

SAUDI ARABIAN MINING COMPANY (MA'ADEN)
(A Saudi Arabian joint stock company)

Consolidated financial statements
for the year ended December 31, 2010

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Commercial registration number: 1010164391

Directors	Engineer Abdullah Saif Al-Saif Mr. Mansour Saleh Al-Mayman Mr. Sultan Jamal Shaoli Engineer Khaled Hamad Al-Sinani Dr. Abdulaziz Saleh Al-Jarbou Dr. Ziad Abdulrahman Al-Sudairy Mr. Sulaiman Saad Al-Humayed Mr. Mohammed Abdullah Al-Kharashy Dr. Abdallah E. Dabbagh	Chairman
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Registered address	Building number 395 Abobakr Al Siddiqui Road, South Exit 6 Riyadh Kingdom of Saudi Arabia
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Bankers	The Saudi British Bank (SABB)
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Auditors	PricewaterhouseCoopers
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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Saudi Arabian Mining Company (Ma'aden)
(A Saudi joint stock company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Arabian Mining Company ("Ma'aden" or the "Company") and subsidiaries (Collectively the "Group") as of December 31, 2010 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 37 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By: 
Omar M. Al Sagga
License Number 369



February 22, 2011
Riyadh
Kingdom of Saudi Arabia



	Notes	2010	2009
Assets			
Current assets			
Cash and cash equivalents	7	2,922,153,380	3,371,137,937
Short-term investments	8	8,783,974,813	8,170,073,860
Trade and other receivables	9	29,962,995	31,560,737
Inventories	10	303,911,264	205,758,850
Advances and prepayments	11	327,637,445	291,740,413
Due from Government	12	61,045,987	61,045,987
		<u>12,428,685,884</u>	<u>12,131,317,784</u>
Non-current assets			
Advances and prepayments	11	85,759,425	18,939,700
Property, plant and equipment	13	212,586,444	250,834,593
Pre-operating expenses and deferred charges	14	2,007,235,144	1,419,862,208
Capital work-in-progress	15	19,982,591,888	15,408,742,345
		<u>22,288,172,901</u>	<u>17,098,378,846</u>
Total assets		<u>34,716,858,785</u>	<u>29,229,696,630</u>
Liabilities			
Current liabilities			
Projects and other payables	16	768,220,438	623,460,501
Accrued expenses	17	1,266,691,257	968,640,356
Zakat payable	18.2	207,342,181	268,560,500
Severance fees payable	19	54,454,280	45,142,915
		<u>2,296,708,156</u>	<u>1,905,804,272</u>
Non-current liabilities			
Provision for mine closure and reclamation	20	90,923,831	91,293,571
Employee termination benefits	21	104,607,572	84,987,823
Long-term borrowings	22	13,517,087,339	8,782,998,172
		<u>13,712,618,742</u>	<u>8,959,279,566</u>
Total liabilities		<u>16,009,326,898</u>	<u>10,865,083,838</u>
Shareholders' equity			
Share capital	23	9,250,000,000	9,250,000,000
Statutory reserve			
Share premium	24	5,250,000,000	5,250,000,000
Transfer of net income	25	242,996,397	242,996,397
Retained earnings		<u>1,830,125,296</u>	<u>1,839,313,110</u>
Equity attributable to shareholders' of the parent company		<u>16,573,121,693</u>	<u>16,582,309,507</u>
Non-controlling interest	26	2,134,410,194	1,782,303,285
Total equity		<u>18,707,531,887</u>	<u>18,364,612,792</u>
Total liabilities and equity		<u>34,716,858,785</u>	<u>29,229,696,630</u>
Commitments and contingent liabilities	35		

SAUDI ARABIAN MINING COMPANY (MA'ADEN)
(A Saudi Arabian joint stock company)
Consolidated statement of income for the year ended December 31, 2010
(All amounts in Saudi Riyals unless otherwise stated)



	Notes	2010	2009
Sales	27	706,512,774	634,446,351
Cost of sales	28	<u>(321,174,545)</u>	<u>(306,235,747)</u>
Gross profit		385,338,229	328,210,604
Operating expenses			
General and administrative expenses	29	(214,156,213)	(159,673,187)
Exploration expenses		(78,156,089)	(61,604,248)
Technical services expenses		<u>(14,050,195)</u>	<u>(18,918,597)</u>
Operating income		78,975,732	88,014,572
Provision for severance fees	19	(54,543,721)	(43,550,489)
Other income	32	247,295	299,751,695
Income from short-term investments	30	<u>168,259,012</u>	<u>314,487,870</u>
Income before zakat		192,938,318	658,703,648
Provision for Zakat	18.2	<u>(207,317,723)</u>	<u>(268,560,500)</u>
Net (loss)/income for the Year		(14,379,405)	390,143,148
Net (loss)/income attributable to:			
Shareholders' of the parent company		(9,187,814)	394,781,959
Non-controlling interest's share of current year's loss in a subsidiary company		<u>(5,191,591)</u>	<u>(4,638,811)</u>
		(14,379,405)	390,143,148
Earnings per ordinary share (Saudi Riyals)	31		
Operating income per share		0.09	0.1
Basic and diluted (loss)/earnings per share from continuing operations		(0.01)	0.43

SAUDI ARABIAN MINING COMPANY (MA'ADEN)

(A Saudi Arabian joint stock company)

Consolidated statement of cash flows for the year ended December 31, 2010

(All amounts in Saudi Riyals unless otherwise stated)



	Notes	2010	2009
Operating activities			
Income before zakat		192,938,318	658,703,648
<u>Adjustments for non-cash items:</u>			
Increase / (reversal) of allowance for inventory obsolescence	10	8,447,524	(329,208)
Depreciation	13	77,850,130	84,359,012
Amortization of pre-operating expenses and deferred charges (mine closure)	14	17,566,221	23,223,614
Provision for severance fees	19	54,543,721	43,550,489
Provision for employee termination benefits	21	27,413,350	18,333,948
Income from short term investments		(168,259,012)	(314,487,870)
Adjustment/ written off property, plant and equipment	13	106,432	-
Written off pre-operating expenses and deferred charges	14	1,165,457	-
<u>Changes in working capital:</u>			
Trade and other receivables	9	1,597,742	(10,505,193)
Inventories	10	(106,599,938)	(38,714,462)
Advances and prepayments	11	(102,716,757)	508,331,807
Projects and other payables	16	141,234,124	(657,575,376)
Accrued expenses	17	298,050,901	(113,973,793)
Zakat paid	18.2	(268,536,042)	-
Severance fee paid	19	(45,232,356)	(60,135,944)
Employee termination benefits paid	21	(7,793,601)	(5,796,880)
Net cash generated from operating activities		121,776,214	134,983,792
Investing activities			
Short-term investments	8	(592,279,490)	(958,354,702)
Income received from short-term investments		146,637,549	385,768,709
Additions to pre-operating expenses and deferred charges	14	(602,948,541)	(502,259,659)
Additions to capital work-in-progress	15	(4,613,557,956)	(7,796,848,308)
Net cash utilized in investing activities		(5,662,148,438)	(8,871,693,960)
Financing activities			
Proceeds from long-term borrowings received	22	4,734,089,167	7,962,997,916
Changes in non-controlling interest	26	357,298,500	-
Net cash generated from financing activities		5,091,387,667	7,962,997,916
Net change in cash and cash equivalents		(448,984,557)	(773,712,252)
Cash and cash equivalents at beginning of year	7	3,371,137,937	4,144,850,189
Cash and cash equivalents at the end of the year	7	2,922,153,380	3,371,137,937

SAUDI ARABIAN MINING COMPANY (MA'ADEN)**(A Saudi Arabian joint stock company)****Consolidated statement of cash flows for the year ended December 31, 2010****(All amounts in Saudi Riyals unless otherwise stated)**

	Notes	2010	2009
Non-cash transactions			
Pre-operating expenses and deferred charges transferred to capital work in progress	14,15	-	9,421,793
Provision for mines closure charged to pre-operating expenses and deferred charges	14, 20	3,156,073	25,148,176
Transfer of liability to the share capital of MPC	26	-	1,147,500,000
Utilization of mines closure provision	20	3,525,813	-
Transfer from capital work-in-progress to property, plant and equipment	13,15	39,708,413	92,597,797



SAUDI ARABIAN MINING COMPANY (MA'ADEN)
(A Saudi Arabian joint stock company)
Consolidated statement of changes in shareholders' equity for the year ended December 31, 2010
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Equity attributable to shareholders of the parent company					Non-controlling interest	Total
		Share Capital	Share premium	Statutory reserve	Transfer of net income	Retained earnings		
Balance at January 1, 2009		9,250,000,000	5,250,000,000	203,518,201	1,484,009,347	16,187,527,548	639,442,096	16,826,969,644
Increase in non-controlling interest	26	-	-	-	-	-	1,147,500,000	1,147,500,000
Net income for the year		-	-	-	394,781,959	394,781,959	(4,638,811)	390,143,148
Net income transferred to statutory reserve	25	-	-	39,478,196	(39,478,196)	-	-	-
Balance at December 31, 2009		9,250,000,000	5,250,000,000	242,996,397	1,839,313,110	16,582,309,507	1,782,303,285	18,364,612,792
Net loss for the year		-	-	-	(9,187,814)	(9,187,814)	(5,191,591)	(14,379,405)
Increase in non-controlling interest	26	-	-	-	-	-	357,298,500	357,298,500
Balance at December 31, 2010		9,250,000,000	5,250,000,000	242,996,397	1,830,125,296	16,573,121,693	2,134,410,194	18,707,531,887

1. General information

Saudi Arabian Mining Company ("Ma'aden") (the "Company") was formed as a Saudi joint stock company pursuant to Royal Decree No. M/17 dated 14 Zul Qaida 1417H (corresponding to March 23, 1997) and the Council of Ministers Resolution No. 179 dated 8 Zul Qaida 1417H (corresponding to March 17, 1997), with Commercial Registration No. 1010164391 dated 10 Zul Qaida 1421H (corresponding to February 4, 2001). The Company has an authorized share capital of SAR 9,250,000,000 (Nine billion and two hundred fifty million Saudi Riyals) divided into 925,000,000 (Nine hundred and twenty five million) ordinary shares with a nominal value of SAR 10 each.

The objectives of the Company and its subsidiaries (the "Group") are to engage in various projects related to all stages of the mining industry, including development, advancement and improvement of the mineral industry, mineral products and by-products. These activities exclude petroleum and natural gas and materials derived therefrom; any and all hydrocarbon substances, products, by-products and derivatives; and activities related to all stages of the oil industry and the industries associated therewith and supplementary thereto.

The Group's principal mining activities are at the Mahd Ad' Dahab, Al-Hajar, Bulghah, Al-Amar, Sukhaybarat and Kaolin mines. Currently the Group mainly mines gold and low-grade bauxite.

The Group's major projects are phosphate, aluminum, and infrastructure and these are principally in the development stage.

The objective of the phosphate project is to exploit the Al Jalamid phosphate deposits in the Kingdom of Saudi Arabia and to manufacture diammonium phosphate ("DAP"), monoammonium phosphate ("MAP") and ammonia fertilizer products. The capital cost of the project is estimated to be SAR 21 billion.

The objective of the aluminum project is to develop the bauxite mine, the aluminum refinery, smelter and rolling mill as well as a power plant for the production of aluminum and related products in the Kingdom of Saudi Arabia. In December 2009, the Company entered into an agreement with Alcoa Incorporated, ("Alcoa Inc") for the development of the aluminum project. The Company has a 74.9% interest in the aluminum project, and Alcoa Inc. has a 25.1% interest. The total cost of the project is estimated to be SAR 40.5 billion, also see Note 32. Alcoa Inc. also agreed to reimburse the Company for 25.1% of the aluminum project's costs incurred by the Company before Alcoa Inc.'s participation. As of December 31, 2010, an amount of Saudi Riyals 127.5 million has been received from Alcoa Inc. in respect of its agreed portion of the aluminum project's costs. The remaining portion of Alcoa Inc.'s share related to the aluminum project is currently under review.

The infrastructure project relates to the development, construction and delivery of services in the Ras Az Zwar area, and other mining and industrial locations of the Company as required.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2011.

2. Group structure

The Company has the following subsidiaries, all incorporated in the Kingdom of Saudi Arabia:

Subsidiary	Type of company	Effective ownership at December 31,	
		2010	2009
Ma'aden Gold and Base Metals Company ("MGBM")	Limited liability company	100%	100%
Ma'aden Phosphate Company ("MPC")	Limited liability company	70%	70%
Ma'aden Infrastructure Company ("MIC")	Limited liability company	100%	100%
Ma'aden Industrial Minerals Company ("MIMC")	Limited liability company	100%	100%
Ma'aden Aluminum Company ("MAC")	Limited liability company	74.9%	-
Ma'aden Rolling Company ("MRC")	Limited liability company	74.9%	-

MGBM was incorporated on August 9, 1989, which was then managed by Petromin and thereafter its assets were transferred to Ma'aden as a part of its capital. MGBM's activities are mainly related to the

production and exploration of gold and associated minerals existing within their leased area by way of drilling, mining, concentrating, smelting to then extract, refine, export and sell such minerals in their original or refined form.

MPC was incorporated on January 1, 2008 to be a phosphate fertilizer producer and is currently in the development stage. Saudi Basic Industries Corporation ("SABIC") holds a 30% interest in MPC, and it is accounted for as non-controlling interest in these consolidated financial statements. Accordingly, non-controlling interest in the consolidated balance sheet, and loss attributable to non-controlling interest in the consolidated statement of income, represent SABIC's share in the net assets and loss of MPC. During March 2010, the shareholders of MPC passed a resolution to increase the share capital of MPC by issuing 24,598 ordinary shares at a nominal value of SAR 10,000 per ordinary share amounting to SAR 245,980,000. The Company and SABIC paid their proportion of the increase in share capital amounting to SAR 245,980,000 during the year ended December 31, 2010.

MIC was incorporated on August 17, 2008 to manage the infrastructure project to develop, construct and operate the infrastructure and provide services to Raz Az Zwar Area, and other mining and industrial locations of the Group.

MIMC was incorporated on March 31, 2009 to manage the industrial minerals sector of the Group. Its activities are mainly related to exploring and developing industrial minerals.

MAC was incorporated on October 10, 2010 and is currently in the development stage. Its activities are mainly related to production of aluminum ingots, t-bars, slabs and billets. Alcoa Inc, through its subsidiary Alcoa Smelting Inversiones S.L Company ("ASC") holds a 25.1% interest in MAC, which is accounted for as non-controlling interest in these consolidated financial statements. MAC is a company incorporated in Saudi Arabia and is a subsidiary of Ma'aden.

MRC was incorporated on October 10, 2010 and is currently in the development stage. Its activities are mainly related to the production of aluminum sheets for can body and lids. Alcoa Inc, through its subsidiary Alcoa Saudi Rolling Inversiones S.L Company ("ARC") holds a 25.1% interest in MRC, which is accounted for as non-controlling interest in these consolidated financial statements. MRC is a company incorporated in Saudi Arabia and is a subsidiary of Ma'aden.

The financial year end of all the subsidiaries coincide with that of the parent company.

3. Basis of preparation

The accompanying consolidated financial statements have been prepared under the historic cost convention on the accrual basis of accounting, and in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

The consolidated financial statements are presented in Saudi Riyals which is both the functional and reporting currency of the Group.

4. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of

the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.2 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

4.3 Cash and cash equivalents

Cash and cash equivalents balance includes cash on hand, cash in banks and time deposits with original maturity of three months or less at date of acquisition.

4.4 Short term investments

Short term investments include placements with banks and other short-term highly liquid investments with original maturities of more than three months but not more than one year from the date of acquisition.

4.5 Trade receivables

Trade receivables are carried at original sales invoice amount less an allowance for doubtful debts (if any). An allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. Such allowances are charged to the consolidated statement of income and reported under "General and administrative expenses". When a trade receivable is uncollectible, it is written-off against the allowance for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated statement of income.

4.6 Inventories

Refined metals

Refined gold is measured at the lower of net cost of production or net realizable value. The net cost of production is determined as the total cost of production divided by the saleable unit output.

Production costs include:

- labor costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the depreciation of mining properties and leases of property, plant and equipment used in the extraction and processing of ore; and
- production overheads.

Work-in-process

The cost of work-in-process is determined using weighted average basis.

Ore stockpiles

Ore stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with

confidence because it exceeds the mine's cut-off grade and due to economic viability, it is valued at the lower of net cost of production of net realizable value. Quantities of stockpiles and work-in-process are assessed primarily through surveys and assays.

Stores and materials

Stores and spares are valued at the weighted average cost basis less an allowance for obsolete and slow moving items.

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

4.7 Financial assets and liabilities

Financial assets and liabilities carried on the consolidated balance sheet principally include cash and cash equivalents, short-term investments, trade and other receivables, projects and other payables, accrued expenses and borrowings.

A financial asset and liability is offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

4.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided over the shorter of estimated useful lives of the applicable assets or the estimated life-of-mine using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

	Number of years
• Buildings	9 – 20
• Heavy equipment	5 – 13
• Office equipment	4 – 10
• Furniture and fixtures	4 – 10
• Fixed plant and heap leach facilities	4 – 6
• Motor vehicles	4
• Civil works	4
• Other equipment	4

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated statement of income as and when incurred. Major renewals and improvements, if any, are capitalized.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of income.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the related assets.

4.9 Pre-operating expenses and deferred charges

Exploration, evaluation, development and pre-operating expenses are expensed in the year incurred until a prospective exploration project or mine is identified as having economical development potential. Once a prospective exploration project or mine has been determined to have economical development potential, the subsequent development and pre-operating expenses incurred on the project or mine are deferred net of proceeds from the sale of any production during the development period and then amortized over the expected life-of-mine or a period of seven years whichever is lower. If a project or mine is no longer considered economical, the accumulated project costs are charged to consolidated statement of income in the year in which the determination is made.

Deferred charges on the infrastructure projects consist of consultancy and other costs with respect to the site preparation at MPC and aluminum project, the costs will be recovered from these projects (Note 14).

4.10 Striping ratio

The Group also defers waste mining costs and has estimated the average of the waste-to-ore ratio for the quantities contained within the final pit design of the mine. This average is used to calculate the annual waste mining costs to be expensed as follows:

$$\text{Average ratio of waste to ore mined} \times \text{Quantity of ore mined} \times \text{Average cost of total tons mined}$$

In periods when the actual costs of waste are higher than the costs expensed according to this formula, the difference is deferred to be amortized in a future period when the actual costs are less than the amount to be expensed.

4.11 Capital work-in-progress

Assets in the course of construction are capitalized in the capital work-in-progress account. On completion, the cost of the related asset is transferred to the appropriate category of property, plant and equipment. The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Costs associated with a start up period are capitalized where the asset is available for use but incapable of operating at normal levels including the commissioning period. Capital work-in-progress is not depreciated.

4.12 Asset impairment

The Group assesses its assets at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value-in-use.

Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount is reversed (in exception of goodwill) and recorded as income in the consolidated statement of income in the year in which such reversal is determined.

4.13 Trade payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

4.14 Zakat

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). A provision for zakat for the Company and zakat related to the Company's subsidiaries is charged to the consolidated statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

4.15 Severance fees

Effective from year 2005 onwards, as per the mining code issued based on the Royal Decree No. 47/M dated 20 Sha'aban 1425H (corresponding to October 4, 2004), the Company is required to pay to the Government of Saudi Arabia severance fee representing 25% of the annual net income or the equivalent of the hypothetical income tax, whichever is lower. Severance fee is charged to income on a monthly basis and is adjusted at the end of each quarter. The Zakat due shall be deducted from the amount.

4.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation in the future; and the amount can be reliably estimated.

4.17 Mine closure and reclamation

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Mine closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of current laws and regulations.

Provisions for the cost of each closure and rehabilitation program are recognized at the time the mining activities occur. When the extent of the mining activities increases over the life-of-mine, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life-of-mine and at the time of closure in connection with the mining activities at the reporting date. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation. The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as:

- the life-of-mine,
- the operating license conditions, and
- the environment in which the mine operates.

The full estimated costs capitalized are deferred and then amortized to expense over the expected life-of-mine on straight-line basis but not exceeding seven years. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgments and estimates involved. Factors influencing those changes include:

- revisions to estimated reserves, resources and lives of operations;
- developments in technology;
- regulatory requirements and environmental management strategies; and
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation.

4.18 Employees termination benefits

Employees' end-of-service benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

4.19 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Other borrowing costs are charged to consolidated statement of income.

4.20 Revenue recognition

Revenue is recognized when all the following conditions are met:

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the sale will flow to the Company; and
- The costs incurred or to be incurred in respect of the sale can be measured reliably.

Revenues are shown net of discounts and transportation expenses, and after eliminating sales within the Group.

Sales revenue is commonly subject to adjustment based on an inspection of the product by the customer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of contained metal, and adjusted subsequently.

Investment income consists of earnings on bank deposits and is recognized on accrual basis.

4.21 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

4.22 Savings plan program

In accordance with clause 137 of the Labor Regulations, and in furtherance to clause 76 of the Company's Internal Work Regulation approved by resolution No. 424 dated 6/4/1420H issued by H.H. Minister of Labor and Social Affairs, a Savings Plan Program was introduced to encourage Saudi employees of the Company to save and invest their savings in areas more beneficial to them, to secure their future and as an incentive for them to continue working with the Company.

Participation in the Savings Plan Program is restricted to Saudi Nationals and optional with employees required to contribute a monthly minimum installment of 1% to a maximum of 15% of their basic salary subject to a minimum of SAR 300. The Company will contribute an amount equaling 10% of the monthly savings of each member per annum for the first year and increase it by 10% in the year after it reaches 100% at the 10th year, which will in turn be credited to the savings accounts of the member. The Company's portion is charged to the consolidated statement of income on a monthly basis. The Company's portion will only be paid upon termination or resignation of the employee.

4.23 Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to consolidated statement of income on a straight line basis over the term of the operating lease.

5. Critical accounting estimates, assumptions and judgments

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The accounting estimates will, by definition, seldom equal the related actual results.

The most significant areas requiring the use of management's assumptions, estimates and judgments relate to:

- reserve and resource estimates;
- economic useful lives of property, plant and equipment;
- impairment of assets;
- allowances;
- mine closure and environmental obligations;
- zakat; and
- contingencies.

Reserve and resource estimates

There is a degree of uncertainty involved in the estimation and classification of ore reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until ore reserves or mineral resources are actually mined and processed, the quantity of mineral resource and ore reserve grades must be considered as estimates only. What is more, the quantity of ore reserves and mineral resources may vary depending on, among other things, metal prices and currency exchange rates. The ore reserve estimates of the Company have been determined based on assumed gold prices, cut-off grades and costs that may prove to be inaccurate. Any material change in the quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will give the same result in larger scale tests under on-site conditions or during production.

Fluctuation in gold prices, the results of drilling, metallurgical testing and production, and the evaluation of mine plans subsequent to the date of any estimate may require estimates to be revised. The volume and grade of ore reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of ore reserves and mineral resources, or of the Company's ability to extract these ore reserves, could have a material adverse effect of the Company's business, prospects, financial condition and operating results.

Economic useful lives of property, plant and equipment

The Group's mining assets, classified within property, plant and equipment, are amortized on a straight-line basis over the lesser of their economic useful lives or the life-of-mine. When determining the life of a mine, assumptions that were valid at the time of estimation, may change when new information becomes available.

The factors that could affect estimation of the life-of-mine include the following:

- changes in proven and probable ore reserves;
- the grade of mineral reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation and classification of ore reserves;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing and reclamation costs, discount rates could possibly adversely affect the economic viability of ore reserves.

Any of these changes could affect prospective amortization of mining assets and their carrying value. Useful economic lives of non-mining property, plant and equipment is reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Impairment and reversal of impairment of assets

The Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets are impaired or whether there is any indicator that an impairment loss recognized in previous years may no longer exist or may have decreased.

Allowances

The Group also creates an allowance for obsolete and slow-moving spare parts. At December 31, 2010, the allowance for obsolete slow-moving items amounted to SAR 23,044,672 (2009: SAR 14,597,148). These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the consolidated balance sheet date to the extent that such events confirm conditions existing at the end of the year.

Mine closure and environmental obligations

The Group's mining and exploration activities are subject to various environmental laws and regulations. The Group estimates environmental obligations based on management's understanding of the current legal requirements in the various jurisdictions in which it operates, terms of the license agreements and engineering estimates. Provision is made, for decommissioning and land restoration costs as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations and life of mine estimates could affect the carrying amount of this provision.

Zakat

During the year ended December 31, 2010, an amount of SAR 269 million was paid to DZIT but no zakat assessments were finalized by the DZIT. Where the final zakat outcome of these matters is different from the amounts that were initially recorded, such differences will impact the zakat provisions in the period in which such determinations are made.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

6. Segmental information

Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

The Group's operations consist of the following business segments:

- **The corporate segment**, includes the corporate operations, and projects under development.
- **The gold segment**, consists of operations related to the mining of gold and is carried out through MGBM. This segment currently operates Mahd Ad Dahab, Al-Hajar, Bulghah, Sukhaybarat and Al Amar mines which are located in different geographical areas in the Kingdom of Saudi Arabia.
- **The phosphate segment**, consist of operations related to mining of phosphate and utilization of national resources of natural gas and sulphur to manufacture DAP, MAP and ammonia fertilizer products and is carried out through MPC. This segment is currently in its development stage and has commenced trial run testing in the last quarter of 2010 and is expected to start commercial operation during 2011.
- **The aluminum segment**, consists of the operations related to the development of an aluminum mine, refinery, smelter, rolling mill and power plant for the production of aluminum and related products. This segment is currently in the development stage and is expected to commence commercial operation during 2013 and 2014.
- **The industrial minerals segment**, consist of operations related to the mining of industrial minerals carried out through MIMC, which currently operates a kaolin and low grade bauxite mine in the central zone of Az Zabirah and is in the final stage of developing a high grade magnesite mine and processing plant at Al Madinah Al Munawarah and is expected to commence operations during 2011.
- **The infrastructure segment**, relates to the development, construction and delivery of services in the Raz Az Zawr Area, and other mining and industrial locations of the Group as required. This segment is currently in its development stage.

There are no significant inter-segment revenues



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	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
December 31, 2010							
Sales	-	676,381,347	-	-	30,131,427	-	706,512,774
Gross profit	-	371,255,322	-	-	14,082,907	-	385,338,229
Income from short-term investments	166,276,472	1,982,540	-	-	-	-	168,259,012
Net income/(loss) attributable to shareholders' of the parent company	(220,848,539)	215,837,507	(17,305,305)	-	13,128,523	-	(9,187,814)
Property, plant and equipment	70,506,067	138,316,059	3,764,318	-	-	-	212,586,444
Pre-operating expenses and deferred charges	110,519,401	105,530,174	545,862,988	978,831,887	115,383,041	151,107,653	2,007,235,144
Capital work-in-progress	138,566,421	21,792,745	17,645,426,158	1,482,747,334	206,972,833	487,086,397	19,982,591,888
Total assets	8,376,451,446	871,745,514	20,543,658,203	3,897,783,507	361,730,427	665,489,688	34,716,858,785
December 31, 2009							
Sales	-	600,606,808	-	-	33,839,543	-	634,446,351
Gross profit	-	303,866,778	-	-	24,343,826	-	328,210,604
Income from short-term investments	312,469,698	1,874,371	143,801	-	-	-	314,487,870
Net income/(loss) attributable to shareholders' of the parent company	242,799,300	167,445,361	(15,462,702)	-	-	-	394,781,959
Property, plant and equipment	60,555,728	178,143,953	803,160	847,170	10,482,104	2,478	250,834,593
Pre-operating expenses and deferred charges	75,506,919	89,071,056	387,213,674	620,045,426	82,382,435	165,642,698	1,419,862,208
Capital work-in-progress	60,095,300	21,295,817	14,716,231,636	251,641,334	101,492,387	257,985,871	15,408,742,345
Total assets	10,807,828,494	866,964,548	16,064,103,608	871,101,383	195,789,475	423,909,122	29,229,696,630

The net income amount of the corporate segment excludes share in earnings of subsidiary companies. Also, the total assets amount in this segment excludes investment balances with respect to subsidiary companies.

b) Geographical segment

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

The Group's operation is conducted only in Saudi Arabia.

7. Cash and cash equivalents

	2010	2009
Term deposits with original maturities equal to or less than three months	2,248,600,000	3,254,250,000
Cash and bank balances	673,553,380	116,887,937
Total	2,922,153,380	3,371,137,937

8. Short term investments

	2010	2009
Short term deposits placed with commercial banks	8,783,974,813	8,170,073,860

Short term investments yield financial income at prevailing market rates.

9. Trade and other receivables

	2010	2009
Trade receivables	20,469,398	23,265,438
Other receivables	9,493,597	8,295,299
Total	29,962,995	31,560,737

10. Inventories

	2010	2009
Finished goods - ready for sale	86,296,731	77,546,520
By-products	21,002,116	12,953,145
Work-in-process at net production cost	97,132,154	42,408,149
Raw materials	11,459,884	-
Mined phosphate ore	8,066,838	-
Total metal inventories	223,957,723	132,907,814
Total spare parts and consumables materials	102,998,213	87,448,184
Allowance for obsolete slow-moving spare parts and consumable materials	(23,044,672)	(14,597,148)
Total spare parts and consumables	79,953,541	72,851,036
Total	303,911,264	205,758,850

The spare parts inventory primarily relates to plant and machinery and, accordingly, this inventory is expected to be utilized over a period exceeding one year.

Movement in the allowance for inventory obsolescence is as follows:

	2010	2009
Opening balance	14,597,148	14,926,356
Increase (reversal) of allowance for obsolescence	8,447,524	(329,208)
Closing balance	23,044,672	14,597,148

11. Advances and prepayments

	2010	2009
Current portion:		
Advances to contractors	295,361,176	278,263,142
Advances to employees	2,074,284	2,204,900
Other prepayments	30,201,985	11,272,371
Total	<u>327,637,445</u>	<u>291,740,413</u>
Non - current portion:		
Advances to contractors	81,009,425	-
Other prepayments	4,750,000	18,939,700
Total	<u>85,759,425</u>	<u>18,939,700</u>

Advances and prepaid expenses mainly represent advances paid by MAC and MPC in relation to the development of its site.

12. Due from Government

The balance represents cost incurred to finance the required feasibility studies for the Railway Line Project, linking the Northern Area (Al Jalamid) with the fertilizer plant at Ras Az Zawr.

During 2006 and pursuant to the Council of Ministers resolution Number 72 dated 2 Rabi Al Thani 1427H (corresponding to April 30, 2006), the amount incurred is to be returned to the Company from the Public Investment Fund. It was agreed that such amounts will be recovered from the future mineral transportation fees arising from the transportation of phosphate and bauxite through Saudi Railways Company.



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13. Property, plant and equipment

Cost	Land	Motor vehicles	Heavy equipment	Fixed plant and heap leaching	Buildings	Civil works	Other equipment	Office equipment	Furniture and fittings	2010	2009
January 1	22,550,000	23,933,387	55,847,670	352,957,344	101,681,944	216,378,789	24,891,216	23,826,672	12,445,447	834,512,489	741,520,467
Transferred from capital work-in-progress	-	1,044,925	10,356,076	3,095,260	4,666,604	5,432,363	6,513,207	5,155,013	3,444,965	39,708,413	92,597,797
Transfer to pre-operating expenses and deferred charges	-	-	-	-	-	-	-	(318,648)	-	(318,648)	-
Disposals /write-offs	-	(138,300)	-	-	-	-	-	(11,351)	-	(149,651)	(5,795)
December 31	22,550,000	24,840,012	66,203,746	356,052,604	106,348,548	221,811,152	31,404,423	28,651,686	15,890,412	873,752,583	834,512,469
Accumulated depreciation											
January 1	-	23,145,186	28,397,111	268,573,976	37,291,133	182,583,635	13,279,948	21,485,984	8,920,903	583,677,876	499,324,659
Charge for the year	-	1,414,359	7,314,035	39,453,444	8,620,760	14,045,233	4,143,641	2,056,196	802,462	77,850,130	84,359,012
Transfer to pre-operating expenses and deferred charges	-	-	-	-	-	-	-	(318,648)	-	(318,648)	-
Disposals /write-offs	-	(43,219)	-	-	-	-	-	-	-	(43,219)	(5,795)
December 31	-	24,516,326	35,711,146	308,027,420	45,911,893	196,628,868	17,423,589	23,223,532	9,723,365	661,166,139	583,677,876
Net book value											
December 31, 2010	22,550,000	323,686	30,492,600	48,025,184	60,436,655	25,182,284	13,980,834	5,428,154	6,167,047	212,586,444	
December 31, 2009	22,550,000	788,201	27,450,559	84,383,368	64,390,811	33,795,154	11,611,268	2,340,688	3,524,544	250,834,593	

Allocation of depreciation charge for the year

	Notes	2010	2009
To cost of sales	28	73,779,722	81,601,495
To general and administration expenses	29	4,070,408	2,757,517
		77,850,130	84,359,012



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14. Pre-operating expenses and deferred charges

Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	2010	2009
Cost								
January 1,	94,768,232	175,036,925	387,213,674	620,045,426	83,312,355	165,642,698	1,526,019,310	1,008,033,268
Additions	39,498,304	25,393,490	158,649,314	473,536,461	35,156,017	81,781,282	814,014,868	537,675,551
Deferred cost of mine closure and reclamation, net	-	3,156,073	-	-	-	-	3,156,073	25,148,176
Transfer to capital work in progress	-	-	-	-	-	-	-	(9,421,793)
Adjustments/written off	-	-	-	(114,750,000)	(1,165,457)	(96,316,327)	(212,231,784)	(35,415,892)
December 31	134,266,536	203,586,488	545,862,988	978,831,887	117,302,915	151,107,653	2,130,958,467	1,526,019,310
Amortization								
January 1,	19,261,313	85,965,869	-	-	929,920	-	106,157,102	82,933,488
Charge for the period	4,485,822	15,172,791	-	-	989,954	-	20,648,567	23,223,614
Reversal of provision	-	(3,082,346)	-	-	-	-	(3,082,346)	-
December 31	23,747,135	98,056,314	-	-	1,919,874	-	123,723,323	106,157,102
Net book value								
December 31, 2010	110,519,401	105,530,174	545,862,988	978,831,887	115,383,041	151,107,653	2,007,235,144	1,419,862,208
December 31, 2009	75,506,919	89,071,056	387,213,674	620,045,426	82,382,435	165,642,698	-	-

Allocation of amortization charge for the year

28	To cost of sales	16,134,349	23,223,614
29	To general and administration expenses	4,514,218	-
		20,648,567	23,223,614

15. Capital work-in-progress

Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	2010	2009
Cost								
January 1	60,095,300	21,295,817	14,716,231,636	251,641,334	101,492,387	257,985,871	15,408,742,345	7,695,070,041
Additions during the year	83,832,052	30,548,406	2,933,235,826	1,244,043,900	105,685,546	229,100,526	4,626,446,256	7,796,848,308
Transferred to property, plant and equipment	(5,360,931)	(30,051,478)	(4,041,304)	(49,600)	(205,100)	-	(39,708,413)	(92,597,797)
Transferred from pre-operating expenses and deferred charges	-	-	-	-	-	-	-	9,421,793
Adjustments	-	-	-	(12,888,300)	-	-	(12,888,300)	-
December 31 2010	138,566,421	21,792,745	17,645,426,158	1,482,747,334	206,972,833	487,086,397	19,982,591,888	15,408,742,345
December 31 2009	60,095,300	21,295,817	14,716,231,636	251,641,334	101,492,387	257,985,871	-	-

During the year ended December 31, 2010, MPC and aluminum project capitalized an additional SAR 401 million (2009: 238 million) of finance costs, and SAR 3 million (2009: 1.2 million) of finance facility related to legal and advisory costs.

16. Projects and other payables

	2010	2009
Projects	677,921,490	531,198,527
Trade payables	61,803,994	85,173,560
Saving plan	4,979,880	2,164,935
Due to a related party - SABIC (Note 33)	-	2,369,406
Other	23,515,074	2,554,073
Total	768,220,438	623,460,501

Projects payable mainly represents the liability in respect of contracts costs arising from MPC and other capital projects.

17. Accrued expenses

	2010	2009
Projects	1,191,342,890	813,474,015
Trade payables	36,113,922	124,541,228
Employees	39,234,445	28,847,113
Other	-	1,778,000
Total	1,266,691,257	968,640,356

Accrued expenses for projects mainly represents the contract cost accruals in relation to MPC and aluminum project.

18. Zakat payable**18.1 Components of zakat base**

The significant components of the Zakat base of each company under the zakat and income tax regulation are comprised of

- shareholders' equity,
- provisions at the beginning of the year,
- long term borrowings,
- adjusted net income,
- net book value of property, plant and equipment,
- net book value of pre-operating expenses and deferred charges, and
- certain other items.

18.2 Zakat payable

	2010	2009
Opening balance	268,560,500	-
Provision for zakat for the year	207,342,181	268,560,500
Over provision of the previous year	(24,458)	-
Paid during the year	(268,536,042)	-
Closing balance	207,342,181	268,560,500

The provision for zakat as at December 31, consist of:

	2010	2009
Zakat for Saudi Arabian Mining Company	196,810,357	257,958,672
Zakat for Ma'aden Gold and Base Metals Company	10,507,366	10,601,828
Total	207,317,723	268,560,500

18.3 Status of final assessments

On 15 Rabi Al Awal 1429H (corresponding to March 23, 2008) the Company obtained a clearance from the Ministry of Finance which confirmed that the Company has no zakat or tax liabilities to the DZIT from the date of incorporation up to the IPO date of 2 Rajab 1429H (corresponding to July 5, 2008).

Company and its subsidiaries received provisional zakat certificates for the year ended December 2009, however, no zakat assessments were finalized by the DZIT.

19. Severance fees payable

	2010	2009
Opening balance	45,142,915	61,728,370
Provision for the year	54,543,721	43,550,489
Payments made to the authorities	(45,232,356)	(60,135,944)
Closing balance	54,454,280	45,142,915

In accordance with the new mining code based on the Royal Decree No. 47/M dated 20 Sha'aban 1425H (corresponding to October 4, 2004), the Group is required to pay to the Government of Saudi Arabia severance fees, representing 25% of the annual net income, as defined, or the equivalent of the actual of a hypothetical income tax, based on the annual net income, whichever is lower. The zakat due shall be deducted from this amount. As a result of the above, the income from the gold mines and kaolin mine is subject to severance fees.

Provision for severance fees during the year consists of:

	2010	2009
Gold mines	54,028,547	43,090,058
Low grade bauxite and kaolin mines	515,174	460,431
Total	54,543,721	43,550,489

The additional provision of severance fees payable by gold mines is calculated as follows:

	2010	2009
Annual net income from operating mines before severance fee	281,127,318	221,137,247
25% of the annual net income as defined	70,281,830	55,284,312
Hypothetical income tax based on annual taxable net income	64,357,162	59,171,601
Provision based on the lower of the above two computations	64,357,162	55,284,312
Adjustment for accrual of severance fee in prior year	178,751	(1,592,426)
Provision for zakat	(10,507,366)	(10,601,828)
Net severance fee provision	54,028,547	43,090,058

20. Provision for mine closure and reclamation

The movement in the provision for mine closure and reclamation for each of the mines along with the year in which they commenced commercial production and expected date of closure is as follows.

	Note	Mahad mine	Al Hajar mine	Sukhaybarat mine*	Bulghah mine	Al Amar mine	2010	2009
January 1		27,723,149	15,195,759	20,467,221	14,658,102	13,249,340	91,293,571	66,145,395
Provision / reversal for the year	14	-	(3,814,936)	-	7,003,305	(32,296)	3,156,073	25,148,176
Utilization		(3,525,813)	-	-	-	-	(3,525,813)	-
December 31		24,197,336	11,380,823	20,467,221	21,661,407	13,217,044	90,923,831	91,293,571
Commenced commercial production in		1988	2001	1991*	2001	2008		
Expected closure date in		2016	2011	2015	2017	2018		

* The Sukhaybarat mine ceased its mining activities and current operations are limited to the CIL processing of ore transferred from Bulghah mine

The provision for mine closure and reclamation represents the full amount of the estimated future closure and reclamation costs for the various operational mining properties, based on information currently available including closure plans and applicable regulations. Future changes, if any, in regulations and cost assumptions may be significant and will be recognized when determined. The provision for mine closure and reclamation relates to the Group's gold mining activity only, as MPC and the aluminum project are currently in the development stage.

21. Employee termination benefit

	2010	2009
Opening balance	84,987,823	72,450,755
Provision for the year	27,413,350	18,333,948
Utilization of provision	(7,793,601)	(5,796,880)
Closing balance	104,607,572	84,987,823

22. Long-term borrowings**a) Facilities approved:**

On June 15, 2008 MPC entered into a Common Terms Financing Agreement ("CTFA") with a consortium of financial institutions, comprising of:

	<u>Facilities granted</u>
Public Investment Fund ("PIF")	4,000,000,000
Islamic and commercial banks	
Banque Saudi Fransi – Procurement	4,269,892,500
Al-Rajhi facility	2,343,750,000
The Export Import Bank of Korea	1,500,000,000
Korea Export Insurance Corporation	750,000,000
Mizuho Corporate Bank – Commercial Term	1,491,562,500
	<u>10,355,205,000</u>
Saudi Industrial Development Fund ("SIDF")	600,000,000
Total facilities granted	<u>14,955,205,000</u>

The financing agreement imposed special conditions and covenants and if the conditions are met, the financial institution will provide long-term loan totaling to 14,955 million for financing the construction and operation of MPC. Special covenants imposed include the limit of creation of additional liens and/or financing obligations by MPC, unless specifically allowed under the CTFA. Other covenants include financial ratio maintenance, maximum capital expenditures allowed and restriction on dividend distribution to shareholders.

The abovementioned CTFA facilities are secured by a pledge of all the assets of MPC.

b) Facilities utilized under the CTFA; is:

	2010	2009
Public investment Fund:		
July 14, 2008 commitment fees charged in respect of the loan facility	20,000,000	20,000,000
November 18, 2008 first draw down	800,000,256	800,000,256
January 15, 2009 second draw down	870,000,000	870,000,000
April 30, 2009 third draw down	543,483,656	543,483,656
March 8, 2010 fourth draw down	928,188,694	-
December 29, 2010 fifth draw down	475,761,503	-
	<u>3,637,434,109</u>	<u>2,233,483,912</u>

The rate of commission on the principal amount of the loan draw down and outstanding for each commission period, is LIBOR plus 0.5% per annum. Loan repayments will start from June 30, 2012, on a six monthly basis, in equal principal repayments of SAR 166.4 million, with the final repayment on December 31, 2023.

Islamic and commercial banks

Banque Saudi Fransi – Procurement	3,878,480,095	2,363,000,000
Al-Rajhi facility	2,338,094,785	1,471,000,000
The Export Import Bank of Korea	1,358,868,876	1,347,000,000
Korea Export Insurance Corporation	750,000,000	750,000,000
Mizuho Corporate Bank – Commercial Term	1,014,209,474	618,514,260
	<u>9,339,653,230</u>	<u>6,549,514,260</u>

The rate of commission on the principal amount of the loan drawdown and outstanding for each commission period is in the range of LIBOR plus 0.5% to 1.15% per annum.

The repayment of the Al-Rajhi Bank facility will start from December 31, 2011 and for the other facilities above will start from June 30, 2012. All the repayments for the above facilities will be on a six monthly basis, with the final repayments during 2023.

Saudi Industrial Development Fund

April 26, 2010 first draw down	300,000,000	-
December 10, 2010 second draw down	240,000,000	-
	<u>540,000,000</u>	<u>-</u>

The annual fee paid during the drawdown amounted to SR 4 million. Repayment of this facility will start on February 26, 2013, on a six monthly basis, with the final payment on June 19, 2019.

Total borrowings	<u>13,517,087,339</u>	<u>8,782,998,172</u>
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c) Facilities approved but not withdrawn

On November 30, 2010, the consortium of financial institutions and PIF, subject to certain conditions precedent, approved a facility totaling SAR 11 billion and SAR 4.1 billion for MAC and MRC respectively. This facility was not utilized as at December 31, 2010.

d) Maturity profile of long-term borrowings:

	2010	2009
2012	793,401,273	485,116,194
2013	843,759,108	501,106,131
2014	925,127,583	711,001,537
2015	998,612,718	774,506,209
Thereafter	9,956,186,657	6,311,268,101
Total	<u>13,517,087,339</u>	<u>8,782,998,172</u>

e) Facilities' currency denomination:

Essentially all of the Company's facilities have been contracted in United States Dollar (US\$) and the drawdown balances in US\$ are shown below:

	2010 (US\$)	2009 (US\$)
Public Investment Fund	969,982,429	595,595,710
Saudi Industrial Development Fund	144,000,000	-
Banque Saudi Fransi – Procurement	1,034,261,358	630,089,025
Al Rajhi Bank	623,491,943	392,381,266
The Export Import Bank of Korea	362,365,034	359,300,688
Korea Export Insurance Corporation	200,000,000	200,000,000
Mizuho Corporate Bank – Commercial Term	270,455,860	164,766,157
Total	<u>3,604,556,624</u>	<u>2,342,132,846</u>

23. Share capital*Authorized, issued and fully paid*

	2010	2009
925,000,000 Ordinary shares, with a nominal value of SAR 10 per share	<u>9,250,000,000</u>	<u>9,250,000,000</u>

24. Share premium

	2010	2009
Share premium balance	<u>5,250,000,000</u>	<u>5,250,000,000</u>

25. Transfer of net income

	2010	2009
Opening balance,	242,996,397	203,518,201
Transfer of 10% of net income for the year	-	39,478,196
Closing balance	<u>242,996,397</u>	<u>242,996,397</u>

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until such reserve equals 50% of the share capital. As the Company incurred a net loss for the year ended December 31, 2010, therefore, a transfer to statutory reserve is not made. This reserve is not currently available for dividend distribution.

26. Non-controlling interest

	2010	2009
Opening balance	1,782,303,285	639,442,096
Increase in non-controlling interest (Note 2)	357,298,500	1,147,500,000
Share of current year's loss	(5,191,591)	(4,638,811)
Closing balance	<u>2,134,410,194</u>	<u>1,782,303,285</u>

27. Sales

	2010	2009
Gold revenue	642,068,377	588,653,897
Low grade bauxite revenue	30,131,427	33,839,543
Zinc revenue	34,312,970	11,952,911
Total	<u>706,512,774</u>	<u>634,446,351</u>
Gold sales analysis		
Value of gold sales	642,068,377	588,653,897
Quantity of gold sold in ounces (Oz)	140,028	162,409
Average realized price per oz in:		
US\$	1,223	967
Saudi Riyals	4,586	3,625

28. Cost of sales

	2010	2009
Personnel cost	95,628,545	82,541,478
Contracted services	48,461,887	44,114,797
Repairs and maintenance	21,352,866	20,014,103
Consumables	82,778,560	69,174,080
Overheads	26,170,092	25,241,962
Sale of by-products	(36,180,302)	(29,808,754)
Total cash operating costs	238,211,648	211,277,666
Depreciation (Note 13)	73,779,722	81,601,495
Amortization (Note 14)	16,134,349	23,223,614
Total operating costs	328,125,719	316,102,775
Increase/(decrease) in metal inventory	(6,951,174)	(9,867,028)
Cost of sales	321,174,545	306,235,747

29. General and administrative expenses

	2010	2009
Salaries and staff related benefits	144,076,752	117,393,213
Contracted services	33,120,717	19,567,948
Overheads and other	19,410,012	15,718,813
Consumables	5,445,589	2,261,721
Directors' remuneration and allowances	3,269,368	1,884,000
Repair parts	249,149	89,975
Depreciation and amortization (Note 13,14)	8,584,626	2,757,517
Total	214,156,213	159,673,187

The Board of Directors' remuneration represents accrual based on management's estimate and will be finalized upon approval by the Company's shareholders in the general assembly.

30. Income from short term investment

	2010	2009
Income received and accrued on short term investment	168,259,012	314,487,870

31. Earnings per ordinary share

	2010	2009
Net (loss)/income attributable to the shareholders of the parent company	(9,187,814)	394,781,959
Weighted average number of ordinary shares in issue during the year	925,000,000	925,000,000
Basic and dilute (loss)/ earnings per ordinary share from continuing operations	(0.01)	0.43

Basic earnings per ordinary share is calculated by dividing the (loss)/income attributable to the shareholders of the parent company by the weighted average number of ordinary shares in issue during the year.

32. Other income

During 2009, the Company entered into a agreement with Alcoa Inc. for the development of an aluminum project (See note 1).

As per the terms of the agreement, the Company received a fee of SAR 300 million during the year ended December 31, 2009 comprising the entry payment receipt from Alcoa Inc. for the opportunity to participate in the project. Such payment is included in other income.

33. Related party transactions and balances

Significant year-end balances arising from transactions with related parties are as follows:

	2010	2009
Receivable from related parties		
Due from Government (Note 12)	<u>61,045,987</u>	<u>61,045,987</u>
Payable to a related party		
Due to SABIC (Note 16)	<u>-</u>	<u>2,369,406</u>
Long-term borrowings from a shareholder		
Long-term borrowings from PIF (Note 22)	<u>3,637,434,109</u>	<u>2,233,483,912</u>

34. Operating lease agreements

	2010	2009
Payments under operating leases recognized as an expense during the year	<u>7,285,000</u>	<u>1,522,612</u>

Operating lease payments represent mainly rentals payable by the Company for mining lease areas. Leases are negotiated for an average term of 15 to 30 years.

35. Commitments and contingent liabilities

	2010	2009
Capital expenditures:		
- contracted for	<u>10,246,508,913</u>	<u>7,900,000,000</u>
Guarantees:		
Guarantees in favor of Saudi Aramco, for future diesel and gas feedstock supplies	<u>170,962,000</u>	<u>33,962,000</u>
Letters of credit:		
For the development of aluminum project	<u>1,726,046,285</u>	<u>1,700,000,000</u>

36. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk commission rate risks and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

36.1 Currency risk

Is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group transactions are principally in Saudi riyals and U.S. dollars. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

36.2 Fair value

Is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

36.3 Commission rate risk

Is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group's commission rate risks arise mainly from its short-term investments and long term borrowings, which are at floating rate of commission and are subject to re-pricing on a regular basis. The Group monitors the fluctuations in commission rates and believes that the effect of the commission rate risk is not significant, also see Note 22.

36.4 Commodity price risk

Gold is priced in an active market in which prices respond to daily changes in quantities. The Group's normal policy is to sell its products at prevailing market prices. The Group does not generally believe commodity price hedging would provide long-term benefit to shareholders.

36.5 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk from its operating activities (pertaining to trade receivables mainly). However, the cash collection is made at time of sales delivery and from its financing activities, including deposits with banks and financial institutions. Credit limits are established for all customers based on internal rating criteria. Outstanding trade receivables are regularly monitored and any credit concerns highlighted to senior management. Cash and short-term investments are substantially placed with commercial banks with sound credit ratings.

The Group currently has two major customers which account for sales of approximately SAR 636 million, representing 90% of the Group's sales for the year ended December 31, 2010 (2009: SAR 586 million representing 92% of Group's sales from three major customers). Trade receivables are carried net of provision for doubtful debts, if needed.

36.6 Liquidity risk

Is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

37. Comparative figures

Certain comparative figures of the previous year have been reclassified, wherever necessary, to conform with the current year's presentation. Such reclassifications did not affect either the net worth or the net income of the Company for the year ended December 31, 2009.