MA'ADEN

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 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 Abi Bakr Asseddiq 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	

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 4, 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 5 to 53, 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

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

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

January 20, 2013
Riyadh
Kingdom of Saudi Arabia

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(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
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		

	Notes	Year ended December 31, 2012	Year ended 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 income / (expenses)		**(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 clarification 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.

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31, 2012	Year ended 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)

(All amounts in Saudi Riyals unless otherwise stated)

Continued

	Notes	Year ended December 31, 2012	Year ended 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

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.

(All amounts in Saudi Riyals unless otherwise stated)

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%

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 polices 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.

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.

(All amounts in Saudi Riyals unless otherwise stated)

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.
- 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.

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-mime 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

(All amounts in Saudi Riyals unless otherwise stated)

6. Segmental information (continued)

	Note	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.

(All amounts in Saudi Riyals unless otherwise stated)

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

(All amounts in Saudi Riyals unless otherwise stated)

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.

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.

(All amounts in Saudi Riyals unless otherwise stated)

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**

(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).

	Notes	Year ended December 31, 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

(All amounts in Saudi Riyals unless otherwise stated)

MA'ADEN

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**

(All amounts in Saudi Riyals unless otherwise stated)

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.

	Notes	Year ended December 31, 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

(All amounts in Saudi Riyals unless otherwise stated)

15. Capital work-in-progress

Cost	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
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).

(All amounts in Saudi Riyals unless otherwise stated)

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**

(All amounts in Saudi Riyals unless otherwise stated)

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**

(All amounts in Saudi Riyals unless otherwise stated)

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

	Year ended December 31, 2012	Period ended 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

(All amounts in Saudi Riyals unless otherwise stated)

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.

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	Year ended 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.

(All amounts in Saudi Riyals unless otherwise stated)

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

(All amounts in Saudi Riyals unless otherwise stated)

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

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.

(All amounts in Saudi Riyals unless otherwise stated)

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

(All amounts in Saudi Riyals unless otherwise stated)

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 Riyadh 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.

MRC facility

Facility Agent, SABB Securities Limited acts as Onshore Security Agent and Riyadh 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.

(All amounts in Saudi Riyals unless otherwise stated)

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

(All amounts in Saudi Riyals unless otherwise stated)

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

	December 31, 2012	December 31, 2011
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.

	December 31, 2012	December 31, 2011
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.

	December 31, 2012	December 31, 2011
Total MPC borrowings	**13,787,822,946**	14,550,206,250

(All amounts in Saudi Riyals unless otherwise stated)

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

(All amounts in Saudi Riyals unless otherwise stated)

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.

(All amounts in Saudi Riyals unless otherwise stated)

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

(All amounts in Saudi Riyals unless otherwise stated)

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

(All amounts in Saudi Riyals unless otherwise stated)

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

(All amounts in Saudi Riyals unless otherwise stated)

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.

(All amounts in Saudi Riyals unless otherwise stated)

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:

	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.

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.

(All amounts in Saudi Riyals unless otherwise stated)

45. Detailed information about the subsidiaries and a jointly controlled entity

Subsidiary	Nature of business	Issued and paid-up Share capital December 31, 2012	Issued and paid-up Share capital December 31, 2011	Effective group interest 2012 %	Effective group interest 2011 %	Cost of investment by parent company December 31, 2012	Cost of investment by parent company 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 jointly controlled entity listed above are incorporated in the Kingdom of Saudi Arabia.