Koza Altın İşletmeleri A.Ş.

1 January-30 September 2018
Convenience Translation of Financial Statements
And Independent Auditors' Review Report

(Originally Issued in Turkish)

Independent Auditor's Report on Review of Interim Financial Statements
(Convenience Translation of the Independent Auditors' Review Report Originally Prepared and Issued in Turkish to English)

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

Introduction
We have reviewed the accompanying condensed statement of financial position of Koza Altın İşletmeleri A.Ş. ("the Company") as at 30 September 2018, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial statement based on our review.

Scope of Review
We conducted our review in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have also reviewed the amendments explained in Note 2.6 which are made in the financial statements for the year 2017. Based on our review, nothing has come to our attention that causes us to believe aforementioned amendments are not appropriate and truly applied.

Basis for Qualified Conclusion
1) As explained in detail in Note 8.3, in accordance with the decision of Ankara 5th Criminal Court of Peace on 26 October 2015, the Company's management has been transferred to trustee and then to the Savings Deposit Insurance Fund ("SDIF") on 22 September 2016. As of the date of this report, Various investigations and studies are continuing by the Public Prosecutor, the Police Department of Financial Crimes and Capital Market Board. We have not been able to obtain sufficient and appropriate audit evidence as to whether there should be any adjustments to the Company's financial statements in relation to the reports underlying the determination of the relevant decision and the determination of the ongoing legal process.

2) As explained in detail in Note 5, it became apperant that the Company has lost its control in the subsidiary "Koza Ltd" due to general assembly meeting of Koza Ltd. held on 11 September 2015 registered on 2 November 2015 in the UK. As of the date of this report, the legal process on the loss of control initiated by the CMB with the decision date 4 February 2016 is still ongoing. During our review, we have not been able to obtain sufficient and appropriate audit evidence as to whether there should be any adjustments to the Company's financial statements in relation to fair value of Koza Ltd which should be done in comply with the standards of TFRS 10 – Consolidated Financial Statements and TFRS 9 – Financial Instruments.

Basis for Qualified Conclusion (Continued)

3) As explained in detail in Note 2.6, The Company has made the adjustments explained in the relevant note to restate the financial statements for the year ended 31 December 2017. The company has prefered not to disclose requirements of TAS 8- Accounting Policies, Changes in Accounting Estimates and Errors standard, assuming that the effect of the adjustments to the prior year's financial statements is not significant in comparison to the size of the asset of the Company.

Qualified Conclusion

Based on our review, except the matters mentioned in the “basis for qualified conclusion” paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with Turkish Accounting Standards (“TAS”).

Emphasis of Matters

1) The Company’s audited financial statements prepared as at and for the year ended 31 December 2016 and 31 December 2017 were approved by the Board of Directors (Board Resolution dated 24 April 2018 and 30 April 2018, respectively), excluding the possible cumulative effects of the business and transactions which are under investigation to the financial statements, pursuant to Article 401/4 of the Turkish Commercial Code ("TCC"). The Company’s audited financial statements prepared as at and for the year ended 31 December 2015 were not approved by the Board of Directors pursuant to Article 401/4 of TCC. The Company’s 2015, 2016 and 2017 ordinary general assembly meeting could not be held due to the reasons explained in the first paragraph. Therefore, the financial statements prepared as at and for the years ended 31 December 2017, 2016 and 2015 could not be presented for the approval of general assembly. Our conclusion is not modified with respect to this matter.

2) The Company has paid an additional state royalty amounting to TL 24.042 thousand within the scope of the report "Mine and Gold Production Research Reports, State Investigations" prepared by the Ankara Chief Public Prosecutor for the period between 2006 and 2015. The Company has initiated legal proceedings for the related payment and has not reflected the paid amounts in profit or loss. The legal process is still ongoing. Our conclusion is not modified with respect to this matter.

Other Matter

The financial statements of the Company as of 31 December 2017 were audited by another audit firm whose independent auditor’s report thereon dated 30 April 2018, expressed a qualified opinion. The interim condensed financial statements of the Company were also reviewed by the same audit firm whose independent auditor’s review report thereon dated 30 April 2018 expressed that nothing had come to their attention that caused them to believe that the interim condensed financial statements were not prepared in accordance with TAS 34.

Yeditepe Bağımsız Denetim Anonim Şirketi
(Associate member of PRAXITY AISBL)

Yılmaz Güney
Partner
8 November 2018, İstanbul

Additional paragraph for convenience translation to English

As explained in note 2.1, the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain reclassification requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITIONS AS AT 30 SEPTEMBER 2018

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

			Restated*
		Reviewed	***Audited***
ASSETS	**Note**	**30 September 2018**	**31 December 2017**
Current Assets		**3.133.654**	**2.252.081**
Cash and Cash Equivalents	4	2.455.957	1.812.742
Trade Receivables		1.729	1.365
Other Receviables			
- Due from Related Parties	3	259.084	145.320
Inventories	6	301.568	210.236
Prepaid Expenses		62.232	25.198
Other Current Assets		53.084	57.220
Non-Current Assets		**1.089.644**	**874.737**
Financial Investments	5	225.073	226.331
Investment Property		104.593	106.313
Tangible Assets	7	645.210	467.300
Intangible Assets			
- Goodwill		14.017	14.017
- Other Intangible Assets		2.042	1.246
Prepaid Expenses		4.816	7.919
Deferred Tax Asset	12	92.841	50.491
Other Non - Current Assets		1.052	1.120
TOTAL ASSETS		**4.223.298**	**3.126.818**

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

* Note 2.6

(Convenience translation of a report and financial statements originally issued in Turkish)

KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITIONS AS AT 30 SEPTEMBER 2018

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

			Restated*
		Reviewed	***Audited***
LIABILITIES	**Note**	**30 September 2018**	**31 December 2017**
Current Liabilities		**275.420**	**230.039**
Trade Payables		51.193	22.734
Employee Benefit Payables		6.577	8.758
Other Payables			
- Due to Related Parties	3	829	3.909
Corporate Tax Liability	12	101.193	22.860
Short-Term Provisions			
- For Employee Benefits		5.964	6.408
- Other	8	95.761	157.532
Other Current Liabilities		13.903	7.838
Non-Current Liabilities		**148.493**	**82.144**
Other Payables		32.894	20.713
Long Term Provisions			
- Long Term Provisions for Employee Benefits		15.327	13.480
- Other	8	100.272	47.951
EQUITY		**3.799.385**	**2.814.635**
Paid-in capital	9	152.500	152.500
Adjustments to Share Capital	9	3.579	3.579
Other Comprehensive Income/Expense not to Be Reclassified to Profit or Loss			
-Gain/loss Arising from Defined Benefit Plans		735	(1.307)
Restricted Reserves	9	137.390	137.390
Retained Earnings		2.522.473	1.990.584
Profit for the Period		982.708	531.889
TOTAL EQUITY AND LIABILITIES		**4.223.298**	**3.126.818**

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

* Note 2.6

(Convenience translation of a report and financial statements originally issued in Turkish)

KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

	Note	*Reviewed* 1 January - 30 September 2018	*Reviewed* 1 January - 30 September 2017	*Unreviewed* 1 July - 30 September 2018	*Unreviewed* 1 July - 30 September 2017
Profit or Loss					
Sales	10	1.105.532	730.936	460.923	237.219
Cost of Sales (-)	10	(405.249)	(288.953)	(172.021)	(103.172)
Gross Profit		**700.283**	**441.983**	**288.902**	**134.047**
Research and Development Expenses (-)		(23.450)	--	(9.790)	--
Marketing, Sales and Distribution Expenses (-)		(1.784)	(1.746)	(656)	(563)
General Administrative Expenses (-)		(87.558)	(74.970)	(31.345)	(26.228)
Other Income from Operating Acitivities		9.688	14.610	1.900	(1.728)
Other Expense from Operating Acitivities (-)		(1.365)	(9.360)	(575)	4.261
Operating Profit		**595.814**	**370.517**	**248.436**	**109.789**
Income from Investment Activities		192.555	142.149	96.109	50.160
Expense from Investment Activities (-)		--	--	--	--
Operating Profit Before Financial Expenses		**788.369**	**512.666**	**344.545**	**159.949**
Financing Income	11	390.283	174.387	203.131	53.442
Financial Expenses (-)	11	(91)	(180.229)	(33)	(46.006)
Profit Before Tax		**1.178.561**	**506.824**	**547.643**	**167.385**
Tax Expense		**(195.853)**	**(103.301)**	**(63.665)**	**(33.292)**
- Current Tax Expense	12	(238.713)	(106.226)	(110.908)	(33.427)
- Deferred Tax Income/ (Expense)	12	42.860	2.925	47.243	135
Profit for the Period		**982.708**	**403.523**	**483.978**	**134.093**
Other Comprehensive Income / (Expense)					
Items not to Be Reclassified to Profit or Loss					
– Gain/Loss Arising from Defined Benefit Plans		2.552	(1.610)	609	--
– Tax Effect of Gain/Loss Arising Defined Benefit Plans		(510)	322	(121)	--
Other Comprehensive Income / (Expense)		**2.042**	**(1.288)**	**488**	**--**
Total Comprehensive Income		**984.750**	**402.235**	**484.466**	**134.093**
Earnings for per 100 Shares (in full TL)		**6,444**	**2,646**	**3,174**	**0,879**

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

(Convenience translation of a report and financial statements originally issued in Turkish)

KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

	Paid in Capital	Adjustment to Share Capital	Gain/Loss Arising from Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net profit for the Period	Total Equity
Balance at 01 January 2017	**152.500**	**3.579**	**(19)**	**137.390**	**1.660.401**	**395.155**	**2.349.006**
Transfer to retained earnings	--	--	--	--	395.155	(395.155)	--
Total comprehensive income	--	--	(1.288)	--	--	403.523	402.235
Balance at 30 September 2017	**152.500**	**3.579**	**(1.307)**	**137.390**	**2.055.556**	**403.523**	**2.751.241**
January 01, 2018 - Reported	**152.500**	**3.579**	**(1.307)**	**137.390**	**2.055.556**	**552.696**	**2.900.414**
Restatements (Note 2.6)					64.972	20.807	85.779
January 01, 2018 - Restated	**152.500**	**3.579**	**(1.307)**	**137.390**	**1.990.584**	**531.889**	**2.814.635**
Transfer to retained earnings	--	--	--	--	531.889	(531.889)	**--**
Total comprehensive income	--	--	2.042	--	--	982.708	**984.750**
Balance at 30 September 2018	**152.500**	**3.579**	**735**	**137.390**	**2.522.473**	**982.708**	**3.799.385**

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

(Convenience translation of a report and financial statements originally issued in Turkish)

KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

	Note	***Reviewed*** **01 January– 30 September 2018**	***Reviewed*** **01 January – 30 September 2017**
Cash Flows From (Used In) Operating Activities		**821.253**	**302.647**
Profit		982.708	403.523
Adjustments to reconcile profit (loss)		264.462	162.152
Adjustments for depreciation and amortization expense	7	56.806	44.630
Adjustments for impairment loss / (reversal)	5	1.258	--
Adjustments for provisions		13.478	15.891
Adjustments for provisions related with employee benefits		4.466	7.465
Adjustments for / (Reversal of) lawsuit and/or penalty provisions	8	2.048	--
Adjustments for other provisions	8	8.804	--
Adjustments for / (Reversal of) sectoral requirement provisions		(1.840)	8.426
Adjustments for tax (income) expenses		195.853	103.301
Adjustments for losses on disposal of non-current assets		(2.933)	(1.670)
Changes in working capital		**(193.742)**	**(139.178)**
Adjustments for decrease (ıncrease) in accounts receivables		(364)	(10.837)
Adjustments for decrease (ıncrease) in other receivables related with operations		(113.764)	(57.507)
Adjustments for decrease (ıncrease) in ınventories		(91.332)	(64.637)
Adjustments for decrease (increase) in paid payables expenses		(33.931)	(36.240)
Adjustments for increase (decrease) in trade accounts payable		28.459	8.142
Increase (decrease) in employee benefit obligations		(2.180)	2.065
Adjustments for increase (decrease) in other operating payables		9.101	27.217
Other adjustments for other ıncrease (decrease) in working capital		10.269	(5.316)
Cash flows from (used in) operations		**1.053.428**	**426.497**
Payments related with provisions for employee benefits		511	1.970
Income taxes (paid) return		(231.664)	(121.880)
Cash flows from (used in) investment activities		**(178.038)**	**(45.977)**
Purchases of tangible and intangible assets	7	3.138	2.203
Proceeds from sale of tangible and intangible assets		181.176	48.180
Cash flows from (used in) financing activities		--	--
Net (decrease) / increase in cash and cash equivalents		**643.215**	**256.670**
Balance at the beginning of the year	4	1.812.742	1.540.598
Balance at the end of the period	4	2.455.957	1.797.268

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

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

As of 30 September 2018, 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 2017: 45,01% of the shares were held by ATP and 24,99% of the shares were held by Koza İpek Holding) including shares trading in Borsa Istanbul ("BIST"), and 30,00 % (2017: 30%) of its shares are quoted on BIST. In accordance with the decision of Ankara 5th Criminal Court of Peace on 26 October 2015, the Company's management has been transferred to trustee and then to the Savings Deposit Insurance Fund ("SDIF") on 22 September 2016.

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

On March 31, 2014, the Company established Koza Ltd., a UK-based wholly-owned subsidiary, to engage in mining operations abroad. The Company has lost its control in Koza Ltd., which was consolidated until 11 September 2015, due to general assembly meeting of Koza Ltd. held on 11 September 2015 registered on 2 November 2015 in the UK. As of the date of this report, the legal process on the loss of control initiated by the CMB with the decision date 4 February 2016 is still ongoing. The Company has presented Koza Ltd. as long term financial investment with the cost amount of TL 218.325 thousand in its financial statements (31 December 2017: TL 218.325 Thousand).

As of 30 September 2018, the number of personnel employed within the Company is 1.935 personnel (31 December 2017: 1.669 personnel).

The address of the registered head office of the Company; Uğur Mumcu Mahallesi, Fatih Sultan Mehmet Bulvarı, İstanbul Yolu 10. Km, No: 310, 06370, Yenimahalle - Ankara, Türkiye.

Approval of Financial Statements

Financial statements were approved by the Board of Directors of the Company and authorized for issue on 9 November 2018. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" (The "Communiqué"), which were published in the Official Gazette No. 28676 dated 13 June 2013.

The Company implements the Turkish Accounting Standards / Turkish Financial Reporting Standards and the annexes and interpretations thereof ("TAS / TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The accompanying financial statements and its notes are presented in accordance with the format requirements recommended by the CMB and including the requisite information.

The Company maintain their books of accounts and prepare their statutory financial statements on the basis of Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of the Republic of Turkey. These financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Accounting Standards issued by POA.

The condensed financial statements of the Company for the quarter ended 30 September 2018 are prepared in accordance with TAS 34 "Interim Financial Reporting". Interim condensed financial statements do not include all the information and disclosures required to be included in the annual financial statements and should be read in conjunction with the annual financial statements prepared by the Company as at 31 December 2017.

Additional paragraph for convenience translation to English:
The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

2.2 Correction of Financial Statements During the Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005, announced that all publicly traded entities operating in Turkey was not obliged to apply inflationary accounting effective from 1 January 2005. In accordance with this resolution, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied to the consolidated financial statements since 1 January 2005.

2.3 Functional and Presentation Currency

Functional and presentation currency of the Company is Turkish Lira ("TL")

2.4 Going Concern

The financial statements have been prepared assuming that the Company will continue as a going concern on the basis that the entities will be able to realize its assets and discharge its liabilities in the normal course of business.

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the financial statements as at 30 September 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2018. The effect of TFRS 9 Financial Instruments have been disclosed below. In the related paragraphs. Other new standards and interpretations The amendments did not have an impact on the financial position or performance of the Company.

TFRS 9 Financial Instruments
Effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company has assessed the impact of the standard on financial position. The assessment made is based on existing information and may be subject to further analysis or changes resulting from additional supportable information. The transition is accounted based on the simplifed approach. In accordance with this method, the Company the cumulative effect related to the transition of TFRS 9 in retained earnings on the first application date. The effect of TFRS 9 Financial Instruments have been disclosed below.

The Company continued to measure long-term bonds and bills that were classified as available-for-sale financial assets in accordance with TAS 39 at fair value. Since the fair value differences of the current period are insignificant, the profit has been classified as interest income in profit or loss rather than other comprehensive income.

The Company continued to measure Koza Ltd which was classifies as financial assets available for sale in accordance with TAS 39 with the measuring of cost value at cost value as explained in the related note. Any future increases or decreases in fair value will be recognized in future periods.

The Company applied the expected credit loss model ("ECL") which is proposed by TFRS 9 for the financial assets to its trade receivables as shown at amortized cost. The Company has adopted a simplified method and has chosen to recognize the expected life-time losses on trade receivables. However, as a result of its assessment, the Company did not recognize any provision for impairment due to low credit risk of the trade receivables.

Changes related to the reclassification of financial assets and liabilities are as follows and these changes in the classification do not result in changes measurement explained above;

Financial Assets	**Classification according to TAS 39**	**Classification according to TFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Financial investments	Available-for-sale financial assets	Fair value through other comprehensive income
Financial liabilities	**Classification according to TAS 39**	**Classification according to TFRS 9**
Bank loans	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 The New Standards, Amendments and Interpretations (Continued)

Standards issued but not yet effective and not early adopted as of 30 September 2018;

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POASA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures

On December 2017, POASA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies TFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 28.

TFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace TAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 The New Standards, Amendments and Interpretations (Continued)

Standards issued but not yet effective and not early adopted as of 30 September 2018 (continued);

TFRSI 23 –Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued TFRSI 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRSI 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRSI 23.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POASA

The following standards, interpretations and amendments to existing TFRS standards are issued by the IASB but these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued to TFRS by the POASA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POASA are referred to as TFRS or TAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements to TFRSs 2015-2017 Cycle

Improvements to TFRSs

ISB issued Annual Improvements to TFRSs- 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

TFRS 3 *Business Combinations* and TFRS 11 *Joint Arrangements*

TFRS 3 and TFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

TAS 12 Income Taxes

TAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 The New Standards, Amendments and Interpretations (Continued)

Standards issued but not yet effective and not early adopted as of 30 September 2018 (continued);

TAS 23 Borrowing Costs

TAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to TAS 19- Plan Amendment, Curtailment or Settlement

On 7 February 2018, ISB issued Plan Amendment, Curtailment or Settlement (Amendments to TAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 19.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the ISB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

TFRS 17 –Insurance Contracts

On 18 May 2017, ISB issued TFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 The New Standards, Amendments and Interpretations (Continued)

Standards issued but not yet effective and not early adopted as of 30 September 2018 (continued);

TFRS 17 –Insurance Contracts (Continued)

for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Company does not expect that application of TFRS 17 will have significant impact on its financial statements.

2.6 Comparative Information

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

The Company has reviewed the prior period financial statements and restated it in accordance with TAS 8 *"Accounting Policies, Changes in Accounting Estimates and Errors "* retrospectively.

Accordingly, the summary of the adjustments made in tangible and intangible assets, investment properties and rehabilitation provisions are as follows;

	Previously reported	**Adjustments**	**Restated**
Investment properties	109.729	3.416	106.313
Tangible assets	523.693	56.393	467.300
Intangible assets	1.896	650	1.246
Deferred tax assets	17.528	(32.963)	50.491
Other non-current assets	13.500	4.461	9.039
Assets net effect		**31.957**	
Rehabilitation provisions	47.966	(53.822)	101.788
Previous years profit	2.055.556	64.972	1.990.584
Net income for the period *	552.696	20.807	531.889
Liabilities net effect		**31.957**	

(*) The effect on the period is only in the cost of sales.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Critical Accounting Estimates and Assumptions

a) Gold mineral reserves

At the end of each reporting period, the estimate of proven and probable gold mineral reserves is updated by the Company management, and also external independent valuers for certain reporting periods determine the proven and probable reserves. In this respect, as of 31 December 2017 in accordance with the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the 'JORC code') "SRK Consulting", independent valuers, determined the proven and probable reserves of the Company. The information on ore reserves are prepared by or under the supervision of Competent Persons as defined in the JORC code.

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

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

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

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

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

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

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

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Critical Accounting Estimates and Assumptions (Continued)

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

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 Company management monthly compares the estimated recovery rate with the actual recovery rates by reconciling the estimated grades of ore to the quantities of gold actually recovered, and accordingly revises the rates used in the cost of stockpiles.

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

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

e) Legal risks

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

NOTE 3 – RELATED PARTIES DISCLOSURES

a) Receivables / payables

Other receivables due from related parties	30 September 2018	31 December 2017
ATP İnşaat ve Ticaret A.Ş.	184.362	110.818
Koza İpek Holding A.Ş.	72.768	32.667
Konaklı Metal Madencilik Sanayi ve Ticaret A.Ş.	1.501	1.094
Koza Anadolu Metal Madencilik İşletmeleri A.Ş.	5	419
Other	448	322
	259.084	**145.320**

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

NOTE 3 – RELATED PARTIES DISCLOSURES (Continued)

a) Receivables / payables (Continued)

Other payables due to related parties	30 September 2018	31 December 2017
Koza İpek Holding A.Ş.	--	3.239
ATP Koza Turizm Seyahat ve Ticaret A.Ş.	264	263
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.	149	189
Koza İpek Sigorta A.Ş.	254	1
Other	162	217
	829	**3.909**

b) Purchases / sales

	1 January – 30 September 2018		1 January – 30 September 2017	
Incomes from related parties	**Interest**	**Other**	**Interest**	**Other**
ATP İnşaat ve Ticaret A.Ş.	16.503	24	5.420	5
Koza İpek Holding A.Ş.	8.717	6	272	--
Other	--	153	--	1.519
	25.220	**183**	**5.692**	**1.524**

	1 January – 30 September 2018		1 January – 30 September 2017	
Expenses from related parties	**Rent**	**Other**	**Rent**	**Other**
İpek Doğal Enerji Kayn. Arş. ve Üre.A.Ş.	3.401	131	3.092	128
Koza İpek Sigorta Aracılık Hizm. A.Ş.	--	1.819	--	1.351
Other	--	387	--	243
	3.401	**2.337**	**3.092**	**1.722**

c) Compensation of key management personnel; The total amount of wages and similar benefits paid to the key management personnel between the dates of 1 January – 30 September 2018 is TL 2.135 thousand. Total balance is composed of wages. (1 January- 30 September 2017: TL 1.842 thousand). The Company has determined the members of the board of directors, general manager and its deputies as the key management personnel.

NOTE 4 – CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017
Cash in hand	210	148
Banks		
- Demand deposit	3.251	6.586
- Time deposit	2.452.496	1.806.008
	2.455.957	**1.812.742**

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

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

As of 30 September 2018, the details of the Company's time deposits are as follows;

Currency Type	Interest Rate	Maturity	Currency	Amount
USD	%4-%8	33 days	134.344	804.747
EUR	2,0%	32 days	273	1.897
TL	%12,5-%29,5	34 days	1.633.697	1.645.852
				2.452.496

As of 31 December 2017, the details of the Company's time deposits are as follows;

Currency Type	Interest Rate	Maturity	Currency	Amount
USD	3,59%	2-30 days	237.411	895.489
TL	14,16%	2-30 days	910.519	910.519
				1.806.008

NOTE 5 – FINANCIAL INVESTMENTS

	30 September 2018	31 December 2017
Financial assets fair value through other comprehensive income		
Bonds and bills *	6.748	8.006
Koza Ltd **	218.325	218.325
	225.073	**226.331**

* As of 30 September 2018, bonds and bills are denominated in US Dollars and their maturity dates are 2019 and 2010. The average interest rate is 4.90% (31 December 2017: 4.90%).

** As a result of the decisions taken in the general assembly meeting of wholly-owned subsidiary Koza Ltd dated 11 September 2015 and amendments to main contract of Koza Ltd, two A type (privileged share) with 1 British Pound ("GBP") per value were issued. All the operational and managerial activities of Koza Ltd. including the decision to approve amendments to the a main contract, approval of liquidation transactions and share transfer transactions and other rights were given to directors appointed by the privileged share owned shareholders. As a conclusion The Company has lost its control in Koza Ltd. After the date of control loss, it is not consolidated any more and presented with its cost value in the financial statements. The determination of fair value at the reporting date has not been performed due to uncertainties arising from ongoing legal process.

Regarding the aforementioned general assembly and the resolutions adopted, the legal process has been initiated by the CMB with the decision date 4 February 2016. Any differences in carrying amount of Koza Ltd between the amounts recorded at the beginning and after the final judicial decisions will be recognized in the financial statement.

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

NOTE 6 – INVENTORIES

	30 September 2018	31 December 2017
Ore stock pile	78.997	123.855
Chemicals and other materials	49.449	38.503
Spare parts	56.681	41.892
Gold in circuit and dores	116.441	5.986
	301.568	**210.236**

Spare parts are expected to be used within one-year and for on-going operations of the existing mines.

NOTE 7 – TANGIBLE ASSETS

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

	30 September 2018	31 December 2017
Mining assets	328.336	222.221
Non-mining assets	316.874	245.079
	645.210	**467.300**

a) Mining assets

Mining assets include mine development costs, deferred stripping costs, mineral and surface rights and rehabilitation assets as of 30 September 2018 and 31 December 2017; and the net book values of these assets are as follows:

	30 September 2018	31 December 2017
Lands	34.097	31.174
Mine development costs	157.193	149.502
Deferred stripping costs	45.303	4.399
Rehabilitation assets	77.650	34.666
Mineral and surface rights	14.093	2.480
	328.336	**222.221**

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

NOTE 7 – TANGIBLE ASSETS (Continued)

a) Mining assets (Continued)

The movements of mining assets as of 1 January – 30 September 2018 and 1 January - 31 December 2017 are as follows:

Cost	**1 January 2018**	**Additions**	**Disposals**	**30 September 2018**
Lands	55.102	2.971	--	58.073
Mine development costs	429.580	14.832	--	444.412
Deferred stripping costs	183.881	47.980	--	231.861
Rehabilitation assets	94.890	52.822	--	147.712
Mineral and surface rights	14.499	11.889	--	26.388
	777.952	**130.494**	**--**	**908.446**
Accumulated depreciation				
Lands	23.928	48	--	23.976
Mine development costs	280.078	7.141	--	287.219
Deferred stripping costs	179.482	7.076	--	186.558
Rehabilitation assets	60.224	9.838	--	70.062
Mineral and surface rights	12.019	276	--	12.295
	555.731	**24.379**	**--**	**580.110**
Net book value	**222.221**			**328.336**

Cost	**Restated 1 January 2017**	**Additions**	**Disposals**	**31 December 2017**
Lands	53.658	1.444	--	55.102
Mine development costs	416.133	13.447	--	429.580
Deferred stripping costs	183.881	--	--	183.881
Rehabilitation assets	88.423	6.467	--	94.890
Mineral and surface rights	13.469	1.030	--	14.499
	755.564	**22.388**	**--**	**777.952**
Accumulated depreciation				
Lands	20.443	3.485	--	23.928
Mine development costs	268.139	11.939	--	280.078
Deferred stripping costs	177.967	1.515	--	179.482
Rehabilitation assets	53.749	6.475	--	60.224
Mineral and surface rights	11.935	84	--	12.019
	532.233	**23.498**	**--**	**555.731**
Net book value	**223.331**			**222.221**

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

NOTE 7 – TANGIBLE ASSETS (Continued)

b) Non-mining property, plant and equipment

Movements of non-mining property, plant and equipment in 2018 and 2017 are as follows:

Cost	**1 January 2018**	**Additions**	**Disposals**	**Transfer**	**30 September 2018**
Land, land improvements and buildings	150.044	3.871	--	43.618	197.533
Machinery and equipment	517.026	20.130	(16)	44.194	581.334
Motor vehicles	38.902	9.565	(2.106)	--	46.361
Furniture and fixtures	35.108	5.534	(21)	1.626	42.247
Construction in progress (*)	75.982	63.080	--	(89.438)	49.624
	817.062	**102.180**	**(2.143)**	**--**	**917.099**
Accumulated depreciation					
Land improvements and buildings	97.054	5.589	--	--	102.643
Machinery and equipment	422.307	20.601	(1)	--	442.907
Motor vehicles	27.957	2.484	(1.932)	--	28.509
Furniture and fixtures	24.665	1.506	(5)	--	26.166
	571.983	**30.180**	**(1.938)**	**--**	**600.225**
Net book value	**245.079**				**316.874**

Cost	**Restated 1 January 2017**	**Additions**	**Disposals**	**31 December 2017**
Land, land improvements and buildings	144.104	5.940	--	150.044
Machinery and equipment	496.317	20.709	--	517.026
Motor vehicles	33.634	7.953	(2.685)	38.902
Furniture and fixtures	28.888	6.293	(73)	35.108
Construction in progress (*)	8.275	67.707	--	75.982
	711.218	**108.602**	**(2.758)**	**817.062**
Accumulated depreciation				
Land improvements and buildings	91.259	5.795	--	97.054
Machinery and equipment	368.414	53.893	--	422.307
Motor vehicles	26.638	3.624	(2.305)	27.957
Furniture and fixtures	22.335	2.386	(56)	24.665
	508.646	**65.698**	**(2.361)**	**571.983**
Net book value	**202.572**			**245.079**

(*) The investments in construction and machinery, plant and equipments are mainly composed of investments in Himmetdede-Kayseri and Ovacık-Bergama-İzmir mines.

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

NOTE 8– PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 30 September 2018, and 31 December 2017, details of the Company's provisions, contingent assets and liabilities are as follows:

8.1 Short term provisions:

	30 September 2018	31 December 2017
Provision for environmental rehabilitation and mine closure	49.019	53.836
Provision for royalty and rents	33.629	30.151
Tax penalty provision (*)	--	71.284
Law suit provisions	3.809	1.761
Other	9.304	500
	95.761	**157.532**

(*) The tax penalties paid by the Company in the year 2018 according to the results of the tax inspection report regarding the accounting period 2011-2016.

8.2 Long-term provisions:

	30 September 2018	31 December 2017
Provision for environmental rehabilitation and mine closure	100.272	47.951
	100.272	**47.951**

Movements of the provision for environmental rehabilitation in 2018 and 2017 are as follows:

	30 September 2018	31 December 2017
Beginning of the period	101.787	86.257
Paid	(15.968)	(6.102)
Depletion cost and foreign currency valuation	1.470	3.795
Increase/decrease in obligation-net	52.823	6.467
Current year impact on profit and loss statement*	9.179	11.370
	149.291	**101.787**

* Changes in management estimates made in provision for environmental rehabilitation are associated with profit or loss and other comprehensive income statement.

NOTE 8– PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

8.3 Significant lawsuits against the Company:

a) Lawsuits regarding Ovacık mine

A lawsuit has been brought against the Ministry of Environment and Urban Planning and intervened by the Company as an intervener, requesting a suspension of execution decision and the cancellation of Affirmative EIA Certificate issued for the Ovacık 3. Waste Storage Facility, numbered 2017/1432 E. in İzmir 3rd Administrative Court. The lawsuit is still ongoing.

A lawsuit has been brought against the Ministry of Environment and Urban Planning and appealed by the Company as an intervener, requesting a suspension of execution decision and the cancellation of Affirmative EIA Certificate issued for the region where the Ovacık Mine is located, numbered 2017/1317 E. in İzmir 6th Administrative Court. According to İzmir 6th Administrative Court decision dated 3 July 2018 with the date of notification 23 July 2018 the execution was suspended. The lawsuit is still ongoing. However, the case of the first EIA report of Ovacık gold mine was decided by the Council of State in 2018 and ended in favor of the Company. Therefore, the Company continues its production activities within the scope of the relevant EIA report.

The decision of these cases will not affect the activities of Company.

b) Lawsuits regarding Havran mine

According to Balıkesir Administrative Court's decision numbered 2017/2594 of the lawsuit numbered 2017/1313 E. licence of the mining field numbered 28237 in Havran was cancelled. The decision of these cases will not affect the activities of Company.

c) Lawsuits regarding Kaymaz mine

The Company filed lawsuits requesting cancellation of the execution order on those proceedings which resulted suspension of execution decision of its mining operations on the fields which have licences numbered 43539 and 82567 and agriculture area in Eskişehir 1st 1st Administrative Court numbered E.2014/1084 and E.2014/760. In these cases, all decisions were made in favour of the Company. The plaintiff has appealed to the Counsel of State and Counsel of State has ordered suspension of the court decision until the plaintiff's defense. The lawsuit is still ongoing.

d) Lawsuits regarding other mines

Lawsuits regarding Çukuralan mine
A lawsuit has been brought against the Ministry of Environment and Urban Planning and intervened by the Company as an intervener, requesting a suspension of execution decision and the cancellation of Affirmative EIA Certificate issued for the Ovacık Waste Storage Facility Capacity Increase Project, numbered 2017/1656 E. in İzmir 6th Administrative Court. The notification of this cases received on 20 December 2017 and appealed to the court on 22 January 2018 with the request of suspension of execution and expert examination. On 6 December 2017 The Ministry gave first plea of defense. Expert examination and court viewing made on 4 April 2018. On 9 August 2018, the court decided to suspend the execution and the trial continues. The Company maintains its activities with the EIA positive report received under the second capacity increase (Note 15).

NOTE 8– PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

8.3 Significant lawsuits against the Company (continued):

d) Lawsuits regarding other mines (continued):

Lawsuits regarding Kayseri Himmetdede mine
Two lawsuits have been filed requesting cancellation of the Affirmative EIA dated 14/7/2016 which was rearranged due to previous cancellation decision in Kayseri 2nd Administrative Court numbered 2016/814 E and in Kayseri 1st Administrative Court numbered 2016/756 E. Local courts rejected the requests in favor of the Company. The plaintiff filed an appeal and the Court of Appeal ordered a retrial due to inadequate investigation. The lawsuits are still ongoing. The relevant EIA positive report does not affect the activities of the Himmetdede mine and the Company continues its activities with the EIA positive report dated 27 October 2016.

f) Lawsuits regarding the subsidiary located in the UK

Legal proceedings have been carried on against changes in main contract and board of directors of Koza Ltd and issuing privileged shares in London. The legal proceedings are still ongoing.

g) Lawsuits regarding Söğüt project

The lawsuit numbered 2015/1344 E. which was opened in 2015 in the Istanbul 6th Civil Court of Peace for the annulment of the royalty contract of the lands in Söğüt districts owned by Gübre Fabrikaları T.A.Ş. is still ongoing.

h) Liability case against former managements

As a result of the assessment made by the CMB, liability cases have been filed against the former managements for damaging the Company in Ankara Commercial Courts. The cases are ongoing and any developments which may effect the Company are announced regularly.

ı) Lawsuits regarding block decertification

On 20 July 2016, the Company's 162 mining exploration and operation licenses were cancelled with consent of the Ministry. Various lawsuits against the Ministry of Energy and Natural Resources were opened in various courts against cancellation decisions. During the legal proceedings, a peace protocol was concluded between the Ministry of Energy and Natural Resources and the company in accordance with the provisions of Decree Law No. 659 and entered into force. Accordingly, the files have been closed.

i) Lawsuits regarding personnel and other receivables

As of 30 September 2018, total provions for the lawsuits opened against the Company is TL 3.808 thousand (31 December 2017: TL 4.843 thousand).

j) Other legal proceedings

In accordance with the decision of Ankara 5th Criminal Court of Peace on 26 October 2015, the Company's management has been transferred to trustee and then to the Savings Deposit Insurance Fund ("SDIF") on 22 September 2016. As of the date of this report, Various investigations and studies are continuing by the Public Prosecutor, the Police Department of Financial Crimes and Capital Market Board.

In addition to this, bill of indictment related to events that caused the trustee appointmen filed by office of chief public prosecutor has been approved by Ankara 24th Assize Court. With the file numbered 2017/44 E. the lawsuit is ongoing.

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

NOTE 9 – EQUITY

As of 30 September 2018, the issued capital of the Company is TL 152.500 thousands (31 December 2017: TL 152.500 thousands). The issued capital shares of the Company are divided into 15.250.000.000 shares, each with a value of 1 Kuruş.

		30 September 2018		31 December 2017	
	Share type	**Share**	**Amount**	**Share**	**Amount**
ATP İnşaat ve Ticaret A.Ş.	(A, B)	45,01	68.636	45,01	68.636
Koza İpek Holding A.Ş.	(A, B)	24,99	38.114	24,99	38.114
Other	(A)	30,00	45.750	30,00	45.750
Melek İpek	(A)	Less than 1	--	Less than 1	--
Hamdi Akın İpek	(A)	Less than 1	--	Less than 1	--
Cafer Tekin İpek	(A)	Less than 1	--	Less than 1	--
Pelin Zenginer	(A)	Less than 1	--	Less than 1	--
		100,00	**152.500**	**100,00**	**152.500**
Adjustment to share capital			3.579		3.579
Paid-in capital			**156.079**		**156.079**

The Company's board of directors consists of six members and four of the six 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 share after each General Assembly or the General Assembly in which the members are nominated and selected. Other than those stated, (A) and (B) types of shares have no privileges.

In accordance with the decision of Ankara 5th Criminal Court of Peace on 26 October 2015, the Company's management has been transferred to the trustee. With the Decree Law No. 674 published in the Official Gazette dated 15 August 2016, the management of the companies run by the trustees have been transferred to SDIF.Accordingly on 22 September 2016, Company's management has been transferred to SDIF and board of directors has been appointed by SDIF with decision numbered 2016/206.Therefore privilege of (A) and (B) share type cannot been used.

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

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

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

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communique does not state a minimum dividend rate. Companies distribute dividends in accordance

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

NOTE 9 – EQUITY (Continued)

with the method defined in their dividend policy or articles of association. Additionally, dividend can be paid in installments with same or different amounts and dividend advances can be paid over the profit in the interim financial statements.

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

NOTE 10 – SALES AND COST OF SALES

Sales	**1 January - 30 September 2018**	**1 January - 30 September 2017**	**1 July - 30 September 2018**	**1 July - 30 September 2017**
Domestic sales	1.105.532	730.936	460.923	237.219
Net revenue	**1.105.532**	**730.936**	**460.923**	**237.219**

Cost of Sales	**1 January - 30 September 2018**	**1 January - 30 September 2017**	**1 July - 30 September 2018**	**1 July - 30 September 2017**
Cost of sales	(405.249)	(288.953)	(172.021)	(103.172)
	(405.249)	**(288.953)**	**(172.021)**	**(103.172)**

NOT 11 – FINANCE INCOME AND EXPENSES

	1 January - 30 September 2018	**1 January - 30 September 2017**	**1 July - 30 September 2018**	**1 July - 30 September 2017**
Finance income				
Foreign exchange income	390.283	174.387	203.131	53.442
	390.283	**174.387**	**203.131**	**53.442**

	1 January- 30 September 2018	**1 January - 30 September 2017**	**1 July - 30 September 2018**	**1 July - 30 September 2017**
Finance expenses				
Foreign exchange loss	(91)	(180.229)	(33)	(46.006)
	(91)	**(180.229)**	**(33)**	**(46.006)**

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

NOT 12 – INCOME TAXES INCOME TAXES

Corporate Tax

The required provisions are reserved in the accompanying financial statements for the estimated tax liabilities with regards to the current period operating results of the Company.

The ratio of the corporate tax to be accrued over the taxable corporate income is calculated over the base remaining after the addition of the expenses written off as expense in the determination of the trade earnings which cannot be deduced from the tax base, and the deduction of the earnings exempt from tax, tax free income and other discounts (retained losses and investment discounts used on demand, if any). The corporate tax ratio applied in the year 2018 is 22 % (2017: 20%)."The Law on the Amendment of Certain Tax Laws and Some Other Laws (No. 7061)" (Law No. 7061) published on December 5, 2017 and the corporate tax rate was determined to be 22% for corporate earnings for taxation periods of 2018, 2019 and 2020. "

Advance taxes in Turkey are calculated and accrued on a quarterly basis. At the taxation stage as of the advance tax periods of the corporate earnings for the year 2018, the rate of advance tax to be calculated over the corporate earnings is 22 %. (2017: %20). The losses can be carried over for a maximum period of 5 years to be deduced from the taxable income to be generated in the coming years. However, the incurred losses are not deduced retrospectively from the retained income.

With regards to the taxes to be paid in Turkey, there is no practice of reconciliation with the tax authority. The corporate tax returns are submitted to the respective tax office until the evening of the 25th day of the fourth month following the month that the accounting period is closed. Notwithstanding, the tax authorities have the right to audit tax returns may inspect the related accounting records for a period of five years and in case an erroneous transaction is detected, then the amounts of taxes payable may change.

In addition to the corporate tax, except for those distributed to fully obliged institutions that acquire share from profits in the event they are distributed and declares these shares from profits by including them into the earnings of the institution, and to the braches of foreign companies in Turkey, income tax withholding should separately be calculated over the shares of profits. The income tax withholding is applied at the rate of 15 %.

The corporate tax liabilities reflected to the balance sheet of the Company as at 30 September 2018 and 31 December 2017 are as follows:

Current tax liabilities	**30 September 2018**	**31 December 2017**
Corporate tax provision	238.713	134.784
Prepaid taxes and funds	(137.520)	(111.924)
Corporate tax payable	**101.193**	**22.860**

30 September 2018 and 2017, income tax expense and income are as follows:

Income tax income / (expense)	**30 September 2018**	**31 December 2017**
Current corporate tax	(238.713)	(38.110)
Deferred income tax benefit / (expense)	42.860	10.727
	(195.853)	**(27.383)**

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

NOTE 12 – INCOME TAXES INCOME TAXES (Continued)

Deferred tax

The Company accounts for the deferred tax assets and liabilities for the temporary timing differences resulting from the differences between the statutory financial statements that set the basis of the tax and the financial statements prepared according to TAS / TFRS. The said differences in general result from the financial statements that set the basis of the tax, as well as their being in different periods in the financial statements prepared according to TAS / TFRS, and these differences in question are specified below.The calculation of deferred tax assets and liabilities is based on tax rates of 22% for the years 2018, 2019 and 2020 and 20% for the other periods, which are expected to be applied in the periods when the assets are converted to income or when the liabilities are paid (31 December 2017: %20).

			Restated	
	30 September 2018		**31 December 2017**	
	Cumulative differences	Assets/ (Liabilities)	Cumulativ differences	Assets/ (Liabilities)
Inventories	--	--	2.563	513
Tangible and intangible assets	58.803	11.760	98.365	19.003
Provision for employment termination benefits	15.327	3.065	13.480	2.696
Provision for lawsuits	3.809	762	4.843	969
Provision for unused vacation	5.964	1.312	3.326	732
Investment incentives	57.198	57.198	8.498	8.498
Provision for doubtful receivables	57.240	11.448	57.240	11.448
Provision for state royalty	33.162	7.296	30.151	6.632
Deferred tax assets		92.841		50.491
Deferred tax liabilities		--		--
Deferred tax assets, Net		**92.841**		**50.491**

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

NOTE 12 – INCOME TAXES INCOME TAXES (Continued)

The Company's deferred tax assets / liabilities movements are as follows;

	1 January – 30 September 2018	**1 January – 31 December 2017**
Balance at 1 January	50.491	40.086
Reflected to equity	(510)	(322)
Deferred tax income / (expense)	42.860	10.727
Balance at the end of the period	**92.841**	**50.491**

NOTE 13 – EARNINGS / (LOSSES) PER SHARE

Earnings per share are calculated by dividing the net income of the shareholders by the weighted average number of ordinary shares. The earnings per share of the Company as at 30 September 2018 and 2017 are as follows:

	1 January- 30 September 2018	**1 January - 30 September 2017**	**1 July - 30 September 2018**	**1 July - 30 September 2017**
Net income for the period	982.708	403.523	483.978	134.093
Weighted average number of the issued ordinary shares	15.250.000.000	15.250.000.000	15.250.000.000	15.250.000.000
Earnings per 100 share (full TL)	**6,444**	**2,646**	**3,174**	**0,879**

NOTE 14 – FOREIGN CURRENCY RISK

The financial instruments of the Group in foreign exchange are exposed to currency risk due to the changes in foreign exchange rates. The foreign currency position of the Group as at 30 September 2018 and 31 December 2017 are as follows:

30 September 2018	**TL equivalent**	**USD**	**EUR**	**GBP**
Monetary financial assets	809.630	134.343	280	377
Trade receivables	29	--	3	1
Other receivables	58.469	9.305	268	111
Prepaid expenses	12.693	8	1.788	28
Current assets	880.821	143.656	2.338	518
Total assets	**880.821**	**143.656**	**2.338**	**518**
Trade payables	(12.820)	(903)	(907)	(142)
Deferred income	(335)	(56)	--	--
Short term liabilities	(13.155)	(959)	(907)	(142)
Other payabeles	(32.894)	(5.491)	--	--
Long term liabilities	(32.894)	(5.491)	(907)	(142)
Total liabilities	**(46.049)**	**(6.450)**	**(907)**	**(142)**
Net Foreign Currency Position	**926.870**	**150.106**	**3.245**	**660**
Export	**--**	**--**	**--**	**--**
Import	**21.663**	**408**	**3.375**	**128**

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

NOTE 14 – FOREIGN CURRENCY RISK (Continued)

31 December 2017	**TL equivalent**	**USD**	**EUR**	**GBP**
Monetary financial assets	924.909	243.553	813	2.583
Trade receivables	15	--	3	2
Other receivables				
Prepaid expenses	38.209	9.665	263	566
Current assets	963.133	253.218	1.079	3.151
Total assets	**963.133**	**253.218**	**1.079**	**3.151**
Trade payables	(8.337)	(355)	(1.425)	(562)
Short term liabilities	(8.337)	(355)	(1.425)	(562)
Other payables	(20.713)	(5.491)		
Long term liabilities	(20.713)	(5.491)	--	--
Total liabilities	**(29.050)**	**(5.846)**	**(1.425)**	**(562)**
Net Foreign Currency Position	**934.083**	**247.372**	**(346)**	**2.589**
Export	**--**	**--**	**--**	**--**
Import	**26.977**	**671**	**5.327**	**606**

Sensitivity analysis;

As at the date of 30 September 2018 and 31 December 2017, against the increase or decrease in the value of foreign currency, with the condition that all the other variables remain constant, the equity and profits before tax would be as higher / lower as the amounts provided below;

Foreign currency sensitivity table

	Profit/(Loss)		**Equity**	
30 September 2018	Increase in foreign currency	Decrease in foreign currency	Increase in foreign currency	Decrease in foreign currency
USD	8.992	(8.992)	8.992	(8.992)
EUR	226	(226)	226	(226)

Foreign currency sensitivity table

	Profit/(Loss)		**Equity**	
31 December 2017	Increase in foreign currency	Decrease in foreign currency	Increase in foreign currency	Decrease in foreign currency
USD	2.474	(2.474)	2.474	(2.474)
EUR	3	(3)	3	(3)

NOTE 15 – SUBSEQUENT EVENTS

As explained in note 8.3, A lawsuit has been brought against the Ministry of Environment and Urban Planning, requesting a suspension of execution decision and the cancellation of Affirmative EIA Certificate issued for the Ovacık Waste Storage Facility Capacity Increase Project, numbered 2017/1656 E. in İzmir 6th Administrative Court. In the aforementioned case, the court decided to cancel the EIA Positive decision subject to the lawsuit and the decision was notified to the Company on 23 October 2018. The Company has the right to appeal to the Council of State against the decision within 15 days. In order to not affect the production activities, the Company has submitted its EIA report prepared within the scope of the 2009/7 circular to the Ministry of Environment and Urban Planning regarding the capacity increase for Çukuralan gold mine. The legal proceedings are still ongoing.

NOTE 16 – OTHER MATTERS

The Company's audited financial statements prepared as at and for the year ended 31 December 2016 and 31 December 2017 were approved by the Board of Directors (Board Resolution dated 24 April 2018 and 30 April 2018, respectively), excluding the possible cumulative effects of the business and transactions which are under investigation to the financial statements, pursuant to Article 401/4 of the Turkish Commercial Code ("TCC"). The Company's audited financial statements prepared as at and for the year ended 31 December 2015 were not approved by the Board of Directors pursuant to Article 401/4 of TCC. The Company's 2015, 2016 and 2017 ordinary general assembly meeting could not be held due to the decision of Ankara 5th Criminal Court of Peace on 26 October 2015 by which the Company's management has been transferred to trustee and then to the Savings Deposit Insurance Fund with the Decree Law No. 674. And also as a consequence financial statements of thes years could not be presented for the approval of general assembly.