

(Convenience translation of the limited review report and financial statements originally issued in Turkish)

# **Koza Altın İşletmeleri Anonim Şirketi**

**Interim financial statements as of March 31, 2021**

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**Koza Altın İşletmeleri Anonim Şirketi**

**Condensed statement of financial position as of March 31, 2021**

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

<i>Audited</i>			
<b>Assets</b>	<b>Notes</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>Current assets</b>		<b>7.190.382</b>	<b>6.408.428</b>
Cash and cash equivalents	3	6.697.112	5.921.786
Trade receivables			
- Due from third parties		199	102
Other receivables			
- Due from third parties		27.062	32.516
Inventories	5	411.859	406.068
Prepaid expenses		53.692	46.998
Other current assets		458	958
<b>Non-current assets</b>		<b>2.022.102</b>	<b>1.972.554</b>
Financial investments	4	300.530	300.800
Other receivables			
- Due from related parties		695.205	726.987
- Due from third parties		766	816
Right-of-use assets		11.027	12.341
Investment property	6	117.256	117.905
Property, plant and equipment	7	702.133	659.474
Intangible assets			
- Goodwill	8	11.232	11.232
- Other intangible assets	8	3.029	1.093
Prepaid expenses		7.737	3.839
Deferred tax assets	13	135.379	110.060
Other non-current assets		37.808	28.007
<b>Total assets</b>		<b>9.212.484</b>	<b>8.380.982</b>

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

**Koza Altın İşletmeleri Anonim Şirketi**

**Condensed statement of financial position as of March 31, 2021**

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

<i>Audited</i>			
<b>Liabilities</b>	<b>Notes</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>Current liabilities</b>		<b>777.770</b>	614.311
Short-term lease liabilities			
- Lease liabilities		5.232	5.383
Trade payables			
- Due to third parties		96.197	103.579
Payables related to employee benefits		14.602	21.870
Other payables			
- Due to related parties	15	2.845	503
- Due to third parties		137	119
Deferred income		500	439
Current income tax liabilities	13	179.807	118.037
Short-term provisions			
- Provisions for employee benefits	9	22.763	10.059
- Other short-term provisions	9	452.715	352.463
Other current liabilities		2.972	1.859
<b>Non-current liabilities</b>		<b>211.942</b>	203.039
Long-term lease liabilities			
- Lease liabilities		7.837	8.855
Other payables			
- Due to third parties		45.720	40.308
Long-term provisions			
- Provisions for employee benefits	9	39.754	34.384
- Other long-term provisions	9	118.631	119.492
<b>Equity</b>		<b>8.222.772</b>	7.563.632
Paid-in share capital	10	152.500	152.500
Adjustment to share capital	10	3.579	3.579
Other comprehensive income / expense not to be reclassified to profit or loss			
- Actuarial gain / (loss) fund for employee benefits		(6.561)	(3.728)
Restricted reserves	10	137.390	137.390
Retained earnings		7.273.891	5.463.512
Net profit for the period		661.973	1.810.379
<b>Total liabilities and equity</b>		<b>9.212.484</b>	8.380.982

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

**Koza Altın İşletmeleri Anonim Şirketi**

**Condensed statements of profit or loss and other comprehensive income  
for the period ended March 31, 2021  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)**

<i>Reviewed</i>			
	<b>Notes</b>	<b>January 1 – March 31, 2021</b>	<b>January 1 – March 31, 2020</b>
Revenue	11	848.798	695.593
Cost of sales (-)	11	(333.859)	(249.593)
<b>Gross profit</b>		<b>514.939</b>	<b>446.000</b>
Research and development expenses (-)		(58.426)	(32.329)
Marketing, sales and distribution expenses (-)		(628)	(690)
General administrative expenses (-)		(79.680)	(40.542)
Other operating income		31.954	23.266
Other operating expenses (-)		(3.444)	(28.266)
<b>Operating profit</b>		<b>404.715</b>	<b>367.439</b>
Income from investing activities	12	423.223	174.099
Expenses from investing activities (-)		-	(3.747)
<b>Operating profit before financial income and expense</b>		<b>827.938</b>	<b>537.791</b>
Financial income / (expenses)			-
<b>Profit before tax from continued operations</b>		<b>827.938</b>	<b>537.791</b>
<b>Tax expense from continuing operations</b>		<b>(165.965)</b>	<b>(143.853)</b>
- Current tax expense (-)	13	(190.576)	(135.670)
- Deferred tax income / (expense) (-)	13	24.611	(8.183)
<b>Net profit for the period</b>		<b>661.973</b>	<b>393.938</b>
<b>Other comprehensive income /(expense)</b>			
<b>Total other comprehensive income not to be classified to profit or loss in subsequent years</b>			
Gains / (losses) on remeasurements of defined benefit plans		(3.541)	1.423
Gains / (losses) on remeasurements of defined benefit plans, tax effect		708	(285)
<b>Total other comprehensive income to be reclassified to profit or loss in subsequent years</b>			
Gains / (losses) on financial assets at fair value through other comprehensive income		-	(7.100)
Gains / (losses) on financial assets measured at fair value through other comprehensive income, tax effect		-	1.562
<b>Total comprehensive income</b>		<b>659.140</b>	<b>389.538</b>
<b>Earnings per 100 share</b>			
- common stock (TL)	14	<b>4,341</b>	2,583

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

(Convenience translation of the limited review report and financial statements originally issued in Turkish)

**Koza Altın İşletmeleri Anonim Şirketi**

**Condensed statements of changes in equity**

**for the period ended March 31, 2021**

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

			Other comprehensive income/expense not to be reclassified to profit or loss	Other comprehensive income/expense to be reclassified to profit or loss		Retained earnings		
	Paid in capital	Adjustment to capital	Actuarial (loss) / gain fund for employment termination benefit	Gains / (losses) on financial assets at fair value through other comprehensive income	Restricted reserve	Retained earnings	Net profit for the period	Total equity
Balances as of January 1, 2020	152.500	3.579	(4.094)	5.538	137.390	3.696.220	1.767.292	5.758.425
Net profit for the period	-	-	-	-	-	-	393.938	393.938
Other comprehensive income/ (loss)	-	-	1.138	(5.538)	-	-	-	(4.400)
<b>Total comprehensive income/ (loss)</b>	<b>-</b>	<b>-</b>	<b>1.138</b>	<b>(5.538)</b>	<b>-</b>	<b>-</b>	<b>393.938</b>	<b>389.538</b>
Transfers	-	-	-	-	-	1.767.292	(1.767.292)	-
Balance as of March 31, 2020	152.500	3.579	(2.956)	-	137.390	5.463.512	393.938	6.147.963
<b>Balance as of January 1, 2021</b>	<b>152.500</b>	<b>3.579</b>	<b>(3.728)</b>	<b>-</b>	<b>137.390</b>	<b>5.463.512</b>	<b>1.810.379</b>	<b>7.563.632</b>
Net profit for the period	-	-	-	-	-	-	661.973	661.973
Other comprehensive income/ (loss)	-	-	(2.833)	-	-	-	-	(2.833)
<b>Total comprehensive income/ (loss)</b>	<b>-</b>	<b>-</b>	<b>(2.833)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>661.973</b>	<b>659.140</b>
Transfers	-	-	-	-	-	1.810.379	(1.810.379)	-
<b>Balances as of March 31, 2021</b>	<b>152.500</b>	<b>3.579</b>	<b>(6.561)</b>	<b>-</b>	<b>137.390</b>	<b>7.273.891</b>	<b>661.973</b>	<b>8.222.772</b>

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

**Koza Altın İşletmeleri Anonim Şirketi****Condensed statements of cash flows  
for the period ended March 31, 2021**

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

		Reviewed	
	Notes	January 1 – March 31, 2021	January 1 – March 31, 2020
<b>A. Cash flows from operating activities</b>		<b>612.543</b>	<b>329.896</b>
<b>Profit for the period from the continuing operations</b>		<b>661.973</b>	<b>393.938</b>
<b>Adjustments to reconcile profit for the period</b>			
Adjustments to depreciation and amortization		36.974	44.938
Adjustments for derecognition of tangible assets	8	-	1.247
Adjustments for recognition/ (derecognition) impairment of receivables		-	105
Adjustments for provisions		117.039	94.551
- Adjustment for lawsuits and/ or penalty provisions		-	18.610
- Adjustments for rehabilitation and state rights provision		96.046	65.791
- Adjustments for debt provisions		5.862	7.532
- Adjustments for provisions for employee benefits	9	15.131	2.618
Adjustments for tax expense	13	165.965	143.853
Adjustments for interest expenses		1.871	998
Adjustments for interest income		(244.044)	(112.457)
Adjustments for loss / (gains) arising from disposal of tangible assets		(1)	6
<b>Total adjustments</b>		<b>77.804</b>	<b>173.241</b>
Decrease in trade receivables		(97)	76
Increase in other receivables from related parties		31.782	(33.836)
Increase in other receivables		5.504	(136.322)
Increase in inventories	5	(5.791)	(4.747)
Increase in prepaid expenses		(10.592)	(30.664)
Decrease in trade payables		(7.382)	(4.773)
Increase in other payables		7.837	7.996
(Decrease) / increase in payables related to employee benefits		(7.268)	(5.093)
(Increase) / decrease in other assets related to activities		(9.301)	(2.376)
Increase in other liabilities related to activities		1.113	1.442
Payments for employee retirement benefits	9	(1.716)	(371)
Payments related to other provisions	9	(128.806)	(11.568)
Tax paid	13	(2.517)	(17.047)
<b>Net cash from operating activities</b>		<b>(127.234)</b>	<b>(237.283)</b>
<b>B. Cash flows from investing activities</b>		<b>138.727</b>	<b>108.094</b>
Cash outflows from purchase of tangible assets	6, 7, 8	(77.388)	(54.311)
Cash outflows from purchase of intangible assets	8	(2.221)	(34)
Cash inflows from the sale of tangible and intangible assets	6, 7, 8	3	124
Interest received		219.988	121.030
Changes in financial investments		270	44.140
Cash outflows related to lease liabilities (-)		(1.925)	(2.855)
<b>C. Net cash from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>751.270</b>	<b>437.990</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5.897.362</b>	<b>4.358.257</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>6.648.632</b>	<b>4.796.247</b>

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

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements**

**for the period ended March 31, 2021**

(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**1. Company's organization and nature of the operations**

Koza Altın İşletmeleri A.Ş. ("Koza Altın" or the "Company") was established on September 6, 1989 under the name of Eurogold Madencilik A.Ş. for the operation of the gold mine in Ovacık-Bergama, İzmir. Its name was changed to Normandy Madencilik A.Ş. ("Normandy Madencilik") with regard to the purchase of all shares of Eurogold Madencilik A.Ş. by Normandy Mining Ltd.

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

As of March 31, 2021, including the stocks traded in Borsa İstanbul ("BIST"), 45.01% of the Company's shares owned by ATP and 24.99% owned by Koza İpek Holding (December 31, 2020: 45.01% owned by ATP and 24.99% by Koza İpek Holding), the Company management was transferred to the Board of Trustees, pursuant to the decision of Ankara 5th Criminal Court of Peace, dated October 26, 2015, and subsequently transferred to the Savings Deposit Insurance Fund ("SDIF") on September 22, 2016. As of March 31, 2021, shares corresponding to 30% of the Company's shares (December 31, 2020: 30%) are traded on BIST.

Within the scope of the investigations initiated throughout the country, a trustee has been appointed to the Koza Altın İşletmeleri A.Ş. management pursuant to the decision of the Ankara 5th Criminal Judgeship of Peace dated October 26, 2015.

As of this date, all the authorities of the management have been transferred to the trustees appointed to the management of Koza Altın İşletmeleri A.Ş. and it has been decided to establish new management by these trustees.

With the Decree Law No. 674 on Making Some Regulations under the State of Emergency ("Decree") published on September 1, 2016, it was decided to transfer all the powers previously given to the trustees assigned to companies by the courts to the Savings Deposit Insurance Fund ("SDIF"). In this context, on September 22, 2016, it has decided to terminate all the powers given to the trustees assigned to Koza Altın İşletmeleri A.Ş. on the basis of the article 19/1 of the aforementioned Decree and transfer Koza Altın İşletmeleri A.Ş. to the SDIF.

The Company's financial statements for the years ended December 31, 2016, 2017, 2018, 2019 and 2020 have been approved by the Board of Directors with the board decisions dated April 24, 2018, April 30, 2018, February 28, 2019, February 27, 2020 and March 1, 2021 respectively and published by excluding the possible cumulative effects of the works and transactions belonging to the previous financial periods, whose judgment process continues, in accordance with the provisions of Article 401/4 of the Turkish Commercial Code No. 6102 ("TCC"). Audited financial statements for the year ended December 31, 2015 were not approved by the Board of Directors in accordance with the provisions of Article 401/4 of the TCC. Ordinary general assembly meetings of the Company for the years 2015, 2016, 2017, 2018, 2019 and 2020 as explained in detailed in Note 9, could not be carried out due to various examinations and works by the Prosecutor's Office, the Police Financial Crimes Branch and the CMB, and these financial statements of the Company could not be submitted to the approval of the General Assembly.

The main activities of the Company are operating seven mines in five regions which are Ovacık-Bergama-İzmir, Çukuralan-İzmir, Kaymaz-Eskişehir, Mastra- Gümüşhane and Himmetdede-Kayseri, searching for gold mines generally in Turkey regions and improving the mine fields of ongoing projects.

The Company sales consist gold dore bars with a right of first refusal to domestic banks on consignment to be sold to the Central Bank of the Republic of Turkey and silver to a domestic refinery on consignment. Due to the fact that the sales are made on demand and the customer is corporate, the Company effectively manages the receivable risk, taking into account the past experiences.



**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements  
for the period ended March 31, 2021**

(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**1. Company's organisation and nature of operations (continued)**

The Company has established UK based Koza Ltd., which owns 100%, in order to establish abroad mining ventures on March 31, 2014. The control of Koza Ltd, which the Company was consolidated until September 11, 2015, was lost as a result of the General Assembly held on September 11, 2015. The legal process initiated by the CMB regarding loss of control pursuant to decision dated February 4, 2016 continues as of the date of this financial statements. Under condensed financial statements, the Company has presented Koza Ltd. under the "Financial Investments" account with a cost value amounting to 218.325 thousand TL (December 31, 2020: 218.325 thousand TL).

As of March 31, 2021, the number of employees is 2.502 people (December 31, 2020: 2.166).

The registered address of the Company is below:

Uğur Mumcu Mahallesi, Fatih Sultan Mehmet Bulvarı, İstanbul Yolu 10. Km, No: 310, 06370, Yenimahalle - Ankara, Türkiye.

*Approval of condensed financial statements*

The condensed financial statements dated March 31, 2021 were approved by the Board of Directors and authorized to be published on April 29, 2021.

**2. Basis of presentation of condensed financial statements**

**2.1 Basis of presentation**

**Financial reporting standards**

The Company and its subsidiaries established in Turkey, prepare its financial statements in accordance with the Turkish Commercial Code (TCC) numbered 6102, tax legislation and the Uniform Chart of Accounts published by the Ministry of Finance.

The accompanying condensed financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Resmi Gazete No:28676 on June 13, 2013. The accompanying condensed financial statements are prepared based on the Turkish Financial Reporting Standards and Interpretations ("TAS/IFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The condensed financial statements and notes are presented in accordance with the "2019 TAS Taxonomy" announced by the POA with the principle decision dated June 7, 2019.

The condensed consolidated financial statements are based on legal records and expressed in TL, and have been prepared by subjecting to some corrections and classification changes in order to present the Company's status according to TAS and IFRS. These adjustments generally consist of deferred taxes, provisions, depreciation of tangible assets and intangible asset amortization on economic life and pro-rata basis, and the valuation of buildings, investment properties and some financial assets.

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements**

**for the period ended March 31, 2021**

(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**2. Basis of presentation of condensed financial statements (continued)**

**2.1 Basis of presentation**

**Foreign currency**

*Functional and reporting currency*

Condensed financial statements are presented in TL, which is the functional and presentation currency of the Company.

*Foreign currency transactions and balances*

Foreign currency transactions have been converted over the exchange rates valid on the dates of the transaction. Monetary assets and liabilities based on foreign currency are converted using the exchange rates valid on the date of the statement of financial position. Exchange difference income or expense arising from foreign currency-based operational transactions (trade receivables and debts) is presented under the "other income / expenses from operating activities", while the exchange difference income or expense arising from the translation of other foreign currency based monetary assets and liabilities is presented under "finance income / expenses" in the statement of profit or loss.

**Going concern**

The Company has prepared its condensed financial statements according to the going concern principle.

**Declaration of conformity to TFRS**

The Company has prepared its interim condensed financial statements for the period ending on March 31, 2021, in accordance with the CMB's Communiqué Serial: II-14.1 and its announcements clarifying this communiqué. The condensed financial statements and notes are presented in accordance with the formats recommended by CMB and including the required information.

**2.2 Accounting policies, changes in accounting estimates and errors**

Accounting policy changes arising from the implementation of a new TAS / TFRS for the first time are applied retrospectively or prospectively in accordance with the transition provisions of the TAS / TFRS, if any. If there is no transition requirement, significant optional changes in accounting policies or detected accounting errors are applied retrospectively and the financial statements of the previous period are restated.

Changes in accounting estimates are applied in the current period when the change is made if they are related to only one period, and if they are related to future periods, they are applied both in the period of change and prospectively.

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements  
for the period ended March 31, 2021**

(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**2. Basis of presentation of condensed financial statements (continued)**

**2.3 The new standards, amendments and interpretations**

**i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:**

- Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16
- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Separately identifiable risk components
- Additional disclosures

The amendments did not have a significant impact on the financial position or performance of the Company.

**ii) Standards issued but not yet effective and not early adopted**

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

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Amendments to TAS 16 – Proceeds before intended use
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- Amendments to TFRS 16 – Covid-19 Rent Related Concessions
- Annual Improvements – 2018–2020 Cycle

The Company is in the process of assessing the impact of the amendments / improvements on financial position or performance of the Company.

**2.4 Summary of significant accounting policies**

Interim financial statements for the period ending on March 31, 2021 have been prepared in accordance with TAS 34 standard for the preparation of interim financial statements of TAS / TFRS.

The interim financial statements for the period ending on March 31, 2021 have been prepared by applying accounting policies consistent with the accounting policies applied during the preparation of the financial statements for the year ending on December 31, 2020. Therefore, these interim financial statements should be evaluated together with the financial statements for the year ended December 31, 2020.

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements  
for the period ended March 31, 2021**

(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**2. Basis of presentation of condensed financial statements (continued)**

**2.5 Significant accounting judgments, estimates and assumptions**

In the preparation of condensed financial statements, the Company management requires the use of estimates and assumptions that may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the amounts of income and expenses reported during the accounting period. Accounting judgments, estimates and assumptions are continuously evaluated by considering past experience, other factors and reasonable expectations about future events under current conditions. Necessary corrections are made and presented in the profit or loss statement in the period when it realized. Although these estimates and assumptions are based on management's best knowledge of current events and transactions, actual results may differ from their assumptions.

The main evaluations, estimates and assumptions made are as follows:

- a) Mining assets consists of mine site development costs, mining rights, mining lands, deferred stripping costs and discounted costs associated with the improvement, rehabilitation and closure of mine sites. Mining assets are accounted in the financial statements with their net book value after deducting the accumulated depreciation and permanent impairment, if any, from their acquisition costs. Mining assets start to be amortized on a production basis according to producible ore reserve with the commencement of production. The depreciation expenses of the mining assets are associated with the production costs on the basis of the relevant mining sites.

Within the scope of long-term plan studies, which are regularly updated, the Company conducts studies to determine the remaining reserves of mining assets, revising the possible effects of employee benefit obligations, production-based depreciation calculations, and rehabilitation provisions within this scope.

The Company management reviews the estimates made in relation to the visible and probable mineral reserves in each balance sheet period. In certain periods, the Company management has independent professional valuation companies make valuation studies in accordance with the Australian Exploration Results, Mineral Resources and Gold Reserves 2012 Standards ("JORC") to determine the amount of visible, possible and probable mineral reserves and It is updated by or under the supervision of persons who have the competencies specified in. As of December 31, 2020, the aforementioned reserve and resource amounts were updated by the independent professional valuation company "SRK Consulting" in line with the "JORC" standards.

Within the scope of these studies, the assumptions and methods used in determining the mineral reserves contain some uncertainties (such as gold prices, exchange rates, geographic and statistical variables), and the assumptions and methods developed in relation to the mineral reserve may change significantly depending on the availability of new information. The cost and depreciation of mining assets are adjusted prospectively based on these updates.

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements**

**for the period ended March 31, 2021**

(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**2. Basis of presentation of condensed financial statements (continued)**

**2.5 Significant accounting judgments, estimates and assumptions (continued)**

b) Mining assets are amortized using the "production" method and the visible and possible gold reserve amount is used to calculate the depreciation rate. Other tangible assets, both movable and fixed, other than mining assets are depreciated using the straight-line method over their useful lives, limited with lifetime of the mines they are related to. The depreciation amounts calculated on the basis of the visible and possible gold reserves and using the production units method may vary between periods, the depreciation may be affected by the deviation between the actual and estimated production amounts. These differences arise from the variables or assumptions stated below;

- Changes in the amount of visible and possible gold reserves as a result of the work done,
- The reserve's tenor ("grade") ratio, which can vary significantly from time to time,
- The actual gold price and the estimated gold price taken into account in reserve valuation and tenor determination studies,
- Other matters that may occur in the mine sites and cannot be predicted in advance and may affect the activities,
- Unpredictable changes in mining, processing and rehabilitation costs, discount rates, exchange rate changes,
- The effects of changes in mineral life on the useful life of tangible assets depreciated with the straight-line method and whose useful life are limited to the mine life.

The impairment tests performed by the Company management depend on the management's estimates about the future gold prices, current market conditions, exchange rates and pre-tax discount rate together with the relevant project risk. The recoverable value of the cash-generating units is determined as the higher one from the use value of the relevant cash-generating unit or its fair value after deducting sales costs. These calculations require the use of some assumptions and estimates. Changes in assumptions and estimates based on gold prices may affect the useful lives of mines and conditions may arise that may require adjustment on the carrying values of both goodwill and related assets.

Assets are grouped as independent and smallest cash generating units. If an impairment indicator is determined, estimates and assumptions are established for the cash flows to be obtained from each cash-generating unit determined. Impairment tests of both tangible assets and goodwill contain a certain amount of uncertainty due to the estimates and assumptions used. This uncertainty arises from the amount of visible and possible workable gold reserves used, current and future predicted gold prices, discount rates, exchange rates and estimated production costs.

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements  
for the period ended March 31, 2021**

(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**2. Basis of presentation of condensed financial statements (continued)**

**2.5 Significant accounting judgments estimates and assumptions (continued)**

- c) Amount of provisions reflected in condensed financial statements regarding environmental rehabilitation, improvement of mine sites and closure of mine sites is based on the plans of the Company management and the requirements of the relevant legal regulations. Changes in the aforementioned plans and legal regulations, up-to-date market data and prices, discount rates used, changes in estimates based on mineral resources and reserves may affect provisions.

As of March 31, 2021, the Company reassessed the provision amounts due to changes in discount rates, costs, production areas subject to rehabilitation and reserve lifetimes. The Company evaluates the mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation due to the large number of factors that may affect the final liability to be paid. These factors include estimates of the scope and cost of rehabilitation activities, technological changes, changes in regulations, cost increases proportional to inflation rates and changes in net discount rates (March 31, 2021: 0,08%, December 31, 20: 0,08%). These uncertainties may cause future expenditures to differ from the amounts estimated today.

The provision amount at the reporting date represents the best estimate of the present value of future rehabilitation costs. Changes in estimated future costs are accounted in the balance sheet by increasing or decreasing the rehabilitation obligation or asset if the initial estimate was initially recognized as part of an asset measured in accordance with TAS 16 Tangible Assets. Any reduction in the rehabilitation obligation and hence any reduction in the rehabilitation asset cannot exceed the carried value of that asset. In case of excess, the amount exceeding the carried value is immediately taken to profit or loss.

- d) Deferred tax assets are recorded when it is determined that it is possible to generate taxable income in the coming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over temporary differences. The Company management, as a result of its assessment, has been recognized as a deferred tax asset for financial losses that can be used within a predictable period and within the framework of tax laws. This evaluation is based on the assumptions used that the related subsidiary has taxable profit in the future periods.
- e) As the Company operates in the mining industry, it is exposed to many risks arising from laws and regulations. As of the balance sheet date, the results of current or future legal practices can be estimated within a certain ratio, based on the past experiences of the Company management and as a result of the legal consultancy received. Negative effects of a decision or application that may be taken against the Company may significantly affect the activities of the Company. As of March 31, 2021, there is no legal risk expected to significantly affect the activities of the Company.
- f) At the stage of determining the amount of the provision for the lawsuits, the management consider the possibility of the ongoing lawsuits to be concluded against the Company and the legal advisors' evaluation of the consequences that may arise in case these lawsuits are concluded against the Company. The Company management makes the best estimate based on the information provided.

**2.6 Comparative information and correction of previous period financial statements**

The financial statements of the Company are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are explained.

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements**

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**3. Cash and cash equivalents**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Cash	205	185
Banks		
- Demand deposits	656	1.121
- Time deposits	6.696.251	5.920.480
<b>Total</b>	<b>6.697.112</b>	<b>5.921.786</b>
Less: Interest accruals	(48.480)	(24.424)
<b>Cash and cash equivalents presented in the cash flow statement</b>	<b>6.648.632</b>	<b>5.897.362</b>

The details of the Company's time deposits as of March 31, 2021 are as follows;

<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Currency amount</b>	<b>TL Equivalent</b>
TL	%16,75 - %19,40	35 Day	5.169.063	5.169.063
USD	%1,25 - %2,25	32-35 Day	183.424	1.527.188
<b>Total</b>				<b>6.696.251</b>

The details of the Company's time deposits as of December 31, 2020 are as follows;

<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Currency amount</b>	<b>TL Equivalent</b>
TL	%15 - %18	1-35 Day	5.366.390	5.366.390
USD	%3 - %4	1-35 Day	75.484	554.090
<b>Total</b>				<b>5.920.480</b>

The Company's blocked deposits of 81.777 TL have been presented under financial investments account (December 31, 2020: 82.047 TL).

**Koza Altın İşletmeleri Anonim Şirketi**

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**4. Financial investments**

The financial investments of the Company as of March 31, 2021 and December 31, 2020 are as follows;

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Shares in subsidiaries (*)	218.753	218.753
Blocked deposits	81.777	82.047
<b>Total</b>	<b>300.530</b>	<b>300.800</b>

(\*) With the decisions taken at the General Assembly meeting held on September 11, 2015 and the amendment of the articles of association on the same date of Koza Ltd. which is the subsidiary of the Company with 100% share, two A Group shares each worth 1 GBP ("GBP") and the control has transferred to A Group shareholders. Pursuant to the amendment to the articles of association made as of September 11, 2015, savings regarding all operational and managerial activities of Koza Ltd., decision and approval of the articles of association, approval of liquidation transactions and share transfer transactions, etc. rights are given to directors. As a result of the mentioned changes, the Company has lost the control over Koza Ltd. and Koza Ltd. was excluded from the scope of consolidation. It has been accounted in the financial statements at cost since the date the control has ended. As of the report date, fair value measurement could not be calculated due to uncertainties arising from the ongoing legal processes about Koza Ltd.

A legal process has been initiated by the CMB with the decision dated February 4, 2016 regarding the General Assembly and the resolutions taken, in cases where the final judicial decisions regarding this decision differ from the initially recorded amounts, these differences will be accounted in the period determined.

**5. Inventories**

The inventories of the Company as of March 31, 2021 and December 31, 2020 are as follows;

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Gold and silver in the production process and gold and silver bars	152.182	166.094
Ready to be processed and mined ore clusters	110.854	100.520
Chemicals and operating materials	76.450	74.587
Spare parts (*)	108.971	101.465
Provision for inventory impairment (-)	(36.598)	(36.598)
<b>Total</b>	<b>411.859</b>	<b>406.068</b>

(\*) Spare parts are used for the ongoing operations of the gold mines that continue their operations.



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**6. Investment properties**

The investment properties of the Company as of March 31, 2021 and 2020 are as follows;

	January 1, 2021	Additions	Disposals	March 31, 2021
<b>Cost</b>				
Buildings	130.540	-	-	130.540
<b>Total</b>	<b>130.540</b>	<b>-</b>	<b>-</b>	<b>130.540</b>
<b>Accumulated depreciation</b>				
Buildings	12.635	649	-	13.284
<b>Total</b>	<b>12.635</b>	<b>649</b>	<b>-</b>	<b>13.284</b>
<b>Net book value</b>	<b>117.905</b>			<b>117.256</b>
	January 1, 2020	Additions	Disposals	March 31, 2020
<b>Cost</b>				
Buildings	112.040	-	-	112.040
<b>Total</b>	<b>112.040</b>	<b>-</b>	<b>-</b>	<b>112.040</b>
<b>Accumulated depreciation</b>				
Buildings	10.246	557	-	10.803
<b>Total</b>	<b>10.246</b>	<b>557</b>	<b>-</b>	<b>10.803</b>
<b>Net book value</b>	<b>101.794</b>			<b>101.237</b>

Depreciation expenses are accounted under general administrative expenses.

No rental income was earned from investment properties in 2021. (2020: None).

Investment properties amounting of thousand TL 89.978 in the buildings are located in United Kingdom and members of the İpek Family live in these apartments. The lease agreement has not been signed due to the current legal processes. When the legal processes are end, the necessary evaluations will be made by the Company management in accordance with the market practices. Investment properties amounting of thousand TL 22.062 in the buildings consist of dormitory buildings in Gümüşhane and Bergama. There isn't any rental agreement. As of March 31, 2021, there are annotations placed by the General Directorate of National Real Estate on the Company's domestic real estate properties.

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements**

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**7. Property, plant and equipment**

The property, plant and equipment of the Company as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Mining assets	241.961	226.221
Other tangible assets	460.172	433.253
<b>Total</b>	<b>702.133</b>	<b>659.474</b>

**a) Mining assets**

As of March 31, 2021 and December 31, 2020, mining assets consists of mining rights, mine site development costs, deferred stripping costs, mining lands, and closing and rehabilitation of mines, and the net book values of these mining assets are as follows.

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Lands	33.178	32.330
Mine site development cost	132.267	123.039
Deferred stripping costs	14.225	11.318
Rehabilitation of mining facility	24.878	22.118
Mining rights	37.413	37.416
<b>Total</b>	<b>241.961</b>	<b>226.221</b>

The movements of mining assets are as follows;

	<b>January 1, 2021</b>	<b>Additions</b>	<b>March 31, 2021</b>
<b>Cost</b>			
Lands	70.546	2.199	72.745
Mine site development cost	451.048	17.234	468.282
Deferred stripping costs	263.994	5.102	269.096
Rehabilitation of mining facility	231.133	6.547	237.680
Mining rights	50.765	-	50.765
<b>Total</b>	<b>1.067.486</b>	<b>31.082</b>	<b>1.098.568</b>

**Accumulated depreciation**

Lands	38.216	1.351	39.567
Mine site development cost	328.009	8.006	336.015
Deferred stripping costs	252.676	2.195	254.871
Rehabilitation of mining facility	209.015	3.787	212.802
Mining rights	13.349	3	13.352
<b>Total</b>	<b>841.265</b>	<b>15.342</b>	<b>856.607</b>
<b>Net book value</b>	<b>226.221</b>		<b>241.961</b>

**Koza Altın İşletmeleri Anonim Şirketi**

**Notes to the condensed financial statements  
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(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**7. Property, plant and equipment (continued)**

**a) Mining assets (continued)**

	January 1, 2020	Additions	March 31, 2020
Cost			
Lands	60.607	1.960	62.567
Mine site development cost	415.548	5.455	421.003
Deferred stripping costs	246.609	5.795	252.404
Rehabilitation of mining facility	184.922	15.678	200.600
Mining rights	40.895	433	41.328
Total	948.581	29.321	977.902
Accumulated depreciation			
Lands	32.647	1.194	33.841
Mine site development cost	310.853	3.260	314.113
Deferred stripping costs	229.963	3.902	233.865
Rehabilitation of mining facility	140.131	14.162	154.293
Mining rights	12.932	139	13.071
Total	726.526	22.657	749.183
Net book value	222.055		228.719

Depreciation expenses are accounted under the cost of goods sold.

There isn't any mortgage on mining assets as of March 31, 2021 (December 31, 2020: None).

The costs of the lands, mining rights and mine site development costs of the Company, which have been fully depreciated as of March 31, 2021, but are in use, are amounting to TL 105.635. (March 31, 2020: TL 67.193).

**Koza Altın İşletmeleri Anonim Şirketi**

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**7. Property, plant and equipment (continued)**

**b) Other tangible assets**

Movements of other tangible assets during the period as of March 31, 2021 and 2020 are as follows;

	January 1, 2021	Additions	Disposals	March 31, 2021
<b>Cost</b>				
Land, buildings and land improvements	298.592	760	-	299.352
Machinery and equipment	741.627	13.822	-	755.449
Motor vehicles	101.524	12.189	-	113.713
Furnitures and fixtures	65.724	2.341	(5)	68.060
Construction in progress	15.763	17.193	-	32.956
<b>Total</b>	<b>1.223.230</b>	<b>46.305</b>	<b>(5)</b>	<b>1.269.530</b>
<b>Accumulated depreciation</b>				
Buildings and land improvements	154.586	4.307	-	158.893
Machinery and equipment	540.463	8.939	-	549.402
Motor vehicles	54.717	4.283	-	59.000
Furnitures and fixtures	40.211	1.855	(3)	42.063
<b>Total</b>	<b>789.977</b>	<b>19.384</b>	<b>(3)</b>	<b>809.358</b>
<b>Net book value</b>	<b>433.253</b>			<b>460.172</b>

Depreciation expenses amounting to TL 18.087 (2020: TL 17.609) have been accounted under cost of the goods and amounting to TL 1.295 (2020: TL 1.547) under general administrative expenses.

There isn't any mortgage on other tangible assets as of March 31, 2021 (December 31, 2020: None). As of March 31, 2021, the insurance amount on the tangible assets and inventories of the Company is TL 225.194 (March 31, 2020: TL 173.016).

The cost of other tangible assets of the Company, which have been fully depreciated as of March 31, 2021, but are in use, is amounting to TL 358.732. (March 31, 2020: TL 311.382).

There are no financing expenses capitalized on property, plant and equipment.

**Koza Altın İşletmeleri Anonim Şirketi**

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**7. Property, plant and equipment (continued)**

**b) Other tangible assets (continued)**

	January 1, 2020	Additions	Disposals	March 31, 2020
Cost				
Land, buildings and land improvements	253.466	2.392	-	255.858
Machinery and equipment	654.327	10.399	-	664.726
Motor vehicles	71.281	5.298	(158)	76.421
Furnitures and fixtures	52.903	1.377	-	54.280
Construction in progress (*)	12.637	5.524	(1.247)	16.914
<b>Total</b>	<b>1.044.614</b>	<b>24.990</b>	<b>(1.405)</b>	<b>1.068.199</b>
Accumulated depreciation				
Buildings and land improvements	127.859	6.106	-	133.965
Machinery and equipment	492.741	9.039	-	501.780
Motor vehicles	41.044	2.550	(28)	43.566
Furnitures and fixtures	33.642	1.461	-	35.103
<b>Total</b>	<b>695.286</b>	<b>19.156</b>	<b>(28)</b>	<b>714.414</b>
<b>Net book value</b>	<b>349.328</b>			<b>353.785</b>

(\*) As of March 31, 2020, the disposals from construction in progress account consist of the investments made by the Company related to the canceled Söğüt project.

**8. Intangible assets**

**a) Goodwill**

As of March 31, 2021, and December 31, 2020, the details of the Company's intangible assets are as follows:

	March 31, 2021	December 31, 2020
Goodwill related to Newmont Altın purchase	11.232	11.232
<b>Total</b>	<b>11.232</b>	<b>11.232</b>

**Purchase of Newmont Gold:**

The Company purchased 99.84% of Newmont Altın's shares in order to gain competitive advantage and create synergy by benefiting from the mining fields owned by Newmont Altın on June 28, 2010, in accordance with the "Share Purchase Agreement" with Newmont Overseas and Canmont. As of the same date, control of Newmont Altın was transferred to Koza Altın.

Koza Altın has paid 538 thousand USD and 2.462 thousand USD, which constitute part of the total purchase price of 8.500 thousand US dollars, for 99.84% Newmont Altın shares, on June 28, 2010 and July 2, 2010, respectively. The remaining 5.500 thousand USD of the purchase price, 3.000 thousand USD will be paid after the start of the Diyadin project, which is planned for at least one year after the balance sheet date, and the remaining 2.500 thousand USD will be paid one year after the second payment.

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**8. Intangible assets (continued)**

**a) Goodwill (continued)**

As of March 31, 2021, it is highly probable that a sufficient amount of visible and probable reserves will be found in the mentioned mine sites in the coming years according to the estimates of the gold price made by the management, geological and geochemical studies and expert reports. As a result of these evaluations, no impairment is expected in the goodwill arising from the acquisition of Newmont Altın as of March 31, 2021.

**b) Other intangible assets**

The details of the Company's other intangible assets as of March 31, 2021 and 2020 are as follows:

	<b>January 1, 2021</b>	<b>Additions</b>	<b>March 31, 2021</b>
<b>Cost</b>			
Rights	11.121	2.221	13.342
<b>Total</b>	<b>11.121</b>	<b>2.221</b>	<b>13.342</b>
<b>Accumulated depreciation</b>			
Rights	10.028	285	10.313
<b>Total</b>	<b>10.028</b>	<b>285</b>	<b>10.313</b>
<b>Net book value</b>	<b>1.093</b>		<b>3.029</b>

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**8. Intangible assets (continued)**

**b) Other intangible assets (continued)**

	January 1, 2020	Additions	March 31, 2020
Cost			
Rights	10.286	34	10.320
<b>Total</b>	<b>10.286</b>	<b>34</b>	<b>10.320</b>
Accumulated depreciation			
Rights	8.846	279	9.125
<b>Total</b>	<b>8.846</b>	<b>279</b>	<b>9.125</b>
<b>Net book value</b>	<b>1.440</b>		<b>1.195</b>

**9. Provisions, contingent assets and liabilities**

As of March 31, 2021 and December 31, 2020, the details of the Company's provisions, contingent assets and liabilities are as follows:

**a) Short-term provisions**

	March 31, 2021	December 31, 2020
State right expense provision	325.948	255.413
Environmental rehabilitation, rehabilitation of mining sites and mine closure provision	98.066	74.211
Provisions for lawsuit	21.780	21.780
Other provisions	6.921	1.059
<b>Total</b>	<b>452.715</b>	<b>352.463</b>

**Koza Altın İşletmeleri Anonim Şirketi**

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**9. Provisions, contingent assets and liabilities (continued)**

**b) Long-term provisions**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Environmental rehabilitation, rehabilitation of mining sites and mine closure provision	118.631	119.492
<b>Total</b>	<b>118.631</b>	<b>119.492</b>

The movement table for environmental rehabilitation, rehabilitation of mining sites and provision for mine closure is as follows;

	<b>2021</b>	<b>2020</b>
<b>January 1</b>	193.703	170.941
Paid during the period	(2.517)	(11.568)
Discount effect	(385)	3.471
Currency effect	26.021	16.570
Effect of changes in estimates and assumptions	194	(4.052)
Additions / (cancellations), net	(319)	11.247
<b>March 31</b>	<b>216.697</b>	<b>186.609</b>

**c) Provisions for employee benefits**

**i- Short-term provisions for employee benefits**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Provision for unused vacation	12.685	10.059
Provision for personnel bonus	10.078	-
<b>Total</b>	<b>22.763</b>	<b>10.059</b>

The movement of provision for unused vacation is as follows;

	<b>2021</b>	<b>2020</b>
<b>January 1</b>	10.059	9.653
Additions / (cancellations), net	2.626	(257)
<b>March 31</b>	<b>12.685</b>	<b>9.396</b>



**Koza Altın İşletmeleri Anonim Şirketi**

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**9. Provisions, contingent assets and liabilities (continued)**

**c) Provisions for employee benefits (continued)**

**ii- Long-term provisions for employee benefits**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Provision for employee termination benefits	39.754	34.384
<b>Total</b>	<b>39.754</b>	<b>34.384</b>

Under the Turkish Labour Law, the Company is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees who are entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated March 6, 1981 and No: 4447 dated August 25, 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transition provisions related to the pre-retirement service term were excluded from the law since the related law was changed as of May 23, 2002.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate net of expected effects of inflation. The severance pay ceiling is revised in every six months, and the ceiling amount of TL 7.638,96 (April 1, 2020: TL 6.730,15) as of April 1, 2021 was taken into consideration in the calculation of the provision for severance pay. TFRS requires actuarial valuation methods to be developed to estimate the provision for severance pay. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Net discount rate	%3,67	%3,67
Turnover rate related the probability of retirement (rate of employees to remain to retirement)	%97,53	%96,62

The movements of the provision for severance pay within the accounting periods of March 31, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
<b>January 1</b>	<b>34.384</b>	<b>25.689</b>
Interest cost	(1.716)	(371)
Service cost	1.117	771
Actuarial loss / (gain)	2.427	2.104
Severance paid	3.542	(1.423)
<b>March 31</b>	<b>39.754</b>	<b>26.770</b>

Liability of employment termination benefits is not subject to any funding as there isn't an obligation. Provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Company's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability.

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**9. Provisions, contingent assets and liabilities (continued)**

**c) Provisions for employee benefits (continued)**

**ii- Long-term provisions for employment benefits (continued)**

The sensitivity analysis of the important assumptions used in the calculation of the provision for employee termination benefits as of March 31, 2021 is as follows:

	Discount rate		Rate of retirement	
	0,50% increase	0,50% decrease	0,50% increase	0,50% decrease
<b>2021</b>	(2.717)	3.018	749	(722)

**d) Important ongoing cases**

**i- Lawsuits related to the Ovacık mine**

For the cancellation of the EIA positive decision issued for the Ovacık 3rd waste storage facility, the İzmir 3rd Administrative Court's case numbered 2017/1432 E. Was filed against the Ministry of Environment and Urbanization, and the Company intervened to the case. The court delivered a judgement of dismissal on March 12, 2020, in favor of the Company, which is open to appeal to the Council of State. It was appealed by the plaintiffs with a request for a stay of execution. The Council of State rejected the appeal requests of the plaintiffs in favor of our company with the decision dated September 24, 2020 and decided to send the file to the local court for procedural reasons that do not affect the merits. In this respect, the trial continues and does not affect the activities of the Company.

For the cancellation of the EIA affirmative decision issued for the Ovacık gold mine in accordance with the provisions of the 2009/7 circular, İzmir 6th Administrative Court's case numbered 2017/1317 E. was filed against the Ministry of Environment and Urbanization and the Company intervened to the case. İzmir 6th Administrative Court rejected the case in favor of the Company in the case file numbered 2017/1317 E., and file numbered 2020/350 E in the same court the Council of State dismissed the appeal requests of the plaintiffs and ordered to change of venue by delivering the file to the local court for procedural rules of law, not for the substantive ones. In this respect, the trial continues and does not affect the activities of the Company. Therefore, the Company continues activities of production within the scope of the relevant EIA affirmative report.

The results of other lawsuits regarding the Ovacık gold mine are not such as to affect the Company's activities.

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**9. Provisions, contingent assets and liabilities (continued)**

**d) Important ongoing cases (continued)**

**ii- Lawsuits related to Kaymaz mine**

The Company has filed lawsuits in Eskisehir 1st Administrative Court numbered 2014/1084 E. and Eskişehir 1st Administrative Court numbered 2014/760 E. Requesting cancellation and stay of execution against the operations related to the cessation of operations in the agricultural lands of the Kaymaz gold mine located in the field bearing aregistration number of 43539 and 82567. Among these lawsuits, with respect to the lawsuit numbered 2014/760 E. İn Eskisehir 1st Administrative Court filed regarding the field with license number of İR 43539 and the lawsuit numbered 2014/1084 E. regarding the field with license number of İR 82567; the court ordered to the cancellation of proceedings subject to the case, with open appeal. Both cases were concluded in favor of the Company. Upon the appeal of the plaintiffs in both files, the Council of State ordered to suspend the execution of the court decisions. Substantial examination of the appeal continues in terms of both files and the trial is ongoing.

The Company intervened in the case along with the defendant Ministry of Environment and Urbanization which was filed for the cancellation and stay of execution of the EIA affirmative decision given regarding the 2nd Waste Storage Facility project planned to be made in the field site with the operation license number of 82567 and the trial is ongoing in Eskişehir 1st Administrative Court in the cases filed with the number 2020/302 E. and 2020/350 E.

**iii- Lawsuits related to other mines**

These lawsuits are related to the expansion of the activities in some licensed fields and / or the permits and licenses of the new areas to be operated.

**Lawsuits related to Çukuralan mine:**

A lawsuit numbered 2017/1656 E. was filed against the Ministry of Environment and Urbanization in İzmir 6th Administrative Court for the cancellation of the EIA affirmative report issued for the 3rd capacity increase Project of Çukuralan mining facility, and the Company intervened in the case. The court decided to cancel the transaction subject to the case, and the Council of State reversed the decision in favor of the company by not being hit by the decision of the local court after the appeal review. While the trial continued in İzmir 6th Administrative Court on the basis number of 2019/574, the court decided to cancel the said transaction with the decision dated 23.02.2021. The decision has been appealed and the trial is pending before the Council of State.

Regarding the 3rd capacity increase 2009/7 project of Çukuralan Gold Mine, İzmir 6th Administrative Court has been sued for the suspension of execution and cancellation of the Environmental Impact Assessment (EIA) positive Decision issued by the Ministry of Environment and Urbanization with the 2019/1120 E. file. has been opened. Our company intervenes in the relevant case together with the defendant Ministry. The previous base number and court of the relevant file is İzmir 3rd Administrative Court 2019/171 E. Due to the connection with the Çukuralan 3. Capacity Increase file, the main record of the file was closed by the decision of the İzmir Regional Administrative Court 4th Administrative Law Department and it was decided by the İzmir 3rd Administrative Court to send it to the İzmir 6th Administrative Court due to the relevant connection. While the relevant case continued with the number 2019/1120 of the İzmir 6th Administrative Court, the EIA affirmative decision, which was subject to the court decision, was annulled and an appeal was filed and the trial is ongoing before the Council of State.

**Lawsuit related to Çanakkale Project:**

In the lawsuit filed for the annulment and suspension of the EIA positive decision regarding the S: 201001197 Gold and Silver Mine Project, which is planned to be made in the vicinity of Serçiler and Terziler villages in the central district of Çanakkale, the company intervenes with the Ministry of Environment and Urbanization. The trial is ongoing.

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**9. Provisions, contingent assets and liabilities (continued)**

**d) Important ongoing cases (continued)**

**iv- Lawsuits regarding the Company's subsidiary abroad**

Legal actions has been initiated against the amendment in the main contract and establishment of privileged share as well as the board change with respect to London-based Koza Ltd., in which the Company owns 100% shares, and the legal process is ongoing before London courts. On the date of January 23, 2019, it has been decided by the 10th Commercial Court of First Instance of Ankara (case file number 2017/349 E) with an open appeal within two weeks from the notification date that 60.000.000 British Pounds shall be taken from the defendants to Koza Altın İşletmeleri A.Ş. as of September 1, 2015, together with the interest to be accrued according to the article 4 / a of the law numbered 3095. Following an appeal filed by the defendants against this court decision, the 21st Civil Chamber of Ankara Regional Court of Justice, which is the court of appeal, ordered to deem the defendants' request of appeal has not been filed for procedural reasons, with the decision numbered 2019/699 E. and 2019/1189 K. An appeal has been filed by the defendants against this decision, and the appeal process continues.

**v- Liability lawsuits filed against former managers**

As a result of the evaluations made by the CMB after the decision to appoint a trustee, the Company was instructed to file a liability lawsuit against previous board members for various reasons, and various liability lawsuits were filed against former managers on behalf of Ankara Commercial Courts, and the lawsuits are still pending. Lawsuits that may affect the activities of the Company are announced on the public disclosure platform in legal periods.

**vi- Other legal processes**

Pursuant to the decision of the 5th Criminal Court of Peace in Ankara, the management of the Company was transferred to the Board of Trustees and then to the Savings Deposit Insurance Fund ("SDIF") on September 22, 2016. The indictment issued by the Ankara Chief Public Prosecutor's Office regarding the events that led to the appointment of a trustee was accepted by the Ankara 24th High Criminal Court and their trial was initiated with the file number 2017/44 E. and the case was resolved by the court of first instance. It has been decided by the court of first instance to confiscate the Company shares that belonged to the previous board members who were judged. Until the decision is finalized, it has been decided that the above-described measure of appointing a trustee will be continued. The decision is not finalized yet. In the case file of the Ankara 24th High Criminal Court numbered 2017/44 E., it has been further ordered by the court that the actions be severed with respect to the former members of the board of directors who could not have been tried due to their nonappearance in court and that the judgement to be continued through this new file and the aforementioned measure of the appointment of trustees to be sustained until the end of the trial. The new file severed is registered in the number of 2020/20 E under the Ankara 24th High Criminal Court's jurisdiction.

**vii- Employee lawsuits and cases of contract receivables**

As of March 31, 2021, the provision amount accounted for ongoing employee and other lawsuits against the Company is amounting to TL 21.780 Thousand (December 31, 2020: TL 21.780 Thousand).

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**9. Provisions, contingent assets and liabilities (continued)**

**e) Commitments and contingent liabilities**

**i- Letter of guarantees given**

The details of the letter of guarantees given by the Company as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
A. CPM's given on behalf of own legal entity	40.421	54.990
- <i>Guarantee</i>	40.421	54.990
- <i>Mortgage</i>	-	-
B. CPM's given in favor of partnerships which are fully consolidated	-	-
C. CPM's given for assurance of third parties debts in order to conduct usual business activities	-	-
D. Total amount of other CPM's given	-	-
i. Total amount of CPM's given in favor of the parent company	-	-
ii. Total amount of CPM's given in favor of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>40.421</b>	<b>54.990</b>

**ii- Letter of guarantees received**

The details of the Company's letter of guarantees received as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Guarantee cheques	559.877	493.695
Guarantee letters	72.335	87.371
Security bonds	422	422
<b>Total</b>	<b>632.634</b>	<b>581.488</b>

**iii- Government grants**

The 80% percentage of the income tax calculated on the social security employer's share and wages calculated for the Company's employees in the mine processing facility in Mastra-Gümüşhane, is covered by the Treasury within the scope of the Law No. 5084 on "Incentives for Investments and Employment and Making Amendments to Certain Laws". The Company also benefits from 5% insurance premium on employer's share incentive at all workplaces within the scope of "Social Insurance and General Health Insurance Law" numbered 5510.

The Company benefits from the investment incentive in the Çukuralan - İzmir. The Company benefits from the 80% and 40% corporate tax reduction rate and investment contribution rate, respectively, within the scope of incentive.

An incentive certificate was obtained for Himmetdede. The document has a duration of 3 years as of December 21, 2017 and expired on December 21, 2020. Time extension will be requested.

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**10. Equity**

**a) Capital**

As of March 31, 2020, the Company's paid-in capital is amounting to TL 152.500 Thousand (December 31, 2020: TL 152.500 Thousand) and consists of 15.250.000.000 shares with a nominal share value of 1 Kuruş (December 31, 2020: 15.250.000.000 units).

Equity	Share Group	March 31, 2021		December 31, 2020	
		Share Rate	Share amount	Share Rate	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
<b>Total</b>		<b>100</b>	<b>152.500</b>	<b>100</b>	<b>152.500</b>
Capital adjustment differences			3.579		3.579
<b>Paid-in capital</b>			<b>156.079</b>		<b>156.079</b>

The Board of Directors of the Company consists of six members and four of these six persons are elected by the general assembly from among the candidates nominated by (A) group registered shareholders, and two independent members from among the candidates nominated in the general assembly. At its meeting after each ordinary general assembly or each general assembly where members are elected, the board of directors elects a chairman and a vice chairman among the members representing the (A) group registered shareholders. Apart from this, (A) and (B) group shares do not have any other privileges. According to the decision of Ankara 5th Criminal Court of Peace dated October 26, 2015, trustees have been appointed to the Company, and a regulation has been made regarding the transfer of the powers of the trustees working in the companies that have been decided to be appointed to the SDIF by the judge or the court with the Decree No.674 on Making Some Regulations under the State of Emergency, published in the Resmi Gazete dated August 15, 2016. With the decision of Ankara 4th Criminal Judgeship dated September 6, 2016 and numbered 2016/4628 D, it was decided to terminate the duties of the trustees on the day the procedures for their trusteeship powers were completed. The board of directors was established by the SDIF with the decision of the SDIF Board dated September 22, 2016 and numbered 2016/206. For this reason, the privileges of the (A) and (B) share groups cannot be used.

Capital adjustment differences amounting to TL 3.579 Thousand (December 31, 2020: TL 3.579 Thousand), from the difference between the total amount of the Company's capital adjusted for inflation and the capital amount before the inflation correction of the Company, offsetting accumulated losses in 2006 and remaining after the transfer to the paid-in capital refers to the amount.

Public companies make their dividend distributions according to the CMB's "Dividend Communiqué" numbered II19.1, which entered into force as of February 1, 2014.

According to the "Communiqué on Procedures and Principles Regarding the Implementation of Provisional Article 13 of the Turkish Commercial Code No. 6102" published in the Resmi Gazete dated May 17, 2020 and numbered 31130:

- Capital companies will be able to decide to distribute only up to 25 percent of the net profit for the year 2020 in cash until March 31, 2021. Retained earnings and free reserves cannot be included. This limitation will not be applied for capital increase to be made from internal resources in accordance with Article 462 of the Turkish Commercial Code.

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**10. Equity (continued)**

**a) Capital (continued)**

- Dividend advance power will not be authorized by the general assembly until March 31, 2021 in capital companies. If the board of directors was authorized by the General Assembly to distribute dividend advance payments, advance payments will be postponed until March 31, 2021.
- If a dividend distribution decision has been taken before April 17, 2020, when the temporary article 13 of the Turkish Commercial Code came into force and the shareholders have not yet been paid or partial payments have been made, all payments regarding the unpaid portion will be postponed until March 31, 2021 if the distribution decision is taken from the free reserves, although the payments exceeding 25% of the net profit of the 2020 period have been lost in the accounting period. No interest will be accrued on deferred payments.

Companies distribute their profits within the framework of profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the relevant legislation, by the decision of the general assembly. Within the scope of the said communique, a minimum distribution rate has not been determined. Companies pay dividends as specified in their articles of association or profit distribution policies. In addition, dividends can be paid in installments of equal or different amounts and dividend advances can be distributed over the profit in the financial statements.

Unless the reserves that should be set aside according to the TCC and the dividend determined for the shareholders in the articles of association or in the profit distribution policy are reserved; it cannot be decided to allocate other reserves, to transfer profits to the next year, and to distribute dividends to dividend owners, members of the board of directors, company employees and persons other than shareholders, and no dividends can be distributed to these persons unless the dividend determined for shareholders is paid in cash.

The Company's restricted reserves are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Restricted reserves	137.390	137.390
<b>Total</b>	<b>137.390</b>	<b>137.390</b>

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is 10% of the distributed profit in excess of 5% of the paid-in share capital. According to the Turkish Commercial Code, as long as the legal reserves do not exceed 50% of the paid-in capital, they can only be used to offset the losses, it is not possible to use them in any other way.

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**11. Revenue and cost of sales**

The details of the Company's revenue and cost of sales as of January 1 – March 31, 2021 and 2020 are as follows:

	<b>January 1 – March 31, 2021</b>	January 1 – March 31, 2020
Domestic sales	848.798	695.593
<b>Total sales</b>	<b>848.798</b>	695.593
<b>Cost of sales</b>	<b>(333.859)</b>	(249.593)
<b>Gross profit</b>	<b>514.939</b>	446.000

The distribution of the Company's revenues by product type as of January 1 – March 31, 2021 and 2020 are as follows:

	<b>January 1 – March 31, 2021</b>	January 1 – March 31, 2020
Sales of gold bars	844.633	692.604
Sales of silver bars	4.165	2.989
<b>Total</b>	<b>848.798</b>	3.249.641

**12. Income from investing activities**

	<b>January 1 – March 31, 2021</b>	January 1 – March 31, 2020
Interest income	244.044	112.457
Foreign exchange income	179.178	61.613
Other	1	29
<b>Total</b>	<b>423.223</b>	174.099



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**13. Income taxes**

**Current income tax**

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, dividend income from domestic companies, other exempt income and investment incentives utilized.

The effective tax rate applied in 2021 is 20%.

20% tax rate that is specified in the first paragraph of Article 32 of the Corporate Tax Law No. 5520 and the Law No. 7061 "Amending Some Tax Laws and Some Other Laws" adopted on November 28, 2018 will be applied as 22% for corporate earnings for the 2018, 2019 and 2020 taxation periods has been added with a provisional article. Also with the same regulation and stated in 5520 numbered Law No. 5, 75% of exemption from corporate tax rate the profits arising from the sale of real estates (immovables) which is in assets for at least two full years has been changed to 50%.

In Turkey, temporary taxes are calculated and accrued on a quarterly basis. Corporate income tax rate applied in 2021 is 20%. Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

**Income Withholding Tax**

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between April 24, 2003 and July 22, 2006 is 10% and commencing from July 22, 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances related with investment incentive certificates obtained before April 24, 2003. No tax withholding is imposed on investment expenditures without incentive certificate after this date.

Corporate tax liabilities recognized in the balance sheet as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Current tax expense	190.576	547.126
Prepaid taxes (-)	(10.769)	(429.089)
<b>Current income tax liability</b>	<b>179.807</b>	<b>118.037</b>

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**13. Income taxes (continued)**

Tax expense details recognized in the income statement as of March 31, 2021 and 2020 are as follows:

	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Current tax expense	(190.576)	(135.670)
Deferred tax expense / (income)	24.611	(8.183)
<b>Total tax expense</b>	<b>(165.965)</b>	<b>(143.853)</b>

**Deferred taxes**

The Company recognizes deferred tax assets and liabilities for temporary differences arising from differences between its tax base legal financial statements and its condensed financial statements prepared in accordance with TMS / TFRS. The aforementioned differences are generally due to the fact that some income and expense items are included in different periods in the financial statements subject to tax and the condensed financial statements prepared in accordance with TMS / TFRS, and these differences are stated below. In the calculation of deferred tax assets and liabilities, the tax rates expected to be applied in the periods when assets are converted into income or debts are paid are taken into account. (December 31, 2020: 20%).

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Cumulative temporary differences</b>	<b>Deferred tax</b>	<b>Cumulative temporary differences</b>	<b>Deferred tax</b>
Tangible and intangible assets	276.723	55.345	229.139	45.828
Employee termination benefit	39.754	7.951	34.384	6.877
Lawsuit provision	16.329	3.266	16.329	3.266
Provision for unused vacation	12.685	2.537	10.059	2.012
Provisions for doubtful receivables	3.414	683	3.080	616
State right provision	325.948	65.190	255.413	51.083
Leasing transactions	2.042	407	1.892	378
<b>Total deferred tax assets</b>		<b>135.379</b>		<b>110.060</b>
<b>Deferred tax assets, net</b>		<b>135.379</b>		<b>110.060</b>

Movement of deferred tax is as follows:

	<b>2021</b>	<b>2020</b>
<b>January 1</b>	<b>110.060</b>	<b>102.181</b>
Deferred tax expense recognized in equity	708	1.277
Deferred tax income recognized in income statement	24.611	(8.183)
<b>March 31</b>	<b>135.379</b>	<b>95.275</b>

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**13. Income taxes (continued)**

The reconciliation of the tax is as follows:

	2021	2020
<b>Profit before tax</b>	<b>827.939</b>	537.791
Effective tax rate	%20	%22
Tax calculated using effective tax rate	165.588	118.314
Effect of investment incentive allowance	-	14.195
Different tax rate effect	-	7.251
Temporary differences not subject to deferred tax	-	3.606
Effect of non-deductible expenses	377	340
Other	-	147
<b>Current tax expense</b>	<b>165.965</b>	143.853

**14. Earnings per share**

Earnings per share is calculated by dividing the current year net profit of the parent company by the weighted average number of shares traded throughout the year.

Companies in Turkey have right to increase its capital through the distribution of bonus shares to be met from the re-valuation fund or accumulated profits. During the calculation of earnings per share, these increases are accepted as shares distributed as dividends. Dividend distributions added to the capital are also evaluated in the same way. Therefore, while calculating the average number of shares, it is assumed that such shares are in circulation throughout the year. For this reason, the weighted average of the number of shares used in calculating the earnings per share is determined by considering the retroactive effects.

The earnings per share of the Company as of March 31, 2021 and 2020 are as follows:

	January 1 – March 31, 2021	January 1 – March 31, 2020
Net profit attributable to the owners of the Company	661.973	393.938
Weighted average number of share certificates	15.250.000.000	15.250.000.000
<b>Earnings per 100 share</b>	<b>4,341</b>	2,583
Total comprehensive income attributable to the owners of the Company	659.140	389.538
<b>Earnings per 100 shares from total comprehensive income</b>	<b>4,322</b>	2,554

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**15. Related party disclosures**

Trade receivables from related parties generally arise from sales transactions. Receivables are unsecured, interest is paid in every 3 months.

Trade payables to related parties generally arise from purchase transactions and their maturity is approximately two months. Payables are not subject to interest.

The other trade payables and other receivables of the Company consist of the payables and receivables given and received in order to meet the financing needs of the Company and its related parties during the year. Other payables and other receivables do not have a certain maturity, and the Company accrues interest on the related payables and receivables at the end of the period, using the current interest rate determined monthly, taking into account the evaluations made by the Company management and the developments in the markets. In this context, the current interest for March 2021 was applied as 17.41% per year (March 31, 2020: 10.11%).

Transactions with related parties are classified according to the following groups and include all related party disclosures in this note:

- (1) Main shareholders
- (2) Subsidiaries of other company of the main shareholders
- (3) Other

The details of the transactions between the Company and other related parties are explained as below.

**a) Related party balances**

Other receivables of the Company from related parties as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
ATP İnşaat ve Ticaret A.Ş. (1)	551.420	597.381
Koza İpek Holding A.Ş.(1)	143.408	129.412
Other (3)	377	194
<b>Total</b>	<b>695.205</b>	<b>726.987</b>

Other payables of the Company to related parties as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. (2)	2.487	295
ATP Koza Turizm Seyahat ve Ticaret A.Ş. (2)	193	208
Other (3)	165	-
<b>Total</b>	<b>2.845</b>	<b>503</b>

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**15. Related party disclosures (continued)**

**b) Transactions with related parties**

The purchases of the Company from related parties between January 1 – March 31, 2021 and 2020 are as follows;

	January 1 – March 31, 2021			January 1 – March 31, 2020		
	Rent	Service	Other	Rent	Service	Other
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. (2)	2.016	-	-	4.115	-	106
Koza İpek Sigorta A.Ş. (2)	-	-	-	-	1.428	-
Other (3)	-	-	457	-	-	150
<b>Total</b>	<b>2.016</b>		<b>457</b>	<b>4.115</b>	<b>1.428</b>	<b>256</b>

Sales of the Company to related parties between January 1 – March 31, 2021 and 2020 are as follows;

	January 1 – March 31, 2021			January 1 – March 31, 2020		
	Interest	Service	Other	Interest	Service	Other
ATP İnşaat ve Ticaret A.Ş. (1)	12.482	-	3	5.517	-	2
Koza İpek Holding A.Ş. (1)	5.875	-	13	2.756	-	12
Other (3)	-	-	141	-	16	78
<b>Total</b>	<b>18.357</b>	<b>-</b>	<b>157</b>	<b>8.273</b>	<b>16</b>	<b>92</b>

- c) Compensations provided to key management;** The Company's key management consist of the general manager and assistant general managers. Compensations provided to senior management include benefits such as wages and bonuses. Total amount of wages and similar benefits paid to key management between January 1 – March 31, 2021 is amounting to TL 1.104 thousand. The entire amount consists of the wages. (January 1 – March 31, 2020: TL 935 thousand).

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**16. Nature and level of risks arising from financial instruments**

The main financial instruments of the Company consist of cash and short-term deposits. The main purpose of financial instruments is to provide financing for the Company's activities. Apart from these, the Company has financial instruments such as trade receivables and payables that arise as a result of its activities.

The Company is exposed to market risk, which consists of currency, cash flow and interest rate risks, capital risk, credit risk and liquidity risk, due to operations. Risk management policy is to focus on unexpected changes in the financial markets.

The management policy of financial risks should be made by the Company's senior management and commercial and financial affairs department in line with the policies and strategies approved by the Board of Directors. The Board of Directors should prepare general principles and policies for the management of currency, interest and capital risks, and closely monitor financial and operational risks (especially arising from fluctuations in gold prices). The Company does not have an Early Risk Detection Committee.

The purpose that the Company should set to manage financial risks can be summarized as follows:

- Ensuring the continuity of the cash flow obtained from the activities and main assets of the Company, taking into account the exchange rate and interest risks,
- Keeping a sufficient amount of credit resources available to be used effectively and efficiently under the most appropriate conditions in terms of type and maturity,
- Keeping the risks arising from the counterparty at a minimum level and following them effectively.

The main risks arising from the financial instruments of the Company are interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies of the management regarding to manage these risks are summarized below.

**a) Credit risk:**

The risk of financial loss of the Company due to the failure of one of the parties to the financial instrument to fulfill its contractual obligation is defined as credit risk. Financial instruments of the Company that may cause a significant concentration of credit risk mainly consist of cash and cash equivalents and trade receivables. The maximum credit risk that the Company may be exposed to is up to the amounts reflected in the financial statements.

The Company has cash and cash equivalents in various financial institutions. The Company manages this risk by continuously evaluating the reliability of the financial institutions.

In order to measure the expected credit loss, the Company first grouped its trade receivables and contract assets by considering their maturity and credit risk characteristics. The expected credit loss rate for each class of trade receivables and contract assets is calculated by using past credit loss experiences, current conditions and prospective macroeconomic indicators and the expected credit loss allowance is calculated by multiplying the determined rate with the totals of trade receivables and contract assets.

The Company sales consist gold dore bars with a right of first refusal to domestic banks on consignment to be sold to the Central Bank of the Republic of Turkey and silver to a domestic refinery on consignment. Due to the fact that the sales are made on demand and the customer is corporate, the Company effectively manages the receivable risk, taking into account the past experiences.

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**for the period ended March 31, 2021**

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**16. Nature and level of risks arising from financial instruments (continued)**

The analysis of the Company's credit risk as of March 31, 2021 and December 31, 2020 are as follows:

March 31, 2021	Trade receivables		Other receivables		Cash and cash equivalents
	Related party	Third party	Related party	Third party	Deposits in banks
<b>Maximum credit risk exposure as of the reporting date (A+B+C+D+E) *</b>	-	199	695.205	27.828	6.696.907
<i>Portion of the maximum risk that is guaranteed with a collateral, etc</i>					
A. Net book value of financial assets that are not overdue or not impaired	-	199	695.205	27.828	6.696.907
B. The book value of financial assets whose conditions have been renegotiated or that would be deemed overdue or impaired	-	-	-	-	-
C. Net book value of assets that are overdue but not impaired	-	-	-	-	-
D. Net book values of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	72.731	-	-	-
Impairment (-)	-		-	-	-
The part of net value under guarantee with collateral, etc	-	(72.731)	-	-	-
Not due (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral, etc	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(\*) In determining the amount, factors that increase credit reliability, such as guarantees received, have not been taken into account.

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(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**16. Nature and level of risks arising from financial instruments (continued)**

December 31, 2020	Trade receivables		Other receivables		Cash and cash equivalents
	Related party	Third party	Related party	Third party	Deposits in banks
Maximum credit risk exposure as of the reporting date (A + B + C + D + E) (*)	-	102	726.987	33.332	5.921.601
<i>Portion of the maximum risk that is guaranteed with a collateral, etc</i>	-	-	-	-	-
A. Net book value of financial assets that are not overdue or not impaired	-	102	726.987	33.332	5.921.601
B. The book value of financial assets whose conditions have been renegotiated or that would be deemed overdue or impaired	-	-	-	-	-
C. Net book value of assets that are overdue but not impaired	-	-	-	-	-
D. Net book values of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	-	-	-	-
Impairment (-)	-	72.727	-	-	-
The part of net value under guarantee with collateral, etc	-	(72.727)	-	-	-
Not due (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral, etc	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(\*) In determining the amount, factors that increase credit reliability, such as guarantees received, have not been taken into account.



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**16. Nature and level of risks arising from financial instruments (continued)****b) Market risk**

Due to operations, the Company is exposed to financial risks related to changes in exchange rates and interest rates. Market risks encountered by the Company are measured on the basis of sensitivity analysis. In the current year, there isn't any change in the market risk that the Company is exposed to, or the method of handling the encountered risks or the method used to measure these risks, compared to the previous year.

*Currency risk*

Transactions in foreign currency cause exchange risk. The Company controls this risk through a natural precaution that occurs by netting foreign currency assets and liabilities.

The distribution of the monetary and non-monetary assets and monetary and non-monetary liabilities of the Company in foreign currency as of the date of financial position is as follows:

<b>March 31, 2021</b>	<b>TL Equivalent</b>	<b>Usd</b>	<b>Euro</b>	<b>Gbp</b>
Cash and cash equivalents	1.527.358	183.424	15	2
Trade receivables	1.657	199	-	-
Other receivables	271.677	32.240	269	54
Prepaid expenses	27.332	556	2.235	75
<b>Current assets</b>	<b>1.828.024</b>	<b>216.419</b>	<b>2.519</b>	<b>131</b>
<b>Total assets</b>	<b>1.828.024</b>	<b>216.419</b>	<b>2.519</b>	<b>131</b>
Trade payables	22.697	615	1.245	473
Other payables	45.718	5.491	-	-
<b>Current liabilities</b>	<b>68.415</b>	<b>6.106</b>	<b>1.245</b>	<b>473</b>
<b>Total liabilities</b>	<b>68.415</b>	<b>6.106</b>	<b>1.245</b>	<b>473</b>
<b>Net foreign currency position</b>	<b>1.759.609</b>	<b>210.313</b>	<b>1.274</b>	<b>(342)</b>
<b>December 31, 2020</b>	<b>TL Equivalent</b>	<b>Usd</b>	<b>Euro</b>	<b>Gbp</b>
Cash and cash equivalents	554.311	75.415	31	45
Trade receivables	37	-	3	1
Other receivables	330.356	44.672	271	-
Prepaid expenses	24.723	565	1.995	262
<b>Current assets</b>	<b>909.427</b>	<b>120.652</b>	<b>2.300</b>	<b>308</b>
<b>Total assets</b>	<b>909.427</b>	<b>120.652</b>	<b>2.300</b>	<b>308</b>
Trade payables	34.602	263	3.245	346
Other payables	40.307	5.491	-	-
<b>Current liabilities</b>	<b>74.909</b>	<b>5.754</b>	<b>3.245</b>	<b>346</b>
<b>Total liabilities</b>	<b>74.909</b>	<b>5.754</b>	<b>3.245</b>	<b>346</b>
<b>Net foreign currency position</b>	<b>834.518</b>	<b>114.898</b>	<b>(945)</b>	<b>(38)</b>

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**16. Nature and level of risks arising from financial instruments (continued)**

Sensitivity analysis:

The Company is exposed to currency risk mainly in US Dollars and Euro.

The table below shows the sensitivity of the Company to 10% increase and decrease in US Dollar and Euro exchange rates. The sensitivity analysis includes only open monetary items in foreign currency at the end of the period and shows the effects of the 10% exchange rate change at the end of the year. Positive value indicates an increase in profit / loss and other equity items.

<b>March 31, 2021</b>	<b>Profit / Loss</b>		<b>Equity</b>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>In case of 10% appreciation / depreciation of USD against TL</b>				
1- USD net asset/liability	175.107	(175.107)	175.107	(175.107)
2- Portion protected from USD risk (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>175.107</b>	<b>(175.107)</b>	<b>175.107</b>	<b>(175.107)</b>
<b>In case of 10% appreciation / depreciation of EUR against TL</b>				
4- EUR net asset/liability	1.245	(1.245)	1.245	(1.245)
5- Portion protected from EUR risk (-)	-	-	-	-
<b>6-EUR net effect (4+5)</b>	<b>1.245</b>	<b>(1.245)</b>	<b>1.245</b>	<b>(1.245)</b>
<b>In case of 10% appreciation / depreciation of GBP against TL</b>				
7-GBP net asset/liability	(391)	391	(391)	391
8- Portion protected from GBP risk (-)	-	-	-	-
<b>9-GBP Net effect (7+8)</b>	<b>(391)</b>	<b>391</b>	<b>(391)</b>	<b>391</b>
<b>Total (3+6+9)</b>	<b>175.961</b>	<b>(175.961)</b>	<b>175.961</b>	<b>(175.961)</b>

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**16. Nature and level of risks arising from financial instruments (continued)**

**b) Market risk (continued)**

December 31, 2020	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation / depreciation of USD against TL				
1- USD net asset/liability	84.341	(84.341)	84.341	(84.341)
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	84.341	(84.341)	84.341	(84.341)
In case of 10% appreciation / depreciation of EUR against TL				
4-EUR net asset/liability	(851)	851	(851)	851
5- Portion protected from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(851)	851	(851)	851
In case of 10% appreciation / depreciation of GBP against TL				
7-GBP net asset/liability	(38)	38	(38)	38
8- Portion protected from EUR risk (-)	-	-	-	-
9-GBP net effect (7+8)	(38)	38	(38)	38
Total (3+6+9)	83.452	(83.452)	83.452	(83.452)

*Price risk*

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

The operational profitability of the Company and the cash flows it provides from its operations are affected by the changes in gold prices in the markets. If the gold prices decrease comparing under the cash-based operational production costs of the Company and continue in this way for a certain period, the operational profitability of the Company may decrease.

The Company does not expect any change in gold prices to drop significantly in the near future. Accordingly, the Company has not used any derivative instruments to hedge the risk of falling gold prices and has not made a similar agreement.

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**16. Nature and level of risks arising from financial instruments (continued)**

**c) Capital risk management:**

While managing the capital, the Company's objectives are to maintain the most appropriate capital structure in order to benefit its shareholders and reduce the cost of capital and to ensure the continuity of the Company's activities.

In order to return capital to shareholders, the Company could maintain or reorganize its capital structure, issue new shares, and sell assets to reduce borrowing.

The Company uses the net financial debt / equity ratio to monitor the capital structure. Net debt is calculated by deducting cash and cash equivalents from the total debt amount (including loans and other payables to related parties as shown in the balance sheet).

Company management should follow the net debt / equity ratio regularly and update it when necessary. The Company does not have an Early Detection of Risk Committee.

Net debt / equity ratios as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Financial liabilities	13.069	14.238
Less: Cash and cash equivalents (Note 3)	(6.697.112)	(5.921.786)
<b>Net debt</b>	<b>(6.684.043)</b>	<b>(5.907.548)</b>
Total equity	8.222.772	7.563.632
<b>Net debt / equity ratio</b>	<b>(%81)</b>	<b>(%78)</b>

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**17. Financial instruments (fair value disclosures and disclosures within the framework of hedge accounting)**

Fair value of the financial instruments

The Company classifies the fair value measurements of the financial instruments measured at their fair values in the financial statements according to the source of the inputs of each financial instrument class, using a three-level hierarchy as follows.

- First level: Quotation prices (unadjusted prices) in active markets for identical assets and liabilities that the entity can reach at the measurement date.
- Second level: These are directly or indirectly observable inputs for the asset or liability and other than quoted prices within Level 1.
- Third level: These are unobservable inputs to the asset or liability.

*Level classifications of financial assets measured at their fair values:*

<b>March 31, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>	-	-	<b>218.753</b>	<b>218.753</b>
Measured at fair value through other comprehensive income	-	-	218.753	218.753

  

<b>December 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>	-	-	218.753	218.753
Measured at fair value through other comprehensive income	-	-	218.753	218.753

**18. Subsequent events after balance sheet date**

In accordance with the Law No. 7316 on the Procedure for the Collection of Public Receivables and the Law Amending Certain Laws published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate will be 25% for 2021 and 23% for 2022 corporate earnings. These rates will be applied to the earnings of the accounting period starting in the relevant year for the institutions with a special accounting period.

In the calculation of deferred tax assets and liabilities, the tax rates expected to be applied in the periods when assets are converted into income or debts are paid are taken into account. In the calculation of deferred tax assets and liabilities that the Company has accounted for temporary differences as of March 31, 2021, the rate of 20% valid as of this date has been used. If the relevant law is valid as of the balance sheet date and is used in deferred tax calculation, the expected increase in deferred tax assets is TL 20.307 Thousand.

**Koza Altın İşletmeleri Anonim Şirketi**

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**19. Other matters that significantly affect the financial statements or are required to be disclosed for the financial statements to be clear, interpretable and understandable**

The Company's independently audited financial statements for the years ended December 31, 2016, 2017, 2018, 2019 and 2020 the possible cumulative reflections of the business and transactions of the previous financial periods, the judgment process of which are ongoing, on the statements of the Turkish Commercial Code No.6102 ("TCC"). ") Excluding the provisions of article 401/4, it has been approved and published by the Board of Directors with the resolutions dated April 24, 2018, April 30, 2018, 28 February 28, 2019, February 27, 2020 and March 1, 2021 respectively. Independently audited financial statements for the year ended December 31, 2015, on the other hand, were not approved by the Board of Directors in accordance with the provisions of Article 401/4 of the TCC. Ordinary general assembly meetings of the Group for the years 2015, 2016, 2017, 2018, 2019 and 2020 as explained in detail in footnote number 10, in accordance with the decision of the Ankara 5th Criminal Court of Peace, dated October 26, 2015, the management of the Group, the Board of Trustees, followed by the Board of Trustees on September 22, 2016. was transferred to the Savings Deposits Insurance Fund ("SDIF"). As of the date of the report, due to the fact that various examinations and studies are ongoing by the Prosecutor's Office, the Police Department of Financial Crimes and the CMB, the financial statements of the relevant periods were not submitted to the approval of the General Assembly.

**Uncertainties Regarding the Covid-19 Outbreak**

The necessary actions have been taken by the Company management to minimize the possible effects of COVID-19, which originates in China, spreads to various countries around the world, and causes potentially fatal respiratory infections, on the Company's activities and financial status.

The Company evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements, while preparing the interim financial statements dated March 31, 2020. In this context, no impairment has been identified in the amounts of the assets included in the interim financial statements dated March 31, 2020. Due to the uncertainty of the duration of the impact of the Covid-19 epidemic on the economy, the impairment tests will be updated again as part of the annual financial statements dated December 31, 2020.