2.427	-
91 - 180 days	870	-
Total	**4.351**	**-**

The Group management does not expect any collection risk regarding its trade receivables to TL4.351thousands (2010: None) considering its past experience.

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

ATP is the major shareholder, Koza İpek 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 2011	31 December 2010
a) Due from related parties		
ATP	4.660	-
İpek Enerji (*)	1.188	-
Koza İpek Sigorta	17	-
Other	77	-
Less: Unearned finance income	(65)	-
	5.877	**-**

(*) The legal title of İpek Matbaacılık Sanayi ve Ticaret A.Ş. was registered as İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. in 2011.

The Group's receivables from ATP comprised of advances given for construction in progess.

The effective average interest rates applied to TL ,USD and EUR denominated due from related parties as of 31 December 2011 are 11,16% p.a., 0,29 % and 0,50% p.a., respectively .

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

The aging of receivables from related parties as of 31 December 2011 and 2010:

	31 December 2011	31 December 2010
0-30 days	1.349	-
61-90 days	4.528	-
	5.877	**-**

b) Due to related parties-current

Koza Basın ve Basım Sanayi ve Ticaret A.Ş.	204	-
Keyland Turizm Seyahat ve Ticaret A.Ş. ("Keyland")	145	-
İpek family	27	8
İpek Enerji	-	168
Koza İpek Sigorta	-	130
Other	142	26
	518	**332**

Due to related parties have an average maturity of one month as of 31 December 2011 (2010: one month).

The aging of payables to related parties as of 31 December 2011 and 2010 are as follows;

	31 December 2011	31 December 2010
0-30 days	518	332
	518	**332**

c) Due to related parties-non-current

ATP	12.347	-
Koza İpek Holding	2.391	-
	14.738	**-**

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

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2011	1 January - 31 December 2010
d) Product sales		
ATP	**31.289**	**79.252**

The Group perform its export sales through ATP in order benefit from value added tax (“VAT”) exemption in accordance with VAT Law numbered 3297 paragraph 11-c.

e) Service purchases

ATP Havacılık	918	1.088
Keyland	847	-
Koza İpek Sigorta	558	498
ATP	396	1.065
Other	595	348
	3.314	**2.999**

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 accommodation services from Keyland.

f) Finance income

ATP	8	807
Koza İpek Holding	3	222
	11	**1.029**

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 8,75% p.a. for TL denominated receivables (2010: 7,95%).

g) Finance expense

ATP	-	80
Koza İpek Holding	-	67
	-	**147**

h) Sales of property, plant and equipment

Özdemir Antimuan Madenleri A.Ş. (“Özdemir Antimuan”)	-	50
	-	**50**

i) Purchase of property, plant and equipment

İpek Enerji	-	40
	-	**40**

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2011	1 January - 31 December 2010
j) Rent income		
ATP	4	3
	4	**3**
k) Rent expenses		
İpek Enerji	2.103	281
Koza Anadolu Metal	25	20
	2.128	**301**
l) Product purchases		
Keyland	25	98
	25	**98**
m) Dividends paid		
ATP	10.133	14.731
Koza İpek Holding	6.754	6.481
Other	5.628	6.288
	22.515	**27.500**
n) Donations:		
Altın Koza Üniversitesi	17.500	-
	17.500	**-**

o) Key management compensation

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

Salaries and other short-term employee benefits		
Including management bonus	6.782	9.266(*)
Other long-term benefits	24	21
	6.806	**9.287**

(*) Based on the decision of General Assembly dated 25 April 2011, the management bonus upon the profit in 2010, was paid in 2011 and recognized as an adjustment to the opnening balance of retained earnings (Note 2.d).

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

p) Guarantees received:

At 31 December 2011, the Group entered into the loan facility agreements for TL50.000 thousands and USD100.000 thousands (2010: TL50.000 thousands and USD100.000 thousands), in which Koza İpek Holding, ATP and İpek family are (Note 30) the joint guarantors of this loan agreement. The amount of borrowing utilised from these loan facilities by the Group is TL21.796 thousands (equivalent of USD11.539 thousands) (2010: TL29.730 thousands equivalent of USD19.230 thousands) for mainly financing the manufacturing facility investment in Mastra-Gümüşhane mine area.

r) Guarantees given:

At 31 December 2011, the Group has no guarantees given to related parties. (2010: the Group entered into the loan facility agreements along with İpek Enerji, 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 thousands , TL10.000 thousands, TL20.000 thousands, TL100 thousands, TL100 thousands, TL5.000 thousands, TL10.000 thousands, TL12.500 thousands, TL10.000 thousands and TL5.000 thousands and USD50.000 thousands for ATP) .

NOTE 10 - INVENTORIES

	31 December 2011	31 December 2010
Ore stock pile	15.531	21.799
Gold in circuit and dores	13.865	5.392
Chemicals and other materials	12.381	7.555
Spare parts	14.849	10.929
	56.626	**45.675**

Cost of chemicals and other materials recognised as an expense and included in cost of sales amounted to TL21.721 thousands in the period ended 31 December 2011 (2010: TL14.948 thousands) (Note 24)

Spare parts are expected to be used within one-year and for on-going operations of the existing mines.
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 11 - OTHER CURRENT ASSETS

	31 December 2011	31 December 2010
Other current assets:		
VAT receivable	13.153	7.908
Order advances given	2.945	933
Prepaid expenses	2.459	2.094
Personnel advances	68	204
Other	2.905	201
	21.530	**11.340**

NOTE 12 - 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 2011	31 December 2010
Mining assets	166.528	123.979
Non-mining assets	203.563	144.018
	370.091	**267.997**

Mining assets include mine development costs, deferred stripping costs, mineral and surface rights and rehabilitation assets as of 31 December 2011 and 2010; and the net book values of these assets are as follows:

	31 December 2011	31 December 2010
a) Mining assets		
Land	7.876	7.075
Mine development costs	111.805	88.384
Mineral and surface rights	4.901	5.679
Rehabilitation assets	14.317	7.379
Deferred stripping costs	27.629	15.462
	166.528	**123.979**

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of mining assets are as follows:

	1 January 2011	Additions	31 December 2011
Cost:			
Land	7.075	864	7.939
Mine development costs	165.366	43.091	208.457
Mineral and surface rights	13.671	104	13.775
Rehabilitation assets	27.817	16.703	44.520
Deferred stripping costs	127.729	36.565	164.294
	341.658	**97.327**	**438.985**
Accumulated depreciation:			
Land	-	(63)	(63)
Mine development costs	(76.982)	(19.670)	(96.652)
Mineral and surface rights	(7.992)	(882)	(8.874)
Rehabilitation assets	(20.439)	(9.764)	(30.203)
Deferred stripping costs	(112.266)	(24.399)	(136.665)
	(217.679)	**(54.778)**	**(272.457)**
	123.979		**166.528**

The additions to mine development costs are incurred mainly in Ovacık – Bergama - İzmir, Mastra - Gümüşhane, Çukuralan - İzmir and Kaymaz - Eskişehir mine areas. The additions to deferred stripping costs include waste ore removal costs incurred mainly in Mastra - Gümüşhane mine area by TL5.659 thousands, Kaymaz - Eskişehir mine area by TL6.476 thousands and Çukuralan-İzmir mine area by TL24.430 thousands.

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

NOTE 12 - 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	1.096	-	7.075
Mine development costs	109.332	56.034	-	-	165.366
Mineral and surface rights	13.209	462	-	-	13.671
Rehabilitation assets	24.587	6.541	-	(3.311) (*)	27.817
Deferred stripping costs	117.272	10.457	-	-	127.729
	264.400	**79.473**	**1.096**	**(3.311)**	**341.658**
Accumulated depreciation:					
Mine development costs	(50.543)	(26.439)	-	-	(76.982)
Mineral and surface rights	(6.409)	(1.583)	-	-	(7.992)
Rehabilitation assets	(19.337)	(1.436)	-	334 (*)	(20.439)
Deferred stripping costs	(97.966)	(14.300)	-	-	(112.266)
	(174.255)	**(43.758)**	**-**	**334**	**(217.679)**
	90.145				**123.979**

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

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 thousands, Havran - Küçükdere - Balıkesir mine area by TL780 thousands and Çukuralan - İzmir mine area by TL2.128 thousands. In 2010, the Group purchased lands for exploration planned the upcoming years.

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

b) Non-mining property, plant and equipment

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

	1 January 2011	Additions	Disposals	Transfers	31 December 2011
Cost:					
Land, land improvements and buildings	94.519	5.425	(3)	19.561	119.502
Machinery and equipment	153.695	17.749	(154)	36.383	207.673
Motor vehicles	16.271	4.588	(1.792)	-	19.067
Furniture and fixtures	14.932	4.560	-	3	19.495
Construction in progress and advances given (*)	21.593	48.493	-	(55.947)	14.139
	301.010	**80.815**	**(1.949)**	**-**	**379.876**
Accumulated depreciation:					
Land improvements and buildings	(40.918)	(5.185)	1	-	(46.102)
Machinery and equipment	(97.523)	(11.546)	153	-	(108.916)
Motor vehicles	(9.528)	(2.130)	1.446	-	(10.212)
Furniture and fixtures	(9.023)	(2.060)	-	-	(11.083)
	(156.992)	**(20.921)**	**1.600**	**-**	**(176.313)**
Net book value	**144.018**			**-**	**203.563**

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

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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, land improvements and buildings	75.066	10.271	-	(1.096)	10.278	94.519
Machinery and equipment	136.946	6.954	-	-	9.795	153.695
Motor vehicles	13.978	2.380	(88)	-	-	16.270
Furniture and fixtures	11.730	3.206	(3)	-	-	14.933
Construction in progress and advances given (*)	11.709	29.957	-	-	(20.073)	21.593
	249.429	**52.768**	**(91)**	**(1.096)**	**-**	**301.010**
Accumulated depreciation:						
Land improvements and buildings	(35.557)	(5.361)	-	-	-	(40.918)
Machinery and equipment	(84.488)	(13.035)	-	-	-	(97.523)
Motor vehicles	(7.201)	(2.400)	73	-	-	(9.528)
Furniture and fixtures	(7.598)	(1.425)	-	-	-	(9.023)
	(134.844)	**(22.221)**	**73**	**-**	**-**	**(156.992)**
Net book value	**114.585**					**144.018**

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

TL56.551 thousands (2010: TL43.846 thousands) of depreciation and amortisation of the current period, were allocated to costs of sales and TL19.533 thousands (2010: TL22.516 thousands) were included in cost of inventories.

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

NOTE 13 - INTANGIBLE ASSETS

Movements of intangible assets in 31 December 2011 and 2010 are as follows:

	1 January 2011	Additions	31 December 2011
Information systems and software rights	3.277	337	3.614
Less: Accumulated amortisation	(2.462)	(385)	(2.847)
Net book value	**815**		**767**

	1 January 2010	Additions	31 December 2010
Information systems and software rights	3.006	271	3.277
Less: Accumulated amortisation	(2.080)	(382)	(2.462)
Net book value	**926**		**815**

NOTE 14 - BANK BORROWINGS

	31 December 2011			31 December 2010		
	Effective weighted average interest rate p.a. %	Original currency	TL	Effective weighted average interest rate p.a. %	Original currency	TL
Short-term bank borrowings						
Short-term factoring payables (*)	11,19	3.457	3.457	-	-	-
Short-term portion of long-term bank borrowings:						
USD borrowing (**)	3,71	7.775	14.686	3,08	7.771	12.014
Total short-term bank borrowings			**18.143**			**12.014**
USD borrowing (**)	3,71	3.846	7.265	3,08	11.538	17.838
Total long-term bank borrowings			**7.265**			**17.838**

(*) The average maturity of factoring payables are within three months with the effective weighted average interest rate of %11,19 p.a. (2010:None).

(**) USD denominated bank borrowings at 31 December 2011 and 2010, with a maturity date of 13 May 2013, initial principal amount of USD25.000 thousands and quarterly floating interest rate of Libor+2,75% p.a., are for financing the investment of manufacturing facility in Mastra gold mine area.

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

NOTE 14 - BANK BORROWINGS (Continued)

The redemption schedules of long-term bank borrowings at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
1 January - 31 December 2012	-	11.892
1 January - 31 December 2013	7.265	5.946
	7.265	**17.838**

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

Carrying amounts	25.408	29.852
Fair values	25.228	29.724

The fair values are based on cash flows discounted using the rate of 3,43% p.a. for USD denominated bank borrowings and 8,93% p.a. for TL denominated factoring payables, as of 31 December 2011 (2010: 3,63% p.a for 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 2011:		
Borrowing with fix rates	-	3.457
Borrowings with floating rates	21.951	21.951
Total	**21.951**	**25.408**
- at 31 December 2010:		
Borrowings with floating rates	29.852	29.852
Total	**29.852**	**29.852**

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

NOTE 15 - TRADE PAYABLES

	31 December 2011	31 December 2010
Supplier current accounts	32.139	17.441
Less: Unincurred finance cost	(202)	(51)
	31.937	**17.390**

Short-term trade payables have an average maturity of one month as of 31 December 2011 (2010: one months) and the effective weighted average interest rate on trade payables is 11,16% p.a. (2010: 6,58% 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 16 - OTHER LIABILITIES

	31 December 2011	31 December 2010
a) Other current liabilities:		
Provision for royalty and rents	18.229	5.935
Taxes payable	3.361	1.477
Social security premiums payable	3.032	1.452
Payable to personnel	1.721	786
Other	1.280	482
	27.623	**10.132**

The Group has recognized TL18.229 thousands as provision for royalty and rents as of 31 December 2011 (31 December 2010: TL 5.935 thousands) and the amount of royalty and rent expenses which is paid in 2011 is TL5.935 thousands (2010: TL2.041 thousands).

b) Other non-current liabilities:

Payable arising from the business combination (Note 31)	10.389	8.504
	10.389	**8.504**

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

NOTE 17 - PROVISION FOR ENVIRONMENTAL REHABILITATION AND MINE CLOSURE

	31 December 2011	31 December 2010
a) Current provision for environmental rehabilitation and mine closure:		
Provision for environmental rehabilitation and mine closure	11.999	6.335
	11.999	**6.335**
b) Non-current provision for environmental rehabilitation and mine closure:		
Provision for environmental rehabilitation and mine closure	28.412	16.781
	28.412	**16.781**

The redemption schedules of long-term provision for environmental rehabilitation and mine closure 31 December 2011 and 2010 are as follows:

2012	-	10.618
2013	10.631	667
2014	7.628	705
2015 and after	10.153	4.791
	28.412	**16.781**

Movements of the provision for environmental rehabilitation in 31 December 2011 and 2010 are as follows:

	2011	2010
1 January	**23.116**	**22.567**
Paid	(500)	(2.397)
Depletion cost and foreign currency valuation	1.092	1.336
Increase in obligation (Note 12.a)	16.703	6.541
Current year impact on profit and loss statement (*)	-	(1.954)
Decrease in obligation (Note 12.a)	-	(2.977)
31 December	**40.411**	**23.116**

(*) 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 2011	31 December 2010
Discount rates	4,66%	4,66%

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

NOTE 18 - TAXES ON INCOME

	31 December 2011	31 December 2010
Corporation tax currently payable	99.884	56.802
Less: prepaid income taxes	(60.076)	(40.966)
Current income tax liabilities - net	**39.808**	**15.836**

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% (2010: 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% (2010: 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% (2010: 20%) on their corporate income. Advance tax is payable by the 17^{th} (2010: 17^{th}) 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 thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 18 - 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 2011	1 January - 31 December 2010
Profit before taxation on income	**559.503**	**288.233**
Tax calculated at tax rates applicable to the profit	(111.901)	(57.647)
Investment incentive used (*)	12.454	4.050
Carry forward tax losses on the subsidiary	-	1.022
Disallowable expenses	(389)	(145)
Other	715	(34)
Taxation on income	**(99.121)**	**(52.754)**

(*) The Group has investment incentives, for the operations and on-going investment at Mastra - Gümüşhane, Çukuralan - İzmir and Kaymaz - Eskişehir. The range of contribution margins of the investment incentives upon the respective investments are in between 20% and 60%, whereas to the extent of the incentives, the applicable corporation tax are in between 2% and 10%. In 2011, the Group have utilized TL7.190 thousands of the incentive and recognized TL5.264 thousands deferred tax asset for the unutilized portion of incentives.

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

Current income tax expense	(99.884)	(56.802)
Deferred income tax credit	763	4.048
Taxation on income	**(99.121)**	**(52.754)**

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

NOTE 18 - 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% (2010: 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 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
Difference between carrying value and tax base of property, plant and equipments and intangible assets	(24.354)	12.019	(4.871)	2.402
Differences between carrying value and tax base of inventory	37.026	14.625	7.405	2.925
Provision for royalty and rents	-	3.860	-	772
Carry forward tax losses	-	5.110	-	1.022
Employment termination benefits (Note 19)	2.370	1.975	474	395
Investment incentives	27.385	1.565	5.904	939
Provision for unused vacation	1.439	757	288	151
Other	2.635	1.780	527	358
Deferred income tax asset			**9.727**	**8.964**

Years of expiration of carry forward tax losses of Doğu Anadolu Maden, over which no deferred income tax assets have been recognized as of 31 December in the consolidated financial statements, are as follows,

Expiration years	**31 December 2011**
2012	13.037
2013	19.034
2014	15.297
2015	12.656
2016	4.529
	64.553

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

NOTE 18 - TAXES ON INCOME (Continued)

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

	31 December 2011	**31 December 2010**
1 January	**8.964**	**4.141**
Credited to the statement of comprehensive income	763	4.048
Addition to scope of consolidation by acquisition	-	775
31 December	**9.727**	**8.964**

NOTE 19 - 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 TL 2.731,85 (2010: TL2.517,01) 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 2011	**31 December 2010**
Discount rate (per annum)	4,66%	4,66%
Probability of retirement	96,97%	97,75%

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

NOTE 19 - EMPLOYEE BENEFITS-DEFINED BENEFIT OBLIGATION (Continued)

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

	2011	2010
Balances at 1 January	**1.975**	**1.541**
Interest costs	117	91
Actuarial losses	266	96
Current service cost	262	585
Paid during the period	(250)	(338)
Balances at 31 December	**2.370**	**1.975**

The total of interest cost, actuarial losses and current service costs for the year amounting to TL645 thousands as of 31 December 2011 (2010: TL772 thousands) was included in general administrative expenses (Note 26).

NOTE 20 - SHARE CAPITAL

Compositions of the Koza Altın paid-in share capital at 31 December 2011 and 2010 were as follows:

		31 December 2011		31 December 2010	
	Share Type	%	Shareholding TL	%	Shareholding TL
ATP	(A,B)	45,01	68.636	48,57	74.077
Koza İpek Holding	(A,B)	24,99	38.114	28,56	43.556
Other	(B)	30,00	45.750	18,96	28.922
Koza Anadolu Metal	(B)	-	-	1,99	3.033
İpek Matbaacılık	(B)	-	-	1,91	2.912
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**	**100**	**152.500**
Adjustment to share capital			**9.832**		**9.832**
Total paid-in capital			**162.332**		**162.332**

Adjustment to share capital amounting to TL9.832 thousands (2010: TL9.832 thousands) 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 (2010: 15.250.000.000) units of paid-in shares with a face value of Ykr1 each. All issued shares are fully paid.

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

NOTE 20 - 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.

NOTE 21 - 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 20). 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 2011	1 January - 31 December 2010
- Profit for the year	460.382	235.479
- Number of share with a TL 1 thousands face value (*)	152.500	152.500
- Basic and diluted earnings per share	**3,0189**	**1,5441**

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

As of 31 December 2011, no dividend distribution is calculated and determined by the Board of Directors, yet.

NOTE 22 - 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 and certain reserves according to the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below:

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.

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

NOTE 22 - STATUTORY RETAINED EARNINGS AND LEGAL RESERVES (Continued)

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 published and information about donations during the year is provided 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.

In accordance with the above explanation, the composition of the Group's equity in its CMB financial statements is as follows:

	31 December 2011	**31 December 2010**
Share capital	152.500	152.500
Adjustment to share capital	3.579	3.579
Restricted reserve	57.923	44.335
Distribution to shareholders	(3.647)	-
Retained earnings	198.603	2.654
Profit for the year	460.494	235.552
	869.452	**438.620**

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

NOTE 23 - REVENUE

	1 January - 31 December 2011	1 January - 31 December 2010
Domestic sales	774.510	392.823
Export sales	31.289	79.252
	805.799	**472.075**

NOTE 24 - COST OF SALES

	1 January - 31 December 2011	1 January - 31 December 2010
Depreciation and amortisation	79.067	64.417
Royalties	21.990	7.165
Direct materials	21.721	14.948
Staff costs	21.262	16.516
Maintenance	16.167	12.206
Utilities	8.770	6.925
Transportation	7.754	6.308
Other	15.372	13.015
	192.103	**141.500**

NOTE 25 - SELLING AND MARKETING COSTS

	1 January - 31 December 2011	1 January - 31 December 2010
Sales commissions	621	1.267
Other	1.399	1.793
	2.020	**3.060**

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

NOTE 26 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2011	1 January - 31 December 2010
Staff costs	18.876	13.971
Travel	3.963	2.656
Outsourced services	3.848	2.317
Taxes and funds	2.470	1.081
Rent	2.098	553
Energy and utilities	1.327	804
Professional services	1.287	3.426
Communication	1.053	944
Maintenance	756	548
Employment termination benefits	645	772
Insurance	500	658
Other	6.306	3.339
	43.129	**31.069**

NOTE 27 - OTHER OPERATING INCOME/ (EXPENSES) - NET

	1 January - 31 December 2011	1 January - 31 December 2010
Other operating income:		
Gain on sales of property, plant and equipment	792	190
Gain on scrap sales	222	131
Gain on insurance claims	146	44
Other	732	260
	1.892	**625**
Other operating expenses:		
Donations	(17.500)	-
Other	(6)	(2)
	(17.506)	**(2)**

In 2011, the Group donated to TL17.500 thousands to Altın Koza University (Note 9.n).

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

NOTE 28- FINANCE INCOME AND EXPENSE

	1 January - 31 December 2011	1 January - 31 December 2010
Finance income:		
Foreign exchange gain	41.407	19.187
Interest and other finance income	28.474	8.133
	69.881	**27.320**
Finance expense:		
Foreign exchange loss	(34.567)	(18.916)
Interest and other finance expense	(2.212)	(2.615)
	(36.779)	**(21.531)**

NOTE 29 – FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2011:

	Loans and receivables	Derivatives used for hedging	Available-for-sale	Total
Assets as per balance sheet:				
Trade receivables (Note 8)	4.351	-	-	4.351
Due from related parties (Note 9)	5.877	-	-	5.877
Cash and cash equivalents (Note 7)	579.356	-	-	579.356
Total	**589.584**	**-**	**-**	**589.584**

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet:			
Borrowings (Note 14)	-	25.408	25.408
Trade payables (Note 15)	-	31.937	31.937
Due to related parties (Note 9)	-	15.256	15.256
Other non-current liabilities	-	10.389	10.389
Total	**-**	**82.990**	**82.990**

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

NOTE 29 – FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2010:

	Loans and receivables	Derivatives used for hedging	Available-for-sale	Total
Assets as per balance sheet:				
Cash and cash equivalents (Note 7)	196.692	-	-	196.692
Total	**196.692**	**-**	**-**	**196.692**

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet:			
Borrowings (Note 14)	-	29.852	29.852
Trade payables (Note 15)	-	17.390	17.390
Due to related parties (Note 9)	-	332	332
Other non-current liabilities	-	8.504	8.504
Total	**-**	**56.078**	**56.078**

NOTE 30 - 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 2011	31 December 2010
a) Guarantees given:		
Letters of guarantee	3.818	1.363
Mortgages	1	1
	3.819	**1.364**

At 31 December 2011, the Group has no guarantees given to related parties. (2010: the Group entered into the loan facility agreements along with İpek Enerji, 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 thousands, TL10.000 thousands, TL20.000 thousands, TL100 thousands, TL100 thousands, TL5.000 thousands, TL10.000 thousands, TL12.500 thousands, TL10.000 thousands and TL5.000 thousands and USD50.000 thousands for ATP (Note 9).

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

NOTE 30 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2011	31 December 2010
b) Guarantees received:		
Letters of guarantee	30.409	30.245
Cheques received	2.174	2.209
Guarantee notes	166	387
	32.749	**32.841**

At 31 December 2011, the Group entered into the loan facility agreements for TL50.000 thousands and USD100.000 thousands (2010: TL50.000 thousands and USD100.000 thousands), in which Koza İpek Holding, ATP and İpek family are (Note 9) the joint guarantors of this loan agreement. The amount of borrowing utilised from these loan facilities by the Group is TL21.796 thousands (equivalent of USD11.539 thousands) (2010: TL29.730 thousands equivalent of USD19.230 thousands) for mainly financing the manufacturing facility investment in Mastra mine area.

c) Purchase commitments

As of 31 December 2011, the Group has raw material and machinery and equipment purchase commitments amounting to EUR2.838 thousands that is equivalent to TL6.936 thousands in total (2010: EUR1.475 thousands and SEK3.022 thousands that are equivalent to TL5.847 thousands 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. 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. Their objection in District Administration Court also rejected. In these cases a rejection decision made in favour of the group.

NOTE 30 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

There are also pending administrative lawsuits for the cancellation of the Workplace Opening and Operation Permits ("WOOP"), No. 2, 10 and 19,21 issued by the İzmir Governorship. The Group is carrying out its operations within the legal framework of Permit No. 40, and decisions rendered in the above mentioned lawsuits will not affect the Group's operations. These cases are in initiation stage and procedural actions are taken by the court.

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.

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. In this case the expert visit and examination decision has been rendered and on 28 February 2012 a visit to area has been made by the experts.

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.

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. In this case court is examining the intervention requests. Also there is another 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 case court rendered its decision by accepting the case. The case is on appeal process on council of State stage. Because the Group has no activity in the case subject exploration licence are neither positive nor negative conclusions 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. Three lawsuits have been filed on the basis of such demand. One of them; court ordered a decision for cancellation for development schemes with a reason that; it is not on a basis of a upper scale macro plan, environmental effects cannot be regulated physically on a limited plan which is limited with operation plan and ownerships with these regulatory development schemes and location development schemes are not suitable with city planning and public interest. The decision was appealed and Council of State affirmed the decision of Local Court and the decision finalized in this way. The other pending case the court rejected the case because of no case subject administrative process exists due to Administration's decision of taking back such process. The result of other cases will not affect our activities. There is no condition of Development Scheme for the Workplace Opening and Operation License which is the base of GSM license also there is no obligatory regulation regarding development schemes on the new mining law. In conclusion, the lawyers of the Group see no risk for the cases regarding Ovacık Mine.

NOTE 30 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

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 two of these with a reason that olive grove areas are very close. The Group request for correction of this decision was refused. After rejection the court case came back to local Administrative court. And the local court insisted on its decision again on favour of Group. The plaintiff has appealed now the decision will be given by the Council of States General Board regarding Administrative cases. One of the actions is still at the appellate stage, and the judgement process regarding action is waiting for the decision of Council of States General Board regarding Administrative cases.

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. 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.

NOTE 30 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

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.

iii. Lawsuits Regarding Kaymaz Mine

The Group has exploration and operating licenses and administrative permissions for an Eskisehir-Sivrihisar-Kaymaz Area. Lawsuits were filed against the Ministry of Environment and Forestry and the Ministry of Energy and Natural Resources regarding the cancellation of these licences and permissions for mining activities in the Eskişehir-Sivrihisar region, the case was dismissed on the grounds that there is no harm to human health and no contrary circumstance law. Decision was appealed by the other party.

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. 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 was filed. In this case, Local court rendered a decision on favour of Group; EIA Positive decision has no breach of regulation and other reasons rejected the case and gave no decision for the plaintiffs who waived the case. The plaintiff has appealled this decision. The lawyers of the Group see no risk for the cases.

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.

NOTE 30 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

Lawsuits Regarding Gelintepe Mine:

There are two pending cases requesting cancellation and suspension regarding the EAI Positive decision of "Gelintepe Gold Mine's Open Pit Mining Operation Project" dated 18 September 2009. In these cases the defensive statements have been submitted, In Gelintepe Project's EIA positive Permission's cancellation case the local court rejected the suspension requests of plaintiffs. Because there is no activity in these sites the decision of these cases will not affect the activities of Group.

Lawsuits Regarding Uyuzkaya Mine:

There are two pending cases requesting cancellation and suspension regarding the EAI Positive decision of "Uyuzkaya Gold Mine's Open Pit Mining Operation Project" dated 18 September 2009. In one of the cases the court is evaluating the intervention request and the other has made an expert visit and review to the site. Because there is no activity in these sites the decision of these cases will not affect the activities of Group.

Lawsuits Regarding Çukuralan Mine:

There are three pending cases requesting the cancellation of EIA positive reports about Çukuralan Mine. Two of them are pending cases requesting cancellation and suspension regarding the EAI Positive decision of "Uyuzkaya Gold Mine's Open Pit Mining Operation Project" dated 2 September 2009. One of the cases is about the EIA positive decision dated 3 November 2010 given for "Çukuralan Gold Mine Open and Closed pit operation capacity increase Project". Also a lawsuit has been filed requesting cancellation and suspension of EIA positive decision "Çukuralan Gold Mine open and closed pit mining operation's second capacity increase Project". All three cases have rendered a decision for expert visit and examination and the expert visit has been made by 28 February 2012. The lawyers of the Group see no risk for the cases.

Lawsuits Regarding Yerlitahtacı Mine:

There are two pending cases requesting cancellation and suspension regarding the EAI Positive decision of "Uyuzkaya Gold Mine's Open Pit Mining Operation Project" dated 18 November 2009. In these cases the court is evaluating the intervention request. In one of the cases the court has rejected the request of suspension and District Administrative court has rejected the plaintiff's objection to such decision. In the case regarding the cancellation of Yerlitahtacı Project's EIA positive Permission the court has rendered a decision for expert visit and examination the visit has been made. Because there is no activity in these sites the decision of these cases will not affect the activities of Group.

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

NOTE 31 - GOODWILL

	31 December 2011	**31 December 2010**
Goodwill from acquisition of Newmont Altın	11.232	11.232
Goodwill from acquisition of Mastra Madencilik	2.785	2.785
	14.017	**14.017**

Acquisition of Newmont Altın

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

USD537 thousands and USD2.462 thousands of the total purchase consideration were paid on 28 June 2010 and 2 July 2010, respectively. USD3.000 thousands of the remaining USD5.500 thousand will be paid as the Diyadin Project which will be operative on the aforementioned acquired mine fields, starts to operate and USD2.500 thousand will be paid one year after the beginning of Diyadin Project.

For the purpose of impairment assessment of the goodwill arising from Newmont Altın acquisition, the 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 2011.

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 thousands 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 2011, 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 2011.

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

NOTE 31 – GOODWILL (Continued)

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 142.000 oz. as of 31 December 2011, approximately USD222.514 thousand (equivalent of TL420.307 thousand) at the current market price of USD1.567 per oz., based on the independent valuer's report by SRK Consulting as of 31 December 2011 that was updated by the Group management as of 31 December 2011. The total net book value of the mining and non-mining assets at 31 December 2011 is TL92.943 thousands.

NOTE 32 – BUSINESS COMBINATIONS

Entities under common control

On 27 December 2011, Koza Altın acquired 99,98% of the shares of Doğu Anadolu Maden from Koza İpek Holding and ATP in exchange for the consideration of TL 14.738 thousands. The Group applied the predecessor values method for this transaction prospectively (Note 3). As a requirement of the use of the predecessor values method, Doğu Anadolu Maden has been consolidated as a subsidiary since 27 December 2011, on which the control of Doğu Anadolu Maden is transferred to Koza Altın. The effects of this transaction are accounted for as an adjustment to equity as "Distribution to shareholders".

Net assets acquired	**27 December 2011**
Cash and cash equivalents	10.396
Factored receivables (Note 8)	3.837
Trade receivables	410
Other assets	3.311
Due from related parties	1.388
Borrowings	(3.457)
Trade payables	(1.970)
Due to related parties	(325)
Other liabilities	(2.499)
Total identifiable net assets acquired	**11.091**
Purchase consideration (Note 9-c)	**(14.738)**
Distribution to shareholders (see consolidated changes in equity)	**(3.647)**

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

NOTE 33 - FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currencies held by the Group at 31 December 2011 were as follows:

	USD	EUR	Other TL Equivalent	TL Equivalent
Assets:				
Cash and cash equivalents	26.293	9	49	49.736
Other receivables	378	2	158	877
	26.671	**11**	**207**	**50.613**
Liabilities:				
Short-term portion of long-term borrowings	(7.775)	-	-	(14.686)
Trade payable	(4.043)	(329)	(86)	(8.527)
Long term borrowings	(3.846)	-	-	(7.265)
Other payables	(5.500)	-	-	(10.389)
	(21.164)	**(329)**	**(86)**	**(40.867)**
Net foreign currency liability position				**9.746**

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	1	6	13.795
	8.918	**1**	**6**	**13.795**
Liabilities:				
Short-term portion of long-term borrowings	(7.771)	-	-	(12.014)
Trade payable	(2.845)	(375)	(2)	(5.170)
Long term borrowings	(11.538)	-	-	(17.838)
Other payables	(5.500)	-	-	(8.504)
	(27.654)	**(375)**	**(2)**	**(43.526)**
Net foreign currency liability position				**(29.731)**

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

NOTE 33 - 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 TL974 thousands more 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 (2010: Net income would be TL2.974 thousands 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 TL1.040 thousands more 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 (2010: Net income would be TL2.897 thousands less in the case of the depreciation of TL against USD by 10%).

The Group’s net income for the year would be TL78 thousands 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 (2010: Net income would be TL77 thousands less in the case of the depreciation of TL against EUR by 10%).

NOTE 34 - CHANGES IN WORKING CAPITAL

	31 December 2011	**31 December 2010**
Trade receivables	(104)	-
Due from related parties	(4.414)	34.893
Other liabilities	(6.757)	(10.622)
Inventories	(10.951)	7.059
Other current assets	(4.939)	(4.514)
Trade payables	12.177	(3.040)
Exchange gains on cash and cash equivalents	(6.037)	(181)
Due to related parties	(364)	112
Changes in working capital	**(21.389)**	**23.707**

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