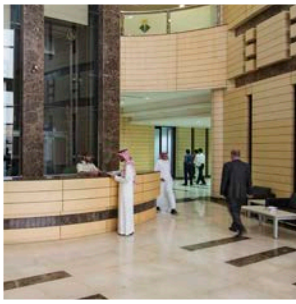
Aluminium

Phosphate

Gold



Infrastructure

Industrial Minerals

Annual Report 2012

MA'ADEN معادن
Saudi Arabian Mining Company شركة التعدين العربية السعودية

بسم الله الرحمن الرحيم

Custodian of the Two Holy Mosques
King Abdullah Bin Abdulaziz Al Saud

Crown Prince and Deputy Prime Minister and Defense Minister

Prince Salman Bin Abdulaziz Al Saud

Second Deputy Premier, Adviser to and Special Envoy of the Custodian of the Two Holy Mosques

Prince Muqrin Bin Abdulaziz Al Saud

Ma'aden is a leading mining and metals company in the Kingdom of Saudi Arabia, with a diverse portfolio of mineral assets at various stages including exploration, development and production. Ma'aden has a broad commodity focus spanning gold, phosphate, aluminium, and industrial minerals, and is continually assessing opportunities to enter into new commodities that demonstrate strong long-term fundamentals and opportunities for growth, in line with Ma'aden's strategy.

Year	Sales (SR million)	Number of employees	Total assets (SR millions)
2012	5,577	4,366	55,142
2011	1,533	3,020	43,574

Phosphate fertilizer	Sales SR 2,878 million	**52%** of total sales
Ammonia	Sales SR 1,570 million	**28%** of total sales
Gold	Sales SR 1,001 million	**18%** of total sales
Industrial minerals	Sales SR 126 million	**2%** of total sales
Infrastructure	Sales SR 2 million	**0%** of total sales
Total sales	in millions	**SR 5,577**

Cautionary note

This annual report has been prepared based on the information available to Saudi Arabian Mining Company and its subsidiaries (hereinafter, Ma'aden or the Company) as at the issue date.

This annual report includes certain forward looking statements with respect to Ma'aden's operations, economic indicators, financial position, results of operations and production activities, its plans, projects and expected results, as well as the trends related to commodity prices, production and sales volumes, costs, estimated expenses, development prospects, useful lives of assets, mineral resource and ore reserves estimates and other similar factors and economic projections with respect to the mining industry and markets, starting and completion dates of certain geological exploration and construction projects.

Words such as "intends", "strives", "projects", "expects", "estimates", "plans", "considers", "assumes", "may", "should", "will", "continues" and other words with similar meanings usually indicate the projection nature of the statement.

These forward looking statements, due to their specific nature, involve inherent risks and uncertainty, and there is a risk that the assumptions, expectations, intentions and other projection statements may never come to life. In the light of the above risks, uncertainties and assumptions, Ma'aden notifies that the actual results may differ significantly from the indicated, directly or indirectly, in the said projection statements that are effective only at the date of this annual report.

Ma'aden neither confirms nor guarantees that the results indicated in these projection statements will be achieved. Ma'aden accepts no responsibility for any losses that may be incurred by any individual or legal entity by their reliance on the projection statements. Each particular projection statement represents one of the numerous development scenarios and should not be treated as the most probable one.

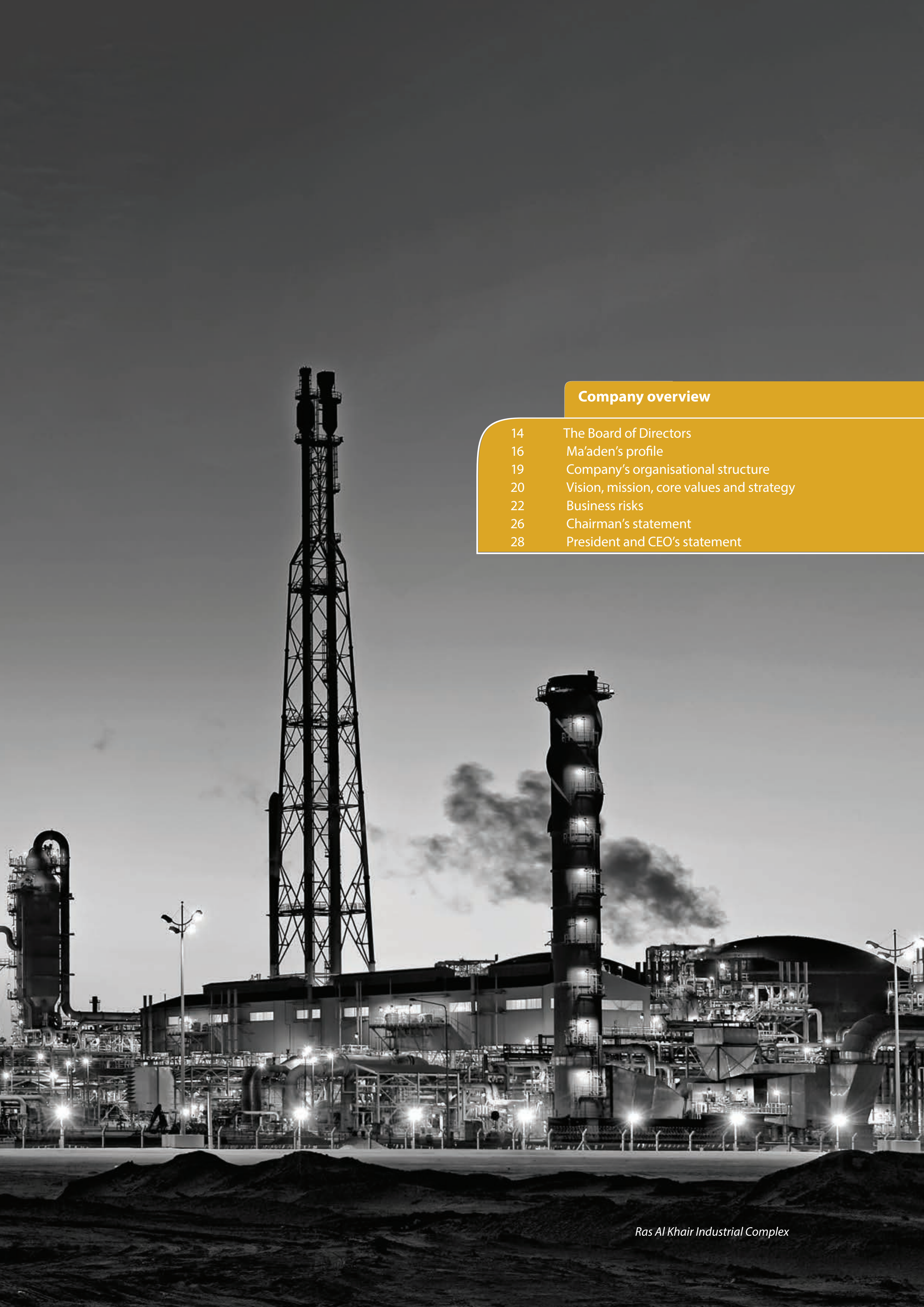
In particular, other factors that may affect the starting date of construction or production, estimated expenses and volume of production, useful lives of assets include the possibility of deriving profit from production, the effect of exchange rate changes on commodity prices of the goods produced, activities of the government authorities in the Kingdom of Saudi Arabia and other jurisdictions where Ma'aden explores, develops or uses the assets, including changes in zakat, environmental and other laws and regulations. This list of significant factors is not exhaustive.

When considering projection statements, the above factors should be carefully considered and taken into account, in particular, the economic, social and legal obligations of Ma'aden's activities.

Except for cases directly provided for by the applicable laws, Ma'aden does not assume any obligations to publish updates and amendments to the projection statements, based on either new information or subsequent events.

Company
overview

Company overview



Ras Al Khair Industrial Complex

The Board of Directors

The composition of Ma'aden's Board of Directors for the past financial year, their membership on the Boards of other companies, their membership of sub-committees of the Board, and the number of meetings attended.

The Board of Directors comprises of nine board members appointed at the General Assembly meeting held on 24 Zul Qaida 1432H (corresponding to October 22, 2011) for three years, including the CEO and 4 members representing the government, according to the Articles of Association of the Company.

Engr. Abdallah Bin Saif Al-Saif

Holds a Bachelor degree in Petroleum Engineering.

Held various senior management positions, served on several committees and held Board positions at Aramco between 1960 and 2007.

Position:
Chairman.
Independent.

Membership of other Boards:
Dhahran Emaar Company.

Membership of committees:
Chairman of the Executive Committee.
Chairman of the Nomination and Remuneration Committee.

Board meetings attended: 7

H.E. Suliman Bin Saad Al-Humayyd

Holds a MBA with a major in finance and a Bachelor degree in Business Administration with a major in finance.

The Governor of the General Organisation for Social Insurance ("GOSI").
Held several positions at GOSI since 1973 and headed the Kingdom's delegation to several conferences of the International Society for Social Insurance.

Position:
Non-executive.

Membership of other Boards:
Tawuniya Co-operative Insurance Company.
Saudi Research and Marketing Group.

Membership of committees:
Executive Committee.

Board meetings attended: 7

H.E. Mohammed Bin Abdullah Al-Kharashi

Holds a Masters and a bachelor degree in Accounting

Held several positions at the Pensions Agency Fund.
He was appointed in 2000 in his current position as Governor.
Deputy Representative of Saudi Arabia in the OPEC Fund for International Development (1991–2006).
Held various directorships at the Treasury Department.

Position:
Non-executive.

Membership of other Boards:
Saudi Basic Industries Corp (SABIC).
Saudi Telecom Company (STC).
Saudi Research and Marketing Group.

Membership of committees:
Chairman of the Audit Committee.

Board meetings attended: 7

Dr. Ziad Bin Abdulrahman Al-Sudairy

Holds a Doctorate in Law and a BA degree in Political Science.

Worked in the government and private sectors and was a legal adviser in the office of the Minister of Interior.
Currently the Director General of Ziad bin Abdulrahman Al-Sudairy Law Firm, established in 1988.

Position:
Independent.

Membership of other Boards:
None.

Membership of committees:
Nomination and Remuneration Committee.

Board meetings attended : 7

Mr. Mansour Bin Saleh Al-Maiman

Holds a MBA and BA degree in Accounting and Business Administration.

Held many positions in the Public Investment Fund since 1973 and before retiring he was the Secretary General of PIF.

Position:
Non-executive.

Membership of other Boards:
Chairman of National Commercial Bank.

Membership of committees:
Nomination and Remuneration Committee.

Board meetings attended: 7

Mr. Sultan Bin Jamal Shawli

Holds a Masters degree in Petrological Studies and Sedimentary Environment of Phosphate Rocks in the Kingdom of Saudi Arabia.

Held several senior positions in the Ministry, including his current position as undersecretary in the Ministry of Petroleum and Mineral Resources.

Position:
Non-executive.

Membership of other Boards:
Arab Mining Company (Jordan).
Industries Chimiques Du Fluor (Tunisia).

Membership of committees:
Executive Committee.

Board meetings attended: 6

Engr. Khalid Bin Hamad Al-Sanani

Holds a Masters degree in Construction Project Management and a Bachelors degree in Civil Engineering.

Held several senior project engineer positions at Aramco.
Project engineer with the National Guard.

Position:
Non-executive.

Membership of other Boards:
None.

Membership of committees:
Audit Committee.

Board meetings attended: 7

Engr. Abdulaziz Bin Abdullah Al-Suqair

Holds a Masters degree in Electrical Engineering and a Bachelors degree in Electrical and Electronic Engineering.

Held many positions at the Royal Saudi Air Force for ten years.
CEO of Advanced Electronics Company for 13 years.
CEO of Saudi Electricity Company (SEC) for one year.

Position:
Independent.

Membership of other boards:
Chairman of Saudi Telecom Company (STC).

Membership of committees:
Executive Committee.

Board meetings attended: 7

Engr. Khalid Bin Saleh Al-Mudaifer

Holds a MBA and a Bachelors degree in Civil Engineering.

President and CEO of Saudi Arabian Mining Company (Ma'aden) since 2011.
Vice President of Phosphate and New Business Development SBU at Ma'aden from 2006 to 2010.
General Manager of Qassim Cement Company (1993-2006).
Vice President and Director of Finance at Sharq Company (1986-1993).

Position:
Executive.

Membership of other boards:
None.

Membership of committees:
Executive Committee.
Nomination and Remuneration Committee.

Board meetings attended: 7

Ma'aden's profile

Ma'aden head quarters in Riyadh

Description of business

Ma'aden is a leading mining and metals company in the Kingdom of Saudi Arabia, with a diverse portfolio of mineral assets at various stages including exploration, development and production. Ma'aden has a broad commodity focus spanning gold, phosphate, aluminium, and industrial minerals. It is continually assessing opportunities to enter into new commodities that demonstrate strong long-term fundamentals and opportunities for growth which is in line with Ma'aden's strategy.

Ma'aden's businesses, as of December 31, 2012, can be broken down into the following:

- Gold and precious metals
- Phosphate
- Aluminum
- Industrial minerals
- Ethylene dichloride and caustic soda
- Infrastructure
- Exploration

Ma'aden's principal operations are currently focused on producing diammonium phosphate (DAP), mining and processing gold, low-grade bauxite and kaolin as well as producing caustic calcined magnesia. In addition, Ma'aden exports or sells domestically surplus ammonia from the DAP operations.

Gold and precious metals

Ma'aden Gold and Base Metals Company (MGBM) is a limited liability company and a wholly owned subsidiary of Ma'aden. It is responsible for Ma'aden's gold mining operations. MGBM produced 137,787 ounces of gold in 2012. Expansion plans remain on track to more than double annual production by 2015. Currently, MGBM is producing from four mines: Mahd Ad Dahab, Al Hajar, Al Amar, and Bulghah, in addition to a processing plant at Sukhaybarat.

New gold mines under development:

As Suq Mine

As Suq Mine is located in Makkah Province, about 25 km southeast of Zalim. Construction of the project is expected to be completed during 2013 and actual production will begin in the same year. The average production capacity is estimated at about 45,000 ounces annually.

Central Arabian Gold Region(CAGR)

Ad Duwayhi Mine is located in Makkah Province, about 440 km southwest of the city of Riyadh. Engineering studies for the project were completed in the second quarter of 2012. It will be a surface mine which will use the filtration process to separate the ore. Engineering works and the purchasing of machinery and equipment started in the last quarter of 2012. The project is expected to be awarded to a contractor for the construction phase in early 2013. All construction is to be completed in 2015 when production commences. The average production capacity is estimated at about 180,000 ounces annually.

Preliminary engineering studies were also completed for the water pipelines project in Q1 2011. In 2012 the contractor started work on the project. Construction and installation works are expected to be completed in 2014. The estimated processing capacity of the project is 10,000 cubic meters per day of treated water.

Currently, pre-feasibility studies are being prepared for several mining sites located in CAGR: Ar Rjum, Mansourah, and Masarrah. Plant sites and the targeted quantity of production will be determined upon the completion of the pre-feasibility study.

The Company is developing the pre-feasibility study for the project in collaboration with an international consulting house. This is to be completed by the end of 2013.

Phosphate

Ma'aden Phosphate Company (MPC) is a limited liability company co-owned by Ma'aden (70%) and SABIC (30%). It started production in commercial quantities of ammonia in October 2011. This was followed by commercial production for the entire complex in February 2012. Diammonium Phosphate "DAP" fertilizer is exported to international markets.

MPC works in two main locations:

Al Jalamid
Al Jalamid is approximately 150 km east of Turaif, south of the village of Hazm Al Jalamid in Northern Saudia Arabia.

The Al Jalamid site is comprised of the phosphate mine and beneficiation plant; it encompasses an area of approximately 50 square km. The mine production is around 11.6 million tonnes per year of ore and the beneficiation facilities can produce an estimated 5 million tonnes per year of flotation concentrate on a dry basis. Ma'aden's proved phosphate reserves at Al Jalamid stand at 211 million tonnes.

Substantial investment has also been made in industrial infrastructure at Al Jalamid including a power plant, potable water production, treatment and distribution facilities, roads, and a telecommunication network. The phosphate concentrate is transported by rail from Al Jalamid to Ras Al Khair in the Eastern Province for processing.

Ras Al-Khair
Ras Al-Khair is approximately 90 km north of Jubail in Saudi Arabia's Eastern Province and is the location of MPC's integrated fertilizer facility and related infrastructure. The phosphate fertilizer complex consists of a phosphoric acid plant, a sulphuric acid plant, an ammonia plant, diammonium phosphate granulation plant, a co-generation and desalination plant and a port to export DAP and excess ammonia to international markets.

At full capacity, MPC will produce approximately 3 million tonnes per year of granular DAP, plus monoammonium phosphate (MAP).

Wa'ad Al Shammal – King Abdullah Project for the Development of "Wa'ad Al Shammal" City
Ma'aden is working on a significant expansion of its phosphate operations following completion of a pre-feasibility study on a project development in the Umm Wu'al area 40 km northeast of Turaif.

In February 2012 the Council of Ministers approved the establishment of Wa'ad Al Shammal at which Ma'aden will establish seven large world class plants and associated city facilities. The total production capacity of these plants will be around 16 million tonnes per year and will include mine, phosphate concentrate, sulfuric acid, phosphoric acid, dicalcium and monocalcium phosphate used in animal feed, purified phosphoric acid used in food industries, and sodium tripolyphosphate used for industrial purposes. Other new plants to produce ammonia and phosphate fertilizers complimenting the industries at Wa'ad Al Shammal will be constructed at Ras Al-Khair in the Eastern Province which has port facilities. The project which will be the anchor for building Wa'ad Al Shammal City will have a positive economic and social impact on the Kingdom in terms of the GDP, regional development, development of new industries and will provide job opportunities.

Aluminium
Ma'aden's USD10.8 billion (SR40.5 billion) joint venture with Alcoa will be the largest and most efficient vertically integrated aluminum complex in the world. Ma'aden owns 74.9% of this project, whereas Alcoa owns 25.1%. It will use Saudi Arabia's bauxite resources to profitably produce aluminum for domestic and international markets and to facilitate the development of domestic downstream industries in the Kingdom.The aluminum project involves the development, design, construction and subsequent operation of two integrated sites:

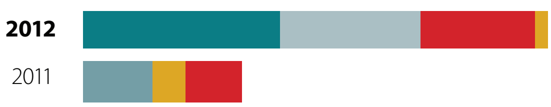
Al Ba'itha
Al Ba'itha, in north-eastern Saudi Arabia and around 600 km northwest of Ras Al-Khair, is the site of the project's bauxite mine and ore crushing and handling facilities which are due to begin production in 2014. The mine plan has been prepared based upon the estimated capacities of the project's refinery and smelter and envisages production at an annual rate of 4.0 million tonnes per year of bauxite ore to be transported to Ras Al-Khair.

Ras Al-Khair
Approximately 90 km north of Jubail, Ras Al-Khair is the site of the alumina refinery, the aluminum smelter, and the rolling mill. Bauxite ore will be transported from the Al Ba'itha mine to the Ras Al-Khair alumina refinery by rail to produce 1.8 million tonnes of alumina per year to be processed at the smelter to produce about 740,000 tonnes of aluminum annually. Aluminum slabs produced at the smelter's cast house will also be used to feed the rolling mill with 380,000 tonnes per year capacity. This will produce aluminum sheets for cans, the automobile industry, construction and packaging. The rolling mill will be one of the most technologically advanced facilities in the world.

On Wednesday, 12/12/2012 the first aluminum smelter in the Kingdom of Saudi Arabia started its operation. The rolling mill is expected to commence production of aluminum can sheets in Q4 2013. The automotive and other products are expected to commence by the end of 2014. Production operations at the alumina refinery are also expected to commence in 2014. Prior to operating the refinery, alumina will be imported to feed the smelter.

By providing potential aluminum based feedstock supply, Ma'aden will enable the production of a wide range of automotive parts and support the potential development of a new automotive industry within Saudi Arabia, thereby encouraging job creation and economic diversification within the Kingdom.

Production volumes
by commodity (in '000)



	2012	2011	Units
Phosphate fertilizer	**1,533**	0	tonnes
Ammonia	**1,094**	293	tonnes
Gold	**138**	148	ounces
Industrial minerals	**845**	226	tonnes

Sales values by commodity
(in million SR)

	2012	2011
Phosphate fertilizer	**2,878**	0
Ammonia	**1,570**	594
Gold	**1,001**	866
Industrial minerals	**126**	71
Infrastructure	**2**	2

Phosphate complex

A key infrastructure item for the aluminum operations at Ras Al Khair is a power and water facility. In October 2009, Ma'aden signed an energy conversion agreement with the Saline Water Conversion Corporation (SWCC) and Saudi Electricity Company (SEC) to develop a joint power and desalination plant which will generate 2,400 MW of electricity and 1.025 million cubic meters of water per day. Of that, the aluminum complex will use 1,350 MW of electricity and 25,000 cubic meters per day of water. The remaining electricity and water will be supplied to the national grid. In addition, the aluminum project will benefit from the common national infrastructure including the railroad and a dedicated port.

Industrial minerals

Ma'aden Industrial Minerals Company (MIMC) (a limited liability company and a wholly owned subsidiary) is mining low-grade bauxite and kaolin at the Az Zabirah mine in Hail Province. MIMC is also mining magnesite at Al-Ghazalah mine and commenced commercial production of caustic calcined magnesia in October 2011, and the project includes the mine at Al-Ghazalah and the processing plant at Al-Madinah industrial zone.

Ethylene dichloride and caustic soda

Ma'aden and Sahara Petrochemicals signed an agreement to create a joint plant to produce caustic soda and ethylene dichloride (EDC) at the Sahara Petrochemicals complex in Jubail Industrial City. The plant is designed to produce 300,000 tonnes of EDC and 250,000 tonnes of caustic soda per year to supply Ma'aden's refinery at Ras Al-Khair with the full amount of caustic soda and marketing of the EDC product locally and internationally. These operations will be managed by Sahara and Ma'aden Petrochemicals Company (SAMAPCO) (a limited liability company, jointly owned 50:50 by Ma'aden and Sahara). The project will be completed in 2013.

Infrastructure

Ma'aden Infrastructure Company (MIC) (a limited liability company and a wholly owned subsidiary), owns and operates the residential village for singles at Ras Al-Khair for MPC and MAC staff. The company is currently expanding the village to meet the requirements of MAC . MIC has signed in 2008 a memorandum of understanding with the Royal Commission of Jubail and Yanbu to transfer the Ras Al-Khair site management and infrastructure. Based on the detailed implementation agreement signed in Q2 2012, MIC has now transferred to the Royal Commission of Jubail and Yanbu site management and infrastructure.

MIC continues to own and operate a bachelor village which will provide accommodation for 2,500 operational staff of the Phosphate and Aluminium Projects at Ras Al-Khair. MIC is currently completing Phase II of the village to cater for the operational needs of the Ma'aden Aluminium Project. The project is expected to be fully operational by Q3 2013. In addition, MIC is developing a family housing project in Jubail (Jubail Family Apartment project) for Ma'aden Aluminum and Mutrafiah Housing project development under the Home Ownership Program (HOP) to provide family accommodation to the employees of the Phosphate and Aluminum companies.

Exploration

Ma'aden depends on mineral exploration to identify and evaluate new mineral resources to sustain and grow its businesses in the Kingdom of Saudi Arabia. Gold exploration is focussed in the geological unit known as the Arabian Shield which is divided into three operational areas:

- Northern Arabian Gold Region
- Central Arabian Gold Region
- Southern Arabian Gold Region

The Ma'aden exploration team has evaluated six gold projects in the Central Arabian Gold Region (CAGR). Two are currently under mine development at Ad Duwayhi and As Suq projects. The Ar Rjum, Mansourah, Masarrah and Humaymah projects are in pre-feasibility study stage.

The development of the CAGR gold mine projects is dependent on the supply of sufficient water for mineral processing. Construction is underway on a 430 km long pipeline to carry treated waste water from Taif to Ad Duwayhi and 70 km of branch lines supplying other mines.

The Exploration team has completed resource evaluation drilling on the Shabah project in the Northern Arabian Gold region and completion of a JORC resource estimate is expected in early 2013.

Ma'aden Exploration is also conducting resource evaluation drilling on exploration licenses adjacent to the Al Jalamid and Umm Wu'al phosphate projects to add additional resources.

The grant of several exploration license applications adjacent to the planned bauxite mine at Al Ba'itha remain pending.

Company's organisational structure

Legal name	Saudi Arabian Mining Company – Ma'aden
Legal status	A Saudi Arabian joint stock company
Publicly traded	Listed on the Saudi Arabian Stock Exchange
Stock exchange symbol	Tadawul symbol: 1211 Reuters code: 1211. SE Bloomberg code: MAADEN AB
Total number of employees at corporate office	458
Location of corporate head office	Riyadh

Subsidiaries	**Gold**	**Phosphate**	**Aluminium**	**Industrial minerals**	**Infrastructure**	**Jointly controlled entity** **SAMAPCO**
Legal name	Ma'aden Gold and Base Metals Company	Ma'aden Phosphate Company	Ma'aden Aluminium Company; Ma'aden Rolling Company; Ma'aden Bauxite and Alumina Company	Ma'aden Industrial Minerals Company	Ma'aden Infrastructure Company	Sahara and Ma'aden Petrochemicals Company
Legal status	Limited liability company	Limited liability company	Limited liability companies	Limited liability company	Limited liability company	Limited liability company
Shareholders	Ma'aden 100%	Ma'aden 70% SABIC 30% 100%	Ma'aden 74.9% Alcoa 25.1% 100%	Ma'aden 100%	Ma'aden 100%	Ma'aden 50% Sahara 50% 100%
Commercial status	In commercial production and continuing exploration stage	Commercial production of ammonia started in Q4 2011. DAP fertilizer commercial production started in Q1 2012	Project stage with staggered production due in 2013 and 2014	Kaolin, low-grade bauxite, and caustic calcined magnesia started commercial production in 2011	Project stage with delivery of projects in 2013 and 2014	Project stage with production due in Q1 2013
Products	Au – gold Zn – zinc Cu – copper Ag – silver Pb – lead	DAP fertilizer MAP fertilizer Sulphuric acid Phosphoric acid Ammonia	Aluminium ingots, t-bars, slabs and billets Aluminium sheets	Low-grade bauxite Kaolin Caustic calcined magnesia Monolithic refractories	Infrastructure Services; housing	Ethylene dichloride; chlorine; caustic soda
Head office location	Jeddah	Jubail	Khobar/Jubail	Riyadh	Riyadh	Jubail
Number of employees	1,030	1,328	1,409	128	13	224

The total number of employees of Ma'aden was 4,366 at December 31, 2012 excluding contractors and consultants.

Vision, mission, core values and strategy

Al Amar mine

Our vision
To be a world class minerals enterprise.

Our mission
Champion the responsible development of the mining sector as the third pillar of the Saudi economy by maximizing the value of the mineral resources for our stakeholders and adopting best in class practices.

Our core values
Ma'aden's values are formulated to strengthen the Company's culture and foster the growth of those positive elements that will help Ma'aden in its development as it looks to establish itself as a successful and profitable mining company, with a world class reputation for operational efficiency, sustainable development and regards for social and environmental issues.

Ma'aden is committed to openness, transparency, and honesty in its dealings with shareholders, employees and partners. This is done through keeping them aware of its objectives, goals, and businesses.

Integrity
Honestly, integrity and highest ethical standards in our relationships with all our stakeholders.

Care
Sustained care and fairness for our people, the communities we touch and the environments we operate in.

Teamwork
Communication and collaboration with each other across the company and with partners to achieve success.

Ownership and accountability
Personal ownership and accountability for quality results in pursuit of our collective goals.

Our strategy
Ma'aden has adopted a 2022 strategy "Ma'aden 2022" , which is best expanded upon in the following statement of strategic directions:

World class
Ambitious targets have been set for growth and profitability. The growth is targeted to be higher than 15% p.a. through 2022 and average ROIC higher than 10% to be reached over next 10 years. Ma'aden is targeting to become among the top 10 producers in all export-oriented industries while maintaining cash costs in at least the second quartile in each industry.

Minerals
The diversified portfolio initially focuses on precious metals, phosphate and aluminium, it considers expansion into other minerals in KSA on commodity-based businesses. Ma'aden will invest in the downstream products if such products support profitable growth in the core business. "Ma'aden 2022" focuses on exploration to maximize value from existing licenses quickly, and proactively acquiring new licenses in high priority minerals.

Enterprise
"Ma'aden 2022" focuses on acquiring best-in-class capabilities and talent through developing world class people, processes and expertise with more than 50% saudization. In addition, Ma'aden aims to be a sustainability leader in KSA through fostering economic development of the regions and communities where it operates, achieving Health and Safety excellence compared to its peers, maintaining an ethical and socially responsible profile and ensuring environmentally friendly operations.

"Ma'aden's 2022" strategy programme is capitalizing on the significant expansion currently under way, whilst seeking new opportunities to drive and diversify the next phase of growth beyond the near term strategy programme.

Ma'aden benefits from strong future growth potential, which is underlined by the following factors:

- Being the Kingdom's dominant player in the mining industry with licenses to promising mineral resources
- Competitive cost of energy supporting industries along the value chain
- Continued favorable outlook in demand for its current products
- Utilizing new and advanced technologies

The strategy will focuses on the following key areas:

- **Complete development and ramp-up of existing projects** in a rapid and capital efficient way, whilst excelling in operational efficiency, productivity and cost effectiveness.

- **Making significant and targeted exploration investments,** The Kingdom's geology remains largely underexplored, providing opportunities for Ma'aden to expand and diversify into minerals with higher added value potential downstream.

- **Expansions in project opportunities with high returns and low risks** to reinforce Ma'aden's standing leadership in the minerals sector in the Kingdom and its global competitiveness.

- **Building best in class capabilities** supported by both internally developed knowledge on enterprise wide expanded talent base and through strategic partnerships, when necessary.


Miners inside Mahd A'Dahab mine

Business risks

Effective and integrated risk management sits at the heart of true business sustainability. Ma'aden has a well-established Enterprise Risk Management (ERM) process, which not only covers strategic and operational risks, but also our environmental, social, health and safety risks.

The overriding purpose of the ERM process is to help Ma'aden become more resilient in the global business environment and achieve its strategic objectives – to grow Ma'aden, to optimize its operations and to secure its future. Ma'aden's risk management process is aligned with the ISO 31000 international standard on risk management.

As a result, risk management is an integral part of Ma'aden's strategic and business processes. Ma'aden appreciates that successful business is not about avoiding risks altogether. Rather, it is about understanding the potential effect of uncertainty on our objectives, and finding ways to mitigate negative impacts while capitalizing on opportunities.

The corporate ERM process starts with the identification, assessment and mitigation of the business risks by all the strategic business units/ business units /subsidiaries and functional departments. Quarterly meetings are conducted to ensure that significant risks faced by Ma'aden are being managed properly and that implementation of the mitigation plans is on track in line with the established deadlines. A consolidated risk report is prepared at the end of each quarter.

Throughout 2012, the corporate ERM process has continued to build upon the previous work carried out with an aim to continually challenge and improve the way Ma'aden manages business risks.

An internal strategic risk report for Ma'aden was prepared in 2012. The report highlighted the risks that if realized could have a material impact on the achievement of the strategic objectives. The identified risks were mapped back to the strategy of the relevant strategic business units to ensure successful strategy implementation.

All the identified risks are monitored appropriately and adequate mitigation plans are in place to mitigate the identified risks. A consolidated 'mitigation plan status update report' is issued at the end of each quarter.

Key risk areas

The top risks, uncertainties and challenges that we believe Ma'aden faces in executing strategy and delivering on key business objectives are described below:

1. Skills shortage
Skills shortage remains amongst the strategic risks facing Ma'aden now and in the coming years. At present, Ma'aden, like many of its competitors, is facing the challenge of finding and retaining suitably qualified and experienced employees due to the lack of mining expertise globally and in the kingdom. This shortage can also be attributed to the boom currently being faced by the mining industry globally.

Risk mitigation
During 2012, a comprehensive talent management strategy (including talent acquisition, talent development and retention strategies) was developed and implemented to mitigate and bring the skills shortage risk to an acceptable level. HR council (comprising of HR leaders from corporate and affiliates) also meets on a frequent basis to discuss and resolve all HR related issues across Ma'aden. In addition, improvements were made to the existing policies and procedures to bring these in line with Ma'aden needs and HR best practices.

2. Financial risk and insurance coverage

Financial risk
Ma'aden's activities are exposed to a variety of financial risks and Ma'aden'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.

Ma'aden's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all financial commitments as and when they fall due; and
- maintain the capacity to fund its forecasted project developments and exploration activities.

The main risks that could adversely affect our financial assets, liabilities or future cash flows are as follows:

a) Market risk, (including currency risk, fair value risk, commission rate risk and commodity price risk).
b) Credit risk.
c) Liquidity risk.

Risk mitigation
Ma'aden senior management oversees the management of financial risks and ensures that our financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with our policies and our risk appetite. Ma'aden continually monitors and tests its forecast financial position against these criteria. Ma'aden has a detailed planning process that forms the basis of all cash flow forecasting and updates these plans through a monthly review process. The cash flow forecast is then used to test financial risk and forms the basis for the Capital Management Plan.

The applicable financial risks are managed under Board approved directives which underpin Ma'aden Treasury policies and processes. Ma'aden's forecast financial risk position with respect to key financial objectives and compliance with treasury policy are regularly reported to the Board.

Insurance coverage
Our business is capital intensive and requires capital investment for the replacement, modernization or expansion of equipment and facilities. We maintain insurance policies against property loss and business interruption and insure against risks that are typical in the operation of our business, in amounts that we believe to be reasonable. Such insurance, however, contains exclusions and limitations on coverage, particularly with respect to environmental liability and political risk. Occurrence of events for which we are not insured may affect our results of operations and financial position.

There is also a risk that our policies may not match the risks of the company. It may be that the risks were not identified/understood completely. Risks that have been correctly identified and mitigated by insurance could be impacted if the insurances are not renewed or renewed with narrower cover or increased levels of retention by Ma'aden. Lastly there is a risk that a valid and collectible claim cannot be collected due to insurer/reinsurer insolvency.

Risk mitigation
Ma'aden uses a respected international insurance broker to ensure that policies are best in class. Insurance policies are tracked to ensure prompt renewal at best terms available in the market. It is a market and subject to market dynamics so there remains a residual risk that insurers may only be prepared to offer restricted terms at any given renewal.

Insurers in Saudi Arabia are licensed and monitored by SAMA to ensure they maintain acceptable levels of solvency and liquidity. Where insurances are supported by significant external reinsurance Ma'aden monitors the financial strength of such reinsurers with reference to updates from international rating agencies. As with any commercial entity there remains a residual risk that even a top rated insurer could fail.

3. Energy disruption
Our operations and development projects require significant amounts of energy. Our principal energy requirements are electricity and natural gas. Some of our operations are in remote locations requiring long distance transmission of power. A disruption in the transmission of energy, inadequate energy transmission infrastructure or the termination of any of our energy supply contracts would impact our operations.

Risk mitigation
The energy requirements are diligently identified and close coordination is maintained with Saudi Electricity Company (SEC) through effective communication by the senior management. Formal contracts were finalized with SEC during the year for the existing energy requirements. Appropriate controls were also designed and implemented to ensure compliance with the contract terms and conditions for uninterrupted supply of energy.

4. Commodity price fluctuations (gold, phosphate and industrial minerals)
Commodity price volatility over the last few years has increased risk associated with revenue, mine optimization, feasibility studies, transactions and contracting. Our revenue is derived from the sale of products that carry the risk of high volatility and such volatility might have a direct impact on the operating results. The factors causing such volatility are largely beyond our control and are difficult to predict.

Risk mitigation
The pricing trends are closely monitored by the relevant Strategic Business Unit management. Though not currently under practice, management might consider all alternative options for meeting minimum obligations, if circumstances required.

5. Capital project execution and completion
The consequences of project execution and completion risks are real, immediate and severe. This is true and relevant as Ma'aden's ability to sustain or increase its present levels of production is dependent heavily on the success of its projects. There are many risks and unknowns inherent in all projects such as delays in construction of mining or processing facilities, certain key infrastructure or other projects as a result of technology failures, contractor or sub-contractor default or poor performance, accidents and other factors beyond our control.

Risk mitigation
Ma'aden has implemented an effective project control system called 'Stage gate'. All projects are mandated to comply with the stage gate requirements. The requirements for each gate are diligently reviewed by the gate keepers before providing formal approval for moving to the next gate. Independent peer reviews (IPRs) are also conducted for each stage of the project.

In addition, monthly reviews of project progress are also conducted by the management and Board to provide assurance of the progress of the projects.

6. Maintaining social license to operate
Our license to operate is a critical asset and contributes directly to the achievement of our strategic objectives and value creation for our shareholders. Community, Environment, Ethics and Employees are the four pillars of Ma'aden's sustainability strategy. In order to maintain our license to operate, it is essential that we actively monitor the risks associated with each of the pillars. In order to mitigate risks associated with our license to operate (such as damage to the environment, complaints by the local community, occupational health and & safety issues and employee dissatisfaction), Ma'aden places a strong focus on sustainability issues and the implementation of related mitigation plans.

Risk mitigation
To ensure effective mitigation of the risks associated with maintaining the social license, Corporate Social Responsibility (CSR) was made an integral part of the 2022 strategy. Experienced and dedicated resources, both at corporate office and sites, were hired during the year to ensure successful implementation of the CSR strategy.

7. Ability to meet production targets
The shortages and/or breakdown of critical machinery, equipment and parts might have an impact on our operations, and result in cost increases. We might also be impacted by factors such as delays in commissioning of plants, unavailability of requisite feedstock for production, design issues with beneficiation plants, etc. All of the above, if happened, could have a material adverse effect on our results of operations and financial position.

Risk mitigation
Effective preventive and corrective maintenance programs are in place at all production facilities to mitigate the risk of machinery and equipment breakdown. Appropriate inventory of critical spare parts is also maintained at all sites to ensure immediate recovery in case of a breakdown.

8. Environment
Our exploration, mining and operational activities are subject to various environmental regulations applicable in Kingdom of Saudi Arabia. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Non-compliance with the applicable laws and regulations might result in imposition of fines and penalties by the regulatory authorities.

In addition, bad publicity due to a major environmental incident might have a direct impact on our reputation.

Risk mitigation
Ma'aden actively monitors the compliance with the applicable environmental standards by all the affiliates and is working currently on the implementation of a world class environmental management system for all our operations and activities.

9. Funds management
The construction and operation of current and future projects and various exploration projects will require significant funding. Our operating cash flow and other sources of funding may become insufficient to meet all of these requirements, depending on the timing and costs of development of these and other projects. As a result, new sources of capital may be needed to meet funding requirements of these investments, fund our on-going business activities.

Risk mitigation
A robust process exists to identify the funding requirements for all current and future projects. The funding requirements for each project are then closely monitored by the project and project finance teams for identification of the appropriate source of funding and arrangement of funds.

Chairman's statement

It is my pleasure to present the 2012 Ma'aden Annual Report, outlining a landmark year in which Ma'aden celebrated our fifteenth year in operation with record operational and financial results.

Dear Stakeholders

During 2012, Ma'aden made substantial progress on our strategy of balanced growth through diversification. While the gold price remained strong, Ma'aden's success in 2012 was also strongly reinforced by new revenues in the phosphate business. The year began with Ma'aden Phosphate achieving commercial production of DAP fertilizer and ended with Ma'aden Aluminium celebrating first hot metal production at our Ras Al-Khair facility. With these achievements, Ma'aden is strengthening its new position in global commodity markets.

Through meaningful growth in all areas of our business, Ma'aden is building the third pillar of the Saudi economy as envisioned fifteen years ago when we were first established as the steward of the Kingdom's mineral resources. In 2012, we delivered a number of elements necessary to reach our ambitious growth targets and become a world class minerals enterprise.

Reinforcing our strategy

Ma'aden's strategy is to develop large scale, long life, cost competitive and diverse assets in order to deliver quality products to the global market and deliver value to our shareholders. This year we clarified and strengthened our vision by adopting "Ma'aden 2022," a strategy programme that will help us capitalize on near term expansion and deliver future opportunities. We are expanding our exploration programme with a focus on improving skills and drilling capacity in order to exploit new resources. The completion of a new water pipeline to the Central Arabian Gold Region will support new mine development and facilitate a planned ramp-up in gold production. In phosphates, we will add production capacity to strengthen our position as a key DAP fertilizer supplier to growing markets in Asia and beyond. We will also build on our competitive advantages and partnerships in order to meet growing global aluminium demand as we aspire to become one of the world's top ten producers. In each of our business units we will maintain a focus on health and safety performance, operational efficiency and capital discipline while continuously assessing potential new business development opportunities.

Securing our financing

A key factor in delivering our strategic growth plan is our access to financing. During 2012, Ma'aden affiliates successfully concluded financing agreements for a number of projects including SR 600 million for the Ma'aden Aluminum Company, SR 600 million for the Ma'aden Rolling Mill Company and SR 1.98 billion for our petrochemicals joint venture SAMAPCO. But the strongest evidence of support from the financial community came in December when Ma'aden received bank commitments for a SR 9 billion Murabaha revolving credit facility, the largest such facility ever arranged in the kingdom. Ma'aden's original target was 2.5 times over-subscribed, demonstrating the market's confidence in our strategy and growth potential.

Building our capacity
As we undergo our transformation into a world class minerals enterprise, we must ensure our internal organizational capacity is up to the challenge. During 2012, Ma'aden launched an enterprise wide strategic transformation program called Etgan ("Perfection") to renew our focus on three key success factors: people, process and performance. Our people will be given every opportunity to further develop their technical and management skills as we target best in class project management and operational capabilities. We will strengthen our efforts to build world class processes and systems in order to support effective decision making, maximize value and minimize waste and inefficiency. Finally, as we start to build an employee base of over 14,000 people by 2022, we are planting the seeds for a performance culture that reinforces the accountability and empowerment of staff at all levels of the organization.

I believe our 2012 results clearly demonstrate that we are achieving our vision. The Board of Directors and I are grateful for the continued leadership of the Custodian of the Two Holy Mosques and the Crown Prince, as well as the ongoing guidance of our partners at the Ministry of Petroleum and Mineral Resources. Finally, I would like to thank Ma'aden shareholders for their continued support as we work together for future success.

Engr. Abdullah Bin Saif Al-Saif
Chairman, Ma'aden

Riyadh, Kingdom of Saudi Arabia
March 2013

Highlights

- **Ma'aden made substantial progress on its strategy of balanced growth**
- **Commercial production of DAP fertilizer strongly reinforced Ma'aden's revenue**
- **We have secured financing for our strategic growth plan**
- **We are building organizational capacity with an enterprise change program called Etgan**

President and CEO's statememt

Record Sales

SR 5.6 bn

(2011: SR 1.5 bn)

It is a testament to the dedication and talent of our staff that we have safely achieved our best ever operational and financial performance.

Dear Stakeholders

Welcome to Ma'aden's 2012 Annual Report which highlights our recent record breaking results. It is a testament to the dedication and talent of our staff that we have safely achieved our best ever operational and financial performance.

To achieve our shared vision of becoming a world class minerals enterprise, we continue to focus our energies in three main areas of value creation.

Creating business value for our shareholders

In 2012, Ma'aden began delivering on our promise of expansion and diversification. By delivering our first DAP and Ammonia quantities to the market, we achieved substantial new revenue streams which greatly impacted our bottom line. Our financial results in 2012 were outstanding, with gross profit growing to SR 2,594 million, compared with SR 1,001 million in 2011. Net income also reached SR 1,091 million from SR 413 million in 2011. These results represent a milestone in the successful pursuit of our strategy. In 2013, we plan further progress as we achieve full DAP production capacity and launch the next phase of our joint venture aluminium project.

During the year, we successfully laid the ground work for future growth. In February 2012 the Council of Ministers approved the King Abdullah Project for the development of the Northern Promise City in the north of the country near Turaif. Ma'aden will invest SR 26 billion in seven large world class plants and associated facilities to transform phosphate ore into a number of basic and specialized industrial materials. The total production capacity of these plants will be around 16 million tonnes per year, establishing Ma'aden as a major contributor to the global phosphate industry.

During 2012, Ma'aden Aluminium reached significant milestones in the development of the world's largest, lowest cost, fully integrated aluminium complex at Ras Al-Khair. We achieved first hot metal at the smelter ahead of time and on budget, and we signed a SR 6.5 billion contract to begin construction of the 1.8 million tonnes per year alumina refinery for completion by the end of 2014, at which time the associated bauxite mine at Al Ba'itha will also be operational. These best in class facilities will establish Saudi Arabia as a highly competitive participant in the global aluminum marketplace, create significant employment opportunities and enable the development of new domestic downstream industries.

In our precious metals business we achieved gold production of over 137,000 ounces, advanced the development of a number of new mines and achieved encouraging exploration results. During the year we invested in the development of an innovative 450 km pipeline that will provide new mines with treated waste water from Taif. This pipeline will facilitate the development of new mines in the Central Arabian Gold Region and help Ma'aden reach our production goal of 400,000 ounces in the year 2015.

Creating social value for our communities
Local communities are major stakeholders in Ma'aden projects and our engagement with them is an important factor in ensuring Ma'aden maintains its ability to effectively deliver projects. During 2012, Ma'aden and the Technical and Vocational Training Corporation of Saudi Arabia joined the Missouri University of Science and Technology to launch the Saudi Mining Polytechnic (SMP) in Ar'ar and welcomed its first group of students. The SMP is an important investment in knowledge transfer and skills development and reflects our commitment to sustainable economic development in local communities. The SMP will accommodate approximately 500 students for academic and "on the job" training to help meet the kingdom's growing need for technically qualified miners and operators. Our Professional Development program will sponsor new engineers and geologists, giving preference to applicants who live near Ma'aden's mining projects.

While education and training are key ingredients in community development, Ma'aden has also been focusing on creating long term benefits within local communities by stimulating local infrastructure development, local industries and local services. In 2012, we launched a local supplier development program and signed over 200 contracts with local suppliers with a value of several billion Saudi Riyals.

Creating strategic value for Saudi Arabia
Ma'aden continues to deliver key national strategic priorities by maximizing the kingdom's mineral resources, providing economic development in remote areas, and creating job opportunities for a new generation of Saudis.

When Ma'aden was first established fifteen years ago, we operated only one gold mine. Since then, everyone on our team has been dedicated to building a diversified and world class minerals company to the benefit of all Saudis. In 2012, we made significant progress in shaping new national industries while maintaining the utmost respect for the environment. We built upon our gold and base minerals business by developing new national infrastructure and successfully launching new mega projects that will position the kingdom as a significant player in global markets.

In this Annual Report I believe you will see the many ways in which the Ma'aden team is creating value for all of our stakeholders. I want to thank our staff and all of our partners for their commitment and dedication to Ma'aden's sustainable growth.

Engr. Khalid Bin Saleh Al-Mudaifer
President and CEO

Riyadh, Kingdom of Saudi Arabia
March 2013

Highlights

- **We are delivering on our promise of expansion and diversification**
- **Revenue stream from DAP fertilizer and ammonia greatly impacted our bottom line**
- **We have delivered outstanding results with gross profit growing to SR 2,594 million**
- **We achieved first hot metal at the smelter on time and on budget**
- **We invested in the development of 450 km water pipeline that will facilitate the development of new mines in the Central Arabian Gold Region**
- **We have launched our Professional Development Program that will sponsor new engineers and geologists**

Business overview

Business overview

Phosphate complex at Ras Al-khair

Summary of performance

Financial and non-financial highlights

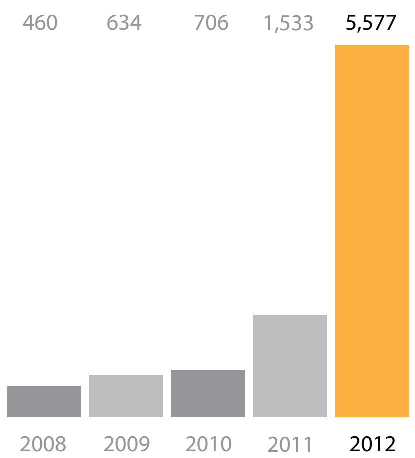
Five year history of consolidated statements of income

Items (in millions)	**2012 SR**	2011 SR	2010 SR	2009 SR	2008* SR
Sales	**5,577**	1,533	706	634	460
Cost of sales	**(2,983)**	(532)	(321)	(306)	(239)
Gross profit	**2,594**	1,001	385	328	221
Selling, marketing and logistic expenses	**(385)**	(54)	-	-	-
General and administrative expenses	**(325)**	(235)	(214)	(160)	(222)
Exploration and technical services expenses	**(123)**	(130)	(92)	(80)	(55)
Operating income /(loss)	**1,761**	582	79	88	(56)
Share in net loss of jointly controlled entity	**(3)**	(2)	–	–	–
Income from short-term investments	**65**	75	169	315	290
Financial charges	**(286)**	(11)	–	–	–
Other (expenses)/income	**(5)**	14	–	300	–
Income before zakat	**1,532**	658	193	659	202
Provision for zakat	**(52)**	(120)	(207)	(269)	–
Net income/(loss) for the year	**1,480**	538	(14)	390	202
Net income/(loss) attributable to shareholders of the parent company	**1,091**	413	(9)	395	204
Non-controlling interest's share of year's net income/(loss) in subsidiary companies	**389**	125	(5)	(5)	(2)
Basic and diluted earnings/(loss) per share from continuing operations (SR)**	**1.18**	0.45	(0.01)	0.43	0.30
Weighted average number of ordinary shares outstanding during the year (in millions)	**925**	925	925	925	663
Gross profit %	**47**	65	55	52	48
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2,816**	788	121	152	57

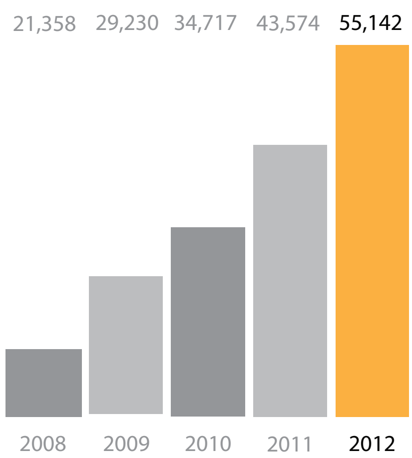
* *Ma'aden became a public company listed on the Saudi Arabian Stock Exchange (Tadawul) on July 5, 2008, after a successful Initial Public Offering (IPO) and has to comply with Article 27:b.(3) of the Listing Rules issued by the Board of the Capital Market Authority (CMA), which requires the publication of five years' historical financial data, or from date of incorporation, whichever is shorter. Prior to July 5, 2008, Ma'aden was a 100% state owned company and not subject to the disclosure requirements as outlined in the Listing Rules of the CMA.*

** *Earnings per share have been calculated according to the number of ordinary shares in issue at December 31, 2012 namely 925 million (2011: 925 million). However, for 2008 the earnings per share have been calculated using the weighted average number of ordinary shares in issue during the year, due to the IPO when the number of issued shares was increased from 40 million ordinary shares with a nominal value of SAR 100 per ordinary share to 925 million ordinary shares with a nominal value of SAR 10 per ordinary share.*

Sales (in million SR)



Assets (in million SR)



EBITDA calculation

A key performance indicator is EBITDA, before non-recurring items. Management considers "EBITDA before non-recurring items" to be a suitable indicator of Ma'aden's operating performance and earnings capabilities since the earnings are not affected by the provisions for zakat, interest received and paid, depreciation, amortisation and items of a non-recurring nature.

The use of the "EBITDA before non-recurring items" indicator ensures a greater comparability of earnings on a consistent basis over a period of time. The non-recurring items, detailed in the table below, are those items that are not sustainable and due to their significance have a distorted effect on the normal earnings pattern.

EBITDA

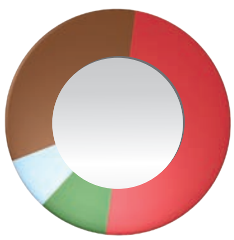
Items (in millions)	**2012 SR**	2011 SR	2010 SR	2009 SR	2008* SR
Net income/(loss) for the year	**1,480**	538	(14)	390	202
Interest income from short-term investments	**(65)**	(75)	(169)	(314)	(290)
Financial charges	**286**	11	–	–	–
Provision for zakat	**52**	120	207	269	–
Depreciation	**984**	174	77	84	67
Amortization of pre-operating expenses and deferred charges	**22**	20	20	23	21
Amortization of intangible assets	**16**	-	-	-	-
Deferred stripping expense	**41**	-	-	-	-
Non-recurring items					
IPO expenses	–	–	–	–	57
Entry payment receipt from Alcoa for the opportunity to participate in the aluminium joint venture project with Ma'aden	–	–	–	(300)	–
EBITDA	**2,816**	788	121	152	57

* *Ma'aden became a public company listed on the Saudi Arabian Stock Exchange (Tadawul) on July 5, 2008, after a successful Initial Public Offering (IPO) and has to comply with Article 27:b.(3) of the Listing Rules issued by the Board of the Capital Market Authority (CMA), which requires the publication offive year's historical financial data, or from date of incorporation, whichever is shorter. Prior to July 5, 2008, Ma'aden was a 100% state owned company and not subject to the disclosure requirements as outlined in the Listing Rules of the CMA.*

Revenue composition
as a % of total sales

	2012	**2011**
Phosphate fertilizer	**52**	**0**
Ammonia	**28**	**36**
Gold	**18**	**57**
Industrial minerals	**2**	**7**
Total	**100**	**100**

Ownership structure (%)
as at December 31, 2012



Public Investment Fund (PIF)	50.0
General Organization for Social Insurance (GOSI)	9.6
Public Pension Agency (PPA)	7.3
General public	33.1

Total number of ordinary shares in issue: 925,000,000

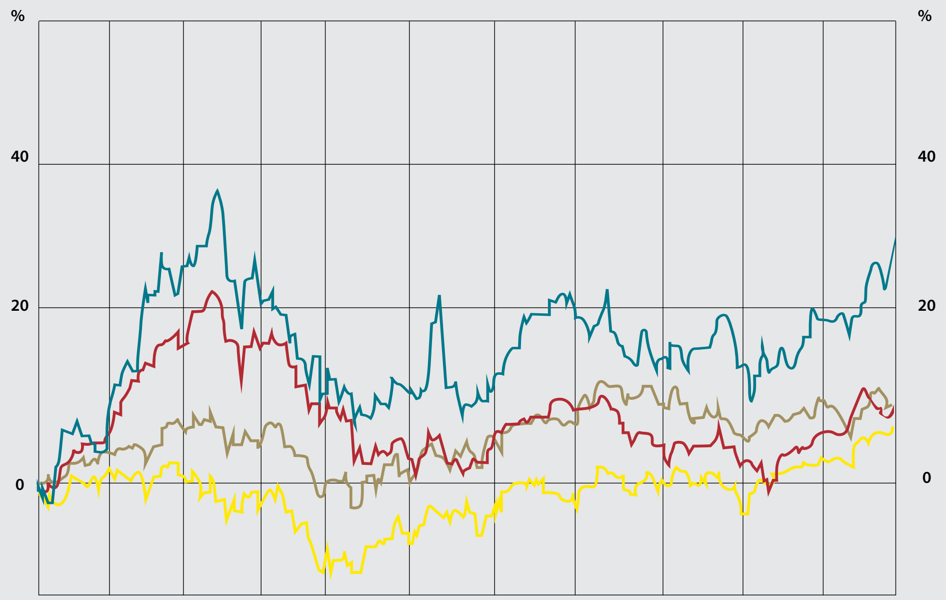
Key share price statistics for the year ended December 31, 2012

Indicator	Share price SR	Market capitalisation in millions SR
52-weeks price range		
Lowest	24.8	22.9
Highest	37.2	34.4
At last trading day of the financial year i.e. December 31, 2012	32.4	30.0

Monthly trading activity on the Saudi Stock Exchange during 2012

Month	Average share price per month SR	Number of transactions	Volume of shares traded	Value of shares traded in millions SR
January	25.90	18,099	45,330,309	1,200
February	29.50	24,927	55,871,611	1,670
March	34.30	32,318	66,817,015	2,283
April	34.70	25,304	46,805,851	1,637
May	31.20	12,820	24,174,985	752
June	30.00	8,533	12,675,090	378
July	30.10	12,455	21,059,258	655
August	32.65	5,381	9,177,098	295
September	32.70	8,820	13,567,569	446
October	31.60	9,418	13,847,752	438
November	31.70	10,910	16,101,058	505
December	32.40	12,471	20,532,934	664

Ma'aden share price performance vs TASI index January-December 2012



Share price performance in 2012

+29.6% Ma'aden

vs

+6.5% TASI Index

Ma'aden
TASI INDEX
S&P500
FTSE350

Source: Bloomberg

Phosphate complex at Al Jalamid

Five -year history of consolidated statements of financial position

Items (in millions)	2012 SR	2011 SR	2010 SR	2009 SR	2008* SR
Current assets	**10,994**	12,311	12,429	12,131	12,430
Property, plant and equipment	**18,541**	7,451	212	251	242
Pre-operating expenses and deferred charges	**813**	357	299	1,444	1,810
Capital work-in-progress	**22,948**	22,228	21,691	15,385	6,810
Investment in jointly controlled entity	**445**	448	–	–	–
Other non-current assets	**1,401**	779	86	19	66
Total assets	**55,142**	43,574	34,717	29,230	21,358
Current liabilities	**5,934**	3,823	2,297	1,906	3,573
Other non-current liabilities	**314**	231	196	177	138
Long-term borrowings	**25,809**	18,815	13,517	8,783	820
Total liabilities	**32,057**	22,869	16,010	10,866	4,531
Equity attributable to shareholders of the parent company	**18,078**	16,986	16,573	16,582	16,188
Non-controlling interest	**5,007**	3,719	2,134	1,782	639
Total shareholders' equity	**23,085**	20,705	18,707	18,364	16,827
Total liabilities and shareholders' equity	**55,142**	43,574	34,717	29,230	21,358

Five -year history of consolidated statements of cash flows

Items (in millions)	2012 SR	2011 SR	2010 SR	2009* SR	2008* SR
Cash and cash equivalents at the beginning of the year	**5,044**	2,922	3,371	4,145	596
Net cash generated from/(utilised in) operating activities	**2,107**	13	(400)	138	3,027
Net cash utilised in investing activities	**(9,021)**	(4,979)	(5,140)	(8,875)	(11,249)
Net cash generated from financing activities	**8,045**	7,088	5,091	7,963	11,183
Net cash received from non-controlling interest in a subsidiary	**–**	–	–	–	588
Cash and cash equivalents at the end of the year	**6,175**	5,044	2,922	3,371	4,145

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Chief Financial Officer's review

"Despite very challenging global market conditions, Ma'aden delivered record financial results. Continuing the successful execution of our growth strategy, we have met our targets and secured financing which further increased our flexibility to move forward on a number of investment plans accross our diverse portfolio."

Record operating income

SR 1.761 bn

(2011: SR 0.582 bn)

Sales evolution

Sales increased by 264% as compared with previous year as DAP fertilizer and ammonia sales contributed 52% and 28% respectively of the total consolidated sales. The increase in revenue is attributed to the beginning of commercial production of DAP fertilizer and ammonia and is also attributed to a higher realized price and quantity of gold sold.

Ma'aden was able to finish 2012 with the consolidated net income of SR 1,480 million, total assets of SR 55,142 million, and shareholders' equity of SR 23,085 million.

Consolidated statement of income for the year ended December 31, 2012

Items (in millions)	Explanatory notes	2012 SR	2011 SR	Variance SR	Variance % change y-o-y
Sales	1	**5,577**	1,533	4,044	264
Cost of sales	2	**(2,983)**	(532)	(2,451)	461
Gross profit		**2,594**	1,001	1,593	159
Selling, marketing and logistic expenses	3	**(385)**	(54)	(331)	(613)
General and administrative expenses	4	**(325)**	(235)	(90)	38
Exploration and technical services expenses		**(123)**	(130)	7	5
Operating income		**1,761**	582	1,179	203
Share in net loss of jointly controlled entity		**(3)**	(2)	(1)	50
Income from short-term investments	5	**65**	75	(10)	-13
Financial charges	6	**(286)**	(11)	(275)	2,500
Other (expenses)/income		**(5)**	14	(19)	-136
Income before zakat		**1,532**	658	874	133
Provision for zakat	7	**(52)**	(120)	68	-57
Net income for the year		**1,480**	538	942	175
Net income attributable to shareholders' of the parent company		**1,091**	413	678	164
Non-controlling interest's share of current year's net income in a subsidiary company		**389**	125	264	211
Basic and diluted earnings per share (SR)	8	**1.18**	0.45	0.73	162
Weighted average number of ordinary shares outstanding during the year (in millions)		**925**	925	-	-
Gross profit %		**47**	65	-	-
Earnings before interest, tax, depreciation and amortization (EBITDA)		**2,816**	788	2,028	257

The table above discloses the movement on a year-on-year (y-o-y) basis, and only those movements that are significant in monetary terms (i.e. more than 10%) are being analysed and discussed in the corresponding Explanatory note in Audited FS.

1. Sales

Components of sales (in millions)	2012 SR	2012 %	2011 SR	2011 %	Variance SR	Variance % change y-o-y
Phosphate fertilizer	**2,878**	**52**	-	-	2,878	100
Ammonia	**1,570**	**28**	594	39	976	164
Gold	**1,001**	**18**	866	57	135	16
Industrial minerals	**126**	**2**	71	5	55	77
Infrastructure	**2**	**-**	2	-	-	-
Total sales	**5,577**	**100**	1,533	100	4,044	264

The total consolidated sales revenue in 2012 increased by SR 4,044 million due to full year commercial production of ammonia and the beginning of commercial production of DAP fertilizer, representing sales of SR 1,570 million (28% of the total consolidated sales) and SR 2,878 million (52% of the total consolidated sales) respectively.

Geographical analysis of total sales for the year ended December 31, 2012
In terms of Article 27: b. (4) of the Listing Rules issued by CMA, Ma'aden needs to provide a geographical analysis of the consolidated turnover of the Group including subsidiaries outside of the Kingdom of Saudi Arabia.

Sales breakdown between international and domestic sales

Sales breakdown	2012 Quantity (in thousands)	2012 Value (SR millions)	2011 Quantity (in thousands)	2011 Value (SR millions)	Variance Quantity (in thousands)	Variance Value (SR millions)	Country
International sales							
Phosphate fertilizer (tonnes)	**1,353**	**2,878**	-	-	1,353	2,878	India, Bangladesh, Indonesia
Ammonia (tonnes)	**743**	**1,570**	272	594	471	976	India,North America, East Asia, Southeast Asia, Morocco
Gold (ounces)	**160**	**1,001**	147	866	13	135	Switzerland
Industrial minerals (tonnes)	**27**	**27**	5	5	22	22	Netherlands, Belgium, Japan, South Africa
Total international sales	**-**	**5,476**	-	1,465	-	4,011	
Domestic sales							
Industrial minerals (tonnes)	**882**	**99**	642	66	240	33	Saudi Arabia
Infrastructure (services)	**-**	**2**	–	2	-	-	Saudi Arabia
Total domestic sales	**-**	**101**	–	68		32	
Total sales for the year	**–**	**5,577**	–	1,533	–	4,044	

The DAP plant commenced commercial production on February 1, 2012. Therefore the DAP fertilizer sales only represented sales for the 11 months of 2012.

The ammonia sales for 2012 amounted to 1,570 million which represents 28% of the total consolidated sales for the full year 2012.

The gold sales for 2012 amounted to SR 1,001 million (18% of the total consolidated sales in 2012), compared to SR 866 million (57% of the total consolidated sales in 2011). The quantity of gold ounces sold in 2012 was 13,228 ounces higher than in 2011. The average realised price per ounce sold was USD 1,665 compared to USD 1,568 for 2011.

The volume of industrial minerals sales increased by 647 thousand tonnes during 2012, resulting in the sales revenue increased by SR 55 million.

Gold ounces sold by mine

	2012		2011		Variance	
Producing mines	**Ounces**	**%**	Ounces	%	Ounces	%
Mahd Ad' Dahab mine	**48,569**	**30**	47,746	32	823	2
Al Amar mine	**61,571**	**38**	54,086	37	7,485	9
Bulghah mine	**36,440**	**23**	33,496	23	2,944	9
Sukhaybarat mine	**7,555**	**5**	5,976	4	1,579	26
Al Hajar mine	**6,299**	**4**	5,901	4	398	5
Total gold ounces sold	**160,434**	**100**	147,205	100	13,229	9

2. Cost of sales

	2012		2011		Variance	
Components of cost of sales (in millions)	**SR**	**%**	SR	%	SR	% change y-o-y
Personnel cost	**323**	**11**	121	23	202	167
Contracted services	**178**	**6**	67	13	111	166
Repairs and maintenance	**49**	**2**	25	5	24	96
Consumables	**105**	**3**	83	16	22	27
Overheads	**110**	**3**	18	3	92	511
Raw material and utilities consumed	**1,242**	**42**	18	3	1,224	6,800
Reversal of inventory obsolescence	**-**	**-**	(4)	(1)	4	(100)
Severance fee	**93**	**3**	85	16	8	9
Sale of by-products	**(43)**	**(1)**	(85)	(16)	42	(49)
Total cash operating cost	**2,057**	**69**	328	62	1,729	527
Depreciation	**971**	**33**	167	31	804	481
Deferred stripping expense	**42**	**1**	-	-	42	100
Amortization of pre-operating expenses and deferred charges	**21**	**1**	16	3	5	31
Amortization of intangible assets	**16**	**-**	-	-	16	100
Total operating costs	**3,107**	**104**	511	96	2,596	508
(Increase)/decrease in metal inventory	**(125)**	**(4)**	21	4	(145)	(690)
Cost of sales	**2,982**	**100**	532	100	2,451	461

Gold ounces produced by mine

	2012		2011		Variance	
Steady state mines	**Ounces**	**%**	Ounces	%	Ounces	% change y-o-y
Mahd Ad' Dahab mine	**38,765**	**28**	49,517	33	(10,752)	(22)
Al Amar mine	**52,531**	**38**	52,050	35	481	1
Bulghah mine	**33,233**	**24**	34,387	23	(1,154)	(3)
Sukhaybarat mi ne	**6,939**	**5**	6,580	4	359	5
Al Hajar mine	**6,319**	**5**	5,740	4	579	10
Total gold ounces produced	**137,787**	**100**	148,274	100	(10,487)	(7)

Commercial production of DAP fertilizer commenced on February 1, 2012. The cost of sales of DAP fertilizer amounted to SR 2,195 million.

Ammonia cost of sales amounted to SR 310 million compared to SR 89 million in 2011 which represents the cost of sales during the fourth quarter of 2011 since commencement of commercial production on October 1, 2011.

Gold ounces produced in 2012 were 137,787 ounces which is 7% lower from the 148,274 ounces produced in 2011.

3. Selling, marketing and logistic expenses

These expenses comprise of marketing fees and other sales related overheads pertaining to the sale of DAP fertilizer and ammonia.

4. General and administrative expenses

General and administrative expenses in 2012 have increased by SR 90 million or 38% when compared with 2011.

SR 63 million of the increase was attributable to an increase in salaries and staff related benefits as a direct result of the increase in the numbers of employees to facilitate the balanced growth strategy.

SR 2 million of the increase is a result of an increase in depreciation and amortization charges relating to assets that are not employed in productive mining operations itself.

5. Income from short-term investments

Income from short-term investments decreased by SR 10 million (13%) when compared to 2011 and this is mainly due to a decrease in cash surplus available for investment during the year because the subsidiaries (aluminium companies) needed financing.

6. Financial charges

Financial charges increased by SR 275 million. This includes SR 90 million for new Revolving Credit Facility and SR 185 million pertaining to MPC that are being charged to statement of income since the commencement of commercial production of DAP fertilizer.

7. Provision for zakat

The provision for zakat in 2012 amounted to SR 52 million compared to SR 120 million in 2011 due to the decrease in the zakat base or adjusted net income from 2011 to 2012.

8. Basic and diluted earnings per share from continuing operations

The basic and diluted earnings per share is calculated by dividing the income attributable to the shareholders of the parent company by the weighted average number of ordinary shares in issue during the financial year under review.

9. EBITDA

Components of EBITDA calculation (in millions)	Explanatory notes	2012 SR	2011 SR	Variance SR	Variance % change y-o-y
Net income for the year		**1,480**	538	942	175
Interest income from short-term investments	5	**(65)**	(75)	10	(13)
Financial charges	6	**286**	11	275	2500
Provision for zakat	7	**52**	120	(68)	(57)
Depreciation		**984**	174	810	466
Amortization of pre-operating expenses and deferred charges		**22**	20	2	10
Amortization of intangible assets		**16**	-	16	100
Deferred stripping expense		**41**	-	41	100
EBITDA		**2,816**	788	2,028	257

Consolidated statement of financial position as at December 31, 2012

Items (in millions)	Explanatory notes	2012 SR	2011 SR	Variance SR	Variance % change y-o-y
Current assets	10	**10,994**	12,311	(1,317)	(11)
Non-current assets					
Property, plant and equipment	11	**18,541**	7,451	11,090	149
Pre-operating expenses and deferred charges		**813**	357	456	6
Capital work-in-progress	12	**22,948**	22,228	720	3
Exploration and evaluation assets	13	**415**	143	272	190
Intangible assets	14	**264**	12	252	2100
Investment in jointly controlled entity		**445**	448	(3)	(1)
Advances and prepayments		**722**	624	98	16
Total assets		**55,142**	43,574	11,568	27
Current liabilities	15	**5,934**	3,823	2,111	55
Other non-current liabilities		**314**	231	83	36
Long-term borrowings	16	**25,809**	18,815	6,994	37
Total liabilities		**32,057**	22,869	9,188	40
Equity attributable to shareholders of the parent company		**18,078**	16,986	1,092	6
Non-controlling interest	17	**5,007**	3,719	1,288	35
Total equity		**23,085**	20,705	2,380	12
Total liabilities and equity		**55,142**	43,574	11,568	27

10. Current assets
Current assets decreased by SR 1,317 million due to the following:

- Decrease of SR 1,979 million in cash and cash equivalents and short term investments due to utilization of funds in various projects of the group.
- Inventories increased by 528 million due to ramp up and commercial production of phosphate fertilizer.
- Trade receivables, advance and prepayments increased by SR 134 million due to increased trading activities.

11. Property, plant and equipment
During the year SR 12 billion were transferred from capital work-in-progress to property, plant and equipment on the completion of a number of capital expenditure projects and their commercial declarations, i.e.

- MPC's ammonia plant at SR 1 billion
- MPC's beneficiation plant at SR 2.8 billion
- MPC's sulphuric acid plant at SR 2.3 billion
- MPC's phosphoric acid plant at SR 3.3 billion
- MPC's DAP and MAP plants at SR 2 billion
- MGBM, MIC and MIMC accounted for the remaining SR 0.6 billion

12. Capital work-in-progress
During the year the following movements occurred:

- SR 12 billion were transferred to property, plant and equipment on the completion of the capital expenditure projects and their subsequent commercial declarations
- SR 12.7 billion of additions were added, mainly by the aluminium project (SR 11.8 billion) and MPC (SR 335 million)
- SR 47 million of pre commercial production revenue, net of cost, were credited against capital work-in-progress, and
- SR 362 million of exploration and evaluation assets were transferred to capital work-in-progress.

13. Exploration and evaluation assets
During the year the following movements occurred:

- SR 428 million were added in gold projects, however expenditure relating to As Suq and Water pipeline projects amounting to SR 362 were transferred to capital work-in-progress
- SR 112 million were added in Umm Wua'l Phosphate Project
- SR 68 million were added in Automotive Sheet Project
- SR 26 million were added in Copper and Zinc projects

14. Intangible assets
Addition of SR 244 million represents transfer of infrastructure and support services assets at Ras Al-Khair to Royal Commission of Jubail and Yanbu (RCJY) in accordance with the Implementation Agreement.

15. Current liabilities
Current liabilities increased by SR 2,111 million or 55% due to:

- SR 679 million increase in project and other payables
- SR 1,402 million increase in accrued expenses, both of these liabilities relates to contractual obligations arising from the aluminium projects and
- SR 98 million increase relating to the current portion of long-term borrowings.
- SR 68 million decrease in Zakat and severance fees.

16. Long-term borrowings
The increase in long-term borrowings is a result of additional drawdown amounting to SR 7,855 million reduced by repayments of SR 763 million from the approved facilities at the following institutions:

- Islamic and commercial banks SR 3,040 million (repaid SR 430 million)
- PIF SR 4,035 million (repaid SR 333 million)
- SIDF SR 780 million

Minus change in the current portion of long-term borrowings of SR 98 million under current liabilities.

Revolving Murabaha Facility signing ceremony

17. Non-controlling interest

The increase in non-controlling interest of SR 1,289 million is a result of the following:

- Issuing of shares in the aluminium companies to Alcoa, who took up their 25.1% share of the share capital amounting to SR 900 million.
- Non-controlling interest in the current-year's profit relates to SABIC's share in MPC of SR 393 million and Alcoa's share in net loss of Aluminum companies of SR 4 million.

Summary of consolidated statement of cash flows as at December 31, 2012

Items (in millions)	2012 SR	2011 SR	Variance SR	Variance % change y-o-y
Cash and cash equivalents at the beginning of the year	**5,044**	2,922	2,122	73
Net cash generated from operating activities	**2,107**	13	2,094	16,108
Net cash utilised in investing activities	**(9,021)**	(4,979)	(4,042)	(81)
Net cash generated from financing activities	**8,045**	7,088	957	14
Net change in cash and cash equivalents for the year	**1,131**	2,122	(991)	(47)
Cash and cash equivalents at the end of the year	**6,175**	5,044	1,131	22

Khaled Al-Rowais
Chief Financial Officer

Riyadh, Kingdom of Saudi Arabia
March 2013

Mineral resources and ore reserves

Developing world class potential

Ma'aden operations inside the mine

Introduction

Ma'aden continues to expand its mineral resource and ore reserves through active greenfield and near mine evaluation drilling programmes, project feasibility studies and new mine development. During the year, the Ma'aden exploration team conducted greenfield gold and base metals exploration on its exploration licenses in the Arabian Shield, resource evaluation drilling at the Shabah greenfield gold project, the Sukhaybarat near mine gold project and at the Al Jalamid near mine and Umm Wu'al brownfield phosphate projects.

Ma'aden continues to work towards its goal of reporting its mineral resources and ore reserves in compliance with 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). All new mineral resources and ore reserves will be reported according to the JORC Code.

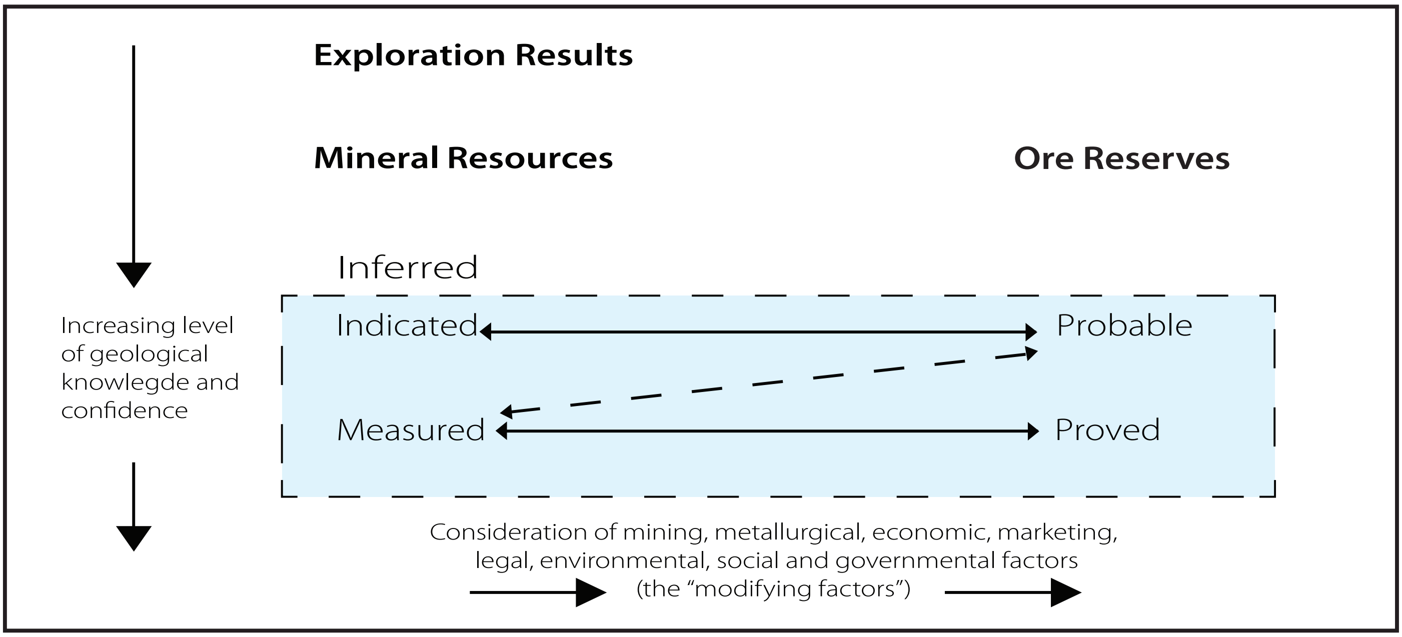
The reporting of existing resources and reserves in this report is not in full compliance with the JORC Code. A process of internal and external audit and revision of these resources and reserves is in progress.

Ma'aden's mineral resources are stated inclusive of the ore reserves contained within the mineral resource while mine reserves are stated exclusive of mineral resources. All tonnes and grade data have been rounded down; hence small differences may occur in the totals.

Mineral resources and ore reserves are stated on a 100% basis regardless of Ma'aden's attributable ownership interest in the project. Ma'aden's ownership interest in joint venture projects is given where applicable.

Mineral resources and ore reserves are reported as at December 31, 2012.

A graphical illustration of the relationship between exploration results, mineral resources and ore reserves classifications from JORC (2004) is shown below.



Geology of Saudi Arabia

Ma'aden's gold resources are hosted in the Precambrian rocks of the Arabian Shield which is exposed in the western part of the Arabian Peninsula. The Arabian Shield is bounded to the east and north by the sedimentary rocks of the Arabian Platform which host the company's industrial minerals resources of bauxite, phosphate and kaolinite.

Precious metals

Gold prices are subject to a range of macroeconomic factors, including global economic growth, interest rates, central bank gold purchases and sales and the strength of the US dollar. Gold prices have remained at high levels in 2012.

Ma'aden has a sustained long term commitment to exploration of the mineral resource potential in the Kingdom of Saudi Arabia. This strategy has enabled the company to build a strong resource position in gold as well as phosphate and bauxite. Ma'aden's current level of gold production remains modest compared to major global gold mining companies but the company now has:

- Four gold mining operations:
  - Mahd Ad' Dhahab
  - Al Amar
  - Bulghah
  - Al Hajar

- One processing plant:
  - Sukhaybarat

- Two projects under construction:
  - As Suq mine project is in construction and scheduled for production in the Q2 2013.
  - Ad Duwayhi water pipeline scheduled for completion in Q4 2014.

- Various projects at different stages of exploration and evaluation:
  - Ad Duwayhi is expected to enter engineering, procurement and construction phase in Q1 2013.
  - Mansourah, Masarrah, Ar Rjum and Humaymah are in the pre-feasibility study stage.
  - Shabah is at the resource evaluation stage with a resource estimate expected in early 2013.

Subject to the results of the studies in progress, the development of some or all of these projects will help Ma'aden reach its target of producing 400,000 ounces of gold per annum by 2015 from the 2012 annual production of about 137,800 ounces of gold.

Gold mining operations

Ma'aden operated gold and base metals mines at Mahd Ad' Dhahab, Al Amar, Bulgah and Al Hajar in 2012. Al Hajar oxide mining and processing has now ceased and a prefeasibility study of the sulphide resource is in progress. Sukhaybarat operated only its processing plant in 2012. Cut-off grades were altered downwards to accommodate the recent increases in gold price. Downward revisions to cut-off grades had the greatest impact on Bulghah's contribution to resource inventory.

Mahd Ad' Dahab

Mahd Ad' Dahab mine is approximately 610 km from Riyadh in Mahd Ad' Dahab County in Al Madinah Province.

The mineralization occurs within an area about 900 metres by 900 metres and is associated with multiple phases of quartz veining and silicification related to north to northwest trending faults. The high grade gold mineralization occurs as steeply dipping, narrow (0.5 metres to 2.0 metres) quartz and massive sulphide vein systems in four zones. Resource calculations are based on 2 years of drilling and production depletion. Cut off grade was altered from 4.0 g/t down to 3.0 g/t. This had the largest positive impact on indicated resources followed by measured and inferred classifications. Grades dropped across all classes of resources but with added tonnages, tonnes increased and grades decreased to 2.38 Mt at 12.11 g/t from 1.70Mt at 12.93 g/t for a net increase in resource ounces of 31%. The downward change in cut-off grade and the marginal increase in tonnage had the net effect of reducing reserves by about 62,000 ounces.

Al Amar

Al Amar mine is situated approximately 195 km southwest of Riyadh in the Riyadh Province.

The main mineralization, North Vein Zone, strikes east-west and dips steeply south over a strike length of 550 metres to a depth of 350 metres. Mineralization remains open laterally and at depth but a fault truncates the mineralized zone to the west. The gold bearing zone is 10 to 45 metres wide, within which two vein systems have been identified, the hanging wall vein and the footwall vein. These veins comprise a series of sub-vertical, discontinuous quartz veins up to 0.5 metres thick associated with sub-massive sphalerite, pyrite and minor chalcopyrite. Cut off grade was revised downward from 4.0 g/t to 3.0 g/t. This change and new high grade intersections in the Mid and South Zones accounted for a material change increase in grade for all classes of resources with a revised inventory across each class of resources summing to 2.63 Mt at 15.26 g/t from 2.66 Mt at 10.77 g/t. Drilling results prompted an increase in reserves of about 15% and a commensurate increase in resources of about 40%.

Bulghah

Bulghah mine is located approximately 520 km west-northwest of Riyadh in the Al Madinah Province.

The gold mineralization occurs in quartz veins associated with steep north-south faults. Gold mineralization is associated with arsenopyrite, pyrite (± minor pyrrhotite), chalcopyrite, sphalerite and other trace sulphides. Mineralization is subdivided into oxide, transitional and sulphide ore. Oxide mineralization extends from surface to about 35 metres depth and is underlain by sulphide mineralization with a transitional zone of about 5 metres between the oxide and sulphide mineralization zones. Reserves dropped by about 25% but the change in cut off grade from 0.4 g/t to 0.2 g/t for oxide resources and 0.3 g/t for fresh rock resources combined with over 5,000m of diamond drilling increased resources across indicated and inferred classes by 500,000 tonnes. This resulted in a 40% increase in average grade. All classes of resources are now 64.34 Mt at 1.08 g/t from 63.81 at 0.61 g/t for an increase of 79%. Reserves decreased by 20% due to depletions and revisions.

Al Hajar

Al Hajar mine is located approximately 710 km southwest of Riyadh in Assir Province. Mining operations at Al Hajar exploited gold mineralization in oxide overlying pyritic copper-zinc sulphide mineralization. This mining ceased in 2006. In 2005, Ma'aden commenced mining at Jadmah, a satellite deposit situated 4 km west of Al Hajar which is now depleted. In 2007, Ma'aden reprocessed existing stacked and leached material. In 2011, Ma'aden commenced mining at Sheers, another small satellite deposit, where mining was completed in 2012. The Al Hajar mine is located within acid volcanics, andesite and mafic-felsic tuffs of the Quirshah formation. The primary copper and zinc mineralization is hosted in pyritic massive sulphide and associated stock works veins within the volcanic units. Subsequent to closure of pits at Al Hajar a mineral evaluation was conducted on remaining copper, zinc, silver and gold resources, resulting in a new resource definition.

Sukhaybarat

Sukhaybarat mine is situated approximately 490 km west-northwest of Riyadh in the Qassim Province.

Gold mineralization occurs in the contact zone between diorite and tonalite intrusives and sediments of the Murdama Group. Gold mineralization is associated with quartz veins with minor arsenopyrite and pyrite.

Producing gold mines - resources and reserves

		Gold mine mineral resources as at December 31, 2012							
		Measured		Indicated		Inferred		Total	
Producing mines [1]	Cut-off Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)
Mahd Ad' Dhahab [1]	3.0	0.61	13.42	1.25	11.59	0.52	11.83	2.38	12.11
Al Amar [1]	3.0	0.56	17.85	1.68	16.02	0.39	8.28	2.63	15.26
Bulghah [1]	0.4	-	-	27.2	0.79	37.1	1.30	64.3	1.08
Sukhaybarat [2]	0.4	-	-	4.39	1.16	4.25	1.45	8.64	1.30
Total		**1.2**	**15.54**	**34.5**	**1.97**	**42.3**	**1.51**	**78.0**	**1.92**

		Gold mine ore reserves as at December 31, 2012					
		Proved		Probable		Total	
Producing mines [1]	Cut-off Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)
Mahd Ad' Dhahab [1]	3.0	0.48	7.92	0.70	6.52	1.18	7.09
Al Amar [1]	3.0	0.66	9.90	1.75	6.09	2.40	7.13
Bulghah [1]	0.4	0.54	0.80	11.60	0.80	12.14	0.80
Sukhaybarat [2]	0.4			2.79	1.19	2.79	1.19
Total		**1.67**	**6.42**	**16.83**	**1.65**	**18.51**	**2.08**

[1] Operating mine.
[2] Processing plant.
Reserves stated under "producing mines" are within current Mining Licences for which the right to mine has been granted. Reserves for steady state mining operations are not reported as being JORC (2004) compliant. Estimates have been updated internally and do not include the latest exploration drilling results from 2012 for which updated resource estimation is in progress. Resources and Reserves are currently being reviewed, remodelled and re-estimated from base data by external consultants. This will result in revisions to these figures, which may in some instances be considerable. Due to rounding totals may not add.

Mine under construction

As Suq
As Suq is approximately 25 km southeast of the town of Zalim in Makkah Al Mukaramah Province.

Gold mineralization is localized in narrow, shallow dipping quartz veins in sediments and volcanics. The mineralized quartz vein system extends over a horizontal length of approximately 1.2 km and to a vertical depth of at least 120 metres. Construction and installation are expected to be completed in Q1 2013, with actual production commencing in Q2 2013.

Precious metals resources and reserves
Material changes to ore reserves are due to the addition of As Suq ore reserves resulting in an increase of 40% over 2011. Resources increased by 16% over 2011 due to the addition of increased Resources at Mansourah, Masarrah, Ar Rjum and Zalim and existing operations.

The Zalim Mineral Resource is stated on a qualified basis due to the potential partial sterilisation of the resource by a proposed railway corridor. Discussions are in progress with the relevant government authorities and a final decision on a potential exclusion zone has not yet been made.

New mines under construction, mineral resources and ore reserves

		Gold mines under constructoin - mineral resources as at December 31, 2012							
		Measured		Indicated		Inferred		Total	
New mine under construction	Cut-off Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)
As Suq	0.4	-	-	8.1	1.82	0.5	1.11	8.6	1.78

Not reported as JORC (2004) compliant. Estimates have been updated internally and do not include the latest drilling/exploration results from 2012 for which resource estimation is in progress . Due to rounding, totals may not sum exactly.

New mine under construction	Cut-off Grade (g/t)	Gold mines under construction - ore reserves as at December 31, 2012					
		Proved		Probable		Total	
		Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Tonnage (Mt)	Grade (g/t)
As Suq	0.4	-	-	8.4	1.66	8.37	1.66

Reserves stated under "Gold mines" are within current Mining Licences for which the right to mine has been granted. Reserves for Mines und development are not reported as being JORC (2004) compliant. Estimates have been updated internally and do not include the latest exploration drilling results from 2012 for which updated resource estimation is in progress. Due to rounding, totals may not sum exactly.

Projects under exploration and evaluation
The following gold exploration projects are under exploration and evaluation within Ma'aden's exploration licenses:

Ad Duwayhi
Ad Duwayhi is approximately 440 km southwest of Riyadh in Makkah Al Mukaramah Province.

Gold mineralization mainly occurs as quartz veins associated with a fault zone about 2 to 10 metres thick dipping at 45 degrees. Narrower high-grade gold veins are also found outside of this main mineralized vein. Gold typically occurs as fine grained native gold and in minor tellurides.

A pre-engineering study was completed in Q2 2012. The anticipated project is an open pit mine with pre-sorting to separate ore prior to beneficiation. Engineering works, equipment supply, and installations are expected to commence in Q1 2013.

Water pipeline
The initial engineering study was completed in Q1 2011. The feasibility study to build the water pipeline (part of Ad Duwayhi project) was approved by the Board of Directors with a budget of US$ 234 million. A contract was then awarded to Metal Services Co. for engineering works, equipment supply, installations, and initial operation. Construction and installation of the pipeline are expected to be completed in Q1 2014.

Mansourah
Mansourah is approximately 75 km east of the town of Zalim in the CAGR.

Gold mineralization is associated with quartz veins and breccias in highly altered serpentinite . The gold mineralization occurs over variable widths ranging from 3 to 60 metres over a strike length of approximately one km.

The pre-feasibility study started in Q1 2012 with completion expected in Q2 2013.

Masarrah
Masarrah is approximately 67 km east of Zalim in Makkah Al Mukaramah Province.

The geology and mineralization is very similar to the Mansourah deposit.

The pre-feasibility study started in Q1 2012 with completion expected in Q2 2013.

Ar Rjum
Ar Rjum project is located in the Makkah Al Mukaramah Province about 20 km southeast of the town of Al Muwayh which is situated on the Taif-Riyadh highway.

The gold mineralization occurs in two discrete, adjacent deposits at Al Wasimah and Um Na'am. Gold mineralization is associated with quartz veins in diorite intrusives.

A pre-feasibility study started in Q1 2012 with completion expected in Q2 2013.

Al Humaymah
This site is located within Miskah exploration license in the Northern Arabian Gold Region.

The gold mineralization occurs in quartz veins in the contact zone between diorite, granite intrusives and volcanic sediments.

A pre-feasibility study started in Q1 2012 with completion expected in Q2 2013.

Al Hajar
The Al Hajar Copper project is located about 550 km (by road) southeast of Jeddah and approximately 100 km south of the town of Al Bahah. Al Hajar lies in the Asir province. The project has been previously exploited for gold oxide mineralisation, but is now focused on the eventual extraction of Copper and Zinc mineralization.

Zalim
The project is located one km east of the town of Zalim. Gold mineralization is associated with quartz veins within diorite intrusives.

Bir Tawilah
This site is located adjacent to Mansourah and Masarrah projects in the Ash Shakhtalyah exploration license in the Northern Arabian Gold Region. The majority of the mineralization occurs in quartz stockwork in granites.

Shabah
The Shabah gold exploration project is located in the Najadi exploration license in the northern Arabian shield. The gold mineralization is associated with brecciated quartz vein zones in sedimentary rocks intruded by coarse-grained to porphyritic granodiorite. The mineralized brecciated zones are discordant to the host rocks and dip at 45 degrees to the northwest. Ma'aden completed 70,000 metres of diamond drilling from 2009 to 2012. Resource estimation is in progress with an expected completion in Q2 2013.

Gold projects under exploration and evaluation

Projects under evaluation and exploration	Cut-off Grade (g/t)	Measured Tonnage (Mt)	Measured Grade (g/t)	Indicated Tonnage (Mt)	Indicated Grade (g/t)	Inferred Tonnage (Mt)	Inferred Grade (g/t)	Total Tonnage (Mt)	Total Grade (g/t)
	Mineral resources as at December 31, 2012								
Ad Duwayhi [1]	0.4	9.00	2.38	10.0	3.87	11.6	1.22	30.6	2.43
Mansourah -oxide [1,3]	0.8	-	-	2.1	2.60	0.4	1.30	2.5	2.39
Mansourah –sulphide [1,3]	0.8	-	-	24.3	2.85	8.9	2.20	33.2	2.68
Masarrah – oxide [1,3]	0.8	-	-	0.1	2.55	1.6	2.20	1.7	2.22
Masarrah –sulphide [1,3]	0.8	-	-	6.4	2.39	14.2	2.10	20.6	2.19
Zalim [2,4]	-	-	-	-	-	10.8	1.70	10.8	1.70
Ar Rjum (Al Wasimah NW) [1,3]	0.5	-	-	25.3	1.44	2.8	1.20	28.1	1.42
Ar Rjum (Al Wasimah SE) [1,3]	0.5	-	-	4.2	0.99	17.0	1.10	21.2	1.08
Ar Rjum (Um Al Na'am) [1,3]	0.5	-	-	32.9	1.25	0.8	1.07	33.7	1.25
Ar Rjum (Ghazal) [1,3]	0.5	-	-	0.7	1.32	0.1	1.75	0.8	1.37
Al Humaymah [1,3]	0.5	-	-	17.0	0.94	18.8	0.80	35.8	0.87
Bir Tawillah [2]	0.25	-	-	97.7	0.54	0.1	0.47	97.8	0.54
Total		**9.00**	**2.38**	**221**	**1.27**	**87**	**1.43**	**316**	**1.34**

1 Mineral resources are not reported as JORC Code (2004) compliant and are currently being evaluated by external consultants.
2 Mineral resources reported in compliance with JORC Code (2004) for public reporting. Results were previously released by SRK, no work has been undertaken to modify estimates.
3 Currently pending Exploration Licence renewal .
4 The Zalim mineral resource is quali ed due to the potential sterilisation of part of the resource by a new railway corridor. This matter is under discussion with the relevant government authorities and a nal decision on an exclusion zone is pending .
Due to rounding errors, totals may not sum exactly.

Copper projects under exploration and evaluation

Al Hajar	Class	Tonnage (Mt)	Cu %	Zn %	Au g/t	Ag g/t
	Mineral resources as at December 31, 2012 — Oxide					
North Pit Area	Measured	0.06	0.67	0.10	0.04	2.01
	Indicated	0.19	0.72	0.11	0.04	2.34
	Inferred	0.25	0.62	0.25	0.06	4.80
South Pit Area	Inferred	0.26	0.66	0.18	0.18	10.39
Total		0.77	0.66	0.18	0.09	5.85

Mineral resources are not reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study. 2 Mineral Resources are reported inclusive of any reserves. Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery. Resources are not presented as JORC 2004 compliant.

Al Hajar	Class	Tonnage (Mt)	Cu %	Zn %	Au g/t	Ag g/t
	Mineral resources as of December 31, 2012 — Sulphide					
North Pit Area	Measured	1.76	1.60	1.48	0.48	19.97
	Indicated	3.36	1.14	1.26	0.42	15.36
	Inferred	1.44	0.89	0.47	0.20	16.45
South Pit Area	Inferred	2.27	1.09	0.55	0.20	11.88
Total		8.85	1.18	0.99	0.34	15.56

Mineral resources are not reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study. 2 Mineral Resources are reported inclusive of any reserves. Grade represents estimated contained metal in the ground and has not been adjusted for metallurgical recovery. Resources are not presented as JORC 2004 compliant.

Storage tanks at Ma'aden Phosphate Company at Ras Al Khair

Phosphate

Phosphate is an essential mineral used in the production of fertilizer with 87% of the global fertilizer trade comprised of fertilizers using phosphate as a raw material. With a high population growth and limited arable land, global fertilizer demand is expected to grow by 2.5% per annum until 2027. Increases in supply capacity of phosphate rock and DAP/MAP fertilizer are expected to be limited to average increases of 1.4% and 2% per annum, on average respectively due to expected capacity closures and decreasing grades.

Currently, Ma'aden is well positioned to capitalize on growing demand and become a dominant player in the global DAP market. There are four supporting elements that would aid Ma'aden in achieving this goal:

- Very large phosphate rock resources in Al Jalamid and Umm Wu'al sufficient to sustain production over 100 years at 7.5 million tonnes per annum P_2O_5.
- Competitively priced energy.
- Access to railway and ports infrastructure.
- Geographic proximity to India, the world's largest single importer of phosphate.

Ma'aden is well underway in unlocking these opportunities with plans to be active in both upstream and midstream segments. Ma'aden Phosphate Company (MPC) a joint venture with SABIC, which aims to produce 3 million tonnes per annum of phosphate fertilizer, started initial production in 2011.

Operating mine phosphate resources and reserves

Al Jalamid deposit

Al Jalamid sedimentary phosphorite deposit is located approximately 150 km east of Turaif, south of Hazm Al Jalamid in northern Saudi Arabia.

The phosphate mineralization occurs in three stratigraphic horizons.

Upper Phosphorite Zone ("UPZ")

The Upper Phosphorite Zone is a calcareous to semi-friable phosphorite. The UPZ is defined by grades of greater than 12% P_2O_5 and less than 8% MgO.

Middle Marker ("MM")

The Middle Marker is an argillaceous micrite with medium-high phosphate content located stratigraphically below the Upper Phosphorite Zone and above the Lower Phosphorite Zone. This zone usually has a grade of greater than 12% P_2O_5 and less than 8% MgO. This unit is mostly absent from the north western part of the resource area but thickens up to 1.5 metres in the central part of the resource area.

Lower Phosphorite Zone ("LPZ")

The Lower Phosphorite Zone is a calcareous to semi-friable phosphorite. A significant proportion of the zone is semi-friable to friable. The average grade usually exceeds 12% P_2O_5 with MgO usually greater than 8%. This unit generally exceeds 1.5 metres in thickness in the north western part of the deposit.

Phosphate

	Phosphate mineral resources as at December 31, 2012								
	Measured		Indicated		Inferred		Total		
Operating mine	Tonnage (Mt)	Grade (P_2O_5%)	Tonnage (Mt)	Grade (P_2O_5%)	Tonnage (Mt)	Grade (P_2O_5%)	Tonnage (Mt)	Grade (P_2O_5%)	Ma'aden ownership (%)
Al Jalamid ML									
Upper Phosphoric Zone (UPZ)	329	20.8	–	–	–	–	329	20.8	70
Middle Marker (MM)	67	18.1	–	–	–	–	67	18.1	70
Lower Phosphoric Zone (LPZ)	125	17.8	–	–	–	–	125	17.8	70
Total	**521**	**19.7**	**–**	**–**	**–**	**–**	**521**	**19.7**	**70**

Operating mine	Phosphate ore reserves as at December 31 2012						
	Proved		Probable		Total		
	Tonnage (Mt)	Grade (P_2O_5%)	Tonnage (Mt)	Grade (P_2O_5%)	Tonnage (Mt)	Grade (P_2O_5%)	Ma'aden ownership (%)
Al Jalamid ML							
Upper Phosphoric Zone (UPZ)	171.7	21.0	-	-	171.7	21.0	70
Middle Marker (MM)	-	-	-	-	-	-	70
Lower Phosphoric Zone (LPZ)	38.9	17.4	-	-	38.9	17.4	70
Total	**210.6**	**20.3**	**-**	**-**	**210.6**	**20.3**	**70**

Ore Reserves are not reported as being compliant with the JORC Code (2004).
ML - Mining Licence provides approval to mine.
Due to rounding errors, totals may not sum exactly.

Exploration and evaluation projects
Al Khabra and Umm Wu'al deposits

Al Khabra and Umm Wu'al deposits are situated 1,100 km north of Jeddah in the middle of Sirhan-Turaif basin adjacent to the Jordanian border.

In the Al Khabra area, the Arqah Phosphorite Member contains friable, semi-friable and carbonate cemented phosphorite. It averages about 3 metres in thickness but ranges from 1.3 to 5.6 metres with occasional interbedded barren limestone and chert within the phosphorite.
In the Umm Wu'al area, the Arqah Phosphorite Member ranges in thickness averages 3 metres in thickness and ranges from 2 to 7 metres with occasional interbedded barren limestone and chert. The Arqah Phosphorite Member in both the Al Khabra and Umm Wu'al areas is displaced by northwesterly trending normal faults.

Deposits	Phosphate mineral resources as at December 31, 2012								
	Measured		Indicated		Inferred		Total		
	Tonnage (Mt)	Grade (P_2O_5%)	Tonnage (Mt)	Grade (P_2O_5%)	Tonnage (Mt)	Grade (P_2O_5%)	Tonnage (Mt)	Grade (P_2O_5%)	Ma'aden ownership (%)
Al Khabra ML									
Upper Arqah	149	19.1	–	–	–	–	149	19.1	100
Lower Sib	87	20.4	10	21.0	–	–	97	20.4	100
Total	**236**	**19.6**	**10**	**21.0**	–	–	**246**	**19.7**	**100**
Umm Wu'al EL									
Block 10			113	13.7	414	14.6	527	14.3	100
Block 6	464	14.2	37	13.1	57	16.7	558	14.4	100
Total	**464**	**14.2**	**150**	**13.5**	**471**	14.9	**1,085**	**14.3**	**100**

Mineral resources and ore reserves are not reported as being compliant with the JORC Code (2004).
Um Wu'al Block 10 Mineral Resource previously classified as Measured has been moved to Inferred Resoure because the resource estimate is based on historical drilling with incomplete information and QAQC checks but veried by 37 twinned drill holes.
ML - Mining Licence provides approval to mine.
EL - Exploration Licence for exploration purposes only and does not provide approval to mine.
Due to rounding errors, totals may not sum exactly.

Magnesite processing plant, Madinah

Industrial minerals

With continued growth of regional industries and construction activities, demand for industrial minerals is expected to grow in the Kingdom of Saudi Arabia. Large local infrastructure spending is expected to continue, further boosting demand for construction materials, including low-grade bauxite and magnesite. Currently, most of these products are imported, as there is no major local supplier, indicating a large gap in local market and placing Ma'aden in an excellent position to capitalize on this gap. Given large usage of industrial minerals in everyday applications, the risk of price volatility of industrial minerals is expected to be low.

Considering prevailing conditions in the industrial mineral sector, Ma'aden is in an excellent position to be able to capitalize on its vast kaolin and low-grade bauxite reserves and high-grade magnesite deposits. In addition, Ma'aden should have a first-mover advantage and therefore build a competitive position in the kingdom.

Ma'aden's industrial minerals operations currently consist of:

- Az Zabirah kaolin, low-grade bauxite deposit and processing plant;
- Al Ghazalah magnesite deposit; and,
- Al Madinah magnesite processing plant.

Ma'aden is in the process of evaluating further extensions of its industrial minerals business, with the goal of developing high value-added engineered products and identifying further strategic reserves to complement its existing minerals portfolio. Further studies are still required to assess attractiveness of potential mineral deposits within the Kingdom of Saudi Arabia.

Kaolin and low-grade bauxite

Az Zabirah mine is approximately 65 km north of Al Ba'itha and 80 km north of Turbah. The operation consists of an open pit mine, mining the central zone of the Az Zabirah bauxite deposit, while the processing facilities are located in Hail Province.

Mineral resources and ore reserves calculations were completed internally by management and these estimates are arrived at according to their estimations. Resources and Reserves were not validated by a Competent Person as defined by JORC (2004).

Kaolin and low-grade bauxite

	Kaolin and low-grade bauxite mineral resources as at December 31, 2012			
	Measured	Indicated	Inferred	Total
Deposit/Mine	Tonnage (Mt)	Tonnage (Mt)	Tonnage (Mt)	Tonnage (Mt)
Az Zabirah deposit/mine				
Kaolin	1.86	0.74	6.75	9.35
Low grade bauxite	2.74	8.26	17.23	28.23
High silica grade bauxite	1.18	2.27	4.52	7.97

Ma'aden Industrial Minerals SBU has chosen to report saleable product without grades.
Resources are not JORC compliant.
Due to rounding errors totals may not sum exactly.

Kaolin and low-grade bauxite*

Deposit / Mine	Kaolin and low-grade bauxite ore reserves as at December 31, 2012 Proved Tonnage (Mt)	Probable Tonnage (Mt)	Total Tonnage (Mt)
Az Zabirah deposit/mine			
Kaolin	1.34	0.43	1.77
Low grade bauxite	2.25	3.52	5.77
High silica grade bauxite	0.84	0.62	1.46

Ma'aden Industrial Minerals SBU has chosen to report saleable product without grades.
Resources are not JORC compliant.
The Kaolin probable reserve is restated due to a transcription error in the 2011 report.

Magnesite

The magnesite open pit mine is approximately 330 km northeast of Hail in Al Ghazalah County.

The deposit consists of four separate bowl-shaped bodies of magnesite. Three of the ore bodies outcrop 300 metres apart along a west-northwest – east-southeast trend and standout from the surrounding desert plain as small but discrete hills. The biggest body is found at Central Hill and contains the majority of the reserves. The magnesite ore is characterized by a high degree of purity.

Jabal Rockham exploration project

A drilling program to assess the resource is in progress. A total of 22 diamond drill holes were drilled for a total of 3,200 metres in 2012.

Magnesite resources and reserves*

Operating mine	Magnesite mineral resources as at December 31, 2012 Measured Tonnage (Mt)	Indicated Tonnage (Mt)	Inferred Tonnage (Mt)	Total Tonnage (Mt)
Al Ghazalah mine				
Magnesite	2.25	0.75	-	3.00
Jabal Rockham Project	-	-	39.7	39.7

** Ma'aden Industrial Minerals SBU has chosen to report without grades.*
Reserves are not JORC compliant.

Operating mines	Magnesite ore reserves as at December 31, 2012 Proved Tonnage (Mt)	Probable Tonnage (Mt)	Total Tonnage (Mt)
Al Ghazalah mine			
Magnesite	1.88	0.71	2.59

** Ma'aden Industrial Minerals SBU has chosen to report without grades.*
Reserves are not JORC compliant.

Ma'aden Aluminium project at Ras Al Khair

Metalurgical bauxite (aluminium)

In 2012, total aluminium production was around 50 million tonnes globally and is expected to grow at an average rate of 5.9% per annum. Growth in production capacity has been primarily driven by China, the Middle East and India and it is expected to continue to grow in regions where energy is competitively priced. This capacity growth in the global smelting industry will require an additional 28 smelters by 2022, each with a capacity of 740,000 tonnes per annum. Since China strives for self-sufficiency, Middle Eastern countries and India will have room to develop into important global players. Transport and construction sectors will remain the largest consumers of aluminium products.

In 2012, Ma'aden has continued its plans and strategies to ensure a place in the global arena through a joint venture formed with Alcoa, the world's leading producer of primary aluminium, fabricated aluminium and alumina. As a result, Ma'aden will gain best in class know-how and international experience in building and operating state-of-the-art plants.

Ma'aden's aluminium business has numerous advantages and strengths including access to:

- Large bauxite deposits in Al Ba'itha, Qassim Province
- Competitively priced energy enabling Ma'aden to be one of the lowest cost producers globally
- Common infrastructure of rail, port and general infrastructure at Ras Al Khair under supervision of the Royal Commission of Jubail and Yanbu, and
- Vertically integrated production process from mine to metal and fabrication, including a rolling mill and an automotive sheet production facility allowing Ma'aden to capitalize on additional access to the value chain.

Al Ba'itha bauxite deposit

Al Ba'itha bauxite deposit is approximately 600 km northwest of Riyadh and about 550 km from Ras Al Khair by rail in northern Qassim Province.

The "PBZ" bauxite unit is a cemented pisolitic bauxite. The PBZ unit is defined on grade criteria with a thickness averaging about 2.6 metres and ranging up to 8 metres thick. Gibbsite to boehmite ratios vary systematically within the deposit with an average of 1:2 ranging up to 1:4. Boehmite occurs mainly in the matrix of the pisolite, in their concentric shells of the pisoliths and in the small ooliths filling the interstitial spaces between the pisolite. Gibbsite occurs interstitially as replacement of earlier minerals and cementing the ooliths.

	Metallurgical bauxite mineral resources as at December 31, 2012				
Deposit	Measured Tonnage (Mt)	Indicated Tonnage (Mt)	Inferred Tonnage (Mt)	Total Tonnage (Mt)	Ma'aden ownership (%)
Al Ba'itha ML					
Tonnes Mt	83.5	136.2	79.2	298.9	74.9
Total Available Alumina (TAA%)	50.5	48.9	50.0	49.6	74.9
Alumina (Al_2O_3%)	57.4	57.1	58.7	57.6	74.9
Silica (SiO_2%)	7.5	9.1	9.7	8.8	74.9
Iron (Fe_2O_3%)	10.3	10.5	8.8	10.0	74.9

Stefan Mujdrica of Xstract Mining Consultants consented to publication of the South Zone Az Zabirah Bauxite Deposit Mineral Resource.
Cutoff grade of 40% TAA.
No mining depletion has occurred.
ML - mining licenses with approval to mine.

	Metallurgical bauxite ore reserves as at December 31, 2012			
Deposit	Proved Tonnage (Mt)	Probable Tonnage (Mt)	Total Tonnage (Mt)	Ma'aden ownership (%)
Al Ba'itha ML				
Tonnes Mt	85.0	135.0	220	74.9
Total Available Alumina (TAA%)	48.7	46.3	47.2	74.9
Alumina (Al_2O_3%)	56.5	55.8	56.0	74.9
Silica (SiO_2%)	8.5	10.6	9.8	74.9
Iron (Fe_2O_3%)	10.5	10.7	10.5	74.9

Kevin Irving, MAusIMM of Xstract Mining Consultants has consented to the publication of his March 2011 JORC (2004) compliant Reserve estimates.
No mining depletion has occurred.
ML - mining licenses with approval to mine.

Sustainable development

Focus on the future

Phosphate Beneficiation Plant

Introduction

Our sustainability approach

Ma'aden is committed to contributing positively to the well-being of our people, environment, economy and society. We recognize that responsible behaviour generates greater value for our stakeholders and earns us the trust of our employees.

Our commitment to sustainability is fundamental to who we are and how we do business. At Ma'aden we fully understand the economic effect of mining on communities and regions in which we operate. Mining contributes directly to the local or regional economy by providing jobs and generating revenues.

In light of this conceptual background, we at Ma'aden strive to focus on the following core pillars:

- Health, safety and environment
- Community commitment
- Employee commitment
- Ethics

In the section below we will expand on our activities along the core pillars, giving examples of major initiatives undertaken by Ma'aden during 2012.

PILLAR: Health, safety and environment

Ma'aden strive towards excellence in health, safety and environment while making significant contributions to the profitability of the Company by creating an ideal environment in which all our employees, business partners, associated families and communities can thrive.

Security

Ma'aden's primary security objective is the protection of all its people and physical assets. This means undertaking all the activities required to ensure appropriate security in Ma'aden and its subsidiaries. Our security policy requires the planning and implementation of the day to day activities necessary to provide a suitable secure environment. This includes ensuring compliance to procedures for setting security objectives, defining the necessary company structure and the associated responsibilities.

Health and safety management system

Ma'aden is implementing an OHSAS 18001 based occupational health and safety management system. This Management System provides Ma'aden and its subsidiaries with the framework to ensure the Health and Safety policy.

Emergency response

Ma'aden's Emergency Response Plans anticipate natural and accidental disasters which result in emergency situations. Our Emergency plans serve to assure Ma'aden's business continuity before, during, and after a major emergency. Corporate emergency plans define the framework for identifying potential emergency situations and potential accidents, involving significant Security, Health and Safety risks, and provide direction on how to respond to them.


Good house keeping gets top priority in the HSE program

The following is a selection of the key Health and Safety achievements of Ma'aden's companies during 2012:

Ma'aden Headquarters
Health and safety highlights:
- Developed Ma'aden Health and Safety strategic plan and five year business plan.
- Established Ma'aden Incident Reporting Standard.
- Participated and led investigation for affiliates' Class-1 incidents.
- Conducted fire protection and emergency response assessment for Ma'aden Gold and Base Metals Company (MGBM) operational sites.
- Conducted Safety Leadership training for directors, managers, supervisors.
- Conducted Health and Safety inspection at Ma'aden affiliate sites.
- Participated in affiliates' major emergency drills.

Ma'aden Phosphate Company (MPC)
- Total Recordable Injury Rate (TRIR) was 0.26.
- Contractor Total Recordable Injury Rate (TRIR) was 2.67.
- Total near miss was 2,508.
- 75 property damage incidents.
- Conducted major emergency drill.

During 2012 MPC has achieved certification to:
- ISO9001
- ISO14001
- OHSAS18001
- ISO50001

Health and safety highlights:
- 378 training sessions on various safety topics were conducted.
- Certified 212 employees and contractors on Work Permit System.
- Trained 6,013 employees and contractors on HSE in-house training, total hours accumulated: 14,795 hours.
- Trained 62 employees and contractors on First Aid in-house training, total hours accumulated: 434 hours.
- Trained 35 employees as ERT at Nevada (Fire Training Center) total hours accumulated: 1400 hours.
- 478 Safety meetings and 344 job safety analysis.
- 10 Risk assessments.
- 90 HSE walkthroughs and 85 management walkthroughs.
- Conducted 53 Management of Change for processes to comply with safety standards.
- 4 Root-Cause-Analysis completed.

Ma'aden Aluminum Company (MAC)
- ZERO Total Recordable Injury recorded by "Operation Readiness Team".
- Contractor Total Recordable Injury Rate (TRIR) was 0.01.

Health and safety highlights:
- Training HSE Matrix has been developed for all Ma'aden Aluminium employees and training packages have been developed for each topic.
- An integrated HSE Information Management System was implemented at MAC. The computer system went live on August 2012 with the first three modules of "Incident Management," "Tasking," and "Compliance." Training on the new computer system was delivered to the Leadership Team during the Q3 2012.
- Individuals have been identified to lead all of the Critical Safety Elements in the HSE System. (LOTOV, Fall Control, Combustion System, Confined Space, etc.).
- A Heat Stress Prevention and Education Program was developed and deployed to the organization. Weekly training was held and mandatory breaks and water stations were deployed.
- All MAC employees have attended Defensive Driving Training. In addition, a road safety awareness campaign was deployed with banners and signs to heighten awareness of driving hazards.
- The Health and Safety Department developed a list of approved PPE and documented the items in an on-line PPE Catalog.
- Successfully completed an integrated HSE Audit that was conducted by the Joint Venture companies.

Ma'aden Gold and Base Metals Company (MGBM)
- Total Recordable Injury Rate (TRIR) was 0.27.
- Trainings were conducted for all Health and safety staff in all mine sites.

2012 Key health and safety statistics for MGBM

	2012	2011	2010
LTI	**4**	9	8
First aid	**20**	25	29
Property damage	**16**	65	76
LTIFR %	**0.41**	2.69	2.95

Ma'aden Industrial Minerals Company (MIMC)
The Ma'aden Total Recordable Injury Rate (TRIR) was recorded 0.88 for MIMC.

Environmental review
2012 Highlights
- Zero reportable environmental incidents.
- Zero environmental penalties incurred.
- Conducted 12 announced facilities environmental audits.
- Conducted 12 un-announced site visits and environmental inspections.

The EHS-IMS (still in progress) is geared towards satisfying the requirements of ISO 14001:2004, OHSAS 18001:2007, EN 16001, ISO 50001 in addition to Responsible Care and subsequently achieve certification by these standards.

Ma'aden has also embarked on developing its own environmental standards based on its operations' locations/jurisdictions, and the "Best Performance Environmental Practices". These developed standards will comply with the Kingdom's PME and Royal Commission standards.

2012 was the second year of running the Corporate Environmental Scorecard and Facility Environmental Key Performance Indicators (EKPIs) system.

The CEO has set the overall environmental compliance target at 95% for all Ma'aden's operations to be achieved by the end of 2012. By the end of December 2012 the Company has achieved the target of 98%.

During 2012 the environmental team has conducted:
- 70 environmental training sessions and.
- 120 awareness sessions.

These sessions were focusing on aspects related to air pollution, ground water and soil contamination, as well as waste management.

Other major environmental activities and achievements during 2012 include the following:
- MPC achieved certification to ISO9001, ISO14001, OHSAS18001 and ISO50001 (Environment, Health and Safety, Quality and Energy). Certification Europe noted that it is the first site they have ever certified to all 4 standards at the same time, and in a new organization as well.
- MAC is progressing rapidly towards the complete implementation of the integrated Health, Safety, and Environmental Management Systems for all of it's facilities. As operating systems have commenced commissioning, Management Systems are also being implemented. These systems conform with the ISO 14001 and OHSAS 18001 standards.
- MAC received the required environmental approval certificate from the Presidency of Meteorology and the Environment for the construction phase of Al Ba'itha mine.
- MAC received the Royal Commission's Permit for the startup of the smelter.
- MGBM submitted the required environmental studies for Al Suq and Al Duwayhi new gold mines to the Presidency of Meteorology and the Environment, and subsequently succeeded in securing the required permits to start the construction activities.
- MGBM completed the closure plan at Mahd Ad Dahab mine, and secured the approval from the Presidency of Meteorology and the Environment.
- MGBM secured the approval of the Presidency of Meteorology and the Environment with respect to constructing the new tailing dam at Sukhaybarat mine.

2012 Environmental Key Performance Indicator for Ma'aden

98 %

PILLAR: Community commitment

2012 Highlights

In 2012 Ma'aden introduced a new community engagement framework. This framework will guide all of our affiliates and enterprises on how to consistently interact and get involved with the communities in order to earn trust and establish mutually beneficial relationships. This framework includes:

- Social Impact Assessment – Guidelines and Minimum Requirements.
- Community Engagement Guide.
- Social Investment Guide.
- Crisis Management Guide.
- Community Performance Management Guide.

Our performance

In 2012 all strategic business units and our affiliated companies have worked hard to maintain excellent relationships with the communities and have engaged proactively in a number of projects aiming at developing trust and improving the standard of living of communities in which we operate. The table below shows selected community engagements during 2012.

Type of engagement	Business unit	Impact
Regular meetings with local governmental agencies and local public officials	All business units	Better liaison and reaching common understanding.
Organizing educational and scientific field visits	Mahd Al-Dahab Mine	69 visitors to the mine have been welcomed for different purposes including education and science.
Sharing infrastructure facilities for the benefit of local authorities	Mahd Al-Dahab Mine	Using the helipad in rescue missions.
Active participation in local community social events	Al Ghazala Mine	Weddings - special gifts for newly wed community members.
Sport Festival	Mahd Al-Dahab Mine	Sponsoring the annual sport festival in Mahd city. This annual festival enhances a healthy lifestyle and encourages people to get fit.
Falcon Festival – Turaif City	Al Jalamid mine	Introduced MPC and its role both industrially and socially.
Ar'ar Summer Festival	Al Jalamid mine	Sponsorship of the festival and conduction of safety awareness program.
Social awareness program	Al Jalamid mine	Supporting and participating in the Ministry of Social Affairs awareness program related to social condition and needs of widows, orphans, poor families and handicapped people.
Football tournament	Al Jalamid mine	Sponsoring Prince Abdullah Bin Abdulaziz Bin Musaad Al Saud football tournament, under the supervision of General Presidency for Youth Welfare.

In addition, Ma'aden has focused on selective investments that help us build partnerships and contribute to the improvement of standard of living in the communities in which we operate. The table below summarizes our 2012 social investment activities.

Social investment	Business unit	Impact
English language program	Ma'aden Aluminium Company	Developing program to enhance English language skills of high school students in Al Qassim - reports show youths' high commitment to the program.
Mahd Al' Dahab Cultural Center	Ma'aden Gold and Base Metals Company	Work in progress to develop a modern cultural center.
Partnerships with NGOs	Mahd Al' Dahab mine	Mahd mine has several partnerships with local nonprofit organizations and has spent around SR125,000 on projects of different local nonprofit organizations.
A Ride to The Future	Al Jalamid mine	Developed transportation system (buses) allowing high school students in Al Jalamid village to continue their studies in Arar city 120 km away.
Better place for Education	Al Jalamid mine	Renovation of female high school in Al Jalamid village.
Healthy Village	Al Jalamid mine	Medical examination for Al Jalamid local families to determine any chronic diseases and the needs of the existing clinic with cooperation and supervision of the Ministry of Health.

Ongoing employees training courses

Ma'aden believes that its relationships with the local communities around its operations are of paramount importance and central to the company's social license to operate. Therefore Ma'aden has embraced the following Ma'aden Community Commitment Policy actions:

Policy statement
This Community Commitment Policy (CCP) serves to address Ma'aden's commitment to engagement in environmental and social impact of operations and sustainable development in communities in which we operate. Ma'aden defines "community" as the environment in which we work, both office locations and field operations.

Ma'aden recognizes the real and potential corporate and operational impacts on these communities and is committed to addressing the related business responsibilities.

We are determined to develop positive relationships with these communities based on respect, active partnership and long term commitment. Wherever Ma'aden operates, we consider the various cultures, lifestyles, heritage and preferences of community members and act accordingly.

Policy objective
To establish long-term community confidence, trust and support for Ma'aden's operations in the communities in which we operate.

Policy principles
Ma'aden applies collaborative, purposeful and inclusive engagement activities with the communities in which we operate through regular consultation and communications.

Environmental and social impact
Ma'aden undertakes and supports all activities that address the environment and the social impacts of our operations in the communities in which we operate.

Sustainable community development
Ma'aden works towards supporting sustainable development initiatives or implementing related operational activities to ensure we contribute toward long-term benefits in the communities in which we operate without creating unsustainable dependencies.

Saudization
Ma'aden is keenly aware of its responsibility as Saudi Arabia's pre-eminent mining company and the important role that mining and related industries have in the Kingdom's industrial growth. As such Ma'aden invests in training Saudi nationals for careers in mining and in doing business with local suppliers.

Despite many aspects of Ma'aden's business being new to the country and highly technical, Ma'aden's overall Saudization rate at the end of 2012 was 66%.

Ma'aden's Saudization

	2012 %
Ma'aden Gold and Base Metals Company	62
Ma'aden Phosphate Company	65
Ma'aden Aluminium Companies	70
Industrial Minerals	65
Infrastructure	54
Corporate office	67
Overall	**66**

Group of students at the Saudi Polytechnic in Arar

Investing in skills development
Ma'aden, in partnership with the Technical and Vocational Training Corporation (TVTC), has established the Saudi Mining Polytechnic (SMP) in Ar'ar with the explicit goal of providing vocational training and development facilities for mining and related industries. The existing physical facilities of the Ar'ar Technical Institute including buildings and equipment are maintained by the TVTC. The operational costs associated with running the training institute are covered by Ma'aden.

In September of 2012 the SMP in Arar was successfully opened. The institution accommodates a maximum of 600 students with an estimated new intake 200 to 300 every year. The SMP center is providing training programs in basic and technical English as well as programs for obtaining a diploma in Surface and Underground Mining as well as Plant Operations. Some examples of specialized training include:

- Underground mining curricula (e.g., explosives regulations, drilling and blasting, under ground mining methods, mine venting, power and drainage).
- Surface mining curricula (e.g., surface layout stability, surface mining methods, surface mine production).
- Surface Plant operator curricula (e.g., material balance, crushing and milling, leaching).

In 2012 Ma'aden invested SR42 million in the special equipment required for training. The one-off investment in SMP's mining equipment included the following:

- Advanced equipment simulators.
- Heavy duty shovels.
- Trucks, tractors and wheel loaders.
- Surface blast hole drill.
- Mining loaders and articulated trucks.
- A jumbo drill, long hole drill and jackleg drills.

In addition, Ma'aden has provided a mineral processing pilot plant for training purposes.

Ma'aden also developed a sponsorship program of SR 1,800 per month for each student throughout their time in the SMP. This recruitment program will sponsor a minimum of 150 students per annum for at least five years. In selecting students to sponsor Ma'aden continues to give preference to applicants who live in the areas surrounding Ma'aden's mining projects in order to support the local communities. The diploma program runs at the SMP for a duration of 2 years of academic training and up to 8 months of 'on the job' training before students qualify for diplomas. In 2012 Ma'aden has sponsored 330 students.

Creating business opportunities for companies in Saudi Arabia
In 2012 Ma'aden continued developing the network of local suppliers which are vital in supplying skills and equipment, essential for the sustainability of mining and related industries. Ma'aden actively encourages and prioritises local suppliers where possible.

In order to improve Ma'aden's future commitments for Saudization and Nitaqat rating, an extensive review of the contractual obligations that exist with contractors and suppliers was carried out in 2012.

As a result, Ma'aden included Contractors Saudization Policy information in relevant contracts covering the need for contractors to:

- Observe where possible the replacement of expatriate employees with Saudi nationals.
- Improve technology skills transfer.
- Skills development including contract specific undertakings and penalty clauses for failure to comply.

In 2012 Ma'aden had signed 128 contracts with local contractors and 10, 816 purchase orders with local suppliers.

Total spend with vendors/contractors registerd in KSA

SR 7.25 Billion

Our sustainable performance

Ma'aden's sustainability performance indicators as well as initiatives during 2012

Performance indicator	Details
Health and safety	
Lost Time Injuries Frequency Ratio (LTIFR)	0.19 in 2012 vs 0.29 in 2011.
Preventing security accidents	No accidents were reported.
Incidents reports	All major incidents reports have been shared with all business units.
Health and safety training	Raising Safety culture training has been deployed to all company locations.
Environment	
Environmental incidents	No incidents were reported.
Environment performance indicators	Environment indicator increased from 90% in 2011 to 98% in 2012.
Environmental training	250 employees were trained on environment issues in mining.
Sustainable environmental programs	Use of treated water in phosphate and gold operations.
Environmentally friendly technology	SR 37 million investment in cutting edge environmentally friendly technology to be used at Ma'aden Aluminium Company.
Environmental certification	ISO certifications were secured across all phosphate business.
Employees	
Professional development program (PDP)	March 2012 successful start of the PDP.
Home ownership program	SR 48 million granted in housing loans.
Savings plan	SR 13 million employee savings plan contribution.
Ethics	
Committing to disclosure	No violations of CMA regulations were registered in 2012. The policy on conflict of interest, list of notifications and code of ethics were developed.
Developing governance policies	Policy training for employees.
Committed to ethics	Developed the code of ethics and conflict of interest policy.
Community	
Standardizing community involvement policies	Guidelines and policies have been developed.
Community engagement	Regular meetings with local governmental agencies. Sponsoring sports and summer festivals. Supporting students to pursue their education.
Investing in local community	Partnering with nonprofit organizations for better impact on local community.
Encouraging local businesses and talents	97% of procurement spend has been acquired by local businesses
Partnering with nonprofit organizations for better impact on local community	More than just focusing on Saudization, we are also hiring talents from mine neighboring communities.

PILLAR: Employee commitment

Training and development

The main goals and objectives of the employee training and development processes in Ma'aden can be summarized as follows:

- To establish and effectively maintain on-going, viable and meaningful training and development program for employees.
- To develop, expand and enhance the required skills, knowledge and competencies of employees to the maximum possible levels in order to achieve Saudization objectives.
- To attract, motivate, develop and retain highly qualified Saudi nationals with the necessary experience, occupational, technical and administrative skills.
- To provide the necessary motivation for employees' personal growth and improved performance to meet current and future job requirements.
- Identify the best organizational fit for the participants.

The total number of employees trained internally and externally, including English as a second language

Business unit	**2012 No. of employees**	2011 No. of employees
Head office	**175**	351
MGBM	**784**	544
MPC	**555**	602
MAC	**634**	458
Total Ma'aden	**2,148**	1,955

Ma'aden's total investment in training courses for employees

Item	**2012 (SR millions)**	2011 (SR millions)
Total scholarship and training fees	**49.0**	16
Total travel expenses	**10.5**	2.2
Total Ma'aden	**59.5**	18.2

Housing facilities at Ras Al-Khair

Professional Development Program (PDP)

The Ma'aden Professional Development Program (PDP) was created to take in fresh graduates to train and develop to become the next generation of professionals working and operating the core business of Ma'aden. Development of these graduates is done through training at the Al-Khalij training center in Jubail and then through on-going mentoring with seasoned professionals within Ma'aden who are willing to volunteer in the program and share their knowledge and guidance with the PDP student.

The program successfully completed its first year with two intakes of students in March and September of 2012 with a total of 54 graduates into the program. In 2013 the program has a planned intake of 93 students across the main businesses of Aluminium, Phosphate and Gold, while almost doubling its intake of 2012. This is an exciting indicator of the program growth and equally reflects the need to develop more talent in Ma'aden. The program's aim is to:

- Grow and build the talent pipeline for Ma'aden and its subsidiaries.
- Provide cross functional experience and learning in functional areas outside the participant's discipline.
- Demonstrate the participant's accelerated technical/business competencies and productivity.

Continuing with the success of the program in 2013, the PDP is continually improving and enhancing its offers of education and opportunities. As the PDP program looks towards the future, it continues to work towards its next intake in the 2nd Quarter of 2013 and then another following in the 3rd quarter of the same year.

An exciting event which will involve the PDP program in 2013 is the Saudi/American Cultural Mission's (SACM), Saudi Career Fair held in Washington D.C, USA from the 24th to the 27th of May. The goal and aim is to seek out the best and brightest Saudis who are studying abroad on the King Abdullah Scholarship, give them the opportunity to see what Ma'aden can offer and invite them to be part of the most exciting professional opportunity in the kingdom. This helps build the Ma'aden brand to those in the King Abdullah scholarship program as well as build the Ma'aden international brand and recognition abroad as a company that truly develops its young talent.

Succession planning program

Ma'aden has designed a robust and effective Succession Management Program to further the process of career planning and career paths for Ma'aden employees. The Pilot Succession Planning project was initiated in third quarter of 2012 and completed in December of 2012. 2013 will be the inaugural year for the first complete run through of a full succession planning and management program to benefit and help develop the current and future leaders of Ma'aden. The process involves the implementation of a vigorous assessment consisting of tested and approved psychometric assessments, leadership capability assessments and 360° Leadership assessments to help find and put into place the right leaders for the future of Ma'aden. This activity is followed by talent discussions with the leadership teams at Ma'aden to find the next generation of leaders. Succession planning is the next step in building and developing the capability of the future of Ma'aden and should be fully implemented by mid-year 2013.

Ma'aden village at Ras Al Khair

Home ownership programme
In 2012 Ma'aden has continued to offer its home ownership programme (HOP), whereby the Company acts as a guarantor on behalf of the employee in securing an apartment/home loan received by an entitled employee from a financial institution. The Company bears the interest on the long term loan, whilst the employees pay the principal amount of the installment, directly to the commercial bank. The total amount of loans granted to entitled employees as at December 31, 2012 was SR 48 million and the outstanding amount of the loans as at December 31, 2012 was SR 39 million.

In 2013 Ma'aden will launch a revised HOP program that provides greater benefits and choices to Saudi employees through ready built homes or housing cash loans. The new HOP Program is part of Ma'aden' s Total Reward Strategy intended to encourage our employees to have a long term career with Ma'aden.

Savings plan
Ma'aden created a savings plan programme for its Saudi employees, whereby employees contribute a fixed share of their monthly salary and the Company contributes a proportionate share for the benefit of the employee. The total amount invested will be for the benefit of the employee, subject to certain conditions. The employees' contribution towards this programme as at December 31, 2012 amounted to SR 20 million and the Company's contribution amounted to SR 10 million. The entire programme is managed and administrated in accordance with the approved Policy and Procedures of the Company.

PILLAR: Ethics
Ma'aden attaches a high level of importance to corporate ethics. Currently Ma'aden has its integrity, values and a code of conduct that all employees sign on starting with the Company and are expected to uphold for the rest of their time with the Company. Suppliers similarly have a code of conduct which must be adhered to in order to do business with Ma'aden. As an output of the strategy, Ma'aden has revised its values to reflect the behaviour that is expected in all stakeholders.

Looking forward, Ma'aden has aspirations to do more to ensure that ethical practices are endemic in the business. A full code of ethics will be developed alongside a full CSR strategy. This will encompass the code of conduct and also the values, ensuring that these values are alive in the business and become a filter through which all decisions and policies are passed. Training in the code of ethics will take place for all employees and a means of surveying compliance will be developed. Further information on the governance aspect of ethics can be found in the Governance section of this report.

Operational performance

Gold operations

Steady state mining operations by mine

In terms of Article 27 (a) of the Listing Rules issued by the CMA, the Group must provide a review of operations for the financial year ended December 31, 2012 and all relevant factors affecting the Group's business.

	Mahd Ad' Dahab		Al Amar	
	2012	2011	**2012**	2011
Production statistics for the years ended December 31, 2012 and 2011				
Tonnages mined (metric tonnes)	**202,336**	202,677	**202,170**	214,142
Grade (grammes per tonne)	**6.79**	8.92	**8.05**	8.92
Tonnage milled (metric tonnes)	**199,204**	198,714	**208,888**	204,949
Grade (grammes per tonne)	**6.60**	8.20	**9.10**	9.30
Recovery %	**93.20**	94.80	**86.50**	87.90
Ounces produced	**38,765**	49,517	**52,531**	52,050
Financial results of gold sales for the years ended December 31, 2012 and 2011				
Gold revenues (SAR '000)	**303,406**	279,712	**383,963**	317,528
Gross profit (SAR '000)	**223,133**	236,460	**314,011**	246,970
Capital expenditure (SAR '000)	**7,244**	10,454	**7,391**	8,700
Net cash cost per ounce produced US$/oz	**418**	237	**221**	84
Average realized sales price US$/oz	**1,666**	1,562	**1,663**	1,566
Ounces sold	**48,569**	47,746	**61,571**	54,086
Safety statistics for the years ended December 31, 2012 and 2011				
LTI	**2**	4	**1**	1
First aid cases	**4**	3	**14**	15
Property damages	**9**	26	**6**	13
LTIFR %	**0.73**	5.04	**0.73**	1.61
Total man hours worked	**544,841**	794,140	**272,976**	622,046

Bulgah		Sukhaybarat		Al Hajar		Total	
2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
2,218,311	2,488,887	**-**	-	**199,677**	176,597	**2,822,494**	3,082,303
0.74	0.72	**-**	-	**1.13**	1.44	**-**	-
2,251,381	2,340,461	**596,990**	512,353	**376,598**	210,448	**3,633,061**	3,466,925
0.60	0.70	**1.00**	1.20	**0.60**	0.90	**1.50**	1.70
55.5	46	**82.7**	80.6	**86.30**	92.70	**67.01**	59.22
33,233	34,387	**6,939**	6,580	**6,319**	5,740	**137,787**	148,274
228,670	200,958	**46,186**	33,741	**39,317**	33,812	**1,001,542**	865,751
96,842	101,995	**31,872**	14,295	**20,987**	11,319	**686,845**	610,839
13,752	11,667	**21,510**	7,815	**1**	129	**49,898**	38,765
905	631	**419**	657	**873**	848	**481**	380
1,673	1,600	**1,630**	1,506	**1,665**	1,528	**1,665**	1,568
36,440	33,496	**7,555**	5,976	**6,299**	5,901	**160,434**	147,205
1	2	**0**	1	**0**	1	**4**	9
1	3	**1**	1	**0**	3	**20**	25
0	7	**1**	7	**0**	3	**16**	56
0.87	3.22	**0**	3.24	**0**	2.78	**0.41**	2.69
228,654	620,384	**399,160**	308,943	**120,376**	359,213	**1,566,007**	2,704,726

Contribution to gold production (in ounces) for the year ended December 31, 2012

	2012	**%**	2011	%	Change y-o-y	%
Mahd Ad' Dahab	**38,765**	**28**	49,517	33	(10,752)	(22)
Al Amar	**52,531**	**38**	52,050	35	481	1
Bulghah	**33,233**	**24**	34,387	23	(1,154)	(3)
Sukhaybarat	**6,939**	**5**	6,580	5	359	5
Al Hajar	**6,319**	**5**	5,740	4	579	10
Total gold production	**137,787**	**100**	148,274	100	(10,488)	(7)

Mahd Ad' Dahab mine

Description

Mahd Ad' Dahab, located in the Al Madinah Province approximately 610 km west of Riyadh, began commercial production in 1988. It is anunderground mine with a total development in excess of 70 km, extending to a depth of 300 metres.

Safety

As of December 31, 2012 the mine had a total number of 271 employees, including 138 Saudi nationals and 133 expatriates. No fatalities were recorded in 2012.

The year in review

Mahd Ad' Dahab gold production for 2012 was 38,765 ounces or 10,752 ounces less than in 2011. The reason for the decline in production can be attributed to a decrease in the gold grade at 6.60 g/t in 2012 from 8.20 g/t in 2011.

Future outlook

The estimated life-of-mine is six years, based on current mineral resources and mining rate.

Mahd Ad' Dahab remains focused on a continuous underground exploration programme of 6,000 metres of diamond drilling (DD) to increase ore reserves.

Al Amar mine

Description

Al Amar, located in the Riyadh Province, approximately 195 km southwest from Riyadh, began commercial production in 2008. It is an underground mine with a total development in excess of 12 km extending to a depth of 300 metres. Its operational capacity is estimated at 200,000 tonnes per year which produces gold, silver, and copper.

Safety

The mine had a total number of 194 employees as of December 31, 2012, comprising of 93 Saudi nationals and 101 expatriates. No fatalities were recorded in 2012.

The year in review

Al Amar's gold production increased in 2012 by 481 ounces compared to 2011. The reason for the increase in production can be attributed to an increase in the ore milled by 3,000 tonnes in 2012 compared to 2011.

Future outlook - ore reserves

The estimated life-of-mine is twelve years, based on the current ore reserves.

Al Amar is focused on combined underground and surface exploration programme to replenish reserves and to define new resources. Our current area of focus is the South Zone.

Bulghah mine

Description

Bulghah, located in the Al Madinah Province approximately 520 km west-northwest of Riyadh and 65 km south of Sukhaybarat, metallurgical processing plant. Bulghah is an open pit mine, with heap leach processing on pads and a design capacity of 4 million tonnes. Bulghah's high grade ore is trucked and processed at Sukhaybarat's carbon-in-leach ("CIL") facility to leverage its higher recovery rate.

Underground loading at Al Amar mine

Safety
The mine had a total number of 118 employees as of December 31,2012, comprising of 53 Saudi nationals and 65 expatriates. No fatalities were recorded in 2012.

The year in review
Bulghah's gold production decreased in 2012 by 1,154 ounces compared to 2011. The reasons for the decrease in production can be attributed to decrease in the ore milled by 89,000 tonnes and lower gold grade by 0.10 g/t compared to 2011.

Future outlook
The estimated life-of-mine is five years, based on current mineral resources.

We will also look to improve production through a preventive maintenance schedule.

Sukhaybarat mine
Description
Sukhaybarat, located in the Qassim Province approximately 485 km west-northwest of Riyadh, ceased open pit mining operations in 2003 and currently utilizes its carbon-in-leach facility to process existing stockpiles and Bulghah's high grade ore.

Safety
The site had a total number of 99 employees as of December 31, 2012, comprising of 46 Saudi nationals and 53 expatriates. No fatalities were recorded in 2012.

The year in review
Sukhaybarat's gold production increased in 2012 by 359 ounces versus 2011 due to increase in milled tonnage by 84,000 tonnes.

Future outlook
The estimated life-of-mine is four years, based on processing Bulghah high-grade ore and existing low-grade stockpiles that provide economic benefit.

Al Hajar mine
Description
Al-Hajar, located in Assir Province 710 km southwest from Riyadh, began commercial production in 2001 and has reached the end of its mine life. Mining operations ceased in June 2012. Heap leach processing of stockpiles will continue into early 2013.

Gold ore from Al Amar mine

Safety
The mine had a total number of 52 employees as of December 31, 2012, comprising of 31 Saudi nationals and 21 expatriates. No fatalities were recorded in 2012.

The year in review
Al Hajar's gold production increased in 2012 by 579 ounces versus 2011.

Future outlook
Processing of stockpiles will continue through early 2013. Detailed study is on-going to evaluate the copper resources in the north and south pits; initial volume is estimated at 6.3 million tonnes with grades of 1.2% copper, and 0.53% zinc.

The mine closure in accordance with environmental regulations will commence in 2Q 2013 and expected to take six months.

Key business achievements

The year 2012 was a positive year for Ma'aden Gold and Base Metals Company due to higher realized metal prices and sales volume:

- **Generated a revenue of SR 1,001 million and a net income of SR 441 million.**
- **Sold 160,434 ounces of gold.**
- **Saudization reached 62% level.**
- **73,000 ounces have been added to gold reserves.**

Operational performance

Phosphate operations

Phosphate plant

Transport infrastructure supports Ma'aden's growth

Ma'aden's phosphate business is adding high value to the Saudi phosphate industry through Ma'aden Phosphate Company (MPC) which is a fully integrated operation from mine to phosphate fertilizer.

MPC operates at two primary sites:

Al Jalamid

The Al Jalamid site comprises the phosphate mine, beneficiation plant and supporting infrastructure and encompasses an area of over 50 sq. km. Mine production is around 11.6 million tonnes per year of ore and the beneficiation facilities can produce an estimated 5 million tonnes of phosphate concentrate on a dry basis. Ma'aden's measured phosphate reserves at Al Jalamid stand at 211 million tonnes. Substantial investment has also been made in industrial infrastructure at Al Jalamid including a power plant, potable water production, treatment and distribution facilities, roads and telecommunications support the mining and beneficiation operations. The phosphate concentrate is transported by rail from Al Jalamid to Ras Al-Khair for processing.

Ras Al-Khair

Ras Al-Khair is 90 km north of Jubail in Saudi Arabia's Eastern Province and is the location of MPC's integrated chemical and fertilizer facility and related infrastructure. The phosphate concentrate transported by rail from Al Jalamid is processed in the fertilizer production facility consisting of a phosphoric acid plant, a sulphuric acid plant, an ammonia plant, a diammonium phosphate granulation plant, a co-generation and desalination plant, as well as other infrastructure.

At full capacity Ma'aden Phosphate Company will produce approximately 3 million tonnes per year of granular phosphate, plus approximately 0.4 million tonnes per year of excess ammonia.

Ma'aden Phosphate Company commenced commercial production of ammonia on October 1, 2011, followed by commercial production of full complex on February 1, 2012.


Ammonia plant

Production statistics	2012 (Mt)	2011 (Mt)	Variance (y-o-y) (Mt)	% Chanege
Phosphate fertilizer	**1.43***	-	1.43	-
Ammonia	**1.09**	0.29**	0.80	276%

Financial results of operations	2012 (SR million)	2011 (SR million)	Variance (y-o-y) (SR million)	% Chanege
Phosphate fertilizer	**2,878**	-	-	-
Ammonia	**1,570**	594	976	164%

** commercial production of phosphate fertilizer from February 1, 2012 to December 31, 2012.*
*** commercial production of ammonia from October 1, 2011 to December 31, 2011.*

Key business achievements

- **Obtained OSHA 180001, ISO 14001, ISO 9001 & ISO 5001.**
- **Declared DAP commercial operation in February 2012.**
- **Ammonia production increased by 276% compared to 2011.**

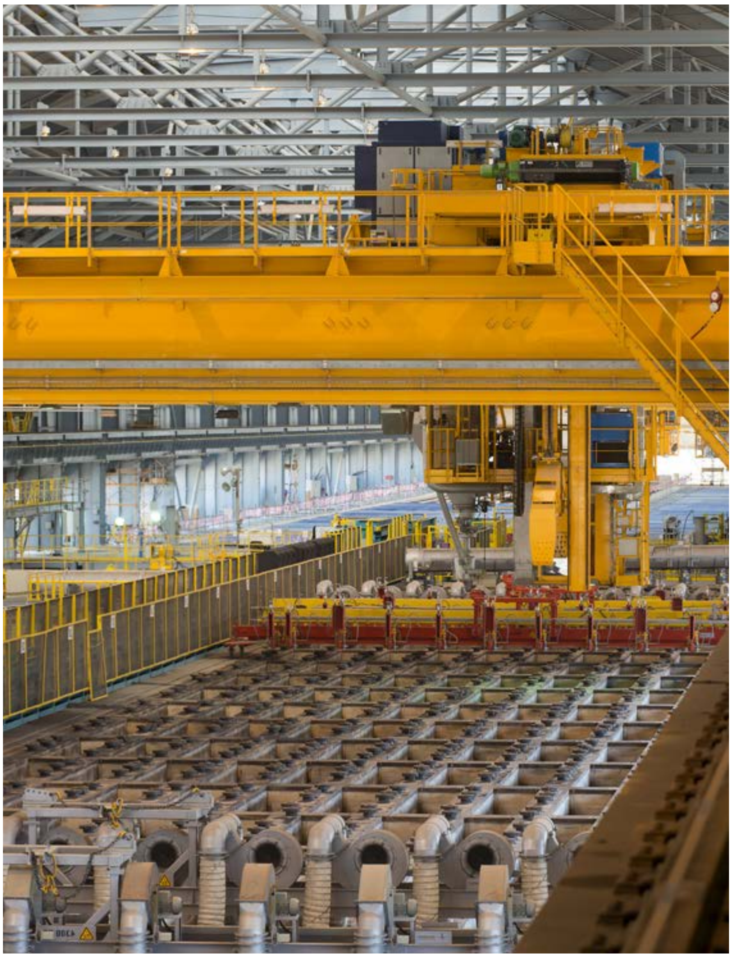
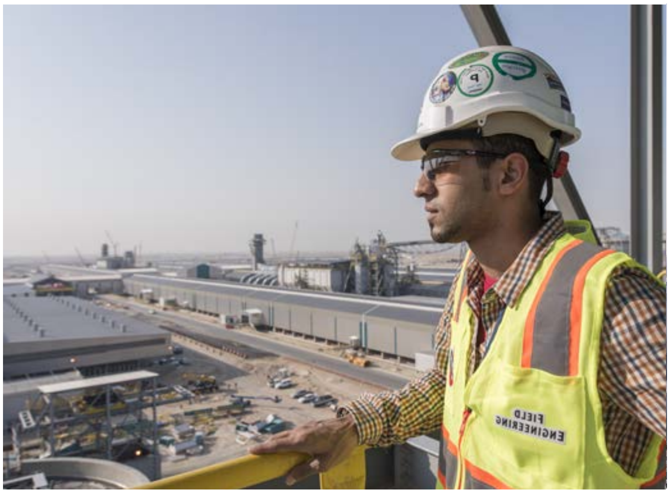
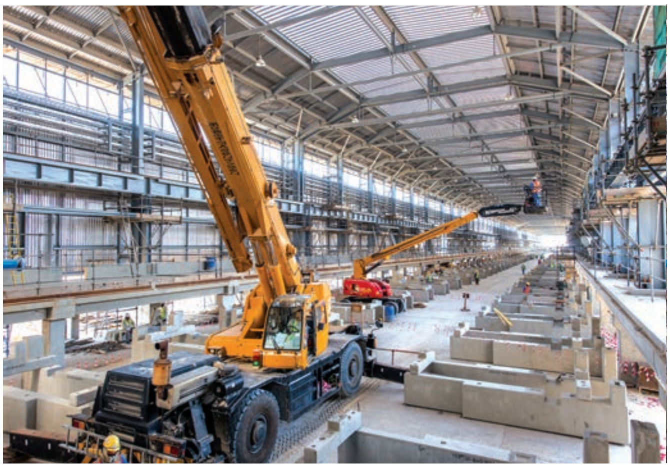
Strategy
The Ma'aden phosphate business aim is to be one of the top producers in the phosphate industry by volume and revenue. Ma'aden is committed to delivering high quality product at a very competitive cost, with excellent customer service, adopting sustainable development and ensuring employee safety. The fully integrated world scale plant with access to competitively priced gas will facilitate Ma'aden's aim of becoming a key player in the global market. In the near term Ma'aden remains focused on achieving operational excellence by completing the operational integration of all plants and sites through alignment of management systems (operational, environmental, safety, materials and finance).

Safety
Around 7,218 of Ma'aden Phosphate employees and contractors attended safety related training courses (17,832 man-hours) during 2012. The LTIFR safety target for 2012 has been achieved.

MPC is committed and focused on operational excellence, achieving the design production levels and synergizing various systems to deliver safety, environment, sales and financial targets.

Operational performance

Aluminium operations

Aluminium smelter complex

Overview of business unit and description of operations

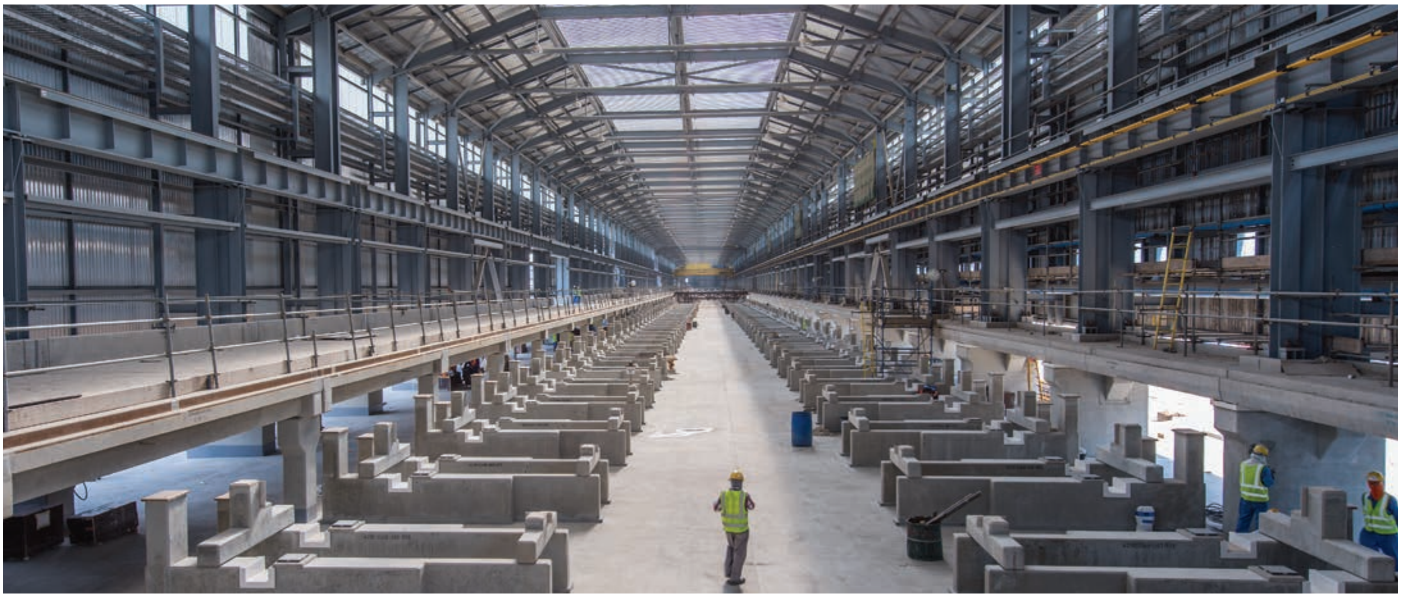
The Ma'aden Aluminium Joint Venture project with Alcoa is a fully integrated operation from mine to refinery to smelter to rolling mill, which will place Ma'aden in the top ten aluminium producers in the world with a low cash cost base.

Strategy

The Ma'aden Aluminium project strives to be one of the top producers in the aluminium business in terms of profitability. It is committed to deliver high quality products at a very competitive cost, excellent customer service, sustainable development and employee safety.

The Ma'aden Aluminium project remains focused on commissioning the new smelter facilities and achieving design capacities with concurrent development of markets and logistics. Its financial performance will be based on prudent cash flow management and optimization of working capital. Completing the integration of operation for all the plants and sites through aligned management systems (operational, environmental, safety, materials and finance) and procedures both internal and external.

Ma'aden Aluminium business strategy is to create value throughout future economic cycles while maintaining sustainable growth.


Pot room under construction

Key business achievements

The main achievements of the aluminium business in 2012 include:

- **Achieved first hot metal on 12/12/2012, months ahead of schedule with a high safety record.**
- **Achieved an overall project completion of 67% by the end of December 2012.**
- **Developed Aluminum Strategy and the 2022 aspiration plan and 5years detailed planning for aluminum.**
- **Aluminum companies employed 1,345 employees to start operations on the smelter.**
- **Conducted selective On Job Training (OJT) programs at Alcoa and GCC plants and customized training program for operators of newly installed equipment for the aluminium operation.**

Safety

The Project Construction team ("ONE TEAM") is directly responsible for the HSE compliance and performance of the aluminum project in line with all the applicable regulations in the Kingdom of Saudi Arabia and the Company's own approved HSE policies and procedures.

The project construction team adopts a zero tolerance policy towards any unacceptable HSE risks and is highly focused on fatality prevention and the avoidance of environmental incidents.

All members of the team are committed to being "HSE Leaders" by displaying an unwavering commitment to HSE performance.

Operational performance

Industrial minerals operations


Magnesite processing plant, Madinah

Kaolin and law grade bauxite

Description

Az Zabirah mine is located 65 km north of Al Ba'itha and 80 km north of Turbah in Hail Province. It consists of an open pit mine, where mining occurs in the central zone of the Az Zabirah and a processing facility.

The mine started operation in 2008 supplying low-grade bauxite to domestic market then kaolin by end of 2011.

Safety

The mine had a total of 33 employees as of December 31, 2012 with 67% Saudization percentage. No fatalities were recorded in 2012.

The year in review

- **Low-grade bauxite** (LGB) – Sales volume was 835,526 tonnes with an increase of 31% compared to 2011 due to the increase of demand from domestic market.
- **Kaolin –** Sales volume was 45,540 tonnes in 2012.
- **Kaolin and bauxite** revenues total of SR 98 million.
- **Investment** in kaolin processing line with addition of new crusher and screen to be able to produce fine crushed kaolin.
- **Testwork** and trials are underway with potential customers for new applications of LGB and Kaolin.

Future outlook

Our aim is to develop new plans to increase production and sales of LGB and kaolin and development of new applications for LGB and kaolin to fulfill the domestic market needs.

Az Zabirah mine

Production statistics	2012	2011	Variance y-o-y	% Change
Bauxite tonnes mined ('000)	**760**	206	554	268
Kaolin tonnes mined ('000)	**53**	-	-	-
Bauxite tonnes sold ('000)	**836**	636	200	31
Kaolin tonnes sold ('000)	**46**	6	40	666

Magnesite operation

Description

Construction of the Magnesite project commenced in July 2009 and comprises the mine at Al Ghazalah and the processing plant at Al Madinah Industrial City. Magnesite ore is crushed at the mine. The different grades produced are transported to the processing plant where a processing line with a multiple hearth furnace (MHF) exist to produce Caustic Calcined Magnesia (CCM). Mine and MHF are both under operation. CCM commenced commercial production in October 2011. The MHF line has a designed capacity of 39,000 tonnes per year of CCM, and the product is primarily used in the metallurgical industry, animal feed, fertilizer, and waste water treatment.

Ma'aden Industrial Minerals Company (MIMC) had 128 employees as at December 31, 2012 with Saudization percentage of 65%.

The year in review

- CCM line production stabilized and produced 32,210 tonnes in 2012 an increase of 64% compared to 2011.
- CCM – Sales volume was equal to 27,260 tonnes.
- Developed CCM sales in KSA, GCC, Europe and other markets.

Future outlook

- Cost reduction of magnesite operation.
- Expand portfolio of products.
- Developed local applications of CCM.
- Developed an Environment Health and Safety Management System (EHS-MIS) according to ISO 14001:2004 and OHAS 18001:2007 requirements.

Al Ghazalah mine	**2012**	2011	Variance y-o-y	% Change
Production statistics				
Tonnes mined ('000)	**39**	159	(120)	(75)
Tonnes processed ('000)	**70**	58	12	20
Tonnes produced-caustic calcined magnesia ('000)	**32**	20	12	60
Tonnes sold-caustic calcined magnesia ('000)	**27**	5	22	439

Key business achievements

- **Sales in 2012 increased by 77% vs 2011 due to the increase of LGB, Kaolin and CCM sales.**
- **Net income in 2012 increased by 157 % vs 2011.**
- **Developed new grades to satisfy regional demand for CCM.**
- **Developed CCM sales in KSA, GCC, Europe, and other markets.**
- **Invested in kaolin processing line with additional of new crusher and screen in order to produce higher quality kaolin.**
- **Test work and trials are underway with potential customers for new applications of LGB and Kaolin.**
- **Saudization reached 65% level.**

Strategy

MIMC aims to utilize available resources in KSA to serve Ma'aden affiliates and major local and GCC customers demand for industrial minerals and develop value added products.

To reach objective MIMC will :

- Increase profitability from existing minerals portfolio by optimizing operations, strengthening technical and application sales, superior price realization and increase in volumes
- Achieve growth from
  a) Developing value added products from existing minerals portfolio
  b) Development of potential new commodities and downstream minerals
- Sustainability : Maintain high safety and CSR standards

Operational performance

Exploration operations

Exploration operations

Performance

Exploration for mineral resources in Saudi Arabia is an essential pillar of Ma'aden's growth strategy.

Expenditure on exploration drilling for greenfield exploration and resource evaluation remains a very significant budget commitment for Ma'aden. Exploration expenditure in 2012 was SR 114 million.

The exploration department completed over 80,000 metres of diamond drilling and 100,000 metres of reverse circulation drilling in 2012 in greenfield exploration and resource evaluation drilling.

Health, safety and environment management is a core focus of Ma'aden. The safety of our exploration teams working in remote desert areas is paramount and is being enhanced with improved safety procedures for emergency response, expanded satellite communications, the introduction of satellite linked GPS vehicle tracking and the training of all of the team in first aid and defensive driving.

Strategy

Exploration's strategic function is to add value to Ma'aden through the cost effective discovery of new resources as well as by expanding our existing resources through brown field exploration, resource evaluation drilling, near existing mines and advanced mine development projects

The exploration strategy will build on our previous successes and knowledge base by:

- Accelerating greenfield gold exploration programmes within our existing license areas using new geochemical and geophysical techniques
- Support the development of new mines through resource drilling to increase the measured and indicated resources on our new and existing projects to support feasibility studies
- Continue base metals exploration especially for copper and zinc

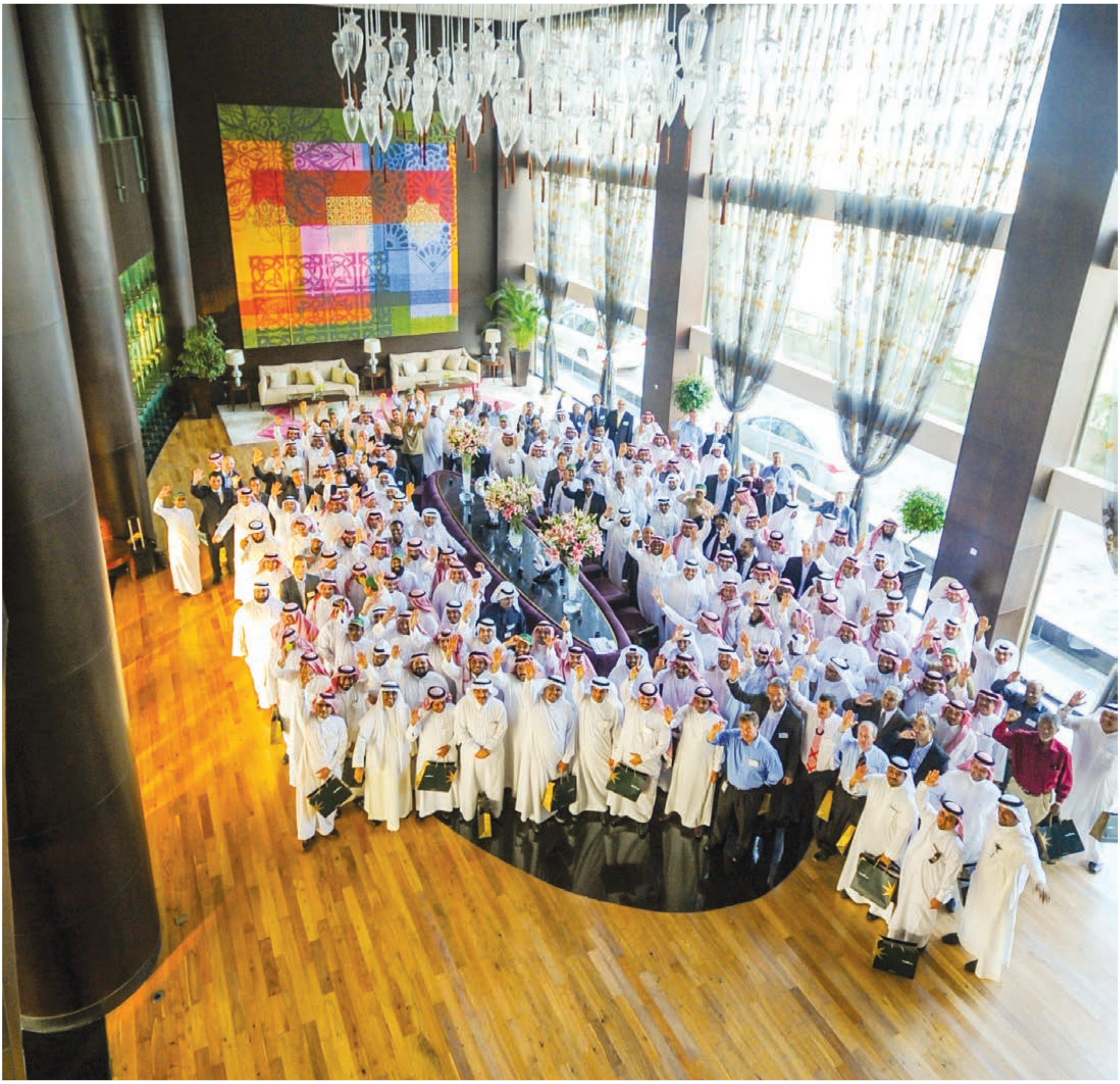
Al Jalamid open pit mine

Key business achievements

The main achievements of exploration in 2012 include:

- **Completed the inferred resource definition drilling of the Shabah gold deposit in the northern Arabian Shield region. Resource modelling is scheduled for completion in 2013.**
- **Resource drilling on schedule to extend the measured and indicated resources adjacent to the Umm Wu'al and Al Jalamid phosphate projects. Following planned completion of the drilling in 2012, resource modelling is planned for mid-2013.**

Ma'aden's strategic transformation program (Etgan)



Etgan launching - leaders meeting in Al Khobar

In Q3 2012 Ma'aden launched its Strategic Transformation Program – Etgan, aiming to build Ma'aden's organizational capabilities as a world class institution to deliver business results with impact that will ultimately enhance shareholder value. This program will support Ma'aden to grow revenues, profitability and support its expansion plans.

What is Etgan?
Etgan is a transformation program that will systematically instill world class methodology and capabilities in every aspect of Ma'aden's business. Structured as several initiatives across business areas, Etgan will support Ma'aden in achieving its business plans. Etgan will enhance shareholder value by delivering superior business results in critical areas such as projects, operations and business support functions. The Etgan program targets a set of initiatives, which will be run by teams selected from affiliates and functions. Each initiative will aim to achieve continuous improvement in its area of focus. This would translate into delivering projects faster and cheaper, running lean and productive operations supported by efficient and effective functions.

Establish Ma'aden Leadership Academy
Etgan program also includes setting up Ma'aden's own leadership development academy to accelerate its plans of capability building. The objective of this academy is to provide leadership and managerial training to Ma'aden employees and build the capabilities of our top talent and future high potentials, ensuring a high performing workforce. Each of our affiliates, SBUs and functional divisions will benefit from these training and capability building programs provided by the Academy. Ma'aden Academy provides required management and functional training to help them lead initiatives successfully as well as develop them as future leaders of Ma'aden.

In summary, Etgan will support Ma'aden in achieving its aspiration and vision of being a world class mining enterprise.

Information technology and management

IT infrastructure

Ma'aden Information Technology (IT) Department's Strategic Plans are fully aligned with the Group and remain committed to support the strategic growth of the company through implementations and support of business solutions and underlying infrastructures, using latest proven technologies and according to international standards. IT continues to recruit and train highly qualified professionals to perform the operation, maintenance and support of these solutions and infrastructures to ensure security and integrity of information as well as the continuity of services and operations.

Providing plans to ensure business continuity (BCP) remains the top IT priority through periodic tests of BCP and disaster recovery, and continuous monitoring of all systems and infrastructures. Information assets and communications are supported by appropriate technical solutions to ensure business continuity at all times and in any location. IT submits regular risk management reports to proactively avoid risks. This has resulted in a 99.98% availability of business solutions systems, and infrastructures.

IT has adopted international best practice policies, processes and controls. This enables IT to ensure compliance with Information Technology Security Standards. As part of IT governance, periodic audits reviews are conducted by independent, external firms.

Key achievements in 2012

- Maintain and support of Global Oracle E-Business suite modules for Corporate, Gold and Base Metals, Phosphate, Industrial Minerals, Aluminium, and Ma'aden Infrastructure Companies.
- Major upgrade of Oracle eBusiness Suite (EBS) from Release 11i to R12 covering Ma'aden Corporate and All Affiliates. R12 enabled many new and enhanced features to the business.
- Upgrade of Oracle Business Intelligence (OBIEE) platform to release 11 (covering Financials Analytics, and Procurement and Spend Analytics).
- Implementation of Banking Integration Platform using B2B Messaging Converters and Oracle SOA Suite.
- Implementation of Aluminum Enterprise Asset and Maintenance Management Systems.
- Implementation of Aluminum Smelter Process Manufacturing and Order To Cash solutions including integration.
- Completion of Ras Al-Khair telecommunication infrastructures.
- Treasury and Cash Management enhancemant for Ma'aden Gold and Base Metals, and Ma'aden Phosphte company.
- Many internal solutions enhancements covering many functional divisions.
- Roadmap development and start of implementation of Ma'aden Enterprise Content Management Solutions.
- Implementation of Wa'ad Al Shammal entities.

2013 Key business plans

- Major roll-outs (implementations) of Maintenance, Management, Process Manufacturing, and Order To Cash to Aluminum Rolling Mill and Bauxite and Alumina Refinery.
- Completion of Enterprise Content Management (ECM) implementation and start of enterprise roll-out of ECM.
- Completion of Ma'aden Enterprise level unified communications and video conferencing solutions.
- Implementation of company-wide Material Management Solutions (including all affiliates).
- Implementation of Logistics and Transportation Management Solutions.
- Assurance of Compliance of IT Service Management and Security with global standards.
- Preparation for enterprise level Planning and Budgeting Solutions, and Performance Management.
- Preparation of infrastructures of new gold mines.
- Northern Promise telecommunication infrastructure planning.

Investor relations

Stakeholder engagements
Ma'aden has developed a market disclosure procedure which describes the internal processes designed to ensure Ma'aden complies with the relevant continuous disclosure obligations of the Saudi Arabian Stock Exchange (Tadawul) on which Ma'aden's securities are listed.

Ma'aden is committed to meet and exceed the continuous disclosure obligations contained in the applicable Listing Rules of the CMA and places considerable importance on effective communication with its shareholders and market participants.

Dialogue with shareholders
As part of the Ma'aden's investor relations 2012 programme, the IR team has participated in numerous local and international conferences and meetings with analysts and shareholders. These conferences and meetings were organized by financial institutions for discussion with financial analysts.

During 2012 the principal method of communicating with shareholders was by e-communication. A wide range of information on the Group and its operations may be found on the website including the annual report, consolidated annual financial statements and quarterly consolidated interim financial statements, announcements to the market and press releases. Shareholders and other interested parties can also register to receive email alerts when new items are added to the website.

Memberships of associations
Ma'aden became a member of the Middle-East Investor Relations Society in 2012.

You are invited to visit the Ma'aden website at
www.maaden.com.sa
If you have any questions or comments, please mail to us
invest@maaden.com.sa

Ma'aden employees at head quarter in Riyadh

Corporate
governance

Corporate governance

Ras Al Khair complex

Corporate governance

2012

Board and management strategy offsite meeting

Corporate information

Saudi Arabian Mining Company (Ma'aden), a Saudi Arabian joint stock company, was established by the Royal Decree No. M/17 dated 14 Zul Qaida, 1417 Hijri (corresponding to March 23, 1997). It is registered in the city of Riyadh under Commercial Record No. 1010164391 dated 10 Zul Qaida, 1421 Hijri (corresponding to February 4, 2001).

Ma'aden became a public company listed on the Saudi Arabian Stock Exchange (Tadawul) on July 5, 2008, after a successful Initial Public Offering (IPO) and has to comply with Article 27:b.(3) of the Listing Rules issued by the Board of the Capital Market Authority (CMA). Prior to July 5, 2008, Ma'aden was a 100% state owned company and not subject to the disclosure requirements as outlined in the Listing Rules of the CMA.

Principal activities

The principal activities of Ma'aden and its subsidiaries are to participate in various mining activities at all stages and related downstream industries. Currently, Ma'aden's principal activities focus on:

Activity	Current status
Gold and base metals	Operation and commercial production
Phosphate	Operation and commercial production for Ma'aden Phosphate Company (MPC) Feasibility study stage for the King Abdullah project for the development of "Wa'ad Al Shammal" city.
Aluminium	Started production of aluminium from the smelter on 12/12/2012. Commercial production from the smelter and rolling mill will commence in 2013, and from the mine and refinery in 2014.
Industrial minerals	Operation and commercial production
Ethylene dichloride and caustic soda	Under construction. The project is expected to be fully operational towards the end of Q1 2013.
Infrastructure	Organizes, delivers, and operates the infrastructure and support services required by Ma'aden processes in operational areas to develop phosphate and aluminum projects.
Headquarter	Manages the business of the Company's sectors (gold, phosphate, aluminum, industrial minerals, infrastructure). Manages marketing, exploration, and support services.

Variance from the accounting standards issued by the Saudi Organization for Certified Public Accountants

There are no differences from the accounting standards issued by the Saudi Organization for Certified Public Accountants.

Subsidiary companies and jointly controlled entity incorporated and operating in Kingdom of Saudi Arabia

Name of company	Main business	Headquarters	Capital (SR '000)	Ma'aden's ownership %
Subsidiaries				
Ma'aden Gold and Base Metals Company	Gold Mining and Associated Minerals	Jeddah	300,000	100.00
Ma'aden Phosphate Company	Phosphate mining and fertilizer producer	Jubail	6,208,480	70.00
Ma'aden Aluminium Company	Production of aluminium	Jubail	4,805,774	74.90
Ma'aden Bauxite and Alumina Company	Mining of bauxite and refining of alumina	Jubail	885,000	74.90
Ma'aden Rolling Company	Production of aluminium sheets	Jubail	1,922,125	74.90
Ma'aden Industrial Minerals Company	Mining and processing of industrial minerals	Riyadh	500	100.00
Ma'aden Infrastructure Company	Provider of supporting infrastructure services in Ras Al Khair	Riyadh	500	100.00
Jointly controlled entity				
Sahara and Ma'aden Petrochemicals Company	Production of ethylene dichloride and caustic calcined soda	Jubail	900,000	50.00

Details of shares and issued debt instruments for each subsidiary

There are no shares or issued debt instruments for any subsidiary.

Earnings available for distribution

The Company's Articles of Association requires the distribution of the annual net income after deducting all general expenses and other costs, in the following order/sequence:

- First, set aside 10% of net annual income, as a statutory reserve. The General Assembly Meeting of shareholders may stop this when the statutory reserve has reached 50% of the Company's issued share capital. This reserve is not available for distribution as a dividend.
- Second, the holder of preference shares receives the profit percentages allocated for such shares. The Company does not have any preference shares at the moment; therefore this requirement is not applicable.
- Third, based upon a Board of Directors' recommendation, the General Assembly Meeting of shareholders may set aside a percentage of the annual net income for the year, to create any additional reserve and dedicate it for a specific purpose as determined by the General Assembly Meeting.
- Fourth, from the remainder, a first payment can be distributed to the shareholders as a dividend. This payment is equivalent to 5% of the paid-up share capital.
- Fifth, the remuneration of the members of the Board of Directors is determined.
- Sixth, the rest is then distributed to the shareholders as an additional share of the income.

After meeting the prescribed regulations established by the relevant authorities, the Company may distribute quarterly and/or semi-annual dividends.

The distribution of earnings is the prerogative of the shareholders at the General Assembly Meeting, based on the recommendation received from the Board of Directors.

A description of any interest in a class of voting shares held by persons (other than the issuer's directors, senior executives and their spouses and minor children) that have notified the issuer of their holdings pursuant to Article 45 of these Rules, together with any change to such interests during the last financial year.

The Company has not received any notification about any interest in the stock category that has the right to vote.

Principal activities affecting the company's business and contribution to the results (as at December 31, 2012):

Activity	Gold (SR)	Phosphate (SR)	Industrial Minerals (SR)	Aluminum (SR)	Head Quarter (SR)	Infrastructure (SR)
Sales	1,001,542,755	4,447,735,066	125,867,379	-	-	1,510,183
Gross profit	595,718,308	1,974,602,994	61,973,376	-	-	(38,068,368)
Net income	440,540,927	987,342,823	50,696,299	(11,266,032)	(337,303,294)	(39,066,753)
Total a ssets	1,866,925,056	22,623,363,190	437,683,027	27,568,286,030	1,601,837,908	1,043,853,770
Total liabilities	457,886,197	14,606,775,318	21,965,707	16,414,752,705	441,937,219	113,968,826

Ma'aden's main shareholders (as at December 31, 2012)

Shareholder	2012 Shareholding	%	2011 Shareholding	%	Change in shareholding	% Change
Public Investment Fund	**462,500,000**	**50.0**	462,500,000	50.0	0.00	0.00
General Organisation for Social Insurance	**88,828,104**	**9.6**	88,828,104	9.6	0.00	0.00
Public Pension Agency	**67,818,161**	**7.3**	67,413,318	7.2	404,843	0.1
General public	**305,853,735**	**33.1**	306,258,578	33.2	(404,843)	(0.1)
Total	**925,000,000**	**100.0**	925,000,000	100.0	0.00	0.00

Non-public/public shareholders (as at December 31, 2012)

Shareholder	2012 Shareholding	%	2011 Sharehoding	%	Change in shareholding	% Change
Non-public shareholders	**619,146,265**	**66.9**	618,741,422	66.8	-	-
Public shareholders	**305,853,735**	**33.1**	306,258,578	33.2	-	-
Total	**925,000,000**	**100.0**	925,000,000	100.0	-	-

A description of any interest, option rights and the rights of subscription belonging to members of the Board of Directors as well as senior executives and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries, and any change in that interest or those rights during the last fiscal year

Shareholdings by members of the Board of Directors, as well as their spouses and minor children (as at December 31, 2012)

Name	**2012 Shareholding**	2011 Shareholding	Change in shareholding	% Change
Engr. Abdallah Bin Saif Al-Saif	**1,000**	1,000	0	0.00
Mr. Mansour Bin Saleh Al-Maiman	**231**	231	0	0.00
H.E. Mohammed Bin Abdullah Al-Kharashi	**0**	0	0	0.00
Engr. Sultan Bin Jamal Shawli	**0**	0	0	0.00
Engr. Khalid Bin Hamad Al-Senani	**0**	0	0	0.00
H.E. Suliman Bin Saad Al-Humayyd	**230,464**	230,464	0	0.00
Dr. Ziad Bin Abdulrahman Al-Sudairy	**9,333**	14,129	(4,796)	(33.9)
Engr. Khalid Bin Saleh Al-Mudaifer	**6,000**	6,000	0	0.00
Engr. Abdulaziz Bin Abdullah Al-Suqair	**1,050**	1,050	0	0.00
Total	**248,078**	252,874	(4,796)	(1.9)

Shareholdings of the Company's senior executives, as well as their spouses and minor children (as at December 31, 2012)

Name	**2012 Shareholding**	2011 Shareholding	Change in shareholding	% Change
Mr. Abdullah Bin Ibrahim Al-Fallaj	**0**	0	0	0.00
Engr. Abdullah Salim Busfar	**3,232**	3,232	0	0.00
Mr. Khaled Bin Salem Al-Rowais	**36,242**	36,242	0	0.00
Engr. Nabil Bin Abdulaziz Al-Fraih	**50,000**	50,000	0	0.00
Mr. Abdullah Bin Ibrahim Al-Abdulqader	**0**	0	0	0.00
Mr. Bruce Ian Kirk	**0**	0	0	0.00
Engr. Majed Bin Yousef AlMugla	**0**	0	0	0.00
Total	**89,474**	89,474	0	0.00

Information related to any loans on the Company (including due loans and otherwise) and a statement of total debts of Ma'aden and its subsidiaries and any amounts paid by the Company against any loans during the year

In 2012 SAMAPCO, 50% owned by Ma'aden, signed a Sharia-compliant financing agreement worth SR 1,980 million.
Ma'aden Corporate also signed its first financing agreement with a revolving loan valued at SR 9 billion.

Loan commitments (SR)

	MPC	MAC	MRC	MBAC	Revolving Loan	Total	*SAMAPCO
Public Investment Fund	4,000,001,250	4,875,000,000	3,078,750,000	3,750,000,000	-	**15,703,751,250**	-
Industrial Development Fund	600,000,000	600,000,000	600,000,000	600,000,000	-	**2,400,000,000**	900,000,000
Commercial Banks	1,491,562,500	900,000,000	-	258,750,000	9,000,000,000	**11,650,312,500**	1,531,110,143
Procurement Contract Facility	4,269,892,500	5,047,500,000	1,041,000,000	2,690,700,000	-	**13,049,092,500**	-
Agent Facility	-	787,500,000	-	768,750,000	-	**1,556,250,000**	-
Al Rajhi Facility	2,343,750,000	-	-	-	-	**2,343,750,000**	-
Export Credit Agencies	2,250,000,000	-	-	-	-	**2,250,000,000**	-
Total	**14,955,206,250**	**12,210,000,000**	**4,719,750,000**	**8,068,200,000**	**9,000,000,000**	**48,953,156,250**	2,431,110,143

Withdrawals (SR)

	MPC	MAC	MRC	MBAC	Revolving Loan	Total	*SAMAPCO
Public Investment Fund	4,000,001,250	3,993,016,061	2,291,061,791	-	-	**10,284,079,102**	-
Industrial Development Fund	570,000,000	420,000,000	360,000,000	-	-	**1,350,000,000**	810,000,000
Commercial Banks	1,116,562,500	728,172,164	-	-	-	**1,844,734,664**	1,206,412,500
Procurement Contract Facility	4,269,892,500	3,598,384,233	774,852,281	-	-	**8,643,129,014**	-
Agent Facility	-	717,486,636	-	-	-	**717,486,636**	-
Al Rajhi Facility	2,343,750,000	-	-	-	-	**2,343,750,000**	-
Export Credit Agencies	2,250,000,000	-	-	-	-	**2,250,000,000**	-
Total	**14,550,206,250**	**9,457,059,094**	**3,425,914,072**	**-**	**-**	**27,433,179,416**	2,016,412,500

** SAMAPCO is a joint venture project and is accounted for as an investment in a jointly controlled entity under the equity method of accounting in the year ended December 31, 2012 consolidated financial statements and hence the loan commitment and withdrawals of SAMAPCO are not included in the Group facility.*

The long-term borrowings are to be utilized for the financing of the construction of MPC's fertilizer and aluminium production assets and operations. The CTFA imposed certain special conditions and financial covenants including:

- The limitation on the creation and/or obtaining additional liens and/or financing obligations by MPC and others, unless specifically allowed under the CTFA
- Maintaining certain prescribed financial ratios
- Limitation on the maximum capital expenditure allowed
- The restriction on dividend distribution to shareholders of MPC and others

Maturity profile of long-term borrowings (SR)

	2012 (SR)	2011 (SR)
2012	**-**	762,383,304
2013	**861,409,329**	864,409,329
2014	**1,194,190,354**	1,185,890,354
2015	**1,519,721,379**	1,499,621,379
Thereafter	**23,095,475,050**	15,265,557,172
Total	**26,670,796,112**	19,577,861,538

A description of the categories and numbers of any transferrable debt instruments and any contractual financial papers or any offering right memos or similar rights issued or granted by the Company during the fiscal year with explanations for any compensation acquired by the Company against that

No such categories, debt instruments, memos, or similar rights exist.

A description of any transfer or offering rights by transferrable debt instruments or any contractual financial papers or any stock right memos or similar rights issued or granted by the Company

No such transfer or offering rights by transferrable debt instruments or any contractual financial papers or any stock right memos or similar rights issued or granted by the Company exist.

A description of any recovery, purchase, or cancellation by the Company of any recoverable debt instruments and the value of the remaining financial papers, with distinction between listed financial papers purchased by the Company and those purchased by subsidiaries

No such recovery, purchase, or cancellation exists.

A record of attendance of Board meetings during fiscal year 2012

Member's name	14/2/2012	7/4/2012	30/5/2012	1/6/2012	15/9/2012	13/11/2012	11/12/2012	Total
Engr. Abdallah Bin Saif Al-Saif	√	√	√	√	√	√	√	7
H.E. Suliman Bin Saad Al-Humayyd	√	√	√	√	√	√	√	7
H.E. Mohammed Bin Abdullah Al-Kharashi	√	√	√	√	√	√	√	7
Mr. Mansour Bin Saleh Al-Maiman	√	√	√	√	√	√	√	7
Dr. Ziyad Abdulrahman Al Sudairy	√	√	√	√	√	√	√	7
Engr. Khalid Bin Hamad Al-Senani	√	√	√	√	√	√	√	7
Engr. Abdulaziz Bin Abdullah Al Suqair	√	√	√	√	√	√	√	7
Engr. Sultan Bin Jamal Shawli	√	√	√	√	√	x	√	6
Engr. Khalid Bin Saleh Al Mudaifer	√	√	√	√	√	√	√	7

A description of any transaction between the company and a related party

On December 18, 2012 the Company signed a loan agreement to finance a profit revolving loan estimating to SR 9 billion riyals for a period of five years. The public competition included a group of banks, including National Commercial Bank (NCB). The Company would like to clarify that Mr. Mansour Bin Saleh Al Maiman is a member of Ma'aden's Board of Directors and the Chairman of NCB.

Information on any business or contracts where the company is a party and there is an interest for a Board member or the CEO or the CFO or any person related to any of them

Excluding the abovementioned, the Company acknowledges that there is no contract where the Company is a party and there is an interest for a Board member or the CEO or the CFO or any person related to any of them.

A description of any arrangements or agreement under which a board member or a senior executive has waived any rights to compensation.

None of the board members or senior executives has waived any rights in the salary or compensation.

A description of any arrangements or agreement under which a shareholder of the issuer has waived any rights to dividends

None of the shareholders has waived any rights to dividends, knowing that the Company did not declare any dividend distribution to shareholders until the end of 2012.

Payment for any zakat, taxes, duties or other charges

	2012 (SR million)	2011 (SR million)
Severence fee payable	**92**	83
Zakat payable	**64**	141
Witholding tax due to contracts	**16**	56
Social insurance	**10**	5
Total	**182**	285

The Board of Directors acknowledges the following:

- Accounting records have been prepared properly.
- The internal control system has been developed on a sound basis and implemented effectively.
- There is no doubt about the Company's ability to continue its activity.

Corporate governance

The Company seeks to comply with governance standards through an ongoing review of its policies and procedures, and enact policies and procedures that will enhance the concepts of transparency and integrity.

The Company also applies all the obligatory provisions contained in the by-laws of corporate governance issued by the CMA on an ongoing basis; these by-laws are included in the Company's charter with the exception of paragraph (b) of Article (6) related to the method of cumulative voting to select the members of the Board of Directors in the General Assembly. The Company seeks to comply with this in the future in a manner that preserves the shareholders' rights and facilitates their legal right to vote.

On June 1, 2012 the Board of Directors issued a decision adopting "a policy of conflict of interest" that regulates conflicts of interest and addresses cases of potential conflicts for each board member, executive and shareholder. That includes misuse of corporate assets and facilities and abuse by concerned parties, according to the provisions of item (1) of paragraph (b/10) of the corporate governance by-law issued by the CMA Board.

Members of the Board of Directors and their membership status, membership on the boards of other companies, board's committees and the attendance record of meetings held during the fiscal year 2012:

Member's name	Status	Membership on other boards	Committee membership	Meetings attended
Engr. Abdallah Bin Saif Al-Saif	**Independent**	Dhahran Emaar Company	Nomination and Remuneration committee; Executive committee	7
H.E. Suliman Bin Saad Al-Humayyd	**Non-executive**	The National Council on Compensation Insurance (NCCI) Saudi Research and Marketing Group (SRMG)	Executive committee	7
H.E. Mohammed Bin Abdullah Al-Kharashi	**Non-executive**	Saudi Telecom Company (STC) Saudi Research and Marketing Group (SRMG) Saudi Basic Industries Corp (SABIC)	Audit committee	7
Mr. Mansour Bin Saleh Al-Maiman	**Non-executive**	National Commercial Bank (NCB)	Nomination and Remuneration committee	7
Engr. Khalid Bin Hamad Al-Senani	**Non-executive**	None	Audit committee	7
Engr. Sultan Bin Jamal Shawli	**Non-executive**	Arab Mining Company (Jordan); Industries Chimiques du Fluor (Tunisia)	Executive committee	6
Dr. Ziyad Abdulrahman Al Sudairy	**Independent**	None	Nomination and Remuneration committee	7
Engr. Abdulaziz Bin Abdullah Al Suqair	**Independent**	Saudi Telecom Company (STC)	Executive committee	7
Engr. Khalid Bin Saleh Al Mudaifer	**Executive**	None	Nomination and Remuneration committee; Executive committee	7

Tasks and competence of committees

Audit committee

The Audit Committee was formed on November 15, 2008, and currently consists of a chairman and four members.
Currently, this committee is chaired by H.E. Mohammed Bin Abdullah Al-Kharashi, with Engr. Khalid Bin Hamad Al-Senani, Engr. Abdullah Bin Mohammed Al-Fayez, Mr. Hamad Bin Tareq Al-Khamis and Dr. Abdullah Bin Hassan Al-Abdulqader, as members.

Members of the Audit Committee and the attendance record of meetings held during the fiscal year 2012

Member's name	1 17/1/2012	2 13/2/2012	3 16/4/2012	4 16/7/2012	5 10/10/2012	Total
H.E. Mohammed Bin Abdullah Al-Kharashi	√	√	√	√	√	5
Engr. Khalid Bin Hamad Al-Senani	√	√	√	√	√	5
Engr. Abdullah Bin Mohammed Al-Fayez	√	√	√	√	√	5
Mr. Hamad Bin Tareq Al-Khamis	√	√	√	√	√	5
Dr. Abdullah Bin Hassan Al-Abdulqader	√	√	√	√	√	5

The duties and responsibilities of the Audit Committee include the following:

- Oversee the Group's internal audit department to ensure efficiency in performing its activities and tasks assigned by the Board of Directors.
- Review the internal audit plan, procedures and the recommending to the board of directors on the appointment or termination of services, and fees of external auditors, taking their independence into account.
- Follow-up on the external auditors' engagement, and approve any activities beyond the audit scope of work assigned to them during the performance of their duty.
- Review the external auditor's comments on the financial statements, and follow-up on the measures taken in this regard.
- The Committee shall have the right, without any restrictions, to access all information, data, reports, records, correspondence, and other matters which the Committee deems significant. The Committee is also entitled to using the assistance of consultants, accountants, or any other independent third parties.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed on November 15, 2008, and it is currently composed of Engr. Abdallah Bin Saif Al-Saif as Chairman as well as Mr. Mansour Bin Saleh Al-Maiman, Dr. Ziyad Abdulrahman Al Sudairy, and Engr. Khalid Bin Saleh Al Mudaifer as members.

Members of the Nomination and Remuneration Committee and the attendance record of meetings held during fiscal year 2012

Member's name	1 29/1/2012	2 12/3/2012	3 7/4/2012	4 9/6/2012	5 13/11/2012	Total
Engr. Abdallah Bin Saif Al-Saif	√	√	√	√	√	5
Mr. Mansour Bin Saleh Al-Maiman	√	√	√	√	√	5
Dr. Ziyad Bin Abdulrahman Al Sudairy	√	√	√	√	√	5
Engr. Khalid Bin Saleh Al Mudaifer	√	√	√	√	√	5

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

- Annual review and recommendations of the skills, abilities and work experience needed to strengthen the capacity of the Board of Directors.
- Annual verification of independent members and the presence or absence of any conflict of interest if the member serves on the Board of Directors of another company.
- Evaluation of candidates for members of the Board, considering several factors including, but not limited to, the following:
  - Integrity, credibility, and responsibility.
  - Successful leadership experience.
  - Strong business acumen.
  - Independence and the lack of any conflict of interest.
  - Ability to devote the time necessary to carry out their responsibilities of the board member.
- Assisting the Board in the selection and qualification of candidates for board membership and the preparation of a long-term succession plan when necessary.
- Identifying the strengths and weaknesses in the Board, and proposing methods to address any deficiencies.
- Reviewing and approving all compensations (salaries, allowances, shares) for all executives (CEO, deputies, and executive directors) on an annual basis.
- Reviewing and approving:
  - Human resources policies and procedures.
  - Administrative development programs and plans for succession of executives.
  - Evaluation objectives (including performance indicators) to be achieved within rewards and incentive programs.
- Consulting with the CEO to review the succession plan so that there is a sufficient pool of internal candidates qualified to fill senior and leadership positions, and to identify opportunities and deficiencies in performance as well as the subsequent steps as part of the succession planing, including development of executive competencies

Executive Committee

The Executive Committee was formed on November 15, 2008 and it is currently composed of Engr. Abdallah Bin Saif Al-Saif as Chairman as well as H.E. Soliman Bin Saad Al-Humayyd, Mr. Abdulaziz Bin Abdullah Al Suqair, Engr. Sultan Bin Jamal Shawli, and Engr. Khalid Bin Saleh Al Mudaifer as members.

Members of the Executive Committee and the attendance record of meetings held during fiscal year 2012

Member's name	1 28/2/2012	2 30/5/2012	3 12/10/2012	4 01/12/2012	Total
Engr. Abdallah Bin Saif Al-Saif	√	√	√	√	4
H.E. Soliman Bin Saad Al-Humayyd	√	√	√	√	4
Mr. Abdulaziz Bin Abdullah Al Suqair	√	√	√	√	4
Engr. Sultan Bin Jamal Shawli	x	√	√	√	3
Engr. Khalid Bin Saleh Al Mudaifer	√	√	√	√	4

The duties and responsibilities of the Executive Committee include the following:

- Reviewing the Company's strategies and objectives, and making recommendations to the Board in this regard.
- Reviewing and approving the workforce budget, the operational budget, and capital expenditure budget.
- Reviewing proposed long-term business plans, operations, and financial plans (more than three years), and providing recommendations to the Board in this regard.
- Approving proposed short-term business plans, operations and financial plans (less than a year), and medium-term plans (1-3 years) according to the Company's approved long-term plans.
- Reviewing all core projects and business expansions according to the approved strategies, business plans, operations, and long-term financial plans, and making recommendations to the Board.
- Approving company policies and procedures with the exception of the accounting policies and procedures which are reviewed by the Audit Committee, and the compensation policies which are reviewed and approved by the Nomination and Remuneration Committee.

Compensation and remuneration paid to board members and senior executives during fiscal year ended 31/12/2012:

Classification	Executive members of the Board of Directors SR	Non-executive/independent members of the Board of Directors SR	Five senior executives who received top bonuses and compensation, including the CEO and CFO SR
Salaries and remuneration	–	–	6,746,671
Allowances	248,000	2,165,000	2,331,959
Periodic and year bonus	–	–	548,250
Remuneration due to achievements	–	–	2,415,815
Any other remuneration paid on a monthly/year basis	–	–	160,404

Penalties, sanctions, or reserve restrictions imposed on the Company by regulatory, supervisory, monitoring, or judicial authorities

No penalties, sanctions, or reserve restrictions were imposed on the Company by regulatory, supervisory, monitoring, or judicial authorities.

Results of the annual audit on the effectiveness of the internal controls

The Internal Audit Department implements continuous audits and applies an audit plan based on a system of risk assessment at the level of the Company and its subsidiaries. The Audit Committee approves the implementation of the plan after ensuring that it contains all the programs it wishes to study or evaluate and ensuring that they are compatible with the internal control and audit systems. To verify the effectiveness of the internal control system to protect the Company's assets, evaluate business risks, and measure the adequacy of performance, the Internal Audit Department shall submit periodic reports to the Audit Committee. Audits referred to did not show any essential or influential weakness in the Company's internal control system. The external auditor evaluates this system within the functions of his review of the Company's consolidated financial statements, enabling him to see all the minutes of the Audit Committee and the reports of the Internal Audit Department for the financial period under examination. The Audit Committee exercises its mandate in discussing the relevant observations for establishing the corrective actions by the concerned departments, and developing the necessary time plan to implement and follow-up on the said corrective actions.

The auditor's reservations regarding financial statements

The auditor does not have any reservations regarding the Company's financial statements.

The Board of Directors' recommendation to end the auditor's service

The Board of Directors did not recommend replacing the auditor before the end of the three-year appointment period.

The audit committee recommended the appointment of a new external auditor, after the statutory period of the current external auditor has expired as at December 31, 2012.

Ma'aden's Board of Directors has made the following recommendations to the Ordinary General Assembly:

1. Approve the Board of Directors report for the fiscal year ending on 31/12/2012.
2. Approve the auditors' report for the fiscal year ending on 31/12/2012.
3. Approve the consolidated financial statements for the fiscal year ending on 31/12/2012.
4. Discharge the Board of Directors members from liability for their management of the Company during the year ending on 31/12/2012.
5. Recommend not to distribute dividends for the fiscal year ending on 31/12/2012.
6. Approve the Audit Committee's recommendation to appoint an external auditor to audit the Company's consolidated financial statements for fiscal year 2013 and quarterly financial statements and determine their fees.

Financial Statements

Financial Statements

SAUDI ARABIAN MINING COMPANY (MA'ADEN)

(A Saudi Arabian joint stock company)

Consolidated financial statements for the year ended December 31, 2012

Commercial registration number	**1010164391**	
Directors	**Engr. Abdallah Bin Saif Al-Saif**	**Chairman**
	H.E. Soliman Bin Saad Al-Hamyyd	
	H.E. Mohammed Bin Abdullah Al-Kharashi	
	Dr. Ziad Bin Abdulrahman Al-Sudairy	
	Mr. Sultan Bin Jamal Shawli	
	Engr. Khalid Bin Saleh Al-Mudaifer	
	Mr. Mansour Bin Saleh Al-Maiman	
	Engr. Khalid Bin Hamad Al-Senani	
	Engr. Abdulaziz Bin Abdullah Al Sugair	
Registered address	**Building number 395** **Abu Bakr Alsiddiq Road, South** **Exit 6, North Ring Road** **Riyadh** **Kingdom of Saudi Arabia**	
Postal address	**P.O. Box 68861** **Riyadh 11537** **Kingdom of Saudi Arabia**	
Bankers	**The Saudi British Bank (SABB)**	
Auditors	**PricewaterhouseCoopers** **Kingdom Tower, 21st Floor** **King Fahad Road** **P.O. Box 8282** **Riyadh 11482** **Kingdom of Saudi Arabia**	

Statement of directors' responsibilities

for the preparation and approval of the consolidated financial statements for the year ended December 31, 2012

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report, set out on page 92, is made with a view to distinguishing the responsibilities of the management and those of the independent auditors in relation to the consolidated financial statements of Saudi Arabian Mining Company (Ma'aden) and its subsidiaries (the "Group").

The management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at December 31, 2012, the results of its operations, changes in shareholders' equity and cash flows for the year then ended, in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether SOCPA standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing and presenting the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue its business for the foreseeable future.

The management is also responsible for:

- designing, implementing and maintaining an effective system of internal controls throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended December 31, 2012 set out on pages 93 to 133, were approved and authorized for issue by the Board of Directors on January 20, 2013 (corresponding to 8 Rabi ul Awal 1434) and signed on its behalf by:

Engr. Khalid H. Al-Senani
Authorized by the Board

Engr. Khalid Al Mudaifer
President and
Chief Executive Officer

Mr. Khalid Al-Rowais
Chief Financial Officer

January 20, 2013
Riyadh
Kingdom of Saudi Arabia

pwc

Independent auditor's report to the shareholders of
Saudi Arabian Mining Company (Ma'aden)
(A Saudi Arabian joint stock company)

Scope of audit
We have audited the accompanying consolidated statement of financial position of Saudi Arabian Mining Company ("Ma'aden" or the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2012 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the notes from 1 to 45, which form an integral part of these consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and are presented to us with all information and explanations, are the responsibility of the Group's management. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2012 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 Articles of Association with respect to the preparation and presentation of these consolidated financial statements.

PricewaterhouseCoopers

By: ______________________
Omar M. Al Sagga
License Number 369

January 20, 2013
Riyadh
Kingdom of Saudi Arabia

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Consolidated statement of financial position

as at December 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	December 31, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	7	**6,175,213,800**	5,044,478,181
Short-term investments	8	**3,071,348,447**	6,181,085,507
Trade and other receivables	9	**563,040,896**	481,514,210
Inventories	10	**1,089,934,377**	561,796,672
Advances and prepayments	11	**94,110,375**	41,873,687
		10,993,647,895	12,310,748,257
Non-current assets			
Property, plant and equipment	13	**18,541,120,048**	7,450,689,814
Pre-operating expenses and deferred charges	14	**812,580,660**	356,794,916
Capital work-in-progress	15	**22,948,564,475**	22,227,549,345
Exploration and evaluation assets	16	**415,261,216**	143,330,308
Intangible assets	17	**263,676,732**	12,334,823
Investment in jointly controlled entity	18	**444,851,735**	448,154,100
Advances and prepayments	11	**722,246,220**	624,123,837
		44,148,301,086	31,262,977,143
Total assets		**55,141,948,981**	43,573,725,400
Liabilities			
Current liabilities			
Projects and other payables	19	**2,011,450,745**	1,332,495,045
Accrued expenses	20	**2,905,811,921**	1,503,425,929
Zakat payable	21.2	**63,600,191**	141,108,124
Severance fees payable	22	**91,516,753**	83,433,989
Current portion of long-term borrowings	25.2	**861,409,329**	762,383,304
		5,933,788,939	3,822,846,391
Non-current liabilities			
Provision for mine closure and reclamation	23	**90,743,156**	90,884,799
Employee benefits	24	**170,955,102**	139,515,024
Long-term borrowings	25.2	**25,809,386,783**	18,815,478,234
Due to related party	26	**52,411,992**	-
		26,123,497,033	19,045,878,057
Total liabilities		**32,057,285,972**	22,868,724,448

Consolidated statement of financial position

as at December 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

continued

	Notes	**December 31, 2012**	December 31, 2011
Equity			
Share capital	27	**9,250,000,000**	9,250,000,000
Statutory reserve			
Share premium	28	**5,250,000,000**	5,250,000,000
Transfer of net income	29	**393,422,274**	284,327,877
Retained earnings		**3,183,958,193**	2,202,108,620
Equity attributable to shareholders' of the parent company		**18,077,380,467**	16,986,436,497
Non-controlling interest	30	**5,007,282,542**	3,718,564,455
Total equity		**23,084,663,009**	20,705,000,952
Total liabilities and equity		**55,141,948,981**	43,573,725,400
Commitments and contingent liabilities	41		

Consolidated statement of income
for the year ended December 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	**Year end December 31, 2012**	Year end December 31, 2011
Sales	31	**5,576,655,383**	1,533,026,381
Cost of sales	32	**(2,982,429,073)**	(531,711,939)
Gross profit		**2,594,226,310**	1,001,314,442
Operating expenses			
Selling, marketing and logistic expenses	33	**(384,810,033)**	(53,741,290)
General and administrative expenses	34	**(324,668,780)**	(235,455,326)
Exploration expenses	35	**(114,293,922)**	(116,056,918)
Technical services expenses		**(9,419,645)**	(14,188,139)
Operating income		**1,761,033,930**	581,872,769
Other (expenses) / income			
Share in net loss of jointly controlled entity	18.2	**(3,302,365)**	(1,845,900)
Income from short-term investments	36	**65,025,678**	75,155,805
Financial charges	37	**(285,776,406)**	(11,369,399)
Other (expenses) /income		**(5,440,429)**	13,813,569
Income before zakat		**1,531,540,408**	657,626,844
Provision for zakat	21.2	**(51,713,294)**	(119,547,535)
Net income for the year		**1,479,827,114**	538,079,309
Net income attributable to:			
Shareholders' of the parent company	6	**1,090,943,970**	413,314,804
Non-controlling interest's share of year's net income in subsidiary companies	30	**388,883,144**	124,764,505
		1,479,827,114	538,079,309
Earnings per ordinary share (Saudi Riyals)			
Operating income per share		**1.90**	0.63
Basic and diluted earnings per share from continuing operations	38	**1.18**	0.45

Consolidated statement of changes in equity

for the year ended December 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Equity attributable to shareholders of the parent company					Non-controlling interest				
				Statutory reserve							
		Share capital	Share premium	Transfer of net income	Retained earnings	Sub-total	Share capital	Payments to increase share capital	Net income attributable to non-controlling interest	Sub-total	Total equity
January 1, 2011		9,250,000,000	5,250,000,000	242,996,397	1,830,125,296	16,573,121,693	2,146,048,500	432,193,040	(11,638,306)	2,566,603,234	19,139,724,927
Net income for the year		-	-	-	413,314,804	413,314,804	-	-	124,764,505	124,764,505	538,079,309
Net income transferred to statutory reserve	29	-	-	41,331,480	(41,331,480)	-	-	-	-	-	-
Increase in non-controlling interest / Share capital contributed during the year	30	-	-	-	-	-	637,901,691	(509,891,691)	-	128,010,000	128,010,000
Payments to increase share capital*	30	-	-	-	-	-	-	899,186,716	-	899,186,716	899,186,716
December 31, 2011		9,250,000,000	5,250,000,000	284,327,877	2,202,108,620	16,986,436,497	2,783,950,191	821,488,065	113,126,199	3,718,564,455	20,705,000,952
Net income for the year		-	-	-	1,090,943,970	1,090,943,970	-	-	388,883,144	388,883,144	1,479,827,114
Net income transferred to statutory reserve	29	-	-	109,094,397	(109,094,397)	-	-	-	-	-	-
Increase in non-controlling interest / Share capital contributed during the year	30	-	-	-	-	-	989,431,551	(989,431,551)	-	-	-
Payments to increase share capital*	30	-	-	-	-	-	-	899,834,943	-	899,834,943	899,834,943
December 31, 2012		**9,250,000,000**	**5,250,000,000**	**393,422,274**	**3,183,958,193**	**18,077,380,467**	**3,773,381,742**	**731,891,457**	**502,009,343**	**5,007,282,542**	**23,084,663,009**

These payments, to ultimately increase share capital of the applicable subsidiaries over a period of time, are treated as part of the total equity in these subsidiaries in accordance with the SOCPA clarfication number 14/1 issued on March 14, 2012, although no shares have been issued yet and the Commercial Registration certificate has not yet been amended, but will be once these prepayments have been converted to share capital. This accounting treatment resulted in the reclassification of a non-current liability to shareholders' equity in these subsidiaries and therefore the increase in the applicable subsidiaries net worth.

Consolidated statement of cash flows
for the year ended December 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	**Year end December 31, 2012**	Year end December 31, 2011
Operating activities			
Income before zakat		**1,531,540,408**	657,626,844
Adjustments for non-cash flow items:			
Reversal of allowance for inventory obsolescence	10	**(151,305)**	(4,222,018)
Depreciation	13	**983,646,894**	174,150,305
Adjustment / written-off property, plant and equipment	13	**(36,503)**	8,973,299
Amortization of pre-operating expenses and deferred charges (mine closure)	14	**22,754,407**	20,157,539
Amortization of intangible assets	17	**16,078,504**	-
Share in net loss of jointly controlled entity	18	**3,302,365**	1,845,900
Provision for severance fees	22	**92,603,068**	85,032,887
Provision for employee termination benefits	24.1	**41,252,535**	35,231,278
Contribution for the employees' savings plan	24.2	**13,100,119**	8,451,955
Deferred stripping expense	32	**41,616,258**	-
Income from short term investments	36	**(65,025,678)**	(75,155,805)
Changes in working capital:			
Trade and other receivables	9	**(81,526,686)**	(451,551,215)
Inventories	10	**(527,986,400)**	(251,927,256)
Advances and prepayments	11	**(150,359,071)**	(252,600,654)
Due from Government	12	**-**	61,045,987
Projects and other payables – Trade and other	19	**188,594**	232,707,795
Accrued expenses – Trade	20	**424,519,378**	19,286,175
Zakat paid	21.2	**(129,221,227)**	(185,781,592)
Severance fee paid	22	**(84,520,304)**	(56,053,178)
Provision for mine closure and reclamation utilized	23.1	**(1,691,643)**	(539,032)
Employee termination benefits paid	24.1	**(15,114,502)**	(10,027,788)
Employees' savings plan withdrawal	24.2	**(7,798,074)**	(3,484,725)
Net cash generated from operating activities		**2,107,171,137**	13,166,701
Investing activities			
Income received from short-term investments		**66,584,245**	99,361,855
Short-term investments	8	**3,108,178,493**	2,578,683,256
Additions to property, plant and equipment	13	**(39,000,000)**	(4,852,122)
Additions to pre-operating expenses and deferred charges	14	**(528,914,374)**	(230,237,627)
Additions to capital work-in-progress	15	**(12,645,633,236)**	(8,174,976,278)
Additions to exploration and evaluation assets	16	**(633,954,796)**	(49,015,097)
Additions to intangible assets	17	**(5,511,079)**	(1,991,698)
Investment in jointly controlled entity	18	**-**	(181,730,185)
Projects and other payables – Projects	19	**678,767,106**	768,496,584
Accrued expenses – Projects	20	**977,866,614**	217,448,497
Net cash utilized in investing activities		**(9,021,617,027)**	(4,978,812,815)

Consolidated statement of cash flows
for the year ended December 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

continued

	Notes	**Year end December 31, 2012**	Year end December 31, 2011
Financing activities			
Net proceeds from long-term borrowings received	25.2	**7,092,934,574**	6,060,774,199
Due to related party	26	**52,411,992**	
Changes in non-controlling interest	30	**-**	128,010,000
Payments to increase share capital by non-controlling interest	30	**899,834,943**	899,186,716
Net cash generated from financing activities		**8,045,181,509**	7,087,970,915
Net change in cash and cash equivalents		**1,130,735,619**	2,122,324,801
Cash and cash equivalents at beginning of the year	7	**5,044,478,181**	2,922,153,380
Cash and cash equivalents at end of the year	7	**6,175,213,800**	5,044,478,181
Non-cash flow transactions			
Depreciation capitalized to capital work-in-progress	13,15	**-**	27,161,818
Transfer from property, plant and equipment to intangible assets	13,17	**190,787,575**	-
Provision for mine closure charged to property, plant and equipment	13, 23	**1,550,000**	500,000
Transfer from pre-operating expenses and deferred charges to property, plant and equipment	14,13	**-**	24,133,649
Transfer from pre-operating expenses and deferred charges to capital work-in-progress	14,15	**8,757,965**	-
Transfer from pre-operating expenses and deferred charges to investment in jointly controlled entity	14,18	**-**	31,939,887
Transfer from capital work-in-progress to property, plant and equipment	15,13	**12,224,278,200**	7,418,903,021
Transfer from capital work-in-progress to intangible assets	15,17	**71,121,759**	-
Transfer from capital work-in-progress to investment in jointly controlled entity	15,18	**-**	236,329,928
Transfer from exploration and evaluation assets to capital work-in-progress	16,15	**362,023,888**	-
Transfer from payments to increase share capital to non-controlling interest	30	**989,431,551**	509,891,691

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for the year ended December 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

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 SR 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 SR 10 each.

The objectives of the Company and its subsidiaries (the "Group") are to be engaged 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 there from;
- 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, Al Jalamid, Az Zabirah and Al-Ghazallah mines. Currently the Group mainly mines gold, phosphate rock, low-grade bauxite, kaolin and magnesite.

The Group's major projects are the Umm Wu'al phosphate and the aluminum projects and these are principally in the development stage.

The Group is proceeding with the development of another phosphate project, known as the Umm Wu'al phosphate project located at the Government announced "Waad Al-Shamal City for Mining Industries", in the Northern Region, near the city of Turayf in the Kingdom of Saudi Arabia. This project is based on the exploitation of the Al-Khabra phosphate deposits owned by Ma'aden, the utilization of captive national resources such as groundwater and sulfur, and is taking advantage of the existence of the railway infrastructure, linking the Northern Borders Province to Ras Al Khair in the Eastern Province to have access to the port facilities at the Arabian Gulf. Ma'aden has completed the pre-feasibility study of the project and it is proceeding to the feasibility and basic engineering stage.

The Group's objective with the aluminum project is to develop the bauxite mine, the alumina 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 a joint venture 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 capital cost of the project is estimated to be SR 40.5 billion. Alcoa Inc. has reimbursed the Company for 25.1% of the aluminum project›s costs incurred by the Company before Alcoa Inc.'s participation.

On February 14, 2012 the Board of Directors approved a plan developed by Ma'aden in collaboration with their joint venture partner Alcoa Inc. (Note 26) to extend the product mix of their aluminum complex, currently under construction at Ras Al Khair, to include automotive heat treated and non-heat treated sheet, building and construction sheet and foil stock sheet.

2. Group structure

The Company has the following subsidiaries and jointly controlled entity, all incorporated in the Kingdom of Saudi Arabia:

Subsidiary	Type of company	Effective ownership as at December 31, 2012	2011
Ma'aden Gold and Base Metals Company ("MGBM")	Limited liability company	**100%**	100%
Ma'aden Industrial Minerals Company ("MIMC")	Limited liability company	**100%**	100%
Ma'aden Infrastructure Company ("MIC")	Limited liability company	**100%**	100%
Ma'aden Phosphate Company ("MPC")	Limited liability company	**70%**	70%
Ma'aden Aluminum Company ("MAC")	Limited liability company	**74.9%**	74.9%
Ma'aden Rolling Company ("MRC")	Limited liability company	**74.9%**	74.9%
Ma'aden Bauxite and Alumina Company ("MBAC")	Limited liability company	**74.9%**	74.9%
Jointly controlled entity			
Sahara and Ma'aden Petrochemical Company ("SAMAPCO")	Limited liability company	**50%**	50%

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for the year ended December 31, 2012
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MGBM

The company was incorporated in the Kingdom of Saudi Arabia, on August 9, 1989. The objectives of the company are:

- the exploration and mining of gold and associated minerals within their existing mining lease area by way of drilling, mining, concentrating, smelting and refining;
- extract, refine, export and sell such minerals in their original or refined form; and
- construct, operate and maintain all mines, buildings, railroads, highways, pipelines, refineries, treatment plants, communication systems, power plants and other facilities necessary or suitable for the purposes of the lease.

MIMC

The company was incorporated in the Kingdom of Saudi Arabia on March 31, 2009. The objectives of the company are:

- the exploitation of industrial minerals within the existing mining lease area by way of drilling, mining, concentrating, smelting and refining;
- extract, refine, export and sell such minerals in their original or refined form; and
- construct, operate and maintain all mines, buildings, railroads, highways, pipelines, refineries, treatment plants, communication systems, power plants and other facilities necessary or suitable for the purposes of the lease.

The company currently operates a kaolin and low grade bauxite mine in the central zone of Az Zabirah and a high grade magnesite mine and processing plant at Al Madinah Al Munawarah which partially commenced operations during 2011 and the remaining project is still in development stage.

MIC

The company was incorporated in the Kingdom of Saudi Arabia on August 17, 2008. The objectives of the company are to:

- manage the infrastructure project to develop, construct and operate the infrastructure; and
- provide services to Ras Al-Khair area and other mining and industrial locations in the Kingdom of Saudi Arabia.

MPC

The company was incorporated in the Kingdom of Saudi Arabia on January 1, 2008 and is owned:

- 70% by Saudi Arabian Mining Company ("Ma'aden") and
- 30% by Saudi Basic Industries Corporation ("SABIC") which is accounted for as a non-controlling interest in these consolidated financial statements.

The objectives of the company are to:

- exploit the Al Jalamid phosphate deposits;
- utilize local natural gas and sulphur resources to manufacture Diammonium Phosphate ("DAP") fertilizers at the processing facilities at Ras Al-Khair; and
- produce ammonia as a raw material feed stock for the production of fertilizer and the excess ammonia is exported and sold domestically.

The processing facilities at Ras Al-Khair have been designed with the flexibility to also produce Mono-ammonium Phosphate ("MAP") fertilizer, should the production of MAP be considered more economically viable in the future.

MAC

The company was incorporated in the Kingdom of Saudi Arabia on October 10, 2010 and is owned:

- 74.9% by Saudi Arabian Mining Company ("Ma'aden") and
- 25.1% by Alcoa Saudi Smelting Inversiones S.L. Company ("ASC"), a foreign shareholder, a company wholly owned by Alcoa Incorporated ("Alcoa Inc."), which is accounted for as a non-controlling interest in these consolidated financial statements.

The objectives of the company are the production of:

- aluminum ingots;
- aluminum T shape ingots;
- aluminum slabs; and
- aluminum billets.

The company is currently in its project development phase.

MRC

The company was incorporated in the Kingdom of Saudi Arabia on October 10, 2010 and is owned:

- 74.9% by Saudi Arabian Mining Company ("Ma'aden") and
- 25.1% by Alcoa Saudi Rolling Inversiones S.L. Company ("ARC") a company wholly owned by Alcoa Incorporated ("Alcoa Inc."), which is accounted for as a non-controlling interest in these consolidated financial statements.

The objectives of the company are the production of:

- can body stock; and
- can ends stock.

The company is currently in its project development phase.

MBAC

The company was incorporated in the Kingdom of Saudi Arabia on January 22, 2011 and is owned:

- 74.9% by Saudi Arabian Mining Company ("Ma'aden") and
- 25.1% by AWA Saudi Limited ("AWA"), a foreign shareholder, which is owned 60% by Alcoa Inc. and 40% by Alumina Limited, an unrelated third party, which is accounted for as a non-controlling interest in these consolidated financial statements.

The objectives of the company are to:

- produce and refine bauxite; and
- produce alumina.

The company is currently in its project development phase.

SAMAPCO

The company was incorporated in the Kingdom of Saudi Arabia on August 14, 2011 and is owned:

- 50% by Saudi Arabian Mining Company ("Ma'aden") and
- 50% by Sahara Petrochemicals.

SAMAPCO is a joint venture project and is accounted for as an investment in a jointly controlled entity under the equity method of accounting in these consolidated financial statements.

The objectives of the company are the production of:

- concentrated caustic soda;
- chlorine; and
- ethylene dichloride.

The operations of the company includes the production and supply of concentrated caustic soda feed stock to the alumina refinery at MBAC and to sell the excess production in the local wholesale and retail market. SAMAPCO is currently in its project development phase.

The financial year end of all the subsidiaries and jointly controlled entity 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").

These 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, except for the change in accounting policies mentioned in notes 4.8, 4.9, 4.11, 4.19 and 4.22.

Change in accounting policies

- The Group implemented a new accounting policy relating to "Exploration and evaluation assets" (see note 4.11) consistent with the Group's expanding operational activities and disclosure enhancement objectives. These amounts were previously shown under "Pre-operating expenses and deferred charges" in the consolidated statement of financial position and have now been transferred to "Exploration and evaluation assets". This change in accounting policy had no impact on net assets or net income previously reported. The effect of the reclassification due to the change in accounting policy amounted to a net book value of SR 415,261,216 for the year ended December 31, 2012 (December 31, 2011: SR 143,330,308) (Note 4.11 and 16).

- During the period ended September 30, 2012, the Group decided to reflect zinc revenue for the Al Amar mine under by-products, by considering MGBM's operations as a single gold producing unit instead of evaluating each mine's operations individually, resulting in a reduction in revenue and cost of sales correspondingly, with no change in the gross profit in the consolidated statement of income. The effect of the above mentioned reclassification due to change in accounting policy amounted to SR 8,114,135 for the year ended December 31, 2012 (December 31, 2011: SR 35,102,861) (Note 4.22).

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 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 acquired 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 consolidated statement of financial position. 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 or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jointly controlled entity

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, however not necessarily, through entities that are subject to joint control.
The Group recognises its interests in a jointly controlled entity using the equity method of accounting. The Group's share of the results of joint ventures is based on the financial statements prepared up to a date not earlier than three months before the consolidated statement of financial position date, adjusted to conform with the accounting policies of the Group, if any. Intragroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intragroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Notes to the consolidated financial statements continued

for the year ended December 31, 2012

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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 statement of financial position 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 an original maturity of three months or less at the 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 the 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 metals are 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;
- production overheads; and
- revenue from sale of by-products is credited against production costs.

By-products are valued at net realizable value, with reference to the spot price of the commodities ruling at the reporting date.

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 or 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 statement of financial position 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 the historical cost less accumulated depreciation. Depreciation is provided over the shorter of estimated economic 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 – 33
Heavy equipment	5 – 20
Fixed plant and heap leach facilities	4 – 20
Other equipment	4 – 20
Office equipment	4 – 10
Furniture and fixtures	4 – 10
Mobile and workshop equipment	10
Computer equipment	4 – 5
Mining assets	2 - 8
Laboratory and safety equipment	5
Motor vehicles	4
Civil works	4

During the quarter ended December 31, 2011, the Group decided to include the cost of mine closure and reclamation within Property, plant and equipment by classifying such cost in a new group of assets called "Mining assets" and transferred the historical cost and accumulated depreciation from Pre-operating expenses and deferred charges, where it was previously disclosed. Also see policy on "Mine closure and reclamation" in note 4.19.

The effect of the above mentioned change in accounting policy, in the accompanying consolidated financial statements, is not considered to be significant and pertains to prior year.

Maintenance and normal repairs which do not materially extend the estimated economic 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 the 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 qualified assets.

4.9 Pre-operating expenses and deferred charges

Mining

Pre-operating expenses and deferred charges, other than specific exploration and evaluation expenditures covered in note 4.11, incurred prior to the development phase of the mine project and are expected to provide future benefits to the Group. The capitalized cost is amortized over a period of seven years or life of the mine, whichever is lower, commencing at the completion of the project. Cost that will not provide a benefit beyond the current period is charged to the consolidated statement of income.

Plants

Pre-operating expenses and deferred startup expenses relating to a new plant or expansion are amortized over a period of seven years or life of the plant, whichever is lower, starting from the date when the assets are determined to be ready for its intended use.

4.10 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 during the commissioning period net of the proceeds from the sale of any production during the development period. Capital work-in-progress is not depreciated.

4.11 Exploration and evaluation assets

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits . Exploration expenditures typically include costs associated with:

- acquisition of exploration rights to explore a potentially mineralized;
- topographical, geological, geochemical and geophysical studies;
- exploration drilling;
- trenching;
- sampling; and
- other work involved in searching for ore.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibilities studies.

All exploration and evaluation costs are expensed until it is concluded that a future economic benefit is more likely to be realized than not, i.e. 'probable'. The information used to make that determination depends on the level of exploration as well as the degree of confidence in the ore body. Exploration and evaluation expenditures are capitalized if management determines that probable future economic benefits will be generated as a result of the expenditures.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralization of such mineral deposits, is capitalized as mine development cost following the completion of an economic evaluation equivalent to a feasibility study.

All exploration and evaluation costs incurred after it is concluded that economic benefit is more likely to be realized than not , i.e. 'probable' are capitalized as "Exploration and evaluation assets" only until the technical feasibility and commercial viability of extracting of mineral resource are demonstrable. Once the technical and commercial viability is demonstrable i.e. economic benefit will or will not be realized, the asset is tested for impairment and any impairment loss is recognized. Based on the technical and commercial feasibility, if the economic benefit will be realized and management intends to develop the mine, exploration and evaluation asset is reclassified to "Capital work-in progress". Cash flows attributable to capitalized exploration and evaluation expenditures are classified as investing activities in the statement of cash flow. Once the commercial production stage is reached, the capitalized capital work-in-progress is reclassified to "Property, plant and equipment". Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company measures, presents and discloses any resulting impairment loss.

For the purposes of exploration and evaluation assets only, one or more of the following facts and circumstances are considered for identifying that exploration and evaluation asset that may be impaired. These include the following:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

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- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once it has been identified that exploration and evaluation asset may be impaired, asset impairment policy as specified in note 4.14 is followed.

4.12 Intangible assets

Intangible assets comprise of purchased software and systems enhancements and transformation. These assets are carried at cost. Intangible assets are amortized on the straight-line basis over their anticipated useful lives and are reviewed at lease at each financial year end. The amortization expense on the intangible assets is recognized in the statement of income consistent with the functions of the intangible assets.

Intangible assets for MIC comprises the infrastructure and support services assets at Ras Al Khair that are transferred to Royal Commission of Jubail and Yanbu ("RCJY") as stated in the Implementation Agreement signed between Ma'aden and RCJY. The cost of the intangible assets comprises its purchase price and any costs directly attributable to bringing such assets to working condition for their intended use. Such intangible assets are carried at historical cost less accumulated amortization. Amortization is provided over the remaining period of LUSA (Land Usage and Service Agreement) term.

4.13 Stripping ratio and deferred stripping costs

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:

Average ratio of waste to ore mined x Quantity of ore mined x Average unit cost of total tonnes 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 expensed in a future period when the actual costs are less than the amount to be expensed.

4.14 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 (with the exception of goodwill) and recorded as income in the consolidated statement of income in the period in which such reversal is determined.

4.15 Trade payable and accruals

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

4.16 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.

4.17 Severance fees

Effective from year 2005 onwards, as per the Saudi Mining Investment 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 per mining license or the equivalent of the hypothetical income tax, whichever is the lower.

The Zakat due shall be deducted from gross severance fee and the net severance fee amount is shown as part of cost of sales in the consolidated statement of income. (Note 32).

4.18 Provisions

Provisions are recognized when the Group has:

- a present legal or constructive obligation as a result of a past event;
- 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.

4.19 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 are capitalized as part of mining assets, under property, plant and equipment and then depreciated as an expense over the expected life-of-mine on straight-line basis. 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 ore reserves, mineral resources and lives of mines;
- 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.

In prior years, the full estimated mine closure and reclamation costs capitalized were deferred (included within pre-operating expenses and deferred charges) and then amortized to expense over the expected life-of-mine on straight-line basis but not exceeding seven years. As a consequence of the change in accounting policy mentioned in note 4.8 during the quarter ended December 31, 2011 cost capitalized relating to mine closure and reclamation will now be depreciated over the expected life-of-the mine.

The effect of the above mentioned change in accounting policy, in the accompanying consolidated financial statements, is not considered to be significant and pertains to prior year.

4.20 Employee termination benefits

Employee termination 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 consolidated statement of financial position 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.

4.21 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.

4.22 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 Group; 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 an 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 Group's best estimate of contained metal, and adjusted subsequently.

Revenue from the sale of by-products is credited against production costs.

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

4.23 Selling and marketing expenses

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

4.24 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.

4.25 Employees' 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 6th of Rabi II 1420H (corresponding to July 19, 1999) issued by H.H. Minister of Labor and Social Affairs, a Savings Plan Program was introduced to encourage the Saudi employees of the Group 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 SR 300. The Group 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.

4.26 Leasing

Leases are classified as finance 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.

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(All amounts in Saudi Riyals unless otherwise stated)

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 and reversal of 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 ore reserve and mineral resource grades must be considered as estimates only. What is more, the quantity of ore reserves and mineral resources may vary depending on, amongst other things, metal prices and currency exchange rates.

The ore reserve estimates of the Group have been determined based on management long-term commodity price, forecasts cut-off grades and costs that may prove to be inaccurate. Any material change in the quantity of reserves, grades 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 commodity 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 Group'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-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 ore 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 depreciated of mining assets and their carrying value. The economic useful 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 periods 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, 2012, the allowance for obsolete slow-moving items amounted to SR 19 million (December 31, 2011: SR 19 million). These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the consolidated statement of financial position 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, 2012 and during the year ended December 31, 2011, an amount of SR 129 million and SR 186 million relating to year ended 2011 and 2010 respectively were 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:

- engaged in revenue producing activities;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- 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, Al Amar mines and a processing plant at Sukhaybarat which are located in different geographical areas in the Kingdom of Saudi Arabia.

- **The phosphate segment,** consist of operations related to mining of phosphate, the beneficiation of phosphate concentrate and utilization of national resources of natural gas and sulphur to manufacture DAP, MAP fertilizer and ammonia products and is carried out through MPC. This segment started commercial operation during first quarter of 2012, except for the ammonia plant for which commercial production was declared on October 1, 2011.

  Umm Wu'al phosphate project is based on the exploitation of the Al-Khabra phosphate deposits. The project is in the feasibility and basic engineering stage.

- **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.

  Chlor Alkali project consists of the operations related to the development of concentrated caustic soda and ethylene dichloride complex for the production of concentrated caustic soda, chlorine and ethylene dichloride and the supply of all the required feedstock for use in the alumina refinery at Ma'aden Bauxite and Alumina Company, any excess production is sold in the international and domestic market. This segment is currently in the development stage.

  Automotive sheet project include automotive heat treated and non-heat treated sheet, building and construction sheet and foil stock sheet. The project is in the development stage.

- **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 a high grade magnesite mine and processing plant at Al Madinah Al Munawarah which partially commenced operations during 2011.

- **The infrastructure segment**, relates to the development, construction and delivery of services in the Ras Al-Khair area, and other mining and industrial locations in the Kingdom of Saudi Arabia.

6. Segmental information (continued)

	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
December 31, 2012								
Sales	31	**-**	**1,001,542,755**	**4,447,735,066**	**-**	**125,867,379**	**1,510,183**	**5,576,655,383**
Gross profit/(loss)		**-**	**595,718,308**	**1,974,602,994**	**-**	**61,973,376**	**(38,068,368)**	**2,594,226,310**
Income from short-term investments		**33,353,175**	**8,894,264**	**22,652,599**	**-**	**70,981**	**54,659**	**65,025,678**
Net income/(loss) attributable to shareholders' of the parent company		**(337,303,294)**	**440,540,927**	**987,342,823**	**(11,266,032)**	**50,696,299**	**(39,066,753)**	**1,090,943,970**
Property, plant and equipment		**149,433,570**	**128,430,478**	**17,503,721,878**	**1,757,954**	**238,425,366**	**519,350,802**	**18,541,120,048**
Pre-operating expenses and deferred charges	14	**63,936,924**	**60,705,472**	**51,018,836**	**624,992,615**	**11,926,813**	**-**	**812,580,660**
Capital work-in-progress	15	**158,318,384**	**406,709,436**	**218,795,508**	**21,830,613,308**	**81,119,213**	**253,008,626**	**22,948,564,475**
Exploration and evaluation assets	16	**25,956,610**	**127,306,058**	**194,027,658**	**67,970,890**	**-**	**-**	**415,261,216**
Intangible assets	17	**-**	**-**	**19,542,535**	**-**	**-**	**244,134,197**	**263,676,732**
Investment in jointly controlled entity	18	**-**	**-**	**-**	**444,851,735**	**-**	**-**	**444,851,735**
Total assets		**1,601,837,908**	**1,866,925,056**	**22,623,363,190**	**27,568,286,030**	**437,683,027**	**1,043,853,770**	**55,141,948,981**
December 31, 2011								
Sales	31	-	865,751,039	594,429,030	-	70,523,183	2,323,129	1,533,026,381
Gross profit/(loss)		-	526,740,239	505,009,141	-	21,777,908	(52,212,846)	1,001,314,442
Income from short-term investments		71,043,144	3,896,593	-	-	7,880	208,188	75,155,805
Net income/(loss) attributable to shareholders' of the parent company		(234,550,176)	391,374,105	294,354,152	(4,139,716)	19,735,628	(53,459,189)	413,314,804
Property, plant and equipment		108,655,397	136,801,387	6,396,424,564	126,906	253,594,897	555,086,663	7,450,689,814
Pre-operating expenses and deferred charges	14	16,430,379	69,299,069	46,604,131	210,020,943	14,440,394	-	356,794,916
Capital work-in-progress	15	16,380,365	19,134,128	11,929,079,149	9,966,403,230	74,335,961	222,216,512	22,227,549,345
Exploration and evaluation assets	16	62,130	61,143,912	82,124,266	-	-	-	143,330,308
Intangible assets	17	-	-	12,334,823	-	-	-	12,334,823
Investment in jointly controlled entity	18	-	-	-	448,154,100	-	-	448,154,100
Total assets		4,751,093,751	1,310,426,260	21,749,632,574	14,550,923,434	391,648,376	820,001,005	43,573,725,400

The corporate segment's net loss amount excludes share in earnings of subsidiary companies. The corporate segment's total assets amount also excludes investment balances with respect to subsidiary companies.
The infra-structure segment's gross loss and net loss amounts are after consolidation elimination of the inter-company revenues from MPC and MAC under the LUSA agreement.

(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 the Kingdom of Saudi Arabia.

7. Cash and cash equivalents

	December 31, 2012	December 31, 2011
Term deposits with original maturities equal to or less than three months at date of acquisition	**4,328,500,000**	4,241,502,076
Cash and bank balances – unrestricted	**1,420,328,641**	413,767,991
Cash and bank balances – restricted	**426,385,159**	389,208,114
Total	**6,175,213,800**	5,044,478,181

Restricted cash and bank balances are related to the following:		
Cash accumulated under employees' savings plan program (Note 4.25 and 24.2)	**15,006,007**	9,703,962
Cash accumulated in the debt service reserve account for the scheduled repayment of the long-term borrowing, six months prior to due date as per the facility agreement) (Note 25.2)	**411,379,152**	379,504,152
Total	**426,385,159**	389,208,114

8. Short-term investments

	December 31, 2012	December 31, 2011
Term deposits with original maturities of more than three months at date of acquisition	**3,053,763,250**	6,161,941,743
Investment income receivable	**17,585,197**	19,143,764
	3,071,348,447	6,181,085,507

Short-term investments yield financial income at prevailing market rates.

9. Trade and other receivables

	December 31, 2012	December 31, 2011
Trade	**555,056,298**	470,757,985
Other	**7,984,598**	10,756,225
Total	**563,040,896**	481,514,210
Trade receivables includes:		
Due from SABIC (Note 39.2)	**446,823,500**	280,596,018
Due from SAMAPCO (Note 39.2)	**47,994,670**	47,593,280

10. Inventories

	December 31, 2012	December 31, 2011
Work-in-progress at net production cost	**140,764,639**	167,678,842
Finished goods – ready for sale	**331,156,109**	136,744,262
Stockpile of mined ore	**66,132,540**	49,575,143
By-products	**11,779,907**	21,687,342
Total inventories	**549,833,195**	375,685,589
Spare parts and consumables materials	**321,533,420**	121,271,152
Allowance for obsolete slow-moving spare parts and consumable materials	**(18,671,349)**	(18,822,654)
Sub-total	**302,862,071**	102,448,498
Raw materials	**237,239,111**	83,662,585
Total spare parts, consumables and raw materials	**540,101,182**	186,111,083
Total	**1,089,934,377**	561,796,672

The spare parts inventory primarily relates to plant and machinery and, accordingly, this inventory is expected to be utilized over a period not exceeding one year.

Notes to the consolidated financial statements continued

for the year ended December 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

Movement in the allowance for inventory obsolescence is as follows:

	December 31, 2012	December 31, 2011
January 1	**18,822,654**	23,044,672
Reversal of allowance for obsolescence (Note 32)	**(151,305)**	(4,222,018)
December 31	**18,671,349**	18,822,654

11. Advances and prepayments

	December 31, 2012	December 31, 2011
Current portion:		
Advances to vendors	**30,350,815**	16,883,477
Advances to employees	**20,860,733**	19,399,992
Other prepayments	**42,898,827**	5,590,218
Sub-total	**94,110,375**	41,873,687
Non-current portion:		
Advances to contractors	**703,059,138**	618,930,504
Other prepayments	**19,187,082**	5,193,333
Sub-total	**722,246,220**	624,123,837
Total	**816,356,595**	665,997,524

Advances and prepaid expenses mainly represent advances paid by MAC, MRC, MBAC and MPC in relation to the development of their sites. Non-current portion of advances to contractors of MPC, MAC, MRC and MBAC as at December 31, 2012 of SR 628,892,401 (December 31, 2011: SR 609,166,722) are pledged as security to the lenders under the Common Term Financing Agreement (Note 25.5).

12. Due from government

The balance of SR 61,045,987 appearing in the consolidated statement of cash flows 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 Al-Khair. The amount was repaid in full on July 13, 2011.

13. Property, plant and equipment

	Notes	Land	Mining assets	Motor vehicles	Heavy equipment	Fixed plant and heap leaching	Buildings	Civil works	Other equipment	Office equipment	Furniture and fittings	Total
Cost												
January 1, 2011		22,550,000	-	24,840,012	66,203,746	356,052,604	106,348,548	221,811,152	31,404,423	28,970,334	15,890,412	874,071,231
Additions during the year		-	-	-	-	-	-	4,852,122	-	-	-	4,852,122
Transfer from pre-operating expenses and deferred charges	14	-	62,713,264	-	-	-	-	-	-	-	-	62,713,264
Transfer from capital work-in-progress	15	-	-	2,480,039	151,497,824	6,617,271,169	225,499,837	371,073,126	24,599,632	15,750,840	10,730,554	7,418,903,021
Provision for mine closure and reclamation	23	-	500,000	-	-	-	-	-	-	-	-	500,000
Adjustments / write-offs		-	-	(4,800,226)	(7,619,032)	(2,002,846)	(92,500)	(3,934,960)	(1,686,374)	(1,204,967)	(2,742,298)	(24,083,203)
December 31, 2011		22,550,000	63,213,264	22,519,825	210,082,538	6,971,320,927	331,755,885	593,801,440	54,317,681	43,516,207	23,878,668	8,336,956,435
Additions during the year		39,000,000	-	-	-	-	-	-	-	-	-	39,000,000
Transfer from capital work-in-progress	15	-	-	585,174	2,278,004	11,800,411,400	334,917,835	34,525,257	34,246,221	2,407,240	14,907,069	12,224,278,200
Transfer to intangible assets *	17	-	-	-	-	-	-	(207,804,853)	-	-	-	(207,804,853)
Provision for mine closure and reclamation	23	-	1,550,000	-	-	-	-	-	-	-	-	1,550,000
Adjustments / write-offs		-	-	(677,249)	(225,435)	(281,524)	1,407,659	(51,000)	(247,227)	(15,175,585)	(2,068,776)	(17,319,137)
December 31, 2012		**61,550,000**	**64,763,264**	**22,427,750**	**212,135,107**	**18,771,450,803**	**668,081,379**	**420,470,844**	**88,316,675**	**30,747,862**	**36,716,961**	**20,376,660,645**
Accumulated depreciation												
January 1, 2011		-	-	24,516,326	35,711,146	308,027,420	45,911,893	196,628,868	17,423,589	23,542,180	9,723,365	661,484,787
Charge for the year		-	-	2,518,880	13,627,424	110,879,166	20,682,785	35,990,749	9,786,238	5,059,420	2,767,461	201,312,123
Transfer from pre-operating expenses and deferred charges	14	-	38,579,615	-	-	-	-	-	-	-	-	38,579,615
Adjustments / write-offs		-	-	(6,289,625)	(2,942,296)	(254,814)	(92,500)	(3,066,098)	(604,726)	(1,283,966)	(575,879)	(15,109,904)
December 31, 2011		-	38,579,615	20,745,581	46,396,274	418,651,772	66,502,178	229,553,519	26,605,101	27,317,634	11,914,947	886,266,621
Charge for the year		-	4,052,952	1,420,490	14,817,093	895,376,714	30,137,948	14,491,590	13,167,760	4,987,910	5,194,437	983,646,894
Transfer to intangible assets *	17	-	-	-	-	-	-	(17,017,278)	-	-	-	(17,017,278)
Adjustments / write-offs		-	-	(751,467)	(197,209)	(273,708)	1,407,659	(1,063)	(221,762)	(15,038,966)	(2,279,124)	(17,355,640)
December 31, 2012		**-**	**42,632,567**	**21,414,604**	**61,016,158**	**1,313,754,778**	**98,047,785**	**227,026,768**	**39,551,099**	**17,266,578**	**14,830,260**	**1,835,540,597**
Net book value												
December 31, 2011		22,550,000	24,633,649	1,774,244	163,686,264	6,552,669,155	265,253,707	364,247,921	27,712,580	16,198,573	11,963,721	7,450,689,814
December 31, 2012		**61,550,000**	**22,130,697**	**1,013,146**	**151,118,949**	**17,457,696,025**	**570,033,594**	**193,444,076**	**48,765,576**	**13,481,284**	**21,886,701**	**18,541,120,048**

Notes to the consolidated financial statements continued

for the year ended December 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

13. Property, plant and equipment (continued)

* Transfer to intangible assets include civil works and essential equipment assets located in public areas outside of the Ma'aden projects which has been transferred, at net book value to the RCJY under the Implementation Agreement between MIC and RCJY. Under the Implementation Agreement paragraph, MIC retains its full unrestricted right of use of these designated assets for a period of 35 years, under the LUSA agreement the associated cost related to the right of use will be amortized over the remaining period of LUSA term.

Property, plant and equipment of MPC and MAC with a net book value at December 31, 2012 of SR 17,503,721,878 and SR 1,745,322 respectively (December 31, 2011: SR 6,396,424,564 and SR 126,906) are pledged as security to lenders under the Common Term Financing Agreement (Note 25.5).

		Year ended December 31,	
	Notes	**2012**	2011
Allocation of depreciation charge for the year			
To capital work-in-progress	15	**-**	27,161,818
To cost of sales	32	**971,177,233**	167,185,259
To general and administrative expenses	34	**12,469,661**	6,965,046
Total		**983,646,894**	201,312,123

14. Pre-operating expenses and deferred charges

	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Total
Cost							
January 1, 2011		32,274,486	185,990,453	89,646,353	7,080,197	16,947,780	331,939,269
Additions during the year		10,278,721	25,649,769	-	234,880,633	734,592	271,543,715
Stripping cost incurred during the year				25,267,049			25,267,049
Transfer of deferred stripping to cost of production during the year		-	-	(27,003,183)	-	-	(27,003,183)
Transfer to property, plant and equipment (mining assets)	13	-	(62,713,264)	-	-	-	(62,713,264)
Transfer to SAMAPCO	18.1	-	-		(31,939,887)	-	(31,939,887)
Adjustments		-	-	(41,306,088)	-	-	(41,306,088)
December 31, 2011		42,553,207	148,926,958	46,604,131	210,020,943	17,682,372	465,787,611
Additions during the year		48,634,557	12,887,200	21,690,569	414,971,672	-	498,183,998
Stripping cost incurred / adjusted during the year			(12,042,230)	42,772,606			30,730,376
Transfer to capital work-in-progress	15	-	-	(8,757,965)	-	-	(8,757,965)
December 31, 2012		**91,187,764**	**149,771,928**	**102,309,341**	**624,992,615**	**17,682,372**	**985,944,020**
Amortization							
January 1, 2011		23,747,135	101,747,762	-	-	1,919,874	127,414,771
Charge for the year		2,375,693	16,459,742	-	-	1,322,104	20,157,539
Transfer to property, plant and equipment (mining assets)	13	-	(38,579,615)	-	-	-	(38,579,615)
December 31, 2011		26,122,828	79,627,889	-	-	3,241,978	108,992,695
Charge for the year		1,128,012	6,660,364	12,452,450	-	2,513,581	22,754,407
Transfer of deferred stripping to cost of sales during the year	32	-	2,778,203	38,838,055	-	-	41,616,258
December 31, 2012		**27,250,840**	**89,066,456**	**51,290,505**	**-**	**5,755,559**	**173,363,360**
Net book value							
December 31, 2011		16,430,379	69,299,069	46,604,131	210,020,943	14,440,394	356,794,916
December 31, 2012		**63,936,924**	**60,705,472**	**51,018,836**	**624,992,615**	**11,926,813**	**812,580,660**

Notes to the consolidated financial statements continued

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14. Pre-operating expenses and deferred charges (continued)

Pre-operating expenses and deferred charges of MPC, MAC, MRC and MBAC with a net book value before consolidation elimination at December 31, 2012 of SR 860,896,962 (December 31, 2011: SR 399,184,316) are pledged as security to the lenders under the Common Term Agreement (Note 25.5).

Certain amounts included within pre-operating expenses and deferred charges, due to the development stage activities, have been reclassified to capital work-in-progress following the conclusion of the related engineering review process.

		Year ended December 31,	
	Notes	**2012**	2011
Allocation of amortization charge for the year			
To cost of sales	32	**21,353,582**	15,656,130
To general and administrative expenses	34	**1,400,825**	4,501,409
Total		**22,754,407**	20,157,539

15.Capital work-in-progress

	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
Cost								
January 1, 2011		60,546,550	21,792,745	18,064,157,668	2,493,825,789	307,327,968	732,993,478	21,680,644,198
Additions during the year		4,429,670	34,569,606	1,079,357,738	7,708,907,369	26,190,342	93,484,425	8,946,939,150
Transfer to property, plant and equipment	13	(48,595,855)	(37,228,223)	(6,475,270,753)	-	(253,546,799)	(604,261,391)	(7,418,903,021)
Depreciation capitalized during the year	13	-	-	27,161,818	-	-	-	27,161,818
Transfer to SAMAPCO	18.1	-	-	-	(236,329,928)	-	-	(236,329,928)
Credit for pre-commercial production revenue net of cost		-	-	(766,327,322)	-	(5,635,550)	-	(771,962,872)
December 31, 2011		16,380,365	19,134,128	11,929,079,149	9,966,403,230	74,335,961	222,216,512	22,227,549,345
Additions during the year		151,891,067	55,676,480	334,827,008	11,864,210,078	6,783,252	278,769,001	12,692,156,886
Transfer to property, plant and equipment	13	(9,953,048)	(30,125,060)	(12,001,261,231)	-	-	(182,938,861)	(12,224,278,200)
Transfer from pre-operating expenses and deferred charges	14	-	-	8,757,965	-	-	-	8,757,965
Transfer from exploration and evaluation assets	16	-	362,023,888	-	-	-	-	362,023,888
Transfer to intangible assets	17	-	-	(6,083,733)	-	-	(65,038,026)	(71,121,759)
Credit for pre-commercial production revenue net of cost		-	-	(46,523,650)	-	-	-	(46,523,650)
December 31, 2012		**158,318,384**	**406,709,436**	**218,795,508**	**21,830,613,308**	**81,119,213**	**253,008,626**	**22,948,564,475**
Borrowing cost capitalized as part of capital work-in-progress during the year								
December 31, 2011		-	-	-	185,253,260	381,898,232	-	567,151,492
December 31, 2012		**-**	**-**	**-**	**10,686,829**	**748,207,331**	**-**	**758,894,160**

The borrowing cost relates to qualifying assets. Capital work-in-progress of MPC, MAC, MRC and MBAC with a book value before consolidation elimination at December 31, 2012 of SR 22,124,961,806 (December 31, 2011: SR 21,970,996,357) are pledged as security to the lenders under the Common Term Financing Agreement (Note 25.5).

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15. Capital work-in-progress (continued)

	Year ended December 31, 2012	2011
Pre-commercial production revenue net of production cost comprises of the following		
• **Phosphate (MPC)**		
Ammonia sales through SABIC, net of production cost	-	655,956,984
DAP sales, net of production cost	**46,523,650**	110,370,338
Sub-total (Note 39.1)	**46,523,650**	766,327,322
• **Industrial Minerals (MIMC)**		
Caustic calcined magnesia sales, net of production cost	-	5,635,550
Total amount of pre-commercial production revenue, net of production cost	**46,523,650**	771,962,872

16. Exploration and evaluation assets

	Note	Corporate	Gold	Phosphate	Aluminum	Total
January 1, 2011		-	21,287,483	73,027,728	-	94,315,211
Additions during the year		62,130	39,856,429	9,096,538	-	49,015,097
December 31, 2011		62,130	61,143,912	82,124,266	-	143,330,308
Additions during the year		25,894,480	428,186,034	111,903,392	67,970,890	633,954,796
Transfer to capital work-in-progress	15	-	(362,023,888)	-	-	(362,023,888)
December 31, 2012		**25,956,610**	**127,306,058**	**194,027,658**	**67,970,890**	**415,261,216**

17. Intangible assets

	Notes	Phosphate	Infra-structure	Total
Cost				
January 1, 2011		10,343,125	-	10,343,125
Additions during the year		1,991,698	-	1,991,698
December 31, 2011		12,334,823	-	12,334,823
Additions during the year		5,511,079	-	5,511,079
Transferred from property, plant and equipment	13	-	207,804,853	207,804,853
Transferred from capital work-in-progress	15	6,083,733	65,038,026	71,121,759
December 31, 2012		**23,929,635**	**272,842,879**	**296,772,514**
Accumulated amortization				
January 1, 2011		-	-	-
Charge for the year		-	-	-
December 31, 2011		-	-	-
Transferred from property, plant and equipment	13	-	17,017,278	17,017,278
Charge for the year	32	4,387,100	11,691,404	16,078,504
December 31, 2012		**4,387,100**	**28,708,682**	**33,095,782**
Net book value				
December 31, 2011		12,334,823	-	12,334,823
December 31, 2012		**19,542,535**	**244,134,197**	**263,676,732**

18. Investment in jointly controlled entity

	December 31, 2012	December 31, 2011
Investment of 50% in the issued and paid-up share capital of SAMAPCO at cost (Note 18.1)	**450,000,000**	450,000,000
Share of the accumulated loss for the year / period since incorporation (August 14, 2011) (Note 18.2)	**(5,148,265)**	(1,845,900)
Total	**444,851,735**	448,154,100

18.1 The investment of 50% in the issued and paid-up share capital of SAMAPCO

Contribution in kind:	
Pre-operating and deferred charges (Note 14)	31,939,887
Capital work-in-progress (Note 15)	236,329,928
Cash paid	181,730,185
Total	450,000,000

18.2 Share of the accumulated income / (loss) in jointly controlled entity

	December 31, 2012	December 31, 2011
January 1 / August 14, 2011 – date of incorporation	**(1,845,900)**	-
Share in net loss for year / period since incorporation	**(3,302,365)**	(1,845,900)
Total	**(5,148,265)**	(1,845,900)

19. Projects and other payables

	December 31, 2012	December 31, 2011
Projects	**1,692,992,140**	1,014,225,034
Trade	**254,808,261**	303,112,761
Other	**63,650,344**	15,157,250
Total	**2,011,450,745**	1,332,495,045

Project payables mainly represents the liability in respect of contracts cost arising from MAC, MRC, MBAC and MPC.

Other payables include SR 38 million contributed by one of the MAC's contractors to support its objective to establish a social responsibility fund for the development of a community project. The amount received is non-refundable.

20. Accrued expenses

	December 31, 2012	December 31, 2011
Projects	**2,224,323,712**	1,383,055,563
Trade	**412,058,437**	46,043,704
Employees	**107,095,483**	48,590,838
Financial charges	**89,687,500**	-
Accrued expenses – Alcoa Inc. (Note 39.2)	**72,646,789**	25,735,824
Total	**2,905,811,921**	1,503,425,929

Accrued expenses for projects mainly represents the contracts cost accruals in relation to MAC, MRC, MBAC and MPC.

Accrued expenses for Alcoa Inc. mainly represents the personnel and other cost accruals related to the Alcoa Inc. employees seconded to MAC, MRC and MBAC.

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21. Zakat

21.1 Components of zakat base
The significant components of the zakat base of each company under the zakat and income tax regulation are as follows:

- shareholders' equity at the beginning of the year;
- 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;
- net book value of capital work-in-progress;
- net book value of exploration and evaluation assets;
- net book value of intangible assets;
- carrying value of investment in jointly controlled entity; and
- certain other items.

Zakat is calculated at 2.5% of the higher of the zakat base or adjusted net income.

21.2 Zakat payable

	December 31, 2012	December 31, 2011
January 1	**141,108,124**	207,342,181
Provision for zakat	**51,713,294**	119,547,535
Current year	**63,600,191**	141,108,124
Previous year over provision	**(11,886,897)**	(21,560,589)
Paid during the year to the authorities	**(129,221,227)**	(185,781,592)
December 31	**63,600,191**	141,108,124

The provision for zakat for the year consist of:

	Year ended	
	December 31, 2012	December 31, 2011
Saudi Arabian Mining Company	**15,342,952**	107,336,047
Ma'aden Phosphate Company	**25,793,837**	12,122,621
Ma'aden Gold and Base Metals Company (Note 22.2)	**18,662,794**	19,657,487
Ma'aden Industrial Minerals Company	**1,010,423**	757,055
Ma'aden Infrastructure Company	**2,790,185**	1,234,914
Total	**63,600,191**	141,108,124

21.3 Status of final assessments
The Company and its subsidiaries received provisional zakat certificates through the year ended December 31, 2010, however, no zakat assessments were finalized by the DZIT.

22. Severance fees payable

	December 31, 2012	December 31, 2011
January 1	**83,433,989**	54,454,280
Provision for severance fee (Note 32)	**92,603,068**	85,032,887
Current year (Note 22.1)	**91,428,507**	83,810,743
Previous year under provision	**1,174,561**	1,222,144
Paid during the year to the authorities	**(84,520,304)**	(56,053,178)
December 31	**91,516,753**	83,433,989

In accordance with the Saudi 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 per mining license, as defined, or the equivalent 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 for each mining licenses of MGBM is subject to severance fee, which are shown as part of cost of sales in the consolidated statement of income; and
- for low grade bauxite, kaolin and magnesia a fixed tariff per tonne is paid as severance fees.

22.1 Provision for severance fees consists of:

	Year ended December 31, 2012	2011
Gold mines (Note 22.2)	**89,952,213**	82,676,088
Low grade bauxite	**1,252,414**	1,120,869
Kaolin	**102,740**	13,786
Magnesia	**121,140**	-
December 31	**91,428,507**	83,810,743

22.2 The provision for severance fees payable by gold mines is calculated as follows:

	Year ended December 31, 2012	2011
Net income from operating mines before severance fee and zakat for the year	**549,947,699**	494,301,675
25% of the year's net income as defined	**137,486,925**	123,575,419
Hypothetical income tax at 20% based on taxable net income for the year	**108,615,007**	102,333,575
Provision based on the lower of the above two computations	**108,615,007**	102,333,575
Provision for zakat (Note 21.2)	**(18,662,794)**	(19,657,487)
Net severance fee provision for the year	**89,952,213**	82,676,088

23. Provision for mine closure and reclamation

	December 31, 2012	December 31, 2011
Gold mines (Note 23.1)	**88,693,156**	90,384,799
Low grade bauxite, kaolin and magnesite mines (Note 23.2)	**2,050,000**	500,000
Total	**90,743,156**	90,884,799

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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:

23.1 Gold mines

	Mahad mine	Al Hajar mine	Sukhaybarat mine*	Bulghah mine	Al Amar mine	Total
January 1, 2011	24,197,336	11,380,823	20,467,221	21,661,407	13,217,044	90,923,831
Utilization during the year	(440,425)	(98,607)	-	-	-	(539,032)
December 31, 2011	23,756,911	11,282,216	20,467,221	21,661,407	13,217,044	90,384,799
Utilization during the year	(1,320,627)	(371,016)	-	-	-	(1,691,643)
December 31, 2012	**22,436,284**	**10,911,200**	**20,467,221**	**21,661,407**	**13,217,044**	**88,693,156**
Commenced commercial production in	1988	2001	1991*	2001	2008	
Expected closure date in	2016	2013	2015	2017	2018	

** The Sukhaybarat mine ceased its mining activities and current operations are limited to the carbon in leach ("CIL") processing of ore transferred from Bulghah mine.*

23.2 Low grade bauxite, kaolin and magnesite mines

	Note	Az Zabirah mine	Al-Ghazallah mine	Total
January 1, 2011		-	-	-
Provision for the year	13	**300,000**	200,000	500,000
December 31, 2011		**300,000**	200,000	500,000
Provision for the year	13	**1,300,000**	250,000	1,550,000
December 31, 2012		**1,600,000**	450,000	2,050,000
Commenced commercial production in		**2008**	2011	
Expected closure date in		**2026**	2028	

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, low grade bauxite and kaolin mining activity only, as the aluminum project is currently in the development stage, and, an update estimation of the phosphate mine and plant closure and rehabilitation works including facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation is in progress.

24. Employee benefits

	December 31, 2012	December 31, 2011
Employee termination benefits (Note 24.1)	**155,949,095**	129,811,062
Employees' savings plan (Note 7 and 24.2)	**15,006,007**	9,703,962
Total	**170,955,102**	139,515,024

24.1 Employee termination benefits

	Year ended December 31,	
	2012	2011
January 1	**129,811,062**	104,607,572
Provision for the year	**41,252,535**	35,231,278
Paid during the year	**(15,114,502)**	(10,027,788)
December 31	**155,949,095**	129,811,062

24.2 Employees' savings plan

	Year ended December 31,	
	2012	2011
January 1	**9,703,962**	4,736,732
Contribution for the year	**13,100,119**	8,451,955
Withdrawals during the year	**(7,798,074)**	(3,484,725)
December 31	**15,006,007**	9,703,962

25. Long-term borrowings

25.1 Facilities approved

MPC, MAC, MRC and MBAC entered into Common Terms Agreements ("CTA") with the Public Investment Fund and consortiums of financial institutions, comprising of:

	MPC facilities granted June 15, 2008	**MAC facilities granted Nov. 30, 2010**	**MRC facilities granted Nov. 30, 2010**	**MBAC facilities granted Nov. 27, 2011**	**Total**
Public Investment Fund ("PIF")	4,000,001,250	4,875,000,000	3,078,750,000	3,750,000,000	15,703,751,250
Islamic and commercial banks					
Procurement*	4,269,892,500	5,047,500,000	1,041,000,000	2,690,700,000	13,049,092,500
Commercial*	1,491,562,500	900,000,000	-	258,750,000	2,650,312,500
Al-Rajhi facility	2,343,750,000	-	-	-	2,343,750,000
The Export Import Bank of Korea	1,500,000,000	-	-	-	1,500,000,000
Korea Export Insurance Corporation	750,000,000	-	-	-	750,000,000
Wakala	-	787,500,000	-	768,750,000	1,556,250,000
Sub-total	10,355,205,000	6,735,000,000	1,041,000,000	3,718,200,000	21,849,405,000
Saudi Industrial Development Fund ("SIDF")	600,000,000	600,000,000	600,000,000*	600,000,000	2,400,000,000
Total facilities granted	**14,955,206,250**	**12,210,000,000**	**4,719,750,000**	**8,068,200,000**	**39,953,156,250**

The financing agreements imposed the following conditions and financial covenants on each of the borrowing legal entities of the Group and if the conditions are met, the financial institutions will provide the long-term borrowing:

- the limitation on creation of additional liens and/or financing obligations by MPC, unless specifically allowed under the CTA;
- financial ratio maintenance;
- maximum capital expenditures allowed; and
- restriction on dividend distribution to shareholders.

MPC facility

*Banque Saudi Fransi and Mizuho Corporate Bank Limited act as agents for procurement facility and commercial facility, respectively.

MAC facility

On November 26, 2012, the contracts for dollar procurement and riyal procurement were revised to increase the respective facility amounts. Accordingly, the CTA was also revised to reflect the new facility arrangement.

*Standard Chartered Bank acts as inter-creditor agent and as commercial facility agent, Bank Al Jazira acts as Dollar procurement facility agent, as Riyal procurement facility agent, as Dollar wakala facility agent and as Riyal wakala facility agent, SABB Securities Limited acts as onshore security agent and Riyad Bank, London Branch acts as offshore security trustee and agent.

*The SIDF facility was approved by its Board of Directors on August 16, 2011 subject to certain conditions precedent. The company is in process of finalizing the terms of those conditions with the SIDF.

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MRC facility

Facility Agent, SABB Securities Limited acts as Onshore Security Agent and Riyad Bank, London Branch acts as Offshore Security Trustee and Agent

MBAC facility

The company is in process of finalizing a facility amounting to US Dollar (US $) 160 million from Saudi Industrial Development Fund (SIDF). SIDF has issued a letter of commitment amounting to US$ 240 million, however, the company has not confirmed its acceptance of the said facility. The company expects to avail only US $ 160 million. A formal contract for the said facility will be signed once the company formally confirms the acceptance of facility from SIDF.

The facilities were not utilized as at December 31, 2012.

Saudi Arabian Mining Company ("Ma'aden")

On December 18, 2012, the Company entered into a Shariah compliant Syndicated Revolving Credit Facility Agreement ("Murabaha Facility Agreement") and other agreements (together referred to as "financing agreements") totaling to SR 9 billion. The facility is with a syndicate of local and international financial institutions, comprising of the following financial institutions:

Al-Rajhi Banking & Investment Corporation
Arab National Bank
Bank Al-Bilad
Bank AlJazira
Banque Saudi Fransi
J.P.Morgan Chase Bank, N.A., Riyadh Branch
Riyad Bank
Samba Financial Group
The National Commercial Bank
The Saudi British Bank
The Saudi Investment Bank

This commercial financing facility is revolving in nature and was not utilized as at December 31, 2012.

The conditions and financial covenants include the following, with respect to Ma'aden stand alone financial statements:

- EBITDA to Interest ratio shall not be less than three times otherwise dividend block will be triggered.
- Total net debt to tangible net worth (parent company only) shall be less than or equal to three times otherwise an event of default will be triggered which is subject to a cure period of six months, or nine months if the Company has acted expeditiously to cure such breach by initiating the process for a rights issue.

Total facilities approved

	Year ended December 31,	
	2012	2011
Facilities under Common Term Agreements:		
MPC	**14,955,206,250**	14,955,206,250
MAC	**12,210,000,000**	12,210,000,000
MRC	**4,719,750,000**	4,719,750,000
MBAC	**8,068,200,000**	8,068,200,000
Syndicated Revolving Credit Facility:		
Ma'aden	**9,000,000,000**	-
Total	**48,953,156,250**	39,953,156,250

25.2 Facilities utilized under the different CTAs

MPC facility

	December 31, 2012	December 31, 2011
Public Investment Fund	**4,000,001,250**	4,000,001,250
Less: Repaid during the year	**332,800,104**	-
Sub-total (Note 39.2)	**3,667,201,146**	4,000,001,250

The rate of commission on the principal amount of the loan draw down and outstanding for each commission period, is in the range of LIBOR plus 0.5% per annum. Loan repayment started on June 30, 2012, on a six monthly basis, in equal principal repayments of SR 166.4 million, with the final repayment of SR 172.8 million on December 31, 2023.

Islamic and commercial banks		
Banque Saudi Fransi – as agent for the procurement facility participants	**4,269,892,500**	4,269,892,500
Al-Rajhi Bank	**2,343,750,000**	2,343,750,000
The Export Import Bank of Korea	**1,500,000,000**	1,500,000,000
Mizuho Corporate Bank Limited - as agent for the commercial facility participants	**1,116,562,500**	1,116,562,500
Korea Export Insurance Corporation	**750,000,000**	750,000,000
	9,980,205,000	9,980,205,000
Less: Repaid during the year	**429,583,200**	-
Sub-total	**9,550,621,800**	9,980,205,000

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

The repayment of facilities started on June 30, 2012. All the repayments of the above facilities will be on a six monthly basis, with the final repayment due on December 31, 2023.

Saudi Industrial Development Fund	**570,000,000**	570,000,000

The project follow-up cost paid during the drawdown amounted to SR 6.3 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 MPC borrowings	**13,787,822,946**	14,550,206,250

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25.2 Facilities utilized under the different CTAs (continued)

MAC facility

	December 31, 2012	December 31, 2011
Public Investment Fund (Note 39.2)	**3,993,016,061**	2,248,712,948
The rate of commission on the principal amount of the loan draw down and outstanding for each commission period, is LIBOR plus 1.5% and the rate of commission on the outstanding amount for each commission period is 1% per annum.		
The repayment of the loan will be in 24 installments on a six monthly basis starting from December 31, 2014. The repayments are starting at SR 99.9 million and increasing over the term of the loan with the final repayment of SR 1,218 million on June 30, 2026.		
Islamic and commercial banks		
Dollar procurement	**737,274,310**	411,223,842
Riyal procurement	**2,861,109,923**	1,595,819,276
Commercial	**728,172,164**	406,147,010
Wakala	**717,486,636**	365,752,212
Sub-total	**5,044,043,033**	2,778,942,340
The rate of commission on the principal amount (lease base amount in case of wakala facilities) of the loan drawn for each commission period on all the dollar facilities is LIBOR plus a margin (mark-up in case of wakala facilities) that varies over the term of the loan. The rate of commission on the principal amount (lease base amount in case of wakala facilities) of the loan drawn for each commission period on all the Riyal facilities is Saudi Interbank Offered Rate ("SIBOR") plus a margin (mark-up in case of wakala facilities) that varies over the term of the loan. The margin/mark-up on the principal amount of the loan drawn for each commission period is in the range of 1.65% to 2.75% per annum.		
The rate of commission on the outstanding amount for each commission period on wakala facilities is 0.3% per annum.		
The repayment of the principal amounts of loans will start from December 31, 2014. The repayments are starting at SR 138 million and increasing over the term of the loan with the final repayment of SR 1,684 million on June 30, 2026.		
Saudi Industrial Development Fund	**420,000,000**	-
Repayment of the SIDF facility will start from February 04, 2015. The repayments are starting at SR 25 million and increasing over the term of the loan with the final repayment of SR 62.5 million on June 7, 2020.		
Total MAC borrowings	**9,457,059,094**	5,027,655,288

25.2 Facilities utilized under the different CTAs (continued)

MRC facility

	December 31, 2012	December 31, 2011
Public Investment Fund (Note 39.2)	**2,291,061,791**	-
The rate of commission on the principal amount of the loan draw for each commission period is London Interbank Offered Rate ("LIBOR") plus 1.5% and the rate of commission on the outstanding amount for each commission period, is 1% per annum. The repayment of the principal amount of loan will be in 20 installments on a six monthly basis starting from December 31, 2016. The repayments are starting at SR 30.8 million and increasing over the term of the loan with the final repayment of SR 153.9 million on June 30, 2026		
Islamic and commercial banks		
Riyal procurement	**774,852,281**	-
The rate of commission on the principal amount of the loan drawn for each commission period on all the Riyal facilities is Saudi Interbank Offered Rate ("SIBOR") plus a margin that varies over the term of the loan. The margin/ mark-up on the principal amount of the loan drawn for each commission period is in the range of 1.65% to 2.45% per annum.		
The repayment of the principal amounts of loans will start from December 31, 2016. The repayments are starting at SR 10.4 million and increasing over the term of the loan with the final repayment of SR 13.5 million on June 30, 2026.		
Saudi Industrial Development Fund	**360,000,000**	-
Repayment of the SIDF facility will start from January 25, 2016. The repayments are starting at SR 25 million and increasing over the term of the loan with the final repayment of SR 62.5 million on July 19, 2021.		
Total MRC borrowings	**3,425,914,072**	-
MPC borrowings	**13,787,822,946**	14,550,206,250
MAC borrowings	**9,457,059,094**	5,027,655,288
MRC borrowings	**3,425,914,072**	-
Total	**26,670,796,112**	19,577,861,538
Less: Current portion of long-term borrowings relating to MPC borrowing	**861,409,329**	762,383,304
Non-current portion of long-term borrowings	**25,809,386,783**	18,815,478,234

25.3 Maturity profile of long-term borrowings

	December 31, 2012	December 31, 2011
2012	**-**	762,383,304
2013	**861,409,329**	864,409,329
2014	**1,194,190,354**	1,185,890,354
2015	**1,519,721,379**	1,499,621,379
Thereafter	**23,095,475,050**	15,265,557,172
Total	**26,670,796,112**	19,577,861,538

25.4 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:

	December 31, 2012 (US$)	December 31, 2011 (US$)
Public Investment Fund	**2,653,674,399**	1,666,323,786
Islamic and commercial banks		
Procurement	**2,062,682,401**	1,564,189,807
Al-Rajhi Bank	**600,000,000**	625,000,000
The Export Import Bank of Korea	**378,600,000**	400,000,000
Korea Export Insurance Corporation	**189,300,000**	200,000,000
Commercial	**480,019,244**	406,055,869
Dollar procurement	**196,606,483**	109,659,691
Wakala	**191,329,770**	97,533,923
Sub-total	**4,098,537,898**	3,402,439,290
Saudi Industrial Development Fund	**360,000,000**	152,000,000
Total	**7,112,212,297**	5,220,763,076

25.5 Security

The following assets were pledged as security for these long-term borrowings in accordance with the applicable CTAs:

	December 31, 2012	December 31, 2011
Advances and prepayments (Note 10)	**628,892,401**	609,166,722
Property, plant and equipment (Note 13)	**17,505,467,200**	6,396,551,470
Pre-operating expenses and deferred charges (Note 14)	**860,896,962**	399,184,316
Capital work-in-progress (Note 15)	**22,124,961,806**	21,970,996,357
Total	**41,120,218,369**	29,375,898,865

26. Due to related party

	December 31, 2012	December 31, 2011
Due to Alcoa Inc. (Note 39.2)	**52,411,992**	-

The amount represents cash contributed to Ma'aden by its joint venture partner Alcoa Inc. to extend the product mix of their aluminum complex, currently under construction at Ras Al Khair, to include automotive heat treated and non-heat treated sheet, building and construction sheet and foil stock sheet.

27. Share capital

	December 31, 2012	December 31, 2011
Authorized, issued and fully paid		
925,000,000 Ordinary shares, with a nominal value of SR 10 per share (Note 38)	**9,250,000,000**	9,250,000,000

28. Share premium

	December 31, 2012	December 31, 2011
525,000,000 Ordinary shares with a nominal value of SR 10 per share issued at a premium of SR 10 per share on July 5, 2008 at the time of the Initial Public Offering ("IPO")	**5,250,000,000**	5,250,000,000

29. Transfer of net income

	December 31, 2012	December 31, 2011
January 1	**284,327,877**	242,996,397
Transfer of 10% of net income for the year	**109,094,397**	41,331,480
December 31	**393,422,274**	284,327,877

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. Such transfer is made on an annual basis and the reserve is not available for dividend distribution.

30. Non-controlling interest

	December 31, 2012	December 31, 2011
Share capital		
January 1	**2,783,950,191**	2,146,048,500
Increase in non-controlling interest's shareholding	**989,431,551**	637,901,691
December 31	**3,773,381,742**	2,783,950,191
Payments to increase share capital		
January 1	**821,488,065**	432,193,040
Payments to increase share capital (Note 39.2)	**899,834,943**	899,186,716
Share capital contributed during the year (Note 39.2)	**(989,431,551)**	(509,891,691)
December 31	**731,891,457**	821,488,065
Net income attributable to non-controlling interest		
January 1	**113,126,199**	(11,638,306)
Share of current year's net income	**388,883,144**	124,764,505
December 31	**502,009,343**	113,126,199
Total	**5,007,282,542**	3,718,564,455

31. Sales

	Year ended December 31, 2012	2011
Gold segment		
Gold	**1,001,542,755**	865,751,039
Phosphate segment		
Diammonium phosphate	**2,877,956,038**	-
Ammonia	**1,569,779,028**	594,429,030
	4,447,735,066	594,429,030
Industrial minerals		
Low grade bauxite revenue	**84,749,607**	63,743,696
Caustic calcined magnesia	**27,463,795**	4,980,909
Kaolin revenue	**13,653,977**	1,798,578
	125,867,379	70,523,183
Infrastructure		
Infrastructure revenue	**1,510,183**	2,323,129
Total	**5,576,655,383**	1,533,026,381
Gold sales analysis		
Quantity of gold ounces (Oz) sold	**160,433**	147,205
Average realized price per ounce (Oz) in:		
US$	**1,665**	1,568
Saudi Riyals (equivalent)	**6,243**	5,881

32. Cost of sales

	Year ended December 31,	
	2012	2011
Personnel cost	**323,129,265**	120,634,468
Contracted services	**178,349,447**	67,456,224
Repairs and maintenance	**48,839,393**	25,009,469
Consumables	**105,302,279**	83,342,569
Overheads	**109,879,131**	18,557,068
Raw material and utilities consumed	**1,242,041,290**	17,569,850
Reversal of inventory obsolescence (Note 10)	**(151,305)**	(4,222,018)
Severance fee (Note 22)	**92,603,068**	85,032,887
Sale of by-products (Note 32.1)	**(42,992,140)**	(85,637,734)
Total cash operating costs	**2,057,000,428**	327,742,783
Depreciation (Note 13)	**971,177,233**	167,185,259
Deferred stripping expense (Note 14)	**41,616,258**	-
Amortization of pre-operating expenses and deferred charges (Note 14)	**21,353,582**	15,656,130
Amortization of intangible assets (Note 17)	**16,078,504**	-
Total operating costs	**3,107,226,005**	510,584,172
(Increase) / decrease in inventory	**(124,796,932)**	21,127,767
Total	**2,982,429,073**	531,711,939

32.1 Sale of by-products comprise of the following commodities:

	Year ended December 31,	
	2012	2011
Zinc	**8,114,135**	38,884,171
Copper	**27,021,740**	28,810,453
Silver	**7,856,265**	16,268,040
Lead	**-**	1,675,070
Total	**42,992,140**	85,637,734

33. Selling, marketing and logistic expenses

	Year ended December 31,	
	2012	2011
Selling, marketing and logistic expense	**384,810,033**	53,741,290

Selling, marketing and logistic expenses comprises of marketing fees and other sales related overheads that are not specifically part of cost of sales.

34. General and administrative expenses

	Year ended December 31,	
	2012	2011
Salaries and staff related benefits	**229,924,319**	166,981,090
Contracted services	**39,006,056**	27,937,061
Overheads and other	**35,800,884**	19,901,452
Consumables	**2,499,193**	6,302,892
Directors' remuneration and allowances	**2,928,150**	2,375,194
Repair parts	**639,692**	491,182
Depreciation (Note 13)	**12,469,661**	6,965,046
Amortization of pre-operating expenses and deferred charges (Note 14)	**1,400,825**	4,501,409
Total	**324,668,780**	235,455,326

The Board of Directors' allowances represents accrual based on management's estimate and will be finalized upon approval by the Company's shareholders at the General Assembly Meeting.

35. Exploration expenses

	Year ended December 31, 2012	2011
Salaries and staff related benefits	**37,231,358**	41,024,132
Contracted services	**64,581,344**	65,770,782
Overheads and other	**8,529,669**	3,348,751
Consumables	**3,403,525**	3,053,086
Repair parts	**548,026**	2,860,167
Total	**114,293,922**	116,056,918

36. Income from short-term investments

	Year ended December 31, 2012	2011
Income received and accrued on short-term investments	**65,025,678**	75,155,805

37. Financial charges

	Year ended December 31, 2012	2011
Public Investment Fund	**48,029,945**	2,175,209
Banque Saudi Fransi – as agent for the procurement facility participants	**58,847,261**	2,647,607
Al-Rajhi Bank	**37,664,630**	4,352,643
The Export Import Bank of Korea	**19,052,039**	717,024
Korea Export Insurance Corporation	**8,804,106**	388,334
Mizuho Corporate Bank Limited – as agent for the commercial facility participants	**17,384,618**	810,514
Saudi Industrial Development Fund	**6,306,307**	278,068
Arrangement fee and administrative charges for Revolving Credit Facility	**89,687,500**	-
Total	**285,776,406**	11,369,399

37.1 Summary of borrowing cost

	Year ended December 31, 2012	2011
Expensed during the year	**285,776,406**	11,369,399
Capitalized as part of qualifying assets in capital work-in-progress (Note 15)	**758,894,160**	567,151,492
Total	**1,044,670,566**	578,520,891

38. Earnings per ordinary share

	Year ended December 31, 2012	2011
Net income attributable to the shareholders' of the parent company	**1,090,943,970**	413,314,804
Weighted average number of ordinary shares in issue during the year (Note 27)	**925,000,000**	925,000,000
Basic and diluted earnings per ordinary share from continuing operations	**1.18**	0.45

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

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39. Related party transactions and balances

39.1 Related party transactions

Transactions with a related party carried out during the year under audit, in the normal course of business, is summarized below:

	Year ended December 31, 2012	2011
Sales of MPC through SABIC during the year		
• Since commencement of commercial production on October 1, 2011 for Ammonia and on February 1, 2012 for all other plants, disclosed in the income statement as part of sales	**3,818,121,916**	594,429,030
• Before date of commencement of commercial production, the pre-commercial production revenue, net of cost of production and selling and marketing expenses during the year ended December 31, 2012 amounting to SR 46,523,650 (December 31, 2011: SR 766,327,322) has been credited against capital work-in-progress (Note 15)	**154,560,262**	1,227,916,669
Total	**3,972,682,178**	1,822,345,699
Payments to increase share capital received from Alcoa Inc. (Note 30)	**899,834,943**	899,186,716

39.2 Related party balances

Amount due from / (to) related parties arising from transaction with related parties are as follows:

	Year ended December 31, 2012	2011
Receivables from related party		
Due from SABIC (Note 9)	**446,823,500**	280,596,018
Due from SAMAPCO (Note 9)	**47,994,670**	47,593,280
Payable to shareholder		
Accrued expenses – Alcoa Inc. (Note 20)	**72,646,789**	25,735,824
Due to Alcoa Inc. in respect of automotive sheet project (Note 26)	**52,411,992**	-
Payments to increase share capital received from Alcoa Inc. (Note 30)	**731,891,457**	821,488,065
Total	**856,950,238**	847,223,889
Long-term borrowings from a 50% shareholder in Ma'aden		
Due to PIF for the financing of the :		
MPC facility (Note 25.2)	**3,667,201,146**	4,000,001,250
MAC facility (Note 25.2)	**3,993,016,061**	2,248,712,948
MRC facility (Note 25.2)	**2,291,061,791**	-
Total	**9,951,278,998**	6,248,714,198

40. Operating lease agreements

	Year ended December 31, 2012	2011
Payments under operating leases recognized as an expense during the year	**19,481,415**	15,016,083
Future minimum operating lease commitments due under these operating leases are as follows:		
2012	**-**	15,016,083
2013	**14,234,400**	14,956,083
2014	**14,174,400**	14,956,083
2015	**7,739,400**	8,021,083
2016	**2,514,400**	2,796,083
2017 through 2029	**21,922,800**	28,364,693
Total	**60,585,400**	84,110,108

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

41. Commitments and contingent liabilities

	Year ended December 31, 2012	2011
Capital expenditures:		
Contracted for	**15,571,333,296**	14,701,023,625
Guarantees:		
Guarantee in favor of Saudi Aramco, for future diesel and gas feedstock supplies	**171,000,000**	171,000,000
Guarantee for the development of the aluminum project	**225,000,000**	1,537,500,000
Others	**157,080**	-
Total	**396,157,080**	1,708,500,000

Ma'aden has received a back-to-back letter of credit, for the development of the aluminum project, from Alcoa Inc. for their proportionate share of 25.1% in aluminum companies, of the total amount of letter of guarantees submitted by Ma'aden to the Government of Saudi Arabia.

42. 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 risk 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.

42.1 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, Euros and U.S. dollars. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

42.2 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.

42.3 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 rate.

Based on the Groups net debt outstanding at December 31, 2012, the effect on net earnings of a 1% movement in the US Dollar LIBOR commission rate would be SR 174 million (December 31, 2011: SR 84 million). These balances will not remain consistent throughout 2013.

42.4 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 the shareholders.

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42.5 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 SR 1,045 million, representing 19% of the Group's sales for the year ended December 31, 2012 (December 31, 2011: SR 951 million representing 62% of Group's sales from two major customers). Trade receivables are carried net of allowance for doubtful debts, if needed.

42.6 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.

43. Events after the reporting period

On January 6, 2013 MIC, a wholly owned subsidiary of the Saudi Arabian Mining Company (Ma'aden), received an amount of USD 140 million (in a fiduciary capacity) from the Ministry of Finance of the Kingdom of Saudi Arabia, in accordance with the Council of Ministers' Resolution No. 87, dated 28 Rabi ul Awal 1433H (corresponding to February 20, 2012), regarding the establishment of an industrial city in the Northern Borders Province by the name of "Waad Al-Shamal City for Mining Industries". The amount represents a partial payment of the amounts approved by the Council of Ministers for the establishment of the proposed industrial city.

The amount has been deposited in a separate bank account which will be accounted for in its own standalone accounting books. The amounts will be utilized in accordance with the Council of Ministers Resolution and replenished based on the presentation of supporting documents for the expenditures incurred, in accordance with Government's Regulations.

No other events have arisen subsequent to December 31, 2012 and before the date of signing the audit report, that could have a significant effect on the consolidated financial statements as at December 31, 2012.

44. Comparative figures

Certain comparative figures of the previous year have been reclassified, wherever necessary, to conform with the current year presentation and principally relates to the reclassification of the following balances:

- Advances received from Alcoa Inc. relating to project funding previously reflected under non-current liabilities has now been reclassified to non-controlling interest resulting in an increase in the net worth of the Group. Also refer note 30;

- Severance fees paid to the Government, previously shown as "Other (expenses) / income" is now being disclosed as part of "Cost of sales", in the statement of income, resulting in a decrease in gross profit and the operating income per share. Net income previously reported is unchanged;

- Intangible assets were previously included under "Pre-operating expenses and deferred charges" on the consolidated statement of financial position has now been transferred to a separate category of assets under non-current assets. The net book value of the assets transferred to intangible assets amounted to SR 12,334,823. The net assets of the Group remained unchanged due to this reclassification. Also refer note 17;

- Advances and prepayments amounting to SR 282,477,971 relating to the projects in progress are reclassified from current assets to the non-current assets. The net assets of the Group remained unchanged due to this reclassification. Also refer note 11;

- Employees' saving plan amounting to SR 9,703,962 was previously reflected under "Project and other payables" on the consolidated statement of financial position has now been reclassified to "Employee benefits" under the non-current liabilities. The net worth of the Group remained unchanged due to this reclassification. Also refer note 24; and

- Selling, marketing and logistic expenses amounting to SR 53,741,290 were previously netted off from "Sales" and are now being shown under operating expenses. The gross profit of the Group, previously reported, increased by SR 53,741,290, however, the net income previously reported is unchanged.

45. Detailed information about the subsidiaries and a jointly controlled entity

Subsidiary	Nature of business	Issued and paid-up Share capital		Effective group interest		Cost of investment by parent company	
		December 31, 2012	December 31, 2011	**2012 %**	2011 %	**December 31, 2012**	December 31, 2011
Ma'aden Gold and Base Metals Company ("MGBM")	Gold mining	**300,000,000**	300,000,000	**100**	100	**300,000,000**	300,000,000
Ma'aden Industrial Minerals Company ("MIMC")	Kaolin, low grade bauxite and magnesite mining	**500,000**	500,000	**100**	100	**500,000**	500,000
Ma'aden Infrastructure Company ("MIC")	Manage and develop infrastructure projects	**500,000**	500,000	**100**	100	**500,000**	500,000
Ma'aden Phosphate Company ("MPC")	Phosphate mining and fertilizer producer	**6,208,480,000**	6,208,480,000	**70**	70	**4,345,936,000**	4,345,936,000
Ma'aden Aluminum Company ("MAC")	Aluminum ingots, t-bars, slabs and billets	**4,805,774,426**	2,688,816,000	**74.9**	74.9	**3,599,525,045**	2,013,923,184
Ma'aden Rolling Company ("MRC")	Aluminum sheets for can body and lids	**1,922,125,000**	472,125,000	**74.9**	74.9	**1,439,671,625**	353,621,625
Ma'aden Bauxite and Alumina Company ("MBAC")	Bauxite mining and refining	**884,999,944**	510,000,000	**74.9**	74.9	**662,864,958**	381,990,000
		14,122,379,370	10,180,421,000			**10,348,997,628**	7,396,470,809
Jointly controlled entity							
Sahara and Ma'aden Petrochemical Company ("SAMAPCO")	Production of concentrated caustic soda and ethylene dichloride	**900,000,000**	900,000,000	**50**	50	**450,000,000**	450,000,000
Total		**15,022,379,370**	11,080,421,000			**10,798,997,628**	7,846,470,809

All the subsidiaries and a jointly controlled entity listed above are incorporated in the Kingdom of Saudi Arabia.