Koza Altın İşletmeleri A.Ş.

1 January-31 December 2018
Convenience Translation of Financial Statements
And Independent Auditors' Report

(Originally Issued in Turkish)

INDEPENDENT AUDITORS' REPORT

(Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish to English)

To the Board of Directors
Koza Altın İşletmeleri Anonim Şirketi

A) Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Koza Altın İşletmeleri Anonim Şirketi ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

Basis for Qualified Opinion

1) As explained in detail in Note 14.3, 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 audit, 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.

3) As explained in detail in Note 2.6, The Company has made the adjustments explained in the relevant note to restate its financial statements for the year ended 31 December 2017. The company has preferred 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.

Basis for Qualified Opinion (continued)

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey and the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics published by the Public Oversight Accounting and Auditing Standards Authority. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

As part of the independent audit of the financial statements for the year 2018, we have also audited the amendments explained in Note 2.6 which are made in the financial statements for the year 2017. In our opinion, aforementioned amendments are appropriate and truly applied. We cannot give an audit opinion or another assurance for the 2017 financial statements as a whole, except the aforementioned amendments, since we were not assigned to perform audit, limited review or another procedure regarding 2017 financial statements.

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.

Emphasis of Matters

1) The Company’s audited financial statements prepared as at and for the year ended 31 December 2018, 2017 and 2016 were approved by the Board of Directors (Board Resolution dated 28 February 2019, 30 April 2018 and 24 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 opinion 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 opinion is not modified with respect to this matter.

3) As explained in Note 14.3, the Company's royalties contract for the mine site in Söğüt was cancelled by a decision of the Istanbul 6 th Peace Court On 29 January 2019, the Company appealed against the Istanbul Regional Court of Justice (Note 29). As of 31 December 2018, the Company's total investment amount for this mine site is TRY 88.164 Thousand. As the legal process is ongoing, impairment for this mine site investment is not calculated. Our opinion is not modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the Basis for Qualified Opinion section of our report, we have determined the matters described below to be the key audit matters. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter is handled
Capitalized mining assets The Company capitalize below; a) 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 b) Direct costs incurred in order to gain access to identified mineral ore body for each open pit mine field separately and overhead costs attributable to stripping activities during the period. c) the present value of the expenditures needed to settle the rehabilitation and mine closure obligation. This matter has been determined as the key audit due to the share of capitalized development costs in the financial statements dated December 31, 2018 and the management judgement applied during the capitalization of related costs.	Our audit procedures of capitalized mining assets includes below; Evaluations the content of development costs capitalized for each mine site, Testing the suitability of management assessments, Interviews with the managers in the departments responsible for the mining sites of the Company, Performing detailed tests on development costs, Checking the compliance of the expected economic benefit with the independent valuation report of the mine reserves, Testing of rehabilitation costs by comparing to previous periods

Key Audit Matters (continued)

Key audit matters	How the matter is handled
Legal risks As a mining company, the Company is exposed to numerous legal risks. As of the balance sheet date, the results of legal practices and lawsuits that will be exposed or will be exposed in the future can be estimated within a certain ratio as a result of the past experiences of the Company's management and as a result of legal consultations. This issue has been chosen as the key audit matter due to the fact that any legal negative decision against the Company and any negative implementation could significantly affect the Company's operations. The accounting policies of the Company regarding legal risks are disclosed in Note 2.8 and other details are disclosed in Note 14.	Our audit procedures of legal risks includes below; Evaluation of the lawsuits against the company with the legal consultant and department, Receiving internal and external confirmation letter regarding legal processes, Questioning the management's estimation and evaluation of the ongoing cases, Evaluation of Company measures against potential legal risks, Evaluation of the material consequences of legal risks

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

In ındependent audit, the responsibilities of us as independent auditors are as follows:

- Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority, we exercise professional judgment and maintain professional skepticism throughout the audit.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control)

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirement

1) Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2018 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents, except for the matter described in the Basis for Qualified Opinion section of our report, within the context of audit.

Yılmaz Güney is the responsible auditor who executes and finalizes this independent audit.

Yeditepe Bağımsız Denetim Anonim Şirketi
(Associate Member of Praxity AISBL)

Yılmaz Güney
Partner,
İstanbul, 28 February 2019

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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STATEMENT OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2018

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

ASSETS	**Note**	***Audited*** **31 December 2018**	Restated * ***Audited*** **31 December 2017**
Current Assets		**3.203.587**	**2.252.081**
Cash and Cash Equivalents	4	2.558.718	1.812.742
Trade Receivables	6	1.510	1.365
Other Receivables			
- Due from Related Parties	3,7	272.318	145.320
Inventories	8	307.335	210.236
Prepaid Expenses	9	9.652	25.198
Other Current Assets	16	54.054	57.220
Non-Current Assets		**1.132.633**	**874.737**
Financial Investments	5	225.821	226.331
Investment Property	10	104.020	106.313
Tangible Assets	11	672.859	467.300
Intangible Assets			
- Goodwill	12	14.017	14.017
- Other Intangible Assets	12	2.367	1.246
Prepaid Expenses	9	30.757	7.919
Deferred Tax Asset	24	81.886	50.491
Other Non - Current Assets	16	906	1.120
TOTAL ASSETS		**4.336.220**	**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 31 DECEMBER 2018

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

LIABILITIES	**Note**	***Audited*** **31 December 2018**	Restated * ***Audited*** **31 December 2017**
Current Liabilities		**214.823**	**230.039**
Trade Payables	6	52.856	22.734
Employee Benefit Payables	15	7.475	8.758
Other Payables			
- Due to Related Parties	3,7	732	3.909
Corporate Tax Liability	24	36.282	22.860
Short-Term Provisions			
- For Employee Benefits	15	6.147	4.087
- Other	14	103.001	159.853
Other Current Liabilities	16	8.330	7.838
Non-Current Liabilities		**133.721**	**82.144**
Other Payables	7	28.889	20.713
Long Term Provisions			
- Long Term Provisions for Employee Benefits	15	20.913	13.480
- Other	14	83.919	47.951
EQUITY		**3.987.676**	**2.814.635**
Paid-in capital	17	152.500	152.500
Adjustments to Share Capital	17	3.579	3.579
Other Comprehensive Income/Expense not to Be Reclassified to Profit or Loss			
-Gain/loss Arising from Defined Benefit Plans	17	(2.013)	(1.307)
Restricted Reserves	17	137.390	137.390
Retained Earnings	17	2.522.473	1.990.584
Profit for the Period	25	1.173.747	531.889
TOTAL EQUITY AND LIABILITIES		**4.336.220**	**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 YEAR ENDED 31 DECEMBER 2018

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

	Note	*Audited* 1 January – 31 December 2018	Restated * *Audited* 1 January – 31 December 2017
Profit or Loss			
Sales	18	1.610.623	967.579
Cost of Sales (-)	18	(632.899)	(429.510)
Gross Profit		**977.724**	**538.069**
Research and Development Expenses (-)	20	(38.003)	(5.700)
Marketing, Sales and Distribution Expenses (-)	20	(2.466)	(2.175)
General Administrative Expenses (-)	20	(120.996)	(105.851)
Other Income from Operating Acitivities	21	27.228	33.825
Other Expense from Operating Acitivities (-)	21	(43.930)	(21.106)
Profit or Loss		**799.557**	**437.062**
Income from Investment Activities	23	612.204	216.771
Expense from Investment Activities (-)		--	--
Operating Profit Before Financial Expenses		**1.411.761**	**653.833**
Financing Income	22	27.789	7.915
Financial Expenses (-)	22	(13.901)	(5.802)
Profit Before Tax		**1.425.649**	**655.946**
Tax Expense		**(251.902)**	**(124.057)**
- Current Tax Expense	24	(283.098)	(134.784)
- Deferred Tax Income/ (Expense)	24	31.196	10.727
Profit for the year		**1.173.747**	**531.889**
Earnings for per 100 Shares (in full TL)	25	**7,697**	**3,488**
Other Comprehensive Income / (Expense)			
Other Comprehensive Income / (Expense)			
– Gain/Loss Arising from Defined Benefit Plans		(905)	(1.610)
– Tax Effect of Gain/Loss Arising Defined Benefit Plans		199	322
Other Comprehensive Income / (Expense)		**(706)**	**(1.288)**
Total Comprehensive Income		**1.173.041**	**530.601**

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 CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 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**
January 01, 2017 - Reported	**152.500**	**3.579**	**(19)**	**137.390**	**1.660.401**	**395.155**	**2.349.006**
Restatements (Note 2.6)	**--**	**--**	**--**	**--**		(64.972)	(64.972)
January 01, 2017 - Restated	**152.500**	**3.579**	**(19)**	**137.390**	**1.660.401**	**330.183**	**2.284.034**
Transfer to retained earnings	**--**	--	--	**--**	330.183	(330.183)	**--**
Total comprehensive income	--	--	(1.288)		--	531.889	**530.601**
Balance at 31 December 2018	**152.500**	**3.579**	**(1.307)**	**137.390**	**1.990.584**	**531.889**	**2.814.635**
Balance at 01 January 2018	**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	--	--	(706)	--	--	1.173.747	**1.173.041**
Balance at 31 December 2018	**152.500**	**3.579**	**(2.013)**	**137.390**	**2.522.473**	**1.173.747**	**3.987.676**

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 31 DECEMBER 2018

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

	Note	***Audited*** **1 January – 31 December 2018**	***Audited*** **1 January – 31 December 2017**
A. Cash Flows From (Used In) Operating Activities		**983.618**	**392.959**
Profit		1.173.747	531.889
Adjustments to reconcile profit (loss)		**356.111**	**231.093**
Adjustments for depreciation and amortization expense	10,11,12,19	84.137	92.100
Adjustments for impairment loss / (reversal)	5,6	10.943	1.958
Adjustments for provisions		12.173	16.872
Adjustments for provisions related with employee benefits	*15*	9.611	5.719
Adjustments for / (Reversal of) lawsuit and/or penalty provisions	*14*	(245)	225
Adjustments for other provisions	*14*	881	(500)
Adjustments for / (Reversal of) sectoral requirement provisions	*14*	1.926	11.428
Adjustments for tax (income) expenses	24	251.902	124.057
Adjustments for losses on disposal of non-current assets	23	(3.044)	(3.894)
Changes in working capital		**(204.257)**	**(214.417)**
Adjustments for decrease (ıncrease) in accounts receivables	6	(10.578)	(3.003)
Adjustments for decrease (ıncrease) in other receivables	7	(126.998)	(70.034)
Adjustments for decrease (ıncrease) in ınventories	8	(97.099)	(79.100)
Adjustments for decrease (increase) in prepaid expenses	9	(7.292)	375
Adjustments for increase (decrease) in trade payable	6	30.122	1.270
Increase (decrease) in employee benefit obligations	15	(1.283)	2.804
Adjustments for increase (decrease) in other payables	7	4.999	(10.178)
Other adjustments for other ıncrease (decrease) in working capital		3.872	(56.551)
Cash flows from (used in) operations		**1.325.601**	**548.565**
Payments related with provisions for employee benefits	15	(1.023)	(1.970)
Income taxes (paid) return		(340.960)	(153.636)
B. Cash flows from (used in) investment activities		**(237.642)**	**(120.815)**
Purchases of tangible and intangible assets		3.248	4.291
Proceeds from sale of tangible and intangible assets	11,12	(240.890)	(125.106)
C. Cash flows from (used in) financing activities		--	--
Net (decrease) / increase in cash and cash equivalents		745.976	272.144
Balance at the beginning of the year	4	**1.812.742**	**1.540.598**
Balance at the end of the period	4	**2.558.718**	**1.812.742**

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 31 December 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 31 December 2018, the number of personnel employed within the Company is 1.971 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 As of 31 December 2018 were approved by the Board of Directors of the Company and authorized for issue on 28 February 2019. 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.

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.

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 31 December 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 effects of these standards and interpretations on the Company financial position and performance have been disclosed in the related paragraphs.

ii) Standards issued but not yet effective and not early adopted as of 31 December 2018

TFRS 16 Leases
On April 2018, POA has issued the new leasing standard which will replace TAS 17 Leases, TFRSI 4 Determining Whether an Arrangement Contains a Lease, TASI 15 Operating Leases – Incentives, and TASI 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.

Amendments to TFRS 9 - Prepayment features with negative compensation
On December 2017, POA 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. 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, POA 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. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 28.

TFRSI 23 –Uncertainty Over Income Tax Treatments
On May 2018, POA 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.

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

2.5 The New Standards, Amendments and Interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted as of 31 December 2018 (Continued)

The revised Conceptual Framework
The revised Conceptual Framework issued on 25 October 2018 by POA. 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.

Annual Improvements to TFRSs 2015-2017 Cycle
Improvements to TFRSs
POA 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.

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 15 January 2019, POA 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.

(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)

ii) Standards issued but not yet effective and not early adopted as of 31 December 2018 (Continued)

TFRS 17 –Insurance Contracts
On 16 February 2019, POA 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 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	47.965	53.822	101.787
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**	

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

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

2.6 Comparative Information (continued)

The summary of the adjustments made in profit or loss are as follows ;

	Previously reported	Reclassifications(*)	Adjustment	Restated
Gross profit	565.334	--	(27.265)	538.069
Operating income/expense, net	(109.090)	10.792	(2.709)	(111.799)
Income/expense from investing activities , net	190.622	26.149	--	190.622
Income/expense from financing activities, net	39.054	(36.941)	--	39.054
Tax income/expense	(133.224)	--	9.167	(124.057)
Profit loss net effect		**--**	**(20.807)**	

(*) Reclassifications are consist of foreign exchange income/expenses and profit on sale of tangible assets.

First adoptions of 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.

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

2.6 Comparative Information (continued)

First adoptions of TFRS 9 Financial Instruments (continued)

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

2.7 Summary of Significant Accounting Policies

Revenue

Sales revenue, consisting of a mixture of gold and silver dore bars, gold refiners that by delivering the significant risks and rewards are transferred to the gold refiners, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable.

The Company recognizes revenue based on the following main principle;

(a) Identification of customer contracts
(b) Idenfication of performance obligation
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognitions of revenue when the performance obligations are fulfilled.

Revenue involves the goods sales invoiced value. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Inventories

Inventories are mainly comprised of ore stock piles, gold in circuit, dores, chemicals and spare parts 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. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The costs of inventories are determined on a weighted average basis for each mine field

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

2.7 Summary of Significant Accounting Policies (Continued)

Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are recorded at invoice values after deducting provision for doubtful trade receivables carried at amortized cost.

Property, plant and equipment and investment property

a) Mining assets

Mining asset; consist of lands, mine development costs, deferred stripping costs, mineral and surface rights and rehabilitation assets, whereafter they are measured at cost less accumulated amortisation and impairment, if any Mining assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated depreciation and impairment losses, if any.The depreciation starts when the production begins in the mining area. Depreciation of mining assets are included in production costs of related mining areas.

Development costs incurred to evaluate and develop new ore bodies, or to define mineralisation in existing ore bodies, road construction, 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

Development costs include sinking shafts, construction of underground galleries, roads and tunnels. Where revenue from gold sales is recognised in the statement of 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 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 Company. 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. Apart from the lands on which the production facilities are established and for storage of the waste material, the Company 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.

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

2.7 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and investment property (continued)
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. 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 are direct costs incurred in order to gain access to identified mineral ore body for each open pit mine field separately and overhead costs attributable to stripping activities during the period. When the benefit from stripping activity is realised in the current period, the stripping costs are accounted for as the cost of inventory. Depreciation of deferred stripping costs for the period is calculated by using the lower of each separate mine area 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 of each separate mine area. 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. The estimated stripping ratio for the remaining life of the each open pit 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 each 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. Where the average life of the mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the statement of 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. 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 . 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 comprehensive income as incurred.

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

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

2.7 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and investment property (continued)
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 in comprehensive income statement as an expense 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.

b) Non-mining assets:
Property, plant and equipment other than mining assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated depreciation and impairment losses, 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. Except for the lands categorised as mining assets, land is not depreciated as it is deemed to have an indefinite life. 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.

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. The advances given for the property, plant and equipment purchases are classified under non - current assets until the related asset is capitalized. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively. 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
Land improvements	2-15
Buildings	up to relevant life of mines (2-50)
Machinery and equipment	up to relevant life of mines (2-20)
Motor vehicles	2-15
Furniture and fixtures	3-20

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value ore recognised as separate asset, are depreciated based on their useful lives.

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

2.7 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and investment property (continued)
Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. 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.

c) Investment properties:

Buildings that are held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property. Investment properties carried at cost less accumulated amortization and impairment losses, if any. Depreciation is provided on the amounts of investment properties on a straight line basis.

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 Company 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. Besides the regular exploration activities in green field zones, the Company 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 Company 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 existence of new or additional proven and probable reserves in the respective mine area ("area of interest").

Where the Company management considers that there is an impairment indicator such as significant decrease in resource and reserve, serious mine accidents, expiration or permanent cancellation of rights, impairment is assessed and recognised for the amount by which the carrying amount of the asset exceeds its recoverable amounts, which is the higher of fair value less cost to sell or value in use.

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

2.7 Summary of Significant Accounting Policies (Continued)

Provision for environmental obligations

Estimated environmental obligations, comprising rehabilitation and mine closure arising from development activities are based on the Company'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 financial statements. 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. Subsequent changes in Board of Directors' estimations for provision amounts calculated due to environmental rehabilitation related to finished mines, improvement of mine areas and their closures and other changes such as reducement of deferred liability are reflected in comprehensive income statement.

Intangible assets

Intangible assets comprise information systems, software and acquired rights. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of between three and five years from the date of acquisition. Residual values of intangible assets are deemed as negligible. 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.

TFRS 9 Financial Instruments

TFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

Classification – Financial assets

TFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

TFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value Through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing TAS 39 categories of held to maturity, loans and receivables and available for sale. Financial investments classified as "Available for Sale Financial Assets" in accordance with TAS 39 are classified as FVOCI in accordance with TFRS 9.

Under TFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company does not have any embedded derivatives as of reporting date

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

2.7 Summary of Significant Accounting Policies (Continued)

TFRS 9 Financial Instruments (continued)

Impairment – Financial assets and contract assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under TFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement (simplified approach) is always applied to trade receivables and contract assets without a significant financing component.

Classification – Financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification of financial liabilities. However, under TAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under TFRS 9 these fair value changes are generally presented as follows:

The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of change in the fair value is presented in profit or loss.

The Company has not identified any liability for the fair value recognized in profit or loss and has no objective purpose.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. If the trade payables mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 6).

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Goodwill/ Negative goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. All business combinations shall be accounted for by applying the purchase method in accordance with IFRS 3 "Business Combinations".

In the acquisition of an entity, acquisition costs shall be allocated between the individual identifiable assets and liabilities and contingent liabilities in the group based on their relative fair values at the acquisition date. Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. If the acquisition cost is lower than the fair value of the acquired identifiable assets and liabilities and contingent liabilities negative goodwill arises and charges to statement of comprehensive income. In a business combination, there might be intangible assets not previously recognised in the acquiree's financial statements (brands) or contingent liabilities which can be separated

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

2.7 Summary of Significant Accounting Policies (Continued)

Goodwill/ Negative goodwill (continued)
from goodwill. Those assets and liabilities shall be measured at their fair values in financial statements. Goodwill in the acquired entity's financial statements is not considered as an identifiable asset.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Earnings per share
Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 25).

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding

Subsequent events
Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 29).

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

Contingent assets, liabilities and provisions
Provisions are recognised when the Company 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.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to settle the liability. The rate used to discount provisions to their present values is determined considering the interest rate in the related markets and the risk associated with the liability. The discount rate must be pre-tax and does not consider risks associated with future cash flow estimates. In cases where the time value of money is material and the provisions approach to their expected realisation date, the increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income. 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 Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 14). Provisions are not recognised for future operating losses. On the other hand, in line with past experiences, Company management cannot qualify possible future economic benefits as contingent asset those are very likely to be occurred.

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

2.7 Summary of Significant Accounting Policies (Continued)

Related parties

For the purpose of these financial statements, shareholders having control, joint control or significant influence over the Company, key management and personnel and board members, together companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 3)

Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The adjustments related to prior period tax liabilities are recognised in other operating expenses.

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. 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. 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. Tax is recognised in the 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.

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred income tax assets are deducted to the extent that the related amounts will not be utilized against any future taxable profits partially or wholly (Note 24).

Provision for employment termination benefits

In accordance with social security legislation and Turkish Labour Law in Turkey, the Company 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. Provision is made for the present value of the defined benefit obligation calculated by independent actuaries with the assumptions made in accordance with the discounted net present value. All actuarial gains and losses are recognised in the comprehensive income (Note 15). All actuarial gains and losses which is arising from changes in actuarial assumptions are recognized in statements of comprehensive income

The Company allocates bonus for the management and board of directors and recognises a provision during the related year with respect to this bonus.

Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipments, and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources.

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

2.7 Summary of Significant Accounting Policies (Continued)

Share capital and dividends
Ordinary shares are classified as equity. Dividend payables are recognised as an appropriation of the profit in the period in which they are declared. Dividend income is recognized when the Company's right to receive the payment established (Note 17).

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months. Cash and cash equivalents, which are stated at amortised cost, are stated their fair values (Note 4).

2.8 Critical accounting estimates and judgements

a) Gold mineral reserves
At the end of each reporting period, the estimate of proven and probable gold mineral reserves are 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 2018 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.

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

2.8 Critical accounting estimates and judgements (continued)

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

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

c) Stockpiles, gold in circuit and dores
Stockpiles and gold in circuit are measured by the number of contained gold oz. based on scaling and measuring data, and the estimated recovery percentage based on the processing method. Stockpile and gold in circuit ore tonnages are verified by periodic surveys. The 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.

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

NOTE 3 – RELATED PARTIES DISCLOSURES

a) Receivables / payables

Other receivables	**31 December 2018**	**31 December 2017**
ATP İnşaat ve Ticaret A.Ş.	191.927	110.818
Koza İpek Holding A.Ş.	79.979	32.667
Konaklı Metal Madencilik Sanayi ve Ticaret A.Ş.	13	1.094
Koza Anadolu Metal Madencilik İşletmeleri A.Ş.	11	419
Other	388	322
	272.318	**145.320**

Other payables	**31 December 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.	247	189
Koza İpek Sigorta A.Ş.	60	1
Other	161	217
	732	**3.909**

b) Purchases / sales

	1 January - 31 December 2018			**1 January - 31 December 2017**		
Sales	**Interest**	**Service**	**Other**	**Interest**	**Service**	**Other**
ATP İnşaat ve Ticaret A.Ş.	24.653	--	25	8.025	--	5
Koza İpek Holding A.Ş.	13.259	--	6	1.138	--	1
Konaklı Metal Madencilik San. Tic.A.Ş.	--	68	--	--	1.303	53
Other	--	--	143	--	--	802
	37.912	**68**	**174**	**9.163**	**1.303**	**861**

	1 January - 31 December 2018			**1 January - 31 December 2017**		
Purchases	**Rent**	**Services**	**Other**	**Rent**	**Services**	**Other**
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.	3.401	--	217	3.092	--	180
Koza İpek Sigorta Aracılık Hizmetleri A.Ş.	--	2.153	--	--	1.513	--
Other	--	--	516	--	--	381
	3.401	**2.153**	**733**	**3.092**	**1.513**	**561**

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 – 31 December 2018 is TL 2.916 thousand. Total balance is composed of wages. (1 January- 31 December 2017: TL 2.562 thousand). The Company has determined the members of the board of directors, general manager and its deputies as the key management personnel.

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash in hand	177	148
Banks		
- Demand deposit	3.045	6.586
- Time deposit	2.555.496	1.806.008
	2.558.718	**1.812.742**

As of 31 December 2018, the details of the Company's time deposits are as follows;

Currency Type	Interest Rate	Maturity	Currency	Amount
USD	%3-%4,25	13 days	128.296	674.953
TL	%18-%23	43 days	1.880.543	1.880.543
				2.555.496

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

	31 December 2018	31 December 2017
Financial assets fair value through other comprehensive income		
Bonds and bills *	7.496	8.006
Koza Ltd **	218.325	218.325
	225.821	**226.331**

* As of 31 December 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 – TRADE RECEIVABLES AND PAYABLES

As of 31 December 2018 and 2017 trade receivables are as follows;

	31 December 2018	31 December 2017
Short-term trade receivables		
Trade receivables	71.758	61.180
Allowances for doubtful trade receivables (-)	(70.248)	(59.815)
	1.510	**1.365**

The movement of the doubtful receivables as at 31 December 2018 and 2017 are as follows :

	31 December 2018	31 December 2017
1 January	(59.815)	(57.240)
Provisions reserved in the period	(10.433)	(2.575)
	(70.248)	**(59.815)**

As of 31 December 2018 and 2017 trade payables are as follows;

	31 December 2018	31 December 2017
Short-term trade payables		
Suppliers	52.856	22.734
	52.856	**22.734**

NOT 7 – DİĞER ALACAKLAR VE BORÇLAR

As of 31 December 2018 and 2017 short-term other receivables and payables are as follows;

	31 December 2018	31 December 2017
Short-term other receivables		
Other receivables from related parties	272.318	145.320
	272.318	**145.320**

	31 December 2018	31 December 2017
Short-term other payables		
Other payables due to related parties	732	3.909
	732	**3.909**

Other long-term payables is consist of the balance due to the acquisition of Newmont Altın amounting TL 28.889 thousands (31 December 2017: TL 20.713 thousands).

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

NOTE 8 – INVENTORIES

	31 December 2018	31 December 2017
Ore stock pile	168.214	123.855
Chemicals and other materials	53.587	38.503
Spare parts	64.623	41.892
Gold in circuit and dores	20.911	5.986
	307.335	**210.236**

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

NOTE 9 – PREPAID EXPENSES

	31 December 2018	31 December 2017
Short-term prepaid expenses		
Prepaid expenses	2.445	25.198
Advances given	7.207	--
	9.652	**25.198**

	31 December 2018	31 December 2017
Long-term prepaid expenses		
Advances given	1.883	2.815
Other(*)	28.874	5.104
	30.757	**7.919**

(*) As of 31 December 2018, TL 24.042 thousand of the balance is due to state royalty payment. The Company has demanded the repayment of the related amount and the litigation process is in progress.

NOTE 10 – INVESTMENT PROPERTY

	1 January 2018	Additions	Disposals	31 December 2018
Cost				
Buildings	112.040	--	--	112.040
	112.040	**--**	**--**	**112.040**
Depreciations				
Buildings	(5.727)	(2.293)	--	(8.020)
	(5.727)	**(2.293)**	**--**	**(8.020)**
Net book value	**106.313**	**(2.293)**	**--**	**104.020**

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

NOTE 10 – INVESTMENT PROPERTY (Continued)

	Restated 1 January 2017	Additions	Disposals	31 December 2017
Cost				
Buildings	112.040	--	--	112.040
	112.040	**--**	**--**	**112.040**
Depreciations				
Buildings	(3.458)	(2.269)	--	(5.727)
	(3.458	**(2.269)**	**--**	**(5.727)**
Net book value	**108.582**	**(2.269)**	**--**	**106.313**

In 2018, rental income was not obtained from investment properties (2017: None).

TL 89.978 thousand of the investment properties within the buildings are located in the UK and the individuals of the İpek Family live in these apartments. A lease agreement has not been signed due to the existing legal procedures. When the legal processes were terminated, the Company management would make necessary evaluations in accordance with the market practices.

TL 22.062 thousand of the investment properties within the buildings consist of dormitory buildings in Gümüşhane and Bergama. There is no lease agreement.

NOTE 11 – 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:

	31 December 2018	31 December 2017
Mining assets	317.547	222.221
Non-mining assets	355.312	245.079
	672.859	**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:

	31 December 2018	31 December 2017
Lands	33.294	31.174
Mine development costs	161.788	149.502
Deferred stripping costs	37.001	4.399
Rehabilitation assets	69.633	34.666
Mineral and surface rights	15.831	2.480
	317.547	**222.221**

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

NOTE 11 – TANGIBLE ASSETS (Continued)

a) Mining assets (Continued)

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

Cost	**1 January 2018**	**Additions**	**Disposals**	**31 December 2018**
Lands	55.102	5.219	--	60.321
Mine development costs	429.580	22.985	--	452.565
Deferred stripping costs	183.881	39.508	--	223.389
Rehabilitation assets	94.890	47.838	--	142.728
Mineral and surface rights	14.499	13.736	--	28.235
	777.952	**129.286**	**--**	**907.238**
Accumulated depreciation				
Lands	(23.928)	(3.099)	--	(27.027)
Mine development costs	(280.078)	(10.699)	--	(290.777)
Deferred stripping costs	(179.482)	(6.906)	--	(186.388)
Rehabilitation assets	(60.224)	(12.871)	--	(73.095)
Mineral and surface rights	(12.019)	(385)	--	(12.404)
	(555.731)	**(33.960)**	**--**	**(589.691)**
Net book value	**222.221**			**317.547**

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 11 – TANGIBLE ASSETS (Continued)

b) Property, plant and equipment

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

	1 January 2018	Additions	Disposals	Transfer	31 December 2018
Cost					
Land, land improvements and buildings	150.044	6.968	--	69.948	226.960
Machinery and equipment	517.026	41.975	(16)	51.960	610.945
Motor vehicles	38.902	31.273	(2.420)	--	67.755
Furniture and fixtures	35.108	8.815	(21)	1.626	45.528
Construction in progress (*)	75.982	68.548	--	(123.534)	20.996
	817.062	**157.579**	**(2.457)**	**--**	**972.184**
Accumulated depreciation					
Land improvements and buildings	(97.054)	(7.583)	--	--	(104.637)
Machinery and equipment	(422.307)	(33.506)	1	--	(455.812)
Motor vehicles	(27.957)	(3.874)	2.247	--	(29.584)
Furniture and fixtures	(24.665)	(2.179)	5	--	(26.839)
	(571.983)	**(47.142)**	**2.253**	**--**	**(616.872)**
Net book value	**245.079**				**355.312**

	Restaed 1 January 2017	Additions	Disposals	31 December 2017
Cost				
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-Çukuralan İzmir mines.

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

NOTE 12 – INTANGIBLE ASSETS

Goodwill	**31 December 2018**	**31 December 2017**
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 and obtained the control on Newmont Altın. The Company expects to utilise acquired mine fields in the future and to create a synergy though mine fields and facilities at Mastra.

USD 538 thousands and USD 2.462 thousands of the total purchase consideration were paid on 28 June 2010 and 2 July 2010, respectively. USD 3.000 thousands of the remaining USD 5.500 thousand will be paid as the Diyadin Project which will be operative on the aforementioned acquired mine fields, starts to operate and USD 2.500 thousand will be paid one year after the beginning of Diyadin Project.

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 Company management believes that there is no impairment indicator with respect to the goodwill as of 31 December 2018.

Acquisition of Mastra Madencilik:

On 12 August 2005, the Company purchased 50,43% of shares of Mastra Madencilik, which was an associate of the Company 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 Company 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 TL 2.784 thousand 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 Company as of 31 December 2018, there was no impairment. The Company 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 2018.

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

NOTE 12 – INTANGIBLE ASSETS (Continued)

Other intangible assets

	1 January 2018	Additions	Disposal	31 December 2018
Cost				
Rights	7.615	1.863	--	9.478
	7.615	**1.863**	**--**	**9.478**
Amortizations				
Rights	(6.369)	(742)	--	(7.111)
	(6.369)	**(742)**	**--**	**(7.111)**
Net book value	**1.246**			**2.367**

	Restated 1 January 2017	Additions	Disposal	31 December 2017
Cost				
Rights	7.032	583	--	7.615
	7.032	**583**	**--**	**7.615**
Amortizations				
Rights	(5.734)	(635)	--	(6.369)
	(5.734)	**(635)**	**--**	**(6.369)**
Net book value	**1.298**			**1.246**

NOTE 13 – GOVERNMENT GRANTS

The calculated employer's share of social security and the income tax is calculated at 80% of wages of the employers at the Company's mineral processing Mastra-Gümüşhane, according to the no 5084 "Incentives for Investments and Employment and the Law on the Amendment of Certain Laws" are covered by the scope of Treasury.

The Company benefits investment incentive from Çukuralan - İzmir facility. Company utilizes corporate tax income discount and contribution to investment rate 80% and 40% respectively within the scope of this certificate.

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2018 and2017, details of the Company's provisions, contingent assets and liabilities are as follows:

14.1 Short-term provisions:

	31 December 2018	31 December 2017
Provision for environmental rehabilitation and mine closure	49.466	53.836
Provision for royalty and rents	48.317	30.151
Tax penalty provision (*)	--	71.284
Law suit provisions	3.837	4.082
Other	1.381	500
	103.001	**159.853**

(*) 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.

14.2 Long-term provisions:

	31 December 2018	31 December 2017
Provision for environmental rehabilitation and mine closure	83.919	47.951
	83.919	**47.951**

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

	31 December 2018	31 December 2017
Beginning of the period	101.787	86.257
Paid	(21.034)	(6.102)
Depletion cost and foreign currency valuation	2.790	3.795
Increase/decrease in obligation-net	47.838	6.467
Current year impact on profit and loss statement*	2.004	11.370
	133.385	**101.787**

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.3 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 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.3 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.

e) 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.

On 23 January 2019, Ankara 10th Commercial Court of First Instance has decided related with the case numbered 2017/349 E. that 60.000.000 Gbp and its interest amount calculated in accordance to the law numbered 3095 from 01 September 2015 have to be paid the Company. The decision can be objected within two weeks.

f) 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. On 27 December 2018 the court has decided that the operating licenses of the mine will be registered on behalf of Gübre Fabrikaları T.A.Ş. and the Company's operations will be evacuated. On 29 January 2019, the Company filed an appeal with the Istanbul Regional Court of Justice.

g) 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.

h) 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.

ı) Lawsuits regarding personnel and other receivables

As of 31 December 2018, total provions for the lawsuits opened against the Company is TL 3.837 thousand (31 December 2017: TL 4.843 thousand).

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.3 Significant lawsuits against the Company (Continued)

i) 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.

14.4 Provided / received guarantees, pledge and mortgages ("GPM"):

a) GPMs given

	31 December 2018	31 December 2017
A. Total amount of the GPMs given in the name of its own legal entity	25.303	12.525
- Letter of guarantee	*25.303*	*12.445*
-Mortgages	--	*80*
B. Total amount of the GPMs given on behalf of fully consolidated companies	--	--
C. CPMs given on behalf of the other third parties debt for the continuation of their ordinary economic activities	--	--
D. Total amount of other GPMs	--	--
	25.303	**12.525**

b) GPMs received

	31 December 2018	31 December 2017
Guarantee cheques	248.819	85.566
Letter of guarantee	131.465	122.001
Guarantee notes	1.537	458
	381.821	**208.025**

NOTE 15 – EMPLOYEE BENEFIT OBLIGATIONS

15.1. Employee Benefit Obligations

	31 December 2018	31 December 2017
Due to personnel	187	--
Social security premiums payable	7.288	8.758
	7.475	**8.758**

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

NOTE 15 – EMPLOYEE BENEFIT OBLIGATIONS (Continued)

15.2. Provisions for Employee Benefit - short term

	31 December 2018	31 December 2017
Unused vacations	6.147	4.087
	6.147	**4.087**

15.3. Provision for Employee Termination Benefits - long term

	31 December 2018	31 December 2017
Employee terminations benefits	20.913	13.480
	20.913	**13.480**

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches 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 5.434,42 for each year of service. (31 December 2017: TL 4.732,48). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions. The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 6.017,60 which is effective from 1 January for employment termination benefits of the Company which is calculated in every six months.

	31 December 2018	31 December 2017
Discount rate (%)	%3,40	%2,95
Probability of retirement (%)	%96,50	%89,20

Movements of the provision for employment termination benefits during the years are as follows:

	31 December 2018	31 December 2017
1 January	**13.480**	**6.991**
Paid during the period	(1.023)	(1.970)
Interest costs	457	315
Increased during the period	7.094	6.534
Actuarial losses	905	1.610
31 December	**20.913**	**13.480**

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

NOTE 16 – OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Other current assets		
VAT	51.651	56.242
Personnel advances given	867	895
other	1.536	83
	54.054	**57.220**

Other non-current assets		
Deposites given	906	1.120
	906	**1.120**

Other liabilities		
Taxes, fund payables	7.902	6.941
Other	428	897
	8.330	**7.838**

NOTE 17 – EQUITY

As of 31 December 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.

		31 December 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 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 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.

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

NOTE 17 – EQUITY (Continued)

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 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 18 – SALES AND COST OF SALES

	1 January – 31 December 2018	**1 January – 31 December 2017**
At a point in time		
Domestic sales	1.610.623	967.579
	1.610.623	**967.579**
Cost of sales	(632.899)	(429.510)
Gross profit	**977.724**	**538.069**

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

NOTE 18 – SALES AND COST OF SALES (Continued)

Breakdown of sales are as follow;

	1 January – 31 December 2018	1 January – 31 December 2017
Gold sales	1.601.196	961.364
Silver sales	9.370	4.549
Other	57	1.666
	1.610.623	**967.579**

NOTE 19 – EXPENSES BY NATURE

	1 January – 31 December 2018	1 January – 31 December 2017
Personnel expenses	227.751	142.221
Chemical and other material expenses	119.492	87.454
Outsourced services	168.650	81.036
Depreciations and amortizations	84.137	92.100
Maintenance expenses	65.939	38.717
Royalties	46.571	25.659
Transportation	25.002	15.973
Rent expenses	21.500	12.305
Other	35.322	47.771
	794.364	**543.236**

NOTE 20 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January – 31 December 2018	1 January – 31 December 2017
Research and development expenses (*)	38.003	5.700
Marketing expenses	2.466	2.175
General administrative expenses	120.996	105.851
	161.465	**113.726**

(*) Consist of exploration costs

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

NOTE 20 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)

	1 January – 31 December 2018	1 January – 31 December 2017
General administrative expenses		
Personnel expenses	61.989	49.305
Outsourced services	15.790	18.524
Rent expenses	6.226	4.888
Taxes, levies and duties	5.878	2.453
Energy expenses	3.603	2.501
Depreciation and amortization expenses	3.412	3.540
Maintenance and repair expenses	1.540	2.581
Insurance expenses	1.511	1.478
Other	21.047	20.581
	120.996	**105.851**

NOTE 21 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January – 31 December 2018	1 January – 31 December 2017
Other income		
Foreign exchange income	14.073	21.958
Other	13.155	11.867
	27.228	**33.825**
Other expense		
Foreign exchange loss	25.039	17.581
Doubtful receivables expense	10.433	2.350
Other	8.458	1.175
	43.930	**21.106**

NOTE 22 – FINANCING EXPENSES

	1 January – 31 December 2018	1 January – 31 December 2017
Financing expenses		
Foreign exchange loss	27.789	7.915
	27.789	**7.915**
Financing income		
Foreign exchange income	13.713	5.612
Interest expenses	188	190
	13.901	**5.802**

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

NOTE 23 – INCOME / EXPENSE FROM INVESTING ACTIVITIES

	1 January – 31 December 2018	1 January – 31 December 2017
Income from investing activities		
Foreign exchange income	286.368	26.149
Interest income	322.792	186.728
Gain on sale of fixed assets	3.044	3.894
	612.204	**216.771**

NOTE 24 – 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 %.

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

NOTE 24 – INCOME TAXES (Continued)

Corporate tax (Continued)

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

Current tax liabilities	**31 December 2018**	**31 December 2017**
Corporate tax provision	283.098	134.784
Prepaid taxes and funds	(246.816)	(111.924)
Corporate tax payable	**36.282**	**22.860**

31 December 2018 and 2017, income tax expense and income are as follows:

Income tax income / (expense)	**1 January – 31 December 2018**	**1 January – 31 December 2017**
Current corporate tax	(283.098)	(134.784)
Deferred income tax benefit / (expense)	31.196	10.727
	(251.902)	**(124.057)**

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

NOTE 24 – 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).

	31 December 2018		**Restated 31 December 2017**	
	Cumulative differences	Assets/ (Liabilities)	Cumulative differences	Assets/ (Liabilities)
Tangible and intangible assets	--	--	2.563	513
Provision for employment termination benefits	48.531	9.705	98.365	19.003
Provision for lawsuits	20.913	4.183	13.480	2.696
Provision for unused vacation	3.837	767	4.843	969
Investment incentives	6.147	1.352	3.326	732
Provision for doubtful receivables	43.776	43.776	8.498	8.498
Provision for state royalty	57.363	11.473	57.240	11.448
Tangible and intangible assets	48.317	10.630	30.151	6.632
Deferred tax assets		81.886		50.491
Deferred tax liabilities		--		--
Deferred tax assets, Net		**81.886**		**50.491**

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

NOTE 24 – INCOME TAXES (Continued)

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

	1 Ocak – 31 December 2018	**1 Ocak – 31 December 2017**
Balance at 1 January	50.491	39.442
Deferred tax income / (expense)	199	322
Reflected to equity	31.196	10.727
Balance at the end of the period	**81.886**	**50.491**

The reconciliation of the tax expense of the period with the income for the period is as follows :

	1 Ocak – 31 December 2018	**1 Ocak – 31 December 2017**
Profit before tax	**1.425.649**	**655.946**
Tax calculated over local tax ratio	313.643	131.189
Current year investment incentives	(24.958)	(15.259)
investment incentives	(43.776)	(8.498)
ax effect of the legally disallowable expenses	17.245	36.191
Other	(10.252)	(19.566)
Tax payable	**251.902**	**124.057**

NOTE 25 – 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 Group as at 31 December 2018 and 2017 are as follows :

	1 Ocak – 31 December 2018	**1 Ocak – 31 December 2017**
Net income for the year	1.173.747	531.889
Weighted average number of the issued ordinary shares	15.250.000.000	15.250.000.000
Earnings per 100 share (TL)	**7,697**	**3,488**

NOTE 26 – OTHER COMPREHENSIVE INCOME ANALYSIS

As of 31 December 2018 Actuarial gain / loss fund for provision for employee termination benefits's amount is TL 2.013 thousands (31 December 2017: TL 1.307 thousands).

With the amendment made in the TAS - 19 "Employee Benefits" the actuarial losses and earnings taken into consideration in the calculation of the provision for employee termination benefits are not allowed to be accounted for in the statement of income. The losses and earnings that occurred in consequence of the change in the actuarial assumptions are accounted for in the equity.

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

NOTE 27– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk, capital risk, credit risk and liquidity risk. The Company'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 Company.

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

- Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk,
- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures; and
- Effective monitoring and minimizing risks sourced from counterparts.

a) 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 Company sells the dores to only one refinery in Turkey, with a maturity of less than one month, the credit risk for the Company is very low. The Company 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.

The credit risk exposure in terms of financial instruments as of 31 December 2018 and 2017 are as follows:

	Receivables				
	Trade receivables		Other receivables		
31 December 2018	Related party	Third party	Related party	Third party	Banks
Maximum credit risk exposure as of reporting date (A+B+C+D) [(1)]	--	1.510	272.318	--	2.558.541
- Collateralized or secured with guarantees part of maximum credit risk	--	--	--	--	--
A. Neither past due nor impaired	--	1.510	272.318	--	2.558.541
B. Past due but not impaired	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Past due (Gross amount)	--	70.248	--	--	--
- Impairment (-) (-)	--	(70.248)	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--

(1) In the determination of the amounts, the elements that increase the loan credibility, such as the received guarantees, are not taken into consideration.

31 December 2017					
Maximum credit risk exposure as of reporting date (A+B+C+D) [(1)]	--	1.365	145.320	300.408	1.812.594
- Collateralized or secured with guarantees part of maximum credit risk	--	--	--	--	--
A. Neither past due nor impaired	--	1.365	145.320	300.408	1.812.594
B. Past due but not impaired	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Past due (Gross amount)	--	59.815	--	--	--
- Impairment (-) (-)	--	(59.815)	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--

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

NOTE 27– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund provider lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the timely collection of trade receivables, takes actions to minimize the effect of delay in collections and arranges cash and non-cash credit lines from financial institutions in case of a requirement. In addition, the Company'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.

As of 31 December 2018 and 2017, the table below analyses the Company's financial liabilities into relevant maturity based on the remaining period at the balance sheet to the contractual maturity date.

31 December 2018:

Contractual cash flows	Book value	Contractual cash outflow totals	less than 3 months	3 to 12 months	1 to 5 years
Financial liabilities					
Trade payables	52.856	52.856	52.856	--	--
Other payables	29.621	29.621	732	--	28.889
Total	**82.477**	**82.477**	**53.588**	**--**	**28.889**

31 December 2017:

Contractual cash flows	Book value	Contractual cash outflow totals	less than 3 months	3 to 12 months	1 to 5 years
Financial liabilities					
Trade payables	22.734	22.734	22.734	--	--
Other payables	24.622	24.622	3.909	--	20.713
Total	**47.356**	**47.356**	**26.643**	**--**	**20.713**

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

NOTE 27– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk

Foreign exchange risk

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

31 December 2018	**TL equivalent**	**USD**	**Euro**	**Gbp**
Monetary financial assets	677.527	128.297	8	379
Trade receivables	25	--	3	1
Other receivables	379	--	--	57
Prepaid expenses	5.678	598	324	87
Current assets	683.609	128.895	335	524
Total assets	**683.609**	**128.895**	**335**	**524**
Trade payables	(8.224)	(866)	(539)	(63)
Other payables	(29.182)	(5.547)	--	--
Short-term liabilities	(37.406)	(6.413)	(539)	(63)
Total liabilities	**(37.406)**	**(6.413)**	**(539)**	**(63)**
Net Foreign Currency Position	**646.203**	**122.482**	**(204)**	**461**
Export	**--**	**--**	**--**	**--**
Import	**46.074**	**812**	**6.745**	**166**

31 December 2017	**TL equivalent**	**USD**	**Euro**	**Gbp**
Monetary financial assets	924.909	243.553	813	2.583
Trade receivables	15	--	3	2
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)
Other payables	(20.713)	(5.491)	--	--
Short-term liabilities	(29.050)	(5.846)	(1.425)	(562)
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**

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

NOTE 27– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued)

Foreign exchange risk (continued)

Sensitivity analysis;

As at the date of 31 December 2018 and 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**	
31 December 2018	Increase in foreign currency	Decrease in foreign currency	Increase in foreign currency	Decrease in foreign currency
USD	6.444	(6.444)	6.444	(6.444)
Euro	(12)	12	(12)	12
Gbp	31	(31)	31	(31)
31 December 2017				
USD	9.331	(9.331)	9.331	(9.331)
Euro	(16)	16	(16)	16
Gbp	132	(132)	132	(132)

Interest riks

The company is exposed to interest rate risk arising from the rate changes on interest- bearing liabilities and assets.

	31 December 2018	**31 December 2017**
Financial instruments with fixed interest rates		
Financial assets	2.562.992	1.814.014
Financial liabilities	--	--
Financial instruments with floating interest rates	--	--

Price risk

The gold price is the most important operational risk of the Company.

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the prices of gold, if the gold prices fall below the cash based operational cost of production of the company and continue in this manner in the event of a certain period, the Company's operational profitability may be reduced. The Company does not anticipate that prices of gold will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in the prices of gold. Moreover, the Company is active in terms of financial and operational risk management regularly reviews the market prices.

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

NOTE 27– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management

The Company's objectives when managing capital 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (as shown in the balance sheet) less cash and cash equivalents.

	31 December 2018	**31 December 2017**
Total financial liabilities	--	--
Less: Cash and cash equivalents	(2.558.718)	(1.812.742)
Net Liabilities	(2.558.718)	(1.812.742)
Total equity	3.987.676	2.814.635
Net debt/equity ratio	**--**	**--**

NOTE 28 – INANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)

The financial assets the fair values of which are measured according to the categories above are as follows :

1. Category : Price quoted in active markets
2. Category : Directly or indirectly detectable data other than quoted prices in the active market
3. Category : Information not based on any market data

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**7.496**	**--**	**218.325**	**225.821**
Fair value through other comprehensive income	7.496	--	218.325	225.821
Liabilities:	--	--	--	--

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**8.006**	**--**	**218.325**	**226.331**
Fair value through other comprehensive income	8.006	--	218.325	226.331
Liabilities:	--	--	--	--

NOTE 29 – SUBSEQUENT EVENTS

a) The Company's royalty contract for the mine site in Söğüt was cancelled by a decision of the Istanbul 6 th Civil Court of Peace. On 29 January 2019, the Company filed an appeal with the Istanbul Regional Court of Justice against this decision (Note 14.3).

b) Under the scope of the inspection report prepared by Capital Markets Board as a result of reviewing the Company's and its former board of directors' transactions and decisions related to subsidiary Koza Ltd, Capital Markets Board filed a lawsuit on Ankara 10 th Commercial Court of First Instance (Case number : 2017/ 349 E.). On 23 January 2019, Ankara 10th Commercial Court of First Instance has decided related with the case numbered 2017/349 E. that Gbp 60.000.000 and its interest amount calculated in accordance to the law numbered 3095 from 01 September 2015 have to be paid the Company. The decision can be objected within two weeks (Note 14.3).

NOT 30 – OTHER MATTERS

The Company's audited financial statements prepared as at and for the year ended 31 December 2016, 2017 and 2018 were approved by the Board of Directors (Board Resolution dated 24 April 2018, 30 April 2018 and 28 February 2019 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.