NOTES ON KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR REPORT FOR THE 01 JANUARY - 31 DECEMBER 2019 ACCOUNTING PERIOD

INDEPENDENT AUDITOR REPORT

To the Koza Altın İşletmeleri Anonim Şirketi
Board of Directors

A) Independent Audit of Financial Statements

1) Limited Positive Opinion

We have audited the financial tables formed with the profit or loss and other extensive income tables, statement of changes in equity and cash flow table along with financial tables created from financial table footnotes including important accounting policies for the same account period as of 31 December 2018 for Koza Altın İşletmeleri Anonim Şirketi ("Company").

In our opinion, with the exception of the effects of the matters stated in the Basis of Limited Positive Opinion section, the accompanying financial statements of 31 December, 2018, present the Company's financial position as of 31 December, 2018, as well as its financial performances and cash flows in the accounting period ending on the same date, in a fair manner with appropriate all important aspects in accordance with the Turkey Accounting Standards (TMS).

2) Basis for Limited Positive Opinion

1) As explained in detail in footnote no. 14.3, based on the decision of the 5th Ankara Criminal Court of Peace dated 26 October, 2015, the management of the Company was transferred to the Board of Trustees and subsequently, on 22 September, 2016, to the Savings Deposit Insurance Fund ("SDIF"), and as of the date of this report, various examinations and operations by the Prosecutor's Office, the Police Financial Crimes Branch and the CMB regarding the Company are ongoing. We could not obtain sufficient and appropriate audit evidence as to whether any amendment should be made to the Company's consolidated financial statements with respect to the reports that will form the basis of the relevant decision basis and the status of the ongoing legal process.

2) As explained in detail in footnote no. 5, it has been understood that the Company lost control over its UK-based subsidiary Koza Ltd. as a result of said company's general assembly held on 11 September, 2015, and registered in the UK on 2 November, 2015. The legal process, started by the CMB based on its decision dated 4 February, 2016 in relation to the loss of control, continues as of the date of this report. Since the Company could not present to us the realistic value assessment required to be made in accordance with the provisions of TFRS 9 - Financial Instruments Standard due to the TRFS 10 – Consolidated Financial Statements Standard and as its shares were recognised as financial assets after the loss of control, we could not obtain adequate and appropriate audit evidence with respect to whether any amendment is required to be made on the consolidated financial statements.

Our independent audit was conducted in compliance with the Independent Audit Standard issued by the Capital Market Board and the Independent Audit Standards (IASs), which is a part of the Turkish Auditing Standards, issued by the Public Oversight, Accounting and Auditing Standards Authority (KGK). Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Independent Audit of the Financial Statements section of our report. We hereby declare that we are independent from the Company in accordance with the Code of Ethics for Independent Auditors published by the KGK and the ethical provisions contained in the related legislation with independent auditing of financial statements. We have also discharged other responsibilities related to ethics under the Code of Ethics and legislation. We believe that the independent audit evidence that we have obtained during the independent audit is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key Audit Matters	How the matter is handled in the audit
Capitalised Mine Assets The Company capitalises the expenses made in the following situations: a) The development costs incurred in mining sites can be identified for certain mining areas where an economic benefit is highly likely to come in the future from the mine in question, and its cost can be measured in a reliable manner b) All direct costs incurred in the period during the stripping operation in every open-pit ore reserve, which facilitates access to the identified part of the ore, and general production expenses that can be associated with the stripping operation c) This matter has been specified as key audit matter due to the costs of reformation, rehabilitation and closure of the mining sites based on the current condition arising in relation to open-pit mining site development activities and production in the open pit; the reduced cost values as of the balance sheet date with respect to the provision for expenses that will most likely be made during the closure and rehabilitation of mines; the share of capitalised development costs in the financial statements for 31 December 2019, and the management judgements applied during the capitalisation of relevant costs	In summary, the audit procedures we have implemented in this regard are: Our audits for the capitalised mine assets generally include the following: Evaluation of the content of development costs that are capitalised in relation to each mining site, Testing the compliance of management evaluations, Holding meetings with managers in the departments in charge of the Company's mining sites, Conducting detailed tests concerning development costs, Checking the compliance of the economic benefit expected in the future with an independent valuation report related to the mine reserves, Testing rehabilitation costs through comparison with previous periods

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Key Audit Matters	How the matter is handled in the audit
Legal Risks Since the Company continues its activities in the mining sector, it is exposed to many risks arising from laws and legislations. The results of existing legal practices and lawsuits or those that may be arise in the future as of the balance sheet date can be estimated within a certain rate in line with the past experience of the Company management and as a result of legal consultancy. Since the adverse effects of a decision that may be taken against the Company or application can significantly affect the Company's operations, this subject has been chosen as a key audit matter. The Company's Accounting policies regarding legal risks are explained in Note 2.7, with other details explained in note 14.	In summary, the audit procedures we have implemented in this regard are: Our audits for legal risks generally include the following: Evaluation of lawsuits filed against the company with the legal unit, Receipt of the internal and external confirmation letter related to legal processes, Questioning the estimates and evaluations related to the ongoing lawsuits, Evaluation of Company measures against possible legal risks, Evaluation of the financial results of legal risks

4) Other Matters

The company's financial statements for the period ending on 31 December, 2018, have been audited by another independent auditor, and a Limited Positive Opinion has been provided in the Independent Auditor Report dated 28 February, 2019, which was prepared by the said independent audit firm.

5) Points to Consider

1) The Company's independently audited financial statements for the years ending on 31 December, 2016, 2017, 2018 and 2019, with the exclusion of the possible cumulative reflections of the transactions and processes of the previous financial periods –regarding which the prosecution process is ongoing–pursuant to the provisions of article 401/4 of Turkish Commercial Code ("TCC") no. 6102, were approved and published by the Board of Directors with the resolutions dated 24 April, 2018, 30 April, 2018, 28 February, 2019, and 27 February, 2020, respectively. However, the financial statements for the year that ended on 31 December, 2015, that were audited independently, were not approved by the Board of Directors in accordance with the provisions of article 401/4 of the TCC. The Company's ordinary general assembly meetings for 2015, 2016, 2017, 2018 and 2019 could not be held due to the reasons stated in the basis of limited result paragraph, and the financial statements for the relevant periods could not be submitted to the approval of the General Assembly. This matter does not affect our opinion.

6) Responsibilities of Management and Those Charged with Senior Management Regarding Financial Statements

Company management is responsible for the preparation of the financial statements in accordance with the TFRSs, their presentation in a true and appropriate and internal control it deems necessary for its preparation without containing material misstatements due to error and fraud.

In preparing such financial statements, the management is responsible for; the evaluation of the ability of the Company to maintain its continuity, using disclosures about continuity when necessary, and maintaining the continuity of the entity as long as there is no intention or obligation to liquidate the company or terminate its commercial business. Those responsible for senior management are responsible for observation of the Company's financial reporting process.

MEGA GLOBAL
ULUSLARARASI BAĞIMSIZ DENETİM A.Ş.

7) Independent Auditor's Responsibilities Regarding the Independent Audit of Financial Statements

In an independent audit, our responsibilities as independent auditors are as follows:

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an independent audit conducted in accordance with Independent Audit Standards issued by the Capital Market Board and IASs will always detect a material misstatement when it exists. Misstatements can arise from error or fraud. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of financial statements taken on the basis of these statements.

As part of an independent audit conducted in accordance with Independent Audit Standards issued by the Capital Market Board and IASs, we use our professional judgment and continue our professional skepticism throughout the independent audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud; 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. (Since fraud may involve collusion, forgery, intentional negligence, untruthful declaration or breach of internal control, the risk of inability to detect fraud-induced fallacy is higher than the risk of inability to detect an important error-induced fallacy.)

- 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 the accounting policies used by the management, and whether the accounting estimates and the related disclosures are reasonable.

- Based on the obtained audit evidence, we reach conclusions about whether there is a significant uncertainty concerning the events or circumstances that could create serious doubts related to the ability of the Company to maintain its continuity, and about the appropriateness of the management to apply the principle of continuity of the business. In the event we reach a conclusion that there is a significant uncertainty, in our report, we are required to draw attention to the relevant disclosures on the financial statements or offer any views other than the affirmative opinion if these disclosures are inadequate. The conclusions we reach are based on the audit evidences obtained until the date of the independent audit report. In addition to this, the events and conditions in the future may terminate the continuity of the Company.

· It is assessed whether the financial statements, including the disclosures, reflect the general presentation, structure and content of the financial statements and the transactions and events that constitute the underlying financial statements in such a way as to provide a true and fair presentation.

Among other things, we report to the persons responsible for the senior management the planned coverage and timing of the independent audit, as well as any significant audit findings, including any significant internal control deficiencies we identify during the audit.

We have informed those responsible for senior management that we complied with the ethical provisions regarding independence. In addition, we have communicated all relations and other issues that may be considered to have an impact on independence, and any relevant measures, if any, to those responsible for senior management.

Among the issues that are reported to those responsible for the senior management, we specify the most important issues in the independent audit of the financial statements of the current period, namely the key audit subjects. Where legislation does not allow the disclosure of the matter to the public or in exceptional circumstances where it is reasonably expected that the negative consequences of public disclosure of the matter will be likely to exceed the public interest that would arise from public disclosure, we may decide not to report the matter in the independent audit report.

B) Report on Other Liabilities Arising from Legislation

1) In accordance with the fourth paragraph of Article 402 of the TCC, no significant issue was encountered other than the likely effects of the matters stated in the basis of the limited positive opinion paragraph that the bookkeeping order, the financial statements in the Company's 1 January - 31 December, 2019 accounting period do not comply with the law and the Company's articles of association regarding financial reporting.

2) In accordance with the fourth paragraph of Article 402 of the TCC, within the scope of the audit, the Board of Directors made the required explanations and provided the requested documents other than the matters stated in the basis of the limited positive opinion paragraph.

MEGA GLOBAL ULUSLARARASI BAĞIMSIZ DENETİM A.Ş.
Member of Inpact International

Birsen UÇAR
Cap Auditor
Istanbul, 27 February, 2020

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KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ
STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2019

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

ASSETS	Footnote References	*After Audit* 31.12.2019	*After Audit* 31.12.2018
Current Assets		**5,283,558**	**3,203,587**
Cash and Cash Equivalents	4	4,455,031	2,558,718
Trade Receivables			
- Trade Receivables From Unrelated Parties	6	317	1,510
Other Receivables			
- Other Receivables From Related Parties	3-7	371,809	272,318
Inventories	8	380,930	307,335
Prepaid Expenses	9	20,714	9,652
Other Current Assets	16	54,757	54,054
Fixed Assets		**1,065,056**	**1,132,633**
Financial Investments			
- Financial Assets With Fair Value Difference Reflected on Other Comprehensive Income	5	230,822	225,821
Investment Properties	10	101,794	104,020
Right of Use Assets	2	4,506	--
Tangible Fixed Assets	11	571,383	672,859
Intangible Fixed Assets			
- Goodwill	12	14,017	14,017
- Other Intangible Fixed Assets	12	1,440	2,367
Prepaid Expenses	9	38,174	30,757
Deferred Tax Assets	23	102,181	81,886
Other Fixed Assets	16	739	906
TOTAL ASSETS		**6,348,614**	**4,336,220**

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

KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ
STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2019

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

RESOURCES	Footnote References	*After Audit* 31.12.2019	*After Audit* 31.12.2018
Short-Term Liabilities		**405,977**	**214,823**
Short-Term Borrowings			
- Financial Lease Payables	2	3,902	--
Trade Payables			
- Trade Payables to Unrelated Parties	6	67,591	52,856
Payables Within the Scope of Employee Benefits	15	9,658	7,475
Other Payables			
- Other Payables to Related Parties	3-7	657	732
Profit Tax Liability for the Period	23	139,425	36,282
Short-Term Provisions			
- Short-Term Provisions Related to Employee Benefits	15	9,653	6,147
- Other Short-Term Provisions	14	165,402	103,001
Other Short-Term Liabilities	16	9,689	8,330
Long-Term Liabilities		**184,212**	**133,721**
Long-Term Borrowings			
- Financial Lease Payables	2	545	--
Other Payables			
- Other Payables to Unrelated Parties	7	32,619	28,889
Long-term provisions			
--Long-Term Provision Related to Employee Benefits	15	25,689	20,913
- Other Long-Term Provisions	14	125,359	83,919
EQUITIES		**5,758,425**	**3,987,676**
Paid Capital	17	152,500	152,500
Capital Adjustment Differences	17	3,579	3,579
Other Accumulated Comprehensive Incomes or Expenses Not to be Re-classified in Profit or Loss			
- Defined Benefit Plans Re-Measurement Gains / Losses	17	(4,094)	(2,013)
Other Accumulated Comprehensive Incomes and Expenses To be Re-classified in Profit or Loss			
- Fair Value Losses and Gains	17	5,538	--
Reserves on Retained Earnings	17	137,390	137,390
Profit/Losses in Previous Years	17	3,696,220	2,522,473
Net Profit/Loss for the Period	24	1,767,292	1,173,747
TOTAL RESOURCES		**6,348,614**	**4,336,220**

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

KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD ENDING ON 31 DECEMBER 2019 (Amounts are expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

	Footnote Reference	***After Audit*** **01.01-31.12.2019**	***After Audit*** **01.01-31.12.2018**
PROFIT OR LOSS SECTION			
Revenue	18	2,849,270	1,610,623
Cost of Sales (-)	18	(955,284)	(632,899)
GROSS PROFIT		**1,893,986**	**977,724**
Research and Development Expenses (-)	19	(136,849)	(38,003)
Marketing Expenses (-)	19	(6,597)	(2,466)
General Management Expenses (-)	19	(152,352)	(120,996)
Other Incomes from Main Activities	20	46,979	27,228
Other Expenses from Main Activities (-)	20	(33,408)	(43,930)
OPERATING PROFIT/LOSS		**1,611,759**	**799,557**
Incomes from Investment Activities	22	646,716	612,204
Expenses from Investment Activities (-)	22	--	--
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES		**2,258,475**	**1,411,761**
Financing Income	21	--	27,789
Financing Expense	21	--	(13,901)
CONTINUING OPERATIONS PROFIT/LOSS BEFORE TAX		**2,258,475**	**1,425,649**
Continuing Operations Tax Income/Expense		**(491,183)**	**(251,902)**
- Tax Income/Expense for Period	23	(512,452)	(283,098)
- Deferred Tax Income/Expense	23	21,269	31,196
PROFIT/LOSS FOR THE PERIOD		**1,767,292**	**1,173,747**
Other comprehensive income/expense			
not to be re-classified in profit or loss			
Defined benefit plans re-measurement gains/losses	17	(2,668)	(905)
Defined benefit plans re-measurement gains/losses, Tax Impact,	17	587	199
Other comprehensive income/(expense) (after tax)		**(2,081)**	**(706)**
Other comprehensive income/expense			
to be re-classified in profit or loss			
Gains (Losses) from Financial Assets with Fair Value Difference Reflected on Other Comprehensive Income	17	7,100	--
Other Comprehensive Income Related to Financial Assets with Fair Value Difference Reflected on Other Comprehensive Income, Tax Effect	17	(1,562)	--
Other comprehensive income/(expense) (after tax)		**5,538**	**--**
TOTAL COMPREHENSIVE INCOME / EXPENSE		**1,770,749**	**1,173,041**
Earnings Per Share	24	**11,589**	**7,697**

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

KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY
FOR THE ACCOUNTING PERIOD ENDING ON 31 DECEMBER 2019
(Amounts are expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

	Footnote References	Capital	Capital adjustment differences	Other Accumulated Comprehensive Incomes or Expenses to be Re-classified in Profit or Loss Other Earnings	Other Accumulated Comprehensive Incomes or Expenses not to be Re-classified in Profit or Loss Defined Benefit Plans Re-measurement Gains / Losses	Reserves on Retained Earnings	Previous Years Profit/Loss	Net Period Profit/Loss	Total Equity Capital
01 January 2018 balance		**152,500**	**3,579**	**--**	**(1,307)**	**137,390**	**1,990,584**	**531,889**	**2,814,635**
Transfer to profits of previous years	17	--	--		--	--	531,889	(531,889)	**--**
Total comprehensive expense	17	--	--		(706)	--	--	1,173,747	**1,173,041**
31 December 2018 balance		**152,500**	**3,579**	**--**	**(2,013)**	**137,390**	**2,522,473**	**1,173,747**	**3,987,676**
01 January 2019 balance		**152,500**	**3,579**	**--**	**(2,013)**	**137,390**	**2,522,473**	**1,173,747**	**3,987,676**
Transfer to profits of previous years	17	--	--		--	--	1,173,747	(1,173,747)	**--**
Total comprehensive expense	17	--	--	5,538	(2,081)	--	--	1,767,292	**1,770,749**
31 December 2019 balance		**152,500**	**3,579**	**5,538**	**(4,094)**	**137,390**	**3,696,220**	**1,767,292**	**5,758,425**

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

KOZA ALTIN İŞLETMELERİ ANONİM ŞİRKETİ
CASH FLOW STATEMENT FOR THE ACCOUNTING PERIOD ENDING ON 31 DECEMBER 2019

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

	Footnote References	*After Independent Audit* **01.01-31.12.2019**	*After Independent Audit* **01.01-31.12.2018**
Period Profit (Loss)		1,767,292	1,173,747
Adjustments Related to the Reconciliation of Net Period Profit (Loss)			
Adjustments Related to Amortisation and Amortisation Expenses	10-11-12	224,847	84,137
Adjustments Related to Impairment (Cancellation)			
- Adjustments Related to Impairment (Cancellation) of Receivables	6	2,639	10,943
- Adjustments Related to Other Impairments (Cancellations)	9	(3,980)	--
Adjustments Related to Provisions			
- Corrections Regarding Provisions (Cancellation) Regarding Employee Benefits	15	2,695	9,611
- Adjustments Related to Litigation and/or Criminal Provisions (Cancellation)	14	4,743	(245)
- Corrections Related to Provisions Retained (Cancellation) within the Framework of Sectoral Requirements	14	51,207	1,926
- Adjustments Related to Other Provisions (Cancellations)	14	--	881
Adjustments Related to Fair Value Losses (Gains)			
- Adjustments Related to Fair Value Losses (Gains) of Financial Assets	5	860	--
- Other Adjustments Related to Fair Value Losses (Gains)	5	5,538	--
Adjustments Related to Tax Income Expense	23	455,868	251,902
Adjustments Related to Losses (Gains) Arising from Disposal of Fixed Assets		74,005	(3,044)
Changes in Operational Capital			
Decrease (Increase) in Financial Investments		(5,861)	--
Adjustments Related to Decrease (Increase) in Trade Receivables	6	1,052	(10,578)
Adjustments Related to the Decrease (Increase) in Other Receivables Associated with Operations		(99,918)	(126,998)
Adjustments Related to Decreases (Increases) in Inventories	8	(73,595)	(97,099)
Decrease (Increase) in Prepaid Expenses	9	(16,046)	(7,292)
Adjustments Related to Increase (Decrease) in Trade Payables	6	14,735	30,122
Increase (Decrease) in Payables Related to Employee Benefits	15	2,183	(1,283)
Adjustments Related to Increase (Decrease) in Other Payables Associated with Operations	7	3,655	4,999
Adjustments Related to Other Increase (Decrease) in Working Capital			
- Decrease (Increase) in Other Operating Assets	16	(1,059)	3,872
Change in other short/long-term liabilities	16	1,359	
Net cash flows from operations		**2,412,219**	**1,325,601**
Payments made within the Scope of Provisions Related to Employee Benefits	15	3,506	(1,023)
Tax Refunds (Payments)	23	(373,020)	(340,960)
A. CASH FLOWS FROM OPERATING ACTIVITIES		**2,042,705**	**983,618**
B. CASH FLOWS ARISING FROM INVESTMENT ACTIVITIES			
Cash Inflows Arising from Sales of Tangible and Intangible Fixed Assets			
- Cash Inflows Arising from Sales of Tangible Fixed Assets	11	468	3,248
Cash Outflows Arising from the Acquisition of Tangible and Intangible Fixed Assets			
- Cash Outflows Arising from the Acquisition of Tangible Fixed Assets	11	(146,052)	(240,890)
- Cash Outflows Arising from the Acquisition of Intangible Fixed Assets	12	(808)	
Net cash outflows arising from investment activities		**(146,392)**	**(237,642)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows arising from financial activities		**--**	**--**
Change in cash and cash equivalents		**1,896,313**	**745,976**
Liquid assets at beginning of period	6	2,558,718	1,812,742
Liquid assets at end of period	6	4,455,031	2,558,718

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

NOTE 1 – COMPANY'S ORGANISATION AND SUBJECT OF ACTIVITY

Koza Altın İşletmeleri A.Ş. (hereinafter referred to as "Koza Altın" and/or "Company"), was founded on 6 September, 1989, under the name Eurogold Madencilik A.Ş. for the operation of the gold mine in Ovacık-Bergama, İzmir; pursuant to Normandy Mining Ltd.'s purchase of all Eurogol Madencilik A.Ş. shares, its name was changed to Normandy Madencilik A.Ş. ("Normandy Madencilik").

Then, after ATP İnşaat ve Ticaret A.Ş. ("ATP"), a subsidiary of Koza İpek Holding A.Ş. ("Koza İpek Holding"), acquired Normandy Madencilik's total shares from Autin Investment on 3 March, 2005, it registered the Company's name on 29 August, 2005, as Koza Altın İşletmeleri A.Ş.

While ATP holds 45.01% of Company shares and Koza İpek Holding owns 24.99% as of 31 December, 2019, including the stocks traded on Borsa Istanbul ("BIST") (31 December 2018: ATP: 45.01%, Koza İpek Holding: 24.99%), based on the decision of the 5th Ankara Criminal Court of Peace dated 26 October, 2015, the Company's management was transferred to the Board of Trustees and, subsequently, to the Savings Deposit Insurance Fund ("SDIF") on 22 September, 2016. Shares corresponding to 30% of the Company's capital (31 December 2018: 30%) are traded at BIST as of 31 December, 2019.

The company's actual area of activity is the operation of gold mines through its seven gold mines in five areas, consisting of Ovacık-Bergama in İzmir, Çukuralan in İzmir, Kaymaz in Eskişehir, Mastra in Gümüşhane, and Himmetdede in Kayseri, prospecting for gold throughout Turkey, and the development of the gold mine sites with currently ongoing projects. The Company sells the gold dore bars it produces to a domestic bank on consignment to be sold to the Central Bank of Turkey, which is entitled to preemption rights, while the silver dore bars are sold to a domestic refinery, also on a consignment basis. Due to the fact that the sales are made in cash and the customer is corporate, the Company effectively manages the receivable risk in question.

On 31 March, 2014, the Company founded UK-based Koza Ltd., of which it holds 100% of shares, to participate in mining initiatives abroad. It is understood that the Company's control over Koza Ltd., which it consolidated until 11 September, 2015, was lost as a result of the general assembly the company in question held on 11 September, 2015. The legal process, started by the CMB based on its decision dated 4 February, 2016 in relation to the loss of control, continues as of the date of this report. In its financial statements, the Company has presented Koza Ltd. in the "Financial Investments" account in fixed assets held at a cost amounting to TL 218,325 Thousand (31 December 2018: TL 218,325 Thousand).

As of 31 December 2019, the number of personnel employed within the Company is 2,127 people (31 December 2018: 1,965 people).

Koza Altın's address is Uğur Mumcu Mahallesi, Fatih Sultan Mehmet Bulvarı, İstanbul Yolu 10. Km, No: 310, 06370, Yenimahalle - Ankara, Turkey.

Approval of Financial Statements

The financial statements dated 31 December, 2019 have been approved by the Board of Directors and authorized to be published on 27 February 2020. The general assembly alone has the authority to amend the financial statements.

2. PRINCIPLES RELATED TO PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basic Principles Regarding Presentation

Financial Reporting Standards Applied

The accompanying financial statements for the accounting period between 1 January - 31 December, 2019 have been prepared in accordance with the provisions of the Communiqué Series II, 14.1, "Communiqué on Financial Reporting in Capital Markets", published in the Official Gazette no. 28676, dated 13 June, 2013 and pursuant to Article 5 of the Communique, the Turkey Accounting Standards ("TMS"), the Turkey Financial Reporting Standards ("TFRS") that have been put into force by the Public Oversight Accounting and Auditing Standards Board ("KGK"), as well as the appendices and comments regarding these, have been taken as basis.

Financial Statements have been presented in accordance with the 2019 TMS Taxonomy developed by the KGK on the basis of Article 9 (b) of the Decree Law No. 660 (“Decree”) and published on 15 April, 2019.

In the preparation of the statutory financial statements and keeping accounting records, the Company and its Turkey-based subsidiaries comply with the principles and requirements of the CMB, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts requirements of the Ministry of Finance. It has prepared its legal financial statements for its subsidiary operating in a foreign country in accordance with the laws and regulations applicable in the country in which it operates. Other than land, buildings, underground and aboveground layouts, machinery, facilities and devices from tangible fixed assets and liabilities at fair value, and movable biological assets at fair value, as well as financial assets and liabilities at fair value, financial statements are prepared based on the historical cost principle, taking as basis legal records by reflecting the necessary adjustments and classifications in order to make accurate presentation in accordance with the TFRS.

Currency Measurement Unit and Reporting Unit

The accompanying financial statements are presented in the functional currency that is valid in the basic economic environment in which it operates. The Company's financial status and operating results are expressed in Turkish Lira (“TL”), which is the valid currency of the Company.

Netting / Offsetting

Financial assets and liabilities are presented with their net values in the statement of financial position in the case the right of legally netting is available, net payment or collection is possible, or obtaining the asset and the fulfillment of the obligation can be realized simultaneously.

Business Continuity

The financial statements have been prepared on the basis of the continuity of the business under the assumption that the Company will get benefit from its assets and fulfill its obligations within the next year and its natural course of activities.

TMS Compliance Statement

The Company prepared its period financial statements for the period ending on 31 December, 2019, within the framework of the CMB's Communiqué Serial: II-14.1 and announcements that explain this communiqué. The financial statements and notes are presented in accordance with the formats recommended by the CMB and by including the mandatory information.

2.2 Adjustment of Financial Statements in High Inflation Periods

As the CMB declared with a decision it took on 17 March, 2005, that companies operating in Turkey and that prepare their financial statements in accordance with CMB Accounting Standards are no longer required to apply inflation accounting as of 1 January, 2005, from this date onwards, it ended the practice of preparing and presenting consolidated financial statements in accordance with International Accounting Standard 29 “Financial Reporting in High Inflationist Economies”.

2.3 Comparative Information and Adjustment of Prior Period Financial Statements

The Company's financial statements are prepared comparatively with the previous period in order to allow the determination of financial status and performance evaluations. In order to ensure comparability when the classification and indication of financial statement items are changed, the financial statements of the previous period are reclassified accordingly. The Company prepared its statement of financial position dated 31 December, 2019, comparatively with its statement of financial position dated 31 December 2018, and statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity for the period of 31 December 2019 comparatively with those for the period of 31 December 2018. The Company has not made any adjustments to its prior period financial statements in the current year.

2.4. Changes and Errors in Accounting Policies

Accounting policies are changed if necessary or in the case the effects of the transactions and events on the Company’s financial position, performance or cash flows would lead to a more appropriate and reliable presentation in the financial statements. If the changes in accounting policies affect the prior periods, the said policy is applied retrospectively in the financial statements as if it were always in use. There has been no significant change in the Company’s accounting policies in the current period, other than the effect of the *TFRS 9 Financial Instruments* standard and the *TFRS 16Leases* standard.

TFRS 9 Financial Instruments

TFRS 9 regulates the provisions related to the accounting and measurement of financial assets, financial liabilities. This standard replaces TMS 39 Financial Instruments: Recognition and Measurement standard.

Transition to TFRS 9 has no significant effect on the profits/losses in previous years.

Details of important new accounting policies and the impact and nature of changes in previous accounting policies are given below.

i) Classification and Measurement of Financial Assets and Financial Liabilities

TFRS 9 largely preserves the existing provisions in TMS 39 for the classification and measurement of financial liabilities. However, the previous TMS 39 classification categories have been removed for financial assets to be held until term, loans and receivables, and financial assets ready to sell. The application of TFRS 9 did not have a significant impact on the Company's accounting policies regarding financial liabilities and derivative financial instruments. The impact of TFRS 9 on the classification and measurement of financial assets is given below. According to TFRS 9, when a financial asset is included in the financial statements for the first time, it is classified as that which is measured based on amortization cost; equity instruments measured at the fair value difference reflected on other comprehensive income – debt instruments, measured by reflecting fair value on other comprehensive income – or by reflecting fair value difference on profit or loss.

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

The impact of the application of TFRS 9 on the book values of financial assets results based solely on the new impairment provisions, as described in more detail below.

The table below and accompanying notes describe the original measurement categories under TMS 39 and the new measurement categories according to TFRS 9 for each class of financial assets.

Financial Assets	**Original classification According to TMS 39**	**New classification according to TFRS 9**	**Original book value according to TMS 39**	**New book value according to TFRS 9**
Cash and Cash Equivalents	Loans and receivables	Amortised cost	4,455,031	4,455,031
Private sector debt instruments	Held for sale	Fair value difference reflected on Other Comprehensive Income Statement	4,969	12,069
Total Financial Assets			**4,460,000**	**4,467,100**

ii. Impairment in Financial Assets

With the implementation of TFRS 9, the “Expected Credit Loss” (ECL) model replaced the “Realized Loss” model in TMS 39. The new impairment model is valid for financial assets measured at amortised cost, contract assets and debt instruments measured by reflecting fair value difference on other comprehensive income, but not for investments in equity instruments. Financial assets measured at amortized cost include trade receivables, cash and cash equivalents and private sector debt instruments.

Under TFRS 9, loss provisions are measured by any of the following principles:
- 12-month ECLs: the portion representing expected credit losses arising from probable default situations related to the financial instrument within 12 months of the reporting date.
- Lifetime ECLs: Expected credit losses arising from all probable defaults during the expected lifetime of the financial instrument.

In determining whether a financial asset has increased significantly since the initial recognition of the credit risk and estimating the ECLs, the Company takes into account reasonable and supportable information that is relevant to the estimation of expected credit losses, including the effects of expected early payments, and that can be obtained without incurring excessive costs or effort. This information includes quantitative and qualitative information and analyses based on the Company's past credit loss experiences and contain forward-looking information. The Company assumes that the credit risk on a financial asset increases significantly in the event the due date exceeds 30 days.

Measurement of ECLs

ECLs are an estimate weighted for the probability of credit losses over the expected life of the financial instrument. In other words, they are credit losses measured at the present value of all cash deficits (for example, the difference between cash inflows to the business based on the contract and the cash flows the business expects to deserve).

Cash deficit is the difference between the cash flows required to be made to the business according to the contract and the cash flows that the business expects to receive. Since the amount and timing of the payments are taken into consideration in the expected credit losses, a credit loss occurs even if the business expects to receive the entire payment later than the term specified in the contract. ECLs are discounted at the effective interest rate of the financial asset.

Impact of the new impairment model

For assets under the TFRS 9 impairment model, impairment losses are expected to increase overall and become more variable. Transition to TFRS 9 has no significant effect on the profits/losses in previous years. There is no expected credit as of 31 December 2019.

TFRS 16 Leases

Company – As Lessor

The Company reflects a right of use and a lease obligation in the financial statements on the date the lease actually begins.

<u>Right of Use Asset:</u> The right of use asset is first accounted by using the cost method and includes the following:

a) The first measurement amount of the lease obligation,
b) The amount obtained by deducting all lease incentives received from all lease payments made on or before the date the lease actually started,
c) All initial direct costs incurred by the Company

While applying the cost method, the Company measures its right to use asset based on the:
a) Cost with the accumulated amortisation and accumulated impairment losses deducted and
b) adjusted based on the reassessment of the lease obligation.

<u>Lease Obligation</u>: Measures the Company's lease obligation on the date the lease actually commenced based on the current value of the rent payments not paid on that date. In the event this rate can be easily determined, lease payments are discounted by using the implicit interest rate in leasing. If this rate cannot be determined easily, the Company uses the Company's alternative borrowing interest rate.

The interest on the lease obligation for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease obligation. The periodic interest rate is the implied interest rate on the lease if it can be determined easily. If this rate cannot be determined easily, the Company uses the Company's alternative borrowing interest rate. After the lease actually commences, the Company reassesses the lease obligation to reflect changes in lease payments. The Company reflects the reassessment amount of the lease obligation to its financial statements as an adjustment to the right to use asset.

The Company determines the revised lease payments related to the remaining lease term according to the revised contract payments. In this case, the Company uses an unmodified discount rate.

First Transition to TFRS 16 Leases Standard

The Company has applied the TFRS 16 "Leases" standard, which replaced the TMS 17 "Leasing Transactions" as of the first application date of 1 January, 2019. The Company did not rearrange the comparable amounts for the previous year using the simplified transition application. Using this method, all right of use assets were measured based on the amount of lease payables (adjusted according to the lease costs that were prepaid or accrued).

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

During the first implementation, the Company recorded a lease obligation regarding its leases previously classified as operational leasing in accordance with TMS 17. These liabilities are measured at the present value of the remaining lease payments discounted using alternative borrowing interest rates as of January 1, 2019. The alternative borrowing rate used by the Company as of 31 December, 2019, is 11.43% for Turkish Lira. The use of right of asset and obligation of leases previously classified as financial leasing are measured based on their value carried over before the transition, in the case such assets exist.

	Machinery and Equipment	**Tools**	**Office**	**Total**
In-Period Increase	-	10,143	-	10,143
In-Period Amortisation	-	(5,637)	-	(5,637)
	-	**4,506**	**-**	**4,506**

The interest expenses of the Company's lease obligations are TL 1,159 thousand.

Extension and termination options

The lease obligation is determined by considering the extension and termination options in the contracts. Most of the extension and early termination options in the contracts consist of options that can be applied jointly by the lessor. The lessor determines the duration of the lease if the extension and early termination options are at the discretion of the Lessor according to the contract and, if the use of the options is reasonably certain, it is included in the lease period.

TFRS 15 Revenue from Customer Contracts

The TFRS 15 Revenue from Customer Contracts standard provides a single and comprehensive model and guide to record revenue and has replaced the TMS 18 Revenue standard. The standard came into effect on 1 January, 2018, and has no significant impact on the financial statements of the Company.

2.5. Changes in Turkey Financial Reporting Standards

a) New standards in effect as of 31 December, 2019, and amendments and interpretations to existing standards:

- **TFRS 9, "Financial Instruments"**

Effective for the annual reporting periods beginning on or after 1 January, 2018. This standard replaces the TAS 39. It includes requirements for the classification and measurement of financial assets and liabilities, as well as the expected credit risk model to replace the currently used impairment model.

- **TFRS 15, "Revenue from Customer Contracts"**

Effective for the annual reporting periods beginning on or after 1 January, 2018. The new standard resulting from the compliance study with the Accepted Accounting Standards in the United States aimed to ensure that the financial reporting of the revenue and the total incomes of the financial statements are comparable across the world.

- **TMS 40, "Investment Properties"**

Effective for the annual reporting periods beginning on or after 1 January, 2018. These amendments to the classification of investment properties clarify the classifications made from investment properties or real estate in case of a change in the purpose of use. If the use of an estate changes, it is necessary to evaluate whether this real estate complies with the definitions of 'investment property'. This change should be supported by evidence.

- **Annual Improvements for the 2014-2016 Period**
  Effective for the annual reporting periods beginning on or after 1 January, 2018.
  - **TFRS 1, "First adoption of international financial reporting standards Turkey" was removed from the short-term exceptions to the first implementation phase of the** TFRS 7, TMS 19 and TFRS 10 standards.
  - **TMS 28, "Investments in Subsidiaries and Joint Ventures" clarifies the measurement of** a subsidiary or business partnership at fair value.

- **TFRS Review 22, "Foreign Currency Transactions and Advance Payments"**

Effective for the annual reporting periods beginning on or after 1 January, 2018. This interpretation addresses the issue of foreign currency transactions or payments made as part of such transactions in foreign currency or pricing. This guide describes situations where a single payment is made / received and multiple payments are made / received. The purpose of this guideline is to reduce the diversity in application.

- **TFRS 9, "Changes in Financial Instruments"**

Effective for the annual periods beginning on or after 1 January, 2019. This amendment confirms that a gain or loss is recognized directly in profit or loss when a financial liability measured at amortised cost is changed without giving rise to a financial statement. Gain or loss is calculated as the difference between the original contractual cash flows and the modified effective cash flows discounted from the original effective interest rate. This means that, unlike TMS 39, it is not possible to recognise the difference by spreading over the remaining life of the instrument.

- **TMS 28, "Changes to Investments in Subsidiaries and Joint Ventures"**

Effective for the annual periods beginning on or after 1 January, 2019. It has been clarified that long-term subsidiaries or joint ventures where the companies do not apply the equity method are accounted for using TFRS 9.

- **TFRS 16, "Lease transactions"**

Effective for the annual periods beginning on or after 1 January, 2019. Early implementation is allowed with the TFRS 15 "Revenue from the customer contracts" standards. This new standard replaces existing TMS 17 guidance and makes a comprehensive change in accounting for featured holders. Under the current TMS 17 rules, when the lessees are party to a leasing transaction, they have to distinguish between leasing (on-balance sheet) or operating lease (off-balance sheet). However, in accordance with TFRS 16, leaseholders will have to write down their future lease obligations for almost all of their lease contracts and, in turn, the right to use an asset. The IASB has provided an exception for short-term lease transactions and low value assets, but this exemption applies to leaseholders only. Accounting for lessors remains almost the same. However, as the IASB changes the definition of leases (as it changes the guidance on consolidation or decomposition of contractual content), lessors will also be affected by this new standard. In this case, it is expected that the new accounting model will lead to some evaluations between the lessor and the lessee. According to TFRS 16, if a contract includes the right to use an asset and the right to control that asset for a specified period of time, the contract is a lease agreement or includes a lease operation.

- **TFRS Review 23, "Uncertainties in Tax Practices"**

Effective for the annual periods beginning on or after 1 January, 2019. This interpretation clarifies some of the uncertainties in the application of TMS 12 Income Tax Standard. The IFRS Interpretation Committee formerly clarified that if there is uncertainty in tax practices, this uncertainty should be applied to TMS 37 'Provisions, Conditional Debt and Conditional Assets' standard instead of TMS 12. TFRS Review 23, however, provides guidance on how to measure and account for deferred tax calculations when there are uncertainties in income taxes. Tax uncertainty arises when it is not known whether a tax application by a company is accepted by the tax authority. For example, in particular, whether an expense is considered a discount, or whether a particular item is included in the refundable tax calculation. TFRS Review 23 applies in all cases for which a tax practice is uncertain, including taxable income, expense, asset or liability amounts, tax deductions, tax returns, and tax rates.

- **2015-2017 annual improvements**

Effective for the annual periods beginning on or after 1 January, 2019. These improvements include the following changes:

- TFRS 3, 'Business Combinations', the entity providing control, re-measures the share it had previously acquired the joint operation.
- TFRS 11, 'Joint Agreements', the entity that provides joint control, does not re-measure the shares it had previously acquired in the joint operation.
- TMS 12, 'Income Taxes', the entity recognises the income tax effects of dividends in the same manner.
- TMS 23, 'Borrowing Costs', evaluates any borrowing for a qualifying asset for its intended use or sale as part of its overall borrowing.

- **TMS 19 'Employee Benefits',**

Improvements related to changes in the plan, downsizing or fulfillment; Effective for the annual reporting periods on or after 1 January, 2019. These improvements will require the following changes:

- For the period after the change, downsizing and fulfilment; use of current assumptions to determine current service cost and net interest;
- Any loss in excess of a value, gain or loss in financial statements, even if it has not been previously recognised in the financial statements as a result of the recognition of profit or loss as a part of prior period service cost or the effect arising from the asset ceiling.

b) Standards and amendments published as of 31 December, 2019, but not yet implemented:

Changes in the TMS 1 and TMS 8 significance definition; Effective for the annual reporting periods beginning on or after 1 January, 2020 . Amendments to TMS 1, "Presentation of Financial Statements" and Amendments to TMS 8, "Accounting Policies, Changes and Errors in Accounting Policies" and Changes in Other TFRSs are as follows:

i) Use of the definition of materiality consistent with the TFRS and financial reporting framework
ii) Clarification of the definition of materiality and
iii) The inclusion of some guidances in TMS 1 concerning non-essential information.

Changes in TFRS 3 - Business Definition: Effective for the annual reporting periods starting on or after 1 January, 2020 . With this change, the definition of the business has been revised. Based on the feedback received by the UMSK, it is often considered that the current practice guidance is very complex and results in a large number of transactions to meet the definition of business combinations.

TFRS 17, "Insurance Contracts"; Effective for the annual reporting periods beginning on or after January 1, 2021 . This standard replaces TFRS 4, which currently allows for a wide range of applications. TFRS 17 will change the basis of insurance contracts and the accounts of all entities that issue investment contracts with voluntary participation features. The Company will evaluate the effects of the abovementioned changes on its operations and apply them as of the effective date.

2.6. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash and bank deposits and short-term, high liquidity investments of specified amount that are easily convertible into cash with a maturity of 3 months or less. Cash and cash equivalents are reflected in the financial statements over their reduced costs by using the effective interest rate in the following period at their fair values, including transaction costs, at the first registration (Note 4).

Related Parties

In terms of these financial statements, partners with control, joint control or significant effectiveness over the Company, senior management staff and members of the board of directors and companies with control, joint control or significant effectiveness over them are considered as related parties (Note 3).

Financial Assets

According to TFRS 9, when a financial asset is included in the financial statements for the first time, it is classified as that which is measured based on amortization cost; equity instruments measured at the fair value difference reflected on other comprehensive income – debt instruments, measured by reflecting fair value on other comprehensive income – or by reflecting fair value difference on profit or loss.

Classification of financial assets within the scope of TFRS 9 is generally based on the business model used by the enterprise for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. Under the standard, the obligation to separate the hidden derivatives from the financial asset has been eliminated and how the hybrid contract will be classified as a whole should be evaluated.

A financial asset is measured at the *amortised cost* if both the conditions below are met, and it not classified as measured by reflecting the fair value difference to profit or loss:
- Keeping the financial asset in the scope of a business model that aims to collect contractual cash flows; and
- The contractual terms of the financial asset leading to the generation of cash flows including interest payments on certain dates resulting from the principal and principal balance only.

A debt instrument is measured by *reflecting the fair value difference on other comprehensive income* in the case both of the following conditions are met and it is not classified as measured by reflecting the fair value difference on profit or loss:

- Keeping the financial asset in the scope of a business model that aims to collect contractual cash flows and sell financial assets; and
- The contractual terms of the financial asset leading to the generation of cash flows including interest payments on certain dates resulting from the principal and principal balance only.

All financial assets that are not measured at the amortised cost stated above or by reflecting the fair value difference to other comprehensive income are measured by *reflecting the fair value difference on profit or loss*. These include all derivative financial assets as well. When financial assets are included in the financial statements for the first time, provided that it eliminates or significantly reduces an accounting mismatch that may result from different measurement of financial assets and gains or losses related to these, a financial asset's irrevocable fair value change can be defined as measured by reflection to profit or loss.

When measured for the first time, financial assets, other than those whose fair value changes are reflected to profit or loss (except for trade receivables, which are measured at the transaction amount when financial assets are included in the financial statements for the first time and do not have a significant financing component), they are measured by adding the transaction costs that can be directly associated with their acquisition or issuance to the fair value.

<u>Impairment in Financial Assets</u>

TFRS 9 replaces the “occurred loss” model in TMS 39 with the “expected credit losses” model. The new impairment model is applied to financial assets and contract assets measured at amortised cost, but not to investments in equity instruments. Financial assets measured at amortised cost consist of trade receivables, other receivables and cash and cash equivalents. The Company records the expected credit loss provision for the following items within the scope of TFRS 9:

- For items other than those below, which the loss provision is measured from the 12-month expected credit losses, the Company calculates the loss provision from an amount equal to the lifetime expected credit losses:
- Bank balances, whose credit risk has not increased significantly since it was first included in the financial statements.

Loss provisions for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to expected lifetime credit losses. When determining whether the credit risk in a financial asset has increased significantly since its inclusion in the financial statements for the first time, and estimating the expected credit losses, reasonable and supportable information that can be obtained without incurring excessive cost or effort are taken into account. These include qualitative and quantitative information and analyses and forward-looking information based on the Company's past experiences and informed credit assessments.

The Company acknowledges that there is a significant increase in the credit risk of financial assets whose maturity is more than 30 days.

The Company acknowledges that the financial assets are in default in the following circumstances:
If it is unlikely that the borrower will fulfill its obligations to the Company before resorting to actions such as cashing out Company collaterals (if collaterals are available), or if it has exceeded the financial asset due date more than 90 days. The Company accepts that if the bank balances are equal to the “investment grade” with the international definition of risk ratings, they have low credit risk.

Lifetime expected credit losses are a consequence of possible default situations during the expected life of a financial instrument. 12-month expected credit losses are the portion representing the expected credit losses arising from default situations that may occur within 12 months of the reporting date. The maximum period for which expected credit losses are measured is the maximum contract period that the Company is exposed to credit risk.

The Company evaluates during each reporting period whether there are credit-impairment of financial assets measured at the amortised cost. If one or more events adversely affecting the future estimated cash flows of a financial asset occur, the financial asset in question has been subject to credit-impairment.

Observable data related to the following events is evidence that the financial asset has suffered credit-impairment:

- The borrower is in serious financial trouble;
- The occurrence of a contract violation due to default;
- The creditor offering the borrower a privilege not considered under normal circumstances due to the financial difficulty experienced by the borrower as a result of economic or contractual reasons;
- It is probable that the borrower's bankruptcy or other financial restructuring will occur; or
- The disappearance of an active market for this financial asset due to financial difficulties.

Financial Liabilities

A financial liability is measured at its fair value during its initial recognition. During the initial recognition of financial liabilities whose fair value difference is not reflected in profit or loss, transaction costs that can be directly associated with the undertaking of the relevant financial liability are added to the fair value in question. Financial liabilities are recognised with the interest expense calculated at the interest rate effective in the following periods and the cost amortised using the effective interest method. Financial liabilities are classified as financial liabilities with the fair value difference reflected on profit or loss or other financial liabilities.

Trade Receivables

Trade receivables will be received from the customers resulting from the products sold or services provided. Trade receivables are recorded in the financial statements with their reasonable values and are evaluated by deducting the impairment provision, if any, from the discounted cost using the effective interest method in the following periods. Short-term trade receivables that do not have a specified interest rate are evaluated based on the invoice amount in the case the effect of the effective interest rate is insignificant. The Company has applied the expected credit losses model stipulated by TFRS 9 for financial assets to its trade receivables which are shown at their amortised cost The Company has chosen recognize lifetime expected losses on trade receivables by applying the simplified method, but as a result of its evaluation, it has not set aside an impairment provision due to low credit risk of trade receivables.

Trade Payables

Trade payables represent the obligation of goods and services provided by suppliers within the scope of the Company's ordinary activities. Trade payables are classified as short-term payables if their terms are less than 12 months from the balance sheet date, and as long-term payables if their terms are longer than 12 months (Note 6). Trade payables are recognized at their fair value as of the date they are included in the financial statements, and in the following periods, they are recognized at the cost reduced by using the effective interest rate method.

Inventories

The Company's inventories consists of mine stocks, chemicals, operating materials and spare parts. Mine stocks consist of ready-to-process mined ore clusters, the solution obtained by processing through the heap leach and tank leach, silver and gold dore bars in the production process or ready for shipment.

The cost of inventories includes all purchasing, production and conversion costs, and other costs incurred to bring the inventories to their current state and position, on the basis of relevant mine sites. The mined ore clusters ready for processing are formed by taking into account the costs of gold in the production process and the dore bars ready for shipment, the amount of gold they contain per ounce, and the recovery rate calculated based on processing at the facility.

The quantities of ready-to-process, extracted ore clusters and gold and silver dore bars are determined by periodical counts. The amortisation of mineral assets and other fixed assets related to production and amortization shares are included in the costs of the inventories at the relevant production location and stage. Inventories are valued at the lower cost or net realizable value.
Net realizable value is the amount obtained by deducting the estimated cost of completion from the estimated selling price and the estimated selling cost total necessary to make the sale. Inventories are valued according to the weighted average cost method.

Tangible Fixed Assets and Investment Properties

a) Mine Assets:

Mine assets consist of mining site development, mining rights, mining lands, deferred mining costs, and reduced costs associated with the reformation, rehabilitation and closure of mining sites.

Mining assets are reflected in the financial statements with the net value accrued after the deduction of accumulated amortization and, if any, permanent impairment, based on the adjusted acquisition costs expressed by the purchasing power of TL on 31 December, 2004, for items acquired before 1 January, 2005, and based on the acquisition costs for items acquired after 1 January, 2005.

Mine assets start to be amortised with the commencement of production. Amortisation expenses of mine assets are associated with production cost on the basis of relevant mining sites.

Mine site development costs include the evaluation and development of new ore veins, as well as the opening of underground galleries, excavation, building of roads, etc. aimed at the continuity and development of the production of existing ore veins.

Mine development costs are capitalized in cases an economic benefit from the mine in question is highly likely in the future, it can be defined for certain mining sites, and its cost can be measured in a reliable manner.

Costs incurred during production are capitalized provided they are directly related to the development of the mining site. Production-related costs are reflected as expense in the statement of profit or loss and other comprehensive income. In cases the mining area development expenses cannot be distinguished from research and evaluation expenses, such expenses are recorded in the statement of profit or loss and other comprehensive income in the period they arise.

Mine assets start to be held subject to amortization in cases their capacities are completely ready for use, and their physical conditions can meet the production capacity determined by Company management. Mine development costs are capitalized in cases an economic benefit is highly likely in the future, and subjected to amortisation, taking into account economic benefit. Mine development costs are distributed to departments as soon as they are recorded, to the extent that they can be defined on the basis of the relevant mining areas, and the sections in each mining site are individually amortised using the "units of production method", taking into account the economic benefits.

Large scale and important revision operations carried out in the mine in question that will increase the economic benefits to be gained during the lifetime of the relevant mine are capitalised. Maintenance and repair expenses, which can be evaluated within this scope, with the exception large-scale and important revisions, are recorded as expense in the statement of profit or loss and other comprehensive income for the period in which they occurred.

Mine development costs at each mining site are amortised over the amortisation rate found by dividing the total amount of ounce-based gold extracted from the relevant mine in the period by the total remaining visible and processable ounce-based gold reserves in said mine. The visible and possible reserves in each mining site show the known and measurable resource that can be extracted and processed economically in the foreseeable future.

Apart from the lands where the production facilities are located and wastes are stored, the Company also purchases land for mining research activities. These lands are followed within mining assets and are reflected in the financial statements at their acquisition costs. As soon as ore starts to be extracted at the relevant mining site, these lands start to be amortised over the amortisation rate found by dividing the total ounce-based visible and processable reserve in said mine by the remaining gold reserve amount.

Deferred mining costs consist of the direct costs incurred while the stripping operation that facilitates access to the defined part of the ore is being carried out in each open-pit ore deposit during the period, as well as general production expenses that can be associated with the stripping operation, and are amortised by taking into account the deferred mine extraction rate calculated on the basis of the remaining usable lifetime for each open-pit mine.

The production costs corresponding to the part of the benefit generated in the form of manufactured product during stripping operations are recognized through inclusion in the cost of inventories. Overburden removal costs associated with each open-pit ore deposit and phases for each ore deposit as long as they can be measured, are recognised by taking into account the calculated rates.

Deferred mining costs are amortised over the amortisation rate calculated by dividing the total ounce-based gold extracted from the relevant mine by the remaining visible and processable gold reserve amount in that mine. The visible and possible reserves in each mining site show the known and measurable resource that can be extracted and processed economically in the foreseeable future.

The actual mine extraction rate is calculated by proportioning the amount of tallow and ore extracted from each open pit until the balance sheet date. On the other hand, the estimated mining rate calculated based on the usable remaining lifetime of each open pit is calculated by proportioning the estimated cumulative tallow and ore amounts on the basis of tons, which are planned to be prospectively extracted from each open pit depending on the open pit reserves.

Accordingly, in the case the actual mine extraction rate is higher than the estimated mine extraction rate calculated taking into account the usable lifetime of each open pit, part of the cost incurred to extract the estimated cumulative tallow and ore during the year is capitalised in line with said rates. However, in the case the estimated mine extraction rate calculated taking into account the usable lifetime of the mine is higher than the actual mine extraction rate, the related costs are recognised as production expense in the statement of profit or loss and other comprehensive income, taking into account the abovementioned amortisation rate. The usable lifetime of the mine is reviewed once a year and changes in the deferred mine extraction rate are recognised prospectively.

Mine operation rights are reflected in the financial statements from the acquisition cost, and amortised by using the lower amortisation rate found by dividing remaining economic lifetimes of the relevant mine or the amount of gold on the basis of ounces extracted from the underground and open-pit mine during the period by the amount of remaining visible and processable ounce-based gold reserves.

The reformation, rehabilitation and closure costs of the mining sites that emerged in tandem with open-pit mining site development activities and open-pit production depending on their current states is the reflection of the provision for expenses that are highly likely to be spent during the closure and rehabilitation of mines on financial statements over the cost values reduced as of the balance sheet date.

The said provisions are reduced to their values at the balance sheet date with the before tax discount rate that does not include the risk related to the estimation of future cash flows taking into account the interest rate and liability risk in the markets, and the calculations are reviewed in each balance sheet period. Changes arising from changes in management estimates used in the calculation of provision for reclamation, rehabilitation and closure of mine sites are reflected in the costs of reclamation, rehabilitation and closure of mine sites.

On the other hand, the cost of reformation, rehabilitation and closure of the relevant mining sites is amortised by using the lower amortisation rate found by dividing remaining economic lifetimes of the relevant mine or the amount of gold on the basis of ounces extracted from the underground and open-pit mine during the period by the amount of remaining visible and processable ounce-based gold reserves. Under the current programmes, the costs incurred with respect to the prevention of environmental pollution and protection of the environment are reflected as expense in the statement of profit or loss and other comprehensive income in the period they occur.

In cases of likely impairment, mine assets are grouped independently and as units that generate the least cash, and are tested in terms of impairment according to the TAS 36 “Impairment in Assets” by comparing their recoverable amount with the carried over value in the financial statements. In order to determine impairment, mine assets are evaluated on the basis of cash-generating units. An impairment has occurred if the recorded value of the mine asset in question or any of the cash-generating units of such asset (to which the asset belongs), is higher than the amount to be recovered through sale after deducting the expenses required for its use or sale. Impairment losses are reflected in the statement of profit or loss and other comprehensive income as expense. The impairment loss is reviewed in each reporting period and, if the subsequent increase in the recoverable amount of the related asset can be associated with an event that occurred in the periods following the recognition of the impairment, the impairment is reversed so as not to exceed the previously allocated amount.

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

b) Other Tangible Fixed Assets:

Tangible fixed assets not included within mining assets are reflected in the financial statements with the net value accrued after the deduction of accumulated amortization and, if any, impairment, based on the adjusted acquisition costs expressed by the purchasing power of TL on 31 December, 2004, for items acquired before 1 January, 2005, and based on the acquisition costs for items acquired after 1 January, 2005 (Note 11).

The cost value also includes the costs that can be directly associated with the asset. Other tangible fixed assets are distributed to important departments as soon as they are first recorded, and each department is held subject to amortisation, taking into account their respective useful lifetimes. Amortisation is calculated in the ratios that reflect the useful economic lifetimes of the tangible fixed assets in accordance with the straight-line amortisation method. As the economic lifetimes of the plots and lands other than the lands that are followed in the financial statements as mine assets are considered infinite, they have not been subjected amortisation. On the other hand, the useful lifetimes of buildings, machinery, facilities and devices are limited to the usable lifetime of the relevant mines.

Buildings, underground and surface layouts, as well as machinery, facilities and devices, are capitalized and amortised in cases their capacities are completely ready for use and their physical condition will meet the specified production capacity. It is estimated that the scrap value of tangible fixed assets is not at the significant amount. Advances given for the purchases of tangible fixed assets are followed up under the other fixed assets item until the related asset is capitalized. In each reporting period, the scrap value and the approximate economic lives of tangible fixed assets are reviewed and necessary adjustments are made prospectively. The useful lives of tangible fixed assets are as follows:

	Year
Surface layouts	2-15
Buildings	Throughout the useful lifetime of the relevant mine (2-50)
Machinery, Facilities and Devices	Throughout the useful lifetime of the relevant mine (2-20)
Vehicles	2-15
Furniture and Fixtures	3-20

Maintenance and repair costs are recognised in the statement of profit or loss and other comprehensive income in the period they are incurred. Expenditures after capitalisation are added to the cost of the relevant asset in the case it is highly likely to provide economic benefits in the future and the cost of the related expenditure is measured in a reliable manner. The Company removes its values carried over from the balance sheet regardless of whether the parts replaced in the context of the following expenses after capitalisation have been subject to amortisation independent of other segments. The expenses after the said capitalization added to the cost of the asset are held subject to amortisation during their economic lifetime.

If the value of an asset is greater than the recoverable value, which is defined as the one with higher use value and net sale price after the deduction of expenses incurred to sell the asset, the tangible fixed asset is reduced to its recoverable value by retaining provision. The profit or loss arising from the disposal of tangible fixed assets is determined by the value of the tangible fixed assets and recorded in the related income and expense accounts.

c) Investment Properties:

The buildings held for the purpose of making lease income or so that they appreciate in value, or for both, instead of being used for goods and and service production, or for administrative purposes, or for being sold in the normal course of business are classified as "investment properties". Investment properties are reported by deducting the amortisation accumulated from acquisition and, if any, impairment. Investment properties are amortised over their useful lifetimes with the straight-line method.

Research and Evaluation Expenses

Mining site research expenses are recognised in the statement profit or loss and other comprehensive income in the period they occur. Upon the Company management's decision after individual evaluation of the mining sites that economic benefit in the future is highly likely as a result of the processing and selling of the ore to be extracted from a certain mining site (for example, when a new or additional visible and processable gold reserve is determined), and the necessary legal permits are obtained, pre-production evaluation costs, such as the rights acquired with respect to the mining site, the geological or geo-chemical studies conducted with respect to the ore vein in the mining site, and the drilling costs for technical competence, are also capitalised and monitored within mine assets.

In addition, the costs of drilling, mining and geology research and evaluation operations carried out at regular intervals at the mining sites continuing production are evaluated on the basis of each drilling performed at the relevant mining site, and when a new or additional visible and processable gold reserve is found as a result of the drilling (when economic benefit in the future is highly likely), or in cases there is visible and processable gold reserves in the areas where drilling is performed, the relevant drilling, mining and geological expense is capitalised within the mine assets as a mine development asset.

Meanwhile, other drilling, mining and geology research expenses are reported as expense in the statement of profit or loss and other comprehensive income when the relevant drilling and operation takes place. For the capitalised evaluation costs, the Company management evaluates on every balance sheet date whether there is any indication of impairment, such as a significant decrease in reserve amounts, the expiration and non-renewal or cancellation of the rights acquired with respect to the mining sites. If such an indicator exists, the relevant recoverable value determined as the highest amount to be recovered through the sale after deducting the expenses required for the use or sale of the said asset is estimated, and the impairment losses are reported as expense in the statement of profit or loss and other comprehensive income, with the value carried over reduced to its recoverable value.

Provisions for Environmental Rehabilitation, Rehabilitation and Closure of Mining Sites

The provision amount calculated based on the current situation with respect to environmental rehabilitation, the rehabilitation and closure of mining sites, has been calculated in accordance with plans formed based on legal regulations, technological means, and the best estimates of the Company Management. The said provisions are reduced to their values at the balance sheet date with the before tax discount rate that does not include the risk related to the estimation of future cash flows taking into account the interest rate and liability risk in the markets, and the calculations are reviewed in each balance sheet period.

When the provision calculated with respect to environmental rehabilitation, the rehabilitation and closure of mine sites is reflected in the financial statements for the first time, or when management estimates change, on condition that production in the associated mining site is ongoing, the change in concern is followed within "Rehabilitation Cost of Mine Facility" section (Note 11) under the tangible fixed assets accounting group.

Changes such as the subsequent changes in management estimates regarding the provision calculated with respect to environmental rehabilitation, the rehabilitation and closure of mining sites for mines where production is complete (mine life has ended), and other changes such as the reduction of said liability in future periods are reflected in the statement of profit or loss and other comprehensive income.

Intangible Fixed Assets

Intangible fixed assets include information systems and software rights. These are reflected in the financial statements with the net value accrued after the deduction of accumulated amortisation shares and, if any, impairment, based on the adjusted acquisition costs expressed by the purchasing power of TL on 31 December, 2004, for items acquired before 1 January, 2005, and based on the acquisition costs for items acquired after 1 January, 2005. Intangible fixed assets are amortised over their acquisition costs within 3 to 5 years of the acquisition date using the straight-line basis amortisation method (Note 12).

It is estimated that the scrap value of intangible fixed assets is insignificant. In the case of impairment, impairment losses are reported as expense in the statement of profit or loss and other comprehensive income, and the recorded value of intangible fixed assets is reduced to the recoverable amount.

Goodwill/Negative Goodwill

A business combination is the combination of two separate businesses or business activities to form a separate reporting unit. Business combinations are recognised within the scope of TFRS 3 “Business Combinations” using the purchase method. The purchase cost incurred in relation to the acquisition of a business is distributed to the definable assets, liabilities and contingent liabilities at the acquisition date of the acquired business. The portion of the cost of business combination that exceeds the share of the acquirer in the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. If the acquisition cost is lower than the net fair value of the separable assets and liabilities, negative goodwill arises and is reflected in the financial statements as income in the period it occurs. In business combinations, assets not included in the financial statements of the acquired business but can be separated from goodwill, intangible fixed assets (such as brand value) and/or contingent liabilities are reflected in the financial statements at their fair values. The goodwill amounts in the financial statements of the acquired company are not considered as identifiable assets.

For the impairment test, goodwill is distributed to the smallest cash-generating units where management can monitor goodwill for internal reporting purposes. An impairment test is conducted on the same date every year for goodwill, and in the case of any indication of impairment, the said impairment test is repeated more frequently. Goodwill is carried over in the financial statements by deducting the accumulated impairment provisions from the first recorded cost value. Impairment of goodwill is irreversible.

Provisions, Contingent Liabilities and Contingent Assets

In order for any provision amount to be included in the financial statements, the Company must have an existing legal or founding obligation arising from past events, the business will most likely be required to release resources with economic benefits to fulfill the obligation, and the amount of such obligation should be estimated reliably. In cases the effect of time value of money is important, the provision amount is determined as the current value of the expenses expected to be necessary for the fulfillment of its obligation.

In determining the discount rate to be used in reducing the provisions to their present values, the interest rate in relevant markets and the risk related to the said liability are taken into consideration. The said discount rate is the rate before tax. The discount rate does not include the risk related to the estimation of future cash flows. While provisions increase as a result of provisions, for which the effect of time value of money is important, approach the estimated realization date, this difference is reported as interest expense in the comprehensive income statement.

Liabilities and assets that may be confirmed by the occurrence of one or more uncertain events arising from past events and whose existence is not under the full control of the Company are considered to be contingent liabilities and assets and are not included in the financial statements (Note 14). No provision is retained for operational losses that are expected to occur in future periods. On the other hand, in line with the past experiences of the Company management, in cases the economic benefit expected in the future is almost highly likely, said assets cannot be identified as contingent.

Employee Benefits / Severance Pays

According to the laws in force, the Company is obliged to make a certain collective payment to employees whose employment term has ended due to retirement or reasons other than resignation and behaviours specified in the Labour Law. Provision for severance pay is reduced to the net present value in accordance with the actuarial assumptions regarding the liability amounts that will arise in the future due to the retirement of all employees, and reflected in the financial statements (Note 15). Actuarial gains and losses arising from changes in the actuarial assumptions used to measure the provision in question are reflected in the financial statements through association with the statement of profit or loss and other comprehensive income.

The company gives senior management and administrative personnel management bonuses after a number of adjustments are made on the distributable profit to the shareholders, and if this bonus is not paid in full in the current period, a provision is retained for the unpaid portion in the relevant year.

In accordance with the existing labor law, the enterprise is obliged to pay pension because of work leave or resignation and severance pay to work to a certain amount to the end the staff for reasons other than misconduct after serving at least one year. This liability is calculated for each year of employment based on the 30-day total gross salary and other rights, maximum TL 6,379.86 as of 31 December, 2019 (31 December 2018: TL 5,434.42).

The Company has calculated the provision for Severance Pay reported in the accompanying financial statements using the “Projection Method” and based on the Company’s experience in the past years with respect the completion of the personnel service period and qualifying for severance pay, and discounted the government bonds earning ratio on the balance sheet date. All calculated gains and losses are reflected in the income statement.

Social Security Premiums

The Company pays social security premiums to the Social Security Institution on a mandatory basis. The Company has no other obligations as long as it pays these premiums. These premiums are reflected as personnel expenses in the period they are incurred.

Other Balance Sheet Items

Other balance sheet items are essentially reflected at book value.

Capital and Dividends

Ordinary shares are classified as capital. Dividends distributed over ordinary shares are recorded after being deducted from accumulated profits in the period they are declared. Received dividends, on the other hand, are recorded as income on the date the right of collection arises (Note 17).

Earnings Per Share

Earnings per share specified in the statement of profit or loss and other comprehensive income is found by dividing the net profit for the period by the weighted average number of stocks throughout the period (Note 24).

Companies may increase their capital by distributing shares to existing shareholders proportional to their share of accumulated profits ("Bonus Shares"). When calculating earnings per share, this bonus share is considered as issued shares. Therefore, the weighted average number of shares used in the calculation of earning per share is obtained by retroactively deducting the shares as bonus shares.

In case of dividend distribution, the earnings per share will be determined not by the weighted average of the shares, but by taking into account the number of existing shares.

Main Operating Incomes / (Expenses), Revenue

The Company has started to use the five-step model below in the accounting of revenue in accordance with TFRS 15 “Revenue arising from customer contracts” standard.

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determination of the transaction price in the contracts
- Distribution of the transaction price to performance obligations
- Accounting of revenue

The Company recognises a contract with the customer as revenue only if all of the following conditions are met:

a) The parties to the contract have ratified the contract (in writing, verbally or in accordance with other trade practices), and have committed to fulfill their own actions,
b) The Company may define the rights of each party in relation to the goods or services to be transferred,
c) The Company may define the payment terms for the goods or services to be transferred,
d) The contract is inherently commercial in nature,
e) The Company will likely collect the amount it will be entitled to for the goods or services to be transferred to the customer. When evaluating whether the collectability of an amount is probable, the Company takes into account only the customer's ability and intention to pay this amount on the due date. The amount the Company will be entitled to collect may be lower than the price specified in the contract, as it offers a price advantage to its customer.

Incomes are recognised on the basis of accrual at the fair value of the amount that is received or may be received upon the reliable determination of the income amount and the likelihood of economic benefits associated with the sale. Net sales have been calculated by deducting the sales and sales discounts from the sales of goods.

Sales of Goods:
Income from the sale of goods is recognised when the following conditions are met:
- All significant risks and gains related to ownership of the company are transferred to the buyer,
- The absence of the Company's continuing administrative involvement with respect to ownership as well as the absence of effective control over the goods sold,
- Reliable measurement of the amount of income,
- Possible flow of economic benefits related to the transaction to the business,
- Reliable measurement of costs arising or to arise from the transaction.

Service Sales:
In cases the outcome of a transaction regarding the offering of service can be estimated reliably, the revenue related to the transaction is reflected in the financial statements by taking into account the level of completion of the transaction as of the balance sheet date. It is considered that the results of the transaction can be estimated reliably, if all of the following conditions exist:
- Reliable measurement of the amount of revenue;
- The possibility that the business will acquire the economic benefits with regard to the transaction;
- Reliable measurement of the level of completion of the transaction as of the balance sheet date; and
- Reliable measurement of costs incurred for the transaction and the costs necessary for the completion of the transaction.

Dividends and Interest Income:

Interest income is accrued in the related period in proportion to the effective interest rate which reduces the remaining principal amount and estimated cash inflows to be obtained from the related financial asset over the expected life of the asset. Dividend income from equity investments is recognised when the shareholders' right to receive payment is established. Other incomes are recorded on an accrual basis over the fair value of the amount received or can be received upon the provision of the service or realization of income-related factors, the transfer of risks and benefits, the reliable determination of the income amount, and the flow of economic benefits associated with the transaction to the Company being likely.

Effects of Exchange Rate Change

Transactions in foreign currency have been converted Turkish Lira at the exchange rate valid on the date of the transaction, while the monetary assets and debts in foreign currencies have been converted to Turkish Lira at the period-end exchange buying rate of the Central Bank of the Republic of Turkey. The incomes and expenses arising from the conversion of foreign currency items are included in the statement of profit or loss statement for the relevant year.

Taxes Calculated on Corporate Earnings

Income tax expenditure consists of the sum current and deferred tax expenses.

Current Tax

Current year tax liability is calculated on the portion of the period profit subject to taxation. Taxable profit differs from the profit included in the statement of profit or loss because it excludes taxable or tax deductible items in other years or taxable items that can not be deducted from taxable income. The Company's current tax liability is calculated using tax rates that are legally enacted or substantively enacted as of the reporting date. The Law on the Amendment of Some Tax Laws was approved by the Turkish Grand National Assembly on 28 November, 2017, and published in the Official Gazette dated 5 December, 2017, becoming effective to increase the corporate tax rate from 20% to 22% for 2018, 2019 and 2020.

In this context, the deferred tax assets and liabilities calculated over the accumulated provisional differences that are subject to the tax deferred as of December 31, 2019 and December 31, 2018, were prepared by using the applicable and relevant tax rates effective in the periods in which the assets expected to be realized and liabilities are expected to be fulfilled, and recorded in the financial statements.

Deferred Tax

Deferred tax liabilities or assets are determined by measuring the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts considered in the statutory tax rates by taking into account the tax effects according to the balance sheet method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are calculated on the condition that it is highly probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of the goodwill or other asset or liability in the financial statements (other than in a business combination) that is not effected by business or financial profit/(loss).

Deferred tax liabilities are recognised for all taxable temporary differences that are attributable to investments in joint ventures and associates and subsidiaries, except where the Company is able to control the reversal of temporary differences and the probability of such reversal is low in the foreseeable future. Deferred tax assets arising from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable that such differences will be realized in the near future by generating sufficient profits subject to taxation and it is probable that the related differences will be recovered in the future (Note 23).

Deferred income tax assets and liabilities are calculated over the tax rates (tax regulations) that are expected to be effective in the period in which the assets are realized or the liabilities are realised and legalised or substantively legalised as of the reporting date. The tax results of the methods estimated by the Company in order to recover the book value of its assets as of the reporting date or fulfill its obligations are taken into account during the calculation of deferred tax assets and liabilities.
Deferred income tax assets and liabilities are recognised when there is a legally recognised right to offset current tax assets or liabilities in current tax assets or when the related assets and liabilities are related to the income tax collected by the same tax authority or when there is an intention to pay by offsetting the Company's current tax assets and liabilities.

Current and Deferred Tax for the Period

Tax is included in the statement of profit or loss on the condition that it is not related to a transaction recognised directly under equities. Otherwise, the tax is also recognised under equities with the relevant transaction.

Events After the Balance Sheet Date

Events after the reporting date include all events between the balance sheet date and the date of authorisation for the issue of the balance sheet, even if they have occurred after any announcement concerning profit or the public announcement of other selected financial information (Note 28). The Company adjusts its financial statements if such subsequent events arise that require an adjustment to the financial statements. Events arising after the reporting date include all events between the balance sheet date and the date of authorisation to issue the balance sheet, even if they have arisen after a profit-related announcement or other selected financial information are declared to the public (Note 28).

Reporting of Financial Information by Departments

Operating segments are evaluated in line with the internal reporting and strategic departments presented to the bodies or individuals authorised to make decisions regarding the Company's operations. The bodies and individuals authorised to make strategic decisions regarding the Company’s operations have been defined as the Company’s senior managers in order to make decisions concerning the resources to be allocated to these departments and to evaluate the performance of the departments. As the company’s senior managers check and analyse operating results on the basis of mining sites, each existing mining site can be defined as an operating segment. On the other hand, given that the legislation and laws affecting the production process of each mine, the ready to process mined ore clusters obtained as a result of this process, the gold in the production process or the dores ready for shipment, the sales channels, as well as the customer portfolio and the Company’s activities are the same, in accordance with the relevant provisions in TFRS 8, "Operating Segments", the Company has a single reportable operating segment, and based on this, financial information have not been reported according to operating segments.

Cash Flow Statement

In the statement of cash flows, cash flows related to the period are reported by the classification according to their operating, investing and financial activities. Cash flows arising from business activities present cash flows arising from the Company's operations. Cash flows from investment activities represent the cash flows that the Company uses in or obtained from investment activities (non-current assets and financial investments). Cash flows from financing activities present the resources of the Company used in its financing activities and the repayments of such resources.

2.7 Significant Accounting Assessment, Estimation and Assumptions

The preparation of financial statements in accordance with TMS requires management to make decisions, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The assumptions underlying the estimates and forecasts are constantly reviewed. The updates to the accounting estimates are recorded in the period in which the update is made and in the subsequent periods affected by these updates. Assumptions made by taking into account the principle sources of interpretations that may have significant affect on the amounts reported in the financial statements, and estimations existing on the date of the statement of financial position or may materialise in the future are as follows:

a) Gold Reserves and Mine Life

The company management reviews its estimates made in relation to visible and prospective mine reserves in each balance sheet period, and in certain periods, it tasks professional independent valuation companies to conduct valuation aimed at determining the quantity of visible, prospective and probable mine reserves in accordance with Australian Search Results, Joint Ore Reserves Committee (“JORC”) 2012 Standards; the reserve quantity is updated by people with the competencies specified in the "JORC" Standards or those under their supervision. The reserve and resource quantities in question have been updated as of 31 December, 2019, by the independent professional valuation company "SRK Consulting" in line with "JORC" standards.

The assumptions and methods used in determining the mine reserves within the scope of the mentioned studies include certain uncertainties (such as gold prices, exchange rates, geographic and statistical variables), thus the assumptions and methods developed with respect to the mine reserve may vary significantly depending on the availability of new information. The cost and amortization of mine assets are adjusted prospectively, depending on the updates in question.

b) Goodwill and Tangible Fixed Asset Values Carried Over

Mine assets are amortised using the "production units" method, and a visible and possible processable gold reserve quantity is used to calculate the amortization rate. Other tangible assets, whether movable or fixed, which are not included within the scope of mine assets, are amortised using the linear method based on their useful lifetimes, limited to the lifetimes of the mines they are related to. The amortisation calculated based on the visible and processable gold reserve quantity and using the units of production method may vary between periods, and amortization for certain mine assets may be affected due to the deviation between actual and estimated production quantities. The differences in question arise from the variables or assumptions specified below:

- Changes in the visible and processable gold reserve amounts as a result of the operations conducted,
- The tenor ("grade") ratio of a reserve that may change significantly from time to time,
- Actual gold price and the estimated gold price taken into account in reserve valuation and tenor determination,
- Certain matters capable of affecting operations that may take place in mining sites and cannot be predicted in advance,
- Unpredictable changes in mine extraction, processing and rehabilitation costs, discount rates, exchange rate differences,
- The effects of changes in mine lifes on the useful lifetimes of fixed assets, whose useful lifetimes are limited to mine life, and are amortised using the linear method.

The impairment tests carried out by the Company management depend on the management's estimates regarding future gold prices, current market conditions, exchange rates and the relevant project risk, as well as the before tax discount rate. The recoverable value of cash-generating units is determined at the usage value of the relevant cash-generating unit or at the highest fair value after the sales costs are deducted. These calculations require the use of certain assumptions and estimates. Changes in assumptions and estimates made based on gold prices may affect the usage life of the mines, and, additionally, conditions may arise that may require adjustment to either the goodwill or the carrying values of the relevant assets.

Assets are grouped as independent and smallest cash-generating units. In case the impairment indicator is determined, estimates and assumptions are created for the cash flows to be obtained from each cash-generating unit. The impairment tests of both tangible fixed assets and goodwill constitute a certain amount of uncertainty due to the estimates and assumptions used. This uncertainty arises from the quantity of visible and processable gold reserves used, current and projected gold prices, discount rates, exchange rates and estimated production costs.

c) c) Ready-to-Process Mined Ore Clusters, Silver and Gold Dore Bars in the Production Process or Ready for Shipment

The ready-to-process mined ore clusters and gold in the production process are measured as a result of certain measurements and over the recovery rate that varies depending on the estimated production process. The ready-to-process mined ore clusters, the quantity of gold in the production process are determined through periodical counts and reporting.

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

The Company management compares the estimated recovery rate with the actual recovery on a monthly basis by means of comparing the estimated tenor rate of the ore and the actual quantity of processed gold, and makes the necessary updates.

d) Environmental Rehabilitation, Rehabilitation and Closure of Mining Sites

The amount of provisions reflected in the financial statements related to environment rehabilitation, the rehabilitation and closure of the mining sites is based on the plans of the Company management and the requirements of the relevant legal arrangements, and the changes in the plans and legal arrangements in question, the reduction rates used, and the changes in the estimates made with respect to mine reserves may affect the provisions.

e) Legal risks

Since the Company continues its activities in the mining sector, it is exposed to many risks arising from laws and legislations. The results of existing legal practices and lawsuits or those that may be arise in the future as of the balance sheet date can be estimated within a certain rate in line with the past experience of the Company management and as a result of legal consultancy. The adverse effects of a decision or practice that may be taken against the Company may significantly affect the Group's operations.

f) Provision for doubtful receivables

In the event that there is a situation that indicates that the Company will not be able to collect the amounts due, an impairment provision is established for the trade receivables. The Company evaluates the collection performance related to its receivables and the ability to collect the receivable, and consequently determines the provision for doubtful receivables. Doubtful receivable provision is an accounting estimate formed based on the past payment performances and financial status of customers.

g) Severance Pay Obligation

Severance pay is determined using actuarial assumptions (discount rates, future salary increases and employee turnover rates). (Note: 15)

NOTE 3 - RELATED PARTY DISCLOSURES

a) Related Party Balances

The Company's balances to related parties as of 31 December, 2019 and 31 December, 2018 are as follows:

Other Receivables From Related Parties

	31.12.2019	**31.12.2018**
ATP İnşaat ve Ticaret A.Ş.	264,587	191,927
Koza İpek Holding A.Ş.	105,018	79,979
Other	2,204	412
Total	**371,809**	**272,318**

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

Other Payables to Related Parties

	31.12.2019	31.12.2018
ATP Koza Turizm Seyahat ve Ticaret A.Ş.	255	264
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.	117	247
Other	285	221
Total	**657**	**732**

b) Related Party Purchases/Sales

The Company's balances for purchase/sales to related parties as of 31 December, 2019 and 31 December, 2018 are as follows:

Sales to Related Parties

	1 January - 31 December 2019			1 January - 31 December 2018		
	Interest	Service	Other	Interest	Service	Other
ATP İnşaat ve Ticaret A.Ş.	29,839	--	15	24,653	-	25
Koza İpek Holding A.Ş.	15,466	--	59	13,259	-	6
Other	--	268	285	-	68	143
	45,305	**268**	**359**	**37,912**	**68**	**174**

Purchases to Related Parties

	1 January - 31 December 2019			1 January - 31 December 2018		
	Lease	Service	Other	Lease	Service	Other
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.	3,741	--	257	3,401	-	217
Koza İpek Sigorta A.Ş.	--	2,405	--	-	2,153	-
Other	--	--	572	-	-	516
	3,741	**2,405**	**829**	**3,401**	**2,153**	**733**

c) Benefits provided to senior management: Total amount of salary and similar benefits paid to senior management between 31 December, 2019 is TL 3,730 Thousand. The total relevant amount consists of salary. (31 December 2018: TL 2,916 Thousand).

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	31.12.2019	31.12.2018
Safe	143	177
Banks		
- Demand deposit	3,203	3,045
- Term deposit	4,451,685	2,555,496
Total	**4,455,031**	**2,558,718**
Interest Rediscount on Cash and Cash Equivalents	(25,478)	--
Total	**4,429,553**	**2,558,718**

Details of the Company's term deposits as of 31 December, 2019 are as follows:

Currency Type	Interest Rate	Term	Currency Amount	TL Equivalent
US$	%2.00-%2.10	1-35 Days	110,909	658,822
TL	10.25%-12.00%	1-35 Days	3,792,863	3,792,863
Total				**4,451,685**

Details of the Company's term deposits as of 31 December, 2018 are as follows:

Currency Type	Interest Rate	Term	Currency Amount	TL Equivalent
US$	%3-%4.25	13 Days	128,296	674,953
TL	%18-%23	43 Days	1,880,543	1,880,543
				2,555,496

NOTE 5 - FINANCIAL INVESTMENTS

The Company's financial investments as of 31 December, 2019 and 31 December, 2018 are as follows:

	31.12.2019	31.12.2018
Financial investments with fair value classified to profit / loss		
Bonds and bills *	12,069	7,496
Shares in Other Businesses **	218,753	218,325
	230,822	**225,821**

* As of 31 December, 2019, long-term bonds and bills reaching maturity in 2020 are in US Dollars and the average interest rate of these bonds and bills is 3.94% (31 December 2018: 4.90%).

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

** As a result of the decisions taken at the General Assembly meeting of Koza Ltd., of which the Company owns 100% of shares, held on 11 September, 2015, and 2 Group A shares, each valued at 1 British Pound ("GBP"), created with the amendment to the articles of association on the same date, the controlling power over the said company has been transferred to Group A shareholders. Pursuant to the amendment to the articles of association as of September 11, 2015, directors to be appointed by the said shareholders have been given rights such as disposal regarding all operational and administrative activities of Koza Ltd., deciding on and approval of amendments to the articles of association, approval related to liquidation and share transfer transactions, etc., consequent to the said changes, the Company has lost controlling power over the company in question and has been excluded from the scope of consolidation of Koza Ltd. This has been recognised in the financial statements at the cost value as of the date the control ended. As of the report date, fair value measurement could not be calculated due to uncertainties caused by the continuing legal processes at Koza Ltd.

The legal process regarding the said general assembly and the decisions taken has been started with the decision of the CMB dated 4 February, 2016, and, in cases which the final judicial decisions about this decision are different from the initially recorded amounts, these differences will be recognized in the period they are determined.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

The Company's trade receivables as of December 31, 2019 and December 31, 2018 are as follows:

	31.12.2019	31.12.2018
Short-term trade receivables		
Trade receivables	69,903	71,758
Provision for doubtful trade receivables (-)	(69,586)	(70,248)
	317	**1,510**

The Company's transaction statement regarding provisions for doubtful trade receivables is as follows:

	31.12.2019	31.12.2018
Period-start balance	70,248	59,815
Provisions / Adjustments during the year	(662)	10,433
Total	**69,586**	**70,248**

The Company's trade payables as of December 31, 2019 and December 31, 2018 are as follows:

	31.12.2019	31.12.2018
Short-term trade payables		
Sellers	67,591	52,856
	67,591	**52,856**

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

The Company's other receivables as of December 31, 2019 and December 31, 2018 are as follows:

	31.12.2019	31.12.2018
Other short-term receivables		
Other receivables from related parties	371,809	272,318
	371,809	**272,318**

The Company's other payables as of December 31, 2019 and December 31, 2018 are as follows:

	31.12.2019	31.12.2018
Other short-term payables		
Other payables to related parties	657	732
Total	**657**	**732**

	31.12.2019	31.12.2018
Other long-term payables		
Other payables *	32,619	28,889
Total	**32,619**	**28,889**

* This is due to the Company's acquisition of Newmont Altın, which took place in 2010. (Details are explained in Note: 12.)

NOTE 8 - INVENTORIES

The Company's inventories as of December 31, 2019 and December 31, 2018 are as follows:

	31.12.2019	31.12.2018
Ready-to-Process, Extracted Ore Clusters	117,667	89,122
Chemicals and Operating Materials	60,571	55,965
Spare Parts *	79,712	64,629
Gold and Silver in the Production Process and Dore Bars Consisting of Gold and Silver	122,980	97,619
Total	**380,930**	**307,335**

* Spare parts are used for the ongoing activities of gold mines that continue their activities.

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

NOTE 9 - PREPAID EXPENSES

The Company's prepaid expenses as of December 31, 2019 and December 31, 2018 are as follows:

Short-term prepaid expenses	**31.12.2019**	**31.12.2018**
Expenses for Future Months	1,293	2,445
Advances for Purchase Orders	19,421	7,207
Total	**20,714**	**9,652**

Long-term prepaid expenses	**31.12.2019**	**31.12.2018**
Advances Given	4,212	1,883
Other	33,962	28,874
Total	**38,174**	**30,757**

NOTE 10 - INVESTMENT PROPERTIES

The Company's investment properties as of 31 December 2019 and December 2018 are as follows:

	01.01.2019	**Input**	**Output**	**31.12.2019**
Cost				
Buildings	112,040	--	--	112,040
	112,040	**--**	**--**	**112,040**
Accumulated amortisation				
Buildings	8,020	2,226	--	10,246
	8,020	**2,226**	**--**	**10,246**
Net book value	**104,020**	**--**	**--**	**101,794**

	01.01.2018	**Additions**	**Output**	**31.12.2018**
Cost				
Buildings	112,040	--	--	112,040
	112,040	**--**	**--**	**112,040**
Accumulated amortisation				
Buildings	5,727	2,293	--	8,020
	5,727	**2,293**	**--**	**8,020**
Net book value	**106,313**	**--**	**--**	**104,020**

No rental income was received from investment properties in 2019 (2018: None).

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

TL 89,978 Thousand of the investment properties in buildings are located in the UK, and members of the İpek Family live in these apartments. The lease contract was not signed due to the existing legal procedures. When the legal procedures end, the Company management will make the required evaluations in accordance with market practices. TL 22,062 Thousand of the investment properties in buildings consist of dormitory buildings located in Gümüşhane and Bergama. There is no lease agreement. As of 31 December 2019, there are commentaries on the Company's properties placed by the General Directorate of National Real Estate.

NOTE 11 - TANGIBLE FIXED ASSETS

The Company's tangible fixed assets as of 31 December, 2019 and 31 December, 2018 are as follows:

	31.12.2019	**31.12.2018**
Mine assets	222,055	317,547
Other fixed assets	349,328	355,312
	571,383	**672,859**

a) Mine assets

As of 31 December, 2019, and 31 December, 2018, mine assets consist of mining rights, mine development, deferred mining costs, the cost of closure and rehabilitation of mining lands and mines, and the net book values of these mining assets are as follows:

	31.12.2019	**31.12.2018**
Lands	27,960	33,294
Mine site development cost	104,695	161,788
Deferred mining costs	16,646	37,001
Rehabilitation cost of the mining facility	44,791	69,633
Cost of purchased mining rights	27,963	15,831
	222,055	**317,547**

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

Movements of mineral assets within the period as of 31 December 2019 and 31 December 2018 are as follows:

Mine assets	01.01.2019	Additions	Outputs	Transfers	31.12.2019
Cost					
Lands	60,321	286	--	--	60,607
Mine site development cost	452,565	36,988	(74,005)	--	415,548
Deferred mining costs	223,389	23,220	--	--	246,609
Rehabilitation cost of the mining facility	142,728	42,194	--	--	184,922
Cost of purchased mining rights	28,235	12,660	--	--	40,895
	907,238	**115,348**	**(74,005)**	**--**	**948,581**
Accumulated amortisation					
Lands	27,027	5,620	--	--	32,647
Mine site development cost	290,777	20,076	--	--	310,853
Deferred mining costs	186,388	43,575	--	--	229,963
Rehabilitation cost of the mining facility	73,095	67,036	--	--	140,131
Cost of purchased mining rights	12,404	528	--	--	12,932
	589,691	**136,835**	**--**	**--**	**726,526**
Net registered value	**317,547**				**222,055**

Mine assets	01.01.2018	Additions	Outputs	Transfers	31.12.2018
Cost					
Lands	55,102	5,219	-	-	60,321
Mine site development cost	429,580	22,985	-	-	452,565
Deferred mining costs	183,881	39,508	-	-	223,389
Rehabilitation cost of the mining facility	94,890	47,838	-	-	142,728
Cost of purchased mining rights	14,499	13,736	-	-	28,235
	777,952	**129,286**	**-**	**-**	**907,238**
Accumulated amortisation					
Lands	23,928	3,099	-	-	27,027
Mine site development cost	280,078	10,699	-	-	290,777
Deferred mining costs	179,482	6,906	-	-	186,388
Rehabilitation cost of the mining facility	60,224	12,871	-	-	73,095
Cost of purchased mining rights	12,019	385	-	-	12,404
	555,731	**33,960**	**-**	**-**	**589,691**
Net registered value	**222,221**				**317,547**

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

b) Other tangible fixed assets

Movements of fixed assets within the period as of 31 December, 2019 and 31 December, 2018 are as follows:

Current Period	01.01.2019	Additions	Outputs	Transfers	31.12.2019
Cost					
Land, Surface layouts and buildings	226,960	6,929	--	19,577	253,466
Machinery, facilities and devices	610,945	42,185	(8)	1,205	654,327
Transport vehicles	67,755	3,946	(420)	--	71,281
Furniture and fixtures	45,528	7,415	(40)	--	52,903
Investments in progress	20,996	12,423	--	(20,782)	12,637
	972,184	**72,898**	**(468)**	**--**	**1,044,614**
Accumulated amortisation					
Buildings and surface layouts	104,637	23,222	--		127,859
Machinery, facilities and devices	455,812	36,929	--	--	492,741
Transport vehicles	29,584	11,780	(320)	--	41,044
Furniture and fixtures	26,839	6,837	(34)	--	33,643
	616,872	**78,768**	**(354)**	**--**	**695,286**
Net registered value	**355,312**				**349,328**

	01.01.2018	Additions	Outputs	Transfers	31.12.2018
Cost					
Land, Surface layouts and buildings	150,044	6,968	-	69,948	226,960
Machinery, facilities and devices	517,026	41,975	(16)	51,960	610,945
Transport vehicles	38,902	31,273	(2,420)	-	67,755
Furniture and fixtures	35,108	8,815	(21)	1,626	45,528
Investments in progress (*)	75,982	68,548	-	(123,534)	20,996
	817,062	**157,579**	**(2,457)**	**-**	**972,184**
Accumulated amortisation					
Surface layouts and buildings	97,054	7,583	-	-	104,637
Machinery, facilities and devices	422,307	33,506	(1)	-	455,812
Transport 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 registered value	**245,079**				**355,312**

(*) Additions to the investments made in 2018 and machinery, facilities and devices consist mainly of investments in the Himmetdede-Kayseri and Ovacık-Bergama-İzmir mining area.

NOTE 12 - INTANGIBLE FIXED ASSETS

Details of the Company's intangible assets as of 31 December, 2019 and 31 December, 2018 are as follows:

Goodwill

	31.12.2019	**31.12.2018**
Goodwill Arising from the Acquisition of Newmont Altın	11,232	11,232
Goodwill Arising from the Acquisition of Mastra	2,785	2,785
	14,017	**14,017**

Acquisition of Newmont Altın:

The Company has acquired 99.84% of Newmont Altın's shares on 28 June, 2010, in order to gain a competitive advantage and create synergy by benefiting from the mine sites owned by Newmont Altın based on the "Share Purchase Agreement" signed with Newmont Overseas and Canmont and, as of the same date, Newmont Altın's control was transferred to Koza Altın.

Koza Altın paid USD 538 Thousand and USD 2,462 Thousand, which constitute part of the total purchase price of USD 8,500 Thousand of Newmont Altın shares of 99.84%, on 28 June, 2010 and 2 July, 2010, respectively. USD 3,000 Thousand of the remaining USD 5,500 Thousand purchase price will be paid after the commencement of the Diyadin project planned for at least one year after the balance sheet date, and the remaining USD 2,500 Thousand will be paid one year after the second payment.

As a result of the estimates of the gold price predictions made by the management as of 31 December, 2019, and the geological and geochemical studies and expert reports, it is highly probable that there will be a sufficient amount of visible and possible reserves in the said mine sites in the coming years. As a result of these evaluations, no impairment is expected in the goodwill arising from the acquisition of Newmont Altın as of 31 December, 2019.

Acquisition of Mastra Madencilik:

The Company purchased 50.43% of the shares of Mastra Madencilik, of which it previously owned 49.57% of its founder shares, from Dedeman Holding A.Ş. and the Dedeman Family for TL 4,217 Thousand in exchange for USD 3,217 Thousand on 12 August, 2005, and the difference between the fair value of the net assets obtained and the proceeds of the acquisition is reflected in the financial statements as goodwill. As of September 15, 2005, Mastra Madencilik has legally merged with Koza Altın in line with the Turkish Commercial Code and Corporate Tax Law.

As a result of the impairment tests conducted over fair value after the costs required for sale, no impairment was detected in the goodwill arising from the acquisition of Mastra Madencilik as of 31 December, 2019. Since gold price is an independent market data in ounces, the Company conducts the impairment test by deducting the net book value of the mining assets and other tangible and intangible assets in the region from the amount valued at the current market prices in the relevant region, and compares the “value of the visible and possible feasible net reserve” obtained with the value of the goodwill that is carried over. No impairment has been determined due to the net value of the visible and possible feasible net reserves after the deduction of related investments being higher than the value of the goodwill carried over.

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

Other Intangible Fixed Assets

Current Period	**01.01.2019**	**Additions**	**Outputs**	**Transfers**	**31.12.2019**
Cost					
Rights	9,478	808	--	--	10,286
	9,478	**808**	**--**	**--**	**10,286**
Accumulated amortisation share					
Rights	7,111	1,735	--	--	8,846
	7,111	**1,735**	**--**	**--**	**8,846**
Net registered value	**2,367**				**1,440**

	01.01.2018	**Additions**	**Outputs**	**Transfers**	**31.12.2018**
Cost					
Rights	7,615	1,863	-	-	9,478
	7,615	**1,863**	**-**	**-**	**9,478**
Accumulated amortisation share					
Rights	6,369	742	-	-	7,111
	6,369	**742**	**-**	**-**	**7,111**
Net registered value	**1,246**				**2,367**

NOTE 13 - GOVERNMENT INCENTIVES AND AIDS

80% of the SSI employer's share calculated for the employees of the Company's mine processing facility in Mastra-Gümüşhane and the income tax calculated over wages are covered by the Treasury within the scope of the Law No. 5084 on “Encouraging Investments and Employment and Amendment to Certain Laws”. The Company also benefits from the 5% employer insurance premium employer share incentive under the “Social Insurance and General Health Insurance Law” no. 5510 in all places of business.

The Company benefits from the investment incentive in its Çukuralan - İzmir business. The Company benefits from the 80% and 40% corporate tax reduction rate and the contribution to investment rate, respectively.

An incentive certificate was received for Himmetdede on 8 May, 2018. The document in question is for 3 years from 21.12.2017.

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND PAYABLES

Details of the Company's provisions, contingent assets and payables as of 31 December, 2019 and 31 December, 2018, are as follows:

14.1 Short-term provisions

	31.12.2019	31.12.2018
State right expense provision	107,470	48,317
Provision for environmental rehabilitation, rehabilitation of mining sites and mine closure	45,582	49,466
Provision for court cases	8,581	3,837
Other provisions	3,769	1,381
Total	**165,402**	**103,001**

14.2 Long-term provisions

	31.12.2019	31.12.2018
Provision for environmental rehabilitation, rehabilitation of mining sites and mine closure	125,359	83,919
Total	**125,359**	**83,919**

The transaction statement of the provision for environmental rehabilitation, rehabilitation of mining sites and mine closure is as follows:

	31.12.2019	31.12.2018
Rehabilitation provision		
Period start	133,385	101,787
Paid during the period	(10,882)	(21,034)
Discount and exchange effect recognised as expense during the period	4,307	2,790
Increase during the period - net	41,750	47,838
Recorded in the profit or loss statement as income during the current period	2,381	2,004
Period end	**170,941**	**133,385**

14.3 Important Ongoing Court Cases

a) Cases Related to the Ovacık Mine

The case of the 3rd İzmir Administrative Court no. 2017/1432 E. has been filed against the Ministry of Environment and Urbanisation for the cancellation of the EIA positive decision regulated for the 3rd waste storage facility in Ovacık, and the Company became involved in the case. The trial is ongoing.

The case of the 6th İzmir Administrative Court no. 2017/1432 E. has been filed against the Ministry of Environment and Urbanisation for the cancellation of the EIA positive decision regulated as per the 2009/7 circular and the Company became involved in the case. In the 6th İzmir Administrative Court case file no. 2017/1317 E., the case was rejected in favour of the Company, and the Council of State decided to reject the appeal requests of the plaintiffs, and decided to send the file to the local court for a procedural reason that does not affect the merits. In this respect, the trial is ongoing and does not affect Company activities. Therefore, the Company continues its production activities within the scope of the relevant EIA positive report.

The results of other court cases regarding the Ovacık gold mine do not affect the operations of the Company.

b) Cases related to the Havran Mine

With regard to Havran site no. 28237, the revocation of the licence was decided by the decision in the Balıkesir Administrative Court file 2017/1313 E., 2017/2594 K. The results of the cases do not affect the activities of the Company.

c) Cases Related to the Kaymaz Mine

The Company has filed cases requesting to stop and cancel the execution with the 1st Eskişehir Administrative Court E.2014/1084 and 1st Eskişehir Administrative Court E.2014/760 files against the procedures related to the cessation of activity in agricultural lands located within the Kaymaz gold mine business sites with license no. 43539 and 82567. Of these cases, in the 1st Eskişehir Administrative Court E.2014/760 case filed regarding site with licence no. IR 43539, the court 'decided to reject the request to stop execution', and this decision was appealed at the Regional Administrative Court On the other hand, in case no. E.2014/1084 filed in relation to site with licence no. IR 82567, it decided for the examination and exploration and expert examination in the file after the exploratory and expert examination of the request to 'stop execution' and examination of the expert report to be prepared. Both cases resulted in favour of the Company. Upon the appeal of the other party, it was decided by the Council of State to stop the execution of the court decision until the defense. The examination of the request for suspension of execution is ongoing.

d) Cases Related to Other Mines

These court cases are cases related to the expansion of the activity in certain licenced sited and/or the permits and licences of the sites to commence activity.

Cases related to the Çukuralan mine:
The case of the 6th İzmir Administrative Court no. 2017/1656 E. has been filed against the Ministry of Environment and Urbanisation for the cancellation of the EIA positive report given for the Çukuralan business 3rd capacity increase project, and the Company became involved in the case. An exploratory examination was conducted on the file on 4 April, 2018, by the expert and the court committee. On 9 August, 2018, the court decided to cease the execution along with the decision to cancel the proceedings with decision dated 28.09.2018, and as a result of the appeal investigation by the Council of State, it overturned the decision in favour of the Company with decision no. 2018/5434 and 2019/1606 dated 05.03.2019 as it saw no relevance in the decision of the local court. The case is ongoing at the 6th İzmir Administrative Court over basis no. 2019/574. The trial is ongoing. The Company continues its activities with the EIA positive report it received within the scope of the 2nd capacity increase.

Cases related to the Himmetdede-Kayseri mine:
Two lawsuits were filed for the cancellation of the EIA positive report dated 14 July, 2016, which was issued newly upon the previous cancellation decision, and the Company became involved. The 2nd Kayseri Administrative Court 2016/814 E. and 1st Kayseri Administrative Court 2016/756 E cases have been filed. The case was dismissed by the local court in favour of the Company, and as a result of the appeal by the plaintiff, the court decision was overturned due to incomplete examination. As a result of the re-trial conducted by the local court, cases no. 2016/814 E. and 2016/756 E. were rejected in favour of our Company with the 2nd Kayseri Administrative Court decision no. E:2018/526, K:2019/332 dated 08.05.2019, and the 1st Kayseri Administrative Court decision no. E:2018/501, K:2019/394 dated 08.05.2019, respectively. The 2nd Kayseri Administrative Court decision no. 2018/526 E., the appeal was rejected with the declaration of the 6th Office of Council of State no. E: 2019/15818, K: 2019/9919 dated 23.10.2019, and the decision was definitively approved. As a result of the appeal filed by the plaintiff's attorney, the 1st Kayseri Administrative Court decision no. 2018/501 E., the appeal was rejected with the declaration of the 6th Office of Council of State no. E: 2019/15830, K: 2019/9920 dated 23.10.2019, and the decision was definitively approved. The relevant EIA positive report does not affect the mine operations of the Himmetdede mine, and the Company continues its activities with the EIA positive report dated 27 October, 2016.

e) Cases Related to the Company's Subsidiaries Abroad

The legal process has been initiated against the amendment to the articles of association and privileged share distribution of the London-based Koza Ltd., of which the Company holds 100% of shares, as well as the board of directors change processes, and the legal process is ongoing in London courts. Based on the decision taken on January 23, 2019, in the 10th Ankara Commercial Court of First Instance file no. 2017/349 E., it has been decided for the 60,000,000 British Pounds to be received from the defendants in addition to the interest to be accrued as of 01 September, 2015 as per article 4/a of law no. 3095, and paid to Koza Altın İşletmeleri A.Ş. within two weeks of the notification of the decision, with the right to appeal available. The defendants applied for an appeal against this decision, and the 21st Civil Chamber of Ankara Regional Court of Justice, which is the court of appeals, decided with decision no. 2019/699 E. and 2019/1189 K., to nullify the appeal of defendants due to procedural reason. The defendants have appealed against this decision, and the appeal process is ongoing.

f) Cases Related to the Söğüt Project

Gübre Fabrikaları T.A.Ş.'ne ait bulunan Söğüt ilçesindeki sahaların rödovans sözleşmesinin iptali için 2015 yılında açılmış bulunan İstanbul 6. It is case no. 2015/1344 E. of the Court of Peace. 27 Aralık 2018 tarihinde mahkeme, davaya ve sözleşmeye konu Bilecik ili, Söğüt ilçesi, Kızılsaray köyünde kain ER 1151632 erişim nolu,5534 sicil nolu,IR 3141 ruhsat nolu maden işletme sahasından davalı Şirket'in tahliyesine, davalı Gübre Fabrikaları T.A.Ş.'ye teslimine ve işletme ruhsatlarının davacı adına tescili istemli talebin idari bir tasarruf olması sebebiyle reddine karar verilmiştir. The decision was resolved with the right to appeal to the regional court of justice available within 2 weeks of notification to the defendant and the plaintiff parties. On 29 January, 2019, the Company applied to the Istanbul Regional Court of Justice to appeal against the decision in question. The court of appeal definitively decided to dismiss the Company's appeal with prejudice.

g) Liability Cases Filed Against Former Managers

Following the decision to appoint a trustee, consequent to the evaluations made by the CMB, instruction was given to file a liability case against the Company's former board members for causing damage to the Company for miscellaneous reasons, and various liability cases have been filed against the former managers at the Ankara Commercial Courts, and the cases are still pending. Developments regarding cases that will affect Company activities are announced on the public disclosure platform at legal intervals.

h) Cases related to Collective Licence Cancellations

The cancellation of 162 mine exploration and operation licences belonging to the Company was decided upon the Ministry approval dated 20 July, 2016, and miscellaneous cases have been filed against the Ministry of Energy and Natural Resources in various courts against the cancellation decisions. While the trial process is ongoing, a settlement protocol has been concluded and entered into force between the Ministry of Energy and Natural Resources and the Company in accordance with the provisions of Decree no. 659. Accordingly, business projects were revised by the Company with respect to 142 of the licences that were cancelled and submitted to the ministry; investigations were continued by the ministry, and the cases were withdrawn with a peaceful agreement for the applications that were previously decided to be cancelled, and the files were closed

ı) Personnel Cases and Contractual Claims

The provision amount for personnel cases, severance and other cases continuing against the Company as of 31 December, 2019, is TL 8,581 Thousand (31 December 2018: TL 3,837 Thousand).

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

i) Other Legal Processes

The 5th Ankara Criminal Court of Peace dated 26 October, 2015, the Company’s management was transferred to the Board of Trustees and, subsequently, to the Savings Deposit Insurance Fund (“SDIF”) on 22 September, 2016. The indictment issued by the Ankara Chief Public Prosecutor's Office regarding the Company’s former managers with respect to the events leading to the appointment of the Trustee was accepted by the 24th Ankara High Criminal Court and started to be tried with file no. 2017/44 E.; the case was concluded by the court of first instance. In the decision of the court of first instance, it has been decided to confiscate the Company shares belonging to former board members. Decision has been made to continue the measure in the form of appointing the trustee as explained above as is until the decision is finalised. The decision has not been finalised yet. In the case of the 24th Ankara High Criminal Court no. 2017/44 E., it was additionally decided regarding the former board members, who could not be prosecuted because they did not come to court, that their file be separated and registered under a new basis, that their trial be continued through this file, and the measure in the form of the appointment of the trustee as explained above be continued as is until the finalization of the trial. The separated file received the number High Criminal Court 2020/20 E.

14.4 Commitments and Contingent Liabilities

a) Guarantees Given

The details of the guarantees given by the Company as of 31 December, 2019 and December 31, 2018 are as follows:

	31.12.2019	**31.12.2018**
A. Total Amount of GPLs Given in the Name of its Own Legal Entity	28,972	25,303
-Guarantee	*28,972*	*25,303*
-Lien	-	-
B. Total Amount of GPLs Given in Favour of Partnerships Included in Scope of Full Consolidation	-	-
C. Total Amount of GPLs Given for the Purpose of Securing Other 3rd Party Debts in Order to Carry Out its Ordinary Trade Activities	-	-
D. Total Amount of Other GPLs Given	-	-
i. Total Amount of GPLs Given on Behalf of the Parent	-	-
ii. Total Amount of GPLs Given to on Behalf of Other Group Companies Not in Scope of articles B and C	-	-
iii. Total Amount of GPLs Given in Favour of 3rd Parties Not in Scope of Article C	-	-
	28,972	**25,303**

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

b) Guarantees received

Details of the guarantees received by the Company as of 31 December, 2019 and December 31, 2018 are as follows:

	31.12.2019	31.12.2018
Guarantee cheques	304,613	248,819
Letters of guarantee	136,694	131,465
Collateral bonds	1,537	1,537
Total	**442,844**	**381,821**

NOTE 15 - EMPLOYEE BENEFITS

15.1. Payables Within the Scope of Employee Benefits

Details of the debts within the scope of employee benefits as of 31 December, 2019 and 31 December, 2018, are as follows:

	31.12.2019	31.12.2018
Debts to Personnel	181	187
SSI premiums to be paid	9,477	7,288
	9,658	**7,475**

15.2. Short-Term Provisions Related to Employee Benefits

Details of short-term provisions related to employee benefits as of 31 December, 2019 and 31 December, 2018, are as follows:

	31.12.2019	31.12.2018
Leave provision	9,653	6,147
	9,653	**6,147**

15.3. Long-Term Provisions Related to Employee Benefits

Details of the long-term provisions for employee benefits as of 31 December, 2019 and 31 December, 2018, are as follows:

	31.12.2019	31.12.2018
Provision for severance pay	25,689	20,913
	25,689	**20,913**

According to the Turkish Labor Law, the Company is obliged to pay severance pay to personnel who have completed one year of service, and whose ties with the Company has ceased, or who retired 25 years of labour (20 years for women) and reached the age of retirement (58 years for women, 60 years for men), who have been called to military service or passed away. The severance to be paid for each service year is up to one month's salary, and this amount has been limited to TL 6,379.86 as of 31 December, 2019 (31 December 2018: TL 5,434.42).

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

Severance pay liability is not legally subject to any funding and there is no funding requirement. Provision for severance pay is calculated by estimating the value of the likely liability to be paid on the date of the balance sheet in case of the retirement of employees in accordance with actuarial predictions. The principal assumption is that the determined ceiling liability per year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate adjusted from the expected effects of the inflation. The following actuarial assumptions were used to calculate the Company's severance pay provision, total provision:

	31.12.2019	**31.12.2018**
Annual Discount Rate	1.29%	3.40%
Likelihood of Retirement	92.62%	96.50%

The liability for severance pay is not legally subject to any funding. Provision for employment severance pay is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of its employees. TMS 19 ("Employee Benefits") provides for the development of the Company's obligations under actuarial valuation methods within the scope of defined benefit plans. Provision for severance pay transactions in the 31 December, 2019 and 31 December, 2018 accounting periods are as follows:

	31.12.2019	**31.12.2018**
Opening 1 Ocak	**20,913**	**13,480**
Payments	(2,524)	(1,023)
Interest cost	141	457
Current service cost	4,491	7,094
Actuarial gain/loss	2,668	905
Closing Balance as of 31 December	**25,689**	**20,913**

The liability for severance pay is not legally subject to any funding. Provision for employment severance pay is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of its employees. TMS 19 ("Employee Benefits") provides for the development of the Company's obligations under actuarial valuation methods within the scope of defined benefit plans.

The important estimates used in the calculation of severance pay liability are the discount rate and the likelihood of voluntary resignation.

- In case the discount rate is as high as 1%, severance pay liability will be TL 3,133 less.
- If the other assumptions are left the same and the probability of leaving the job voluntarily is 1% lower, severance pay liability will be TL 1,737 less.

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

NOTE 16 - OTHER ASSETS AND LIABILITIES Other Short-

Term Current Assets

Details of the Company's other short-term assets as of December 31, 2019 and December 31, 2018, are as follows:

	31.12.2019	31.12.2018
Deferred VAT	53,970	51,651
Personnel Advances	787	867
Other	--	1,536
	54,757	**54,054**

Other Long-Term Fixed Assets

Details of the Company's other long-term assets as of December 31, 2019 and December 31, 2018, are as follows:

	31.12.2019	31.12.2018
Deposits and guarantees given	739	906
	739	**906**

Other Short-Term Liabilities

Details of the Company's other short-term liabilities as of December 31, 2019 and December 31, 2018, are as follows:

	31.12.2019	31.12.2018
Taxes and funds payable	9,266	7,902
Other	423	428
	9,689	**8,330**

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

NOTE 17 - EQUITIES

As of December 31, 2019, the Company's paid capital is TL 152,500 Thousand (December 31 2018: TL 152,500 Thousand), paid in full, and consists of 15,250,000,000 shares (31 December 2018: 15,250,000,000 shares) with a nominal share value of 1 Kurush.

		31 December 2019		31 December 2018	
Equity Capital	**Share Group**	**Share percentage**	**Share Amount**	**Share percentage**	**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**
Capital adjustment differences			3,579		3,579
Paid capital			**156,079**		**156,079**

The Company's board of directors is composed of six people, and four of these six people are elected by the general assembly from among the candidates nominated by the shareholders of group (A) registered shares, while two are elected from among the candidates nominated in the general assembly. The board of directors elects the chairman and vice chairman from among the members representing the shareholders of group (A) registered shares at its meeting after each ordinary general assembly or after each general assembly during which members are elected. Apart from this, there are no other privileges for group (A) and (B) shares. A Trustee has been appointed to the Company based on the decision of the 5th Ankara Criminal Court of Peace dated 26 October, 2015, and a regulation was brought by the judge or court to transfer to the SDIF the powers of the trustees serving in the companies for which a decision has been made to appoint trustees with Decree Law No. 674 On Making Certain Amendments Within the Scope of State of Emergency, published in the Official Gazette dated 15 August, 2016. Based on the 4th Ankara Criminal Court Decision no. 2016/4628 D. İş. dated 6 September, 2016, it has been decided that the duties of the trustees will terminate on the day the transactions of the trusteeship are completed. Additionally, based on SDIF Board decision no. 2016/206 dated 22 September, 2016, the board of directors was established by the SDIF. Therefore, privileges of (A) and (B) share groups cannot be used.

Refers to the amount remaining after the TL 3,579 Thousand (December 31, 2018: TL 3,579 Thousand) capital adjustment differences, the difference between the total amount of the Company's capital adjusted according to inflation and the capital amount before the Company’s inflation adjustment, the offsetting of accumulated losses incurred in 2006 and its transfer to paid capital. According to the Turkish Commercial Code, the legal reserves are divided into two as first and second legal reserves. According to the Turkish Commercial Code, the first legal reserve is appropriated as 5% of the statutory net profit up to 20% of the Company's prepaid capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid share capital.

Publicly-held companies distribute their dividends in accordance with the CMB's “Dividend Communiqué” No II19.1, effective as of 1 February, 2014. Partnerships distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and with the decision of the general assembly in accordance with the provisions of the relevant legislation. No minimum distribution rate was determined within the scope of this communiqué.

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

Companies pay dividends as specified in their articles of association or profit distribution policies. In addition, dividends can be paid in equal or in the form of installments of different amounts, and will be able to distribute dividend advances in cash over the profit in the interim financial statements. Just as it is not possible to make a decision to allocate another contingency reserve, to transfer profit to the following year, and distribute dividends to those other than redeemed shareholders, members of the board of directors, partnership employees and shareholders unless the contingency reserve required to be reserved according to the TCC and the dividends specified for the shareholders in the articles of association or the profit distribution policy are reserved, dividends cannot be distributed to these people unless the dividend determined for shareholders is paid in cash. The Company's reserves retained on profits are as follows:

	31.12.2019	**31.12.2018**
Reserves on Retained Earnings	137,390	137,390
Total	**137,390**	**137,390**

The Company's profits in the previous years are as follows:

	31.12.2019	**31.12.2018**
Profits in Previous Years	3,696,220	2,522,473
Total	**3,696,220**	**2,522,473**

The Company's other comprehensive incomes/expenses are as follows:

	31.12.2019	**31.12.2018**
-Defined benefit plans re-measurement gains/losses:		
Period-start balance	(2,013)	(1,307)
Defined benefit plans re-measurement gains/losses	(2,668)	(905)
Defined benefit plans re-measurement gains/losses, Tax Effect	587	199
Gains (Losses) from Financial Assets with Fair Value Difference Reflected on Other Comprehensive Income	7,100	--
Other Comprehensive Income, Tax Effect Related to Financial Assets with Fair Value Reflected on Other Comprehensive Income	(1,562)	--
Period end	**1,444**	**(2,013)**

NOTE 18 - REVENUE AND COST OF SALES

Details of the Company's revenue and cost of sales as of 31 December, 2019 and 31 December, 2018 are as follows:

SALES REVENUES	**01.01-31.12.2019**	**01.01-31.12.2018**
Domestic sales	2,849,270	1,610,623
Cost of sales	(955,284)	(632,899)
Gross Profit	**1,893,986**	**977,724**

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

Distribution of revenue by product groups is as follows:

	01.01-31.12.2019	01.01-31.12.2018
Gold sales	2,835,876	1,601,196
Silver sales	13,393	9,370
Other	1	57
	2,849,270	**1,610,623**

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	01.01-31.12.2019	01.01-31.12.2018
Research and Development Expenses (-)*	136,849	38,003
Marketing Expenses (-)	6,597	2,466
General Management Expenses (-)	152,352	120,996
Total	**295,798**	**161,465**

* In accordance with the PDP disclosure of Koza Altın İşletmeleri A.Ş. dated 30.12.2019, expenditures for the Söğüt project mining site with access no. 1151632, registration no. 5534, and licence no. IR-3141 in total TL 74,005 Thousand recorded in the statement of financial position within mine assets were netted under Research and Development expenditures in the statement of profit or loss as of 31.12.2019.

Details of the Company's general administrative expenses as of December 31, 2019 and December 31, 2018 are as follows:

General administrative expenses	01.01-31.12.2019	01.01-31.12.2018
Personnel expense	68,949	61,989
Outsourced benefits and services	25,713	15,790
Amortisation expense	10,885	3,412
Lease expense	6,510	6,226
Insurance expenses	2,514	1,511
Electricity, water and natural gas expenses	3,652	3,603
Taxes, duties and charges	2,920	5,878
Repair, maintenance and restoration expenses	669	1,540
Other	30,539	21,047
	152,352	**120,996**

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

NOTE 20 - OTHER INCOMES AND EXPENSES FROM MAIN ACTIVITIES (-)

20.1 Other Incomes from Main Activities

Details of the Company's other incomes from main activities as of December 31, 2019 and December 31, 2018, are as follows:

	01.01-31.12.2019	**01.01-31.12.2018**
Exchange Rate Difference Incomes on Trade Transactions	18,396	14,073
Other incomes	28,583	13,155
	46,979	**27,228**

20.2 Other Expenses from Main Actiivties

Details of the Company's other expenses from main activities as of December 31, 2019 and December 31, 2018, are as follows:

	01.01-31.12.2019	**01.01-31.12.2018**
Exchange Rate Difference Expenses on Trade Transactions	16,657	25,039
Provisions for Doubtful Receivables	3,363	10,433
Financial Leasing Transactions	1,159	--
Other	12,229	8,458
Total	**33,408**	**43,930**

NOTE 21 - FINANCIAL INCOME AND EXPENSES

21.1 Financial Incomes

Details of the Company's financial incomes as of 31 December, 2019 and 31 December, 2018 are as follows:

	01.01.-31.12.2019	**01.01.-31.12.2018**
Exchange rate difference incomes*	--	27,789
	--	**27,789**

* As of 31.12.2018, incomes from the exchange rate difference have been classified as Incomes from Investment Activities. (Note: 22)

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

21.2 Financing Expenses

Details of the Company's financial expenses as of 31 December, 2019 and 31 December, 2018 are as follows:

	01.01-31.12.2019	01.01-31.12.2018
Exchange Rate Expenses	--	13,713
Interest and Other Financial Expenses	--	188
	--	**13,901**

NOTE 22 - INCOMES FROM INVESTMENT ACTIVITIES

22.1 Incomes from Investment Activities

Details of the Company's incomes from investment activities as of 31 December, 2019 and 31 December, 2018 are as follows:

	01.01-31.12.2019	01.01-31.12.2018
Interest Income	559,017	322,792
Incomes from Exchange Rate Difference*	82,439	286,368
Other	5,260	3,044
	646,716	**612,204**

* As of 31.12.2018, incomes from the exchange rate difference have been classified as Incomes from Investment Activities. (Note: 21)

NOTE 23 - INCOME TAXES

Corporate Tax

Necessary provisions have been reserved in the attached financial statements for the estimated tax liabilities related to the Company's operating results for the current period. The corporate tax rate to be accrued on the taxable corporate income is calculated on the basis of the income after adding the expenses that are not deducted from the tax basis recorded as expense and tax-exempt earnings, non-taxable incomes and other discounts (previous year losses, if any, and investment allowances, if preferred). The corporate tax rate applied in 2019 is 22%. (2018: 22%). The corporate tax rate for corporate earnings in the taxation periods of 2018, 2019 and 2020 has been determined as 22% with “Law no. 7061 on Amendment to Some Tax Laws and Some Other Laws” (“Law no. 7061”) published on 5 December, 2017.

Provisional tax in Turkey is calculated and accrued as three-month periods. The provisional tax rate that must be calculated over the corporate incomes during the taxation of corporate earnings as of the provisional tax periods in 2019 is 22%. (2018: 22%). “As of May 14, 2018, the rate related to Law No. 7061 has been determined as 22% for 2018, 2019 and 2020.”

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

Losses can be carried forward for a maximum of 5 years to be deducted from the taxable profit accrued in the following years. However, the losses accrued cannot be deducted retrospectively from the profits accrued in previous years.

There is no practice in Turkey aimed at reaching an agreement with the tax authority regarding payable taxes. Corporation tax returns are submitted to the relevant tax authority until the evening of the 25th day of the fourth month following the month the accounting period is closed. Additionally, tax authorities may review accounting records over a period of five years, and the amount of tax payable may vary in the case an incorrect transaction is detected.

In addition to corporate tax, income tax withholding should be calculated over their dividends for legally obligated companies which gain dividend if distributed and declare these dividends by adding in their corporate gains, except for those distributed to the branches of foreign companies in Turkey. Income tax withholding is applied as 15%.

Corporate tax liabilities reflected in the balance sheet as of 31 December, 2019 and 31 December, 2018 are as follows:

	31.12.2019	31.12.2018
Current tax liability		
Corporate tax provision	512,452	283,098
Prepaid taxes and funds	(373,027)	(246,816)
Payable corporate tax	**139,425**	**36,282**

Corporate tax expenses and incomes reflected in the income statement as of 31 December, 2019 and 31 December, 2018 are as follows:

Tax expense/(income)	31.12.2019	31.12.2018
Current corporate tax	(512,452)	(283,098)
Deferred tax (income) / expense	21,269	31,196
Total	**(491,183)**	**(251,902)**

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

Deferred taxes

The Company recognises deferred tax assets and liabilities for the temporary timing differences arising from differences between the tax-based legal financial statements and the financial statements prepared in accordance with TMS/TFRS. These differences generally arise from the fact that some income and expense items are included in the tax-based financial statements and the financial statements prepared in accordance with TMS/TFRS at different periods, and the said differences are stated below. In the calculation of deferred tax assets and liabilities, tax rates expected to be applied during the periods when the assets turn into income or the debts are paid are taken into consideration.

	31.12.2019		**31.12.2018**	
	Valuation differences	**Asset/ (Liability)**	**Valuation differences**	**Asset/ (Liability)**
Tangible and intangible fixed assets	151,047	33,230	48,531	9,705
Provision for severance pay	25,096	5,521	20,913	4,183
Court case provision expenses	8,581	1,888	3,837	767
Leave provision	9,653	2,124	6,147	1,352
Investment incentives	24,539	24,539	43,776	43,776
Provision for Doubtful Receivables	57,240	12,593	57,363	11,473
State Right Expense Provision	107,470	23,643	48,317	10,630
Fair Value Differences	(7,100)	(1,562)	--	--
Expense Accruals	3,501	770	--	--
Leasing transactions	(59)	(13)	--	--
Bond Interest Incomes	(2,507)	(552)		
Deferred tax assets		102,181		81,886
Deferred tax liabilities		--		--
Deferred Tax Assets, Net		**102,181**		**81,886**

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

The Company's deferred tax assets/liabilities transactions are as follows:

Deferred tax asset transaction:	**31.12.2019**	**31.12.2018**
Opening balance as of 1 January (-)	81,886	50,491
Canceled from equity	(974)	199
Deferred tax income/(expense)	21,269	31,196
Closing Balance as of 31 December	**102,181**	**81,886**

The reconciliation of the tax provision is as follows:

	31.12.2019	**31.12.2018**
Accounting Profit	**2,258,475**	**1,425,649**
Local Tax Rate calculated at 22%	473,811	313,643
Investment Incentive Used in the Current Period	23,054	(24,958)
Investment incentive calculated over deferred tax	(24,540)	(43,776)
Legally Non-Deductible Expenses	1,607	17,245
Other	17,251	(10,252)
Corporate tax provision	**491,183**	**251,902**

NOTE 24 - EARNING/ (LOSS) PER SHARE

Profit per share is calculated by dividing the net profit of the shareholders by the weighted average number of ordinary shares. The Company's earnings per share as of 31 December, 2019 and 31 December, 2018 are as follows:

	01.01-31.12.2019	**01.01-31.12.2018**
Net profit for period	1,767,292	1,173,747
Weighted average number of issued shares	15,250,000,000	15,250,000,000
Complete profit per 100 shares in TL	**11,589**	**7,697**

NOTE 25 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ELEMENTS

The Company's total actuarial loss fund from retirement plans as of 31 December, 2019, is TL 4,094 thousand (31 December 2018: TL 2,013 thousand).

The amendment to TMS-19 "Employee Benefits" standard does not allow the recognition of actuarial losses and earnings taken into consideration in the calculation of provision for severance pay in the profit or loss statement. Losses and gains arising from the change of actuarial assumptions have been recognised under equities.

The actuarial loss/earning fund for severance pay provision cannot be re-classified in profit or loss.

The Company's fair value earning and loss fund as of 31 December, 2019 is TL 5,538 thousand (31 December 2018: None).

With the amendment in the TFRS-9 “Financial Instruments” standard, the losses and earnings taken into account in calculating fair value have been recognized under equities. Fair value losses and earnings are to be re-classified in profit or loss.

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Due to its operations, the Company is exposed to market risk, capital risk, credit risk and liquidity risk, which consist of exchange rate, cash flow and interest rate risks. The risk management policy focuses on unexpected changes in financial markets.

The financial risk management policy must be applied by the Company’s senior management and department of trade and financial affairs in accordance with the policies and strategies approved by the Board of Directors. The Board of Directors must prepare principles and policies in general particularly for the management of exchange rate, interest and capital risks, and closely monitor financial and operational risks (especially those arising from fluctuations in gold prices), however, the Company does not have an Early Risk Detection Committee.

The objectives that the Company should determine to manage financial risks can be summarized as follows:

- Ensuring the effective continuity of the cash flow from the Company's activities and main assets by taking into account exchange rate and interest risks,
- Keeping adequate amount of credit resources ready to be used effectively and efficiently under optimum conditions in terms of type and maturity, when necessary,
- Minimising the risk arising from the other party and and its effective monitoring.

a) Credit risk:

Credit risk arises from deposits in banks, receivables from related parties and other trade receivables, and holding financial assets also carries the risk of the other party's failure to meet the requirements of the agreement.

The Company sells the gold dore bars it produces to a domestic bank on consignment to be sold to the Central Bank of Turkey, which is entitled to preemption rights, while the silver dore bars are sold to a domestic refinery, also on a consignment basis. Due to the fact that the sales are made in cash and the customer is corporate, the Company effectively manages the receivable risk in question.

The following tables show the Company's analysis of credit risk as of December 31, 2019 and December 31, 2018:

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

	Trade receivables		Other receivables		Cash and cash equivalents		
31.12.2019	**Related party**	**Other party**	**Related party**	**Other party**	**Deposit in Banks**	**Repo and Funds**	**Other**
Maximum exposed credit risk as of reporting date (A+B+C+D+E)	**-**	**317**	**371,809**	**-**	**4,454,888**	**-**	**-**
Portion of the maximum credit risk secured by guarantees, etc.	-	-	-	-	-	-	-
A. Net book value of financial assets not overdue or impaired	-	317	371,809	-	4,454,888	-	-
B. Book value of financial assets whose terms have been renegotiated, that will otherwise be considered overdue or impaired	-	-	-	-	-	-	-
C. Net book value of overdue but not impaired assets	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
Overdue (gross book value)	-	-	-	-	-	-	-
Impairment (-)	-	69,586	-	-	-	-	-
The portion of net value secured by guarantee, etc.	-	(69,586)	-	-	-	-	-
Non-due (gross book value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
The portion of net value secured by guarantee, etc.	-	-	-	-	-	-	-
E. Elements with off-balance credit risk	-	-	-	-	-	-	-

(*) Factors that increase credit reliability, such as guarantees received, are not taken into account in determining the amount.

	Trade receivables		Other receivables		Cash and cash equivalents		
31.12.2018	**Related party**	**Other party**	**Related party**	**Other party**	**Deposit in Banks**	**Repo and Funds**	**Other**
Maximum exposed credit risk as of reporting date (A+B+C+D+E)	**-**	**1,510**	**272,318**	**-**	**2,558,541**	**-**	**-**
Portion of maximum credit risk secured by guarantees, etc.	-	-	-	-	-	-	-
A. Net book value of financial assets not overdue or impaired	-	1,510	272,318	-	2,558,541	-	-
B. Book value of financial assets whose terms have been renegotiated, that will otherwise be considered overdue or TMS 39	-	-	-	-	-	-	-
C. Net book value of overdue but not impaired assets	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
Overdue (gross book value)	-	-	-	-	-	-	-
Impairment (-)	-	70,248	-	-	-	-	-
Portion of net value secured by guarantees, etc.	-	(70,248)	-	-	-	-	-
Non-due (gross book value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
Portion of net value secured by guarantees, etc.	-	-	-	-	-	-	-
E. Elements with off-balance credit risk	-	-	-	-	-	-	-

(*) Factors that increase credit reliability, such as guarantees received, are not taken into account in determining the amount.

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

b) Liquidity risk:

Prudent liquidity risk management refers to keeping sufficient amounts of cash and securities, sufficient credit transactions, the availability of funding sources and the ability to close market positions.

The risk of funding existing and future possible debt requirements is managed by maintaining accessibility to an adequate number of high-quality credit providers and the continuity of sufficient funds from operations.

The Company management should follow closely the collection of customer receivables on the due date to ensure uninterrupted liquidity and, as a result of the actions conducted with banks, the Company should determine cash and non-cash credit limits ready for use if needed. In addition, the Company's liquidity management policy must include the preparation of cash flow projections on a mining area basis, the monitoring and evaluation of the actual liquidity ratios against budgeted ratios, however the Company does not have an Early Risk Detection Committee.

The Company's financial liabilities and cash outflows as of December 31, 2019 and December 31, 2018 according to their maturities pursuant to the agreements of these financial liabilities are as follows:

31 December 2019

Expected maturities	Book Value	Total cash outputs as per Expected Maturity (=I+II+III+IV)	Less than 3 Months (I)	Between 3-12 Months (II)	1-5 Years 1-5 Years (III)	Longer than 5 Years (IV)
Non-Derivative Financial Liabilities						
Trade Payables	67,591	67,591	67,591	-	-	-
Other Payables (Including related parties)	33,276	33,276	657	-	-	32,619
	100,867	100,867	68,248	-	-	32,619

31 December 2018

Expected maturities	Book Value	Total cash outputs as per Expected Maturity (=I+II+III+IV)	Less than 3 Months (I)	Between 3-12 Months (II)	1-5 Years 1-5 Years (III)	Longer than 5 Years (IV)
Non-Derivative Financial Liabilities						
Trade Payables	52,856	52,856	52,856	-	-	-
Other Payables (Including related parties)	29,621	29,621	732	-	-	28,889
	82,477	82,477	53,588	-	-	28,889

c) Market risk

There was no change in the current period compared to the previous year in terms of the market risk to which the Company was exposed or the methods it employed with respect to the management and measurement of the risks exposed.

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

Foreign exchange risk

The Company's financial instruments in foreign currency are exposed to exchange rate risk due to changes in the exchange rate. The Company's foreign currency position as of 31 December, 2019 and December 31, 2018 is presented below:

31 December 2019	**TL Equivalent**	**US Dollar**	**EUR**	**GBP**	**Other**
Monetary financial assets	660,896	110,761	15	366	7
Trade receivables	-	-	-	-	-
Other receivables	58,383	9,525	271	-	-
Prepaid expenses	2,304	79	272	3	-
Current assets	721,583	120,365	558	369	7
Total assets	**721,583**	**120,365**	**558**	**369**	**7**
Trade payables	10,161	165	1,311	59	-
Other payables	85	12	2	-	-
Short-term liabilities	10,245	177	1,313	59	-
Total liabilities	**10,245**	**177**	**1,313**	**59**	**-**
Net foreign currency asset / (liability) position	**711,338**	**120,188**	**(755)**	**310**	**7**
Export	**-**	**-**	**-**	**-**	**-**
Import	**38,313**	**2,081**	**3,637**	**133**	**176**

31 December 2018	**TL Equivalent**	**USD**	**EUR**	**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	31,221	5,547	-	-
Short-term liabilities	39,445	6,413	539	63
Total liabilities	**39,445**	**6,413**	**539**	**63**
Net foreign currency asset / (liability) position	**644,164**	**122,482**	**(204)**	**461**
Export	**-**	**-**	**-**	**-**
Import	**46,074**	**812**	**6,745**	**166**

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

Sensitivity analysis:

As of December 31, 2019 and December 31, 2018, before tax profit and equities would be as lower/higher as the following amounts, provided that all other variables remained fixed against a 1% appreciation or depreciation in foreign currency.

	Profit / Loss		Equities	
31.12.2019	Appreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency
In case of a 1% appreciation / depreciation of US Dollar against TL				
1- US Dollar net asset / liability	7,139	(7,139)	7,139	(7,139)
2-Portion protected from USD risk (-)	-	-	-	-
3-US Dollar Net Effect (1+2)	7,139	(7,139)	7,139	(7,139)
In case of a 1% appreciation / depreciation of EUR against TL				
4-EUR net asset / liability	(50)	50	(50)	50
5-Portion protected from EUR risk (-)	-	-	-	-
6-EUR Net effect (4+5)	(50)	50	(50)	50
In case of a 1% appreciation / depreciation of GBP against TL				
7-GBP net asset / liability	(24)	24	(24)	24
8-Portion protected from GBP risk (-)	-	-	-	-
9-GBP Net effect (7+8)	(24)	24	(24)	24
TOTAL (3+6+9)	7,113	(7,113)	7,113	(7,113)

	Profit / Loss		Equities	
31.12.2018	Appreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency
In case of a 1% appreciation / depreciation of US Dollar against TL				
1- US Dollar net asset / liability	6,444	(6,444)	6,444	(6,444)
2-Portion protected from USD risk (-)	-	-	-	-
3-US Dollar Net Effect (1+2)	6,444	(6,444)	6,444	(6,444)
In case of a 1% appreciation / depreciation of EUR against TL				
4-EUR net asset / liability	(12)	12	(12)	12
5-Portion protected from EUR risk (-)	-	-	-	-
6-EUR Net effect (4+5)	(12)	12	(12)	12
In case of a 1% appreciation / depreciation of GBP against TL				
7-GBP net asset / liability	31	(31)	31	(31)
8-Portion protected from GBP risk (-)	-	-	-	-
9-GBP Net effect (7+8)	31	(31)	31	(31)
TOTAL (3+6+9)	6,463	(6,463)	6,463	(6,463)

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

Interest risk

Companies may be exposed to interest rate risk due to the effect of changes in interest rates on assets and liabilities bearing interest. The Company's interest risk statement is as follows:

	31.12.2019	**31.12.2018**
Fixed interest financial instruments		
Financial assets		
-Term deposits	4,451,685	2,555,496
- Financial Assets With Fair Value Difference Reflected on Other Comprehensive Income	12,069	7,496
Financial liabilities		
- Lease Payables	4,447	--
Financial instruments with variable interest	--	--

Price risk

The Company's most important operational risk is the gold price risk.

The Company’s operational profitability and cash flows from its operations are affected by the change of gold prices in markets, and in the case gold prices fall below the Company’s cash-based operational production costs and continues this way for a certain time, the Company’s operational profitability may decrease. The Company does not expect a significant change in gold prices in the near future, therefore, it has not used any derivative instrument and made a similar agreement to avoid the risk of decrease in gold prices. The Company should regularly review market prices in terms of active financial and operational risk management, however the Company does not have an Earl Risk Detection Committee.

d) Capital risk management:

While managing the capital, the Company's objectives are to ensure profit and benefit to shareholders as well as the continuation of the said Company's activities with the most appropriate capital structure in order to reduce capital costs. To maintain or reorganize its capital structure, the companies may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Companies monitor capital using net debt/total equity ratio in parallel with other companies in the sector. Net debt is calculated by deducting cash and cash equivalents the from total debt amount (includes credits and other debts to related parties as shown in the balance sheet). Company management should regularly monitor the net debt/total capital ratio and update it when necessary, but the Company does not have an Early Risk Detection Committee.

	31.12.2019	**31.12.2018**
Total debts	590,189	348,544
Less: Cash and cash equivalents (Note 4)	(4,455,031)	(2,558,718)
Net debt	**(3,864,842)**	**(2,210,174)**
Total equity	5,758,425	3,987,676
Total capital	**1,893,583**	**1,777,502**
Debt/capital ratio	**--**	**--**

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

NOTE 27 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS RELATED TO HEDGE ACCOUNTING)

The fair value of financial assets and liabilities is determined as follows:
First level: Financial assets and liabilities for the same assets and liabilities are valued at the prices traded on the active market.
Second level: Other than the stock market price specified in the first level, financial assets and liabilities are valued at inputs that are used to determine the price of the asset or liability that can be directly or indirectly observed in the market.
Third level: Financial assets and liabilities are valued at inputs that are not based on observable assets in the market for the fair value of an asset of liability.

Financial asset level classifications shown with their fair values:

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**12,069**	**-**	**218,753**	**230,822**
Fair value classified in other comprehensive income	12,069	-	218,753	230,822
Liabilities:	-	-	-	-

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**7,496**	**-**	**218,325**	**225,821**
Fair value classified in other comprehensive income	7,496	-	218,325	225,821
Liabilities:	-	-	-	-

NOTE 28 - EVENTS AFTER THE BALANCE SHEET DATE

None.

NOTE 29 – OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR WHICH SHOULD BE EXPLAINED IN TERMS OF THE CLARITY, INTERPRETABILITY AND UNDERSTANDABILITY OF THE FINANCIAL STATEMENTS

1) The Company's independently audited financial statements for the years ending on 31 December, 2016, 2017, 2018 and 2019, with the exclusion of the possible cumulative reflections of the transactions and processes of the previous financial periods –regarding which the prosecution process is ongoing–pursuant to the provisions of article 401/4 of Turkish Commercial Code (“TCC”) no. 6102, were approved and published by the Board of Directors with the resolutions dated 24 April, 2018, 30 April, 2018, 28 February, 2019, 27 February, 2020, respectively. However, the financial statements for the year that ended on 31 December, 2015, that were audited independently, were not approved by the Board of Directors in accordance with the provisions of article 401/4 of the TCC. The Company’s ordinary general assembly meetings for 2015, 2016, 2017, 2018 and 2019 could not be held due to the reasons stated in the basis of limited result paragraph, and the financial statements for the relevant periods could not be submitted to the approval of the General Assembly.