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

Unaudited consolidated interim financial statements
for the quarter ended March 31, 2011

Commercial registration number:	1010164391	
Directors	Engr. Abdallah Bin Saif Al-Saif	Chairman
	Mr. Mansour Bin Saleh Al-Mayman	
	Engr. Sultan Bin Jamal Shawli	
	Engr. Khalid Bin Hamad Al-Senani	
	Dr. Abdulaziz Bin Saleh Al-Jarbou	
	Dr. Ziad Bin Abdulrahman Al-Sudairy	
	H.E. Suleiman Bin Saad Al-Hamid	
	H.E. Mohammed Bin Abdullah Al-Kharashy	
	Dr. Abdullah Bin Essa Al-Dabbagh	
Registered address	Building number 395 Abi Baker Asseddiq Road, South Exit 6 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	

MA'ADEN

Statement of Directors' responsibilities for the preparation and approval of the consolidated interim financial statements for the quarter ended March 31, 2011

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' review report, set out on page 4, is made with a view to distinguishing the responsibilities of the Board of Directors 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 Directors are responsible for the preparation of the consolidated interim financial statements that present fairly the consolidated financial position of the Group as at March 31, 2011, the results of its operations, changes in shareholders' equity and cash flows for the quarter then ended, in accordance with accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

In preparing the consolidated interim financial statements, the Board of Directors 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 in business for the foreseeable future.

The Board of Directors 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 ended March 31, 2011 set out on pages 5 to 33, were approved and authorized for issue by the Board on April 17, 2011.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
King Faisal Foundation Bldg.
P.O. Box 8282, Riyadh 11482
Kingdom of Saudi Arabia
Telephone +966 (1) 465-4240
Facsimile +966 (1) 465-1663
www.pwc.com/middle-east

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

We have reviewed the accompanying consolidated interim balance sheet of Saudi Arabian Mining Company ("Ma'aden" or the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2011 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the quarter then ended, and the notes from 1 to 38 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.

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

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

By: ______________________
Omar M. Al Sagga
License Number 369

April 17, 2011
Riyadh
Kingdom of Saudi Arabia

Consolidated interim balance sheet as at March 31, 2011 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2011	2010
Assets			
Current assets			
Cash and cash equivalents	7	**3,704,150,298**	2,895,594,844
Short-term investments	8	**6,224,075,343**	10,213,259,070
Trade and other receivables	9	**111,348,280**	159,745,742
Inventories	10	**375,152,499**	210,048,132
Advances and prepayments	11	**517,371,703**	345,022,760
Due from Government	12	**61,045,987**	61,045,987
		10,993,144,110	13,884,716,535
Non-current assets			
Advances and prepayments	11	**52,650,000**	3,223,752
Property, plant and equipment	13	**200,050,459**	228,340,100
Pre-operating expenses and deferred charges	14	**2,838,388,408**	1,612,874,884
Capital work-in-progress	15	**21,000,618,682**	16,407,088,090
		24,091,707,549	18,251,526,826
Total assets		**35,084,851,659**	32,136,243,361
Liabilities			
Current liabilities			
Projects and other payables	16	**1,047,119,580**	466,608,193
Accrued expenses	17	**990,895,106**	975,320,100
Zakat payable	18.2	**212,858,549**	301,269,820
Severance fees payable	19	**70,175,769**	51,391,834
		2,321,049,004	1,794,589,947
Non-current liabilities			
Provision for mine closure and reclamation	20	**90,923,831**	91,293,571
Employee termination benefits	21	**107,649,002**	89,267,702
Long-term borrowings	22	**13,522,824,842**	11,776,534,982
		13,721,397,675	11,957,096,255
Total liabilities		**16,042,446,679**	13,751,686,202
Shareholders' equity			
Share capital	23	**9,250,000,000**	9,250,000,000
Statutory reserve			
Share premium	24	**5,250,000,000**	5,250,000,000
Transfer of net income	25	**242,996,397**	242,996,397
Retained earnings		**1,873,855,672**	1,859,939,435
Equity attributable to shareholders' of the parent company		**16,616,852,069**	16,602,935,832
Non-controlling interest	26	**2,425,552,911**	1,781,621,327
Total equity		**19,042,404,980**	18,384,557,159
Total liabilities and equity		**35,084,851,659**	32,136,243,361
Commitments and contingent liabilities	35		

Consolidated interim statement of income for the quarter ended March 31, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Quarter ended March 31, 2011	2010
Sales	27	**205,161,925**	153,476,690
Cost of sales	28	**(77,318,278)**	(72,940,021)
Gross profit		**127,843,647**	80,536,669
Operating expenses			
General and administrative expenses	29	**(62,991,688)**	(43,981,349)
Exploration expenses	30	**(21,756,747)**	(16,810,404)
Technical services expenses		**(6,175,245)**	(3,227,427)
Operating income		**36,919,967**	16,517,489
Provision for severance fees	19	**(16,237,724)**	(6,248,919)
Income from short-term investments	31	**29,074,588**	41,457,271
Other (expense) / income		**(1,241,966)**	927,846
Income before zakat		**48,514,865**	52,653,687
Provision for zakat	18.2	**(5,516,368)**	(32,709,320)
Net income for the quarter		**42,998,497**	19,944,367
Net income attributable to:			
Shareholders' of the parent company		**43,730,376**	20,626,325
Non-controlling interest's share of quarter's loss in a subsidiary company		**(731,879)**	(681,958)
		42,998,497	19,944,367
Earnings per ordinary share (Saudi Riyals)			
Operating income per share		**0.04**	0.02
Basic and diluted earnings per share from continuing operations	32	**0.05**	0.02

Consolidated interim statement of cash flows for the quarter ended March 31, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Quarter ended March 31, 2011	2010
Operating activities			
Income before zakat		**48,514,865**	52,653,687
Adjustments for non-cash flow items:			
Reversal of allowance for inventory obsolescence	10	**(2,985,832)**	(329,208)
Depreciation	13	**16,413,989**	26,051,833
Amortization of pre-operating expenses and deferred charges (mine closure)	14	**4,787,681**	7,789,635
Provision for severance fees	19	**16,237,724**	6,248,919
Provision for employee termination benefits	21	**7,041,419**	5,152,972
Income from short term investments		**(29,074,588)**	(41,457,271)
Changes in working capital:			
Trade and other receivables	9	**(81,385,285)**	(685,005)
Inventories	10	**(68,255,403)**	(3,960,074)
Advances and prepayments	11	**(156,624,833)**	(37,566,399)
Projects and other payables	16	**278,899,142**	(156,852,308)
Accrued expenses	17	**(273,784,402)**	6,679,744
Severance fee paid	19	**(516,235)**	-
Employee termination benefits paid	21	**(3,999,989)**	(873,093)
Net cash utilized in operating activities		**(244,731,747)**	(137,146,568)
Investing activities			
Income received from short-term investments		**27,349,058**	14,267,264
Short-term investments	8	**2,561,625,000**	(2,015,995,203)
Additions to pre-operating expenses and deferred charges	14	**(835,940,945)**	(315,552,311)
Additions to capital work-in-progress	15	**(1,023,916,547)**	(1,014,653,085)
Net cash from / (utilized) in investing activities		**729,116,566**	(3,331,933,335)
Financing activities			
Proceeds from long-term borrowings received	22	**5,737,503**	2,993,536,810
Changes in non-controlling interest	26	**291,874,596**	-
Net cash from financing activities		**297,612,099**	2,993,536,810
Net change in cash and cash equivalents		**781,996,918**	(475,543,093)
Cash and cash equivalents at beginning of period		**2,922,153,380**	3,371,137,937
Cash and cash equivalents at the end of the period	7	**3,704,150,298**	2,895,594,844

(Continued)

	Notes	Quarter ended March 31, 2011	2010
Non-cash flow transactions :			
Receivable from Alcoa Inc. for its agreed cost for Aluminum Project		-	127,500,000
Transfer from capital work-in-progress to property, plant and equipment	13,14	**3,878,004**	3,557,340
Adjustment of over accrual of capital work-in-progress	15	**2,011,749**	-

Consolidated interim statement of changes in shareholders' equity for the quarter ended March 31, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Equity attributable to shareholders of the parent company						
			Statutory reserve					
		Share capital	Share premium	Transfer of net income	Retained earnings	Total	Non-controlling interest	Total
Balance at January 1, 2010		9,250,000,000	5,250,000,000	242,996,397	1,839,313,110	16,582,309,507	1,782,303,285	18,364,612,792
Net income for the quarter		-	-	-	20,626,325	20,626,325	(681,958)	19,944,367
Balance at March 31, 2010		9,250,000,000	5,250,000,000	242,996,397	1,859,939,435	16,602,935,832	1,781,621,327	18,384,557,159
Balance at 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 quarter		-	-	-	43,730,376	43,730,376	(731,879)	42,998,497
Increase in non-controlling interest	26	-	-	-	-	-	291,874,596	291,874,596
Balance at March 31, 2011		**9,250,000,000**	**5,250,000,000**	**242,996,397**	**1,873,855,672**	**16,616,852,069**	**2,425,552,911**	**19,042,404,980**

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

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

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

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

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

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

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

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

The accompanying consolidated interim financial statements were authorized for issue by the Board of Directors on April 17, 2011.

2. Group structure

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

Subsidiary	**Type of company**	**Effective ownership at March 31,**	
		2011	**2010**
Ma'aden Gold and Base Metals Company ("MGBM")	Limited liability company	**100%**	100%
Ma'aden Phosphate Company ("MPC")	Limited liability company	**70%**	70%
Ma'aden Infrastructure Company ("MIC")	Limited liability company	**100%**	100%
Ma'aden Industrial Minerals Company ("MIMC")	Limited liability company	**100%**	100%
Ma'aden Aluminum Company ("MAC")	Limited liability company	**74.9%**	-
Ma'aden Rolling Company ("MRC")	Limited liability company	**74.9%**	-
Ma'aden Bauxite and Alumina Company ("MBAC")	Limited liability company	**74.9%**	-

MGBM was incorporated on August 9, 1989, which was then managed by Petromin and thereafter its assets were transferred to Ma'aden as a part of its capital. MGBM's activities are mainly related to the production and exploration of gold and associated minerals existing within their leased area by way of drilling, mining, concentrating, smelting to than extract, refine, export and sell such minerals in their original or refined form.

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

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

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

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

The financial period end of all the subsidiaries 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 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 period.

The results of the operation for an interim period may not be indicative of the annual results of 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, unless otherwise stated.

4.1 Basis of consolidation

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any.

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

4.2 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated interim balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated 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 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 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 is measured at the lower of net cost of production or net realizable value. The net cost of production is determined as the total cost of production divided by the saleable unit output.

Production costs include:

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

Work-in-process

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

Ore stockpiles

Ore stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence because it exceeds the mine's cut-off grade and due to economic viability, it is valued at the lower of net cost of production of net realizable value. Quantities of stockpiles and work-in-process are assessed primarily through surveys and assays.

Stores and materials

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

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

4.7 Financial assets and liabilities

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

A financial asset and liability is offset and net amounts reported in the consolidated 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 historical cost less accumulated depreciation. Depreciation is provided over the shorter of estimated useful lives of the applicable assets or the estimated life-of-mine using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated 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 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 related 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 economical development potential. Once a prospective exploration project or mine has been determined to have economical development potential, the subsequent development and pre-operating expenses incurred on the project or mine are deferred net of proceeds from the sale of any production during the development period and then amortized over the expected life-of-mine or a period of seven periods 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.

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

4.10 Striping ratio

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

Average ratio of waste to ore mined X Quantity of ore mined X Average cost of total tons mined

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

4.11 Capital work-in-progress

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

4.12 Asset impairment

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

Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount is reversed (in exception of goodwill) and recorded as income in the consolidated 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 mining code issued based on the Royal Decree No. 47/M dated 20 Sha'aban 1425H (corresponding to October 4, 2004), the Company is required to pay to the Government of Saudi Arabia severance fee representing 25% of the annual net income or the equivalent of the hypothetical income tax, whichever is lower. Severance fee is charged to income on a monthly basis and is adjusted at the end of each quarter. The Zakat due shall be deducted from the amount.

4.16 Provisions

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

4.17 Mine closure and reclamation

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

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

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

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

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

4.18 Employees termination benefits

Employees' end-of-service benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative 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 Company; and
- The costs incurred or to be incurred in respect of the sale can be measured reliably.

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

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

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

4.21 General and administrative expenses

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

4.22 Savings plan program

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

Participation in the Savings Plan Program is restricted to Saudi Nationals and optional with employees required to contribute a monthly minimum installment of 1% to a maximum of 15% of their basic salary subject to a minimum of SAR 300. The Company will contribute an amount equaling 10% of the monthly savings of each member per annum for the first period and increase it by 10% in the period after it reaches 100% at the 10th period, 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 capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to consolidated 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 mineral resource and ore reserve grades must be considered as estimates only. What is more, the quantity of ore reserves and mineral resources may vary depending on, among other things, metal prices and currency exchange rates. The ore reserve estimates of the Company have been determined based on assumed gold prices, cut-off grades and costs that may prove to be inaccurate. Any material change in the quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will give the same result in larger scale tests under on-site conditions or during production.

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

Economic useful lives of property, plant and equipment

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

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

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

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

Impairment and reversal of impairment of assets

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

Allowances

The Group also creates an allowance for obsolete and slow-moving spare parts. At March 31, 2011, the allowance for obsolete slow-moving items amounted to SAR 20,058,840 (2010: SAR 14,597,148). These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the consolidated interim balance sheet date to the extent that such events confirm conditions existing at the end of the period.

Mine closure and environmental obligations

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

Zakat

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

Contingencies

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

6. Segmental information

Segment reporting

(a) Business segment

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

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

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

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

There are no significant inter-segment revenues

(All amounts in Saudi Riyals unless otherwise stated)

	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
March 31, 2011							
Sales	-	193,866,809	-	-	11,295,116	-	205,161,925
Gross profit	-	123,304,643	-	-	4,539,004	-	127,843,647
Income from short-term investments	28,402,523	672,065	-	-	-	-	29,074,588
Net income/(loss) attributable to shareholders' of the parent company	(30,692,732)	73,133,553	(2,439,596)	-	3,729,151	-	43,730,376
Property, plant and equipment	62,293,734	126,882,087	4,581,391	398,053	5,895,194	-	200,050,459
Pre-operating expenses and deferred charges	114,200,804	113,800,446	598,355,532	1,753,034,315	124,954,017	134,043,294	2,838,388,408
Capital work-in-progress	210,080,989	29,533,642	17,978,162,463	2,084,528,625	213,206,440	485,106,523	21,000,618,682
Total assets	6,951,938,398	988,408,526	20,736,094,822	5,327,761,209	376,623,279	704,025,425	35,084,851,659
March 31, 2010							
Sales	-	149,118,460	-	-	4,358,230	-	153,476,690
Gross profit	-	77,735,793	-	-	2,800,876	-	80,536,669
Income from short-term investments	40,948,642	508,629	-	-	-	-	41,457,271
Net income/(loss) attributable to shareholders' of the parent company	(30,395,403)	50,548,991	(2,273,193)	-	2,745,930	-	20,626,325
Property, plant and equipment	60,625,065	156,736,139	637,226	789,190	9,550,750	1,730	228,340,100
Pre-operating expenses and deferred charges	81,792,223	87,630,511	550,795,189	641,740,925	89,066,917	161,849,119	1,612,874,884
Capital work-in-progress	60,137,625	27,240,678	15,523,494,202	238,898,834	155,397,707	401,919,044	16,407,088,090
Total assets	10,127,548,884	917,040,820	18,703,411,824	1,008,928,949	736,369,221	642,943,663	32,136,243,361

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

b) Geographical segment

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

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

(All amounts in Saudi Riyals unless otherwise stated)

7. Cash and cash equivalents

	2011	2010
Term deposits with original maturities equal to or less than three months	**2,756,375,000**	2,813,500,000
Cash and bank balances	**947,775,298**	82,094,844
Total	**3,704,150,298**	2,895,594,844

8. Short-term investments

	2011	2010
Short term deposits placed with commercial banks	**6,224,075,343**	10,213,259,070

Short term investments yield financial income at prevailing market rates.

9. Trade and other receivables

	2011	2010
Trade receivables	**80,761,803**	22,227,566
Other receivables	**30,586,477**	137,518,176
Total	**111,348,280**	159,745,742

Other receivables as at March 31, 2011 comprise of an amount due from SABIC totaling to Saudi Riyals 21,590,210. See Note 33.

Other receivables as of March 31, 2010 principally comprise an amount due from Alcoa Inc. in respect of its agreed portion of Aluminum project cost as of December 31, 2009.

10. Inventories

	2011	2010
Steady state mining operations :		
Finished goods – ready for sale	**85,102,653**	79,279,898
By-products	**18,664,444**	10,419,032
Work-in-progress at net production cost	**30,866,038**	46,343,549
Total inventories for sale	**134,633,135**	136,042,479
Project in ramp-up phase (Phosphate):		
Finished goods – ready for sale	**1,540,539**	-
Work-in-progress at production cost	**111,905,183**	-
Stockpile of mined phosphate ore	**14,089,494**	-
Phosphate raw material	**23,470,203**	-
Total inventories	**151,005,419**	-
Spare parts and consumables materials	**109,572,785**	88,602,801
Allowance for obsolete slow-moving spare parts and consumable materials	**(20,058,840)**	(14,597,148)
Total spare parts and consumables	**89,513,945**	74,005,653
Total	**375,152,499**	210,048,132

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:

	2011	2010
January 1	**23,044,672**	14,926,356
Reversal of allowance for obsolescence	**(2,985,832)**	(329,208)
March 31	**20,058,840**	14,597,148

(All amounts in Saudi Riyals unless otherwise stated)

11. Advances and prepayments

	2011	2010
Current portion:		
Advances to contractors	**452,199,182**	294,496,498
Advances to employees	**31,144,591**	25,948,415
Other prepayments	**34,027,930**	24,577,847
Total	**517,371,703**	345,022,760
Non - current portion:		
Advances to contractors	**48,750,000**	-
Other prepayments	**3,900,000**	3,223,752
Total	**52,650,000**	3,223,752

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

12. Due from Government

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

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

(All amounts in Saudi Riyals unless otherwise stated)

13. Property, plant and equipment

	Notes	Land	Motor vehicles	Heavy equipment	Fixed plant and heap leaching	Buildings	Civil works	Other equipment	Office equipment	Furniture and fittings	Total
Cost											
January 1, 2010		22,550,000	23,933,387	55,847,670	352,957,344	101,681,944	216,378,789	24,891,216	23,826,672	12,445,447	834,512,469
Transfer from capital work-in progress	15	-	-	1,443,455	-	-	686,215	466,969	960,701	-	3,557,340
March 31, 2010		22,550,000	23,933,387	57,291,125	352,957,344	101,681,944	217,065,004	25,358,185	24,787,373	12,445,447	838,069,809
January 1, 2011		22,550,000	24,840,012	66,203,746	356,052,604	106,348,548	221,811,152	31,404,423	28,651,686	15,890,412	873,752,583
Transfer from capital work- in progress	15	-	1,996,000	395,852	334,100	-	-	1,102,973	10,649	38,430	3,878,004
March 31, 2011		**22,550,000**	**26,836,012**	**66,599,598**	**356,386,704**	**106,348,548**	**221,811,152**	**32,507,396**	**28,662,335**	**15,928,842**	**877,630,587**
Accumulated depreciation											
January 1, 2010		-	23,145,186	28,397,111	268,573,976	37,291,133	182,583,635	13,279,948	21,485,984	8,920,903	583,677,876
Charge for the quarter		-	305,294	2,025,625	16,380,201	2,124,099	3,892,399	804,677	347,356	172,182	26,051,833
March 31, 2010		-	23,450,480	30,422,736	284,954,177	39,415,232	186,476,034	14,084,625	21,833,340	9,093,085	609,729,709
January 1, 2011		-	24,516,326	35,711,146	308,027,420	45,911,893	196,628,868	17,423,589	23,223,532	9,723,365	661,166,139
Charge for the quarter		-	726,100	1,460,313	7,200,389	2,132,012	2,765,262	1,281,683	472,889	375,341	16,413,989
March 31, 2011		-	**25,242,426**	**37,171,459**	**315,227,809**	**48,043,905**	**199,394,130**	**18,705,272**	**23,696,421**	**10,098,706**	**677,580,128**
Net book value											
March 31, 2010		22,550,000	482,907	26,868,389	68,003,167	62,266,712	30,588,970	11,273,560	2,954,033	3,352,362	228,340,100
March 31, 2011		**22,550,000**	**1,593,586**	**29,428,139**	**41,158,895**	**58,304,643**	**22,417,022**	**13,802,124**	**4,965,914**	**5,830,136**	**200,050,459**

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Quarter ended March 31, 2011	2010
Allocation of depreciation charge for the quarter			
To cost of sales	28	**14,757,971**	25,087,048
To general and administration expenses	29	**1,656,018**	964,785
Total		**16,413,989**	26,051,833

(All amounts in Saudi Riyals unless otherwise stated)

14. Pre-operating expenses and deferred charges

	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
Cost							
January 1, 2010	94,768,232	175,036,925	387,213,674	620,045,426	83,312,355	165,642,698	1,526,019,310
Additions during the quarter	7,884,990	4,616,559	163,581,515	136,445,499	6,817,327	13,986,833	333,332,723
Adjustments/written-off	-	-	-	(114,750,000)	-	(17,780,412)	(132,530,412)
March 31, 2010	102,653,222	179,653,484	550,795,189	641,740,925	90,129,682	161,849,119	1,726,821,621
January 1, 2011	134,266,536	203,586,488	545,862,988	978,831,887	117,302,915	151,107,653	2,130,958,467
Additions during the quarter	5,122,572	11,286,799	52,492,544	774,202,428	9,900,961	12,868,898	865,874,202
Adjustments/written off	-	-	-	-	-	(29,933,257)	(29,933,257)
March 31 , 2011	**139,389,108**	**214,873,287**	**598,355,532**	**1,753,034,315**	**127,203,876**	**134,043,294**	**2,966,899,412**
Amortization							
January 1, 2010	19,261,313	85,965,869	-	-	929,920	-	106,157,102
Charge for the quarter	1,599,686	6,057,104	-	-	132,845	-	7,789,635
March 31, 2010	20,860,999	92,022,973	-	-	1,062,765	-	113,946,737
January 1, 2011	23,747,135	98,056,314	-	-	1,919,874	-	123,723,323
Charge for the quarter	1,441,169	3,016,527	-	-	329,985	-	4,787,681
March 31, 2011	**25,188,304**	**101,072,841**	-	-	**2,249,859**	-	**128,511,004**
Net book value							
March 31, 2010	81,792,223	87,630,511	550,795,189	641,740,925	89,066,917	161,849,119	1,612,874,884
March 31, 2011	**114,200,804**	**113,800,446**	**598,355,532**	**1,753,034,315**	**124,954,017**	**134,043,294**	**2,838,388,408**

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Quarter ended March 31, 2011	Quarter ended March 31, 2010
Allocation of amortization charge for the quarter			
To cost of sales	28	**3,264,016**	7,099,786
To general and administration expenses	29	**1,523,665**	689,849
		4,787,681	7,789,635

15. Capital work-in-progress

	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
Cost								
January 1, 2010		60,095,300	21,295,817	14,716,231,636	251,641,334	101,492,387	257,985,871	15,408,742,345
Additions during the quarter		660,716	8,721,910	807,262,566	57,100	54,017,620	143,933,173	1,014,653,085
Transfer to property, plant and equipment	13	(618,391)	(2,777,049)	-	(49,600)	(112,300)	-	(3,557,340)
Adjustments		-	-	-	(12,750,000)	-	-	(12,750,000)
March 31, 2010		60,137,625	27,240,678	15,523,494,202	238,898,834	155,397,707	401,919,044	16,407,088,090
January 1, 2011		138,566,421	21,792,745	17,645,426,158	1,482,747,334	206,972,833	487,086,397	19,982,591,888
Additions during the quarter		71,514,568	10,033,903	334,321,303	601,781,291	6,233,607	31,875	1,023,916,547
Transfer to property, plant and equipment	13	-	(2,293,006)	(1,584,998)	-	-	-	(3,878,004)
Adjustments		-	-	-	-	-	(2,011,749)	(2,011,749)
March 31, 2011		**210,080,989**	**29,533,642**	**17,978,162,463**	**2,084,528,625**	**213,206,440**	**485,106,523**	**21,000,618,682**

During the period ended March 31, 2011, MPC capitalized an additional SAR 53 million (2010: 45 million) of finance costs. The borrowing relates to qualifying assets

(All amounts in Saudi Riyals unless otherwise stated)

16. Projects and other payables

	2011	2010
Projects	**1,004,257,354**	344,178,884
Trade payables	**27,475,716**	113,148,787
Saving plan	**6,295,435**	2,441,938
Due to a related party - SABIC (Note 33)	-	2,369,407
Other	**9,091,075**	4,469,177
Total	**1,047,119,580**	466,608,193

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

17. Accrued expenses

	2011	2010
Projects	**928,144,206**	898,666,736
Trade payables	**19,950,407**	44,138,369
Employees	**42,800,493**	32,514,995
Total	**990,895,106**	975,320,100

Accrued expenses for projects mainly represent the contract cost accruals in relation to MAC and MPC.

18. Zakat payable

18.1 Components of zakat base

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

- shareholders' equity,
- provisions at the beginning of the 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.

18.2 Zakat payable

	2011	2010
Balance at January 1	**207,342,181**	268,560,500
Provision for zakat for the quarter	**5,516,368**	32,709,320
Balance at March 31	**212,858,549**	301,269,820

The provision for zakat for the quarter ended March 31, consist of:

	2011	2010
Zakat for Saudi Arabian Mining Company	**2,500,000**	29,896,430
Zakat for Ma'aden Gold and Base Metals Company	**3,016,368**	2,813,390
Total	**5,516,368**	32,709,820

18.3 Status of final assessments

Company and its subsidiaries received provisional zakat certificates for the year ended December 31, 2009, however, no zakat assessments were finalized by the DZIT.

(All amounts in Saudi Riyals unless otherwise stated)

19. Severance fees payable

	2011	2010
Balance at January 1	**54,454,280**	45,142,915
Provision for the quarter	**16,237,724**	6,248,919
Payments made to the authorities	**(516,235)**	-
Balance at March 31	**70,175,769**	51,391,834

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

Provision for severance fees for the quarter ended March 31, consists of:

	2011	2010
Gold mines	**16,068,267**	6,193,973
Kaolin and Low grade bauxite mine	**169,457**	54,946
Total	**16,237,724**	6,248,919

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

	2011	2010
Annual net income from operating mines before severance fee	**92,218,187**	59,556,354
25% of the annual net income as defined	**23,054,547**	14,889,088
Hypothetical income tax based on annual taxable net income	**19,084,635**	9,007,363
Provision based on the lower of the above two computations	**19,084,635**	9,007,363
Provision for zakat	**(3,016,368)**	(2,813,390)
Net severance fee provision for the quarter	**16,068,267**	6,193,973

20. Provision for mine closure and reclamation

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

	Note	Mahad mine	Al Hajar mine	Sukhaybarat mine*	Bulghah mine	Al Amar mine	Total
January 1, 2010		27,723,149	15,195,759	20,467,221	14,658,102	13,249,340	91,293,571
March 31, 2010		27,723,149	15,195,759	20,467,221	14,658,102	13,249,340	91,293,571
January 1, 2011		24,197,336	11,380,823	20,467,221	21,661,407	13,217,044	90,923,831
March 31, 2011		**24,197,336**	**11,380,823**	**20,467,221**	**21,661,407**	**13,217,044**	**90,923,831**
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

(All amounts in Saudi Riyals unless otherwise stated)

21. Employee termination benefit

	2011	2010
Balance at January 1	**104,607,572**	84,987,823
Provision for the quarter	**7,041,419**	5,152,972
Utilization of provision	**(3,999,989)**	(873,093)
Balance at March 31	**107,649,002**	89,267,702

22. Long-term borrowings

a) Facilities approved

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

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

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

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

b) Facilities utilized under the CTFA

	2011	2010
Public Investment Fund:		
July 14, 2008 commitment fees charged in respect of the facility	**20,000,000**	20,000,000
November 18, 2008 first draw down	**800,000,256**	800,000,256
January 15, 2009 second draw down	**870,000,000**	870,000,000
April 30, 2009 third draw down	**543,483,656**	543,483,656
March 8, 2010 fourth draw down	**928,188,694**	928,188,694
December 29, 2010 fifth draw down	**475,761,503**	-
	3,637,434,109	3,161,672,606

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

	2011	2010
Islamic and commercial banks		
Banque Saudi Fransi – Procurement	**3,878,480,091**	4,067,130,047
Al-Rajhi facility	**2,342,055,941**	1,567,888,420
The Export Import Bank of Korea	**1,360,645,227**	1,349,942,326
Korea Export Insurance Corporation	**750,000,000**	750,000,000
Mizuho Corporate Bank – Commercial Term	**1,014,209,474**	879,901,583
	9,345,390,733	8,614,862,376

	2011	2010
The rate of commission on the principal amount of the loan drawdown and outstanding for each commission period is in the range of LIBOR plus 0.5% to 1.15% per annum.		
The repayment of facilities will start from June 30, 2012. All the repayments for the above facilities will be on a six monthly basis, with the final repayments during 2023.		
Saudi Industrial Development Fund		
April 26, 2010 first draw down	**300,000,000**	-
December 10, 2010 second draw down	**240,000,000**	-
	540,000,000	-
The annual fee paid during the drawdown amounted to SR 4 million. Repayment of this facility will start on February 26, 2013, on a six monthly basis, with the final payment on June 19, 2019.		
Total borrowings	**13,522,824,842**	11,776,534,982

c) Maturity profile of long-term borrowings

	2011	2010
2012	**765,241,263**	9,369,964
2013	**824,611,955**	658,053,574
2014	**905,624,862**	754,251,134
2015	**978,743,288**	745,685,628
Thereafter	**10,048,603,474**	9,609,174,682
Total	**13,522,824,842**	11,776,534,982

d) 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:

	2011 (US$)	2010 (US$)
Public Investment Fund	**969,982,429**	843,112,695
Islamic and commercial banks		
Banque Saudi Fransi – Procurement	**1,034,261,358**	897,298,069
Al-Rajhi Bank	**624,548,251**	605,373,523
The Export Import Bank of Korea	**362,838,727**	359,984,620
Korea Export Insurance Corporation	**200,000,000**	200,000,000
Mizuho Corporate Bank – Commercial Term	**270,455,860**	234,640,422
Saudi Industrial Development Fund	**144,000,000**	-
Total	**3,606,086,625**	3,140,409,329

e) Facilities approved but not withdrawn

On November 30, 2010, the consortium of financial institutions and PIF, subject to certain conditions precedent, approved a facility totaling SAR 11 billion and SAR 4.1 billion for MAC and MRC respectively. This facility was not utilized as at March 31, 2011.

(All amounts in Saudi Riyals unless otherwise stated)

23. Share capital

Authorized, issued and fully paid

	2011	2010
925,000,000 Ordinary shares, with a nominal value of SAR 10 per share	**9,250,000,000**	9,250,000,000

24. Share premium

	2011	2010
Share premium balance	**5,250,000,000**	5,250,000,000

25. Transfer of net income

	2011	2010
Balance at March 31	**242,996,397**	242,996,397

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. This reserve is not available for dividend distribution.

26. Non-controlling interest

	2011	2010
Balance at January 1	**2,134,410,194**	1,782,303,285
Increase in non-controlling interest (Note 2)	**291,874,596**	-
Share of current quarter's loss	**(731,879)**	(681,958)
Balance at March 31	**2,425,552,911**	1,781,621,327

27. Sales

	2011	2010
Gold revenue	**192,380,162**	149,118,460
Low grade bauxite revenue	**11,295,116**	4,358,230
Zinc revenue	**1,486,647**	-
Total	**205,161,925**	153,476,690
Gold sales analysis		
Value of gold sales	**192,380,162**	149,118,460
Quantity of gold sold in ounces (Oz)	**36,783**	35,912
Average realized price per oz in:		
US$	**1,395**	1,107
Saudi Riyals	**5,230**	4,151

(All amounts in Saudi Riyals unless otherwise stated)

28. Cost of sales

	2011	2010
Personnel cost	**33,456,858**	19,332,459
Contracted services	**8,309,118**	8,004,370
Repairs and maintenance	**4,815,954**	4,987,556
Consumables	**18,177,149**	17,329,550
Overheads	**5,410,027**	1,015,491
Sale of by-products	**(16,348,746)**	(6,781,575)
Total cash operating costs	**53,820,360**	43,887,851
Depreciation (Note 13)	**14,757,971**	25,087,048
Amortization (Note 14)	**3,264,016**	7,099,786
Total operating costs	**71,842,347**	76,074,685
Decrease / (increase) in metal inventory	**5,475,931**	(3,134,664)
Cost of sales	**77,318,278**	72,940,021

29. General and administrative expenses

	2011	2010
Salaries and staff related benefits	**47,058,224**	31,721,054
Contracted services	**7,365,982**	5,887,599
Overheads and other	**4,157,211**	3,297,647
Consumables	**736,671**	735,299
Directors' remuneration and allowances	**403,667**	639,000
Repair parts	**90,250**	46,116
Depreciation and amortization (Note 13,14)	**3,179,683**	1,654,634
Total	**62,991,688**	43,981,349

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

30. Exploration expenses

	2011	2010
Salary and staff related benefits	**12,218,984**	7,693,014
Contracted services and others	**9,537,763**	9,117,390
Total	**21,756,747**	16,810,404

31. Income from short term investment

	2011	2010
Income received and accrued on short term investment	**29,074,588**	41,457,271

32. Earnings per ordinary share

	2011	2010
Net income attributable to the shareholders of the parent company	**43,730,376**	20,626,325
Weighted average number of ordinary shares in issue during the period	**925,000,000**	925,000,000
Basic and diluted earnings per ordinary share from continuing operations	**0.05**	0.02

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.

33. Related party transactions and balances

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

	2011	2010
Sales to SABIC	**21,590,210**	-

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

Long-term borrowings from a 50% shareholder in Ma'aden		
Due to PIF (Note 22)	**3,637,434,109**	3,161,672,606
Payable to a related party		
Due to SABIC (Note 16)	**-**	2,369,407
Receivables from related parties		
Due from Government (Note 12)	**61,045,987**	61,045,987
Due from SABIC (Note 9)	**21,590,210**	-

34. Operating lease agreements

	2011	2010
Payments under operating leases recognized as an expense during the quarter	**3,127,500**	277,500

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.

35. Commitments and contingent liabilities

	2011	2010
Capital expenditures:		
Contracted for	**10,819,544,488**	6,700,000,000
Guarantees:		
Guarantees in favor of Saudi Aramco, for future diesel and gas feedstock supplies	**171,000,000**	33,962,000
Guarantees for Aluminum project	**1,312,975,908**	1,312,500,000
	1,483,975,908	1,346,462,000
Letters of credit:		
For the development of aluminum project	**95,873,647**	416,262,265

36. Financial risk management

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

36.1 Currency risk

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

36.2 Fair value

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

36.3 Commission rate risk

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

36.4 Commodity price risk

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

36.5 Credit risk

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

The Group currently has two major customers which account for sales of approximately SAR 192 million, representing 94%of the Group's sales for the period ended March 31, 2011 (2010: SAR 149 million representing 97%of Group's sales from two major customers). Trade receivables are carried net of provision for doubtful debts, if needed.

36.6 Liquidity risk

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

37. Post balance sheet events

No events have arisen subsequent to March 31, 2011 and before the date of signing the review report, that could have a significant effect on the consolidated interim financial statements as at March 31, 2011.

38. Comparative figures

Certain comparative figures of the previous period have been reclassified, wherever necessary, to conform with the current period's presentation. Such reclassifications did not affect either the net worth or the net income of the Group for the quarter ended March 31, 2011.