

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

Koza Altın İşletmeleri Anonim Şirketi

**Interim financial statements as of June 30, 2022
together with limited review report**



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

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

**To the Board of Directors of
Koza Altın İşletmeleri Anonim Şirketi**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Koza Altın İşletmeleri Anonim Şirketi (the Company) as of June 30, 2022 and the interim condensed statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the six-month period then ended, and explanatory notes. Company management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

- 1) As explained in detail in note 9, pursuant to the decision of the Ankara 5th Criminal Court of Peace dated October 26, 2015, 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 and various examinations and studies are continuing before the Company 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 Company.



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- 2) As explained in detail in Note 4, the control over the Company'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. Due to the fact that the Company could not present the fair value determination work to be done in accordance with the provisions of TFRS 9 - Financial Instruments Standard, since the shares of the Company are accounted as financial assets and TFRS 10 - Consolidated Financial Statements Standard after loss of control, we could not obtain sufficient appropriate audit evidence as to whether any adjustments to the financial statements are necessary.

Emphasis of Matter

We draw attention to Note 19 explaining that the independently audited financial statements of the Company 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 Company for the years 2015, 2016, 2017, 2018, 2019, 2020 and 2021 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. However, this issue does not affect the result announced by us.

Qualified Conclusion

Based on our review, with the exception of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with TAS 34.



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Additional paragraph for convenience translation to English

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying interim condensed consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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



Mehmet Can Altıntaş, SMMM
Partner

August 9, 2022
Ankara

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

Koza Altın İşletmeleri Anonim Şirketi

Condensed statement of financial position

as of June 30, 2022

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

Assets	Notes	Reviewed	Audited
		June 30, 2022	December 31, 2021
Current assets		11.502.620	9.392.439
Cash and cash equivalents	3	3.130.037	8.885.482
Financial investments	4	6.337.952	-
Trade receivables			
- Due from third parties		654	205
Other receivables			
- Due from related parties	16	1.230.389	-
- Due from third parties		104.162	54.195
Inventories	5	675.721	426.033
Prepaid expenses		22.221	26.191
Other current assets		1.484	333
Non-current assets		2.367.191	2.710.671
Financial investments	4	755.547	286.997
Other receivables			
- Due from related parties	16	-	1.032.636
- Due from third parties		2.468	2.255
Right-of-use assets		32.165	43.777
Investment property	6	114.355	115.539
Property, plant and equipment	7	1.027.840	952.117
Intangible assets			
- Goodwill	8	11.232	11.232
- Other intangible assets	8	3.653	3.979
Prepaid expenses		144.441	10.907
Deferred tax assets	14	220.832	190.295
Other non-current assets		54.658	60.937
Total assets		13.869.811	12.103.110

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

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

Koza Altın İşletmeleri Anonim Şirketi

Condensed statement of financial position

as of June 30, 2022

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

Liabilities	Notes	Reviewed	Audited
		June 30, 2022	December 31, 2021
Current liabilities		1.047.858	1.118.787
Short-term lease liabilities			
- Lease liabilities		22.884	20.044
Trade payables			
- Due to third parties		181.708	197.793
Payables related to employee benefits		31.841	19.773
Other payables			
- Due to related parties	16	309	1.722
- Due to third parties		425	214
Deferred income		963	761
Current income tax liabilities	14	215.639	418.386
Short-term provisions			
- Provisions for employee benefits	9	42.602	37.437
- Other short-term provisions	9	543.392	417.983
Other current liabilities		8.095	4.674
Non-current liabilities		481.377	416.638
Long-term lease liabilities			
- Lease liabilities		14.859	28.978
Other payables			
- Due to third parties		91.533	71.263
Long-term provisions			
- Provisions for employee benefits	9	67.318	42.798
- Other long-term provisions	9	307.667	273.599
Equity		12.340.576	10.567.685
Paid-in share capital	10	152.500	152.500
Adjustment to share capital	10	3.579	3.579
Other comprehensive income / expense not to be reclassified to profit or loss			
- <i>Actuarial gain / (loss) fund for employee benefits</i>		(20.546)	(3.677)
Restricted reserves	10	137.390	137.390
Retained earnings		10.277.893	7.273.891
Net profit for the period		1.789.760	3.004.002
Total liabilities and equity		13.869.811	12.103.110

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

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

Koza Altın İşletmeleri Anonim Şirketi

Condensed statements of profit or loss and other comprehensive income

for the period ended June 30, 2022

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

	<i>Reviewed</i>	<i>Reviewed</i>	<i>Not Reviewed</i>	<i>Not Reviewed</i>
	January 1 - June 30, Notes	January 1 - June 30, 2021	April 1 - June 30, 2022	April 1 - June 30, 2021
Revenue	11 2.680.208	1.970.573	1.271.463	1.121.775
Cost of sales (-)	11 (993.020)	(624.349)	(518.005)	(290.490)
Gross profit	1.687.188	1.346.224	753.458	831.285
Research and development expenses (-)	(133.812)	(122.400)	(41.491)	(63.975)
Marketing, sales and distribution expenses (-)	(2.147)	(1.528)	(1.229)	(900)
General administrative expenses (-)	(204.342)	(278.736)	(127.171)	(199.056)
Other operating income	13 151.952	45.074	87.708	13.120
Other operating expenses (-)	13 (359.851)	(7.150)	(313.432)	(3.706)
Operating profit	1.138.988	981.484	357.843	576.768
Income from investing activities	12 1.084.385	784.213	615.985	360.991
Expense from investing activities		(3.025)	-	(31.491)
Impairment gains (losses) and reversals of impairment losses determined in accordance with TFRS 9		3.274	-	7.015
Operating profit before financial income and expense	2.223.622	1.765.697	949.352	937.759
Financial income / (expenses), net		-	-	-
Profit before tax	2.223.622	1.765.697	949.352	937.759
Tax expense from continuing operations	(433.862)	(420.795)	(217.588)	(254.830)
- Current tax expense (-)	14 (460.182)	(467.713)	(214.569)	(277.137)
- Deferred tax income / (expense) (-)	14 26.320	46.918	(3.019)	22.307
Net profit for the period	1.789.760	1.344.902	731.764	682.929
Other comprehensive income /(expense)	(16.869)	(3.016)	(8.753)	(183)
Total other comprehensive income not to be classified to profit or loss in subsequent years				
Gains / (losses) on remeasurements of defined benefit plans		(21.086)	(3.917)	(10.941)
Gains / (losses) on remeasurements of defined benefit plans, tax effect		4.217	901	2.188
Total comprehensive income	1.772.891	1.341.886	723.011	682.746
Earnings per 100 share				
- common stock (TL)	15 11,736	8,819	4,798	4,478
Earnings per 100 shares from total comprehensive income				
- common stock (TL)	15 11,626	8,799	4,741	4,477

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

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

Koza Altın İşletmeleri Anonim Şirketi

Condensed statements of changes in equity

for the period ended June 30, 2022

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

			Other comprehensive income/expense not to be reclassified to profit or loss		Retained earnings		
	Paid in capital	Adjustment to capital	Actuarial (loss) / gain fund for employment termination benefit	Restricted reserve	Retained earnings	Net profit for the period	Total equity
Balances as of January 1, 2021	152.500	3.579	(3.728)	137.390	5.463.512	1.810.379	7.563.632
Net profit for the period	-	-	-	-	-	1.344.902	1.344.902
Other comprehensive income/ (loss)	-	-	(3.016)	-	-	-	(3.016)
Total comprehensive income/ (loss)	-	-	(3.016)	-	-	1.344.902	1.341.886
Transfers	-	-	-	-	1.810.379	(1.810.379)	-
Balance as of June 30, 2021	152.500	3.579	(6.744)	137.390	7.273.891	1.344.902	8.905.518
Balance as of January 1, 2022	152.500	3.579	(3.677)	137.390	7.273.891	3.004.002	10.567.685
Net profit for the period	-	-	-	-	-	1.789.760	1.789.760
Other comprehensive income/ (loss)	-	-	(16.869)	-	-	-	(16.869)
Total comprehensive income/ (loss)	-	-	(16.869)	-	-	1.789.760	1.772.891
Transfers	-	-	-	-	3.004.002	(3.004.002)	-
Balances as of June 30, 2022	152.500	3.579	(20.546)	137.390	10.277.893	1.789.760	12.340.576

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

Koza Altın İşletmeleri Anonim Şirketi

Condensed statements of cash flows

for the period ended June 30, 2022

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

Notes	Reviewed	Reviewed
	January 1 – June 30, 2022	January 1 – June 30, 2021
A. Cash flows from operating activities	201.642	940.332
Profit for the period from the continuing operations	1.789.760	1.344.902
Adjustments to reconcile profit for the period		
Adjustments to depreciation and amortization	148.792	83.103
Adjustments for impairment of inventory	(48.913)	28.882
Adjustments for fair value loss (gains) of financial assets	(235.912)	-
Adjustments for provisions		
- Adjustment for lawsuits and/ or penalty provisions	16.573	-
- Adjustments for rehabilitation and state rights provision	280.828	(57.043)
- Adjustments for debt provisions	207.122	59.381
- Adjustments for provisions for employee benefits	9 8.836	27.614
Adjustments for tax expense	14 433.862	420.795
Adjustments for interest expenses		4.626
Adjustments for interest income		(530.198)
Adjustments for loss / (gains) arising from disposal of tangible assets		(77)
Total adjustments	(20.447)	37.083
Decrease in trade receivables	(449)	(56)
Increase in other receivables from related parties	(197.753)	(65.068)
Increase in other receivables	(50.180)	1.718
Increase in inventories	5 (200.775)	(79.097)
Increase in prepaid expenses	(129.564)	(17.816)
Decrease in trade payables	(16.085)	49.835
Increase in other payables	19.270	8.118
(Decrease) / increase in payables related to employee benefits	12.068	(2.133)
(Increase) / decrease in other assets related to activities	5.018	(60.524)
Increase in other liabilities related to activities	3.550	48.051
Payments for employee retirement benefits	9 (4.784)	(1.950)
Payments related to other provisions	9 (662.941)	(320.069)
Tax paid	14 (345.046)	(2.662)
Net cash from operating activities	(1.567.671)	(441.653)
B. Cash flows from investing activities	(5.980.370)	370.129
Cash outflows from purchase of tangible assets	6, 7 (226.105)	(155.509)
Cash outflows from purchase of intangible assets	8 (848)	(2.586)
Cash inflows from the sale of tangible and intangible assets	6, 7, 8 15.668	125
Interest received		500.866
Changes in financial investments		36.328
Cash outflows related to lease liabilities (-)		(9.095)
C. Net cash from financing activities	-	-
Net increase in cash and cash equivalents	(5.778.728)	1.310.461
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	3.068.115	7.207.823

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

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

1. Company's organization and nature of the operations

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

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

As of June 30, 2022, including the stocks traded in Borsa İstanbul ("BIST"), 45.01% of the Company's shares owned by ATP and 24.99% owned by Koza İpek Holding (December 31, 2021: 45.01% owned by ATP and 24.99% by Koza İpek Holding), the Company management was transferred to the Board of Trustees, pursuant to the decision of Ankara 5th Criminal Court of Peace, dated October 26, 2015, and subsequently transferred to the Savings Deposit Insurance Fund ("SDIF") on September 22, 2016. As of June 30, 2022, shares corresponding to 30% of the Company's shares (December 31, 2021: 30%) are traded on BIST.

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

With the Decree Law No. 674 on Making Some Regulations under the State of Emergency ("Decree") published on September 1, 2016, it was decided to transfer all the powers previously given to the trustees assigned to companies by the courts to the Savings Deposit Insurance Fund ("SDIF").

The Company's 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, 202, 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 financial statements for the year ended December 31, 2015 were not approved by the Board of Directors in accordance with the provisions of Article 401/4 of the TCC. Ordinary general assembly meetings of the Company for the years 2015, 2016, 2017, 2018, 2019, 2020 and 2021 as explained in detailed in Note 9, could not be carried out due to various examinations and works by the Prosecutor's Office, the Police Financial Crimes Branch and the CMB, and these financial statements of the Company could not be submitted to the approval of the General Assembly.

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

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

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

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

The Company has established UK based Koza Ltd., which owns 100%, in order to establish abroad mining ventures on March 31, 2014. The control of Koza Ltd, which the Company was consolidated until September 11, 2015, was lost as a result of the General Assembly held on September 11, 2015. The legal process initiated by the CMB regarding loss of control pursuant to decision dated February 4, 2016 continues as of the date of this financial statements. Under condensed financial statements, the Company has presented Koza Ltd. under the "Financial Investments" account with a cost value amounting to 218.325 thousand TL (December 31, 2021: 218.325 thousand TL).

As of June 30, 2022, the number of employees is 2.607 people (December 31, 2021: 2.664).

The registered address of the Company is below:

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

Approval of condensed financial statements

The condensed financial statements dated June 30, 2022 were approved by the Board of Directors and authorized to be published on August 09, 2022.

2. Basis of presentation of condensed financial statements

2.1 Basis of presentation

Financial reporting standards

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

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

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

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

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

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

2.1 Basis of presentation

Foreign currency

Functional and reporting currency

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

Foreign currency transactions and balances

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

Adjustment of Financial Statements in High Inflation Periods

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of an 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 recommends all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. In the announcement published by the Public Oversight Accounting and Auditing Standards Authority (POB) on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021. Nevertheless, the Authority has not published any announcement on whether the entities would restate their financial statements for the accounting period ending on 30 June 2022 in accordance with TAS 29. In this context, since there is no consensus on the application of inflation accounting in TFRS financial statements throughout the country, and it is expected that POB will delay the application of TAS 29, financial statements as of June 30, 2022 are not adjusted for inflation in accordance with TAS 29 in order to ensure comparability.

Going concern

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

Declaration of conformity to TFRS

The Company has prepared its interim condensed financial statements for the period ending on June 30, 2022 in accordance with the CMB's Communiqué Serial: II-14.1 and its announcements clarifying this communiqué. The condensed financial statements and notes are presented in accordance with the formats recommended by CMB and including the required information.

2.2 Accounting policies, changes in accounting estimates and errors

Accounting policy changes arising from the implementation of a new TAS / TFRS for the first time are applied retrospectively or prospectively in accordance with the transition provisions of the TAS / TFRS, if any. If there is no transition requirement, significant optional changes in accounting policies or detected accounting errors are applied retrospectively and the financial statements of the previous period are restated. Changes in accounting estimates are applied in the current period when the change is made if they are related to only one period, and if they are related to future periods, they are applied both in the period of change and prospectively.

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

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

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as of June 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of 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 amendments / improvements did not have a significant impact on the financial position or performance of the Company.

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

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

The Company expects no significant impact on its balance sheet and equity.

2.4 Summary of significant accounting policies

Interim financial statements for the period ending on June 30, 2022 have been prepared in accordance with TAS 34 standard for the preparation of interim financial statements of TAS / TFRS.

The interim financial statements for the period ending on June 30, 2022 have been prepared by applying accounting policies consistent with the accounting policies applied during the preparation of the financial statements for the year ending on December 31, 2021. Therefore, these interim financial statements should be evaluated together with the financial statements for the year ended December 31, 2021.

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

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

2.5 Significant accounting judgments, estimates and assumptions

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

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

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

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

The Company management reviews the estimates made in relation to the visible and probable mineral reserves in each balance sheet period. In certain periods, the Company management has independent professional valuation companies make valuation studies in accordance with the Australian Exploration Results, Mineral Resources and Gold Reserves 2012 Standards ("JORC") to determine the amount of visible, possible and probable mineral reserves and It is updated by or under the supervision of persons who have the competencies specified in. As of December 31, 2021, the aforementioned reserve and resource amounts were updated by the independent professional valuation company "SRK Consulting" in line with the "JORC" standards.

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

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

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

2.5 Significant accounting judgments, estimates and assumptions (continued)

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

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

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

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

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

As of June 30, 2022, the Company reassessed the provision amounts due to changes in discount rates, costs, production areas subject to rehabilitation and reserve lifetimes. The Company evaluates the mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation due to the large number of factors that may affect the final liability to be paid. These factors include estimates of the scope and cost of rehabilitation activities, technological changes, changes in regulations, cost increases proportional to inflation rates and changes in net discount rates (June 30, 2022: 0,07%, December 31, 2021: 0,07%). These uncertainties may cause future expenditures to differ from the amounts estimated today.

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

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

2.5 Significant accounting judgments estimates and assumptions (continued)

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 Property, plant and equipment. Any reduction in the rehabilitation obligation and hence any reduction in the rehabilitation asset cannot exceed the carried value of that asset. In case of excess, the amount exceeding the carried value is immediately taken to profit or loss.

- d) Deferred tax assets are recorded when it is determined that it is possible to generate taxable income in the coming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over temporary differences. The Company management, as a result of its assessment, has been recognized as a deferred tax asset for financial losses that can be used within a predictable period and within the framework of tax laws. This evaluation is based on the assumptions used that the related subsidiary has taxable profit in the future periods.
- e) As the Company operates in the mining industry, it is exposed to many risks arising from laws and regulations. As of the balance sheet date, the results of current or future legal practices can be estimated within a certain ratio, based on the past experiences of the Company management and as a result of the legal consultancy received. Negative effects of a decision or application that may be taken against the Company may significantly affect the activities of the Company. As of June 30, 2022, there is no legal risk expected to significantly affect the activities of the Company.
- f) At the stage of determining the amount of the provision for the lawsuits, the management consider the possibility of the ongoing lawsuits to be concluded against the Company and the legal advisors' evaluation of the consequences that may arise in case these lawsuits are concluded against the Company. The Company management makes the best estimate based on the information provided.
- 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.

2.6 Comparative information and correction of previous period financial statements

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

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

3. Cash and cash equivalents

	June 30, 2022	December 31, 2021
Cash	177	186
Banks		
- Demand deposits	1.535	1.674
- Time deposits	3.128.325	8.883.622
Total	3.130.037	8.885.482
Less: Interest accruals	(61.922)	(38.639)
Cash and cash equivalents presented in the cash flow statement	3.068.115	8.846.843

The details of the Company's time deposits as of June 30, 2022 are as follows;

Currency	Interest rate	Maturity	Currency amount	TL Equivalent
TL	%14,50 - %26	1-30 Day	3.122.958	3.122.958
USD	%0,50	1-30 Day	322	5.367
Total				3.128.325

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

Currency	Interest rate	Maturity	Currency amount	TL Equivalent
TL	%14,00 - %22,50	1-30 Day	8.082.300	8.082.300
USD	%0,75 - %1,23	1-30 Day	61.747	801.322
Total				8.883.622

The Company's blocked deposits of TL 49.648 have been presented under financial investments account (December 31, 2021: 68.244 TL).

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

4. Financial investments

a. Short term financial investments

The short term financial investments of the Company as of June 30, 2022 and December 31, 2021 are as follows;

	June 30, 2022	December 31, 2021
Financial asset measured at amortised cost (***)	4.800.777	-
Currency protected time deposits (**)	1.037.175	-
Financial assets accounted at fair value under profit or loss (****)	500.000	-
	6.337.952	-

b. Long term financial investments

The long term financial investments of the Company as of June 30, 2022 and December 31, 2021 are as follows;

	June 30, 2022	December 31, 2021
Financial assets measured at amortised cost (***)	487.146	-
Shares in subsidiaries (*)	218.753	218.753
Blocked deposits	49.648	68.244
Total	755.547	286.997

(*) 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 USD 61,742,516 into "Currency protected time deposits accounts". The maturity of currency protected time deposits is 182 days.

(***) As of June 30, 2022, the Company has TL 4,752,743 bonds and TL 535,179 government bonds, which are recognized as financial assets measured at the amortized cost.

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

4. Financial investments (continued)

Financial assets	Interest Rate	Maturity	Currency	Total Amount
Bond	%18,70 - %23,86	299 – 315 Days	TL	4.752.743
Government Bond	%20,17 - %22,08	581 - 602 Days	TL	535.180
Total				5.287.923

(****) The Company has TL 500,000,000 in total funds and the funds are accounted as financial assets at fair value under profit or loss.

5. Inventories

The inventories of the Company as of June 30, 2022 and December 31, 2021 are as follows;

	June 30, 2022	December 31, 2021
Gold and silver in the production process and gold and silver bars	242.998	144.592
Ready to be processed and mined ore clusters	121.995	95.046
Spare parts (*)	189.220	141.220
Chemicals and operating materials	121.508	94.088
Provision for inventory impairment (-)	-	(48.913)
Total	675.721	426.033

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

The movements of the provision for inventory impairment within the accounting periods of June 30, 2022 and 2021 are as follows:

	2022	2021
January 1	48.913	36.598
Additions	-	48.494
Disposals / cancellations	(48.913)	(19.612)
June 30	-	65.480

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

6. Investment properties

The investment properties of the Company as of June 30, 2022 and 2021 are as follows;

	January 1, 2022	Additions	Disposals	June 30, 2022
Cost				
Buildings	130.540	-	-	130.540
Total	130.540	-	-	130.540
Accumulated depreciation				
Buildings	15.001	1.184	-	16.185
Total	15.001	1.184	-	16.185
Net book value	115.539			114.355
	January 1, 2021	Additions	Disposals	June 30, 2021
Cost				
Buildings	130.540	-	-	130.540
Total	130.540	-	-	130.540
Accumulated depreciation				
Buildings	12.635	1.299	-	13.934
Total	12.635	1.299	-	13.934
Net book value	117.905			116.606

Depreciation expenses are accounted under general administrative expenses.

TL 605.000 rental income was earned from investment properties in 2022. (1 January – 1 June 2021: TL 258.000).

Investment properties amounting of thousand TL 89.978 in the buildings are located in United Kingdom and members of the İpek Family live in these apartments. The lease agreement has not been signed due to the current legal processes. When the legal processes are end, the necessary evaluations will be made by the Company management in accordance with the market practices. Investment properties amounting of thousand TL 22.062 in the buildings consist of dormitory buildings in Gümüşhane and Bergama. 2022, from investment properties owned by Koza Altın, thousand TL 604 of rental income has been obtained from investment properties. (January 1 – June 30, 2021: thousand TL 518) As of June 30, 2022, there are annotations placed by the General Directorate of National Real Estate on the Company's domestic real estate properties.

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

7. Property, plant and equipment

The property, plant and equipment of the Company as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
Mining assets	415.888	393.080
Other tangible assets	611.952	559.037
Total	1.027.840	952.117

a) Mining assets

As of June 30, 2022 and December 31, 2021, mining assets consists of mining rights, mine site development costs, deferred stripping costs, mining lands, and closing and rehabilitation of mines, and the net book values of these mining assets are as follows.

	June 30, 2022	December 31, 2021
Lands	20.725	30.889
Mine site development cost	252.085	220.470
Deferred stripping costs	24.042	14.313
Rehabilitation of mining facility	58.396	66.764
Mining rights	60.640	60.644
Total	415.888	393.080

The movements of mining assets are as follows;

	January 1, 2022	Additions	Disposal	June 30, 2022
Cost				
Lands	73.696	7.769	(15.569)	65.896
Mine site development cost	584.884	54.215	-	639.099
Deferred stripping costs	278.899	27.758	-	306.657
Rehabilitation of mining facility	331.055	35.167	-	366.222
Mining rights	74.005	-	-	74.005
Total	1.342.539	124.909	(15.569)	1.451.879
Accumulated depreciation				
Lands	42.807	2.364	-	45.171
Mine site development cost	364.415	22.599	-	387.014
Deferred stripping costs	264.586	18.029	-	282.615
Rehabilitation of mining facility	264.290	43.536	-	307.826
Mining rights	13.361	4	-	13.365
Total	949.459	86.532	-	1.035.991
Net book value	393.080			415.888

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

7. Property, plant and equipment (continued)**a) Mining assets (continued)**

	January 1, 2021	Additions	Disposal	June 31, 2021
Cost				
Lands	70.546	2.674	-	73.220
Mine site development cost	451.048	47.535	-	498.583
Deferred stripping costs	263.994	6.323	-	270.317
Rehabilitation of mining facility	231.133	9.819	-	240.952
Mining rights	50.765	-	-	50.765
Total	1.067.486	66.351	-	1.133.837
Accumulated depreciation				
Lands	38.216	2.613	-	40.829
Mine site development cost	328.009	16.850	-	344.859
Deferred stripping costs	252.676	4.560	-	257.236
Rehabilitation of mining facility	209.015	8.168	-	217.183
Mining rights	13.349	8	-	13.357
Total	841.265	32.199	-	873.464
Net book value	226.221			260.373

Depreciation expenses are accounted under the cost of goods sold.

There isn't any mortgage on mining assets as of June 30, 2022 (December 31, 2021: None).

The costs of the lands, mining rights and mine site development costs of the Company, which have been fully depreciated as of June 30, 2022, but are in use, are amounting to TL 115.800. (June 30, 2021: TL 105.635).

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

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

Movements of other tangible assets during the period as of June 30, 2022 and 2021 are as follows;

	January 1, 2022	Additions	Disposals	Transfers	June 30, 2022
Cost					
Land, buildings and land improvements					
	331.260	6.047	-	6.227	343.534
Machinery and equipment	820.235	44.345	-	33.442	898.022
Motor vehicles	154.345	33.264	(901)	-	186.708
Furnitures and fixtures	84.622	6.723	(51)	452	91.746
Construction in progress	45.562	10.817	-	(40.121)	16.258
Total	1.436.024	101.196	(952)	-	1.536.268
Accumulated depreciation					
Buildings and land improvements	170.706	7.777	--	--	178.483
Machinery and equipment	579.968	21.287	--	--	601.255
Motor vehicles	77.154	13.484	(843)	--	89.795
Furnitures and fixtures	49.161	5.632	(10)	--	54.783
Total	876.989	48.180	(853)	--	924.316
Net book value	559.035				611.952

There isn't any mortgage on other tangible assets as of June 30, 2022 (December 31, 2021: None). As of June 30, 2022, the insurance amount on the tangible assets and inventories of the Company is TL 1.253.143 (June 30, 2021: TL 225.676).

The cost of other tangible assets of the Company, which have been fully depreciated as of June 30, 2022, but are in use, is amounting to TL 368.152. (June 30, 2021: TL 358.732).

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

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

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

	January 1, 2021	Additions	Disposals	Transfers	June 30, 2021
Cost					
Land, buildings and land improvements					
Land, buildings and land improvements	298.592	2.907	-	9.802	311.301
Machinery and equipment	741.627	30.967	-	230	772.824
Motor vehicles	101.524	36.939	(312)	-	138.151
Furnitures and fixtures	65.724	6.430	(4)	-	72.150
Construction in progress	15.763	11.915	-	(10.032)	17.646
Total	1.223.230	89.158	(316)	-	1.312.072
Accumulated depreciation					
Buildings and land improvements	154.586	7.490	-	-	162.076
Machinery and equipment	540.463	18.286	-	-	558.749
Motor vehicles	54.717	9.920	(268)	-	64.369
Furnitures and fixtures	40.211	3.891	-	-	44.102
Total	789.977	39.587	(268)	-	829.296
Net book value	433.253				482.776

8. Intangible assets**a) Goodwill**

As of June 30, 2022, and December 31, 2021, the details of the Company's intangible assets are as follows:

	June 30, 2022	December 31, 2021
Goodwill related to Newmont Altın purchase	11.232	11.232
Total	11.232	11.232

Purchase of Newmont Gold:

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

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

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

8. Intangible assets (continued)

a) Goodwill (continued)

As of June 30, 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 June 30, 2022.

b) Other intangible assets

The details of the Company's other intangible assets as of June 30, 2022 and 2021 are as follows:

	January 1, 2022	Additions	June 30, 2022
Cost			
Rights	15.716	848	16.564
Total	15.716	848	16.564
Accumulated depreciation			
Rights	11.737	1.174	12.911
Total	11.737	1.174	12.911
Net book value	3.979		3.653
	January 1, 2021	Additions	June 30, 2021
Cost			
Rights	11.121	2.586	13.707
Total	11.121	2.586	13.707
Accumulated depreciation			
Rights	10.028	681	10.709
Total	10.028	681	10.709
Net book value	1.093		2.998

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

9. Provisions, contingent assets and liabilities

As of June 30, 2022 and December 31, 2021, the details of the Company's provisions, contingent assets and liabilities are as follows:

a) Short-term provisions

	June 30, 2022	December 31, 2021
State right expense provision (*)	222.378	320.010
Environmental rehabilitation, rehabilitation of mining sites and mine closure provision	53.564	54.218
Provisions for lawsuit	44.450	27.877
Other provisions (**)	223.000	15.878
Total	543.392	417.983

(*) Based on the President's decision dated 03.09.2020 published in the Official Gazette (Decision number: 2932); IV. It has been decided to apply the Government Rights rates determined for gold and silver from Group Mines with an increment of 25%.

(**) 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.

As of June 30, 2022, TL 205.015 thousand of the balance consists of committed school donations.

b) Long-term provisions

	June 30, 2022	December 31, 2021
Environmental rehabilitation, rehabilitation of mining sites and mine closure provision	307.667	273.599
Total	307.667	273.599

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

	2022	2021
January 1	327.817	193.703
Paid during the period	(33.977)	(2.662)
Discount effect	(13.093)	200
Effect of changes in estimates and assumptions	253	713
Additions / (cancellations), net	80.231	35.684
June 30	361.231	227.638

(*) 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.

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

9. Provisions, contingent assets and liabilities (continued)

c) Provisions for employee benefits

i- Short-term provisions for employee benefits

	June 30, 2022	December 31, 2021
Provision for unused vacation	22.853	14.558
Provision for personnel bonus	19.749	22.879
Total	42.602	37.437

The movement of provision for unused vacation is as follows;

	2022	2021
January 1	14.558	10.059
Additions / (cancellations), net	8.295	4.253
June 30	22.853	14.312

ii- Long-term provisions for employee benefits

	June 30, 2022	December 31, 2021
Provision for employee termination benefits	67.318	42.798
Total	67.318	42.798

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate net of expected effects of inflation. The severance pay ceiling is revised in every six months, and the ceiling amount of TL 15.371,40 (July 1, 2021: TL 8.284,51) as of July 1, 2022 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:

	June 30, 2022	December 31, 2021
Net discount rate	4,17%	%4,17
Turnover rate related the probability of retirement (rate of employees to remain to retirement)	94,68%	%93,62

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

9. Provisions, contingent assets and liabilities (continued)**c) Provisions for employee benefits (continued)**

The movements of the provision for severance pay within the accounting periods of June 30, 2022 and 2021 are as follows:

	2022	2021
January 1	42.798	34.384
Interest cost	4.547	2.236
Service cost	3.671	4.330
Actuarial loss / (gain)	21.086	3.917
Severance paid	(4.784)	(1.950)
June 30	67.318	42.917

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

The sensitivity analysis of the important assumptions used in the calculation of the provision for employee termination benefits as of June 30, 2022 is as follows:

	Discount rate		Rate of retirement	
	0,50% increase	0,50% decrease	0,50% increase	0,50% decrease
2022	(7.727)	9.334	1.775	(1.833)
Discount rate				
2021	0,50% increase	0,50% decrease	0,50% increase	0,50% decrease
	(4.839)	5.828	1.189	(1.119)

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9. Provisions, contingent assets and liabilities (continued)

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 Izmir 3rd Administrative Court's case numbered 2017/1432 E. was filed against the Ministry of Environment and Urbanization, and the Company intervened to the case. The court delivered a judgement of dismissal on March 12, 2020, in favor of the Company, which is open to appeal to the Council of State. It was appealed by the plaintiffs with a request for a stay of execution. The Council of State rejected the appeal requests of the plaintiffs in favor of our company with the decision dated September 24, 2020 and decided to send the file to the local court for procedural reasons that do not affect the merits. 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, Izmir 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. Izmir 6th Administrative Court rejected the case in favor of the Company in the case file numbered 2017/1317 E., and file numbered 2020/350 E in the same court the Council of State dismissed the appeal requests of the plaintiffs and ordered to change of venue by delivering the file to the local court for procedural rules of law, not for the substantive ones. The trial has ended and will not affect the company's operations. 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.

ii- Lawsuits related to Kaymaz mine

The Company has filed lawsuits in Eskisehir 1st Administrative Court numbered 2014/1084 E. and Eskisehir 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 a registration number of 43539 and 82567. Among these lawsuits, with respect to the lawsuit numbered 2014/760 E. in 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. In the examination of the appeal, a decision was made in favor of the company in terms of both files, and the trial continues at the stage of correction of the decision.

The Company intervened in the case along with the defendant Ministry of Environment and Urbanization which was filed for the cancellation and stay of execution of the EIA affirmative decision given regarding the 2nd Waste Storage Facility project planned to be made in the field site with the operation license number of 82567 and the trial is ongoing in Eskisehir 1st Administrative Court in the cases filed with the number 2020/302 E. and 2020/350 E. The plaintiffs appealed the files and the Council of State upheld both decisions of the Eskisehir 1st Administrative Court in favor of our company in the files of the Eskisehir 1st Administrative Court, numbered 2020/302 E. and 2020/350 E.

iii- Lawsuits related to other mines

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

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

9. Provisions, contingent assets and liabilities (continued)

d) Important ongoing cases (continued)

iii- Lawsuits related to other mines (continued)

Lawsuits related to Çukuralan mine:

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

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

At this point, it is stated that, according to the decision of the Council of State, for the 2019/574 E. file, it is not possible to apply two different EIA Positive decisions related to the same project together, due to a second EIA Positive decision regarding the project in question, and that the EIA Positive decision, which is the subject of the case, was implicitly withdrawn by the respondent Ministry. Since it was concluded that it should be accepted and that the subject of the pending case is no more, it is certain that the decision of the 6th Administrative Court of Izmir, numbered 2019/574 E. In terms of the 2019/1120 E. file, it has been decided that there is no legal inaccuracy in the decision of the Izmir 6th Administrative Court regarding the cancellation of the action in question, and that the appeal requests of our intervening company as well as the respondent Ministry and the respondent Ministry are rejected.

In addition, our company was involved in the lawsuit filed by some plaintiffs against the Izmir Governor's Office for the cancellation of the Environmental Impact Assessment Not Required decision given for the Çukuralan Gold Mine Crushing and Screening Plant Project, which is planned to be carried out by our company in the 2020/1479 E. file of the 6th Administrative Court of Izmir. It is still in the appeal phase.

Regarding the 3rd capacity increase project of the Çukuralan Gold Mine Plant, planned to be carried out by our 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. Our 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 cancellation of the EIA positive decision and the stay of execution of the S:20101197 Gold Silver Mine Project, which is planned to be built around the Serçiler and Terziler villages of the Merkez district of Çanakkale, the company is involved in the 2020/763 E. file alongside the Ministry of Environment and Urbanization. At the present stage, Çanakkale 1st Administrative Court decided to cancel the action subject to the lawsuit, an appeal was filed against the decision and the appeal process continues.

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

9. Provisions, contingent assets and liabilities (continued)

d) Important ongoing cases (continued)

iv- Lawsuits regarding the Company's subsidiary abroad

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

v- Liability lawsuits filed against former managers

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

vi- Other legal processes

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

In the case where the accused Cafer Tekin İpek and Özlem Özdemir are tried in the separate case file numbered 2021/157 E. of the Ankara 24th Heavy Penal Court; It was decided to punish the defendants, with the legal remedy of appeal being open, and the trial process continues.

vii- Employee lawsuits and cases of contract receivables

As of June 30, 2022, the provision amount accounted for ongoing employee and other lawsuits against the Company is amounting to TL 44.450 Thousand (December 31, 2021: TL 27.877 Thousand).

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

9. Provisions, contingent assets and liabilities (continued)

e) Commitments and contingent liabilities

i- Letter of guarantees given

The details of the letter of guarantees given by the Company as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
A. CPM's given on behalf of own legal entity	49.648	51.974
- <i>Guarantee</i>	49.648	51.974
- <i>Mortgage</i>	-	-
B. CPM's given in favor of partnerships which are fully consolidated	-	-
C. CPM's given for assurance of third parties debts in order to conduct usual business activities	-	-
D. Total amount of other CPM's given	-	-
i. Total amount of CPM's given in favor of the parent company	-	-
ii. Total amount of CPM's given in favor of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	49.648	51.974

ii- Letter of guarantees received

The details of the Company's letter of guarantees received as of June 30, 2021 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
Guarantee cheques	1.120.159	872.253
Guarantee letters	329.863	107.777
Security bonds	127	127
Total	1.450.149	980.157

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.

Koza Altın İşletmeleri Anonim Şirketi

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10. Equity

a) Capital

As of June 30, 2022, the Company's paid-in capital is amounting to TL 152.500 Thousand (December 31, 2021: TL 152.500 Thousand) and consists of 15.250.000.000 shares with a nominal share value of 1 Kuruş (December 31, 2021: 15.250.000.000 units).

Equity	Share Group	June 30, 2022		December 31, 2021	
		Share Rate	Share amount	Share Rate	Share amount
ATP İnşaat ve Ticaret A.Ş.	A, B	45,01	68.636	45,01	68.636
Koza İpek Holding A.Ş.	A, B	24,99	38.114	24,99	38.114
Public listed	B	30,00	45.750	30,00	45.750
Total		100	152.500	100	152.500
Capital adjustment differences			3.579		3.579
Paid-in capital			156.079		156.079

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

Capital adjustment differences amounting to TL 3.579 Thousand (December 31, 2021: TL 3.579 Thousand), from the difference between the total amount of the Company's capital adjusted for inflation and the capital amount before the inflation correction of the Company, offsetting accumulated losses in 2006 and remaining after the transfer to the paid-in capital refers to the amount.

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

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

10. Equity (continued)**a) Capital (continued)**

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

The Company's restricted reserves are as follows:

	June 30, 2022	December 31, 2021
Restricted reserves	137.390	137.390
Total	137.390	137.390

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.

11. Revenue and cost of sales

The details of the Company's revenue and cost of sales as of January 1 – June 30, 2022 and 2021 are as follows:

	January 1 – June 30, 2022	January 1 – June 30, 2021	April 1 – June 30, 2022	April 1 – June 30, 2021
Domestic sales	2.680.208	1.970.573	1.271.463	1.121.775
Total sales	2.680.208	1.970.573	1.271.463	1.121.775
Cost of sales	(993.020)	(624.349)	(518.005)	(290.490)
Gross profit	1.687.188	1.346.224	753.458	831.285

The distribution of the Company's revenues by product type as of January 1 – June 30, 2022 and 2021 are as follows:

	January 1 – June 30, 2022	January 1 – June 30, 2021	April 1 – June 30, 2022	April 1 – June 30, 2021
Sales of gold bars	2.666.272	1.963.249	1.262.012	1.118.616
Sales of silver bars	13.936	7.324	9.451	3.159
Total	2.680.208	1.970.573	1.271.463	1.121.775

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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12. Income from investing activities**a- Income from investing activities**

	January 1 – June 30, 2022	January 1 – June 30, 2021	April 1 – June 30, 2022	April 1 – June 30, 2021
Interest income	840.064	530.198	526.628	286.154
Income from currency protected time deposit	235.912	-	89.085	-
Foreign exchange income related to trading activities	-	253.842	-	74.665
Other	8.409	173	272	172
Total	1.084.385	784.213	615.985	360.991

b- Expense from investing activities

	January 1 – June 30, 2022	January 1 – June 30, 2021	April 1 – June 30, 2022	April 1 – June 30, 2020
Foreign exchange expense	3.025	-	31.491	-
Total	3.025	-	31.491	-

13. Other operating incomes and expenses**a- Other operating incomes**

The details of the Company's other operating incomes as of January 1 – June 30, 2022 and 2021 are as follows:

	January 1 – June 30, 2022	January 1 – July 30, 2021	April 1 – June 30, 2022	April 1 – June 30, 2021
Foreign exchange income related to trading activities	116.347	36.465	64.309	8.962
Other	35.605	8.609	23.399	4.158
Total	151.952	45.074	87.708	13.120

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13. Other operating incomes and expenses (continued)

b- Other operating expenses

The details of the Company's other operating expenses as of January 1 – June 30, 2022 and 2021 are as follows

	January 1 – June 30, 2022	January 1 – July 30, 2021	April 1 – June 30, 2022	April 1 – June 30, 2021
Lawsuit provision	16.573	-	16.573	-
Financial leasing transactions	3.882	2.391	1.816	1.638
Other (**)	339.396	4.759	295.043	2.068
Total	359.851	7.150	313.432	3.706

(**) As of 30 June 2022, TL 115.027 thousand of the balance consists of committed school donations, and TL 205.105 thousand consists of the provision entries for these donations.

14. 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.

In the deferred tax calculation for the period of January 1- June 30, 2022; Deferred tax assets or liabilities, which are included in the measurement heading of TAS-12 "Income Taxes" standard, are based on tax rates (and tax laws) that are in force as of the end of the reporting period (and tax laws), which are expected to be applied in the periods when assets are converted into income or liabilities are paid. As per the provision above; the rates 23% for short-term assets and liabilities and 22% for long-term assets and liabilities have been taken into account for 2022 in the deferred tax calculation of the Company in Turkey. There is no definite and definitive agreement procedure regarding tax assessment in Turkey. Companies prepare their tax returns between 1-25 April of the year following the closing period of the relevant year. These declarations and the accounting records based on them can be reviewed and changed by the Tax authorities within 5 years.

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14. Income taxes (continued)

Income Withholding Tax

In addition to corporate tax, income tax withholding must be calculated separately on dividends, excluding those distributed to full-fledged corporations and foreign companies' branches in Turkey, which receive dividends in case of distribution and declare these dividends by including them in corporate income. Income tax withholding was applied as 10% in all companies between April 24, 2003 and July 22, 2006. As of 22 December 2021, this rate is applied as 10% with the President's decision numbered 4936. Dividends that are not distributed and added to the capital are not subject to income tax withholding.

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

Corporate tax liabilities recognized in the balance sheet as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
Corporate tax provision	523.996	1.093.231
Prepaid taxes (-)	(308.357)	(674.845)
Current income tax liability	215.639	418.386

Tax expense details recognized in the income statement as of June 30, 2022 and 2021 are as follows:

	June 30, 2022	June 30, 2021
Current tax expense	(460.182)	(467.713)
Deferred tax expense / (income)	26.320	46.918
Total tax expense	(433.862)	(420.795)

Koza Altın İşletmeleri Anonim Şirketi**Notes to the condensed financial statements**

for the period ended June 30, 2022

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

14. Income taxes (continued)**Deferred taxes**

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

	June 30, 2022		December 31, 2021	
	Cumulative temporary differences	Deferred tax	Cumulative temporary differences	Deferred tax
Tangible and intangible assets	487.886	97.563	408.445	89.858
State right provision	222.378	51.147	320.010	73.602
Adjustment related to inventories	153.763	30.753	-	-
Effect of amortised cost of bonds	44.951	8.990	-	-
Employee termination benefit	67.318	13.464	42.798	9.401
Lawsuit provision	38.999	7.800	22.426	5.157
Provision for unused vacation	22.853	4.571	14.558	3.348
Personnel bonus provision	19.742	3.948	22.879	5.262
Leasing transactions	5.578	1.114	5.245	1.207
Provisions for doubtful receivables	5.318	1.064	5.327	1.226
Provisions for TFRS 9	2.090	418	5.365	1.234
Total deferred tax assets	220.832		190.295	
Deferred tax assets, net	220.832		190.295	

Movement of deferred tax is as follows:

	2022	2021
January 1	190.295	110.060
Deferred tax expense recognized in equity	4.217	901
Deferred tax income recognized in income statement	26.320	46.918
June 30	220.832	157.879

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14. Income taxes (continued)

The reconciliation of the tax is as follows:

	2022	2021
Profit before tax	2.223.622	1.765.697
Effective tax rate	23%	25%
Tax calculated using effective tax rate	511.433	441.424
Different tax rate effect	(4.128)	(16.843)
Temporary differences not subject to deferred tax		
Effect of non-deductible expenses	83.925	5.412
Financial losses on not subject to tax	(12.269)	6.606
Exemptions and discounts	(146.705)	(13.388)
Other	1.606	(2.416)
Current tax expense	433.862	420.795

15. Earnings per share

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

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

The earnings per share of the Company as of June 30, 2022 and 2021 are as follows:

	January 1 – June 30, 2022	January 1 – June 30, 2021	April 1 – June 30, 2022	April 1 – June 30, 2021
Net profit attributable to the owners of the Company	1.789.760	1.344.902	731.764	682.929
Weighted average number of share certificates	15.250.000.000	15.250.000.000	15.250.000.000	15.250.000.000
Earnings per 100 share	11,736	8,819	4,798	4,478
Total comprehensive income attributable to the owners of the Company	1.772.891	1.341.886	723.011	682.746
Earnings per 100 shares from total comprehensive income	11,626	8,799	4,741	4,477

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16. Related party disclosures

The other trade payables and other receivables of the Company consist of the payables and receivables given and received in order to meet the financing needs of the Company and its related parties during the year. Other payables and other receivables do not have a certain maturity, and the Company accrues interest on the related payables and receivables at the end of the period, using the current interest rate determined monthly, taking into account the evaluations made by the Company management and the developments in the markets. In this context, the current interest for June 2022 was applied as 18.51% per year (June 30, 2021: 18.68%).

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

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

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

a) Related party balances

Short term related party balances

Other receivables of the Company from related parties as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
ATP İnşaat ve Ticaret A.Ş. (1)	891.774	-
Koza İpek Holding A.Ş. (1)	187.622	-
ATP Havacılık ve Ticaret A.Ş. (2)	115.878	-
ATP Koza Gıda Tarım Hay. A.Ş. (2)	13.319	-
Other (3)	21.796	-
Total	1.230.389	-

Other payables of the Company to related parties as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. (2)	51	1.585
Other (3)	258	137
Total	309	1.722

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for the period ended June 30, 2022

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

16. Related party balances (continued)**Long term related party balances**

Long term related party balances of the Company to related parties as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
ATP İnşaat ve Ticaret A.Ş. (1)	-	740.211
Koza İpek Holding A.Ş. (1)	-	170.463
ATP Havacılık ve Ticaret A.Ş. (2)	-	89.669
ATP Koza Gıda Tarım Hay. A.Ş. (2)	-	11.008
Diğer (3)	-	21.285
Total	-	1.032.636

b) Transactions with related parties

The purchases of the Company from related parties between January 1 – June 30, 2022 and 2021 are as follows;

	January 1 – June 30, 2022			January 1 – June 30, 2021		
	Rent	Service	Other	Rent	Service	Other
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. (2)	5.735	-	-	2.833	-	2.645
ATP İnşaat ve Ticaret A.Ş.(1)	-	-	2.433	13	-	18
Koza Anadolu Metal A.Ş.(2)	-	-	-	-	-	423
Koza İpek Holding A.Ş.(2)	-	-	-	850	-	34
Özdemir Antimian Madenleri A.Ş. (2)	-	-	1.800	-	-	-
Other (3)	-	-	886	-	-	62
Total	5.735		5.119	3.696	-	3.182

Sales of the Company to related parties between January 1 – June 30, 2022 and 2021 are as follows;

	January 1 – June 30, 2022			January 1 – June 30, 2021		
	Interest	Service	Other	Interest	Service	Other
ATP İnşaat ve Ticaret A.Ş. (1)	31.387	-	8	26.613	-	14
Koza İpek Holding A.Ş. (1)	15.742	-	121	12.725	-	2.645
İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. (2)	-	-	8	-	-	-
Koza İpek Sigorta A.Ş. (2)	-	-	9	-	-	-
ATP Koza Gıda Tarım Hay. A.Ş. (2)	1.080	-	-	-	-	-
ATP Havacılık ve Ticaret A.Ş. (2)	961	-	-	-	-	-
Other (3)	-	-	774	34	-	-
Total	49.170		920	39.372	-	2.659

c) Compensations provided to key management; The Company's key management consist of the general manager and assistant general managers. Compensations provided to senior management include benefits such as wages and bonuses. Total amount of wages and similar benefits paid to key management between January 1 – June 30, 2022 is amounting to TL 5.469 thousand. The entire amount consists of the wages. (January 1 – June 30, 2021: TL 3.063 thousand).

Koza Altın İşletmeleri Anonim Şirketi

Notes to the condensed financial statements

for the period ended June 30, 2022

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

17. Nature and level of risks arising from financial instruments

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

The main risk posed by the Company's financial instruments is foreign currency risk. Risk management policy is to focus on unexpected changes in the financial markets.

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

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

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

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

a) Credit risk:

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

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

The Company sales consist gold dore bars with a right of first refusal to domestic banks on consignment to be sold to the Central Bank of the Republic of Turkey and silver to a domestic refinery on consignment. Due to the fact that the sales are made on demand and the customer is corporate, the Company considers that there is no significant risk of receivables.

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

The analysis of the Company's credit risk as of June 30, 2022 and December 31, 2021 are as follows:

June 30, 2022	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) *		654		106.631	3.129.860
<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	-	654	-	106.631	3.129.860
B. The book value of financial assets whose conditions have been renegotiated or that would be deemed overdue or impaired	-	-	-	-	-
C. Net book value of assets that are overdue but not impaired	-	-	-	-	-
D. Net book values of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	-	-	-	-
Impairment (-)	-	72.527	-	-	-
The part of net value under guarantee with collateral, etc	-	(72.527)	-	-	-
Not due (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral, etc	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

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17. Nature and level of risks arising from financial instruments (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) (*)	-	205	1.032.636	56.450	8.885.296
<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	-	205	1.032.636	56.450	8.885.296
B. The book value of financial assets whose conditions have been renegotiated or that would be deemed overdue or impaired	-	-	-	-	-
C. Net book value of assets that are overdue but not impaired	-	-	-	-	-
D. Net book values of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	72.705	-	-	-
Impairment (-)	-	(72.705)	-	-	-
The part of net value under guarantee with collateral, etc	-	-	-	-	-
Not due (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral, etc	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

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for the period ended June 30, 2022

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

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

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

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

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

June 30, 2022	TL Equivalent	USD	EURO	GBP
Cash and cash equivalents	5.514	327	1	2
Trade receivables	76	-	3	1
Prepaid expenses	29.942	56	385	1.094
Other receivables	665.546	39.575	272	54
Current assets	701.078	39.958	661	1.151
Total assets	701.078	39.958	661	1.151
Trade payables	306.535	15.041	2.318	746
Other payables	91.533	5.491	-	-
Current liabilities	398.068	20.532	2.318	746
Total liabilities	398.068	20.532	2.318	746
Net foreign currency position	303.010	19.426	(1.657)	405
December 31, 2021	TL Equivalent	USD	EURO	GBP
Cash and cash equivalents	801.703	61.755	17	1
Trade receivables	399	26	3	1
Other receivables	514.770	39.286	272	54
Prepaid expenses	21.734	212	623	564
Current assets	1.338.606	101.279	915	620
Total assets	1.338.606	101.279	915	620
Trade payables	90.992	912	4.342	882
Other payables	71.262	5.491	-	-
Current liabilities	162.254	6.403	4.342	882
Total liabilities	162.254	6.403	4.342	882
Net foreign currency position	1.176.352	94.876	(3.427)	(262)

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for the period ended June 30, 2022

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

17. Nature and level of risks arising from financial instruments (continued)Sensitivity analysis:

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

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

June 30, 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	34.038	(34.038)	34.038	(34.038)
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	34.038	(34.038)	34.038	(34.038)
In case of 10% appreciation / depreciation of EUR against TL				
4- EUR net asset/liability	(2.762)	2.762	(2.762)	2.762
5- Portion protected from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(2.762)	2.762	(2.762)	2.762
In case of 10% appreciation / depreciation of GBP against TL				
7-GBP net asset/liability	824	(824)	824	(824)
8- Portion protected from GBP risk (-)	-	-	-	-
9-GBP Net effect (7+8)	824	(824)	824	(824)
Total (3+6+9)	32.100	(32.100)	32.100	(32.100)
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	139.299	(139.299)	139.299	(139.299)
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	139.299	(139.299)	139.299	(139.299)
In case of 10% appreciation / depreciation of EUR against TL				
4-EUR net asset/liability	(4.447)	4.447	(4.447)	4.447
5- Portion protected from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(4.447)	4.447	(4.447)	4.447
In case of 10% appreciation / depreciation of GBP against TL				
7-GBP net asset/liability	(458)	458	(458)	458
8- Portion protected from GBP risk (-)	-	-	-	-
9-GBP net effect (7+8)	(458)	458	(458)	458
Total (3+6+9)	134.394	(134.394)	134.394	(134.394)

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Notes to the condensed financial statements

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

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

Price risk

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

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

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

c) Capital risk management:

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

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

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

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

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

Fair value of the financial instruments

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

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

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Notes to the condensed financial statements

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

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

Level classifications of financial assets measured at their fair values:

June 30, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Measured at fair value through other comprehensive income	- 1.537.175	218.753		1.755.928
December 31, 2021	Level 1	Level 2	Level 3	Total
Assets:	-	-	218.753	218.753
Measured at fair value through other comprehensive income	-	-	218.753	218.753

19. Subsequent events after balance sheet date

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 Company'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.

After the dividend distribution, the receivables from related parties of the Company amounting to TL 891.774 thousand from ATP İnşaat ve Ticaret A.Ş., TL 187.622 thousand from Koza İpek Holding A.Ş., and TL 115.878 thousand from ATP Havacılık ve Ticaret A.Ş. has been collected.

In the lawsuit filed for the cancellation and stay of execution of the EIA positive decision regarding the Gold Silver Mine Project numbered S:20101197, which is planned to be built around the Serçiler and Terziler villages of the Merkez district of Çanakkale, the Company is involved in the file 2020/763 E., alongside the defendant Ministry of Environment and Urbanization. At this stage, Çanakkale 1st Administrative Court decided to cancel the action subject to the lawsuit and appeal was filed against the decision. It has been definitively decided to reject the intervening Company's appeals.

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20. 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– June 30, 2022	January 1– December 31, 2021
Independent audit fee for the reporting period	680	475
	680	475

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

The Company's independently audited financial statements for the years ended December 31, 2016, 2017, 2018, 2019, 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 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 financial statements of the relevant periods were not submitted to the approval of the General Assembly.