

**İpek Doğal Enerji Kaynakları Araştırma ve
Üretim A.Ş.**

**Consolidated financial statements as at
December 31, 2022 and independent auditor's
report**

Table of contents**Pages**

Report on Audit of consolidated financial statements	1-5
Statement of consolidated financial position.....	6-7
Statement of consolidated profit or loss and other comprehensive income	8
Statement of consolidated changes in equity.....	9
Statement of consolidated cash flows.....	10
Explanatory notes to the consolidated financial statements.....	11-77
Note 1 Group's organisation and nature of operations.....	11-12
Note 2 Basis of presentation of consolidated financial statements	12-37
Note 3 Segment reporting.....	38
Note 4 Cash and cash equivalents	39
Note 5 Trade receivables and payables.....	40
Note 6 Other receivables and payables	40-41
Note 7 Inventories	42
Note 8 Biological assets.....	42
Note 9 Prepaid expenses.....	43
Note 10 Other current and non-current assets	43
Note 11 Financial investments	44
Note 12 Investment property.....	45
Note 13 Right-of-use assets.....	46
Note 14 Property, plant and equipment	47-50
Note 15 Intangible assets.....	50-51
Note 16 Lease liabilities	52
Note 17 Payables related to employee benefits	52
Note 18 Provisions, contingent assets and liabilities	52-59
Note 19 Income taxes (including deferred tax assets and liabilities).....	60-62
Note 20 Equity.....	62-64
Note 21 Revenue and cost of sales	64-65
Note 22 Expenses by nature.....	65
Note 23 Other income and expenses from operating activities.....	66
Note 24 Income / (expenses) from investing activities	66
Note 25 Earnings per share	67
Note 26 Related party disclosures.....	67-68
Note 27 Nature and level of risks arising from financial instruments.....	69-74
Note 28 Financial instruments (fair value disclosures and disclosures within the framework of hedge accounting).....	75
Note 29 Interests in other entities.....	76
Note 30 Subsequent events after the balance sheet date.....	77
Note 31 Fees for services received from independent auditor/independent audit firm.....	77
Note 32 Other matters that significantly affect the consolidated financial statements or are required to be disclosed for the financial statements to be clear, interpretable and understandable	77



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

A) Report on the Audit of the Financial Statements

1) Qualified opinion

We have audited the financial statements of İpek Doğal Enerji Kaynakları Araştırma ve Üretim Anonim Şirketi (the Company) and its subsidiaries (together referred to as "the Group") which comprise the statement of consolidated financial position as at December 31, 2022, and the statement of consolidated comprehensive income, statement of consolidated changes in equity and statement of consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for qualified opinion

- i. As explained in detail in Note 18, pursuant to the decision of the Ankara 5th Criminal Court of Peace dated October 26, 2015, the management of the Group was transferred to the Board of Trustees and then to the Savings Deposit Insurance Fund ("SDIF") on September 22, 2016 and various examinations and studies are continuing before the Group by the Prosecutor's Office, the Police Financial Crimes Branch and the CMB as of the balance sheet date. Regarding the reports that will constitute the basis of the relevant decision and the status of the ongoing legal process, we could not obtain sufficient and appropriate audit evidence as to whether any correction is required in the financial statements of the Group.
- ii. As explained in detail in Note 11, the control over the Group's UK-based subsidiary Koza Ltd was lost as a result of the General Meeting of the Company on September 11, 2015 and its registration in England on November 2, 2015. The legal process initiated by the CMB regarding loss of control pursuant to its decision dated February 4, 2016 continues as of the date of this report. While the shares of Koza Ltd are required to be accounted for with their fair value in accordance with the provisions of TFRS 9 - Financial Instruments Standard after loss of control, these shares are carried at cost values in the financial statements because the relevant value determination could not be made. Accordingly, we cannot determine whether any adjustment is required in the consolidated financial statements of the Group in case related shares are accounted with their fair values.

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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3) Emphasis of Matter

We draw attention to Note 32 explaining that the independently audited consolidated financial statements of the Group for the years ended December 31, 2016, 2017, 2018, 2019, 2020 and 2021 were approved and published by the Board of Directors with the resolutions dated April 24, 2018, April 30, 2018, February 28, 2019, February 27, 2020, March 1, 2021 and March 1, 2022 respectively by excluding the possible cumulative reflections of the works and transactions belonging to the previous financial periods on the tables in accordance with the provisions of Article 401/4 of the Turkish Commercial Code No. 6102 ("TCC"). 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 could not be held due to the reasons stated in the paragraph of the basis for qualified conclusion and the financial statements of the relevant periods could not be submitted to the approval of the General Assembly. Our opinion is not modified in respect of this matter.

4) Key Audit Matters

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



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Key Audit Matter	How key matters addressed in the audit
Capitalized Mining Assets The Group capitalizes the expenses made in the following cases; - Where the development costs incurred in the mine sites are highly likely to obtain an economic benefit in the future from the mine in question, can be defined for certain mining areas and the cost can be measured reliably, - When there are direct costs incurred during stripping work that facilitates access to the defined part of the ore in each open pit ore deposit and overhead costs associated with stripping - When the provision for expenses that are likely to be spent during the closure and rehabilitation of mines are reduced cost values as of the balance sheet date, reclamation, rehabilitation and closure costs according to the current conditions of the mine fields that arise due to the open pit mine development activities and the production in the open pit Due to the share of the capitalized development costs in the consolidated financial statements dated December 31, 2022 and the management judgments applied during the capitalization of the related costs, this issue has been identified as a key audit matter. The complexity and significant judgments these assumptions of these capitalized mining assets contains are important to our audit and have therefore been identified as a key audit matter by us. Detailed explanations about the capitalized mining assets can be found in Note 2.6 and Note 14.	The following audit procedures have been applied for the mining assets capitalized during our audit: - Evaluation of the content of development costs capitalized for each mine site, - Meeting with the managers of the group's departments responsible for mining sites, - Detail testings on development, stripping and rehabilitation costs, - Checking the compliance of management evaluations with the independent valuation report on mineral reserves of expected future economic benefit, - Testing the capitalized rehabilitation, land and rights costs by comparing them with the actualized ones. Within the scope of the above-mentioned specific accountings, we have questioned the appropriateness of the information in the financial statements and explanatory footnotes.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.



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6) Auditor's Responsibilities for the Audit of the Financial Statements

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

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

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- In order to give an opinion on the consolidated financial statements, sufficient and appropriate audit evidence is obtained on financial information for businesses or business segments within the group. We are responsible for directing, supervising and conducting group supervision. We are solely responsible for our audit opinion.



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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) It was decided to appoint a trustee to the Group in accordance with the decision of Ankara 5th Criminal Judgeship of Peace dated October 26, 2015 and paragraph 1 of Article 133 of the Criminal Procedure Code. Since there is no regulation in the capital market legislation regarding the issue, it has been decided not to seek the provisions regarding the structuring of the board of directors in accordance with the Capital Market legislation. Therefore, the Group does not have an Early Detection of Risk Committee.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period January 1 - December 31, 2022 and financial statements are not in compliance with laws and provisions of the Group's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Mehmet Can Altıntaş.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Mehmet Can Altıntaş, SMMM
Partner

March 1, 2023
Ankara, Türkiye

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.**Statement of consolidated financial position as at December 31, 2022**
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

		<i>Audited</i>	<i>Audited</i>
		<i>Current period</i>	<i>Prior period</i>
Assets	Notes	December 31, 2022	December 31, 2021
Current assets		11.745.316	9.757.601
Cash and cash equivalents	4	524.270	9.179.190
Financial investments	11	9.760.480	-
Trade receivables			
- Due from third parties	5	44.189	27.626
Other receivables			
- Due from third parties	6	90.489	56.129
Inventories	7	1.163.163	450.990
Biological assets	8	18.768	13.177
Prepaid expenses	9	132.927	28.438
Assets related to current period tax		535	142
Other current assets	10	10.457	1.909
Assets held for sale		38	-
Non-current assets		2.882.727	2.527.469
Financial investments	11	287.449	293.543
Other receivables			
- Due from related parties	6, 26	-	160.955
- Due from third parties		3.516	3.281
Investment property	12	215.551	221.882
Right of use assets	13	19.252	36.953
Property, plant and equipment	14	1.702.190	1.429.593
Intangible assets			
- Goodwill	15	11.232	11.232
- Other intangible assets	15	4.654	4.046
Prepaid expenses	9	163.100	12.418
Deferred tax assets	19	278.964	219.537
Other non-current assets	10	196.819	134.029
Total assets		14.628.043	12.285.070

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

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

Statement of consolidated financial position as at December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

		<i>Audited</i>	<i>Audited</i>
		<i>Current period</i>	<i>Prior period</i>
Liabilities	Notes	December 31, 2022	December 31, 2021
Current liabilities		1.155.690	1.193.322
Short term liabilities			
- Lease liabilities	16	15.403	19.470
Trade payables			
- Due to third parties	5	172.122	215.803
Payables related to employee benefits	17	38.314	21.212
Other payables			
- Due to related parties	26	5.784	-
- Due to third parties	6	92.614	17.957
Deferred income		2.061	1.147
Current income tax liabilities	19	38.954	426.361
Short-term provisions			
- Provisions for employee benefits	18	75.045	38.913
- Other short-term provisions	18	701.855	446.252
Other short-term liabilities		13.538	6.207
Non-current liabilities		510.472	415.955
Long term liabilities			
- Lease liabilities	16	6.996	20.667
Other payables	6		
Other payables to third parties		102.676	72.513
Deferred Revenues		194	224
Long-term provisions			
- Provisions for employee benefits	18	118.231	48.952
- Other long-terms provisions	18	282.375	273.599
Equity		12.961.881	10.675.793
Equity holders of the parent		2.962.438	2.139.540
Paid-in share capital	20	259.786	259.786
Share premium		239	239
Other comprehensive income / expense not to be reclassified to profit or loss			
- Actuarial gain / (loss) fund for employee benefits		(26.983)	(3.854)
Restricted reserves	20	312.256	49.204
Retained earnings		1.580.655	1.173.656
Net profit for the period		836.485	660.509
Non-controlling interests		9.999.443	8.536.253
Total liabilities and equity		14.628.043	12.285.070

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

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

**Statement of profit or loss and other comprehensive income
for the year ended December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)**

		<i>Audited</i>	<i>Audited</i>
		<i>Current period</i>	<i>Prior period</i>
		January 1 –	January 1 –
	Notes	December 31, 2022	December 31, 2021
Revenue	21	5.940.750	4.156.232
Cost of sales (-)	21	(2.429.311)	(1.641.775)
Gross profit		3.511.439	2.514.457
Research and development expenses (-)	22	(301.456)	(295.682)
Marketing, sales and distribution expenses (-)	22	(11.222)	(8.266)
General administrative expenses (-)	22	(484.704)	(281.407)
Other operating income	23	198.209	272.747
Other operating expenses (-)	23	(541.612)	(207.114)
Operating profit		2.370.654	1.994.735
Income from investing activities	24	2.358.141	1.974.342
Expenses from investing activities (-)	24	(162.384)	-
Impairment gains (losses) and reversals of impairment losses determined in accordance with TFRS 9		5.640	(6.018)
Operating profit before financial income		4.572.051	3.963.059
Financial expenses		-	(11.342)
Profit before tax from continued operations		4.572.051	3.951.717
Tax expense from continuing operations		(759.707)	(1.039.913)
- Current tax expense (-)	19	(805.513)	(1.115.449)
- Deferred tax income / (expense) (-)	19	45.806	75.536
Net profit for the period		3.812.344	2.911.804
Not to be reclassified to profit or loss			
Gains / (losses) on remeasurements of defined benefit plans		(68.109)	(220)
Gains / (losses) on remeasurements of defined benefit plans, tax effect		13.621	51
Total comprehensive income		3.757.856	2.911.635
Attribution of Profit / (Loss) for the period:			
Non-controlling interests		2.975.859	2.251.295
Equity holders of the parent		836.485	660.509
Attribution of Comprehensive Income for the period:			
Non-controlling interests		2.944.500	2.251.243
Equity holders of the parent		813.356	660.392
Earnings per 100 share			
- common stock (TL)	16	3,220	2,543
Earnings per 100 shares from total comprehensive income			
- common stock (TL)	16	3,131	2,542

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

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

Consolidated statements of changes in equity for the period ended December 31, 2022
(All amounts are expressed in thousandss of Turkish Lira ("TL") unless otherwise indicated.)

			Other comprehensive income / expense not to be reclassified to profit or loss			Retained earnings			
	Paid-in share capital	Share premium	Actuarial gain / (loss) fund for employee benefits	Restricted reserves	Retained earnings	Net profit for the period	Equity holders of the parent	Non- controlling interests	Total equity
Balances as of January 1, 2021	259.786	239	(3.737)	49.204	811.493	362.163	1.479.148	6.285.010	7.764.158
Net profit for the period	-	-	-	-	-	660.509	660.509	2.251.295	2.911.804
Other comprehensive income/(loss)	-	-	(117)	-	-	-	(117)	(52)	(169)
Total comprehensive income/(loss)	-	-	(117)	-	-	660.509	660.392	2.251.243	2.911.635
Transfers	-	-	-	-	362.163	(362.163)	-	-	-
Balance as of December 31, 2021	259.786	239	(3.854)	49.204	1.173.656	660.509	2.139.540	8.536.253	10.675.793
Balance as of January 1, 2022	259.786	239	(3.854)	49.204	1.173.656	660.509	2.139.540	8.536.253	10.675.793
Net profit for the period	-	-	-	-	-	836.485	836.485	2.975.859	3.812.344
Other comprehensive loss	-	-	(23.129)	-	-	-	(23.129)	(31.359)	(54.488)
Total comprehensive income/(loss)	-	-	(23.129)	-	-	836.485	813.356	2.944.500	3.757.856
Transfers	-	-	-	263.052	406.999	(660.509)	9.542	(9.542)	-
Dividend payment	-	-	-	-	-	-	-	(1.471.768)	(1.471.768)
Balance as of December 31, 2022	259.786	239	(26.983)	312.256	1.580.655	836.485	2.962.438	9.999.443	12.961.881

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

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

**Statement of consolidated cash flows
for the year ended December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)**

		<i>Audited</i>	<i>Audited</i>
		<i>Current period</i>	<i>Prior period</i>
		January 1 –	January 1 –
	Notes	December 31, 2022	December 31, 2021
A. Cash flows from operating activities		(1.170.554)	2.421.433
Profit for the period from continuing operations		3.812.344	2.911.804
Adjustments to reconcile profit for the period			
Adjustments for depreciation and amortisation	12,13,14,15	312.925	236.427
Adjustments for Fair Value Loss (Gains) of Financial Assets	24	(1.733.572)	-
Adjustments for impairments		102	3.309
- Adjustments for impairment / (cancellation) of receivables		14.708	9.644
- Adjustments for recognition impairment of inventory	7	(48.913)	12.315
Adjustments for provisions			
- Adjustments for provisions for employee benefits (cancellation)	18	43.600	38.019
- Adjustments for lawsuits and/ or penalty provisions	18	37.081	8.823
- Adjustment for debt provisions	18	60.566	14.820
- Adjustments for rehabilitation and state rights provision	18	580.353	424.926
Adjustments for tax (income) / expense	19	759.707	1.039.913
Adjustments for interest income	24	(2.334.469)	(1.146.783)
Adjustments for interest expenses	16	16.096	12.133
Adjustments for losses (gains) from disposal of fixed assets		(24.131)	(13)
Adjustments for losses (gains) on sale of non-current assets classified as held for sale	24	(38)	(81.290)
Total adjustments		(2.315.985)	572.243
Increase in trade receivables		(31.271)	(16.240)
Increase in other receivables related to activities		(465.696)	(144.394)
Increase in inventories		(663.260)	(39.518)
Decrease/ (increase) in biological assets		(5.591)	(1.416)
Increase in prepaid expenses		(255.171)	(28.759)
Decrease in trade payables		(43.681)	105.980
(Decrease) / increase in payables related to employee benefits		17.102	(5.162)
Increase in other liabilities related to activities		104.821	31.114
Increase in deferred income		914	811
(Increase) / decrease in other assets related to activities		(71.249)	(97.250)
Increase in other liabilities		6.795	54.018
Payments of employee retirement benefits	18	(16.632)	(6.495)
Payments related to other provisions	18	(413.621)	(226.215)
Taxes paid	19	(830.373)	(689.088)
Net cash from operating activities		(2.666.913)	(1.062.614)
B. Cash flows from investing activities		(6.042.331)	551.710
Cash inflows from the sales of tangible assets		41.658	201
Cash outflows from the purchase of tangible assets	14	(572.617)	(615.869)
Cash outflows from the purchase of intangible assets	15	(3.278)	(4.608)
Cash outflows from the purchase of investment property	12	(15)	(2.503)
Interest received	4,24	2.373.223	1.130.932
Decrease in other receivables from related parties related to activities		166.739	(45.483)
Changes in financial investments	11	(8.020.814)	18.978
Cash outflows related to lease agreements (-)	16	(27.227)	(21.945)
Cash inflows from the sale of non-current assets classified as held for sale		-	92.007
C. Net cash from financing activities		(1.403.281)	-
Dividends paid		(1.403.281)	-
Net increase in cash and cash equivalents (A+B+C)		(8.616.166)	2.973.143
D. Cash and cash equivalents at the beginning of the year	4	9.138.738	6.165.595
Cash and cash equivalents at the end of the year (A+B+C+D)	4	522.572	9.138.738

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

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

Notes to the consolidated financial statements for the year ended December 31, 2022

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

1. Group's organization and nature of operations

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. ("Company") was established as a Joint Stock Company with Trade Registry Number 55759 with the articles of association published in the Trade Registry Gazette dated January 8, 1985 and numbered 1174. The Group has changed its title as İpek Doğal Enerji Kaynak Araştırma ve Üretim A.Ş. on June 10, 2011 which was İpek Matbaacılık Sanayi ve Ticaret A.Ş., by including oil, natural gas, energy and energy resources research and production activities in its main field of activity which was printing and invitation in the establishment. This change was announced in the Trade Registry Gazette dated June 15, 2011 and numbered 7837. The company and all of its subsidiaries, whose details are explained in footnote 2.2, are named as "Group" together.

Company's address; Uğur Mumcu Mahallesi, Fatih Sultan Mehmet Bulvarı, İstanbul Yolu 10. Km, No: 310, 06370, Yenimahalle, Ankara, Türkiye.

As of December 31, 2022, the number of employees is 2.821 (December 31, 2021: 2.912 people).

As of 31 December 2022, 62.12% of the Company's shares, including the stocks traded on Borsa İstanbul ("BIST"), belongs to İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. (31 December 2021 62,12%, Although 25 of them belong to İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.), the Company Management was transferred to the Trustee Committee, pursuant to the decision of the Ankara 5th Criminal Court of Peace dated October 26, 2015, and then the State of Emergency No. 674 was published on September 1, 2016. With the Decree-Law on Making Certain Arrangements within the scope of the Law ("KHK"), all the powers of the Company were transferred to the Savings Deposit Insurance Fund ("TMSF") on 22 September 2016. As of December 31, 2022, shares corresponding to 37.72% of the Company's capital (31 December 2021: 37.72%) are traded on the BIST.

As of this date, all the powers of the management have been transferred to the trustees appointed to the Group Management 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 Anadolu Metal Madencilik İşletmeleri A.Ş. on the basis of the article 19/1 of the aforementioned Decree and transfer Koza Anadolu Metal Madencilik İşletmeleri A.Ş. to the SDIF.

The Group's consolidated financial statements for the years ended December 31, 2016, 2017, 2018, 2019, 2020 and 2021 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, March 1, 2021 and March 1, 2022 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 consolidated 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 Group for the years 2015, 2016, 2017, 2018, 2019, 2020 and 2021 as explained in detailed in Note 10, 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 consolidated financial statements of the Group could not be submitted to the approval of the General Assembly. Koza Altın İşletmeleri A.Ş., a subsidiary of the Group, 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 the consolidated financial statements. Under consolidated financial statements, the Group has presented Koza Ltd. under the "Financial Investments" account with a cost value amounting to Thousands TL 218.325.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

1. Group’s organisation and nature of operations (continued)

Group's consolidated participations located in Turkey until December 31, 2015, Bugün Televizyon Radyo ve Perakende A.Ş., Yaşam Televizyon Yayın Hizmetleri A.Ş. ve Koza İpek Basın ve Basım Sanayi ve Ticaret A.Ş. and subsidiaries Koza Prodüksiyon ve Ticaret A.Ş., Rek-Tur Reklam Pazarlama ve Ticaret Ltd. Şti. ve İpek Online Bilişim Hizmetleri Ltd. Şti. has not been included in the scope of consolidation since 2016 due to the official cancellation of the trade registry record with the Decree Law in 2016.

Approval of consolidated financial statements:

The consolidated financial statements dated December 31, 2022 were approved by the Board of Directors and authorized to be published on March 1, 2023.

2. Basis of presentation of consolidated 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 consolidated 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 consolidated 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 consolidated 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 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 Group's status according to TAS and IFRS. These adjustments generally consist of deferred taxes, provisions, depreciation of property, plant and equipment and intangible asset amortization on economic life and pro-rata basis, and the valuation of buildings, investment properties and some financial assets.

Foreign currency

Functional and reporting currency

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

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.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.1 Basis of presentation (continued)

Adjustment of Financial Statements in High Inflation Periods

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 31, 2022.

Going concern

The Group has prepared its consolidated financial statements according to the going concern principle.

Declaration of conformity to TFRS

The Group has prepared its interim consolidated financial statements for the period ending on December 31, 2022, in accordance with the CMB's Communiqué Serial: II-14.1 and its announcements clarifying this communiqué. The consolidated financial statements and notes are presented in accordance with the formats recommended by the CMB and including the required information.

2.2 Consolidation principles

- (a) Consolidated financial statements include the accounts of the Company and its subsidiaries prepared according to the principles stated below. During the preparation of the financial statements of the companies included in the scope of consolidation, necessary corrections and classifications were made in terms of compliance with TFRS and the accounting policies and presentation styles applied by the Group.
- (b) The subsidiaries controlled by the company has been included in the consolidated financial statements by full consolidation method. Control is provided only when all of the following indicators are present on the enterprise in which the Company invests;
 - a) has power over the enterprise in which it invests,
 - b) is exposed to or is entitled to varying returns due to its relationship with the investee,
 - c) has the ability to use its power over the investee to influence the amount of returns it will generate.

During the consolidation process, the registered participation values of the shares owned by the Company and its subsidiaries were netted mutually with the relevant equities. Intra-group transactions and balances between the Company and the subsidiaries have been netted during the consolidation process. The registered values of the shares owned by the Company and the dividends arising from them have been netted from the relevant equity and profit or loss statement accounts.

The subsidiaries have been included in the scope of consolidation as of the date the control over its activities was transferred to the Group.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.2 Consolidation principles (continued)

Subsidiaries

As of December 31, 2022 and 2021, the activities of the consolidated subsidiaries and the operating segments in which the subsidiaries operate in line with the purpose of the consolidated financial statements are as follows:

December 31, 2022

Title	Business segments	Nature of business
Koza Anadolu Metal Madencilik İşletmeleri A.Ş.	Mining	Mining
ATP İnşaat ve Ticaret A.Ş.	Construction and mining	Mining
Koza Altın İşletmeleri A.Ş.	Mining	Mining
Özdemir Antimuan Madenleri A.Ş.	Mining	Mining
ATP Havacılık Ticaret A.Ş.	Air transportation	Transportation
ATP Koza Turizm Seyahat Ticaret A.Ş.	Tourism and hotel management	Tourism
ATP Koza Gıda Tarım Hayvancılık Sanayi ve Ticaret A.Ş.	Food and farming	Food
Konaklı Metal Madencilik Sanayi Ticaret A.Ş.	Mining	Mining

December 31, 2021

Title	Business segments	Nature of business
Koza Anadolu Metal Madencilik İşletmeleri A.Ş.	Mining	Mining
ATP İnşaat ve Ticaret A.Ş.	Construction and mining	Mining
Koza Altın İşletmeleri A.Ş.	Mining	Mining
Özdemir Antimuan Madenleri A.Ş.	Mining	Mining
ATP Havacılık Ticaret A.Ş.	Air transportation	Transportation
ATP Koza Turizm Seyahat Ticaret A.Ş.	Tourism and hotel management	Tourism
ATP Koza Gıda Tarım Hayvancılık Sanayi ve Ticaret A.Ş.	Food and farming	Food
Konaklı Metal Madencilik Sanayi Ticaret A.Ş.	Mining	Mining

Notes to the consolidated financial statements**for the year ended December 31, 2022**

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

2. Basis of presentation of consolidated financial statements (continued)**2.2 Consolidation principles (continued)**

As of December 31, 2022 and 2021 titles, capitals, effective ownership rates and minority rates of the subsidiaries of the Group are as follows:

December 31, 2022

Title	Direct ownership share (%)	Effective ownership share (%)	Minority share (%)
Koza Anadolu Metal Maden. İşletmeleri A.Ş.	52,25	52,25	47,75
ATP İnşaat ve Ticaret A.Ş.		51,75	48,25
Koza Altın İşletmeleri A.Ş. (*)	-	23,29	76,71
Özdemir Antimuan Madenleri A.Ş.	-	51,75	48,25
ATP Havacılık Ticaret A.Ş.	-	51,23	48,77
ATP Koza Turizm Seyahat Ticaret A.Ş.	-	51,75	48,25
ATP Koza Gıda Tarım Hayvancılık San. ve Tic. A.Ş.	-	51,75	48,25
Konaklı Metal Madencilik Sanayi Ticaret A.Ş.	-	37,48	62,52
Koza İpek Tedarik Ticaret A.Ş. (**)	28,00	52,88	47,12

December 31, 2021

Title	Direct ownership share (%)	Effective ownership share (%)	Minority share (%)
Koza Anadolu Metal Maden. İşletmeleri A.Ş.	52,25	52,25	47,75
ATP İnşaat ve Ticaret A.Ş.		51,75	48,25
Koza Altın İşletmeleri A.Ş. (*)	-	23,29	76,71
Özdemir Antimuan Madenleri A.Ş.	-	51,75	48,25
ATP Havacılık Ticaret A.Ş.	-	51,23	48,77
ATP Koza Turizm Seyahat Ticaret A.Ş.	-	51,75	48,25
ATP Koza Gıda Tarım Hayvancılık San. ve Tic. A.Ş.	-	51,75	48,25
Konaklı Metal Madencilik Sanayi Ticaret A.Ş.	-	37,48	62,52
Koza İpek Tedarik Ticaret A.Ş. (**)	28,00	52,88	47,12

(*) Although the effective ownership rate of the Group is less than 50%, it uses its dominance power to manage the financial and operating policies of the company in question.

(**) It is not included in the scope of consolidation due to its lack of significant impact. Ratio of total assets, revenue and net profit of the subsidiary not included in the scope of consolidation to consolidated total assets, revenue and net profit is below 1%.

(c) The shares of non-controlling shareholders in the net assets and operating results of subsidiaries are shown as "non-controlling interests" in the consolidated financial statements.

(d) Koza Altın İşletmeleri A.Ş. ("Koza Altın"), one of the subsidiaries of the Group, established UK-based Koza Ltd., in which it has a 100% share, to make mining ventures abroad on June 30, 2014. It has been understood that the control of the Group over its subsidiary Koza Ltd, which it consolidated until September 11, 2015, was lost as a result of the general meeting held on September 11, 2015. The legal process initiated by the CMB regarding the loss of control pursuant to its decision dated February 4, 2016 continues as of the balance sheet date. In its consolidated financial statements, the Group has presented Koza Ltd. under "Financial Investments" in non-current assets at a cost of Thousands TL 218.325.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.2 Consolidation principles (continued)

- (e) Group's consolidated participations located in Turkey until December 31, 2015, Bugün Televizyon Radyo ve Perakende A.Ş., Yaşam Televizyon Yayın Hizmetleri A.Ş. ve Koza İpek Basın ve Basım Sanayi ve Ticaret A.Ş. and subsidiaries Koza Prodüksiyon ve Ticaret A.Ş., Rek-Tur Reklam Pazarlama ve Ticaret Ltd. Şti. ve İpek Online Bilişim Hizmetleri Ltd. Şti. has not been included in the scope of consolidation since 2016 due to the official cancellation of the trade registry record with the Decree Law in 2016.

2.3. 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.

2.4. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2022. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

- 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
- Annual Improvements – 2018–2020 Cycle

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

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 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.

- Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- TFRS 17 - The new Standard for insurance contracts
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TAS 8 - Definition of Accounting Estimates
- Amendments to TAS 1 - Disclosure of Accounting Policies
- Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

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

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies

Significant accounting policies adopted in the preparation of consolidated financial statements are summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term time deposits. Short-term time deposits are highly liquid that can be easily converted into cash without a risk of losing its value. Cash and cash equivalents are presented in the statement of financial position with the sum of acquisition cost and accrued interest. Deposits from which interest income is obtained despite being blocked are classified under long-term financial investments.

Trade receivables

Group sales of the product, the content of dore bars of gold pre-emptive right with a bank on the domestic as consignment to be sold to the Central Bank of Turkey, while the sale of silver on domestic refinery is still done on a consignment basis.

The "simplified approach" is applied within the scope of the impairment calculations of trade receivables originating from other activities of the Group, which are accounted at amortized cost in the financial statements and do not contain a significant financing component (with a term of less than 1 year). With the application of this approach, in cases where the trade receivables are not impaired for certain reasons (except for the realized impairment losses), the loss allowance for trade receivables is measured at an amount equal to "lifetime expected credit losses". Following the allocation of a provision for impairment, if all or a portion of the impaired receivable is collected, the collected amount is deducted from the provision for the impairment allocated and recorded in other operating income.

Inventories

The cost of inventories comprises all costs incurred in bringing the inventories to their present location and condition. The components of the cost included in inventories are material, labor and overhead costs. The cost of inventories is determined on the weighted average basis. Inventories are stated at the lower of cost and net realizable value.

The Group's inventories consists of mining inventories, chemicals, operating materials and spare parts. Mining inventories consists of ready to be processed and mined ore clusters, solution obtained by treating mining inventories through tank leaching (heap leach) and gold and silver bars in the production process or ready for shipment. The ore clusters ready to be processed and the costs of gold and dore bars made ready for shipment in the production process are calculated by taking into account the amount of gold they contain on an ounce basis and the recycling rate calculated based on the processing in the facility.

The quantities of ready-to-work, mined ore clumps and dore bars made of gold and silver are determined by periodic counts. Depreciation and amortization of mineral assets and other fixed assets related to production are included in the costs of the inventory at the relevant production location and stage.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Related parties

If one of the below listed criteria exists the party is regarded as related with the Group:

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment defined benefit plan for the benefit of employees of either thereporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Leases

a) Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group recognises a right-of-use asset and a lease liability at the commencement date of the lease following the above mentoned assessments.

i. Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the following:

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

- c) any initial direct costs incurred by the Company, and
- d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

Useful lives of right-of-use assets are as follows:

Buildings	4 years
Motor vehicles	2-4 years

Right-of-use assets are subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable,
- b) variable lease payments that depend on an index or a rate, initially measured using the index orrate as at the commencement date
- c) amounts expected to be paid under residual value guarantees
- d) exercise price of a purchase option reasonably certain to be exercised by the Group
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Group measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability,
- b) reducing the carrying amount to reflect the lease payments made, and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Significant judgement in determining the lease term of contracts with renewal options

Group assesses the contractual options to extend or to terminate the lease when determining the lease liability. Most of the options to extend and terminate are exercisable both by the Group and the respective lessor. Group determines the lease term of a lease considering the periods covered by options to extend and terminate the lease if the options are exercisable by the Group and the Group is reasonably certain to exercise those options. If a significant change in circumstances takes place, related lease term assessment is revisited by the Group.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Leases (continued)

Practical expedients

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

The Group applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group applies a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

Variable lease payments

Some lease contracts of the Group contain variable payment terms. Variable lease payments are recognised in the statement of profit or loss in the related period.

b) Group – as a lessor

All the leases that Group is the lessor are operating leases. Assets leased out under operating leases are classified under investment properties or operating leases in the financial position. Rental income is recognised in the statement of income on a straight-line basis over the lease term.

Transaction with related parties is the transfer of resources, services or obligations between related parties, regardless of whether they are paid for.

Investment properties

Properties those are held for long term rental yields or capital appreciation or both, rather than in the production of supply of goods and services or administrative purposes or for the sale in the ordinary course of business are classified as “Investment property”. Investment properties are carried at cost less accumulated depreciation. Depreciation is provided for investment properties on a straight-line basis over their estimated useful lives.

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or fair value less costs of disposal.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment

Tangible fixed assets are based on the adjusted acquisition costs expressed in the purchasing power of TL at December 31, 2004 for items acquired before January 1, 2005, and accumulated depreciation and, if any, on the acquisition costs for items acquired after January 1, 2005. They are accounted in the financial statements with its net value after deducting the impairment.

Property, plant and equipments are depreciated with the linear depreciation method in accordance with the useful life principle. The useful lives of buildings, machinery, facilities and devices are limited by the useful life of the respective mines. Land is not depreciated as it is deemed to have an indefinite useful life. Depreciation commences when the assets are ready for their intended use.

The cost of the property, plant and equipment consists of acquisition cost, import taxes, non-refundable taxes, and expenses incurred to make the asset ready for use.

After the asset is started to be used, expenses such as repair and maintenance are recognized as an expense in the period they occur. If the expenditures provide an economic value increase for the related asset in its future use, these expenses are added to the cost of the asset.

Assets in the construction phase are shown by deducting the impairment loss, if any, from their cost. When these assets are built and ready for use, they are classified into the relevant fixed asset item. Such assets are subject to depreciation when they are ready for use, as in the depreciation method used for other fixed assets.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful lives
Land improvements	(During the useful life of the relevant mine) 2-15 years
Buildings	(During the useful life of the relevant mine) 2-50 years
Machinery and equipments	(During the useful life of the relevant mine) 2-20 years
Motor vehicles	2-15 years
Furniture and fixtures	3-20 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Repair and maintenance expenses are charged to the income statements during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits more than the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their net carrying amounts and are classified under “gains/losses from investing activities” in the current period.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Mining assets

Mining assets consist of mine site development, mining rights, mining plots, deferred mining costs and discounted costs associated with the rehabilitation, rehabilitation and closure of mine sites. For items acquired before January 1, 2005, mineral assets are reflected in the financial statements with the accumulated depreciation over the adjusted acquisition costs expressed by the purchasing power of TL on December 31, 2004 and the net value after deducting the permanent impairment, if any. For items acquired after January 1, 2005, they are reflected in the financial statements with their net value after deducting the accumulated depreciation and permanent impairment, if any, over their acquisition costs.

Mining assets begin to be amortized 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.

The mine site development costs include the evaluation and development of new ore veins, as well as the opening of underground galleries, excavation and construction of roads for the continuation and development of existing ore seams. Mine development costs are capitalized in cases where it is highly likely to obtain an economic benefit in the future from the mine in question, can be identified for specific mining areas and the cost can be measured reliably. Costs incurred during production are capitalized as long as they are directly related to the development of the mine site. Production-related costs are reflected as expense in the statement of profit or loss and other comprehensive income.

In cases where mining site development expenses cannot be distinguished from research and evaluation expenses, the said expenses are recorded as expense in the profit or loss and other comprehensive income statement in the period they occur.

Mining assets are depreciated when their capacity is ready to be used fully and their physical conditions meet the production capacity determined by the Group management. Mine development costs are capitalized in cases where it is highly probable to obtain economic benefit in the future and are subject to depreciation considering the economic benefit. Mine development costs are distributed to the departments to the extent that they can be defined on the basis of the relevant mining areas as soon as they are first recorded, and the departments in each mine area are subjected to depreciation by using the units of production method, taking into account the economic benefits separately.

The large-scale and important revision works carried out at the said mine, which will increase the economic benefits to be obtained during the life of the relevant mine, are capitalized. Maintenance and repair expenses, excluding large-scale and significant revisions, that can be evaluated within this scope are recorded as expense in the profit or loss and other comprehensive income statement of the period in which they occur.

The mine development costs at each mine site are depreciated over the redemption rate found by dividing the total amount of gold in ounce mined from the relevant mine by the total ounce of visible and possible workable remaining gold reserves in the said mine during the period. The visible and possible reserve amounts in each mine site indicate the known and measurable resource that can be extracted and processed economically in the foreseeable future.

Apart from the land on which the production facilities are built and where the wastes are stored, the Group also purchases land for mining exploration activities. These lands are followed in mineral assets and are reflected in the financial statements over their acquisition costs. These lands begin to be depreciated over the depreciation rate found by dividing the total ounce of visible and possible workable reserve in the said mine by the remaining gold reserve amount as soon as the ore is started to be extracted in the relevant mine site.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Mining assets (continued)

The deferred mining costs consist of the direct costs incurred during stripping, which facilitates access to the defined part of the ore in each open pit ore deposit during the period, and the general production costs associated with the stripping work. It is subject to depreciation taking into account the deferred extraction rate, which is calculated based on the usable remaining life of each open pit.

The production costs corresponding to the part of the benefit generated in the stripping work realized in the form of manufactured products are accounted for by including the cost of inventories. The removal costs of each open pit ore deposit and, as long as it is measurable, for phases related to each ore deposit are accounted by taking into account the calculated rates.

Deferred mining costs are depreciated over the amortization rate found by dividing the total ounce of gold mined from the relevant mine by the total ounce of visible and possible workable remaining gold reserves in the said mine. The visible and possible reserve amounts in each mine site indicate the known and measurable resource that can be extracted and processed economically in the foreseeable future.

The actual mineral extraction rate is calculated by proportioning the amount of waste and ore extracted from each open pit until the balance sheet date. The estimated mineral extraction rate, which is calculated by taking into account the remaining useful life of each open pit, is calculated by proportioning the estimated cumulative pass and ore amounts to each other in tonnes to be prospectively extracted from each open pit connected to the reserve.

Accordingly, if the actual extraction rate is higher than the estimated extraction rate calculated by taking into account the useful life of each related open pit, part of the estimated cumulative passage during the year and the cost incurred for ore extraction is capitalized in line with the said rates.

If the estimated mineral extraction rate calculated considering the useful life of the mine is higher than the actual extraction rate, the related costs are accounted as production expense in the profit or loss and other comprehensive income statement, taking into account the depreciation rate stated above. The useful life of the mine is reviewed annually and changes in the deferred extraction rate are accounted for prospectively.

Mining rights are accounted in the financial statements at the acquisition cost. It is amortized by using the lower of the depreciation rate found by dividing the remaining economic lives of the relevant mine or the ounce amount of gold extracted from underground and open pit during the period by the amount of visible and possible workable remaining ounce of gold reserves.

Reclamation, rehabilitation and closure costs according to the current conditions of the mine fields that arise due to the open pit mine development activities and the production in the open pit; Provision for expenses that are likely to be spent during the closure and rehabilitation of mines is reflected in the financial statements at their reduced cost values as of the balance sheet date.

These provisions are reduced to their values at the balance sheet date, taking into account the risk of interest and liability in the markets, with a pre-tax discount rate that does not include the risk of future cash flow estimates, and the calculations are reviewed in each balance sheet period. Changes resulting from changes in management estimates used in the computation of the reclamation, rehabilitation and closure provision of mine sites are reflected in the cost of rehabilitation, rehabilitation and closure of mine sites.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

On the other hand, for each mine, the costs of rehabilitation, rehabilitation and closure of the respective mine sites; It is amortized by using the lower of the depreciation rate found by dividing the remaining economic lives of the relevant mine or the ounce amount of gold extracted from the relevant open pit during the period by the remaining visible and possible workable reserve amount in ounce. The costs incurred in relation to the prevention of environmental pollution and protection of the environment within the scope of the existing programs are reflected in the profit or loss and other comprehensive income statement as expense in the period they occur.

Mineral exploration, evaluation and development expenses

Pre-license costs are expensed in the period in which they occur.

After the license acquisition, mineral exploration and evaluation expenses include all kinds of technical services from the initial prospecting and exploration stages of a mine site to the realization of a mining project. These technical services; All kinds of geological studies from mining activities to reserve calculation, all kinds of ore production planning from exploitable reserve calculation to production method, optimization and organization, construction and implementation of ore enrichment projects for determination of complete flow chart, from process mineralogy to market analysis, necessary financing It includes activities such as feasibility studies in every scope up to its source.

Mine site development costs are capitalized in cases where it is highly likely that an economic benefit will be obtained from the mine in question in the future, can be identified for specific mine sites and the costs can be measured reliably. The costs incurred during the research and evaluation are capitalized as long as they are directly related to the development of the mine site.

At the point where production is decided at the mine site, all costs incurred are transferred to the mining assets account. However, when it is decided that there is no future economic benefit, all costs incurred are reflected in the income statement. As the production starts after the preparation period, mineral assets begin to be depreciated.

For the capitalized development costs, the Group management evaluates on each balance sheet date whether there is any indication of depreciation, such as a significant decrease in the reserve amount, expiration of the rights acquired for mining sites, and failure to renew or cancel. If there is such an indicator, the relevant recoverable value, which is determined as the higher of the amount to be recovered through sale after deducting the expenses required for the use or sale of the said asset, is estimated and the impairment losses are reflected as expense in the profit or loss and other comprehensive income statement. the carried value is reduced to its recoverable value.

Intangible assets

Intangible assets are comprised of rights and computer software. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognised as an expense.

Any gain or loss arising on the disposal of an item of intangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss as “gains from investment activities”.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortized on a straightline basis over their estimated useful lives and carried at cost less accumulated amortization. Their estimated useful lives are between 3 and 5 years.

Business combination and goodwill

Business combinations are accounted for by using the purchase method in the scope of TFRS 3 “Business combinations”. Any excess of the cost of acquisition over the acquirer’s interest in the (i) net fair value of the acquiree’s identifiable assets and contingent liabilities as of the acquisition date, (ii) amount of any non-controlling interest in the acquired entity and (iii) fair value of any equity interest previously held by acquirer is accounted for as goodwill. If those amounts are less than fair value of the net identifiable assets of the business acquired, the difference is recognised directly in “Gains from investment activities” as a gain from bargain purchase.

Under this method, the cost of an acquisition is measured over the fair value of cash and other assets given as of the acquisition date, equity instruments issued or liabilities incurred. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after the acquisition date; in case the adjustment is measurable and more probable than not, than the cost of business combination at acquisition date is adjusted. Costs related to the purchase are recognized as expense in the period in which they are incurred.

Identifiable assets, liabilities and contingent liabilities of the business acquired are measured initially at their fair values at the acquisition date in the scope of TFRS 3.

Goodwill recognised in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortisation. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Legal mergers between entities controlled by the Group are not considered within the scope of TFRS 3. Therefore, goodwill is not recognized in such transactions.

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognised at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognised. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under “transactions under common control” in “prior years’ income”.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Impairment on non-financial assets

At each financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

When an impairment loss subsequently reversed, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. A provision is recognised for the current period tax liability based on the period results of the Group at the financial position date.

Deferred income tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences (including unused incentive amounts and carried forward tax losses of prior years) are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

The parent company recognizes deferred tax asset for all deductible temporary differences arising from investments in Subsidiaries, only to the extent that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Taxes on income (continued)

The parent company recognizes deferred tax liability for all taxable temporary differences associated with investments in Subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

The tax effects of the transactions that are accounted directly in the equity are also reflected to the equity.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority with the condition of being same taxpayer entity and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Environmental rehabilitation, rehabilitation of mining sites and mine closure provision

The Group records the present value of the estimated costs of legal and constructive obligations required to restore the operating places in the period in which the obligation occurred (Note 18 b). These restoration activities include the dismantling and removal of structures, the rehabilitation of mines and waste dams, the dismantling of operating facilities, the closure and restoration of factories and waste areas, and the remediation and greening of the affected areas. The requirement usually occurs when the asset is set up or the place / environment in the production area is adversely affected. When the liability is first recorded, the present value of the estimated costs is capitalized by increasing the net book value of the relevant mining assets up to the amount at which the development / construction of the mine will take place. The liability that is discounted over time is increased by the change in the present value, which depends on the discount rates reflecting the market evaluations in the current period and the risks specific to the liability.

The periodic fluctuation of the discount is recognized as a financial cost in the income statement. Additional disruptions or changes in rehabilitation costs are reflected in the respective assets and rehabilitation liabilities as purchase or expense as they occur.

Provisions for employee benefits

a) Provision for employment termination benefits

In accordance with the current labor law in Turkey, the Group is obliged to pay a certain amount of severance pay to the personnel who quit their job due to retirement after serving at least one year or who are dismissed for reasons other than resignation and bad behavior.

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections.

TAS 19 “Employee Benefits” requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity’s obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains / losses and recognised under other comprehensive income.

b) Defined benefit plans

The Group has to pay contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognised as an employee benefit expense when they are accrued.

c) Unused vacation rights

Kullanılmamış izin haklarından doğan yükümlülükler, hak kazanıldıkları dönemlerde tahakkuk edilir.

Paid in capital

Ordinary shares are classified in equity. Costs related to the issuance of new shares and options are recognized in equity with an amount equal to collected amount less tax effects.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

Revenue from contracts with customers

In accordance with TFRS 15 “Revenue from Customer Contracts”, effective from January 1, 2018, the Group has started to use the five-step model below to recognize revenue.

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations.

According to this model, firstly, the goods or services in the contract with the customers are assessed and each commitment for transferring the goods or services is determined as a separate performance obligation. Then it is assessed whether the performance obligations will be fulfilled at a point in time or over time. When the Group transfers control of a good or service over time, and therefore fulfils a performance obligation over time, then the revenue is recognised over time by measuring the progress of completion. Revenue is recognized when control of the goods or services is transferred to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Group’s collection right of the consideration for the goods or services,
- b) customer’s ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer’s ownership of significant risks and rewards related to the goods or services,
- e) customer’s acceptance of goods or services.

The main activities of the Group 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 fileds of on going projects. The Group 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 Group effectively manages the receivable risk, taking into account the past experiences.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

At contract inception, if the Group expects that the period between the transfer of the promised good or service and the payment is one year or less, the Group applies the practical expedient and does not make any adjustment for the effect of a significant financing component on the promised amount of consideration. On the other hand, when the contract effectively constitutes a financing component, the transaction price for these contracts is discounted, using the interest rate implicit in the contract. The difference between the discounted value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Interest income

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash fows through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

At initial recognition Group classifies its financial assets in three categories as; financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement and classification

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

a. Financial assets measured at amortized cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit of loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- it is its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables and other receivables.

b. Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they are not held for trading. The classification is determined on an instrument-by instrument basis. The Group elected to classify irrevocably its non-listed equity investments under this category .

The accounting policies below apply to gains and losses from subsequent measurements:

Debt instruments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Equity instruments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Financial assets (continued)

c. Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s statement of financial position) when:

- The contractual rights to receive cash flows from the asset have expired, or
- The Group has transferred its contractual rights to receive cash flows from the asset, or retains the contractual rights to receive the cash flows of the financial asset but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. When the Group has transferred its contractual rights to receive cash flows from an asset and neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages:

- 12-month ECL: For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months,
- Lifetime ECL: For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure.

For trade receivables, other receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The expected credit losses were calculated based on a provision matrix that is based on the Group’s historical credit loss experience, considering for forward-looking factors.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

• ***Financial liabilities at fair value through profit or loss***

This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by TFRS 9. Gains and losses are recognised in the statement of profit or loss.

• ***Financial liabilities at amortised cost***

After initial recognition, borrowings and trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

ii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of consolidated financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Government grants

Government grants along with investment, research and development grants are accounted on accrual basis with their fair values when the application of grants is approved. These grants are accounted for as deferred income in the statement of financial position and are credited to income statement on a straightline basis over the expected lives of related assets. Government grants allowing reduced corporate tax practice are evaluated within the scope of TAS 12 Income Taxes standard.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decisionmaker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The sectors reported under “Other” do not meet the required minimum quantitative thresholds to be a reportable segment; hence they have been merged for segment reporting.

For an operating segment to be identified as a reportable segment it has to meet any of the following quantitative thresholds:

- i. its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments
- ii. the absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- iii. its assets are 10 per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered as reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Events after financial position date

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the financial position date. If non-adjusting events after the financial position date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the financial statements.

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

2. Basis of presentation of consolidated financial statements (continued)

2.6 Significant accounting judgments estimates and assumptions

In the preparation of consolidated financial statements, the Group 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.

- 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 consolidated 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 Group conducts studies to determine the remaining reserves of mining assets, production-based depreciation calculations, and rehabilitation provisions within this scope.

The Group management reviews the estimates made in relation to the visible and probable mineral reserves in each balance sheet period. In certain periods, the Group 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. The aforementioned reserve and resource amounts were updated by the independent professional valuation Group "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.

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

2. Basis of presentation of consolidated financial statements (continued)

2.6 Significant accounting judgments estimates and assumptions (contuined)

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 and for some mining assets, 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 Group 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.

c) Amount of provisions reflected in consolidated financial statements regarding environmental rehabilitation, improvement of mine sites and closure of mine sites is based on the plans of the Group 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.

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.6 Significant accounting judgments estimates and assumptions (contuined)

As of December 31, 2022, the Group reassessed the provision amounts due to changes in discount rates, costs, production areas subject to rehabilitation and reserve lifetimes. The Group 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 (December 31, 2022: 4.07%, December 31, 2021: 0.07%). 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 Group 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 Group 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 Group management and as a result of the legal consultancy received. Negative effects of a decision or application that may be taken against the Group may significantly affect the activities of the Group. As of December 31, 2022, there is no legal risk expected to significantly affect the activities of the Group.
- 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 Group and the legal advisors' evaluation of the consequences that may arise in case these lawsuits are concluded against the Group. The Group management makes the best estimate based on the information provided.
- g) The gold in circuit inventory amount, which is followed as a semi-finished product and has not yet turned into finished gold during the production process, is evaluated separately for each production facility by making technical production calculations and estimations. The gold in circuit process, which is common for both tank leaching and heap leach production plants, ends after finished gold is obtained. Since the production processes of tank leaching and heap leaching facilities are different from each other, the amount of gold stock in the circuit differs on the basis of facilities, and the estimated amount of gold that can be obtained from the gold in circuit stocks of each facility at the end of the production process and the life of mine is analyzed based on technical calculations.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

3. Segment reporting

The Group's reporting according to the operating segments as of December 31, 2022 is presented as follows:

	Mine	Transportation	Tourism	Consumer	Elimination adjustments	Total
Revenue						
Domestic sales	5.748.461	-	6.449	90.334	(124)	5.845.120
Exports	95.630	-	-	-	-	95.630
Total revenue	5.844.091	-	6.449	90.334	(124)	5.940.750
Operating results						
Depreciation expense	(290.085)	(18.133)	(3.910)	(797)	-	(312.925)
Interest income from investment activities	1.490.639	266	1.176	245	(137.890)	1.354.436
Other interest expense	(59.181)	(35.878)	-	(6.998)	102.057	-
Current tax expense (-)	(805.513)	-	-	-	-	(805.513)
Deferred tax income / (expense)	34.218	4.465	(1.447)	272	8.298	45.806
Operating profit / loss	2.439.583	(67.163)	(3.909)	468	1.675	2.370.654
Profit / loss before tax from continuing operations	6.081.580	(298.218)	198	30.154	(1.241.663)	4.572.051
Assets as of December 31, 2022	16.508.472	432.025	136.853	88.938	(2.538.245)	14.628.043
Liabilities as of December 31, 2022	1.811.338	869.859	7.582	25.700	(1.048.317)	1.666.162

In the table above, the amounts related to the segments are presented at the combined level, and all elimination balances within the Group are presented in the "Elimination adjustments" column.

The Group's reporting according to the operating segments as of December 31, 2021 is presented as follows:

	Mine	Transportation	Tourism	Consumer	Elimination adjustments	Total
Revenue						
Domestic sales	4.010.077	-	5.758	60.593	(11.236)	4.065.192
Overseas sales	91.040	-	-	-	-	91.040
Total revenue	4.101.117	-	5.758	60.593	(11.236)	4.156.232
Operating results						
Depreciation expense	(219.134)	(11.373)	(4.772)	(1.148)	-	(236.427)
Interest income from investment activities	1.247.666	300	533	294	(102.010)	1.146.783
Other interest expense	(79.306)	(10.477)	(175)	(7.714)	86.330	(11.342)
Current tax expense (-)	(1.115.449)	-	-	-	-	(1.115.449)
Deferred tax income / (expense)	82.460	(9.257)	1.857	476	-	75.536
Operating profit / loss	1.947.547	37.512	(3.735)	(2.715)	16.126	1.994.735
Profit / loss before tax from continuing operations	4.031.818	(66.455)	(3.956)	(10.136)	446	3.951.717
Assets as of December 31, 2021	14.633.662	437.267	140.400	76.673	(3.002.932)	12.285.070
Liabilities as of December 31, 2021	2.517.459	581.348	9.881	62.745	(1.562.156)	1.609.277

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

4. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash	259	266
Banks		
- Demand deposits	3.034	16.748
- Time deposits	519.791	9.162.005
Credit card slips	1.186	171
Total	524.270	9.179.190
Less: Interest accruals	(1.698)	(40.452)
Cash and cash equivalents presented in the cash flow statement	522.572	9.138.738

The details of the Group's time deposits as of December 31, 2022 are as follows;

Currency	Interest rate	Maturity	Currency amount	TL Equivalent
TL	%15,00 - %26,50	1-30 Days	517.360	517.360
USD	0,70%	1-30 Days	130	2.431
Total				519.791

The details of the Group's time deposits as of December 31, 2021 are as follows;

Currency	Interest rate	Maturity	Currency amount	TL Equivalent
TL	%14 - %22,5	1-30 Days	8.360.680	8.360.683
USD	%0,75 - %1,3	1-30 Days	61.747	801.322
Total				9.162.005

The Group's blocked deposits of TL 69.026 have been presented under financial investments account (December 31, 2021: TL 75.120).

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

5. Trade receivables and payables

a- Trade receivables

	December 31, 2022	December 31, 2021
Trade receivables	144.627	108.878
Notes receivable	5.439	9.917
Provision for doubtful trade receivables (-)	(105.877)	(91.169)
Toplam	44.189	27.626

The movement of provision for doubtful trade receivables is as follows;

	2022	2021
January 1	91.169	81.525
Additions / (cancellations) (Note 18)	14.708	9.644
December 31	105.877	91.169

b- Trade payables

	December 31, 2022	December 31, 2021
Trade payables	172.122	215.803
Total	172.122	215.803

6. Other receivables and payables

a. Other receivables

I. Short-term other receivables

i. Other receivables from third parties

	December 31, 2022	December 31, 2021
VAT refund receivables	89.406	54.473
Deposits and guarantees given	35	44
Other receivables due from personnel	8	8
Other	1.040	1.604
Total	90.489	56.129

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

6. Other receivables and payables (continued)

a. Other receivables (continued)

II. Long-term other receivables

ii. Long-term receivables from related parties

	December 31, 2022	December 31, 2021
Other receivables from related parties (Note 26)	-	160.955
Total	-	160.955

b. Other payables

I. Short-term other payables

i. Short-term other payables

	December 31, 2022	December 31, 2021
Other payables to related parties (Note 26)	5.784	-
Deposits and guarantees received	297	344
Other	92.317	17.613
Total	98.398	17.957

II. Long-term other payables

i. Long-term other payables

	December 31, 2022	December 31, 2021
Other payables (*)	102.676	72.513
Total	102.676	72.513

(*) The account results from the the Group's purchase of Newmont Gold in 2010.

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

7. Inventories

The inventories of the Group as of December 31, 2022 and 2021 are as follows;

	December 31, 2022	December 31, 2021
Gold and silver in the production process and gold and silver bars	291.212	144.592
Spare parts (*)	285.485	141.220
Ready to be processed and mined ore clusters	286.998	95.046
Chemicals and operating materials	221.956	94.088
Other inventories (**)	77.512	24.957
Provision for inventory impairment (-)	-	(48.913)
Total	1.163.163	450.990

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

(**) Other inventories consist of food and concentrated antimony stocks.

The movement of the provision for inventory impairment is as follows:

	2022	2021
January 1	48.913	36.598
Additions (+)	-	105.474
Provisions no longer required	(48.913)	(93.159)
December 31	-	48.913

8. Biological assets

Biological assets of the Group as of December 31, 2022 and 2021 are as follows;

	December 31, 2022	December 31, 2021
Biological assets	18.768	13.177
Total	18.768	13.177

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

9. Prepaid expenses

The Group's prepaid expenses as of December 31, 2022 and 2021 are as follows:

i. Short-term prepaid expenses

	December 31, 2022	December 31, 2021
Advances given	117.235	25.184
Prepaid expenses	15.692	3.254
Total	132.927	28.438

ii. Long-term prepaid expenses

	December 31, 2022	December 31, 2021
Advances given	151.314	374
Other (*)	11.786	12.044
Total	163.100	12.418

(*) Consists of the company's insurance expenses for the coming years.

10. Other current and non-current assets

The details of other current and non-current assets of the Group as of December 31, 2022 and 2021 are as follows:

a) Other current assets

	December 31, 2022	December 31, 2021
VAT receivables	78	980
Job advances given	5.308	527
Other	5.071	402
Total	10.457	1.909

b) Other non-current assets

	December 31, 2022	December 31, 2021
VAT receivables	196.819	134.029
Total	196.819	134.029

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

11. Financial investments

a. Short term financial investments

The short term financial investments of the Group as of December 31, 2022 and 2021 are as follows;

	December 31, 2022	December 31, 2021
Currency protected time deposits (**)	1.187.002	-
Financial assets accounted at fair value under profit or loss (***)	8.573.478	-
Toplam	9.760.480	-

b. Long term financial investments

The long term financial investments of the Group as of December 31, 2022 and 2021 are as follows;

	December 31, 2022	December 31, 2021
Shares in subsidiaries (*)	218.423	218.423
Blocked deposits	69.026	75.120
Total	287.449	293.543

(*) 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.

(**) Currency protected time deposits are accounted as financial assets at fair value under profit or loss.

The Company has converted foreign exchange deposit accounts amounting to 61,743 Thousands USD into “Currency protected time deposits accounts”. The maturity of currency protected time deposits is 182 days.

(***) As of December 31, 2022, the Group has 7.932.079.200 mutual fund participation certificates, totaling 8.573.478 Thousands TL, which are recognized as financial assets measured at the amortized cost.

Notes to the consolidated financial statements**for the year ended December 31, 2022**

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

12. Investment properties

Investment properties of the Group as of December 31, 2022 and 2021 are as follows;

	January 1, 2022	Additions	Disposals	December 31, 2022
Cost				
Flats	108.478	-	-	108.478
Dormitory buildings	25.625	-	-	25.625
Hotel	180.158	15	(875)	179.298
Total	314.261	15	(875)	313.401
Accumulated depreciation				
Flats	10.985	2.146	-	13.131
Dormitory buildings	4.593	292	-	4.885
Hotel	76.801	3.908	(875)	79.834
Total	92.379	6.346	(875)	97.850
Net book value	221.882			215.551
	January 1, 2021	Additions	Disposals	December 31, 2021
Cost				
Flats	108.478	-	-	108.478
Dormitory buildings	25.625	-	-	25.625
Hotel	177.655	2.503	-	180.158
Total	311.758	2.503	-	314.261
Accumulated depreciation				
Flats	9.059	1.926	-	10.985
Dormitory buildings	4.081	512	-	4.593
Hotel	71.409	5.392	-	76.801
Total	84.549	7.830	-	92.379
Net book value	227.209			221.882

Investment properties amounting of 89.978 Thousands TL in the flats are located in United Kingdom, and members of the İpek Family live in these apartments. Due to the current legal processes, the lease agreement has not been signed. When the legal processes are end, the necessary evaluations will be made by the Group management in accordance with the market practices. Investment properties amounting of 25.625 Thousands TL in the dormitory buildings consist of the dormitory building in Gümüşhane and Bergama. T he dormitory building in Bergama was leased to the Ministry of National Education. There isn't any rental agreement regarding the dormitory buildings in Gümüşhane.

In 2022, from investment properties owned by Koza Altın, 1.544 thousand TL rental income has been obtained. (2021: 861 thousand TL).Within the scope of the lease contract of Angel's Hotel and Royal Garden Hotel, which are owned by Koza Turizm, the Group has obtained a rental income of 6.449 Thousands TL between January 1 – December 31, 2022 (January 1 – December 31, 2021: Thousands TL 5.669 Thousands TL). As of December 31, 2022, there are annotations placed by the General Directorate of National Real Estate on the Group's real estates in Turkey.

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.**Notes to the consolidated financial statements****for the year ended December 31, 2022**

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

13. Right of use assets

The right of use assets of the Group as of December 31, 2022 and 2021 are as follows;

	January 1, 2022	Additions	Accounting record	December 31, 2022
Cost				
Buildings	660	152	-	812
Motor vehicles	67.820	3.575	(1.376)	70.019
Total	68.480	3.727	(1.376)	70.831
Accumulated amortization				
Buildings	659	519	-	1.178
Motor vehicles	30.868	19.533	-	50.401
Total	31.527	20.052	-	51.579
Net book value	36.953			19.252

	January 1, 2021	Additions	Accounting record	December 31, 2021
Cost				
Buildings	1.762	-	(1.102)	660
Motor vehicles	17.939	52.115	(2.234)	67.820
Total	19.701	52.115	(3.336)	68.480
Accumulated amortization				
Buildings	659	-	-	659
Motor vehicles	14.559	16.309	-	30.868
Total	15.218	16.309	-	31.527
Net book value	4.483			36.953

Notes to the consolidated financial statements**for the year ended December 31, 2022**

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

14. Property, plant and equipment

The property, plant and equipment of the Group as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Mining assets	461.245	393.080
Other tangible assets	1.240.945	1.036.513
Total	1.702.190	1.429.593

a) Mining assets

As of December 31, 2022 and December 31, 2021, mining assets consists of mining rights, mine site development costs, deferred stripping costs, mining sites, and closing and rehabilitation of mines, and the net book values of these mining assets are as follows.

	December 31, 2022	December 31, 2021
Mining sites	43.859	30.889
Mine site development cost	278.456	220.470
Deferred stripping costs	29.628	14.313
Rehabilitation of mining facility	48.029	66.764
Mining rights	61.273	60.644
Total	461.245	393.080

The movements of mining assets are as follows;

	January 1, 2022	Additions	Disposals (*)	December 31, 2022
Cost				
Mining sites	73.696	31.697	(15.569)	89.824
Mine site development costs	584.884	94.643	-	679.527
Deferred stripping costs	278.899	54.983	-	333.882
Rehabilitation of mining facility	331.055	45.111	-	376.166
Mining rights	74.005	678	(40)	74.643
Total	1.342.539	227.112	(15.609)	1.554.042

Accumulated depreciation

Mining sites	42.807	3.158	-	45.965
Mine site development costs	364.415	36.656	-	401.071
Deferred stripping costs	264.586	39.668	-	304.254
Rehabilitation of mining facility	264.290	63.847	-	328.137
Mining rights	13.361	9	-	13.370
Total	949.459	143.338	-	1.092.797
Net book value	393.080			461.245

(*) According to the President's Decision dated October 16, 2021, it was decided to expropriate the lands needed for gold and silver production within the borders of wolframite, gold and silver operating licenses numbered 82050 in Bilecik Province.

Notes to the consolidated financial statements**for the year ended December 31, 2022****(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)****14. Property, plant and equipment (continued)****a) Mining assets (continued)**

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost				
Mining sites	70.546	3.150	-	73.696
Mine site development costs	451.048	133.836	-	584.884
Deferred stripping costs	263.994	14.905	-	278.899
Rehabilitation of mining facility	231.133	99.922	-	331.055
Mining rights	50.765	23.515	(275)	74.005
Total	1.067.486	275.328	(275)	1.342.539
Accumulated depreciation				
Mining sites	38.216	4.591	-	42.807
Mine site development costs	328.009	36.406	-	364.415
Deferred stripping costs	252.676	11.910	-	264.586
Rehabilitation of mining facility	209.015	55.275	-	264.290
Mining rights	13.349	12	-	13.361
Total	841.265	108.194	-	949.459
Net book value	226.221			393.080

There isn't any mortgage on mining assets as of December 31, 2022 (December 31, 2021: None).

The cost of the mine sites, mining rights and mine site development cost of the Group, which have been fully depreciated as of December 31, 2022, but are in use, are amounting to thousands TL 115.852 (December 31, 2021: thousands TL 105.635).

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

14. Property, plant and equipment (continued)**b) Other tangible assets**

Movements of other tangible assets during the year as of December 31, 2022 and 2021 are as follows;

	January 1, 2022	Additions	Disposals	Transfer	December 31, 2022
Cost					
Land, buildings and land improvements	401.691	18.750	(8)	27.479	447.912
Machinery and equipment	853.220	143.104	(654)	35.890	1.031.560
Motor vehicles	584.935	80.329	(1.785)	-	663.479
Furnitures and fixtures	94.542	17.107	(373)	585	111.861
Construction in progress	45.777	86.215	(62)	(66.644)	65.286
Total	1.980.165	345.505	(2.882)	(2.690)	2.320.098
Accumulated depreciation					
Buildings and land improvements	194.436	19.720	(4)	(2.652)	211.500
Machinery and equipment	604.819	57.903	(434)	-	662.288
Motor vehicles	89.015	50.236	(1.691)	-	137.560
Furnitures and fixtures	55.382	12.660	(237)	-	67.805
Total	943.652	140.519	(2.366)	(2.652)	1.079.153
Net book value	1.036.513				1.240.945

There isn't any mortgage on other tangible assets as of December 31, 2022 (December 31, 2021: None).
As of December 31, 2022, the insurance amount on the tangible assets and inventories of the Company is TL 416.602 (December 31, 2021: TL 254.399).

The cost of other tangible assets of the Group, which have been fully depreciated as of December 31, 2022, but are in use, is amounting to thousand TL 383.704. (December 31, 2021: thousand TL 358.729).

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

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.**Notes to the consolidated financial statements****for the year ended December 31, 2022**

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

14. Property, plant and equipment (continued)**b) Other tangible assets**

	January 1, 2021	Additions	Disposals	Transfers	December 31, 2021
Cost					
Land, buildings and land improvements	367.443	15.089	-	19.159	401.691
Machinery and equipment	772.354	73.322	(304)	7.848	853.220
Motor vehicles	103.610	481.637	(312)	-	584.935
Furnitures and fixtures	74.831	18.935	(21)	797	94.542
Construction in progress	15.978	60.637	(3.034)	(27.804)	45.777
Total	1.334.216	649.620	(3.671)	-	1.980.165
Accumulated depreciation					
Buildings and land improvements	175.328	19.108	-	-	194.436
Machinery and equipment	563.733	41.251	(165)	-	604.819
Motor vehicles	56.477	32.822	(284)	-	89.015
Furnitures and fixtures	46.221	9.169	(8)	-	55.382
Total	841.759	102.350	(457)	-	943.652
Net book value	492.457				1.036.513

15. Intangible assets**a) Goodwill**

As of December 31, 2022 and 2021 the details of the Group's intangible assets are as follows:

	December 31, 2022	December 31, 2021
Goodwill related to Newmont Altın purchase	11.232	11.232
Total	11.232	11.232

Notes to the consolidated financial statements

for the year ended December 31, 2022

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

15. Intangible assets (continued)

a) Goodwill (continued)

Purchase of Newmont Altın:

The Group 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 thousands USD and 2.462 thousands USD, which constitute part of the total purchase price of 8.500 thousands US dollars, for 99.84% Newmont Altın shares, on June 28, 2010 and July 2, 2010, respectively. The remaining 5.500 thousands USD of the purchase price, 3.000 thousands 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 thousands USD will be paid one year after the second payment.

As of December 31, 2022, 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 December 31, 2022.

b) Other intangible assets

The details of the Group’s other intangible assets as of December 31, 2022 and 2021 are as follows:

	January 1, 2022	Additions	December 31, 2022
Cost			
Rights	17.180	3.278	20.458
Total	17.180	3.278	20.458
Accumulated depreciation			
Rights	13.134	2.670	15.804
Total	13.134	2.670	15.804
Net book value	4.046		4.654
	January 1, 2021	Additions	December 31, 2021
Cost			
Rights	12.572	4.608	17.180
Total	12.572	4.608	17.180
Accumulated depreciation			
Rights	11.390	1.744	13.134
Total	11.390	1.744	13.134
Net book value	1.182		4.046

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

16. Lease liabilities

	December 31, 2022	December 31, 2021
Short-term lease liabilities	15.403	19.470
Long-term lease liabilities	6.996	20.667
Total	22.399	40.137

Movement of lease liabilities for the year ended on December 31, 2022 and 2021 is as follows:

	2022	2021
January 1	40.137	4.927
Additions	3.727	50.159
Paid during the period	(27.227)	(21.945)
Interest accrued	5.762	6.996
December 31	22.399	40.137

17. Payables related to employee benefits

	December 31, 2022	December 31, 2021
Social security premium payables	23.981	12.890
Payables due to personnel	1.879	638
Other	12.454	7.684
Total	38.314	21.212

18. Provisions, contingent assets and liabilities

As of December 31, 2022 and 2021, the details of the Group's provisions, contingent assets and liabilities are as follows:

a) Short-term provisions

	December 31, 2022	December 31, 2021
State right expense provision	448.147	320.010
Environmental rehabilitation, rehabilitation of mining sites and mine closure provision	84.037	54.218
Provisions for lawsuit	93.225	56.144
Other provisions (*)	76.446	15.880
Total	701.855	446.252

(*) A major part of the provision amount allocated for school constructions within the scope of the social responsibility project between the Ministry of National Education and Koza Altın.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

18. Provisions, contingent assets and liabilities (continued)

a) Short-term provisions (continued)

The movement table of state right expense provision is as follows;

	2022	2021
January 1	320.010	255.413
Paid during the period	(311.543)	(222.674)
Effect of changes in estimates and assumptions	(8.467)	(32.739)
Additions	448.147	320.010
December 31	448.147	320.010

The movement table provision for lawsuit is as follows;

	2022	2021
January 1	56.144	47.321
Additions	37.081	8.823
December 31	93.225	56.144

b) Long-term provisions

	December 31, 2022	December 31, 2021
Environmental rehabilitation, rehabilitation of mining sites and mine closure provision	282.375	273.599
Total	282.375	273.599

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

	2022	2021
January 1	327.817	193.703
Paid during the period	(102.078)	(3.541)
Discount effect	239	234
Effect of changes in estimates and assumptions	140.434	137.421
December 31 (*)	366.412	327.817

(*) The amount of provisions reflected to the financial statements for environmental rehabilitation, reclamation 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 plan and legal regulations, current market data and prices, discount rates used, mineral resources and regulations. Changes in estimates based on reserves may affect provisions. As with reserve and resource amounts, rehabilitation provision amounts are evaluated by SRK Consulting and provision figures are determined in US Dollars.

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

18. Provisions, contingent assets and liabilities (continued)

c) Provisions for employee benefits

i- Short-term provisions for employee benefits

	December 31, 2022	December 31, 2021
Provision for unused vacation	33.607	16.034
Personnel bonus provision	41.438	22.879
Total	75.045	38.913

The movement of provision for unused vacation is as follows;

	2022	2021
January 1	16.034	11.147
Additions / (cancellations), net	17.573	4.887
December 31	33.607	16.034

ii- Long-term provisions for employee benefits

	December 31, 2022	December 31, 2021
Provision for employee termination benefits	118.231	48.952
Total	118.231	48.952

Under the Turkish Labour Law, the Group 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 provision for severance pay is not subject to any funding and there is no funding requirement.

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 15.371,40 (2021: TL 10.848,59) 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:

	December 31, 2022	December 31, 2021
Net discount rate	%2,00	%4,17
Probability of qualifying for seniority	%94,41	%93,62

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

18. Provisions, contingent assets and liabilities (continued)**c) Provisions for employee benefits (continued)****ii- Long-term provisions for employee benefits (continued)**

The movements of the provision for severance pay within the accounting periods of December 31, 2022 and 2021 are as follows:

	2022	2021
January 1	48.952	39.837
Interest cost	10.334	5.137
Service cost	7.468	10.253
Actuarial loss / (gain)	68.109	220
Severance paid	(16.632)	(6.495)
December 31	118.231	48.952

Severance pay liability is not legally subject to any funding. Provision for severance pay is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 ("Employee Benefits") stipulates the development of Group's liabilities within the scope of defined benefit plans by using actuarial valuation methods.

The sensitivity analysis of the important assumptions used in the calculation of the provision for employee termination benefits as of December 31, 2022 is as follows:

	Discount rate		Rate of retirement	
	%0,50 increase	%0,50 decrease	%0,50 increase	%0,50 decrease
2022	(13.901)	17.096	3.890	(3.633)
	Discount rate		Rate of retirement	
	%0,50 increase	%0,50 decrease	%0,50 increase	%0,50 decrease
2021	(4.839)	5.828	1.189	(1.119)

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. As a result, with the decision dated 24.09.2020, the Council of State rejected the appeals of the plaintiffs on the merits in favor of Company, and decided to delivering the file to the local court for a procedural reason that did not affect the merits. The trial has ended and will not affect the company's operations.

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. The Council of State dismissed the appeal requests of the plaintiffs and decided to delivering the file to the local court for a procedural reason that did not affect the merits. In this respect, the trial continues and does not affects 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.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

18. 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 dismissal of the case in favor of the company was given by the Eskişehir 1st Administrative Court, with the possibility of appeal. The plaintiffs appealed the files and the Council of State upheld both decisions of the Eskişehir 1st Administrative Court in favor of Company in the files numbered 2020/302 E. and 2020/350 E. of the Eskişehir 1st Administrative Court.

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 act, which is the subject of the lawsuit, and as a result of the appeal examination by the Council of State, the decision of the local court was not correct and reversed the decision in favor of the company. While the trial was continuing at the İzmir 6th Administrative Court on the basis of the 2019/574 basis, the court decided to cancel act with the decision dated 23.02.2021.The decision has been appealed. A lawsuit has been filed in İzmir 6th Administrative Court with file 2019/1120 E. for the stay of execution and cancellation of the Environmental Impact Assessment (EIA) positive Decision given by the Ministry of Environment and Urbanization regarding the 3rd capacity increase 2009/7 project of Çukuralan Gold Mine Enterprise.Company has been involved in the relevant case alongside the defendant Ministry. The previous case number and court of the relevant file is İzmir 3rd Administrative Court 2019/171 E. and due to its connection with the Çukuralan 3rd Capacity Increase file, the file's main record was closed by the decision of the 4th Administrative Case Division of the İzmir Regional Administrative Court and İzmir 3rd Administrative Court decided to send the file to İzmir 6th Administrative Court. While the related case was continuing with İzmir 6th Administrative Court no. 2019/1120 E., according to the decision of the court, the EIA positive decision, which was the subject of the case, was annulled and an appeal was made.At this point, according to the decision of the Council of State, it has been decided that it is not possible to apply two different EIA Positive decisions related to the same project together, since a second EIA Positive decision was made for the 2019/574 E. file regarding the project in question. It was decided by the Defendant Ministry that the EIA Positive decision, which is the subject of the case, should be accepted as implicitly withdrawn. Since it was concluded that the subject of the pending case was no longer relevant, the İzmir 6th Administrative Court decided that there was definitely no room for reversing the decision numbered 2019/574 E.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

18. Provisions, contingent assets and liabilities (continued)

d) Important ongoing cases (continued)

iii- Lawsuits related to other mines (continued)

In terms of the 2019/1120 E. file, it has been decided that there is no legal inaccuracy in the decision of the İzmir 6th Administrative Court regarding the cancellation of the action, which is the subject of the lawsuit, and that the appeal requests of our intervening company as well as the respondent Ministry and the respondent Ministry are rejected.

For the annulment of the decision given by the defendant administration that the EIA is not required, a lawsuit was filed at the İzmir 6th Administrative Court with the number 2020/1479 E for the Çukuralan Gold Mine Crushing and Screening Plant Project planned to be built by Koza Gold Operations Inc. in Çukuralan Site. The trial is ongoing.

Regarding the 3rd capacity increase project of Çukuralan Gold Mine Plant planned to be carried out by Company, some plaintiffs have filed a lawsuit against the Ministry of Environment and Urbanization by some plaintiffs for the stay of execution and cancellation of the Environmental Impact Assessment (EIA) positive Decision given by the Ministry of Environment and Urbanization. A lawsuit was filed with the Administrative Court with the file numbered 2021/1407 E. and 2021/1013 E. Company has been involved in the relevant case alongside the defendant ministry and the proceedings are still ongoing.

Currently, all of the production activities subject to court decisions regarding the Çukuralan Gold Mine Operation 3rd Capacity Increase Project, mining (production) activities continue in accordance with the relevant legislation within the scope of the new EIA Positive decision.

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 within the case number 2020/763 E. At the current stage, Çanakkale 1st Administrative Court decided to cancel the act subject to the lawsuit, an appeal was filed against the decision and the appeal process continues.

iv- Lawsuits regarding the Group'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 was filed by the defendants against this decision. The Court of Cassation decided to overturn the file for procedural reasons. With the additional decision of the Ankara 10th Commercial Court of First Instance, it has been decided that the appeal application of the defendants was not filed. The defendants appealed the decision. The appeal process continues.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

18. Provisions, contingent assets and liabilities (continued)

d) Important ongoing cases (continued)

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. The trial is ongoing. The trial process continues in the case where Cafer Tekin İpek and Özlem Özdemir are accused in the case file of the Ankara 24th High Criminal Court numbered 2020/157 E.

vii- Employee lawsuits and cases of contract receivables

As of December 31, 2022, the provision amount accounted for ongoing employee and other lawsuits against the Group is amounting to Thousands 93.225 TL (December 31, 2021: Thousands TL 56.144).

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

18. 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 Group as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
A. CPM's given on behalf of own legal personality	68.681	76.991
- <i>Guarantee</i>	68.681	76.991
- <i>Pledges</i>	-	-
B. CPM's given 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 the 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	-	-
Total	68.681	76.991

ii- Letter of guarantees received

The details of the Group's letter of guarantees received as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Guarantee cheques	1.312.010	896.303
Guarantee letters	18.337	120.359
Security bonds	491.507	47.129
Total	1.821.854	1.063.791

iii- Government grants

6% of the income tax calculated on the Employer's Insurance Premium Share for the employees of the Company's mining processing facility in Mastra-Gümüşhane is covered by the Treasury within the scope of the "Regional Insurance Premium Incentive" numbered 56486. The company also benefits from the 5% employer's insurance premium incentive within the scope of the "Social Insurance and General Health Insurance Law" No. 5510 in all workplaces.

The Group benefits from investment incentives in Çukuralan - İzmir and Himmetdede - Kayseri enterprises. Within the scope of the said investment incentive certificates, the company benefits from 40% as investment contribution rate and 80% as corporate tax reduction rate. Pursuant to Article 2 of the Presidential Decision No. 1950 published in the Official Gazette dated 30 December 2019 and numbered 30994; Within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37) based on the Council of Ministers Decision dated 15/6/2012 and numbered 2012/3305, the dates 1/1/2020- 31/12/2022 Within the scope of regional, large-scale and strategic incentive practices for investment expenditures made between Turkey and Turkey, the investment contribution rates to be applied in the support of tax reductions, by adding 15 points to the investment contribution rate valid in each region, the corporate tax or income tax reduction is one hundred percent in all regions and the investment contribution amount is increased. The incentive certificate will be applied without any action on the incentive certificate, with a 100% rate to be applied to the earnings of the investor from other activities during the investment period. Investment started on 27 March 2018 within the scope of the incentive used in the Çukuralan region, and on 21 December 2017 within the scope of the incentive used for the Himmetdede region.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

19. 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 2022 is 23% (2021: 25%).

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 2022 is 23%. 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.

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.

Corporate tax liabilities recognized in the balance sheet as of December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2022	December 31, 2021
Current tax expense	869.327	1.115.449
Prepaid taxes (-)	(830.373)	(689.088)
Current income tax liability	38.954	426.361

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

19. Income taxes (continued)

Tax expense details recognized in the income statement as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Current income tax expense	(805.513)	(1.115.449)
Deferred tax income / (expense)	45.806	75.536
Total tax expense	(759.707)	(1.039.913)

Deferred taxes

The Group recognizes deferred tax assets and liabilities for temporary differences arising from differences between its tax base legal financial statements and its consolidated 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 consolidated 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.

Deferred taxes

	December 31, 2022		December 31, 2021	
	Cumulative temporary differences	Deferred tax	Cumulative temporary differences	Deferred tax
Tangible and Intangible assets	786.951	159.006	628.662	138.367
State right provision	448.147	89.629	320.010	73.602
Provision for employee termination benefits	118.231	23.646	48.952	10.754
Lawsuit provision	88.271	17.654	51.635	11.584
Personnel bonus provision	41.438	8.288	22.879	5.262
Provisions for doubtful receivables	34.493	6.899	26.115	5.799
Provision for unused vacation	33.607	6.721	16.034	3.673
Lease activities	3.836	767	5.330	1.226
TFRS 9 provision	105	21	5.365	1.234
Deferred tax assets		312.631		251.501
Deferred tax liabilities		-		-
Deferred tax provision		(33.667)		(31.964)
Deferred tax assets, net		278.964		219.537

Movement of deferred tax is as follows:

	2022	2021
January 1	219.537	143.950
Deferred tax expense recognized in profit or loss	45.806	75.536
Deferred tax expense recognized in equity	13.621	51
December 31	278.964	219.537

Notes to the consolidated financial statements**for the year ended December 31, 2022**

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

19. Income taxes (continued)

The reconciliation of the tax is as follows:

	2022	2021
Profit before tax	4.572.051	3.951.717
Effective tax rate	23%	25%
Tax calculated using effective tax rate	1.051.572	987.929
Effect of investment incentive allowance	(74.913)	-
Different tax rate effect	10.552	(23.519)
Financial losses not subject to tax calculation	(281.270)	9.180
Disallowable expenses	169.578	120.106
Effect of non-deductible expenses	(4.456)	(14.866)
Exemptions and discounts	(111.914)	(35.591)
Other	558	(3.326)
Corporate tax provision	759.707	1.039.913

20. Equity**a) Share capital**

As of December 31, 2022, the Company's paid-in capital is amounting to thousands TL 259.786 (December 31, 2021: thousands TL 259.786) and consists of 25.978.556.100 shares (December 31, 2021: 25.978.556.100 shares) with a nominal share value of 1 Kuruş, fully paid. The registered capital ceiling of the Company is thousands TL 400.000 (December 31, 2021: thousands TL 400.000).

In accordance with the Capital Markets Board's document regarding the Registration of the shares to be issued by the Joint Stock Companies for the Capital Increase dated February 2, 2012 and numbered 5/10, the Group was registered at the Ankara Trade Registry Office on February 2, 2012 and registered a registered capital ceiling of Thousands TL 400.000 has increased its issued capital from Thousands TL 129.893 to Thousands TL 259.786.

The breakdown of shareholders holding capital is as follows:

Capital	December 31, 2022		December 31, 2021	
	Share rate	Share amount	Share rate	Share amount
Koza İpek Holding A.Ş.	62,12	161.383	62,12	161.383
Publicly traded	37,72	98.003	37,72	98.003
Other	0,16	400	0,16	400
Paid-in capital	100	259.786	100	259.786

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

20. Equity (continued)

a) Share capital (continued)

The privileges given to shares representing the capital are as follows:

Group	Registered / Bearer	Par value	Concession type (*)
A	Registered	22.052	3-4
B	Bearer	51.455	3
C	Bearer	186.279	--

(*) Concession type:

1. Dividend privilege
2. Voting privilege
3. Privilege in the election of the board of directors
4. Privilege in the selection of the supervisory board
5. Limitations on privileges about buy new shares, transfer etc.
6. Other privileges

There are no privileges for (A) and (B) type shares with registered and bearer type shares other than the privileges stated above, and a trustee was appointed to the Group pursuant to the decision of Ankara Criminal Court of Peace on October 26, 2015. Subsequently, the Group was transferred to the SDIF on September 22, 2016. For this reason, the privileges of (A) and (B) share groups cannot be used. Share premiums represent the cash inflows generated by selling the shares at market prices. These premiums are accounted under equity and cannot be distributed. However, it can be used for future capital increases.

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. 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.

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.

With the decision of the SDIF Fund Board, dated 1 July 2022 and numbered 2022/304, all necessary works and transactions regarding profit distribution between the years 2016-2021 are subject to the decision of the Koza Altın İşletmeleri A.Ş.'s Board of Directors, dated 30 June 2022 and numbered 2022/77. In accordance with the legislation that Company is subject to, the Board of Directors of the Company has decided that as of July 1, 2022, a net profit distribution of TL 2,676.271,299.60 for the years 2016-2021 will be made on 7 July 2022.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

20. Equity (continued)**b) Restricted reserves**

The Group's restricted reserves are as follows:

	December 31, 2022	December 31, 2021
Restricted reserves	312.256	49.204
Total	312.256	49.204

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.

21. Revenue and cost of sales

The details of the Group's revenue and cost of sales as of January 1 – December 31, 2022 and 2021 are as follows:

a) Revenue

	January 1 – December 31, 2022	January 1 – December 31, 2021
Domestic sales	5.844.512	4.060.908
Exports	95.630	91.040
Other sales	1.266	4.976
Total sales	5.941.408	4.156.924
Sales returns	(658)	(692)
Net sales	5.940.750	4.156.232
Cost of sales	2.429.311	1.641.775
Gross profit	3.511.439	2.514.457

The distribution of the Group's revenues by product type as of January 1 – December 31, 2022 and 2021 is as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Sales of gold bullion	5.711.045	3.971.036
Sales of silver bullion	24.297	20.079
Other	206.066	165.809
Total	5.941.408	4.156.924

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

21. Revenue and cost of sales (continued)**b- Cost of sales**

	January 1 – December 31, 2022	January 1 – December 31, 2021
Personnel expenses	586.296	327.384
Direct materials used	521.318	280.974
State right expenses	448.147	284.499
Electricity and fuel expenses	389.698	139.409
Depreciation and amortisation expense	286.527	212.288
Repair and maintenance expenses	272.986	165.018
Rehabilitation expenses	95.562	37.734
Transportation costs	69.961	38.080
Stripping and crusher feeding expenses	41.003	12.760
Rent expenses	30.088	25.733
Other	55.864	101.352
Change in work-in-progress and finished good inventory	(398.206)	(11.091)
Total	2.399.244	1.614.140
Cost of services rendered	30.067	27.635
Total	2.429.311	1.641.775

22. Expenses by nature**Research and development, marketing, sales and distribution and general administrative expenses**

	January 1 – December 31, 2022	January 1 – December 31, 2021
Research expenses	280.110	286.960
Personnel expenses	204.157	119.529
Advertising and marketing expenses	55.188	37.716
Legal expenses	42.677	21.801
Electricity and fuel expenses	30.551	8.465
Depreciation and amortisation expense	26.398	24.139
Taxes, duties and charges expenses	24.150	12.662
Dues, donations and aids	14.214	13.577
Outsourced security expenses	14.074	10.615
Gold sales and refinery expenses	5.703	3.478
Marketing, sales, distribution expenses	5.520	4.786
Rent expenses	4.639	1.408
Insurance expenses	4.412	2.676
Audit and consultancy expenses	3.745	4.574
Travel expenses	2.604	1.789
Communication expenses	2.397	2.074
Other	76.843	29.106
Total	797.382	585.355

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

23. Other operating income and expenses

The details of the Group's other operating income as of January 1 – December 31, 2022 and 2021 are as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange income related to trading activities	120.545	222.371
Other	77.664	50.376
Total	198.209	272.747

The details of the Group's other operating expenses as of January 1 – December 31, 2022 and 2021 are as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Lawsuit provision expenses	37.081	8.823
Doubtful receivable expenses	14.708	9.644
Other (*)	489.823	188.647
Total	541.612	207.114

(*) As of 31 December 2022, TL 375.080 thousand of the balance consists of committed school donations, and TL 76.446 thousand consists of the provision entries for these donations and the remaining TL 38.297 thousand consists of other expenses related to the operating activities.

24. Income from investing activities

a- Income from investing activities

	January 1 – December 31, 2022	January 1 – December 31, 2021
Interest income from securities	753.539	-
Income from investment funds	594.295	-
Interest income	600.897	1.146.783
Income from currency protected time deposit	385.738	-
Foreign exchange income	-	739.491
Profit from sales of tangible asset (*)	23.672	81.706
Other	-	6.362
Total	2.358.141	1.974.342

(*) According to the President's Decision dated October 16, 2021, it was decided to expropriate the lands needed for gold and silver production within the borders of wolframite, gold and silver operating licenses numbered 82050 in Bilecik Province.

b- Expense from investing activities

	January 1 – December 31, 2022	January 1 – December 31, 2021
Exchange rate expenses	162.384	-
Total	162.384	-

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

25. 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 Group as of December 31, 2022 and 2021 are as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Net profit fattributable to the owners of the Group	836.485	660.509
Weighted average number of shares certificates	25.978.556	25.978.556
Earnings per 100 share	3,220	2,543
Total comprehensive income attributable to the owners of the Group	813.356	660.392
Earnings per 100 shares from total comprehensive income	3,131	2,542

26. Related party disclosures

The other trade payables and other receivables of the Group consist of the payables and receivables given and received in order to meet the financing needs of the Group and its related parties during the year. Other payables and other receivables do not have a certain maturity, and the Group 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 Group management and the developments in the markets. In this context, the current interest for December 2022 was applied as %15,29 per year (December 31, 2021: 17,40%).

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

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

26. Related party disclosures (continued)

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

a) Related party balances

Other receivables of the Group from related parties as of December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2022	December 31, 2021
Koza İpek Holding A.Ş. (1)	-	160.081
Other (3)	-	874
Total	-	160.955

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

	December 31, 2022	December 31, 2021
Koza İpek Holding A.Ş. (1)	4.875	-
Other (3)	909	-
Total	5.784	-

b) Transactions with related parties

The purchases of the Group from related parties between January 1 – December 31, 2022 and 2021 are as follows;

	January 1 – December 31, 2022			January 1 – December 31, 2021		
	Interest	Service	Other	Interest	Service	Other
Koza İpek Holding A.Ş. (1)	577	-	5.423	2.200	-	2.434
Koza İpek Sigorta Aracılık Hizmetleri A.Ş. (2)	-	-	-	-	-	-
	577	-	5.423	2.200	-	2.434

Sales of the Group to related parties between January 1 – December 31, 2022 and 2021 are as follows;

	January 1 – December 31, 2022			January 1 – December 31, 2021		
	Interest	Service	Interest	Service	Interest	Service
Koza İpek Holding A.Ş. (1)	16.408	-	729	27.173	-	148
Other (3)	-	-	268	-	-	61
	16.408	-	997	27.173	-	209

- c) Compensations provided to key management;** The group's key management consist of the general manager and assistant general managers. Compensation provided to senior management include short-term benefits such as wages and bonuses. Total amount of wages and similar benefits paid to key management between January 1 – December 31, 2022 is amounting to Thousands TL 17.861 (January 1 – December 31, 2021: Thousands TL 12.650).

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

27. Nature and level of risks arising from financial instruments

The Group's main financial instruments consist of cash, short-term deposits, currency protected deposits and funds. The main purpose of financial instruments is to finance the activities of the Group. Apart from these, the Group has financial instruments such as trade receivables and payables that arise as a result of its activities.

The Group 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 Group'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 Group does not have an Early Risk Detection Committee.

The purpose that the Group 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 Group, 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 Group 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 Group 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 Group 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 Group may be exposed to is up to the amounts reflected in the consolidated financial statements.

The Group has cash and cash equivalents in various financial institutions.

The Group 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 Group considers that there is no significant risk of receivables.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

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

a) Credit risk (continued)

The analysis of the Group's credit risk as of December 31, 2022 and December 31, 2021 is as follows:

	Trade receivables		Other receivables		Cash and cash equivalents
					Deposits in banks
December 31, 2022	Related party	Third party	Related party	Third party	
Maximum credit risk exposure as of the reporting date (A + B + C + D + E)*	-	44.189	-	94.005	522.825
<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	-	44.189	-	94.005	522.825
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 (-)	-	105.877	-	-	-
The part of net value under guarantee with collateral, etc	-	(105.877)	-	-	-
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.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

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

a) Credit risk (continued)

December 31, 2021	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)*	-	27.626	160.955	59.410	9.178.753
<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	-	27.626	160.955	59.410	9.178.753
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 (-)	-	90.850	-	-	-
The part of net value under guarantee with collateral, etc	-	(90.850)	-	-	-
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.

b) Market risk

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

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

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

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

b) Market risk (continued)

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

December 31, 2022	TL Equivalent	US Dollar	Euro	Gbp
Cash and cash equivalents	2.781	133	8	6
Prepaid expenses	2.314	46	12	54
Current assets	5.095	179	20	60
Total assets	5.095	179	20	60
Trade payables	82.179	302	3.398	391
Other payables	102.672	5.491	-	-
Current liabilities	184.851	5.793	3.398	391
Total liabilities	184.851	5.793	3.398	391
Net foreign currency position	(179.756)	(5.614)	(3.378)	(331)

As of 31 December 2022, the Group has foreign currency protected deposits amounting to thousand TL 1.187.

December 31, 2021	TL Equivalent	US Dollar	Euro	Gbp
Cash and cash equivalents	828.701	63.120	650	1
Trade receivables	7.493	40	475	-
Prepaid expenses	87.627	6.750	2	-
Current assets	923.821	69.910	1.127	1
Total assets	923.821	69.910	1.127	1
Trade payables	111.775	2.504	4.350	883
Other payables	157.274	12.119	-	-
Current liabilities	269.049	14.623	4.350	883
Total liabilities	269.049	14.623	4.350	883
Net foreign currency position	654.772	55.287	(3.223)	(882)

Notes to the consolidated financial statements

for the year ended December 31, 2022

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

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

c) Market risk (continued)

Sensitivity analysis:

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

The table below shows the sensitivity of the Group to 10% increase and decrease in US Dollar and Euro exchange rates. The sensitivity analysis includes only monetary items in open foreign currency at the end of the year 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.

December 31, 2022	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	(11.191)	11.191	(11.191)	11.191
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(11.191)	11.191	(11.191)	11.191
In case of 10% appreciation / depreciation of EUR against TL				
4- EUR net asset/liability	(6.316)	6.316	(6.316)	6.316
5- Portion protected from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(6.316)	6.316	(6.316)	6.316
In case of 10% appreciation / depreciation of GBP against TL				
7-GBP net asset/liability	(745)	745	(745)	745
8- Portion protected from GBP risk (-)	-	-	-	-
9- GBP Net effect (7+8)	(745)	745	(745)	745
TOTAL (3+6+9)	(18.252)	18.252	(18.252)	18.252

December 31, 2021	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	71.750	(71.750)	71.750	(71.750)
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	71.750	(71.750)	71.750	(71.750)
In case of 10% appreciation / depreciation of EUR against TL				
4- EUR net asset/liability	(4.182)	4.182	(4.182)	4.182
5- Portion protected from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(4.182)	4.182	(4.182)	4.182
In case of 10% appreciation / depreciation of GBP against TL				
7-GBP net asset/liability	(1.144)	1.144	(1.144)	1.144
8- Portion protected from GBP risk (-)	-	-	-	-
9- GBP Net effect (7+8)	(1.144)	1.144	(1.144)	1.144
TOTAL (3+6+9)	66.424	(66.424)	66.424	(66.424)

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

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

Price risk

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

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

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

The Group reviews the market prices regularly in terms of active financial and operational risk management. The Group does not have an Early Risk Detection Committee.

c) Capital risk management:

While managing the capital, the goals of the Group are to ensure the continuation of the Group's activities with the most appropriate capital structure in order to provide return and benefit to its partners and to reduce the cost of capital.

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

The Group monitors capital by using the ratio of net debt / total equity, parallel to other companies in the industry. Net debt is calculated by deducting cash and cash equivalents from the total debt amount (including loans and other debts to related parties as shown in the balance sheet).

The Group management follows the net debt / total capital ratio regularly and updates it when necessary. The Group does not have an Early Detection of Risk Committee.

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

(All amounts are expressed in thousandss of Turkish Lira (“TL”) unless otherwise indicated.)

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

Fair value of the financial instruments

The Group classifies the fair value measurements of the financial instruments measured at their fair values in the consolidated 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:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets:	8.573.478	1.187.002	218.753	9.979.233
Measured at fair value through other comprehensive income	8.573.478	1.187.002	218.753	9.979.233
December 31, 2021	Level 1	Level 2	Level 3	Total
Assets:	-	-	218.423	218.423
Measured at fair value through other comprehensive income	-	-	218.423	218.423

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

29. Interests in other entities

The financial information of the subsidiary Koza Altın İşletmeleri A.Ş. is summarized below. The summarized statements are the balances before the consolidation eliminations.

The financial statements of the Company as of December 31, 2022 and 2021 are as follows;

	December 31, 2022	December 31, 2021
Current assets	11.215.154	9.392.439
Non-current assets	2.215.590	2.710.671
Current liabilities	1.067.479	1.118.789
Non-current liabilities	506.974	416.638
Equity	11.856.291	10.567.683
Non-controlling interests (%)	76,71	76,71
Non-controlling interests	9.094.961	8.106.470
Non-controlling interests in other entities	904.482	429.783

The income statements of the Company as of December 31, 2022 and 2021 are as follows;

	December 31, 2022	December 31, 2021
Revenue	5.736.733	4.002.353
Cost of sales (-)	(2.242.430)	(1.504.072)
Gross profit	3.494.303	2.498.281
Research and development expenses (-)	(291.286)	(259.110)
Marketing, sales and distribution expenses (-)	(5.703)	(3.478)
General administrative expenses (-)	(461.348)	(290.123)
Other operating income	220.533	194.107
Other operating expenses (-)	(502.478)	(186.270)
Operating profit	2.454.021	1.953.407
Income from investing activities	2.298.922	2.068.942
Impairment gains (losses) and reversals of impairment losses determined in accordance with TFRS 9	5.259	(5.365)
Operating profit before financial income	4.758.202	4.016.984
Profit before tax from continued operations	4.758.202	4.016.984
- Current tax expense (-)	(782.165)	(1.093.231)
- Deferred tax income / (expense) (-)	34.199	80.249
Net profit for the period	4.010.236	3.004.002

The cash flows of the Company as of December 31, 2022 and 2021 are as follows;

	31 Aralık 2022	31 Aralık 2021
Cash flows from operating activities	(826.260)	2.619.935
Cash flows from investing activities	(5.272.429)	329.546
Net cash from financing activities	(2.607.784)	-
Cash and cash equivalents at the beginning of the year	8.846.843	5.897.362
Cash and cash equivalents at the end of the year	140.370	8.846.843

**Notes to the consolidated financial statements
for the year ended December 31, 2022**

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

30. Subsequent events after balance sheet date

It has been decided to increase the Koza Altın İşletmeleri A.Ş.' issued capital, which is TL 152,500,000 (One Hundred Fifty Two Million Five Hundred Thousand Turkish Liras), within the registered capital ceiling of TL 5,000,000,000 (Five Billion Turkish Lira), to TL 3,202,500,000 (Three Billion Two Hundred Two Million Five Hundred Thousand Turkish Liras), by an increase of TL 3,050,000,000 (Three Billion Fifty Million Turkish Liras) and 2000%, by being covered by internal resources. The permission and approval for the amendment of Article 6, titled "Type of Capital and Shares", was given by the Capital Markets Board on 02.02.2023, registered on 15.02.2023 and announced in the Trade Registry Gazette dated 15 February 2023 and numbered 10770.

31. Fees for services received from independent auditor/independent audit firm

The Company's explanation regarding the fees for services rendered by independent audit firms, which is prepared by the KGK pursuant to the Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which are based on the KGK letter dated August 19, 2021 are as follows:

	January 1– December 31, 2022	January 1– December 31, 2021
Independent audit fee for the reporting period	980	688
	980	688

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

The Group's independently audited consolidated financial statements for the years ended December 31, 2016, 2017, 2018, 2019, 2020 and 2021 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, March 1, 2021 and March 1, 2022 respectively. Independently audited consolidated 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, 2020 and 2021 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 consolidated financial statements of the relevant periods were not submitted to the approval of the General Assembly.