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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND AUDITORS' REPORT  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2007, 2006 AND 2005**

Audit . Tax . Consulting . Financial Advisory .

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

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE THREE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

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## AUDITORS' REPORT

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

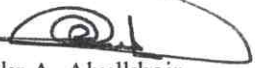
We have audited the accompanying consolidated balance sheets of Saudi Arabian Mining Company (Ma'aden) (a Saudi joint stock company) as of December 31, 2007, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three years then ended, and notes 1 to 26 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article (123) of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Saudi Arabian Mining Company (Ma'aden) as of December 31, 2007, 2006 and 2005 and the results of its operations and its cash flows for the three years then ended, in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

These financial statements have been audited by us and are being reissued as one set of financial statements for the three years at the request of the management of the Company for management purposes and for submission to the Capital Market Authority "CMA", and should not be considered as a replacement for the Company's statutory audited financial statements. The statutory financial statements were audited by us for the years ended December 31, 2007, 2006 and 2005 and we have expressed unqualified opinion in our reports dated March 4, 2008, March 19, 2007 and March 10, 2006 respectively. Audit report for the year ended December 31, 2006 was issued with an emphasis of matter paragraph.

Deloitte & Touche  
Bakr Abulkhair & Co.



Bakr A. Abulkhair  
License No. 101  
Safar 26, 1429  
March 4, 2008

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

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2007, 2006 AND 2005

	Note	2007 SR	2006 SR	2005 SR
<b>ASSETS</b>				
<b>Current assets</b>				Restated (Note 18)
Cash and cash equivalents	3	595,936,585	182,903,023	2,625,585,926
Short term investments		2,099,000,000	4,563,750,000	2,056,500,000
Investment income receivable		60,462,655	127,399,965	105,448,924
Accounts receivable	4	207,511,129	10,621,904	11,607,482
Inventories, net	5	110,583,786	98,887,046	109,929,260
Prepaid expenses and other assets	6	82,407,532	6,737,816	6,625,114
<b>Total current assets</b>		<b>3,155,901,687</b>	<b>4,990,299,754</b>	<b>4,915,696,706</b>
<b>Non-current assets</b>				
Long-term investments		-	-	65,000,000
Long-term receivable	7	61,045,987	63,498,054	47,160,880
Advances against investment in company under formation	19b	1,815,796,834	-	-
Property, plant and equipment, net	8	341,277,507	309,907,784	226,853,464
Pre-operating expenses and deferred charges, net	9	474,371,224	673,943,054	404,734,015
<b>Total non-current assets</b>		<b>2,692,491,552</b>	<b>1,047,348,892</b>	<b>743,748,359</b>
<b>TOTAL ASSETS</b>		<b>5,848,393,239</b>	<b>6,037,648,646</b>	<b>5,659,445,065</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable	10	146,652,664	82,951,107	50,994,052
Accrued expenses	11	105,883,831	109,663,891	97,602,140
<b>Total current liabilities</b>		<b>252,536,495</b>	<b>192,614,998</b>	<b>148,596,192</b>
<b>Non-current liabilities</b>				
Deferred revenue	12	-	13,500,000	13,500,000
Provision for mine closure and reclamation	13	54,852,895	54,852,895	43,616,778
End-of-service indemnities	14	56,859,438	45,333,034	40,363,432
<b>Total non-current liabilities</b>		<b>111,712,333</b>	<b>113,685,929</b>	<b>97,480,210</b>
<b>Shareholders' equity</b>				
Share capital	1	4,000,000,000	4,000,000,000	4,000,000,000
Statutory reserve	15	183,179,887	183,179,887	151,381,981
Retained earnings		1,300,964,524	1,548,167,832	1,261,986,682
<b>Total shareholders' equity</b>		<b>5,484,144,411</b>	<b>5,731,347,719</b>	<b>5,413,368,663</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>5,848,393,239</b>	<b>6,037,648,646</b>	<b>5,659,445,065</b>

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

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

CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Note	2007 SR	2006 SR	2005 SR
Sales	16 & 22	244,130,229	349,744,899	277,963,936
Cost of sales		(167,406,905)	(187,733,009)	(150,764,461)
<b>Gross margin</b>		76,723,324	162,011,890	127,199,475
General and administrative expenses	17	(96,304,044)	(58,358,544)	(47,166,903)
Severance fee		(4,280,984)	(23,100,775)	(17,004,924)
Exploration expenses		(25,499,987)	(31,187,174)	(28,038,929)
Technical services expenses		(4,879,317)	(5,019,587)	(3,843,080)
Other income, net	20	27,694,952	42,032	3,258,492
<b>(Loss) income before investment income and extraordinary item</b>		(26,546,056)	44,387,842	34,404,131
Investment income		225,635,873	273,591,214	181,262,735
<b>Income before extraordinary item</b>		199,089,817	317,979,056	215,666,866
Extraordinary item	21	(446,293,125)	-	-
<b>NET (LOSS) INCOME</b>		(247,203,308)	317,979,056	215,666,866

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE THREE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2005		4,000,000,000	135,336,329	1,117,575,806	5,252,912,135
Net income for 2005		-	-	215,666,866	215,666,866
Transfer to statutory reserve	15	-	21,566,686	(21,566,686)	-
December 31, 2005 as previously reported		4,000,000,000	156,903,015	1,311,675,986	5,468,579,001
Prior year adjustment	18	-	(5,521,034)	(49,689,304)	(55,210,338)
December 31, 2005 as restated		4,000,000,000	151,381,981	1,261,986,682	5,413,368,663
Net income for 2006		-	-	317,979,056	317,979,056
Transfer to statutory reserve	15	-	31,797,906	(31,797,906)	-
December 31, 2006		4,000,000,000	183,179,887	1,548,167,832	5,731,347,719
Net loss for 2007		-	-	(247,203,308)	(247,203,308)
December 31, 2007		<b>4,000,000,000</b>	<b>183,179,887</b>	<b>1,300,964,524</b>	<b>5,484,144,411</b>

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007 SR	2006 SR	2005 SR
<b>OPERATING ACTIVITIES</b>			
(Loss) income before investment income and extraordinary item	(26,546,056)	44,387,842	34,404,131
Adjustment for:			Restated (Note 18)
Depreciation	33,445,411	45,507,088	36,520,215
Amortization of pre-operating expenses and deferred charges	7,264,443	8,234,421	6,046,273
Deferred charges written-off	11,401,708	-	-
End-of-service indemnities expense	13,646,993	8,275,031	9,030,504
Deferred revenue	(13,500,000)	-	-
Extra-ordinary item	(446,293,125)	-	-
	(420,580,626)	106,404,382	86,001,123
Changes in working capital:			
Accounts receivable	(196,889,225)	985,578	22,247,553
Inventories, net	(11,696,740)	11,042,214	(36,882,138)
Prepaid expenses and other assets	(75,669,716)	(112,702)	(2,420,323)
Accounts payable	63,701,557	31,957,055	30,417,036
Accrued expenses	(3,780,060)	12,061,751	54,939,930
Cash (used in) generated from operations	(644,914,810)	162,338,278	154,303,181
End-of-service indemnities paid	(2,120,589)	(3,305,429)	(2,088,959)
<b>Net cash (used in) from operating activities</b>	<b>(647,035,399)</b>	<b>159,032,849</b>	<b>152,214,222</b>
<b>INVESTING ACTIVITIES</b>			
Long-term investments	-	65,000,000	460,000,000
Interest income received	292,573,183	251,640,173	141,614,734
Long-term receivable	2,452,067	(16,337,174)	(35,873,788)
Additions to pre-operating expenses and deferred charges	(173,726,557)	(298,881,687)	(195,104,890)
Additions to property, plant and equipment, net	(142,316,714)	(95,887,064)	(94,805,840)
Advances against investment in company under formation	(1,383,663,018)	-	-
<b>Net cash (used in) from investing activities</b>	<b>(1,404,681,039)</b>	<b>(94,465,752)</b>	<b>275,830,216</b>
<b>Net change in cash and cash equivalents and short-term investments</b>	<b>(2,051,716,438)</b>	<b>64,567,097</b>	<b>428,044,438</b>
Cash, cash equivalents and short-term investments, January 1	4,746,653,023	4,682,085,926	4,254,041,488
<b>CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS, DECEMBER 31,</b>	<b>2,694,936,585</b>	<b>4,746,653,023</b>	<b>4,682,085,926</b>
<b>Non-cash transactions:</b>			
Prior year adjustment through retained earnings (Note 18)	-	-	55,210,338
Pre-operating expenses and deferred charges and property, plant and equipment transferred to advances against investment (Note 8 & 9)	432,133,816	-	-
Pre-operating expenses and deferred charges transferred to property and equipment	-	32,674,344	-
Provision for mines closure charged to pre-operating expenses and deferred charges	-	11,236,117	385,399

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

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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 Higira (March 23,1997).

The objectives of the Company and its subsidiary 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 2008 and pursuant to the Council of Ministers' resolution number 49, dated Safar 25, 1429 (corresponding to March 3, 2008) the capital of the Company is increased to SR 9.25 billion [Note 19(a)].

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements have been prepared in accordance with the Standards of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

**Accounting convention**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE THREE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

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**Principle of consolidation**

The 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 consolidated financial statements.

**Use of estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. 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.

**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**

Effective from year 2005 onwards, as per the mining code issued based on the Royal Decree No. 47/M dated Sha'aban 20, 1425 H corresponding to October 4, 2004 G the Company is required to pay to the Government of Saudi Arabia severance fee representing 25% of annual net income or the equivalent of the income tax whichever is lower.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE THREE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

**Cash and cash equivalents**

Cash and cash equivalents contain cash on hand, in banks and time deposits with original maturities of 90 days or less.

**Short-term investments**

Short-term investments represent term deposits with original maturities of more than 90 days.

**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 moving 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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

**Pre-operating expenses and deferred charges**

Acquisition, exploration, evaluation, development and pre-operating expenses are expensed in the period incurred until a mine/project is identified as having economical development potential. Once a mine/project has been determined to have economical development potential the subsequent development and pre-operating expenses incurred on the mine/project 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/project or a period of seven years. If a mine/project is no longer considered economical, the accumulated project costs are charged to income in the year 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:

$$\begin{array}{rcccl} \text{Average ratio of waste to} & & & & \\ \text{ore mined} & \times & \text{Quantity of ore mined} & \times & \text{Average cost of total} \\ & & & & \text{tons mined} \end{array}$$

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.

**Impairment of tangible and intangible assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of the assets/cash-generating unit is the greater of its fair market value or present value of future cash flows projected from the asset/cash-generating unit. The Company estimates the recoverable amounts of its mines/projects considering all tangible and intangible assets attributable to each mine/project as components to cash-generating unit as represented by each mining/project area.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

