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**SAUDI ARABIAN MINING COMPANY (MA'ADEN)  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDITORS' REVIEW REPORT  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007**

Audit. Tax. Consulting. Financial Advisory.

**SAUDI ARABIAN MINING COMPANY (MA'ADEN)**  
**(A SAUDI JOINT STOCK COMPANY)**

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FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007**

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## AUDITORS' REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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To the shareholders  
Saudi Arabian Mining Company (Ma'aden)  
(A Saudi Joint Stock Company)  
Riyadh, Saudi Arabia

We have reviewed the accompanying interim consolidated balance sheet of Saudi Arabian Mining Company (Ma'aden) (a Saudi Joint Stock Company) as of September 30, 2007 and the related interim consolidated statement of income for the three and nine month periods ended September 30, 2007 and the interim consolidated statement of cash flows for the nine month period then ended. These interim consolidated financial statements are the responsibility of the Company's management and were presented to us with all the necessary information and explanations.

We conducted our review in accordance with the Interim Financial Reporting Standard issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the 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 interim consolidated financial statements for them to be in conformity with generally accepted accounting standards.

We draw attention to Note 5 (a) to the interim consolidated financial statements, the Company has received a letter from Ministry of Finance wherein the Company has been informed that it is subject to Zakat. The Company is contesting that it is not subject to Zakat. As the ultimate outcome of the matter cannot presently be determined, no provision for any liability that may result has been made in the accompanying interim consolidated financial statements.

The comparative figures are not audited or reviewed and have been included for comparative purposes only and are based on management accounts prepared by the Company.

Deloitte & Touche  
Bakr Abulkhair & Co.



Bakr A. Abulkhair  
License No. 101

Zul Qa'adah 30, 1428  
December 10, 2007

SAUDI ARABIAN MINING COMPANY (MA'ADEN)  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)  
AS OF SEPTEMBER 30, 2007

	Note	2007 SR	2006 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,851,527,761	2,432,646,980
Short term investments		2,039,750,000	2,384,000,000
Investment income receivable		70,270,871	112,589,919
Accounts receivable		9,793,246	3,919,360
Inventories, net		107,155,764	61,580,919
Advances and prepaid expenses	3	308,889,481	21,137,706
<b>Total current assets</b>		<b>4,387,387,123</b>	<b>5,015,874,884</b>
<b>Non-current assets</b>			
Long-term receivable		61,045,987	53,303,226
Advances against investment in company under formation	5 (b)	831,223,682	-
Property, plant and equipment, net	3	502,417,217	229,517,105
Pre-operating expenses and deferred charges, net	4	578,393,118	594,617,309
<b>Total non-current assets</b>		<b>1,973,080,004</b>	<b>877,437,640</b>
<b>TOTAL ASSETS</b>		<b>6,360,467,127</b>	<b>5,893,312,524</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		98,924,210	38,158,518
Accrued expenses		267,312,294	107,245,796
<b>Total current liabilities</b>		<b>366,236,504</b>	<b>145,404,314</b>
<b>Non-current liabilities</b>			
Deferred revenue		3,153,894	13,500,000
Provision for mine closure and reclamation		54,209,560	43,616,778
End-of-service indemnities		57,315,544	44,627,385
<b>Total non-current liabilities</b>		<b>114,678,998</b>	<b>101,744,163</b>
<b>Shareholders' equity</b>			
Share capital		4,000,000,000	4,000,000,000
Statutory reserve		198,000,278	174,661,519
Retained earnings		1,681,551,347	1,471,502,528
<b>Total shareholders' equity</b>		<b>5,879,551,625</b>	<b>5,646,164,047</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,360,467,127</b>	<b>5,893,312,524</b>

The accompanying notes form an integral part of these interim consolidated financial statements

SAUDI ARABIAN MINING COMPANY (MA'ADEN)  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)  
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2007

	Three months ended September 30		Nine months ended September 30	
	2007 SR	2006 SR	2007 SR	2006 SR
Sales	50,395,661	116,515,352	175,051,461	285,929,885
Cost of sales	(35,840,317)	(101,913,519)	(120,809,622)	(178,049,361)
<b>Gross margin</b>	<b>14,555,344</b>	<b>14,601,833</b>	<b>54,241,839</b>	<b>107,880,524</b>
General and administrative expenses	(21,693,231)	(16,976,300)	(57,150,773)	(39,583,542)
Severance fee	(4,844,537)	(2,244,857)	(13,451,663)	(15,580,281)
Exploration expenses	(8,366,176)	(5,717,642)	(21,850,793)	(21,831,427)
Technical services expenses	(1,146,748)	(1,230,836)	(4,220,647)	(3,572,961)
Other income (expense), net	(6,468,813)	1,823,803	11,300,419	1,042,709
<b>(Loss) income before investment income</b>	<b>(27,964,161)</b>	<b>(9,743,999)</b>	<b>(31,131,618)</b>	<b>28,355,022</b>
Investment income	55,663,196	70,753,278	179,335,524	204,440,362
<b>NET INCOME</b>	<b>27,699,035</b>	<b>61,009,279</b>	<b>148,203,906</b>	<b>232,795,384</b>
<b>Earning per share</b>	<b>0.69</b>	<b>1.52</b>	<b>3.71</b>	<b>5.82</b>

The accompanying notes form an integral part of these interim consolidated financial statements

SAUDI ARABIAN MINING COMPANY (MA'ADEN)  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007

	Note	2007 SR	2006 SR
<b>OPERATING ACTIVITIES</b>			
(Loss)/income before investment income		(31,131,618)	28,355,022
Adjustment for:			
Depreciation		23,221,125	35,093,447
Amortization of pre-operating expenses and deferred charges		5,319,218	5,199,329
Provision for end-of-service indemnities expense		13,469,190	7,035,932
Deferred revenue		(10,346,106)	-
Deferred charges written-off		6,674,715	-
		7,206,524	75,683,730
Changes in operating assets and liabilities:			
Accounts receivable		828,658	7,688,122
Inventories, net		(8,268,718)	48,348,341
Advances and prepaid expenses	3	(302,151,665)	(14,512,592)
Accounts payable		15,973,103	(12,835,534)
Accrued expenses		160,100,470	9,643,656
Cash generated from operations		(126,311,628)	114,015,723
End-of-service indemnities paid		(1,486,680)	(2,771,979)
Utilization of provision for mines closure		(643,335)	-
<b>Net cash from operating activities</b>		<b>(128,441,643)</b>	<b>111,243,744</b>
<b>INVESTING ACTIVITIES</b>			
Long-terms investments		-	65,000,000
Interest income received		236,464,618	197,299,367
Long-term receivable		-	(6,142,346)
Addition to property, plant and equipment	3	(293,232,138)	(37,757,088)
Additions to pre-operating expenses and deferred charges	4	(271,076,233)	(195,082,623)
Advances against investment in a company under formation		(399,089,866)	-
<b>Net cash used in investing activities</b>		<b>(726,933,619)</b>	<b>23,317,310</b>
<b>Net change in cash and cash equivalents and short-term investments</b>		<b>(855,375,262)</b>	<b>134,561,054</b>
Cash and cash equivalents and short-term investments, January 1		4,746,653,023	4,682,085,926
<b>CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS, SEPTEMBER 30</b>		<b>3,891,277,761</b>	<b>4,816,646,980</b>
<b>Non-cash transactions:</b>			
Pre-operating expenses and deferred charges and property, plant and equipment transferred to advances against investment (Note 5 (b))		432,133,816	-
Long-term receivable reversed to accrued expenses		2,452,067	-

The accompanying notes form an integral part of these interim consolidated financial statements

**SAUDI ARABIAN MINING COMPANY (MA'ADEN)**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007**

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**1. ORGANIZATION AND ACTIVITIES**

The Saudi Arabian Mining Company (Ma'aden) (the Company), a Saudi joint stock company, was formed in Riyadh under Royal Decree number M/17 dated 14 Zul Qaida 1417 Higra (March 23,1997).

The objectives of the Company are to engage in the various aspects of mining activities relating to all stages of the mining industry, including development, advancement and improvement of the mineral industry, mineral products and by-products and related industries. 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 Company's authorized capital is SR 4 billion (40 million shares at SR 100 each), wholly owned by the Government of the Kingdom of Saudi Arabia.

During 2006 and pursuant to the Council of Ministers resolution number 72, dated Rabi Thani 2, 1427 (corresponding to April 30, 2006) the capital of the Company will be increased from SR 4 billion to SR 8 billion by offering 400,000,000 shares to the public by way of an Initial Public Offering (IPO). Management expects to offer the shares to the Public during 2008.

The Company's principal mining activities are the Mahd Ad' Dahab, Al-Hajjar, Bulghah and Sukhaybarat mines. Other mines are currently being developed in the Kingdom.

Currently the Company only mines gold.

These financial statements have been prepared for management purposes. The management prepares statutory set of financial statements on the 31st of December of each Gregorian calendar year and file them in accordance with the requirements of the Regulations for Companies and the Articles of the Company.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
(Continued)  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies adopted by the Company in preparing its interim consolidated financial statements, summarized below, are in conformity with those described in the annual audited consolidated financial statements for the year ended December 31, 2006. The interim consolidated financial statements and the accompanying notes should be read with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2006.

**Accounting convention**

The interim consolidated financial statements, expressed in Saudi Arabian Riyals, are prepared under the historical cost convention.

**Principle of consolidation**

The interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary – Saudi Company for Precious Metals (SCPM). All material inter-company balances and transactions have been eliminated in the accompanying interim consolidated financial statements.

**Use of estimates**

The preparation of interim consolidated financial statements in conformity with generally accepted accounting standards requires management to make estimates and assumptions that affect amounts reported in the interim consolidated financial statements and accompanying notes. Significant areas requiring the use of management estimates relate to the determination of mineral reserves, reclamation and environmental obligations, impairment of assets and useful lives used to compute depreciation, depletion and amortization. Actual results could differ from those estimates.

**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 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 statement of income.

**Cash and cash equivalents**

Cash and cash equivalents contain cash on hand, in banks and time deposits with maturity of 90 days or less from the balance sheet date.

SAUDI ARABIAN MINING COMPANY (MA'ADEN)  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
(Continued)  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007

**Short-term investments**

Short-term investments represent term deposits maturing after 90 days of the balance sheet date.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis. A provision is also established for items deemed to be slow moving or obsolete.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the shorter of estimated useful lives of the applicable assets or the estimated life of the mine using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

<u>Category</u>	<u>Years</u>
Motor vehicles	4
Heavy equipment	5 – 13
Fixed plant and heap leach facilities	4 – 6
Buildings	9 – 20
Civil works	4
Other equipment	4
Office equipment	4 – 10
Furniture and fixtures	4 – 10

**Pre-operating expenses and deferred charges**

Acquisition, exploration, evaluation, development and pre-operating expenses are expensed in the period incurred until a mine is identified as having economical development potential. Once a mine has been determined to have economical development potential the subsequent development and pre-operating expenses incurred on the mine are deferred net of proceeds from the sale of any production during the development period and then amortized over the shorter of the expected life of the mine or a period of seven years. If a mine is no longer considered economical, the accumulated project costs are charged to income in the period in which the determination is made.

The Company also defers waste mining cost 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 cost to be expensed as follows:

$$\text{Average ratio of waste to ore mined} \times \text{Quantity of ore mined} \times \text{Average cost of total tons mined}$$

SAUDI ARABIAN MINING COMPANY (MA'ADEN)  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
(Continued)  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007

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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.

**Assets impairment**

The carrying amounts of the Company's assets are reviewed at the balance sheet date for any indication of impairment. If there is such an indication, the recoverable amount of the assets is estimated. The recoverable amount of the assets is the greater of either their net selling price or value in use. In assessing the value in use, the estimated future cash in-flows are determined. The Company determines the recoverable amount of the cash-generating unit to which the assets belong. An impairment loss is recognized whenever the carrying amount of the cash-generating unit exceeds the recoverable amount of the asset. Impairment of assets is recognized in the statement of income, if any.

**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 SR 300. The Company will contribute an amount equaling 30% of the monthly savings of each employee, which will in turn be credited to the savings accounts of the member. The Company's portion will only be paid upon termination or resignation of the employee.

**Mine closure and reclamation**

During the start up of a mine, a provision is made for the total estimated costs of future closure and reclamation of the mining properties. The full estimated costs are deferred and then amortized to expense based on the units of production method over the proven and probable reserves. Estimates of the ultimate site reclamation costs are based on current laws and regulations and expected costs to be incurred, all of which are subject to possible changes, thereby impacting current determinations.

**End-of-service indemnities**

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
(Continued)  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007

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**Revenue recognition**

Revenue is recognized when the following conditions are met:

- ◆ The quality and quantity of the product is determined with reasonable accuracy;
- ◆ Physical control over the product has been relinquished;
- ◆ The selling price is determined;
- ◆ The product is suitable for delivery, and no further processing is required by or on behalf of the Company, and
- ◆ The Company no longer has insurable interest in its full sales value.

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

**Expenses**

General and administrative expenses include direct and indirect costs not specifically part of production costs 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.

**Severance fee**

As per the mining code issued based on the Royal Decree No. 47/M dated Sha'aban 20, 1425 H corresponding to October 4, 2005 G Ma'aden is required to pay to the Government of Saudi Arabia severance fee only equivalent to the lower of 25% of net income or corporate income tax, effective from year 2005 onwards.

**Forward sales and option contracts**

In order to protect against the impact of potential gold price declines, the Company and its subsidiary utilize forward sales to provide a minimum price for a portion of its future production. The premiums received on the forward sales contracts are deferred and recognized upon the settlement of the related option contract.

**3. ADVANCES, PREPAID EXPENSES AND PROPERTY, PLANT AND EQUIPMENT**

The increase resulted from advances made to contractors and capital works in progress for various projects mainly Phosphate and Bauxite. These are mega projects for the Company and huge expenditures are being incurred for the acquisition of plant and machinery for new plants which are in the construction phase.