



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

Consolidated interim financial statements  
for the quarter and six months ended June 30, 2012 (Unaudited)

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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	
Mr. Abdulaziz bin Abdullah Al Sugair	

Registered address

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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, 21<sup>st</sup> Floor  
King Fahad Road  
P.O. Box 8282  
Riyadh 11482  
Kingdom of Saudi Arabia

**Statement of Directors' responsibilities for the preparation and approval of the consolidated interim financial statements for the quarter and six months ended June 30, 2012 (Unaudited)**

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The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's review 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 interim financial statements of Saudi Arabian Mining Company (Ma'aden) and its subsidiaries ("the Group").

The management is responsible for the preparation of the consolidated interim financial statements that present fairly the consolidated financial position of the Group as at June 30, 2012, the results of its operations, changes in shareholders' equity and cash flows for the quarter then ended, in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

In preparing the consolidated interim financial statements, the 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 interim financial statements; and
- preparing and presenting the consolidated interim 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 interim financial statements for the quarter and period ended June 30, 2012 set out on pages 5 to 49, were approved and authorized for issue by the Board of Directors on July 16, 2012 (corresponding to 26 Sha'aban 1433) 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

July 16, 2012  
Riyadh  
Kingdom of Saudi Arabia

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

**Scope of review**

We have reviewed the accompanying consolidated interim 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 June 30, 2012 and the related consolidated interim statements of income for the three and six months periods ended June 30, 2012 and the changes in shareholders' equity and cash flows for the six months period then ended, and the notes from 1 to 41 which form an integral part of these consolidated interim financial statements. These consolidated interim financial statements are the responsibility of the Group's management.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is substantially less than an audit conducted in accordance with the auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Conclusion**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements of the Group for them to be in conformity with the accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group.

**PricewaterhouseCoopers**

By: \_\_\_\_\_  
Omar M. Al Sagga  
License Number 369

July 16, 2012  
Riyadh  
Kingdom of Saudi Arabia

**SAUDI ARABIAN MINING COMPANY (MA'ADEN)**  
**(A Saudi Arabian joint stock company)**  
**Consolidated interim statement of financial position as at June 30, 2012 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)



	Notes	June 30, 2012	June 30, 2011	December 31, 2011
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	4,316,108,015	3,145,244,906	5,044,478,181
Short-term investments	8	4,080,619,058	6,588,027,885	6,181,085,507
Trade and other receivables	9	523,053,501	218,745,692	481,514,210
Inventories	10	815,398,925	452,929,671	561,796,672
Advances and pre-payments	11	654,500,061	463,772,296	324,351,658
Due from Government	12	-	61,045,987	-
		<u>10,389,679,560</u>	<u>10,929,766,437</u>	<u>12,593,226,228</u>
<b>Non-current assets</b>				
Advances and prepayments	11	345,426,138	93,848,293	341,645,866
Investment in jointly controlled entity	13	448,338,932	-	448,154,100
Property, plant and equipment	14	19,091,216,068	188,809,531	7,450,689,814
Pre-operating expenses and deferred charges	15	803,534,861	511,973,561	500,125,224
Capital work-in-progress	16	15,777,314,481	25,271,608,672	22,239,884,168
		<u>36,465,830,480</u>	<u>26,066,240,057</u>	<u>30,980,499,172</u>
<b>Total assets</b>		<u>46,855,510,040</u>	<u>36,996,006,494</u>	<u>43,573,725,400</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Projects and other payables	17	1,567,971,907	776,788,606	1,332,495,045
Accrued expenses	18	1,797,396,833	1,130,530,436	1,503,425,929
Zakat payable	19.2	62,239,105	216,508,712	141,108,124
Severance fees payable	20	49,262,864	91,824,561	83,433,989
Current portion of long-term borrowings	23.2	794,258,304	380,993,799	762,383,304
		<u>4,271,129,013</u>	<u>2,596,646,114</u>	<u>3,822,846,391</u>
<b>Non-current liabilities</b>				
Provision for mine closure and reclamation	21	89,304,828	90,923,831	90,884,799
Employee benefits	22	146,716,819	117,700,570	139,515,024
Long-term borrowings	23.2	20,544,416,730	14,367,093,215	18,815,478,234
		<u>20,780,438,377</u>	<u>14,575,717,616</u>	<u>19,045,878,057</u>
<b>Total liabilities</b>		<u>25,051,567,390</u>	<u>17,172,363,730</u>	<u>22,868,724,448</u>
<b>Shareholders' equity</b>				
Share capital	24	9,250,000,000	9,250,000,000	9,250,000,000
Statutory reserve				
Share premium	25	5,250,000,000	5,250,000,000	5,250,000,000
Transfer of net income	26	284,327,877	242,996,397	284,327,877
Retained earnings		<u>2,576,424,337</u>	<u>1,936,396,640</u>	<u>2,202,108,620</u>
Equity attributable to shareholders' of the parent company		<u>17,360,752,214</u>	<u>16,679,393,037</u>	<u>16,986,436,497</u>
Non-controlling interest	27	4,443,190,436	3,144,249,727	3,718,564,455
<b>Total equity</b>		<u>21,803,942,650</u>	<u>19,823,642,764</u>	<u>20,705,000,952</u>
<b>Total liabilities and equity</b>		<u>46,855,510,040</u>	<u>36,996,006,494</u>	<u>43,573,725,400</u>
<b>Commitments and contingent liabilities</b>	37			

**SAUDI ARABIAN MINING COMPANY (MA'ADEN)**  
**(A Saudi Arabian joint stock company)**  
**Consolidated interim statement of income for the quarter and six months ended**  
**June 30, 2012 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)



		Quarter ended		Six months ended		Year ended
	Notes	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31 2011
Sales	28	<b>1,122,715,525</b>	245,641,389	<b>2,060,922,706</b>	450,803,314	1,514,387,952
Cost of sales	29	<b>(782,655,582)</b>	(85,301,778)	<b>(1,262,460,423)</b>	(162,620,056)	(481,781,913)
<b>Gross profit</b>		<b>340,059,943</b>	160,339,611	<b>798,462,283</b>	288,183,258	1,032,606,039
<b>Operating expenses</b>						
General and administrative expenses	30	<b>(71,343,154)</b>	(52,121,200)	<b>(141,280,503)</b>	(115,112,888)	(235,455,326)
Exploration expenses	31	<b>(18,748,991)</b>	(32,036,093)	<b>(41,519,344)</b>	(53,792,840)	(116,056,918)
Technical services expenses		<b>(2,929,397)</b>	(3,896,823)	<b>(6,809,195)</b>	(10,072,068)	(14,188,139)
<b>Operating income</b>		<b>247,038,401</b>	72,285,495	<b>608,853,241</b>	109,205,462	666,905,656
<b>Other (expenses) / income</b>						
Share in net income / (loss) of jointly controlled entity	13	<b>104,332</b>	-	<b>184,832</b>	-	(1,845,900)
Provision for severance fees	20	<b>(15,024,872)</b>	(21,648,792)	<b>(50,349,179)</b>	(37,886,516)	(85,032,887)
Income from short-term investments	32	<b>11,146,123</b>	16,834,895	<b>25,855,699</b>	45,909,483	75,155,805
Financial charges	33	<b>(45,203,906)</b>	-	<b>(80,053,876)</b>	-	(11,369,399)
Other income / (expenses)		<b>6,700,598</b>	(1,862,072)	<b>14,720,892</b>	(3,104,038)	13,813,569
<b>Income before zakat</b>		<b>204,760,676</b>	65,609,526	<b>519,211,609</b>	114,124,391	657,626,844
Provision for zakat	19.2	<b>(29,693,173)</b>	(3,650,163)	<b>(50,352,208)</b>	(9,166,531)	(119,547,535)
<b>Net income for the period / year</b>		<b>175,067,503</b>	61,959,363	<b>468,859,401</b>	104,957,860	538,079,309
Net income attributable to:						
Shareholders' of the parent company	6	<b>128,264,253</b>	62,540,968	<b>374,315,717</b>	106,271,344	413,314,804
Non-controlling interest's share of period's / year's net income / (loss) in subsidiary companies	27	<b>46,803,250</b>	(581,605)	<b>94,543,684</b>	(1,313,484)	124,764,505
		<b>175,067,503</b>	61,959,363	<b>468,859,401</b>	104,957,860	538,079,309
<b>Earnings per ordinary share (Saudi Riyals)</b>						
Operating income per share		<b>0.27</b>	0.08	<b>0.66</b>	0.12	0.72
Basic and diluted earnings per share from continuing operations	34	<b>0.14</b>	0.07	<b>0.40</b>	0.11	0.45

**SAUDI ARABIAN MINING COMPANY (MA'ADEN)**

(A Saudi Arabian joint stock company)

**Consolidated interim statement of changes in shareholders' equity for the six months ended June 30, 2012 (Unaudited)**

(All amounts in Saudi Riyals unless otherwise stated)



	Notes	Equity attributable to shareholders of the parent company						Non-controlling interest	Total
		Statutory reserve				Total			
		Share capital	Share premium	Transfer of net income	Retained earnings				
January 1, 2011		9,250,000,000	5,250,000,000	242,996,397	1,830,125,296	16,573,121,693	2,134,410,194	18,707,531,887	
Net income for the period		-	-	-	106,271,344	106,271,344	(1,313,484)	104,957,860	
Increase in non-controlling interest	27	-	-	-	-	-	466,907,751	466,907,751	
Advances in equity, net	27	-	-	-	-	-	544,245,266	544,245,266	
June 30, 2011		9,250,000,000	5,250,000,000	242,996,397	1,936,396,640	16,679,393,037	3,144,249,727	19,823,642,764	
Net income for the remainder of the year		-	-	-	307,043,460	307,043,460	126,077,989	433,121,449	
Net income transferred to statutory reserve	26	-	-	41,331,480	(41,331,480)	-	-	-	
Increase in non-controlling interest		-	-	-	-	-	170,993,940	170,993,940	
Advances in equity, net	27	-	-	-	-	-	277,242,799	277,242,799	
December 31, 2011		9,250,000,000	5,250,000,000	284,327,877	2,202,108,620	16,986,436,497	3,718,564,455	20,705,000,952	
Net income for the period		-	-	-	374,315,717	374,315,717	94,543,684	468,859,401	
Increase in non-controlling interest	27	-	-	-	-	-	848,244,051	848,244,051	
Advances in equity, net	27	-	-	-	-	-	(218,161,754)	(218,161,754)	
<b>June 30, 2012</b>		<b>9,250,000,000</b>	<b>5,250,000,000</b>	<b>284,327,877</b>	<b>2,576,424,337</b>	<b>17,360,752,214</b>	<b>4,443,190,436</b>	<b>21,803,942,650</b>	



**SAUDI ARABIAN MINING COMPANY (MA'ADEN)**

(A Saudi Arabian joint stock company)

**Consolidated interim statement of cash flows for the six months ended June 30, 2012 (Unaudited)**

(All amounts in Saudi Riyals unless otherwise stated)



	Notes	Six months ended June 30, 2012	June 30, 2011	Year ended December 31, 2011
<b>Operating activities</b>				
Income before zakat		<b>519,211,609</b>	114,124,391	657,626,844
Adjustments for non-cash flow items:				
(Reversal) / increase of allowance for inventory obsolescence	10	<b>(151,305)</b>	(2,985,832)	(4,222,018)
Share in net (income) / loss of jointly controlled entity	13	<b>(184,832)</b>	-	1,845,900
Depreciation	14	<b>487,906,681</b>	33,044,248	174,150,305
Adjustment / written-off property, plant and equipment	14	<b>264,322</b>	918,323	8,973,299
Amortization of pre-operating expenses and deferred charges (mine closure)	15	<b>8,566,752</b>	12,122,134	20,157,539
Provision for severance fees	20	<b>50,349,179</b>	37,886,516	85,032,887
Provision for employee termination benefits	22.1	<b>15,421,315</b>	13,491,007	35,231,278
Contribution of employees' for savings plan	22.2	<b>6,501,449</b>	5,144,259	8,451,955
Income from short term investments	32	<b>(25,855,699)</b>	(45,909,483)	(75,155,805)
Changes in working capital:				
Trade and other receivables	9	<b>(41,539,291)</b>	(188,782,697)	(451,551,215)
Inventories	10	<b>(237,602,472)</b>	(144,840,639)	(253,663,390)
Advances and prepayments	11	<b>(333,928,675)</b>	(144,223,719)	(252,600,654)
Due from Government	12	-	-	61,045,987
Projects and other payables – Trade	17	<b>127,396,795</b>	(5,236,171)	232,707,795
Accrued expenses – Trade	18	<b>161,194,341</b>	36,937,315	19,286,175
Zakat paid	19.2	<b>(129,221,227)</b>	-	(185,781,592)
Severance fee paid	20	<b>(84,520,304)</b>	(516,235)	(56,053,178)
Provision for mine closure and reclamation paid	21.1	<b>(1,579,971)</b>	-	(539,032)
Employee termination benefits paid	22.1	<b>(10,543,166)</b>	(7,510,928)	(10,027,788)
Employees' savings plan withdrawal	22.2	<b>(4,177,803)</b>	(2,768,072)	(3,484,725)
<b>Net cash generated from (utilized in) operating activities</b>		<b>507,507,698</b>	(289,105,583)	11,430,567
<b>Investing activities</b>				
Income received from short-term investments		<b>22,254,933</b>	61,229,563	99,361,855
Short-term investments	8	<b>2,104,067,215</b>	2,180,626,848	2,578,683,256
Investment in jointly controlled entity	13	-	-	(181,730,185)
Additions to pre-operating expenses and deferred charges	15	<b>(350,355,118)</b>	(226,447,922)	(277,516,590)
Additions to capital work-in-progress / property, plant and equipment	16	<b>(5,643,597,317)</b>	(3,590,807,007)	(8,181,820,098)
Projects and other payables – Projects	17	<b>108,080,067</b>	18,541,071	336,303,544
Accrued expenses – Projects	18	<b>132,776,563</b>	(173,098,136)	217,448,497
<b>Net cash (utilized in) investing activities</b>		<b>(3,626,773,657)</b>	(1,729,955,583)	(5,409,269,721)
<b>Financing activities</b>				
Proceeds from long-term borrowings received	23.2	<b>1,760,813,496</b>	1,230,999,675	6,060,774,199
Changes in non-controlling interest	27	<b>848,244,051</b>	466,907,751	637,901,691
Advances from partner	27	<b>(218,161,754)</b>	544,245,266	821,488,065
<b>Net cash generated from financing activities</b>		<b>2,390,895,793</b>	2,242,152,692	7,520,163,955

## Continued

	Notes	Six months ended		Year ended
		June 30, 2012	June 30, 2011	December 31, 2011
<b>Net change in cash and cash equivalents</b>		<b>(728,370,166)</b>	223,091,526	2,122,324,801
Cash and cash equivalents at beginning of the period / year		<b>5,044,478,181</b>	2,922,153,380	2,922,153,380
<b>Cash and cash equivalents at end of the period / year</b>	7	<b>4,316,108,015</b>	3,145,244,906	5,044,478,181
<b>Non-cash flow transactions</b>				
Transfer from pre-operating expenses and deferred charges to inventory	10,15	<b>15,848,476</b>	1,191,936	-
Transfer from pre-operating expenses and deferred charges to investment in jointly controlled entity	13,15	-	-	31,939,887
Transfer from capital work-in-progress to investment in jointly controlled entity	13,16	-	-	236,329,928
Transfer from pre-operating expenses and deferred charges to property, plant and equipment	14,15	-	-	24,133,649
Transfer from capital work-in-progress to property, plant and equipment	14,16	-	10,185,658	7,418,903,021
Provision for mine closure charged to property, plant and equipment	14, 21	-	-	500,000
Depreciation capitalized in capital work-in-progress	16,14	-	-	27,161,818
Transfer from pre-operating expenses and deferred charges to capital work-in-progress	16,15	<b>22,530,253</b>	-	-

## **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 Zarghat mines. Currently the Group mainly mines gold, phosphate rock, low-grade bauxite, kaolin and magnesite.

The Group's major projects are Al-Khabra phosphate and aluminum and these are principally in the development stage.

The objective of the phosphate project is to exploit the Al Jalamid phosphate deposits in the Kingdom of Saudi Arabia and to manufacture diammonium phosphate ("DAP"), monoammonium phosphate ("MAP"), fertilizer products and ammonia. The capital cost of the project is estimated to be SR 19.6 billion.

The Group is proceeding with the development of another phosphate project, known as the Umm Wu'al phosphate project located at the Government announced "Northern Promise Industrial Mineral City", 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 a railway infrastructure, linking the Northern Region 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 ramp-up production of the project is expected to commence during the last quarter of 2016.

The objective of 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 an agreement with Alcoa Inc. Incorporated, ("Alcoa Inc.") for the development of the aluminum project. The Company has a 74.9% interest in the aluminum project and Alcoa Inc. has a 25.1% interest. The total cost of the project is estimated to be SR 40.5 billion. Alcoa Inc. also agreed to reimburse the Company for 25.1% of the aluminum project's costs incurred by the Company before Alcoa Inc.'s participation. As of December 31, 2011, an amount of SR 212 million has been received as a final settlement from Alcoa Inc. in respect of its agreed portion of the aluminum project's costs.

On February 14, 2012 the Board approved a plan developed by Ma'aden in collaboration with their 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. The project is expected to commence commercial production during the last quarter of 2014.

## 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 June 30,	
		2012	2011
Ma'aden Gold and Base Metals Company ("MGBM")	Limited liability company	100%	100%
Ma'aden Phosphate Company ("MPC")	Limited liability company	70%	70%
Ma'aden Infrastructure Company ("MIC")	Limited liability company	100%	100%
Ma'aden Industrial Minerals Company ("MIMC")	Limited liability company	100%	100%
Ma'aden Aluminum Company ("MAC")	Limited liability company	74.9%	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%	-
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MGBM was incorporated on August 9, 1989, which was then managed by Petromin and thereafter its assets were transferred to Ma'aden as a part of its capital. MGBM's activities are mainly related to:

- the exploration and mining of gold and associated minerals existing within their 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.

MPC was incorporated on January 1, 2008 to be a phosphate fertilizer producer. Saudi Basic Industries Corporation ("SABIC") holds a 30% interest in MPC, and it is accounted for as a non-controlling interest in these consolidated interim financial statements. The project aims to exploit a phosphate deposit located at the Al Jalamid site and utilize local natural gas and sulphur resources to manufacture Diammonium Phosphate (DAP). Processing facilities at Ras Al-Khair, have been designed with the flexibility to also produce Monoammonium Phosphate (MAP), should production of MAP be considered more economically viable in the future. DAP produced is sold primarily to the international markets. It produces ammonia as a raw material feed stock for the production of the fertilizers and any excess ammonia is exported or sold domestically. The commercial operation of the Ammonia plant was declared on October 1, 2011 whilst all the other plants were declared commercially operational on February 1, 2012. The entire phosphate project related to the Al Jalamid deposit and Ras Al-Khair is now fully in commercial operation.

MIC was incorporated on August 17, 2008 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.

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

- exploit the industrial minerals existing within the 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.

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

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

MBAC was incorporated on January 22, 2011 and is currently in the development stage. Its activities are mainly related to the mining and refining of bauxite and the production of alumina. Alcoa Inc., through its subsidiary AWA Saudi Limited holds a 25.1% interest in MBAC, which is accounted for as a non-controlling interest in these consolidated interim financial statements. MBAC is a company incorporated in Saudi Arabia and is a subsidiary of Ma'aden.

SAMAPCO was incorporated on August 14, 2011 and is currently in the development phase. Its activities are mainly related to the production of concentrated caustic soda, chlorine and ethylene dichloride with a primary objective to supply the production of concentrated caustic soda to the alumina refinery at MBAC and market the excess in the wholesale and retail industry. The project is a 50:50% joint venture between Ma'aden and Sahara Petrochemicals, which is accounted for as an investment in a jointly controlled entity under the equity method of accounting in these consolidated interim financial statements. SAMAPCO is a company incorporated in Saudi Arabia and is a jointly controlled entity of Ma'aden.

The financial period / year end of all the subsidiaries and jointly controlled entity coincide with that of the parent company.

### **3. Basis of preparation**

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

The consolidated interim financial statements have been prepared in accordance with SOCPA's standard of interim financial reports, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses, and losses of the period are recognized during the relevant period.

The results of the operation for an interim period may not be indicative of the annual results of the operations.

These consolidated interim 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 interim financial statements are set out below. These policies have been consistently applied to all periods presented, except for the change in accounting policies mentioned in note 4.8 and 4.17.

#### **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 interim statement of financial position. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any.

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

#### ***Jointly controlled entity***

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, however not necessarily, through entities that are subject to joint control.

The Group recognises its interests in a jointly controlled entity using the equity method of accounting. The Group's share of the results of joint ventures is based on the financial statements prepared up to a date not earlier than three months before the consolidated statement of financial position date, adjusted to conform with the accounting policies of the Group, if any. Intragroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intragroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

#### **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 interim 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 interim 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 interim 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 interim 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; and
- production overheads.

##### ***Work-in-process***

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

### **Ore stockpiles**

Ore stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence because it exceeds the mine's cut-off grade and due to economic viability, it is valued at the lower of net cost of production 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 interim financial statements, when the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

### **4.8 Property, plant and equipment**

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

	<b>Number of years</b>
• 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
• Mining assets	2 - 8
• Laboratory and safety equipment	5
• Computer 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 4.17.

The effect of the above mentioned change in accounting policy, in the accompanying consolidated interim financial statements, is not considered to be significant and hence, comparative figures are not restated.

Maintenance and normal repairs which do not materially extend the estimated economic useful life of an asset are charged to the consolidated interim 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 interim 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

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

Technical services expenditure arises from detailed assessment of deposits or other projects that have been identified as having economic potential. Technical services are charged to the statement of income. However, when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to the Company such expenditures are capitalized.

#### 4.10 Stripping ratio

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

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.

#### 4.11 Capital work-in-progress

Assets in the course of construction are capitalized in the capital work-in-progress account. On completion, the cost of the related asset is transferred to the appropriate category of property, plant and equipment. The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Costs associated with a start-up period are capitalized where the asset is available for use but incapable of operating at normal levels 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.

#### 4.12 Asset impairment

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

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

#### 4.13 Trade payable and accruals

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

#### 4.14 Zakat

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



#### **4.15 Severance fees**

Effective from period 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. Severance fee is charged to income on a monthly basis and is adjusted at the end of each quarter. The Zakat due shall be deducted from the amount.

#### **4.16 Provisions**

Provisions are recognized when the Group has:

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

#### **4.17 Mine closure and reclamation**

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

Provisions for the cost of each closure and rehabilitation program are recognized at the time the mining activities occur. When the extent of the mining activities increases over the life-of-mine, the provision is increased accordingly.

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

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

The full estimated costs 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 periods, 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 interim financial statements, is not considered to be significant and hence, comparative figures are not restated.

#### **4.18 Employees termination benefits**

Employees' end-of-service benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the interim statement of financial position date. Termination payments are based on

employees' final salaries and allowances and their cumulative periods of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

#### **4.19 Borrowings**

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

#### **4.20 Revenue recognition**

Revenue is recognized when all the following conditions are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the 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.

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

#### **4.21 General and administrative expenses**

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

#### **4.22 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 6<sup>th</sup> 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 10<sup>th</sup> year, which will in turn be credited to the savings accounts of the member. The Company's portion is charged to the consolidated interim statement of income on a monthly basis. The Company's portion will only be paid upon termination or resignation of the employee.

#### **4.23 Leasing**

Leases are classified as 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 interim 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 interim financial statements in conformity with generally accepted accounting standards requires management to make estimates and assumptions that affect amounts reported in the consolidated interim 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 June 30, 2012, the allowance for obsolete slow-moving items amounted to SR 19 million (June 30, 2011: SR 20 million and 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 interim statement of financial position date to the extent that such events confirm conditions existing at the end of the quarter.

***Mine closure and environmental obligations***

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

***Zakat***

During the period ended June 30, 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:

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

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

- **The corporate segment**, includes the corporate operations and projects under development.
- **The gold segment**, consists of operations related to the mining of gold and is carried out through MGBM. This segment currently operates Mahd Ad Dahab, Al-Hajar, Bulghah, 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 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.
- **The aluminum segment**, consists of the operations related to the development of an aluminum mine, refinery, smelter, rolling mill and power plant for the production of aluminum and related products. This segment is currently in the development stage and is expected to commence commercial operation during 2013 and 2014.

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 entire production 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 and is expected to commence commercial operations during 2013 and 2014.

- **The industrial minerals segment**, consist of operations related to the mining of industrial minerals carried out through MIMC, which currently operates a kaolin and low grade bauxite mine in the central zone of Az Zabirah and 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

**SAUDI ARABIAN MINING COMPANY (MA'ADEN)**
**(A Saudi Arabian joint stock company)**
**Notes to the consolidated interim financial statements for the quarter and six months ended June 30, 2012 (Unaudited)**

(All amounts in Saudi Riyals unless otherwise stated)



	Note	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
<b>June 30, 2012</b>								
Sales	28	-	527,228,742	1,478,947,616	-	54,020,862	725,486	2,060,922,706
Gross profit		-	364,039,305	430,734,053	-	20,841,761	(17,152,836)	798,462,283
Income from short-term investments		21,222,395	4,563,898	-	-	14,747	54,659	25,855,699
Net income/(loss) attributable to shareholders' of the parent company		(110,519,542)	253,464,726	241,800,471	(7,294,936)	14,467,734	(17,602,736)	374,315,717
Investment in jointly controlled entity	13	-	-	-	448,338,932	-	-	448,338,932
Property, plant and equipment		111,851,461	126,616,261	17,999,914,263	62,314	244,761,065	608,010,704	19,091,216,068
Pre-operating expenses and deferred charges	15	24,049,161	208,930,382	125,829,283	431,542,431	13,183,604	-	803,534,861
Capital work-in-progress	16	30,993,151	40,346,540	28,153,953	15,313,276,090	79,259,786	285,284,961	15,777,314,481
Total assets		2,606,902,031	1,556,369,842	19,544,984,927	21,826,949,908	403,604,828	916,698,504	46,855,510,040
<b>June 30, 2011</b>								
Sales	28	-	431,395,887	-	-	19,407,427	-	450,803,314
Gross profit		-	280,559,439	-	-	7,623,819	-	288,183,258
Income from short-term investments		44,357,073	1,552,410	-	-	-	-	45,909,483
Net income/(loss) attributable to shareholders' of the parent company		(69,439,991)	172,881,580	(3,064,796)	-	5,894,551	-	106,271,344
Property, plant and equipment		61,451,801	117,966,382	4,163,749	316,471	4,911,128	-	188,809,531
Pre-operating expenses and deferred charges	15	12,486,203	130,051,348	143,377,541	210,872,790	15,185,679	-	511,973,561
Capital work-in-progress	16	63,136,782	15,617,340	18,537,246,525	5,567,817,869	328,306,224	759,483,932	25,271,608,672
Total assets		6,563,349,163	1,109,842,106	20,290,292,100	7,916,069,348	393,018,295	723,435,482	36,996,006,494
<b>December 31, 2011</b>								
Sales	28	-	900,853,900	540,687,740	-	70,523,183	2,323,129	1,514,387,952
Gross profit		-	610,638,471	451,267,851	-	22,912,563	(52,212,846)	1,032,606,039
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
Investment in jointly controlled entity	13	-	-	-	448,154,100	-	-	448,154,100
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	15	16,492,509	130,442,981	128,728,397	210,020,943	14,440,394	-	500,125,224
Capital work-in-progress	16	16,380,365	19,134,128	11,941,413,972	9,966,403,230	74,335,961	222,216,512	22,239,884,168
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 excludes investment balances with respect to subsidiary companies.

**b) Geographical segment**

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group's operation is conducted only in the Kingdom of Saudi Arabia.

**7. Cash and cash equivalents**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
Term deposits with original maturities equal to or less than three months at acquisition	<b>3,361,759,251</b>	2,397,749,029	4,241,502,076
Cash and bank balances – unrestricted	<b>555,630,090</b>	683,187,242	413,767,991
Cash and bank balances – restricted	<b>398,718,674</b>	64,308,635	389,208,114
<b>Total</b>	<b><u>4,316,108,015</u></b>	<b><u>3,145,244,906</u></b>	<b><u>5,044,478,181</u></b>

Restricted cash and bank balances are related to the following:

Cash accumulated in the debt service reserve account for the first scheduled repayment of long-term borrowing six month prior to due date, as per facility agreement	<b>386,691,066</b>	57,195,716	379,504,152
Cash accumulated under employees' savings plan program (Note 4.22 and 22.2)	<b>12,027,608</b>	7,112,919	9,703,962
<b>Total</b>	<b><u>398,718,674</u></b>	<b><u>64,308,635</u></b>	<b><u>389,208,114</u></b>

**8. Short-term investments**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
Term deposits with original maturities of more than three months at acquisition	<b>4,057,874,528</b>	6,559,998,152	6,161,941,743
Investment income receivable	<b>22,744,530</b>	28,029,733	19,143,764
	<b><u>4,080,619,058</u></b>	<b><u>6,588,027,885</u></b>	<b><u>6,181,085,507</u></b>

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

**9. Trade and other receivables**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
Trade	<b>516,372,504</b>	209,652,090	470,757,985
Other	<b>6,680,997</b>	9,093,602	10,756,225
<b>Total</b>	<b><u>523,053,501</u></b>	<b><u>218,745,692</u></b>	<b><u>481,514,210</u></b>

Trade receivables includes:

Due from SABIC (Note 35.2)	<b>391,164,536</b>	125,093,879	280,596,018
Due from SAMAPCO (Note 35.2)	<b>47,961,295</b>	-	47,593,280

**10. Inventories**

	June 30, 2012	June 30, 2011	December 31, 2011
Work-in-progress at net production cost	246,218,341	205,860,361	180,041,210
Finished goods – ready for sale	237,249,300	75,113,178	136,556,423
Stockpile of mined ore	49,287,891	30,726,691	37,400,735
By-products	7,432,310	17,887,574	21,687,342
<b>Total inventories</b>	<b>540,187,842</b>	<b>329,587,804</b>	<b>375,685,710</b>
Spare parts and consumables materials	201,144,808	109,979,110	121,271,026
Allowance for obsolete slow-moving spare parts and consumable materials	(18,671,349)	(20,058,840)	(18,822,654)
Sub-total	182,473,459	89,920,270	102,448,372
Raw materials	92,737,624	33,421,597	83,662,590
<b>Total spare parts, consumables and raw materials</b>	<b>275,211,083</b>	<b>123,341,867</b>	<b>186,110,962</b>
<b>Total</b>	<b>815,398,925</b>	<b>452,929,671</b>	<b>561,796,672</b>

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

Movement in the allowance for inventory obsolescence is as follows:

	June 30, 2012	June 30, 2011	December 31, 2011
January 1	18,822,654	23,044,672	23,044,672
Reversal of allowance for obsolescence	(151,305)	(2,985,832)	(4,222,018)
<b>June 30 / December 31</b>	<b>18,671,349</b>	<b>20,058,840</b>	<b>18,822,654</b>

**11. Advances and prepayments**

	June 30, 2012	June 30, 2011	December 31, 2011
<b>Current portion:</b>			
Advances to contractors	547,607,893	412,842,003	273,980,028
Advances to employees	27,430,466	26,304,327	3,519,124
Other prepayments	79,461,702	24,625,966	46,852,506
<b>Sub-total</b>	<b>654,500,061</b>	<b>463,772,296</b>	<b>324,351,658</b>
<b>Non-current portion:</b>			
Advances to contractors	345,426,138	77,990,783	336,452,533
Other pre-payments	-	15,857,510	5,193,333
<b>Sub-total</b>	<b>345,426,138</b>	<b>93,848,293</b>	<b>341,645,866</b>
<b>Total</b>	<b>999,926,199</b>	<b>557,620,589</b>	<b>665,997,524</b>

Advances and prepaid expenses mainly represent advances paid by MAC, MRC, MBAC and MPC in relation to the development of their sites.



**12. Due from Government**

The balance represented 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 (Note 35.2). The amount has been repaid in full on July 13, 2011.

**13. Investment in jointly controlled entity**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
Investment of 50% in the issued and paid-up share capital of SAMAPCO, June 30, 2012 at carrying value / December 31, 2011 at cost	450,000,000	-	450,000,000
Share in net income / (loss) for the quarter / period since incorporation	<u>(1,661,068)</u>	-	<u>(1,845,900)</u>
<b>Total</b>	<b><u>448,338,932</u></b>	-	<b><u>448,154,100</u></b>

a) The investment in SAMAPCO comprises of:

Contribution in kind:

Pre-operating and deferred charges (Note 15)

31,939,887

Capital work-in-progress (Note 16)

236,329,928

Cash paid

181,730,185

**Total**

**450,000,000**

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
January 1 / August 14, 2011 – date of incorporation	(1,845,900)	-	-
Share in net income / (loss) for the quarter / period since incorporation	<u>184,832</u>	-	<u>(1,845,900)</u>
<b>Total</b>	<b><u>(1,661,068)</u></b>	-	<b><u>(1,845,900)</u></b>

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**14. Property, plant and equipment**

Notes											Total
	Land	Mining assets	Motor vehicles	Heavy equipment	Fixed plant and heap leaching	Buildings	Civil works	Other equipment	Office equipment	Furniture and fittings	
<b>Cost</b>											
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
Transfer from capital work-in-progress	16	-	-	2,539,000	1,116,609	-	385,928	1,629,647	1,611,458	277,805	10,185,658
Adjustments / write-offs		-	-	(158,500)	-	-	(3,844,672)	-	(772,096)	-	(4,838,549)
June 30, 2011	22,550,000	-	27,220,512	67,320,355	358,614,534	106,348,548	218,352,408	33,034,070	29,809,696	16,168,217	879,418,340
Additions during remainder of the year		-	-	-	-	-	4,852,122	-	-	-	4,852,122
Transfer from capital work-in-progress	16	-	-	(58,961)	150,381,215	6,614,645,958	225,499,837	370,687,198	22,969,985	14,139,382	7,408,717,363
Transfer from pre-operating expenses and deferred charges	15	-	62,713,264	-	-	-	-	-	-	-	62,713,264
Deferred cost of mine closure and reclamation	21	-	500,000	-	-	-	-	-	-	-	500,000
Adjustments / write-offs		-	-	(4,641,726)	(7,619,032)	(1,939,565)	(92,500)	(90,288)	(1,686,374)	(432,871)	(19,244,654)
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
Transfer from capital work-in-progress	16	-	-	584,000	5,047,155	11,899,384,287	124,210,232	65,371,026	14,090,566	13,952,978	12,128,697,257
Adjustments / write-offs		-	-	(691,900)	(225,435)	-	-	(51,000)	(225,000)	(14,455,178)	(16,408,348)
<b>June 30, 2012</b>	<b>22,550,000</b>	<b>63,213,264</b>	<b>22,411,925</b>	<b>214,904,258</b>	<b>18,870,705,214</b>	<b>455,966,117</b>	<b>659,121,466</b>	<b>68,183,247</b>	<b>43,014,007</b>	<b>29,175,846</b>	<b>20,449,245,344</b>
<b>Accumulated depreciation</b>											
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 period		-	1,119,734	2,658,819	13,200,239	4,248,959	5,577,198	3,963,892	1,477,335	798,072	33,044,248
Adjustments / write-offs		-	(158,500)	-	(63,281)	-	(3,066,098)	-	(632,347)	-	(3,920,226)
June 30, 2011	-	-	25,477,560	38,369,965	321,164,378	50,160,852	199,139,968	21,387,481	24,387,168	10,521,437	690,608,809
Charge for the remainder of the year		-	1,399,146	10,968,605	97,678,927	16,433,826	30,413,551	5,822,346	3,582,085	1,969,389	168,267,875
Transfer from pre-operating expenses and deferred charges	15	-	38,579,615	-	-	-	-	-	-	-	38,579,615
Adjustments / write-offs		-	(6,131,125)	(2,942,296)	(191,533)	(92,500)	-	(604,726)	(651,619)	(575,879)	(11,189,678)
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 period		-	1,848,792	1,139,028	7,585,739	18,578,210	12,242,445	5,349,604	2,029,077	1,804,424	487,906,681
Adjustments / write-offs		-	(691,900)	(97,209)	-	-	(1,063)	(180,938)	(14,413,081)	(759,835)	(16,144,026)
<b>June 30, 2012</b>	<b>-</b>	<b>40,428,407</b>	<b>21,192,709</b>	<b>53,884,804</b>	<b>855,981,134</b>	<b>85,080,388</b>	<b>241,794,901</b>	<b>31,773,767</b>	<b>14,933,630</b>	<b>12,959,536</b>	<b>1,358,029,276</b>
<b>Net book value</b>											
June 30, 2011	22,550,000	-	1,742,952	28,950,390	37,450,156	56,187,696	19,212,440	11,646,589	5,422,528	5,646,780	188,809,531
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
<b>June 30, 2012</b>	<b>22,550,000</b>	<b>22,784,857</b>	<b>1,219,216</b>	<b>161,019,454</b>	<b>18,014,724,080</b>	<b>370,885,729</b>	<b>417,326,565</b>	<b>36,409,480</b>	<b>28,080,377</b>	<b>16,216,310</b>	<b>19,091,216,068</b>

Property, plant and equipment of MPC with a net book value at June 30, 2012 of SR 17,999,914,263 (June 30, 2011: SR 4,163,749 and December 31, 2011: SR 6,396,424,564) are pledged as security to lenders under the Common Term Financing Agreement (Note 23.5).

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**14. Property, plant and equipment (continued)**

	Notes	Quarter ended		Six months ended		Year ended
		June 30,	June 30,	June 30,	June 30,	December 31,
		2012	2011	2012	2011	2011
<b>Allocation of depreciation charge for the period / year</b>						
To capital work-in-progress	16	-	-	-	-	27,161,818
To cost of sales	29	<b>239,072,265</b>	14,723,772	<b>480,912,040</b>	29,481,743	167,185,259
To general and administration expenses	30	<b>4,374,026</b>	1,906,487	<b>6,994,641</b>	3,562,505	6,965,046
<b>Total</b>		<b>243,446,291</b>	16,630,259	<b>487,906,681</b>	33,044,248	201,312,123

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**15. Pre-operating expenses and deferred charges**

	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Total
<b>Cost</b>							
January 1, 2011		32,274,486	207,277,936	162,674,081	7,080,197	16,947,780	426,254,480
Additions during the period		5,752,037	34,355,146	2,548,440	203,792,593	652,750	247,100,966
Transfer to inventory during the period		-	-	(1,191,936)	-	-	(1,191,936)
Adjustments/written off		-	-	(20,653,044)	-	-	(20,653,044)
June 30, 2011		38,026,523	241,633,082	143,377,541	210,872,790	17,600,530	651,510,466
Additions during remainder of the year		4,588,814	31,151,052	6,548,098	31,088,040	81,842	73,457,846
Transfer to property, plant and equipment (mining assets)	14	-	(62,713,264)	-	-	-	(62,713,264)
Adjustments/written off		-	-	(20,653,044)	-	-	(20,653,044)
Transfer to inventory during remainder of the year		-	-	(544,198)	-	-	(544,198)
Transfer to SAMAPCO	13	-	-	-	(31,939,887)	-	(31,939,887)
December 31, 2011		42,615,337	210,070,870	128,728,397	210,020,943	17,682,372	609,117,919
Additions during the period		8,120,326	81,596,935	39,116,369	221,521,488	-	350,355,118
Transfer to capital work-in-progress	16	-	-	(22,530,253)	-	-	(22,530,253)
Transfer to inventory during the period		-	-	(15,848,476)	-	-	(15,848,476)
<b>June 30, 2012</b>		<b>50,735,663</b>	<b>291,667,805</b>	<b>129,466,037</b>	<b>431,542,431</b>	<b>17,682,372</b>	<b>921,094,308</b>
<b>Amortization</b>							
January 1, 2011		23,747,135	101,747,762	-	-	1,919,874	127,414,771
Charge for the period		1,793,185	9,833,972	-	-	494,977	12,122,134
June 30, 2011		25,540,320	111,581,734	-	-	2,414,851	139,536,905
Charge for remainder of the year		582,508	6,625,770	-	-	827,127	8,035,405
Transfer to property, plant and equipment (mining assets)	14	-	(38,579,615)	-	-	-	(38,579,615)
December 31, 2011		26,122,828	79,627,889	-	-	3,241,978	108,992,695
Charge for the period		563,674	3,109,534	3,636,754	-	1,256,790	8,566,752
<b>June 30, 2012</b>		<b>26,686,502</b>	<b>82,737,423</b>	<b>3,636,754</b>	<b>-</b>	<b>4,498,768</b>	<b>117,559,447</b>
<b>Net book value</b>							
June 30, 2011		12,486,203	130,051,348	143,377,541	210,872,790	15,185,679	511,973,561
December 31, 2011		16,492,509	130,442,981	128,728,397	210,020,943	14,440,394	500,125,224
<b>June 30, 2012</b>		<b>24,049,161</b>	<b>208,930,382</b>	<b>125,829,283</b>	<b>431,542,431</b>	<b>13,183,604</b>	<b>803,534,861</b>

**15. 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 June 30, 2012 of SR 617,148,154 (June 30, 2011: SR 218,058,804 and December 31, 2011: SR 432,078,591) are pledged as security to the lenders under the Common Term Agreement (Note 23.5).

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	Quarter ended		Six months ended		Year ended
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
<b>Allocation of amortization charge for the period / year</b>						
To cost of sales	29	<b>3,380,383</b>	7,064,934	<b>7,504,783</b>	10,328,950	15,656,130
To general and administration expenses	30	<b>724,431</b>	269,519	<b>1,061,969</b>	1,793,184	4,501,409
<b>Total</b>		<b><u>4,104,814</u></b>	<u>7,334,453</u>	<b><u>8,566,752</u></b>	<u>12,122,134</u>	<u>20,157,539</u>

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**16. Capital work-in-progress**

	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
<b>Cost</b>								
January 1, 2011		60,546,550	21,792,745	18,074,500,793	2,493,825,789	307,327,968	732,993,478	21,690,987,323
Additions during the period		2,602,232	2,368,553	677,983,848	3,073,992,080	20,978,256	26,490,454	3,804,415,423
Transfer to property, plant and equipment	14	(12,000)	(8,543,958)	(1,629,700)	-	-	-	(10,185,658)
Credit for pre-commercial production revenue net of cost	35.1	-	-	(213,608,416)	-	-	-	(213,608,416)
June 30, 2011		63,136,782	15,617,340	18,537,246,525	5,567,817,869	328,306,224	759,483,932	25,271,608,672
Additions during the remainder of the year		1,827,438	32,201,053	403,365,588	4,634,915,289	5,212,086	66,993,971	5,144,515,425
Transfer to property, plant and equipment	14	(48,583,855)	(28,684,265)	(6,473,641,053)	-	(253,546,799)	(604,261,391)	(7,408,717,363)
Depreciation capitalized during the remainder of the year	14	-	-	27,161,818	-	-	-	27,161,818
Credit for pre-commercial production revenue net of cost	35.1	-	-	(552,718,906)	-	(5,635,550)	-	(558,354,456)
Transfer to SAMAPCO	13	-	-	-	(236,329,928)	-	-	(236,329,928)
December 31, 2011		16,380,365	19,134,128	11,941,413,972	9,966,403,230	74,335,961	222,216,512	22,239,884,168
Additions during the period		22,088,992	29,371,348	152,993,129	5,346,872,860	4,923,825	133,870,813	5,690,120,967
Transfer to property, plant and equipment	14	(7,476,206)	(8,158,936)	(12,042,259,751)	-	-	(70,802,364)	(12,128,697,257)
Transfer from pre-operating expenses and deferred charges	15	-	-	22,530,253	-	-	-	22,530,253
Credit for pre-commercial production revenue net of cost	35.1	-	-	(46,523,650)	-	-	-	(46,523,650)
<b>June 30, 2012</b>		<b>30,993,151</b>	<b>40,346,540</b>	<b>28,153,953</b>	<b>15,313,276,090</b>	<b>79,259,786</b>	<b>285,284,961</b>	<b>15,777,314,481</b>

During the period ended June 30, 2012, MPC capitalized SR 10.6 million (June 30, 2011: SR 114 million and December 31, 2011: SR 185 million ) and MAC capitalized SR 125 million (June 30, 2011: Nil and December 31, 2011: SR 287 million ) of finance costs. The borrowing relates to qualifying assets.

Capital work-in-progress of MPC, MAC, MRC and MBAC with a book value before consolidation elimination at June 30, 2012 of SR 15,416,980,773 (June 30, 2011: SR 23,897,829,090 and December 31, 2011: SR 21,983,618,181) are pledged as security to the lenders under the Common Term Financing Agreement (Note 23.5).



## 16. Capital work-in-progress (continued)

	Quarter ended June 30, 2012	June 30, 2011	Year ended December 31, 2011
Pre-commercial production revenue net of production cost comprises of the following:			
• <b>Phosphate (MPC)</b>			
Ammonia sales through SABIC, net of production cost (Note 35.1)	46,523,650	213,608,416	655,956,984
DAP sales, net of production cost	-	-	110,370,338
	46,523,650	213,608,416	766,327,322
• <b>Industrial minerals (MIMC)</b>			
Caustic calcined magnesia sales, net of production cost	-	-	5,635,550
<b>Total amount of pre-commercial production revenue, net of production cost</b>	<b>46,523,650</b>	<b>213,608,416</b>	<b>771,962,872</b>

**17. Projects and other payables**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
Projects	1,122,305,101	696,462,561	1,014,225,034
Trade	430,143,426	68,515,821	303,112,761
Other	15,523,380	11,810,224	15,157,250
<b>Total</b>	<b><u>1,567,971,907</u></b>	<b><u>776,788,606</u></b>	<b><u>1,332,495,045</u></b>

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

**18. Accrued expenses**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
Projects	1,448,936,146	863,309,582	1,383,055,563
Trade	168,131,803	67,526,846	46,043,704
Employees	87,697,080	44,758,836	48,590,838
Accrued expenses – Alcoa Inc. (Note 35.2)	92,631,804	154,935,172	25,735,824
<b>Total</b>	<b><u>1,797,396,833</u></b>	<b><u>1,130,530,436</u></b>	<b><u>1,503,425,929</u></b>

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.



**19. Zakat****19.1 Components of zakat base**

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

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

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

**19.2 Zakat payable**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
April 1 / January 1	<b>161,767,159</b>	212,858,549	<b>141,108,124</b>	207,342,181	207,342,181
Provision for zakat	<b>29,693,173</b>	3,650,163	<b>50,352,208</b>	9,166,531	119,547,535
Current period / year	<b>29,467,585</b>	25,210,752	<b>50,126,620</b>	30,727,120	141,108,124
Previous period / year under / (over) provision	<b>225,588</b>	(21,560,589)	<b>225,588</b>	(21,560,589)	(21,560,589)
Paid during the period / year to the authorities	<b>(129,221,227)</b>	-	<b>(129,221,227)</b>	-	(185,781,592)
<b>June 30 / December 31</b>	<b>62,239,105</b>	216,508,712	<b>62,239,105</b>	216,508,712	141,108,124

The provision for zakat consist of:

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Saudi Arabian Mining Company	<b>18,449,665</b>	20,012,727	<b>28,096,576</b>	22,512,727	107,336,047
Ma'aden Gold and Base Metals Company (Note 20)	<b>5,710,869</b>	4,727,397	<b>12,021,103</b>	7,743,765	19,657,487
Ma'aden Phosphate Company	<b>4,112,070</b>	-	<b>8,243,244</b>	-	12,122,621
Ma'aden Infrastructure Company	<b>230,399</b>	-	<b>466,834</b>	-	1,234,914
Ma'aden Industrial Minerals Company	<b>964,582</b>	470,628	<b>1,298,863</b>	470,628	757,055
<b>June 30 / December 31</b>	<b>29,467,585</b>	25,210,752	<b>50,126,620</b>	30,727,120	141,108,124

**19.3 Status of final assessments**

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

**20. Severance fees payable**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
April 1 / January 1	<b>118,088,641</b>	70,175,769	<b>83,433,989</b>	54,454,280	54,454,280
Provision for severance fee	<b>15,024,872</b>	21,648,792	<b>50,349,179</b>	37,886,516	85,032,887
Current period / year	<b>13,850,311</b>	21,648,792	<b>49,174,618</b>	37,886,516	83,810,743
Previous period / year under / (over) provision	<b>1,174,561</b>	-	<b>1,174,561</b>	-	1,222,144
Paid during the period / year to the authorities	<b>(83,850,649)</b>	-	<b>(84,520,304)</b>	(516,235)	(56,053,178)
<b>June 30 / December 31</b>	<b>49,262,864</b>	91,824,561	<b>49,262,864</b>	91,824,561	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 the actual of a hypothetical income tax, based on the annual net income, whichever is lower. The zakat due shall be deducted from this amount. As a result of the above, the income from the gold mines and kaolin mine is subject to severance fees.

Provision for severance fees consists of:

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Gold mines	<b>13,529,457</b>	21,527,108	<b>48,493,506</b>	37,595,375	82,676,088
Low grade bauxite and kaolin mines	<b>320,854</b>	121,684	<b>681,112</b>	291,141	1,134,655
<b>June 30 / December 31</b>	<b>13,850,311</b>	21,648,792	<b>49,174,618</b>	37,886,516	83,810,743

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

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Net income from operating mines before severance fee for the period / year	<b>90,542,145</b>	126,002,533	<b>304,452,350</b>	218,220,720	484,575,401
25% of the period's / year's net income as defined	<b>22,635,536</b>	31,500,633	<b>76,113,087</b>	54,555,180	121,143,850
Hypothetical income tax based on period's / year's taxable net income	<b>19,240,326</b>	26,254,505	<b>60,514,609</b>	45,339,140	102,333,575
Provision based on the lower of the above two computations	<b>19,240,326</b>	26,254,505	<b>60,514,609</b>	45,339,140	102,333,575
Provision for zakat (Note 19.2)	<b>(5,710,869)</b>	(4,727,397)	<b>(12,021,103)</b>	(7,743,765)	(19,657,487)
Net severance fee provision for the period / year	<b>13,529,457</b>	21,527,108	<b>48,493,506</b>	37,595,375	82,676,088

## 21. Provision for mine closure and reclamation

	June 30, 2012	June 30, 2011	December 31, 2011
Gold mines (Note 21.1)	<b>88,804,828</b>	90,923,831	90,384,799
Low grade bauxite and kaolin mines (Note 21.2)	<b>500,000</b>	-	500,000
<b>Total</b>	<b>89,304,828</b>	90,923,831	90,884,799

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

21.1 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
June 30, 2011	24,197,336	11,380,823	20,467,221	21,661,407	13,217,044	90,923,831
Utilization during the remainder of 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 period	(1,320,627)	(259,344)	-	-	-	(1,579,971)
<b>June 30, 2012</b>	<b>22,436,284</b>	<b>11,022,872</b>	<b>20,467,221</b>	<b>21,661,407</b>	<b>13,217,044</b>	<b>88,804,828</b>
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.

21.2 Low grade bauxite and kaolin mines	Note	Az Zabirah mine	Al Zarghat mine	Total
January 1, 2011		-	-	-
June 30, 2011		-	-	-
Provision for the remainder of the year	14	300,000	200,000	500,000
December 31, 2011		300,000	200,000	500,000
<b>June 30, 2012</b>		<b>300,000</b>	<b>200,000</b>	<b>500,000</b>
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.

**22. Employee benefits**

	June 30, 2012	June 30, 2011	December 31, 2011
Employee termination benefits (Note 22.1)	<b>134,689,211</b>	110,587,651	129,811,062
Employees' savings plan (Note 7 and 22.2)	<b>12,027,608</b>	7,112,919	9,703,962
<b>Total</b>	<b>146,716,819</b>	117,700,570	139,515,024

**22.1 Employee termination benefits**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
April 1 / January 1	<b>130,043,523</b>	107,649,002	<b>129,811,062</b>	104,607,572	104,607,572
Provision for the period / year	<b>7,459,996</b>	6,449,588	<b>15,421,315</b>	13,491,007	35,231,278
Paid during the period / year	<b>(2,814,308)</b>	(3,510,939)	<b>(10,543,166)</b>	(7,510,928)	(10,027,788)
<b>June 30 / December 31</b>	<b>134,689,211</b>	110,587,651	<b>134,689,211</b>	110,587,651	129,811,062

**22.2 Employees' savings plan**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
April 1 / January 1	<b>9,483,025</b>	5,892,677	<b>9,703,962</b>	4,736,732	4,736,732
Contribution for the period / year	<b>4,207,001</b>	3,372,309	<b>6,501,449</b>	5,144,259	8,451,955
Withdrawals during the period / year	<b>(1,662,418)</b>	(2,152,067)	<b>(4,177,803)</b>	(2,768,072)	(3,484,725)
<b>June 30 / December 31</b>	<b>12,027,608</b>	7,112,919	<b>12,027,608</b>	7,112,919	9,703,962

## 23. Long-term borrowings

### 23.1 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:

	<b>MPC Facilities granted June 15, 2008</b>	<b>MAC Facilities granted Nov. 10, 2010</b>	<b>MRC Facilities granted Nov. 30, 2010</b>	<b>MBAC Facilities granted Nov. 30, 2011</b>	<b>Total</b>
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	4,447,500,000	1,041,000,000	2,690,700,000	12,449,092,500
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
<b>Sub-total</b>	<b>10,355,205,000</b>	<b>6,135,000,000</b>	<b>1,041,000,000</b>	<b>3,718,200,000</b>	<b>21,249,405,000</b>
Saudi Industrial Development Fund ("SIDF")	600,000,000	600,000,000	600,000,000	-	1,800,000,000
<b>Total facilities granted</b>	<b>14,955,206,250</b>	<b>11,610,000,000</b>	<b>4,719,750,000</b>	<b>7,468,200,000</b>	<b>38,753,156,250</b>

#### **MPC facility**

The financing agreements imposed conditions and special covenants which include:

- 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.

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

#### **MAC facility**

The financing agreement imposed special conditions and covenants and if the conditions are met, the financial institutions will provide long-term borrowing totaling to SR 11.6 billion for financing the construction and operation of MAC. Special covenants imposed include:

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

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.

Note: 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***

The Financing agreements imposed special conditions and covenants and if the conditions are met, the financial institution will provide long-term borrowing totaling SR 4.7 billion for financing the construction and operation of the Company. Special covenants imposed include:

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

Note: 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.

***MBAC facility***

The Financing agreements imposed special conditions and covenants and if the conditions are met, the financial institutions will provide long-term borrowing totaling SR 7.4 billion for financing the construction and operation of the Company. Special covenants imposed include:

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

The facilities were not utilized as at June 30, 2012.

The Company is in process of finalizing a facility amounting to US Dollar 160 million from SIDF. The required documentation for such facility is being finalized and is subjected to final approvals from SIDF and the Company.

**23.2 Facilities utilized under the different CTAs****MPC facility**

	June 30, 2012	June 30, 2011	December 31, 2011
Public Investment Fund			
July 14, 2008 arrangement fees charged in respect of the facility	20,000,000	20,000,000	20,000,000
November 18, 2008 first draw down	800,000,256	800,000,256	800,000,256
January 15, 2009 second draw down	870,000,000	870,000,000	870,000,000
April 30, 2009 third draw down	543,483,656	543,483,656	543,483,656
March 8, 2010 fourth draw down	928,188,694	928,188,694	928,188,694
December 29, 2010 fifth draw down	475,761,503	475,761,503	475,761,503
July 26, 2011 final drawdown	362,567,141	-	362,567,141
	<b>4,000,001,250</b>	3,637,434,109	4,000,001,250
Payment during the period / year	<b>(166,400,052)</b>	-	-
<b>Sub-total (Note 35.2)</b>	<b>3,833,601,198</b>	3,637,434,109	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 repayments will start from June 30, 2012, on a six monthly basis, in equal principal repayments of SR 166.4 million, with the final repayment of SR 172.8 million on December 31, 2023.

## Islamic and commercial banks

Banque Saudi Fransi – as agent for the procurement facility participants	4,269,892,500	3,878,480,095	4,269,892,500
Al-Rajhi Bank	2,343,750,000	2,343,750,000	2,343,750,000
The Export Import Bank of Korea	1,500,000,000	1,363,374,961	1,500,000,000
Mizuho Corporate Bank Limited - as agent for the commercial facility participants	1,116,562,500	1,014,209,474	1,116,562,500
Korea Export Insurance Corporation	750,000,000	750,000,000	750,000,000
	<b>9,980,205,000</b>	9,349,814,530	9,980,205,000
Payment during the period / year	<b>(213,104,100)</b>	-	-
<b>Sub-total</b>	<b>9,767,100,900</b>	9,349,814,530	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 will start from June 30, 2012. All the repayments of the above facilities will be on a six monthly basis, with the final repayment due on December 31, 2023.

## Saudi Industrial Development Fund

April 26, 2010 first draw down	300,000,000	300,000,000	300,000,000
December 10, 2010 second draw down	240,000,000	240,000,000	240,000,000
September 26, 2011 third draw down	30,000,000	-	30,000,000
<b>Sub-total</b>	<b>570,000,000</b>	540,000,000	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.

<b>Total MPC borrowings</b>	<b>14,170,702,098</b>	13,527,248,639	14,550,206,250
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**MAC facility**

	June 30, 2012	June 30, 2011	December 31, 2011
Public Investment Fund	<b>2,248,712,778</b>	466,231,305	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 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. (Note 35.2)

## Islamic and commercial banks

Dollar procurement	<b>411,223,811</b>	87,149,389	411,223,842
Riyal procurement	<b>1,595,819,155</b>	338,196,639	1,595,819,276
Commercial	<b>406,146,980</b>	86,073,473	406,147,010
Wakala	<b>511,465,333</b>	243,187,569	365,752,212
<b>Sub-total</b>	<b>2,924,655,279</b>	754,607,070	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 the 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 varies over the term of the loan as follow:

	Until June 30, 2014	Until June 30, 2019	Thereafter
Dollar procurement	2.05%	2.45%	2.75%
Riyal procurement	1.65%	2.05%	2.45%
Dollar commercial	2.05%	2.45%	2.75%
		From June 30, 2014 to June 30, 2019	Thereafter
Dollar wakala		2.45%	2.75%
Riyal wakala		2.05%	2.45%

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 125.8 million and increasing over the term of the loan with the final repayment of SR 1,534 million on June 30, 2026.

<b>Total MAC borrowings</b>	<b>5,173,368,057</b>	1,220,838,375	5,027,655,288
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**MRC facility**

	June 30, 2012	June 30, 2011	December 31, 2011
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Public Investment Fund	1,490,505,904	-	-
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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 is 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. (Note 35.2)

## Islamic and commercial banks

Riyal procurement	504,098,975	-	-
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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 varies over the term of the loan as follow:

	Until economic completion Date	Until December 31, 2022	Thereafter
Riyal procurement	1.65%	2.05%	2.45%

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.

<b>Total MRC borrowings</b>	<b>1,994,604,879</b>	-	-
MPC borrowings	14,170,702,098	13,527,248,639	14,550,206,250
MAC borrowings	5,173,368,057	1,220,838,375	5,027,655,288
MRC borrowings	1,994,604,879	-	-
<b>Total</b>	<b>21,338,675,034</b>	14,748,087,014	19,577,861,538
Less: Current portion of long-term borrowings relating to MPC borrowing	794,258,304	380,993,799	762,383,304
<b>Long term portion</b>	<b>20,544,416,730</b>	14,367,093,215	18,815,478,234

**23.3 Maturity profile of long-term borrowings**

	June 30, 2012	June 30, 2011	December 31, 2011
2012	382,879,152	765,157,661	762,383,304
2013	861,409,329	824,509,921	864,409,329
2014	1,181,890,354	1,131,267,806	1,185,890,354
2015	1,495,121,379	1,430,139,066	1,499,621,379
Thereafter	17,417,374,820	10,597,012,560	15,265,557,172
<b>Total</b>	<b>21,338,675,034</b>	<b>14,748,087,014</b>	<b>19,577,861,538</b>

**23.4 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:

	June 30, 2012 (US\$)	June 30, 2011 (US\$)	December 31, 2010 (US\$)
Public Investment Fund	2,019,418,635	1,094,310,777	1,666,323,786
Islamic and commercial banks			
Procurement	1,675,843,408	1,057,501,196	1,564,189,807
Al-Rajhi Bank	612,500,000	625,000,000	625,000,000
The Export Import Bank of Korea	389,600,000	363,566,656	400,000,000
Korea Export Insurance Corporation	194,800,000	200,000,000	200,000,000
Commercial	400,100,861	293,408,786	406,055,869
Dollar procurement	109,659,683	90,185,770	109,659,691
Wakala	136,390,755	64,850,018	97,533,923
<b>Sub-total</b>	<b>3,518,894,707</b>	<b>2,694,512,426</b>	<b>3,402,439,290</b>
Saudi Industrial Development Fund	152,000,000	144,000,000	152,000,000
<b>Total</b>	<b>5,690,313,342</b>	<b>3,932,823,203</b>	<b>5,220,763,076</b>

**23.5 Security**

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

	June 30, 2012	June 30, 2011	December 31, 2011
Property, plant and equipment (Note 14)	17,999,914,263	4,163,749	6,396,424,564
Pre-operating expenses and deferred charges (Note 15)	617,148,154	218,058,804	432,078,591
Capital work-in-progress (Note 16)	15,416,980,773	23,897,829,090	21,983,618,181
<b>Total</b>	<b>34,034,043,190</b>	<b>24,120,051,643</b>	<b>28,812,121,336</b>

**24. Share capital**

	June 30, 2012	June 30, 2011	December 31, 2011
<b><i>Authorized, issued and fully paid</i></b>			
925,000,000 Ordinary shares, with a nominal value of SR 10 per share (Note 34)	<b>9,250,000,000</b>	9,250,000,000	9,250,000,000

**25. Share premium**

	June 30, 2012	June 30, 2011	December 31, 2011
Share premium balance	<b>5,250,000,000</b>	5,250,000,000	5,250,000,000

**26. Transfer of net income**

	June 30, 2012	June 30, 2011	December 31, 2011
<b>January 1</b>	<b>284,327,877</b>	242,996,397	242,996,397
Transfer of 10% of net income for the period / year	-	-	41,331,480
<b>June 30 / December 31</b>	<b>284,327,877</b>	242,996,397	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.

**27. Non-controlling interest**

	June 30, 2012	June 30, 2011	December 31, 2011
January 1	<b>3,718,564,455</b>	2,134,410,194	2,134,410,194
Increase in non- controlling interest	<b>848,244,051</b>	466,907,751	637,901,691
Advances in equity (Note 35.2)	<b>(218,161,754)</b>	544,245,266	821,488,065
Share of current period's / year's net income / (loss)	<b>94,543,684</b>	(1,313,484)	124,764,505
<b>June 30 / December 31</b>	<b>4,443,190,436</b>	3,144,249,727	3,718,564,455

Pursuant to shareholders agreement between Ma'aden and Alcoa Inc. for the development of aluminum project, the shareholders of MAC, MRC and MBAC have agreed to fund the project as required. These funding are treated as equity contributions and accordingly the contributions pertaining to Alcoa Inc. is reflected in the non-controlling interest.

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**28. Sales**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June30, 2011	December 31, 2011
<b>Gold segment</b>					
Gold	175,815,644	216,337,307	516,998,328	408,717,469	865,751,039
Zinc	10,230,414	21,191,771	10,230,414	22,678,418	35,102,861
	<b>186,046,058</b>	<b>237,529,078</b>	<b>527,228,742</b>	<b>431,395,887</b>	<b>900,853,900</b>
<b>Phosphate segment</b>					
Diammonium phosphate	661,852,780	-	950,197,356	-	-
Ammonia	248,761,517	-	528,750,260	-	540,687,740
	<b>910,614,297</b>	<b>-</b>	<b>1,478,947,616</b>	<b>-</b>	<b>540,687,740</b>
<b>Industrial minerals</b>					
Low grade bauxite revenue	13,828,661	8,112,311	35,977,116	19,407,427	63,743,696
Caustic calcined magnesia	9,112,336	-	13,502,836	-	4,980,909
Kaolin revenue	2,790,623	-	4,540,910	-	1,798,578
	<b>25,731,620</b>	<b>8,112,311</b>	<b>54,020,862</b>	<b>19,407,427</b>	<b>70,523,183</b>
<b>Infrastructure</b>					
Infrastructure revenue	323,550	-	725,486	-	2,323,129
<b>Total</b>	<b>1,122,715,525</b>	<b>245,641,389</b>	<b>2,060,922,706</b>	<b>450,803,314</b>	<b>1,514,387,952</b>
<b>Gold sales analysis</b>					
Value of gold sales	175,815,644	216,337,307	516,998,328	408,717,469	865,751,039
Quantity of gold ounces (Oz) sold	30,169	38,353	83,815	75,136	147,205
Average realized price per ounce (Oz) in:					
US\$	1,554	1,504	1,645	1,451	1,568
Saudi Riyals (equivalent)	5,828	5,641	6,169	5,440	5,881

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**29. Cost of sales**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Personnel cost	60,646,359	13,207,464	175,850,034	46,664,322	120,634,468
Contracted services	24,155,657	11,628,687	72,686,000	19,937,802	67,456,224
Repairs and maintenance	8,014,371	4,551,155	15,573,046	9,367,109	25,009,469
Consumables	31,160,773	15,631,066	51,746,903	33,808,216	83,342,569
Overheads	41,503,302	5,674,944	65,057,640	14,070,802	18,557,068
Raw material and utilities consumed	305,523,507	-	469,002,791	-	17,569,850
Provision / (reversal) of inventory obsolescence (Note 10)	(151,305)	-	(151,305)	(2,985,832)	(4,222,018)
Sale of by-products	(6,865,790)	(11,423,527)	(16,074,071)	(27,772,273)	(50,534,873)
<b>Total cash operating costs</b>	<b>463,986,874</b>	<b>39,269,789</b>	<b>833,691,038</b>	<b>93,090,146</b>	<b>277,812,757</b>
Depreciation (Note 14)	239,072,265	14,723,772	480,912,040	29,481,743	167,185,259
Amortization (Note 15)	3,380,383	7,064,934	7,504,783	10,328,950	15,656,130
<b>Total operating costs</b>	<b>706,439,522</b>	<b>61,058,495</b>	<b>1,322,107,861</b>	<b>132,900,839</b>	<b>460,654,146</b>
(Increase) / decrease in inventory	76,216,060	24,243,283	(59,647,438)	29,719,217	21,127,767
<b>Total</b>	<b>782,655,582</b>	<b>85,301,778</b>	<b>1,262,460,423</b>	<b>162,620,056</b>	<b>481,781,913</b>

**30. General and administrative expenses**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Salaries and staff related benefits	53,711,434	39,145,947	105,975,882	86,204,171	166,981,090
Contracted services	4,538,127	5,536,547	11,040,609	12,902,529	27,937,061
Overheads and other	7,010,621	3,946,545	13,707,354	8,103,756	19,901,452
Consumables	695,056	657,926	1,213,417	1,394,597	6,302,892
Directors' remuneration and allowances	181,444	634,889	764,133	1,038,556	2,375,194
Repair parts	108,015	23,340	522,498	113,590	491,182
Depreciation (Note 14)	4,374,026	1,906,487	6,994,641	3,562,505	6,965,046
Amortization (Note 15)	724,431	269,519	1,061,969	1,793,184	4,501,409
<b>Total</b>	<b>71,343,154</b>	<b>52,121,200</b>	<b>141,280,503</b>	<b>115,112,888</b>	<b>235,455,326</b>

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.

**31. Exploration expenses**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Salary and staff related benefits	7,892,498	10,900,265	18,329,715	22,243,789	41,024,132
Contracted services	8,842,576	18,909,560	17,957,290	27,212,818	65,770,782
Overheads and other	581,706	204,232	2,704,414	1,292,997	3,348,751
Consumables	693,245	1,246,308	1,694,359	2,085,879	3,053,086
Repair parts	738,966	775,728	833,566	957,357	2,860,167
<b>Total</b>	<b>18,748,991</b>	<b>32,036,093</b>	<b>41,519,344</b>	<b>53,792,840</b>	<b>116,056,918</b>

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**32. Income from short-term investments**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Income received and accrued on short-term investment	<b>11,146,123</b>	16,834,895	<b>25,855,699</b>	45,909,483	75,155,805

**33. Financial charges**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Public Investment Fund	<b>11,980,157</b>	-	<b>21,044,324</b>	-	2,175,209
Banque Saudi Fransi – as agent for the procurement facility participants	<b>12,514,909</b>	-	<b>22,924,472</b>	-	2,647,607
Al-Rajhi Bank	<b>9,205,322</b>	-	<b>16,170,054</b>	-	4,352,643
The Export Import Bank of Korea	<b>4,664,378</b>	-	<b>8,238,706</b>	-	717,024
Korea Export Insurance Corporation	<b>1,825,251</b>	-	<b>3,378,818</b>	-	388,334
Mizuho Corporate Bank Limited - as agent for the commercial facility participants	<b>3,723,548</b>	-	<b>6,786,428</b>	-	810,514
Saudi Industrial Development Fund	<b>1,290,341</b>	-	<b>1,511,074</b>	-	278,068
<b>Total</b>	<b>45,203,906</b>	-	<b>80,053,876</b>	-	11,369,399

Out of the total borrowing cost for the period ended June 30, 2012 amounting to SR 91,714,576 (June 30, 2011: SR 114,671,410 and December 31, 2011: SR 201,517,480), the above charges were charged to statement of income.

**34. Earnings per ordinary share**

	Quarter ended		Six months ended		Year ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	December 31, 2011
Net income attributable to the shareholders of the parent company	<b>128,264,253</b>	62,540,968	<b>374,315,717</b>	106,271,344	413,314,804
Weighted average number of ordinary shares in issue during the period / year	<b>925,000,000</b>	925,000,000	<b>925,000,000</b>	925,000,000	925,000,000
Basic and diluted earnings per ordinary share from continuing operations	<b>0.14</b>	0.07	<b>0.40</b>	0.11	0.45

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

**35. Related party transactions and balances****35.1 Related party transactions**

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

	June 30, 2012	June 30, 2011	December 31, 2011
<b>Sales through SABIC during the period / year</b>			
<ul style="list-style-type: none"> <li>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.</li> </ul>	568,333,319	-	540,687,740
<ul style="list-style-type: none"> <li>Before date of commencement of commercial production, the pre-commercial production revenue, net of cost of production during the quarter ended June 30, 2012 amounting to Nil (June 30, 2011: SR 213,608,416 and December 31, 2011: SR 766,327,322) has been credited against capital work-in-progress (Note 16)</li> </ul>	143,351,893	340,369,875	1,227,916,669
<b>Total</b>	<b>711,685,212</b>	<b>340,369,875</b>	<b>1,768,604,409</b>

**35.2 Related party balances**

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

**Receivables from related party**

Due from SABIC (Note 9)	391,164,536	125,093,879	280,596,018
Due from SAMAPCO (Note 9)	47,961,295	-	47,593,280
Due from Government (Note 12)	-	61,045,987	-

**Payable to shareholder**

Advances in equity from Alcoa Inc. (Note 27)	603,326,311	544,245,266	821,488,065
Accrued expenses – Alcoa Inc. (Note 18)	92,631,804	154,935,172	25,735,824
<b>Total</b>	<b>695,958,115</b>	<b>699,180,438</b>	<b>847,223,889</b>

**Long-term borrowings from a 50% shareholder in Ma'aden**

Due to PIF for:

Financing of the MPC facility (Note 23.2)	3,833,601,198	3,637,434,109	4,000,001,250
Financing of the MAC facility (Note 23.2)	2,248,712,778	466,231,305	2,248,712,948
Financing of the MRC facility (Note 23.2)	1,490,505,904	-	-
<b>Total</b>	<b>7,572,819,880</b>	<b>4,103,665,414</b>	<b>6,248,714,198</b>

**36. Operating lease agreements**

	Quarter ended June 30, 2012	June 30, 2011	Year ended December 31, 2011
Payments under operating leases recognized as an expense during the quarter / year	<b>7,897,561</b>	6,255,000	15,016,083
Future minimum operating lease commitments due under these operating leases are as follows:			
2011	-	8,761,083	-
2012	<b>7,618,522</b>	15,016,083	15,016,083
2013	<b>15,698,163</b>	14,956,083	14,956,083
2014	<b>15,698,163</b>	14,956,083	14,956,083
2015	<b>9,023,163</b>	8,021,083	8,021,083
2016	<b>3,798,163</b>	2,796,083	2,796,083
2017 through 2029	<b>40,865,275</b>	28,364,693	28,364,693
<b>Total</b>	<b>92,701,449</b>	92,871,191	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.

**37. Commitments and contingent liabilities**

	June 30, 2012	June 30, 2011	December 31, 2011
<b>Capital expenditures:</b>			
Contracted for	<b>5,336,149,008</b>	14,179,757,477	14,701,023,625
<b>Guarantees:</b>			
Guarantees in favor of Saudi Aramco, for future diesel and gas feedstock supplies	<b>171,000,000</b>	170,962,000	171,000,000
Guarantees for the development of the aluminum project	<b>1,537,500,000</b>	1,700,000,000	1,537,500,000
<b>Total</b>	<b>1,708,500,000</b>	1,870,962,000	1,708,500,000

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

**38. 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.

**38.1 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.

**38.2 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.

### **38.3 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 June 30, 2012, the effect on net earnings of a 1% movement in the US Dollar LIBOR commission rate would be SR 129 million (June 30, 2011: SR 50 million and December 31, 2011: SR 84 million). These balances will not remain consistent throughout 2012.

### **38.4 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.

### **38.5 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 514 million, representing 46% of the Group's sales for the six months period ended June 30, 2012 (June 30, 2011: SR 409 million representing 91% of Group's sales from three major customers and December 31, 2011: SR 856 million representing 57% of Group's sales from two major customers). Trade receivables are carried net of provision for doubtful debts, if needed.

### **38.6 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.

## **39. Post statement of financial position events**

No events have arisen subsequent to June 30, 2012 and before the date of signing the limited review report, that could have a significant effect on the consolidated interim financial statements as at June 30, 2012.

## **40. Comparative figures**

Certain comparative figures of the previous period / year have been reclassified, wherever necessary, to conform with the current quarter / period presentation and principally relates to the reclassification of balances under advances from Alcoa Inc., relating to project funding, previously reflected under Non-current liabilities now reclassified to non-controlling interest.

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**41. Detailed information about the subsidiaries and a jointly controlled entity**

Subsidiary	Nature of business	Issued and paid-up share capital		Effective group interest		Cost of investment by parent company	
		June 30, 2012	June 30, 2011	2012 %	2011 %	June 30, 2012	June 30, 2011
Ma'aden Gold and Base Metals Company ("MGBM")	Gold mining	300,000,000	300,000,000	100	100	<b>300,000,000</b>	300,000,000
Ma'aden Phosphate Company ("MPC")	Phosphate mining and fertilizer producer	6,208,480,000	6,208,480,000	70	70	<b>4,345,936,000</b>	4,345,936,000
Ma'aden Industrial Minerals Company ("MIMC")	Kaolin, low grade bauxite and magnesite mining	500,000	500,000	100	100	<b>500,000</b>	500,000
Ma'aden Infrastructure Company ("MIC")	Manage and develop infrastructure projects	500,000	500,000	100	100	<b>500,000</b>	500,000
Ma'aden Aluminum Company ("MAC")	Aluminum ingots, t-bars, slabs and billets	4,805,774,426	2,007,565,250	74.9	74.9	<b>3,599,525,045</b>	1,503,666,372
Ma'aden Rolling Company ("MRC")	Aluminum sheets for can body and lids	1,359,625,000	472,125,000	74.9	74.9	<b>1,018,359,125</b>	353,621,625
Ma'aden Bauxite and Alumina Company ("MBAC")	Bauxite mining and refining	884,999,944	510,000,000	74.9	74.9	<b>662,864,958</b>	381,990,000
						<b>9,927,685,128</b>	6,886,213,997
<b><u>Jointly controlled entity</u></b>							
Sahara and Ma'aden Petrochemical Company ("SAMAPCO")	Production of concentrated caustic soda and ethylene dichloride	900,000,000		50	-	<b>450,000,000</b>	-
<b>Total</b>						<b>10,377,685,128</b>	<b>6,886,213,997</b>

All the subsidiaries and jointly controlled entity listed above are incorporated in the Kingdom of Saudi Arabia.