Saudi Arabian Mining Company (Ma'aden)

- Upcoming project to expand core-business to up & mid-stream activities.
- Moving toward well-balanced & diversified product portfolio.
- Earnings growth at 2009-13 CAGR of 44.4% with stable profitability margins.

BUY

Target Price SR25.1

Market Data

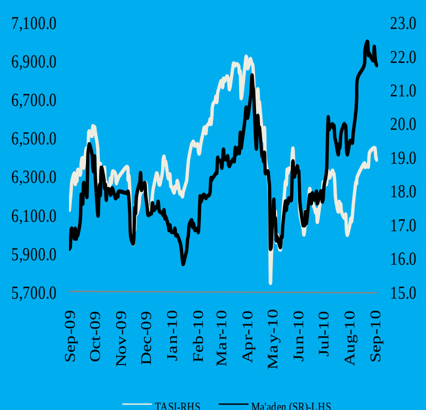
Bloomberg Code:	MAADEN AB
Reuters Code:	1211.SE
CMP (20th Oct 2010):	SR21.8
O/S (mn):	925.0
Mkt Cap (SRmn):	20,165.0
Mkt Cap (US$mn):	5377.3
P/E 2011e (x):	14.3
P/Bv 2011e (x):	1.0

Price Performance 1-Yr

High /Low (SR):	23.45/15.85
Average Vol. (000):	5,413.1

	1m	3m	12m
Absolute (%)	-1.4	23.5	13.0
Relative (%)	1.6	20.9	17.6

Relative Performance



Source: Tadawul & Zawya

Expanding core-operational activities

The given well integrated operational structure (production process-flow) of phosphate and aluminium projects, which include the mining of aluminium and phosphate ore to refining and processing, will lead **Saudi Arabian Mining Company (Ma'aden)** to amplify its core-operational activities from mining (only) to both mining and processing of various precious metals and other industrial products. Consequently, this will also help the company's product-line to expand further with the addition of other precious metals along with the processed and refined products. According to the given expansion plans, phosphate project will commence its commercial operation in 4Q2010, while the commercial production of aluminium project is expected to instigate in early 2014.

Strengthening products' portfolio

We believe the addition of new products from the upcoming expansion will lead the company to diversify its dependence on different products including precious metal (gold, silver, bauxite, zinc and so on), fertilizer and industrial (aluminium phosphoric & sulphuric acid). Based on our understanding, the addition of well-diversified products will help the company to strengthen the ability to stabilize its sales revenue, which is expected increase at a CAGR of 86.4% during 2009-13 to SR7.7bn in 2013.

Stabilizing profitability margins strengthen earnings growth

The expected commencement of phosphate project in 4Q2010 will remain the key for the company's bottom-line growth, which is expected to increase at a CAGR of 44.4%, during 2009-13 to SR1.7bn in 2013. The well-integrated operational structure of upcoming project will lead the company's gross margin to remain strong and stabilize at an average level of 65.5% in 2010-13, while the company's net profitability margin is expected to stabilize at the average level of 20.6% in 2010-13.

Valuation

Based on the company's current and upcoming businesses, we have used different valuation techniques and arrived at a consolidated value of SR25.1, which indicates the potential upside of 15.0% over the market price of SR21.8 as of 20th Oct 2010 and trading at the prospective 2010E and 2011E PBV of 1.1x and 1.0x, respectively. We, therefore, initiate our coverage of Ma'aden with a **BUY** recommendation.

Investment Indicators

Year	2007A	2008A	2009A	2010E	2011E	2012E	2013E
Gross Profit (SRmn)	76.7	220.7	328.2	593.1	4,034.9	5,127.1	5,202.9
Net Profit/Loss (SRmn)	(247.2)	203.4	394.8	118.7	1,411.0	1,865.1	1,717.6
EPS (SR)-Adjusted	(0.3)	0.2	0.4	0.1	1.5	2.0	1.9
BVPS (SR)	NM	18.2	19.9	20.1	21.7	23.8	25.8
P/E (X)	n/a	49.3	40.5	169.9	14.3	10.8	11.7
P/BV (X)	n/a	0.6	0.9	1.1	1.0	0.9	0.8

*Source: Company annual reports & **'Global'** Research*

**Historical P/E & P/BV multiples pertain to respective year-end prices, while those for future years are based on closing prices on the Tadawul as of 20h Oct 2010.*

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Valuation & Recommendation

Based on the expected expansion in the company's core operational areas(expansion projects) has led us to use Sum Of The Part (SOTP) valuation technique to value the company' net fair worth. In addition, our SOTP valuation technique is mainly based on the following two valuation models:

(i) Discounted cash flow (DCF) methodology.
(ii) Reserve base valuation, which is based on the entire life of a field.

Moreover, the implication of DCF and reserve base valuation is based on the nature of the operational activity of each business segment.

i) We have applied remaining reserve life based valuation for gold mines, where we have valued each operational gold mine of the company on the back of remaining reserves and gold grade. However, we have used the estimated reserve base valuation for the advanced exploration properties (AEP).
ii) For phosphate project we have used DCF base valuation for the industrial operation i.e. production of DAP, phosphoric & sulphuric acid and so on. However, we have applied reserve based valuation to value the phosphate reserves, based on the useful life of the phosphate mine.
iii) We have valued aluminium project on the back of useful life of the mine, which is based on the estimated size of reserves.
iv) DCF based valuation model for other projects, where the revenue is mainly derived from the production of industrial products i.e. Caustic Soda, Ethylene Di-Chloride (EDC), Magnesite and Kaolin & low/cement grade bauxite.

In order to calculate the cost of equity for the company's business segment, the following are the key assumptions to calculate CAPM:

i) Risk-free rate of 5.6% has been assumed.
ii) Market risk premium of 6.0% has been assumed.
iii) Beta taken at 1.1 from Bloomberg.

However, we have used different capital structure for each business segment (based on the given information) to calculate the weighted average cost of capital (WACC).

Sum Of The Parts Valuation

Business Segment	Amount (SR mn)
Mahd Ad Dahab	1,008.0
Al Amar	944.3
Bulghah	398.8
Al Hajar	21.6
Advanced Exploration Properties (AEP)	2,867.5
Gold - Segment Value	**5,290.2**
Phosphate - Complex Operation Value	1,871.8
Phosphate - Mine Value	8,467.5
Phosphate Project - Value	**10,339.3**
Aluminium - Mine Value	**4,496.2**
Other Project - Value	**1,530.2**
Cash & Short-Term Investment	12,958.9
Debt	(11,417.9)
Ma'aden - Net Worth	**23,196.9**
Outstanding Shares (000)	925,000
Net Worth per Share (SR)	**25.1**

*Source: **Global** Research * We have taken net debt only in consolidated valuation*

Valuation

Based on our valuation the stock at current market price is trading at a prospective 2010 and 2011 PBV of 1.1x and 1.0x, respectively. Furthermore, by employing SOTP valuation technique, we have arrived at a fair value of SR25.1, which indicates potential upside of 15.0% over the market price of SR21.8 as of 20th Oct 2010. We, therefore, initiate our coverage on Ma'aden with **BUY** recommendation. Since the company is under expansion phase, so we are not expecting dividend payout during 2010-13.

Key Risks to Valuations

- **Low grade gold from existing & newly developed mines.**
  The major risk factor associated with the valuation of the company's gold segment is the recovery rate of gold from the ore i.e. gold grade. However, the risk of gold recovery is mainly associated with fields which are newly developed and classified as AEP, where the gold grade is not confirmed and we have taken the estimated gold grade figures based on the company's prospectus.

- **Increase in the world's fertilizer capacity.**
  We believe the major threat for the valuation in the company's fertilizer segment is the early completion of expansion (as compared to our expectations) throughout the world, particularly in the South Asian market, which is the major target market for the regional units. Hence, this could lead the South Asian markets to reduce their dependence on imported fertilizer products and result in lower than expected regional capacity utilization, which will also affect the company's future growth in fertilizer segment.

- **Delay in the company's expansion project.**
  The company's future growth is mainly associated with the upcoming phosphate and aluminium projects, which will make the addition of more diversified products in the company's production line. However, the delay in upcoming projects will lead to restrict the company's future growth, which will be translated into lowering down of the company's expected profitability CAGR of 44.4%, during 2009-13.

Ma'aden Business Segments Analysis

At present the company's operation is mainly based on gold, which is the key source of revenue driver. However, the completion of upcoming projects will shift the company's key source of revenue to phosphate and aluminium, while the sales revenue from other projects (low grade bauxite & kaolin and petrochemical products) will continue to contribute the limited role in the company's future revenues.

I) Gold Assets (Mines) - Overview & Valuation

Ma'aden gold operation is mainly based on gold mining in form of gold, zinc, copper and lead concentrates, which are shipped to the third party toll smelting. The company has carried out gold exploration through gold division since 1997. Over the period of time the company has successfully added number of new mines in its portfolio of which Al Amar gold mine has started its commercial operation. At present, the company's gold mine is based on the company's operational mines, one developmental mine and five are categorized as Advanced Exploration Property (AEP).

We have valued the company's gold business at SR5.7 per share, where the valuation is mainly based on remaining reserve life of operational fields (mining and processing gold ore), five AEP (where the processing capacity has not been decided yet only mineral resources have been identified) and one developmental mine i.e. Al Duwayhi (where pre-requisite activities have been completed but the operation has not been started yet).

Gold Assets - Valuation

(SRmn)	2010(E)	2011 (E)	2012 (E)	2013 (E)	2014 (E)	2015 (E)	2016 (E)	2017(E)
Value of Remaining Reserves - Operational Fields	906.1	963.3	1,052.7	1,112.6	1,048.9	890.6	545.7	341.2
Operating, Exploration & Other Cost	(386.6)	(451.3)	(479.0)	(494.1)	(519.9)	(335.8)	(265.5)	(151.9)
NWC	(11.1)	(30.4)	(6.0)	(1.2)	(1.6)	(0.3)	(0.2)	(0.2)
CAPEX	(5.5)	(5.2)	(5.7)	(7.0)	(8.7)	(6.8)	(6.5)	(5.9)
Net Value-Operational Mines	**502.9**	**476.4**	**562.0**	**610.3**	**518.7**	**547.8**	**273.4**	**183.1**
Discounted-Net Value of Operational Mines	**490.5**	**420.4**	**448.8**	**441.0**	**339.2**	**324.1**	**146.4**	**88.7**

NPV – Operational Mines	**2,699.1**
Discounted-Net Value AEP	2,867.5
Zakat – Discounted	**(276.4)**
Net of Worth of Mines	**5,290.23**
Number Of Outstanding Shares(000)	925,000
Per Share Value (SR)	**5.7***

Source: ***Global*** *Research * Fair value without net debt*

The valuation of the company's gold business is based on the following estimates:

(i) Remaining life of a particular mine is based on the estimated gold ore processing and estimated remaining reserve size. The overall reserve size of a mine is based on the ore reserves (economical mineable part) and mineral resources (reasonable prospects for eventual economic extraction); where the mineral resources are based on (a) measured (high level of confidence) reserves with the expected occurrence probability of 75.0%, (b) indicated (reasonable level of confidence) with the expected occurrence probability of 50.0% and (c) inferred (low level of confidence) with the expected occurrence probability of 25.0%.

(ii) Gold grade (gold recovery ratio from ore) is expected to vary mine to mine and use to determine the gold production during the entire life of a particular mine. On the other hand, in order to arrive at the estimated gold recovery ratio we have used cut-off grade technique, which is based on (a) estimated average prices of related product and by-product and (b) in-situ value, which is the lump-sum value of total outcome from gold ore i.e. gold, silver, zinc, lead and copper to determine the gold equivalent production grade.

(iii) To value AEP we are mainly relying on the given information of estimated reserve size and gold grade. Moreover, the estimated under-ground reserves life in AEP and developmental mines is calculated at 18.0 years.

(iv) WACC is calculated at 10.5% with the given capital structure of 30.0% debt and 70.0% equity.

a) Mahd Ad Dahab Gold Mine

Mahd Ad Dahab is among the oldest gold mine on Arabian Peninsula. Gold mining operation and production was restarted with the re-discovery made by Saudi Arabian Mining Syndicate (SAMS), a joint venture between the government of Saudi Arabia (GoSA) and American Smelting & Refining Company (ASRC). The operation by SAMS was halted in 1952 on account of rising cost of production along with the then lower average prices of gold. The current gold mining operation from the mine was re-started in 1988 following the identification of new bodies in the South of the previous operated area.

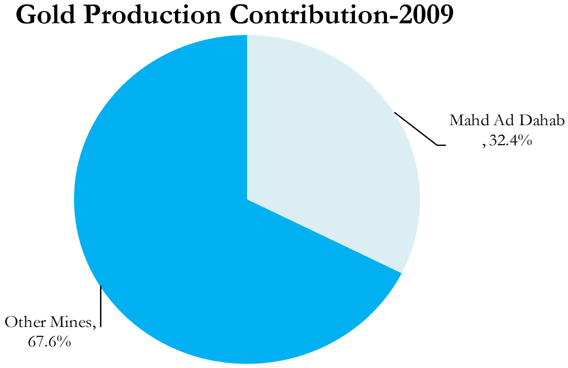
Key Indicators (2009)

Remaining ore reserves (kt)		1,045.0
Remaining mineral reserves (kt)		747.0
Gold grade	(g/t Au)	7.4
	(g/t Au Eq)	8.6
Processing	Capacity (ktpa)	185.0
	Processing Tonnage (ktpa)	230.0
Production	(koz Au)	55.0
	(koz Au Eq)	63.9

*Source: Prospectus & **Global** Research*

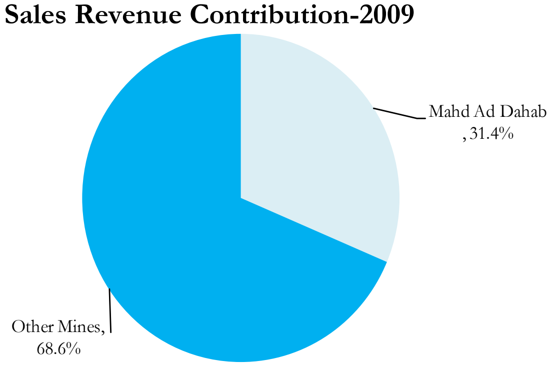
By the end of 2009, based on our calculations, the mine has produced 55.2koz of gold (at gold recovery rate of 7.4 g/t Au), which indicates the contribution of 33.0% in the company's overall gold production of 167.2koz. Subsequently, the mine has a contribution of 31.6% in the company's overall revenues of SR634.4mn, during 2009.

Gold Production Contribution-2009



*Source: Company Reports & **Global** Research*

Sales Revenue Contribution-2009



*Source: Company Reports & **Global** Research*

Going forward, based on the given information we expect the remaining reserve size of the mine is expected to last for next 6.5 years i.e. 2016, while the gold recovery rate (gold grade) is expected to remain at 7.5-7.6 g/t Au till the remaining life.

Mahd Ad Dahab-Valuation

(SRmn)	2010(E)	2011 (E)	2012 (E)	2013 (E)	2014 (E)	2015 (E)	2016 (E)
Value of Remaining Reserves	286.3	331.9	362.3	382.6	402.7	421.6	122.6
Operating, Exploration & Other Cost	(89.9)	(116.9)	(124.3)	(128.1)	(137.2)	(131.6)	(92.2)
NWC	(4.1)	(11.0)	(2.2)	(0.4)	(0.6)	(0.03)	(0.03)
CAPEX	(1.9)	(1.9)	(2.1)	(2.6)	(3.3)	(0.9)	(0.9)
Net Value-Mahd Ad Dahab	**190.4**	**202.7**	**233.7**	**251.5**	**261.6**	**289.1**	**29.4**
Discounted-Net Value of Mahd Ad Dahab	**185.7**	**178.9**	**186.6**	**181.7**	**171.1**	**171.1**	**15.7**

NPV – Mahd Ad Dahab	**1,090.9**
Zakat – Discounted	**(82.9)**
Net Worth of Mahd Ad Dahab	**1,008.0**
Number Of Outstanding Shares(000)	925,000
Net Worth per share (SR)	**1.1***

*Source: **Global** Research * Fair value without net debt*

We assume the processing of gold ore will remain constant at 230.0ktpa till 2015. However, in accordance with expected changes inside the mine's remaining reserves due to ore utilization, we are expecting the ore processing tonnage is expected to reduce to 64ktpa in 2016.

b) Al Amar Gold Mine

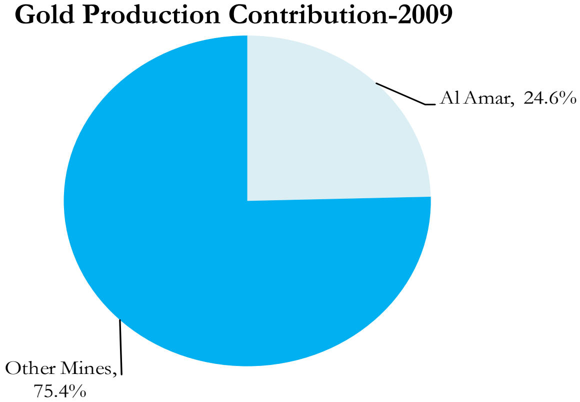
Key Indicators (2009)		
Remaining ore reserves (kt)		1,127.0
Remaining mineral reserves (kt)		1,624.1
Gold grade	(g/t Au)	6.5
	(g/t Au Eq)	8.7
Processing	Capacity (ktpa)	200.0
	Processing Tonnage (ktpa)	200.0
Production	(koz Au)	42.0
	(koz Au Eq)	55.7

*Source: Prospectus & **Global** Research*

The current exploration, development and production activities at the mine were started in 1950. However, since 1955-88 the exploration activity was mainly comprised on three phases (i) from 1955-64 the exploration was done by Directorate of Oil & Mineral Affair, (ii) from 1968-78 Bureau de Recherché Geologiques et Minieres (BRGM) was responsible for exploration and (iii) Riofinex carried out exploration activities, during 1982-88. In 1990 the exploration activity was carried out by Ma'aden Gold and drilled an additional 12 holes in the North Vein Zone of the mine.

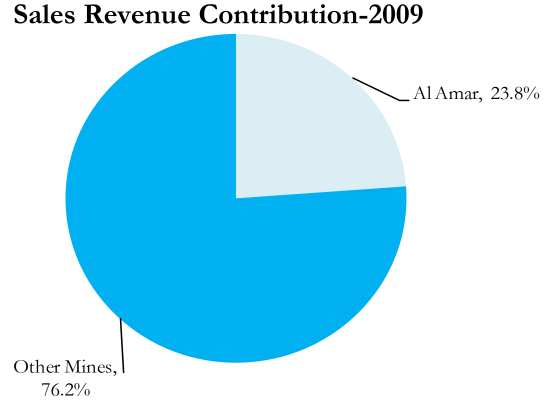
According to the given information in prospectus, we believe the commercial production from Al Amar mine has started in 2009. Based on our calculations, the mine has produced 42.0koz of gold (at gold recovery rate of 6.5 g/t Au) and contributed 24.6% in the company's overall gold production in 2009. Furthermore, the mine has contributed 23.8% in the company's overall sales revenue, during 2009.

Gold Production Contribution-2009



*Source: Company Reports & **Global** Research*

Sales Revenue Contribution-2009



*Source: Company Reports & **Global** Research*

We expect the mine will continue to process 200ktpa of ore till full utilization of estimated size of 1.9mn tons (adjusted with the estimated occurrence of indicated and inferred reserves).

Al Amar-Valuation

(SRmn)	2010(E)	2011 (E)	2012 (E)	2013 (E)	2014 (E)	2015 (E)	2016 (E)	2017(E)
Value of Remaining Reserves	282.1	323.6	351.5	370.1	387.6	404.1	423.1	341.2
Operating, Exploration & Other Cost	(120.3)	(148.6)	(156.5)	(161.6)	(172.0)	(167.8)	(173.3)	(151.9)
NWC	(6.1)	(16.5)	(3.2)	(0.6)	(0.8)	(0.2)	(0.2)	(0.2)
CAPEX	(2.9)	(2.8)	(3.1)	(3.9)	(4.9)	(5.3)	(5.6)	(5.9)
Net Value-Al Amar	**152.7**	**155.5**	**188.6**	**203.9**	**209.8**	**230.7**	**243.9**	**183.1**
Discounted-Net Value of Al Amar	**148.9**	**137.2**	**150.6**	**147.4**	**137.2**	**136.5**	**130.6**	**88.7**

NPV – Al Amar	**1,077.0**
Zakat – Discounted	**(82.9)**
Net Worth of Al Amar	**994.3**
Number Of Outstanding Shares(000)	925,000
Net Worth per share (SR)	**1.1***

*Source: **Global** Research * Fair value without net debt*

Based on our calculations, we believe Al Amar gold mine will last for 7.5 years and continue to produce gold at an average gold recovery rate (gold grade) of 7.5 g/t Au till 2017.

c) Bulghah Gold Mine

The pre-feasibility report was completed by Ma'aden in 1997. However, in 2000 the feasibility report from independent consultant suggested the construction of a open-pit mining operation. The construction at the mine was started in 2001, while the commercial operation was commenced in October 2002.

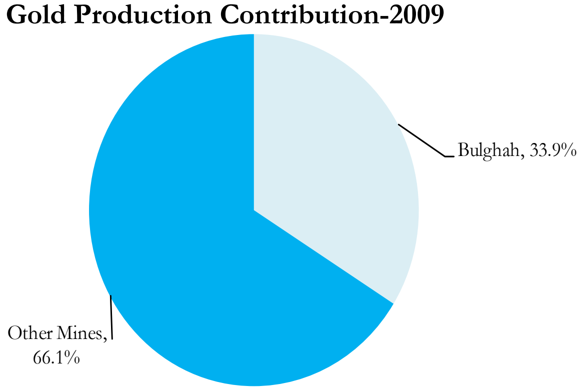
Key Indicators (2009)

Remaining ore reserves (kt)		12,129.0
Remaining mineral reserves (kt)		19,414.1
Gold grade	(g/t Au)	0.53
	(g/t Au Eq)	0.53
Processing	Capacity (ktpa)	4,500
	Processing Tonnage (ktpa)	3,400
Production	(koz Au)	57.4
	(koz Au Eq)	57.4

*Source: Prospectus & **Global** Research*

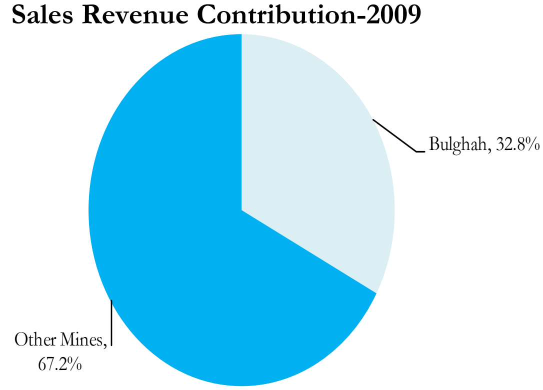
The mine's ore processing structure is based on two plants (i) Heap Leach facility at Bulghah to process low grade ore (<1.0 g/t Au) and (ii) Shukhaybarat CIL processing plant for higher grade (>1.0 g/t Au). Based on the given information, the production from mine has reached at 57.4koz of gold (at gold recovery rate of 0.53 g/t Au), which indicates the contribution of 33.9% in the company's overall gold production in 2009. Moreover, based on our calculation, the revenue generation form the mine in 2009 indicates the contribution of 32.8% in the company's overall revenue of SR634.4mn.

Gold Production Contribution-2009



*Source: Company Reports & **Global** Research*

Sales Revenue Contribution-2009



*Source: Company Reports & **Global** Research*

We expect the ore processing units of Bulghah ore at the mine and Shukhaybarat mine will continue to process 3,400kpta till 2013, which will lead the overall adjusted reserves in 2013 to reach at 7.7mn tons as compared to the estimated size of 21.3mn tons. Hence, this will lead the concerned processing unit to limit the processing tonnage 2,300ktpa and 547ktpa in 2014 & 2015, respectively.

Bulghah-Valuation

(SRmn)	2010(E)	2011 (E)	2012 (E)	2013 (E)	2014 (E)	2015 (E)
Value of Remaining Reserves	260.7	307.8	338.5	359.9	258.6	64.9
Operating, Exploration & Other Cost	(149.9)	(186.4)	(198.3)	(204.4)	(210.7)	(36.4)
NWC	(1.0)	(2.7)	(0.5)	(0.09)	(0.1)	(0.03)
CAPEX	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Net Value-Bulghah	**109.3**	**118.1**	**139.6**	**154.9**	**47.3**	**27.9**
Discounted-Net Value of Bulghah	**106.6**	**104.3**	**111.5**	**111.9**	**30.9**	**16.5**

NPV – Bulghah	**481.7**
Zakat – Discounted	**(82.9)**
Net Worth of Bulghah	**398.8**
Number Of Outstanding Shares(000)	925,000
Net Worth per share (SR)	**0.4***

*Source: **Global** Research * Fair value without net debt*

Based on our estimations, the estimated reserve size of Bulghah will last for 5.5 years and continue to produce gold at an average grade of 0.53g/t Au till 2015.

d) Al Hajar Gold Mine

Al Hajar gold mine is situated in Asir Province of KSA, located in the South of Riyadh. The mining operation including exploration, development and production was started in 1980s leading to the establishment of Heap Leap mining operation in 2001 along with the limited ore reserve base. In 2006, Ma'aden completed a technical study investigating the potential for re-crushing material stacked and leached up until Oct 2005, which commenced in 2007.

Key Indicators (2009)

Remaining ore reserves (kt)		703.0
Remaining mineral reserves (kt)		-
Gold grade	(g/t Au)	0.7
	(g/t Au Eq)	0.8
Processing	Capacity (ktpa)	750
	Processing Tonnage (ktpa)	720
Production	(koz Au)	15.0
	(koz Au Eq)	18.0

*Source: Prospectus & **Global** Research*

The given reserve size of 703.0kt and the processing tonnage of 720.0kt indicates the fully depletion of the mine remaining reserves by the end of 2010. Moreoever, we expect the mine will produce 15.0koz of gold at 0.7 g/t Au during 2010, while the mine is also expected to produce 129.0koz of Silver. Hence, the consolidated production from the mine will translate into 18.0koz Au Eq.

Al Hajar-Valuation

(SRmn)		2010(E)
Value of Remaining Reserves		76.9
Operating, Exploration & Other Cost		(26.4)
Net Value-Al Hajar		**50.5**
NPV – Al Hajar	**49.3**	
Zakat – Discounted	**(27.6)**	
Net Worth of Al Hajar	**21.6**	
Number Of Outstanding Shares(000)	925,000	
Net Worth per share (SR)	**0.02***	

*Source: **Global** Research * Fair value without net debt*

e) Developmental Mines & Advanced Exploration Properties (AEP)

Based on the given information, the company's developmental mines and AEP have been tested to have estimated mineral reserves of 103.2mn tons (this includes measured, indicated and inferred reserves). In our valuation, we have not taken any revenue generation from these mines since the commencement of commercial production has not been disclosed yet.

Developmental Mine
Ad Duwayhi
As Suk

Advanced Exploration Properties
Mansourah
Ar Rjum
Masarrah
Zalim

Developmental Mine & AEP -Valuation

(SRmn)		2010(E)
Value of Estimated Reserve Size		19,842.3
Operating, Exploration & Other Cost		(2,026.9)
NWC		(239.9)
CAPEX		(236.5)
Net Value	**17,338.7**	
Number of Years*	**18.0**	
NPV	**2,867.5**	
Number Of Outstanding Shares(000)	925,000	
Net Worth per share (SR)	**3.1****	

*Source: **Global** Research * Cumulative remaining life of developmental and AEP mines in years ** Fair value without net debt*

We have used estimated remaining life of developmental mine i.e. 9.5 years, which is based on the given ore processing facility and estimated size of reserves. However, we have taken 20 years useful life of the estimated size of reserve at AEP, which is based on the general life cycle of a mineral mine.

II) Phosphate Project - Overview & Valuation

The company's phosphate project is a 70-30 joint-venture between Ma'aden and SABIC, where the company's share is 70.0%. The project is design to extract related ore from Al-Jalamid mine's phosphate deposit and process it to get fertilizer-related and industrial products i.e. ammonia, DAP, sulphuric acid and phosphoric acid. The project is expected to commence its commercial operation in 4Q2010.

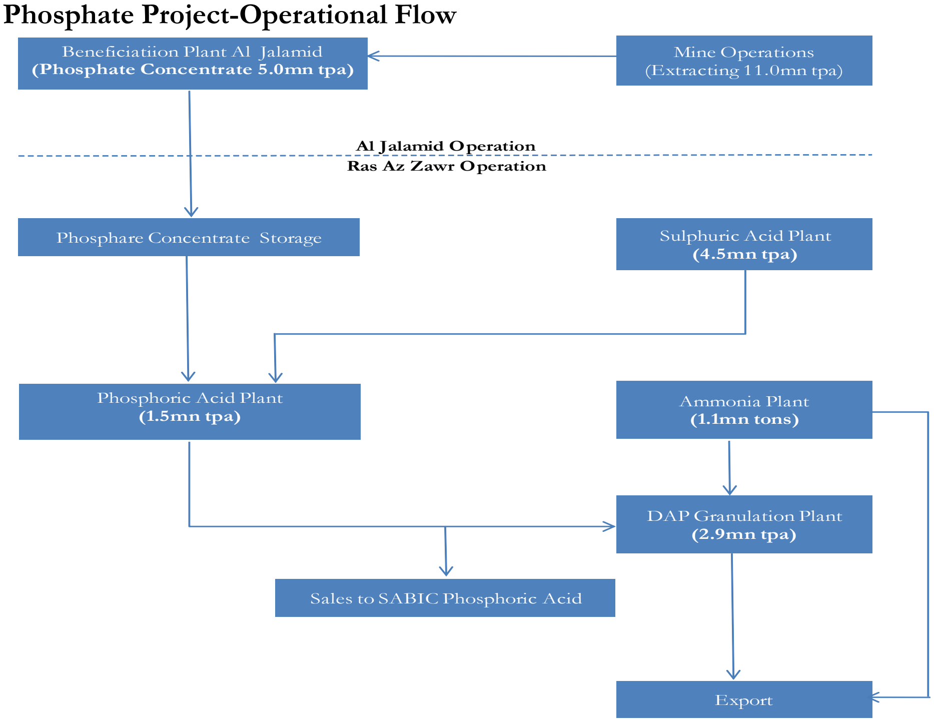
Al-Jalamid Mine - Mining Operation

The company's mining operation is based on the development of Al-Jalamid mine, which has the estimated reserve size of 223.3mn tons of phosphate rock i.e. ore. Based on the given information, the designed mining activities at the mine will lead the company to extract the required ore from the mine at the rate of 11.0mn tons per annum. Hence, we believe the given reserve size and extraction rate will lead the mine to remain operational for the next 20years.

Al-Jalamid Beneficiation & Ras Az Zawr Processing Facility - Operational Flow

Based on the given information, the extracted phosphate ore from Al-Jalamid deposit will shift to the beneficiation plant (processing capacity of 5.0mn tons per annum), where the sand and clay is separated from phosphate to get phosphate concentrate. The phosphate concentrate is then transferred to the chemical complex at Ras Az Zawr (RAZ) to produce 1.5mn tons of phosphoric acid by utilizing 4.5mn tons of sulphuric acid as a feed stock from in-house sulphuric acid plant. It is worth mentioning that around 89.3% of in-house phosphoric acid is design to use as a feedstock to produce 2.9mn tons of DAP, where DAP complex is also design to utilize around 60.0% of the in-house ammonia production as a feedstock. In addition, the company's ammonia complex is designed to produce 1.1mn tons of ammonia, using 32.3mmbtu of gas per year at subsidized rate of US$0.75 per mmbtu a feedstock.

Phosphate Project-Operational Flow



*Source: Company's Prospectus, SRK mineral export report 2007 & **Global** Research*

Furthermore, the completion of North-South Railway will connect Al-Jalamid to RAZ production facility and port will further strengthened the project's economies of scale in more efficient manner.

Al-Jalamid (Mining Operation) - Valuation

In order to value the net worth of Al-Jalamid, we have applied reserve based valuation to arrive at SR9.2. Moreoever, our reserve based valuation for the project is based on the following assumptions:

(i) The reserves value of the mine is based on the estimated remaining reserve after 2015, since we have already valued some part of estimated reserves size, which is expected to extract and process in order to generate revenue from industrial activities of the project, during 2010-15.
(ii) Long-term prices of phosphate rock is taken at US$130.0 per ton (SR488.0 per ton).
(iii) Operating and exploration costs are taken as 45.0% of the mine's overall reserve value.
(iv) CAPEX & NWC beyond 2015 is expected to increase by 10.0% (from our calculated 2015 CAPEX & NWC for the project's industrial operation) throughout the useful life of the mine.
(v) WACC is calculated at 8.3% with the capital structure of 65.0% debt and 35.0% equity.

Reserve Based Valuation

(SR mn)	
Phosphate Ore Reserves Size (mn tons)	223.3
Extraction Rate (mn tons)	11.0
Expected Life Of Mine	20.0
Remaining Reserves Years	**14.25**
Value of Reserves	76,415.6
Operating & Exploration Costs	(34,387.0)
CAPEX	(1,873.1)
NWC	(24.5)
Net Value Of Reserves	**40,131.0**
Net Discounted Value @ 2010	**8,467.5**
Shares Outstanding ('000)	925.0
Net Worth per share (SR)	**9.2***

*Source: **Global** Research * Fair value without net debt*

Industrial Operation- Valuation

We have used DCF base valuation methodology to value the project's industrial operation at RAZ and arrive SR2.0, which is based on the 5 years forecasted free cash flows (2010-15). Since we have already valued the expected remaining reserves after 2015, so we have not taken any terminal growth to value the project's industrial operation.

DCF Base Valuation

(SR Mn)		2010 (E)	2011 (E)	2012 (E)	2013 (E)	2014E	2015E
FCF		(994.5)	72.5	602.9	683.4	1,316.4	1,234.5
Discounted Cash Flow		(974.9)	65.7	503.9	527.3	937.8	812.1
Discounted Net Worth	**1,871.8**						
Shares Outstanding ('000)	925.0						
Net Worth per share (SR)	**2.0***						

*Source: **Global** Research * Fair value without net debt*

Consolidated Valuation - Overall Phosphate Project

By combing the calculated fair worth of the mining operation at Al-Jalamid mine and industrial operation at RAZ, we have arrived at the project's consolidated fair worth of SR11.2.

Consolidated Value Of Phosphate Project

	SR/share
Al-Jalamid Phosphate Mine Value	9.2
Industrial Activities Value	2.0
Consolidated Net Worth per share (SR)	**11.2***

*Source: **Global** Research * Fair value without net debt*

III) Aluminium Project - Overview & Valuation

The main focus of the project covers the development of bauxite (aluminium ore) deposit at Az-Zabirah mine and processing facility at RAZ, which includes the entire supply chain to produce aluminium metal i.e. 'mine to metal'. The project was initially carried out under joint venture with Canadian based Rio Tinto Alcan Company (Alcan Inc) and dissolved in Dec 2008 upon the declaration of Alcan Inc to change its role in the project and then its inability to finance its share. However, the company showed its intention to carry out this project on standalone basis. The company's standalone status was again modified with the formation of 60-40 joint venture with US based Alcoa Global Primary Product Company (Alcoa) to develop world class aluminium industry inside KSA. Later on in April 2010, Alcoa announced to cut its stake to 25.1% (from 40.0%), which has led the company to increase its share to 79.1% (from 60.0%). Moreoever, the commercial operation of the project is expected to start in two phases i.e. the commercial operation at the smelter and rolling mill will commence in 2013, while mine and refinery will come on stream in 2014.

Az-Zabirah Mine - Mining Operation

The mine is located near Quiba in the North, which has the estimated extraction rate of 4.0mn tons of bauxite over the period of 30 years from 2014. According to the company's 2009 presentation, the mine has mineral resources of over 250mn tons (proved, probable & possible) and mineral reserves of 200mn tons (proved). Hence, based on our calculations, the estimated reserve size of the mine is 120.0mn tons of bauxite. According to the given operational structure at mine, the bauxite ore will transfer to the processing facility at RAZ in rail road carts.

Ras Az Zawr - Industrial Operation

The industrial activities of the project is based on the processing of bauxite (aluminium ore) to alumina and then to aluminium metal product, which is located at RAZ. The company will installed the Bayer Process Technology (BPT) to process aluminium ore to get the desired alumina, which will further process to get aluminium metals. Moreoever, we believe the installation of BPR at the RAZ processing complex will strengthen the operational integration and allow the complex to maximize the utilization of in-house feedstock i.e. utilizing bauxite to produce alumina, which will further use for the production of aluminium metal. According to the given information, the processing facility at RAZ is designed to produce 1.8mn tons of alumina and 740,000 tons of aluminium. Furthermore, the excess production of alumina is expected to be sold out in international market.

Aluminium Project - Valuation

We have applied useful life of mine to value the company's aluminum project and arrive at the net worth per share of SR4.9.

Reserve Based Valuation

(SR mn)	
Reserve Size (mn ton)	**200.0**
Expected Useful Life	30.0 years
Value of Bauxite	9,900.0
Value of Alumina	65,587.5
Value of Aluminium	183,150.0
Total Value Of Reserve	**258,637.5**
Operating & Exploration Costs	(103,455.0)
NWC	(3,017.8)
CAPEX	(82,694.4)
Net Worth of Reserves	**69,470.2**
Net Discounted Value @ 2010	**4,496.2**
Shares Outstanding ('000)	925.0
Net Worth per share (SR)	**4.9***

*Source: **Global** Research * Fair value without net debt*

Our useful life valuation is based on the following key assumptions:

i) We are expecting the useful life of the mine for 30 years from 2014, which is based on the undisrupted supply of ore to processing plant at RAZ on back of discovered mineral reserves.
ii) We have used the standard conversion ratio of 2:1 for converting bauxite to alumina and alumina to aluminium metal. This has led us to get the expected volumetric production for the period of 30 years (start from 2014) from discovered mineral resources.
iii) We have taken expected long-term average prices per ton of bauxite, alumina and aluminium at US$40.0 (SR150.0), US$550.0 (SR2,062.5) and US$2,200.0 (SR8,250.0), respectively.
iv) WACC is calculated at 8.6%, which is based on the capital structure of 65.0% debt financing and 35.0% equity financing.

Since the commencement of commercial operation from this project is expected in 2014, so we have not taken any impact of future cash flows to value this project. Hence, in order to minimize uncertainty in our valuation, at present, we have not applied DCF base valuation methodology to value the project.

IV) Other Projects - Overview & Valuation

The company's other project mainly associated with the industrial operations rather than mining. Furthermore, for valuation, we have categorized the following projects under the company's other projects segment:

(i) ***Chlor-Alkali Project:*** A 50-50 JV with Sahara Petrochemical Company (Sahara), which is planned to produce 250,000 tons of caustic soda and 300,000 tons of ethylene di-chloride (EDC). Furthermore, according to the given information, most of the company's caustic soda will utilize as a feedstock for aluminium refinery. The project is expected to commence its commercial operation in mid 2011.
(ii) ***Magnesite Project:*** The project is operationally well-integrated, which will collect high-grade magnesite ore from Zarghat mine to process the high-value magnesia products.
(iii) ***Kaolin & Low Grade Project:*** The project has a design capacity to produce (a) 50,000 tons of Kaolin, a feedstock for alumina project and (b) 250,000 tons of low grade bauxite use as a feedstock for cement.

In order to value the company's other projects we have taken the following key assumptions:

(i) Terminal value assumed at 3.0%.
(ii) WAAC is calculated at 10.5%, which is based on the capital structure of 30.0% debt financing and 70.0% equity financing.

DCF Based Valuation

(SR Mn)		2010 (E)	2011 (E)	2012 (E)	2013 (E)	2014E	2015E
FCF		(95.4)	13.7	136.1	137.9	150.4	149.9
Discounted Cash Flow		(93.1)	12.1	108.7	99.6	98.3	88.7
Terminal Value	**2,054.0**						
Primary Value	**314.5**						
Discounted Terminal Value	**1,215.7**						
Net Worth	**1,530.2**						
Shares Outstanding ('000)	925.0						
Net Worth per share (SR)	**1.7***						

*Source: **Global** Research * Fair value without net debt*

Based on our valuation, we have combined the expected cash flows from above mentioned projects and applied DCF methodology to arrive at the fair worth of SR1.7.

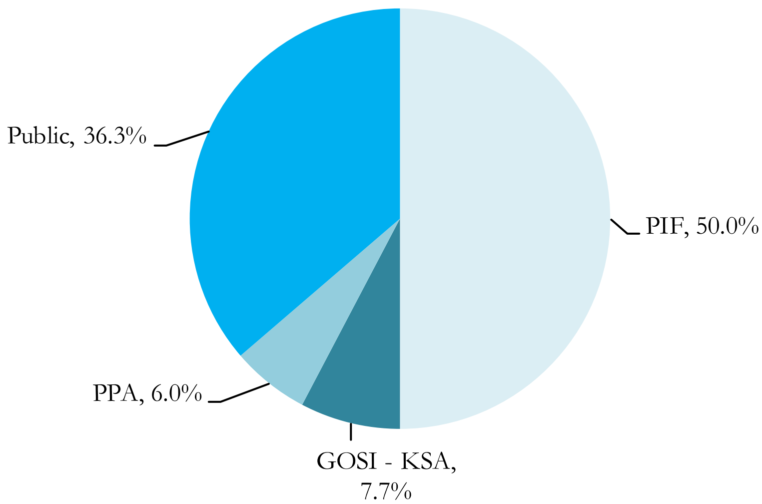
Saudi Arabian Mining Company (Ma'aden)

Introduction

Saudi Arabian Mining Company (Ma'aden) was formed as a Saudi joint stock company in March 1997 with the aim to facilitate the exploration and production of un-discovered reserves of precious metals and other mineral resources. Moreoever, the company is also focusing to become a world class international mineral resource company.

Ma'aden was listed on local bourse in July 2008 after the initial public offering (IPO) of 462.5mn shares, representing 50.0% of the total outstanding shares at an offer price of SR20.0 per share each with the premium of SR10.0 per share.

Ma'aden Ownership Structure



Source: Zawya

In terms of its ownership structure 63.7% of the company is owned by government based organizations, where Public Investment Fund (PIF) holds 462.5mn share (50.0%), General Organization for Social Insurance (GOSI) has 71.2mn (7.7%) shares and Public Pension Agency (PPA) owns 55.5mn shares (6.0%).

Ma'aden Operations

The company's core operational activity is based on the exploration and development of precious metals and mineral resources inside the Kingdom of Saudi Arabia. Over the period of past several years the company's commercial operation is based on gold mining, where the mining operation was heavily relied on Mahd Ad Dahab, Al Amar Bulghah, Al Hajar, and Shukhaybarat. However, in the view to strengthen gold business the company has 6 newly explored mines i.e. AEP from where the commercial operation has not been started yet.

In accordance with the company's focus to become the world class mineral resource company, the company has started to expand its mining operation from gold and related precious metals (silver, zinc, copper and lead) to other well-integrated metal processing operations. Therefore, the company's operational expansion is mainly based on establishing well-integrated refineries and other processing units to produce value added products like (i) industrial (i.e. aluminium, sulphuric and phosphoric acid) and (ii) fertilizer (DAP) from the basic mineral resources (i.e. bauxite and phosphate).

Ma'aden Subsidiaries & Joint Ventures (JV)

In order to attain the maximum benefit of well diversified operation, the company has established separate entity i.e. four wholly-owned subsidiaries and two JVs to handle the each operation effectively.

Ma'aden Subsidiaries

i) **Ma'aden Aluminium Company (MAC)**: MAC is under developmental phase and expected to start its commercial operation in 2013. The wholly-owned subsidiary is established to carry out the aluminium project, which include the transformation of bauxite ore to alumina (intermediary) to aluminium (final metal). Ma'aden has 100.0% stakes in MAC.

ii) **Ma'aden Gold & Base Metal Company (MGC)**: The company is wholly-owned by Ma'aden and focus to extract and process gold ore & other associated mineral resources (zinc, copper and lead) and shipped it to third party.

iii) **Ma'aden Industrial Minerals Company (MIMC)**: This company is established to look after the industrial mineral projects i.e. Magnesite and low grade bauxite & Kaolin project. MIMC is the wholly-owned subsidiary of Ma'aden.

iv) **Maaden Infrastructure Company (MIC)**: To carry out the developmental activities on under-developed mines, including railway line and other infrastructure activities. Ma'aden hold 100.0% stakes in MIC.

v) **Maaden Phosphate Company (MPC)**: To carry out the phosphate company, which is expected to commence its commercial operation in late 2010. Furthermore, MPC is 30-70 JV between Saudi Basic Industries Corporation (SABIC) and Ma'aden, respectively.

vi) **Arab Chlorophyll Company (ACC)**: 50-50 JV between Sahara Petrochemical Company and Ma'aden to produce value added petrochemicals i.e. caustic soda and Ethyl Di Chloride (EDC). This JV is expected to commence its commercial operation in mid 2011.

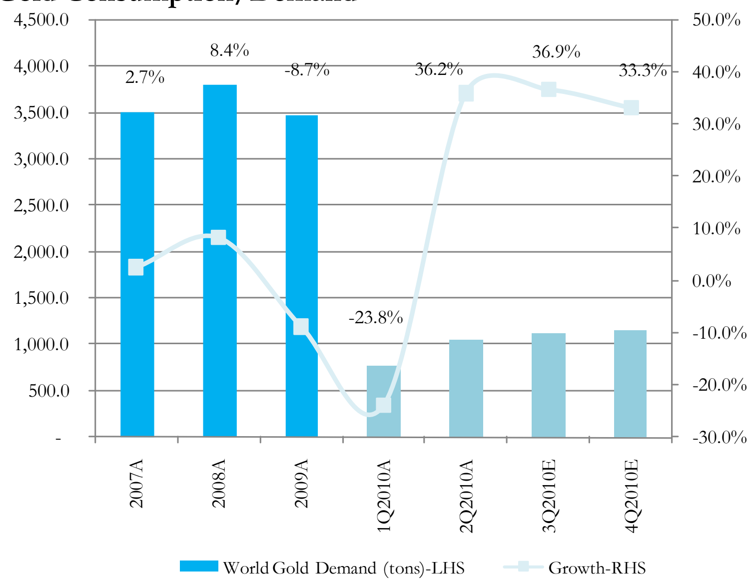
*Source: Company, Zawya & **Global** Research*

It is worth mentioning that majority of the precious metal & mineral resource mining operations are done by wholly-owned subsidiary, which indicates the company's focus to rely on its own mining expertise. However, the activities other than mining (i.e. petrochemical, DAP, sulphuric acid and phosphoric acid) are carried out from JV.

Gold Industry - Overview & Outlook

The given gold market statistics in World Gold Council (WGC) indicates that during 2008-09 investment in gold (net retail investments and ETFs & similar) remained the key factor to determine the growth direction of the world's gold demand. According to WGC 2Q2010 demand trend, the world's gold supply and demand in 2009 was recorded at 4,024.0 tons and 3,480.0 tons as compared to 3,605.0 tons and 3,811.0 tons in 2008, respectively. In addition, the investment in gold had shown sharp decline in 2Q2009 from 614.0 tons to 246.0 tons in 3Q2009, which was mainly due to the expected recovery in the global economy during 2H2009, which had not happened yet. However, the unexpected European crisis in 2Q2010 has again led the diversion of investment to gold, which has translated into the growth of 160.5% to 534.0 tons 2Q2010 in gold investment, while the growth in consumption of gold for jewelry uses and industrial & dental uses remained mix.

Gold Consumption/Demand



*Source: World Gold Council & **Global** Research*

Moreoever, rising trend of investment in gold has led to change the world's gold demand composition, through improvement in share from investment and reduction in share of demand from domestic consumption (jewelry purpose).

World's Gold Demand Composition

Sources	2007A		2008A		2009A		1H2010A		2010E	
	Tons	Share	Tons	Share	Tons	Share	Tons	Share	Tons	Share
Jewelry Consumption	2,398.8	68.2%	2,193.0	57.5%	1,759.0	50.5%	879.7	48.1%	1760.1	42.9%
Industrial and Dental	461.0	13.1%	440.0	11.5%	373.0	10.7%	210.2	11.5%	427.4	10.4%
Investments	656.0	18.7%	1,178.0	30.9%	1,348.0	38.7%	739.0	40.4%	1,919.7	46.7%
Total	**3,516.4**	**100.0%**	**3,811.0**	**100.0%**	**3,480.0**	**100.0%**	**1,828.9**	**100.0%**	**4,107.2**	**100.0%**

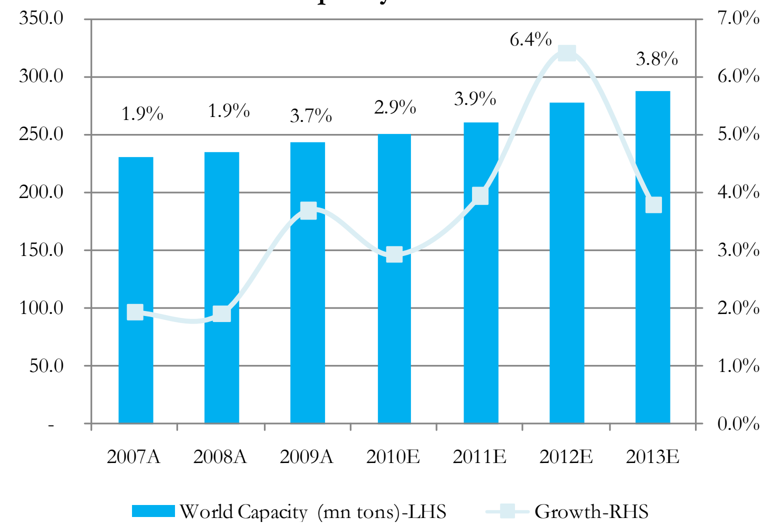
*Source: World Gold Council & **Global** Research*

Going forward, the world's overall gold demand is expected to increase at a CAGR of 10.3%, during 2009-13, which will be mainly driven from investment activities rather than domestic and industrial uses. However, improvement in global economy is the major risk factor associated with the expected growth in the world's gold demand.

Fertilizer Industry - Overview & Outlook

According to Food & Agriculture Organization (FAO), the world's basic fertilizer capacity (ammonia, phosphoric acid and potash) has increased at a CAGR of 2.8%, during 2007-09, and recorded at 243.1mn tons by the end of 2009. Subsequently, this has led the production to increase at a CAGR of 1.5%, during 2007-09, and recorded at 221.9mn tons against the increase in the demand at a CAGR of 0.3% to reach at 198.1mn tons in 2009. Furthermore, the given information indicates that the shortage of fertilizer product is based on two factors; (i) shortage on local level, which has triggered the import option and (ii) product basis i.e. limited capacity to produce urea and DAP.

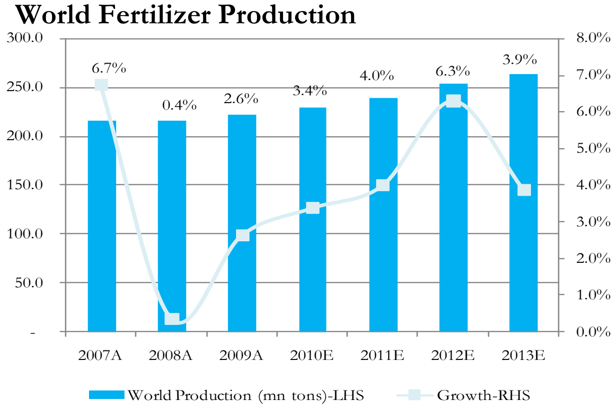
World Basic Fertilizer Capacity



*Source: FAO(World Fertilizer Trends & Outlook 2013) & **Global** Research*

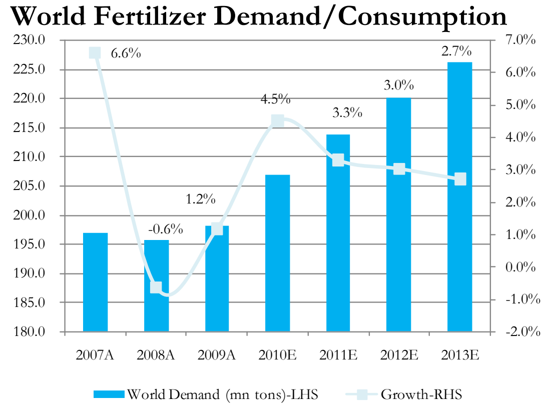
Going forward, based on FAO estimates, the Latin American, Africa and Middle East (especially GCC and Egypt) regions will be the major driver of expected growth in the fertilizer sector's capacity around the global, which is expected to increase at a CAGR of 4.3%, during 2009-13 to 287.2mn tons in 2013. We believe the expansion in capacity in these regions is mainly based on (i) balancing the local demand-supply i.e. Latin America, (ii) utilizing the benefit of feedstock gas availability at highly subsidize price i.e. Middle East & Africa and (iii) diversified export portfolio i.e. Middle East (especially GCC).

World Fertilizer Production



*Source: FAO & **Global** Research*

World Fertilizer Demand/Consumption



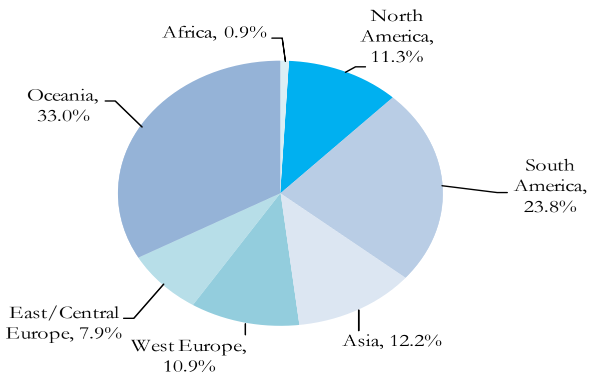
*Source: FAO & **Global** Research*

In addition, based on FAO estimates, the fertilizer production will increase at a CAGR of 4.4%, during 2009-13, while the demand will increase at a CAGR of 3.4%, during 2009-13.

Aluminium Industry - Overview & Outlook

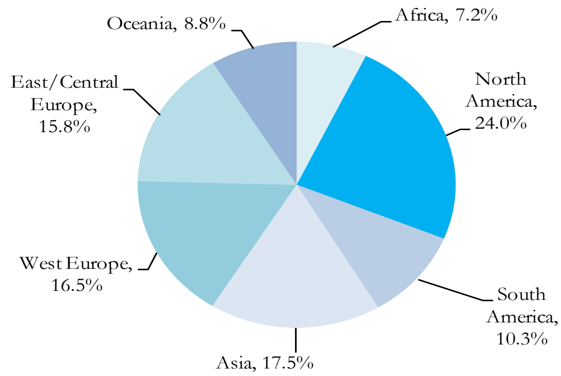
According to International Aluminium Institute (IAI), the world's capacity to process bauxite ore for the production of alumina (major feedstock to produce aluminium), in 2009, was recorded at 61.6mn tons of which Oceania region has contributed the most followed by South American region. Hence, this indicates that these regions remained the major exporters of alumina to the countries having capacity to process aluminium.

World Alumina Capacity Regional Contribution 2009



*Source: IAI & **Global** Research*

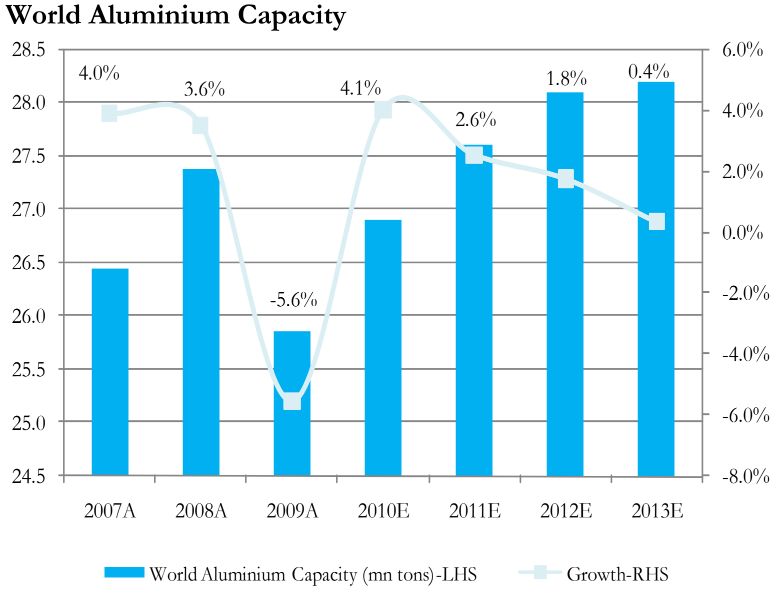
World Aluminium Capacity Regional Contribution 2009



*Source: IAI & **Global** Research*

On the other hand, the capacity to produce aluminium around the globe was recorded at 25.9mn tons in 2009. Most of the aluminum processing capacities are located in North American region and Asian region (including Middle East region).

World Aluminium Capacity

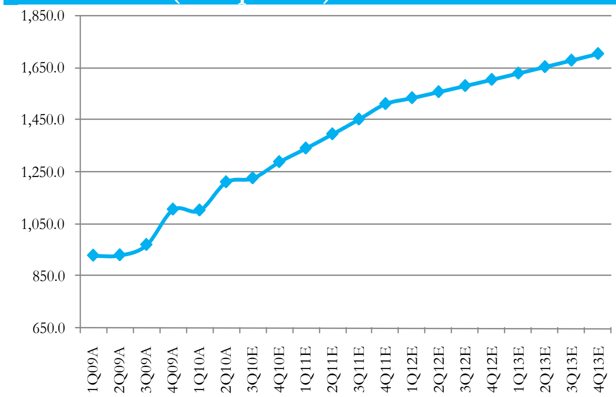


*Source: IAI & **Global** Research*

Based on our estimations, the world capacity to produce alumina is expected to increase at 2009-13 CAGR of 2.7%, during 2009-13, to 68.6mn tons in 2013, which will be enough to support the rising global capacity to produce aluminium at a CAGR of 2.1%, during 2009-13 to 23.8mn tons in 2013. It is noteworthy that according to IAI estimates most of the future capacity expansions are expected in Asian region, which will lead the region to obtain the leading position with the rise in contribution to 23.8% with subsequent decline in contribution from North American region to 21.0% in 2013.

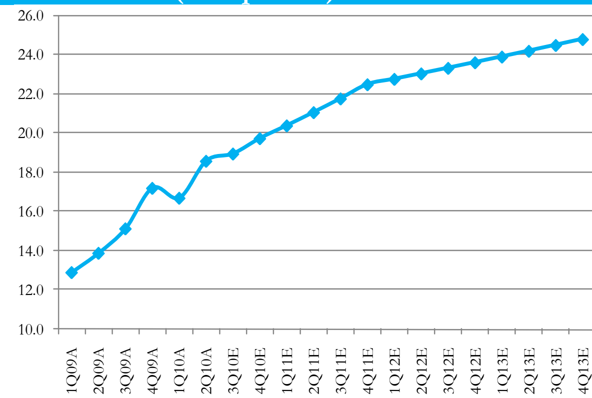
Price Analysis

Gold Prices (US$ per Oz)



*Source: Bloomberg, WGC & **Global** Research*

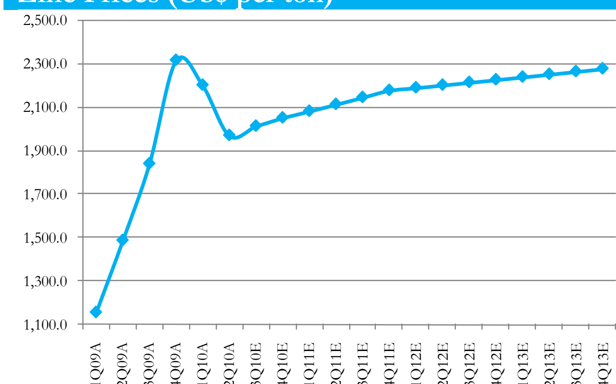
Silver Prices (US$ per Oz)



*Source: Bloomberg, & **Global** Research*

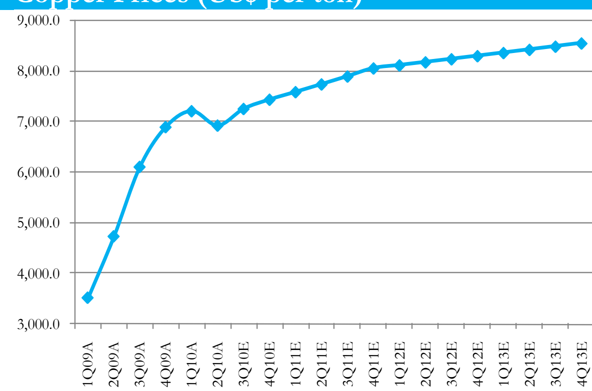
Based on our expectations, the average prices of gold will remain in the range of US$1,250.0-US$1,300.0 per oz in 2010 and continue its upward trend in future. Moreoever, long-term average price range is expected at US$1,650.0-1,700.0 per oz, during 2010-17. On the other hand, the average prices of silver is expected to remain in the average range of US$17.5-US$18.5 per oz in 2010. The long term average prices for silver is expected to remain in the range of US$23.5-US$25.0 per oz, during 2010-17.

Zinc Prices (US$ per ton)



*Source: Bloomberg & **Global** Research*

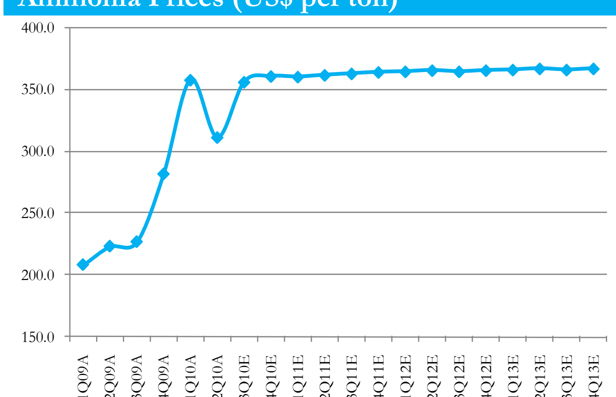
Copper Prices (US$ per ton)



*Source: Bloomberg & **Global** Research*

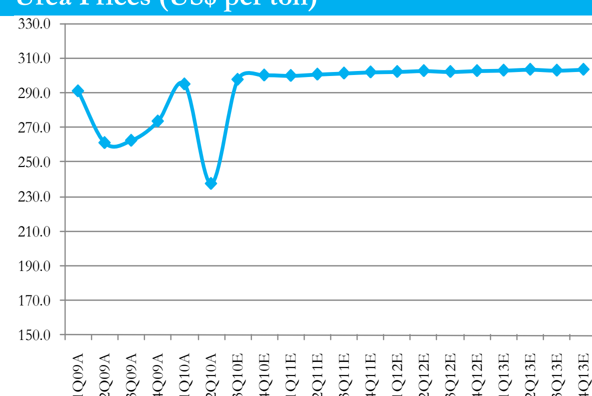
The average prices per ton of zinc and copper are expected to remain in the average range of US$1,950.0-US$2,100.0 and 7,150.0-US$7,250.0 in 2010. However, we are expecting stability in the average prices of zinc &copper, which will lead the average prices to make gradual increase on long-term basis. Based on our expectations, the long-term average prices per ton of zinc and copper are expected to remain in the range of US$2,200.0-US$2,300.0 and US$8,500.0-8,650.0, during 2010-17.

Ammonia Prices (US$ per ton)



*Source: Bloomberg & **Global** Research*

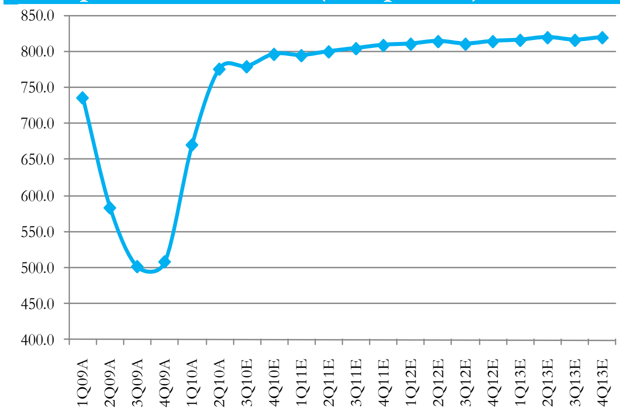
Urea Prices (US$ per ton)



*Source: Bloomberg & **Global** Research*

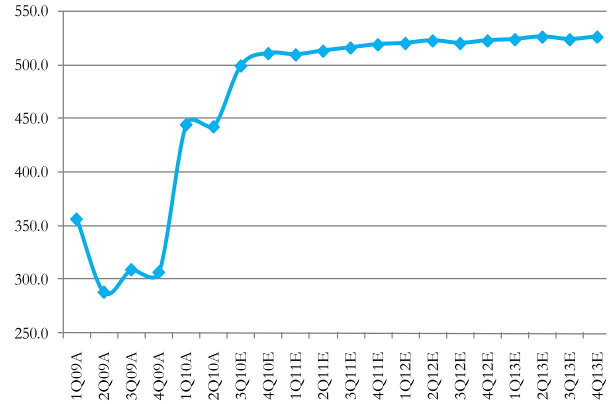
We expect the forecasted decline in demand of imported fertilizer on the back of higher upcoming capacities in major importing areas, which will lead to stabilize the average prices of fertilizer products i.e. ammonia, urea, DAP and phosphoric acid. Hence, the long-term average prices per ton of ammonia and urea are expected to remain in the range of US$350.0-US$400.0 and US$300.0-US$325.0, respectively, during 2010-17. Moreoever, in 2010, we expect the average prices of urea and ammonia will remain in the range of US$325.0-US$350.0 per ton and US$275.0-US$300.0 per ton, respectively.

Phosphoric Acid Prices (US$ per ton)



*Source: Bloomberg & **Global** Research*

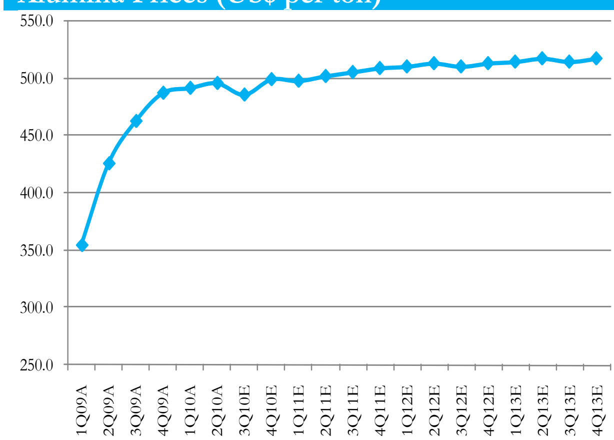
DAP Prices (US$ per ton)



*Source: Bloomberg & **Global** Research*

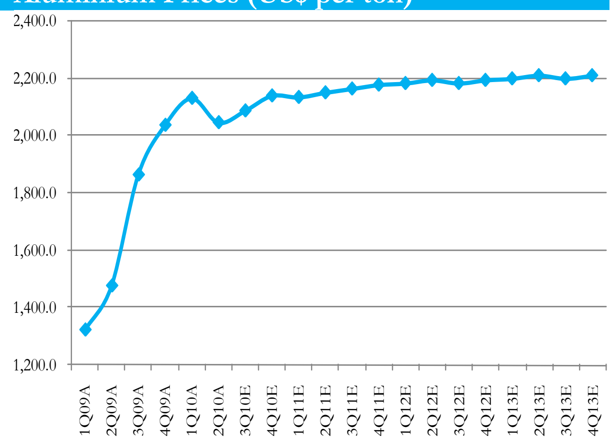
The average prices of phosphoric acid are expected to remain in the average range of US$725.0-US$760.0 per ton in 2010, while the long-term average prices of phosphoric acid is expected to remain in the range of US$800.0-US$850.0 per ton, during 2010-17. However, the average prices of DAP is expected to remain in the range of US$450.0-US$500.0 per ton in 2010, on the other hand, and the long-term average prices are expected to remain in the range of US$500.0-550.0 per ton, during 2010-13.

Alumina Prices (US$ per ton)



*Source: Bloomberg & **Global** Research*

Aluminium Prices (US$ per ton)



*Source: Bloomberg & **Global** Research*

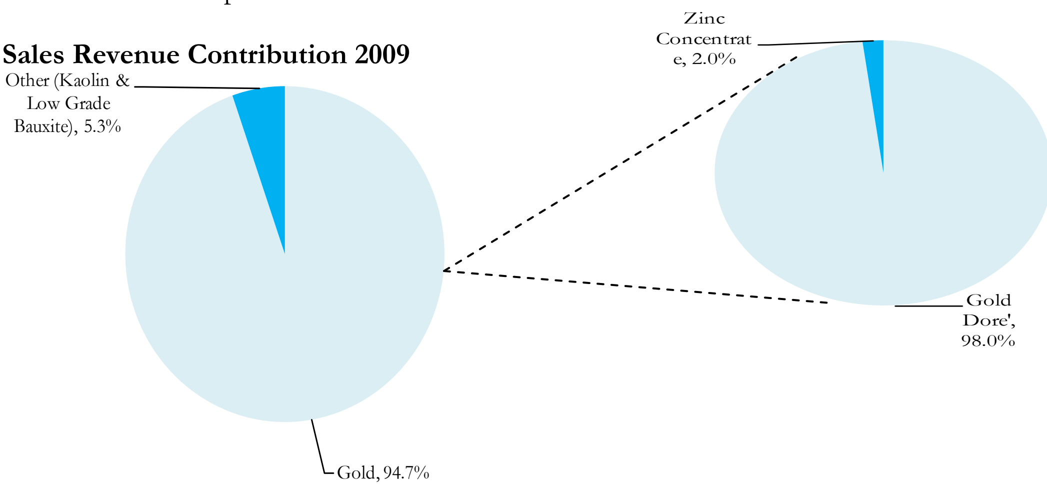
We expect the average prices of alumina and aluminium will remain in the range of US$475.0-US$500.0 per ton and US$2,050.0-US$2,150.0 per ton in 2010, respectively. Furthermore, the long-term price per ton of alumina and aluminum will remain in the average range of US$500.0-550.0 per ton and US$2,150.0-2,250.0 per ton, during 2010-17.

Ma'aden - Financial Overview & Forecasts

Upcoming Projects - Expanding existing production capacity & growth in sales revenue

The company has recorded the sales revenue growth of 37.9%, during 2009, over the sales revenue of SR460.2mn in 2008. It is worth motioning that 94.7% of the company's sales revenue in 2009 was based on the gold business i.e. sales of refined gold and concentrated zinc metal. However, the remaining sales revenue of 5.3% was based on the revenue generation from kaolin & low grade bauxite project. In addition, the growth in the company's sales revenue was mainly due to (i) YoY increase of 27.1% in the volumetric sales of gold to 162.4 kilo ounce (koz), (ii) the improvement in the average prices of gold from US$878.9 per oz in 2008 to US$1,196.9 per oz and (iii) commencement of production from Al Amar mine.

Sales Revenue Contribution 2009



*Source: Company Annual Report 2009 & **Global** Research*

Going forward, the expected completion of upcoming (i) phosphate project in 4Q2010, (ii) aluminium project in 2014 and (ii) other industrial projects in later 2011 will lead to expand the company's existing production capacity (mainly based on gold) to wide range of products from metals to industrial and other value added products. Hence, we believe, this will lead the company to strengthen its (i) ability to stabilize its sales revenue and (ii) expertise to manage risks associated with the particular product i.e. price & demand and expansion cost. Moreoever, we believe the planned expansion is in-accordance with the company's strategy to become the world class mineral resource company.

Upcoming Capacities & Expected Utilization Rate

	Capacity	Expected Commencement	Capacity Utilization Expected			
			2010E	2011E	2012E	2013E
Ammonia (tons)-**Phosphate Project**	1,100,000	4Q2010	60.0%	82.5%	100.0%	100.0%
Phosphoric Acid (tons)-**Phosphate Project**	1,500,000	4Q2010	60.0%	82.5%	100.0%	100.0%
Sulfuric Acid (tons) -**Phosphate Project**	4,500,000	4Q2010	60.0%	82.5%	100.0%	100.0%
DAP (tons)-**Phosphate Project**	2,900,000	4Q2010	50.0%	73.8%	90.0%	90.0%
Kaolin (tons)-**Other Projects**	50,000	2008	100.0%	100.0%	100.0%	100.0%
Low/Cement Grade Bauxite (tons)-**Other Projects**	250,000	2008	100.0%	100.0%	100.0%	100.0%
Caustic Soda (ton)-**Other Projects**	250,000	3Q2011	90.0%	94.0%	100.0%	100.0%
EDC (tons)-**Other Projects**	300,000	3Q2011	95.0%	99.0%	100.0%	100.0%
Bauxite-**Aluminum Project***	4,000,000	2014				
Aluminum (tons)-**Aluminum Project***	1,800,000	2014				
Aluminum (tons)-**Aluminum Project***	740,000	2014				

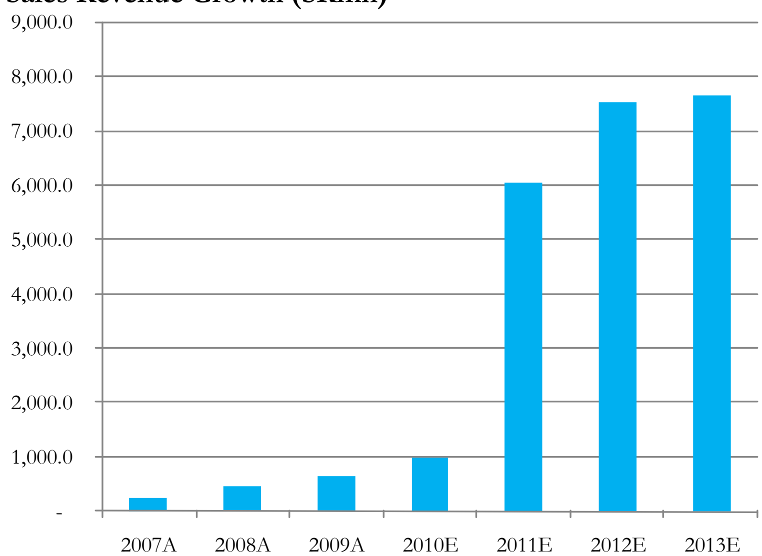
*Source: Company's prospectus & **Global** Research * Not forecasted during 2010-13.*

Based on the given operational structure of phosphate project, entire production of sulphuric acid will use as a feedstock to produce phosphoric acid, while 89.3% of phosphoric acid will use as a feedstock to produce DAP. However, DAP complex will consume 60.0% of in-house ammonia production to produce 2.9mn tons of DAP. Hence, this indicates that the company from phosphate project will be able to sell DAP and excess in-house fertilizer products i.e. 40.0% ammonia and 10.7% of phosphoric acid in international markets.

In addition, the given operational structure of the project will allow phosphoric, sulphuric acid and ammonia complexes to fully utilized the designed capacity once phosphate project will start full-fledge commercial operation in 2Q2011. However, the capacity utilization at DAP complex is expected to remain below 100.0% on account of the anticipated commencement of ongoing expansions in key importing regions, which will lead to restrict the capacity utilization at DAP and urea complexes worldwide below 100.0% from 2011 onwards.

We have not anticipated any revenue generation from aluminium project, during 2010-13, which is scheduled to come online in 2014. Therefore, the company's future sales revenue growth, during 2010-13, is mainly based on the (i) existing gold business & partial other projects i.e. kaolin & low-grade bauxite project and (ii) upcoming phosphate & partial other projects i.e. Chlor Alkali project. Based on our estimations, the commencement of commercial operation from the company's phosphate project in 4Q2010 will translate into the sales revenue growth of 57.7% over the revenues of SR634.4mn recorded in 2009.

Sales Revenue Growth (SRmn)



*Source: Company Annual Reports & **Global** Research*

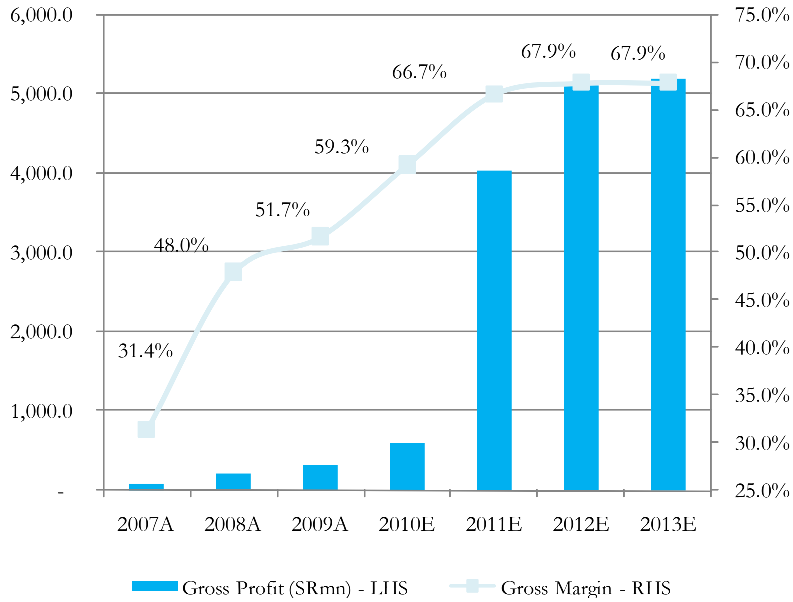
However, we believe the incorporation of full year impact of phosphate project will make tremendous growth in the company's sales revenue in 2011, which will lead the company's top line to increase at a CAGR of 86.4% during 2009-13 to reach at SR7.7bn. Moreover, based on our estimations, the revenue from phosphate project will make the contribution of 81.8% in the company's total sales revenue of SR6.0bn in 2011.

Improving Gross Margins

The company recorded gross profit of SR328.2mn in 2009, which is translated into the gross margin of 51.7% as compared to 48.0% recorded in 2008. The improvement in company's gross margin was mainly due to the improvement in the average prices of gold and by-products in 2009, which has effected in two ways (i) translated into inventory gain in form of higher value of finished goods as appeared in the company's balance sheet at SR90.5bn as compared to SR75.7bn in 2008 and (ii) increase in revenues from old gold mines with limited increase in operational cost. Moreover, we cannot rule out the impact of commencement of full-fledge commercial operation from Al Amar gold mine, which has also diluted the impact of associated costs.

We believe the well-integrated upcoming projects will enable the company to expand its core operational focus from mining to refining & processing of ore. Hence, this will lead the company to attain higher economies of scales among the new operations and translate into the improvement and stability in future's gross margin. Moreoever, the revenue generation from the upcoming projects will also lead to dilute the associated cost of respective project. Based on our expectations, the company's gross margin is expected to show improvement and increase from 51.7% in 2009 to 67.9% in 2013.

Gross Profit



*Source: Company Annual Reports & **Global** Research*

However, the company's gross margin is expected to remain same, during 2012-13, which is based on the (i) incorporation of initial cost of aluminium project in 2013, which is expected to commence operation in 2014 and (ii) stability in the capacity utilization at phosphate project on account of completion of ongoing expansion in fertilizer major importing countries, which will lead to reduce the dependence on imported fertilizers world-wide.

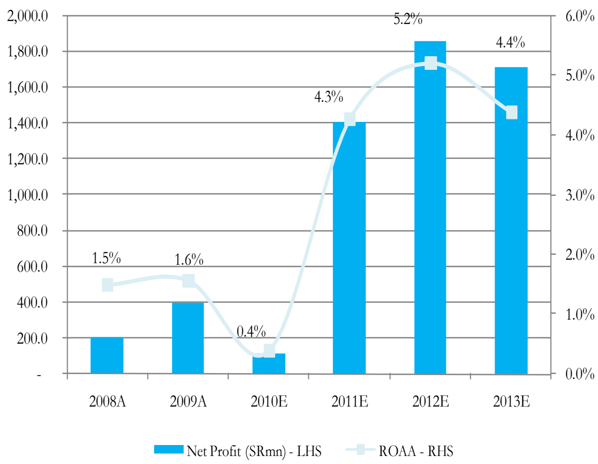
New Mineral Mines - Higher exploration costs

The company is practicing full cost accounting method for exploration activity, under which the company capitalizes all the expenses incurred in exploring the mine and if discovery is successful then amortize over the period of time. Hence, this indicates the increase in exploration cost which lead to increase in amortization cost. According to the given information, we expect the company has to develop mineral mines in order to execute its expansion plans, since the major focus of the company's expansion is on the entire supply chain i.e. from mining to refining and processing to get desire product or metal. This indicates that the company has to develop new mineral mines, which will be translated into higher exploration cost. Based on our expectations, the company's exploration cost is expected to increase at a CAGR of 42.4%, during 2009-13, to SR253.5mn in 2013, where the expected increase in the exploration cost is mainly associated with newly developed Al-Jalamid mine during 2011-12 and under developed Az-Zabirah mine during 2012-13.

Profitability Growth

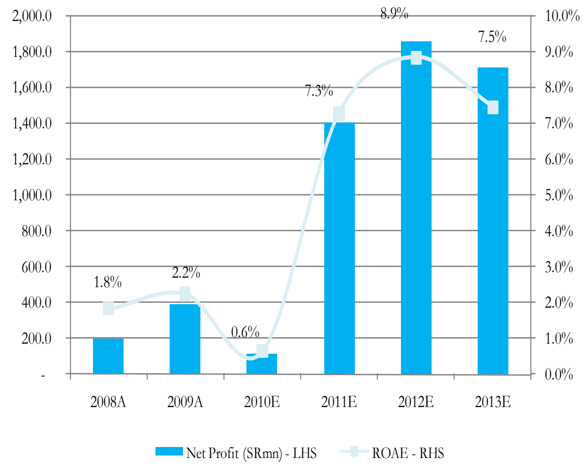
The company recorded after tax profit of SR394.7mn (EPS: SR0.43), which shows the remarkable growth of 94.1% over the profitability recorded in 2008. The bottom line growth was mainly based on the (i) full year impact of commencement of commercial operation from Al Amar gold mine and (ii) higher other income of SR299.7mn, which was received from Alcoa Inc. as an entry fees to participate in the development of aluminium production facility in Saudi Arabia. On the other hand, the company's e 9M2010 after tax profit has reached at SR51.7mn (EPS: SR0.06) by the end of Sep 2010.

Profitability & ROAA



*Source: Company reports & **Global** Research*

Profitability & ROAE



*Source: Company reports & **Global** Research*

We believe the expected decline in the company's other and investment income and increase in operating cost (during 3Q2010) will overshadow the impact of commencement of phosphate project in 4Q2010 on 2010 bottom line. Hence, this will lead the company's profitability to show a decline of 69.9% to SR118.7mn (EPS: SR0.12) in 2010. However, going forward, the company's after tax profit is expected to increase at a CAGR of 44.4%, during 2009-13, to SR1.7bn in 2013.

Balance Sheet			Saudi Arabian Mining Company (MA'ADEN)				
SR 000	**2007**	**2008**	**2009**	**2010E**	**2011E**	**2012E**	**2013E**
Current Assets							
Cash & Cash Equivalents	595,937	4,144,850	3,371,138	4,403,152	4,267,074	4,326,828	4,491,119
Short - Term Investments	2,099,000	7,189,991	8,148,346	8,555,763	8,641,320	8,727,734	8,815,011
Accrued Investments Income	60,463	93,009	21,728	22,163	22,606	23,058	23,519
Trade & Other Receivables	207,511	21,056	31,561	50,019	302,442	377,516	574,498
Inventories	110,584	166,715	205,759	264,719	1,309,027	1,575,108	1,597,115
Advances & Prepaid Expenses	82,408	752,996	291,740	101,815	201,389	242,324	245,710
Other Receivables	-	61,046	61,046	64,098	67,303	70,668	74,202
Total Current Assets	**3,155,902**	**12,429,663**	**12,131,318**	**13,461,730**	**14,811,162**	**15,343,236**	**15,821,174**
Non-Current Assets							
Long-Term Receivables	61,046	66,016	-	-	-	-	-
Advances & Prepaid Expenses	1,815,797	-	18,940	19,887	20,881	21,925	23,021
Property, Plant & Equipment	341,278	7,052,775	14,143,564	15,016,890	16,246,026	18,447,439	21,526,005
Pre-Operating Expenses & Deferred Charges	474,371	1,809,990	2,935,875	3,082,668	3,236,802	3,398,642	3,568,574
Total Non-Current Assets	**2,692,492**	**8,928,782**	**17,098,379**	**18,119,445**	**19,503,708**	**21,868,006**	**25,117,601**
Total Assets	**5,848,393**	**21,358,444**	**29,229,697**	**31,581,175**	**34,314,870**	**37,211,242**	**40,938,775**
Liabilities & Equity							
Current Liabilities							
Projects & Other Current Payable	146,653	2,428,536	623,461	61,089	302,083	363,486	368,565
Accrued Expenses	105,884	1,082,614	968,640	1,017,072	1,067,926	1,174,719	1,350,926
Zakat Payable	-	-	268,561	281,989	296,088	310,892	326,437
Severance Fees Payable	-	61,728	45,143	45,594	46,050	46,511	46,976
Total Current Liabilities	**252,536**	**3,572,878**	**1,905,804**	**1,405,744**	**1,712,147**	**1,895,608**	**2,092,904**
Non-Current Liabilities							
Deferred Revenue	-	-	-	-	-	-	-
Provision For Mine Closure & Reclamation	54,853	66,145	91,294	95,858	100,651	105,684	110,968
End-Of-Service Indemnities	56,859	72,451	84,988	89,237	93,699	98,384	103,303
Long-Term Borrowing	-	820,000	8,782,998	11,417,898	12,331,329	13,071,209	14,770,466
Total Non-Current Liabilities	**111,712**	**958,596**	**8,959,280**	**11,602,993**	**12,525,680**	**13,275,277**	**14,984,738**
Total Liabilities	**364,249**	**4,531,475**	**10,865,084**	**13,008,737**	**14,237,827**	**15,170,885**	**17,077,642**
Equity							
Share Capital	4,000,000	9,250,000	9,250,000	9,250,000	9,250,000	9,250,000	9,250,000
Share Premium	-	5,250,000	5,250,000	5,250,000	5,250,000	5,250,000	5,250,000
Statutory Reserves	183,180	203,518	242,996	254,867	395,971	582,477	754,239
Government Grant		-	-	-	-	-	-
Retained Earnings	1,300,965	1,484,009	1,839,313	1,946,152	3,216,083	4,894,641	6,440,494
Total Shareholders' Equity	**5,484,144**	**16,187,528**	**16,582,310**	**16,701,019**	**18,112,054**	**19,977,119**	**21,694,732**
Minority Interest	-	639,442	1,782,303	1,871,418	1,964,989	2,063,239	2,166,401
Total Equity	**5,484,144**	**16,826,970**	**18,364,613**	**18,572,438**	**20,077,043**	**22,040,357**	**23,861,133**
Total Liabilities & Shareholders' Equity	**5,848,393**	**21,358,444**	**29,229,697**	**31,581,175**	**34,314,870**	**37,211,242**	**40,938,775**

*Source: Company Reports & **Global** Research*

Income Statement	Saudi Arabian Mining Company (MA'ADEN)						
SR 000	**2007A**	**2008A**	**2009A**	**2010E**	**2011E**	**2012E**	**2013E**
Sales Revenue	244,130	460,185	634,446	1,000,386	6,048,835	7,550,317	7,659,972
Cost of Sales	(167,407)	(239,460)	(306,236)	(407,261)	(2,013,888)	(2,423,242)	(2,457,099)
Gross Profit	**76,723**	**220,725**	**328,211**	**593,125**	**4,034,948**	**5,127,075**	**5,202,872**
Operating Expenses							
General & Administrative Expenses	(96,304)	(221,597)	(159,673)	(240,587)	(429,076)	(472,610)	(551,612)
Exploration Expenses	(25,500)	(45,396)	(61,604)	(77,607)	(140,775)	(165,570)	(253,474)
Technical Services Expenses	(4,879)	(9,183)	(18,919)	(9,561)	(15,876)	(18,672)	(21,793)
Operating Profit	**(49,960)**	**(55,452)**	**88,015**	**265,370**	**3,449,221**	**4,470,223**	**4,375,994**
Severance Fees	(4,281)	(32,144)	(43,550)	(168,221)	(605,036)	(666,423)	(892,601)
Other Income (Expenses), Net	27,695	(752)	299,752	241	(1,134)	(1,180)	(1,228)
Loss On Unwinding Forward Hedge	(446,293)	-	-	-	-	-	-
Profit/Loss Before Income From Short-Term Investments	**(472,839)**	**(88,348)**	**344,216**	**97,390**	**2,843,051**	**3,802,620**	**3,482,165**
Income From Short-Term Investment	225,636	289,924	314,488	154,372	145,612	151,525	157,677
Income/Loss Before Zakat & Minority Interest	**(247,203)**	**201,575**	**658,704**	**251,763**	**2,988,663**	**3,954,145**	**3,639,843**
Zakat	-	-	(268,561)	(138,238)	(1,584,007)	(2,095,718)	(1,929,136)
Income/Loss Before Minority Interest	**(247,203)**	**201,575**	**390,143**	**113,525**	**1,404,656**	**1,858,427**	**1,710,707**
Minority Interest	-	1,808	4,639	5,185	6,379	6,638	6,907
Net Income Attributable to Shareholders Of the Company	**(247,203)**	**203,383**	**394,782**	**118,710**	**1,411,034**	**1,865,065**	**1,717,614**
	P&L Appropriation A/C						
Opening Balance	**1,548,168**	**1,300,965**	**1,484,009**	**1,839,313**	**1,946,152**	**3,216,083**	**4,894,641**
Net income	(247,203)	203,383	394,782	118,710	1,411,034	1,865,065	1,717,614
Statutory Reserves	-	(20,338)	(39,478)	(11,871)	(141,103)	(186,506)	(171,761)
Ending Balance	**1,300,965**	**1,484,009**	**1,839,313**	**1,946,152**	**3,216,083**	**4,894,641**	**6,440,494**

*Source: Company Reports & **Global** Research*

Cash Flow Statement	Saudi Arabian Mining Company (MA'ADEN)						
SR 000	**2007A**	**2008A**	**2009A**	**2010E**	**2011E**	**2012E**	**2013E**
OPERATING ACTIVITIES							
Income Before Zakat & Minority Interest	(247,203)	201,575	658,704	251,763	2,988,663	3,954,145	3,639,843
Depreciation & Amortization Expenses	40,710	88,191	107,583	124,187	346,679	398,681	409,894
Income From Short-Term Investments	(225,636)	(289,924)	(314,488)	(154,372)	(145,612)	(151,525)	(157,677)
Other Operating Activities	11,549	50,457	61,555	(30,750)	(1,468,825)	(1,974,847)	(1,802,295)
Change in Net Working Capital	(226,455)	2,976,053	(375,631)	(404,034)	(1,107,205)	(216,799)	(44,157)
Cash Flow From Operating Activities	**(647,035)**	**3,026,352**	**137,723**	**(213,207)**	**613,700**	**2,009,656**	**2,045,608**
INVESTING ACTIVITIES							
Addition to Property, Plant & Equipment	(142,317)	(5,586,155)	(7,165,726)	(1,144,306)	(1,729,948)	(2,761,935)	(3,658,392)
Investments	2,464,750	(5,090,991)	(958,355)	(407,417)	(85,558)	(86,413)	(87,277)
Other Investing Activities	(1,262,364)	(571,446)	(750,352)	153,232	143,041	148,849	154,892
Cash Flow From Investing Activities	**1,060,069**	**(11,248,593)**	**(8,874,433)**	**(1,398,492)**	**(1,672,465)**	**(2,699,499)**	**(3,590,778)**
FINANCING ACTIVITIES							
Proceeds From Increase In Share Capital	-	820,000	-	-			
Long-Term Borrowings	-	10,500,000	7,962,998	2,634,899	913,432	739,880	1,699,257
Other Financing Activities	-	(136,949)	-	8,814	9,255	9,718	10,203
Cash Flow From Financing Activities	**-**	**11,183,052**	**7,962,998**	**2,643,714**	**922,687**	**749,597**	**1,709,461**
Increase/(Decrease) In Cash	**413,034**	**2,960,811**	**(773,712)**	**1,032,014**	**(136,078)**	**59,754**	**164,291**
Cash Beginning Balance	**182,903**	**595,937**	**4,144,850**	**3,371,138**	**4,403,152**	**4,267,074**	**4,326,828**
Net Cash From Spin-Off Phosphate Project	-	588,102	-	-	-	-	-
Cash Ending Balance	**595,937**	**4,144,850**	**3,371,138**	**4,403,152**	**4,267,074**	**4,326,828**	**4,491,119**

*Source: Company Reports & **Global** Research*

Fact Sheet	Saudi Arabian Mining Company (MA'ADEN)						
	2007A	2008A	2009A	2010E	2011E	2012E	2013E
Liquidity Ratios							
Current Ratio (x)	12.5	3.5	6.4	9.6	8.7	8.1	7.6
Cash Ratio (x)	2.4	1.2	1.8	3.1	2.5	2.3	2.1
Profitability Ratios							
Gross Margin	31.4%	48.0%	51.7%	59.3%	66.7%	67.9%	67.9%
EBITDA Margin	-5.5%	0.1%	24.0%	22.1%	52.8%	55.7%	50.8%
EBIT Margin	-22.2%	-19.0%	7.0%	9.7%	47.0%	50.4%	45.5%
Net Profit Margin	-101.3%	44.2%	62.2%	11.9%	23.3%	24.7%	22.4%
ROAA	-4.2%	1.5%	1.6%	0.4%	4.3%	5.2%	4.4%
ROAE	-4.4%	1.8%	2.2%	0.6%	7.3%	8.9%	7.5%
Leverage Ratios							
Debt to Equity (x)	-	0.05	0.48	0.61	0.61	0.59	0.62
Debt to Asset	0.0%	3.8%	30.0%	36.2%	35.9%	35.1%	36.1%
Liabilities/Total Assets (x)	0.06	0.21	0.37	0.41	0.41	0.41	0.42
Growth Rates							
Revenue Growth Rate	-30.2%	88.5%	37.9%	57.7%	504.7%	24.8%	1.5%
Net Income Growth Rate	-177.7%	-182.3%	94.1%	-69.9%	1088.6%	32.2%	-7.9%
Equity Growth Rate	-4.3%	206.8%	9.1%	1.1%	8.1%	9.8%	8.3%
Total Asset Growth Rate	-3.1%	265.2%	36.9%	8.0%	8.7%	8.4%	10.0%
Ratios Use for Valuation							
Number of Shares (mn)	40.0	925.0	925.0	925.0	925.0	925.0	925.0
Par value per share (SR)	100.0	10.0	10.0	10.0	10.0	10.0	10.0
BV per share (SR)	NM	18.2	19.9	20.1	21.7	23.8	25.8
EPS (SR)-Adjusted	(0.3)	0.2	0.4	0.1	1.5	2.0	1.9
Market Price (SR)	n/a*	10.9	17.3	21.8	21.8	21.8	21.8
Market Cap in (SR Mn)	n/a*	10,036	16,003	20,165	20,165	20,165	20,165
EV (SR Mn)	n/a*	6,711	21,414	27,180	28,229	28,909	30,444
EV/EBITDA	n/a*	NM	NM	178.8	127.5	9.1	7.2
P/E Ratio	n/a*	49.3	40.5	169.9	14.3	10.8	11.7
P/BV Ratio	n/a*	0.6	0.9	1.1	1.0	0.9	0.8

*Source: Company Reports & **Global** Research* * *Ma'aden was listed in 2008, there is no availability of market price related data for the stock.*
#Historical P/E & P/BV multiples pertain to respective year-end prices, while those for future years are based on closing prices on the Tadawul as of 20th Oct 2010.

The following is a comprehensive list of disclosures which may or may not apply to all our researches. Only the relevant disclosures which apply to this particular research has been mentioned in the table below under the heading of disclosure.

Disclosure Checklist				
Company	Recommendation	Ticker	Price	Disclosure
Saudi Arabian Mining Company (Ma'aden)	BUY	MAADEN AB 1211.SE	SR21.8	1,10

Global Research: Equity Ratings Definitions	
Global Rating	Definition
Buy	Fair value of the stock is >10% from the current market price
Hold	Fair value of the stock is b/w +10%/-10% from the current market price
Reduce	Fair value of the stock is b/w -10%/-20% from the current market price
Sell	Fair value of the stock is < -20% from the current market price

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