

**SAUDI ARABIAN MINING COMPANY (MA'ADEN)  
(A Saudi Joint Stock Company)**

**Interim Consolidated Financial Statements  
and Auditors' Review Report for the Three-  
Month and the Year Ended December 31, 2008**

**SAUDI ARABIAN MINING COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW  
REPORT FOR THE THREE-MONTH AND YEAR ENDED DECEMBER 31, 2008**

---

<b><u>INDEX</u></b>	<b><u>PAGE</u></b>
Auditors' review report	1
Interim consolidated balance sheet	2
Interim consolidated statement of income	3
Interim consolidated statement of changes in shareholders' equity	4
Interim consolidated statement of cash flows	5-6
Notes to the interim consolidated financial statements	7-22

**REVIEW REPORT**

January 25, 2009

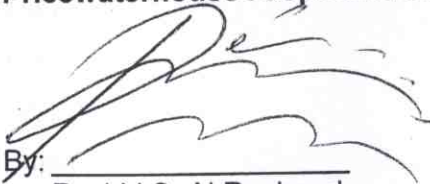
To the Shareholders of Saudi Arabian Mining Company (Ma'aden):

We have reviewed the accompanying interim consolidated balance sheet of Saudi Arabian Mining Company (A Saudi Joint Stock Company) ("Ma'aden" or the "Company") as of December 31, 2008 and the related interim consolidated statement of income for the three-month and year ended December 31, 2008 and the statements of changes in shareholders' equity and of cash flows, for the year then ended, including the related notes. These interim consolidated financial statements are the responsibility of the Company's management and were presented to us with all necessary information and explanations we requested.

We conducted our review in accordance with the standard of review of interim financial reports issued by the Saudi Organization for Certified Public Accountants. A 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 review is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements as of and for the three-month and year ended December 31, 2008 for them to be in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company.

**PricewaterhouseCoopers Al Juraid**



By: Rashid S. Al Rashoud  
License Number 366



**SAUDI ARABIAN MINING COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008**

<u>ASSETS</u>	<u>Notes</u>	(Unaudited) <u>2008</u>	(Audited) <u>2007</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	3	SR 2,582,852,398	SR 595,936,585
Short-term investments		8,751,988,599	2,099,000,000
Short-term investments income receivables		93,009,189	60,462,655
Trade and other receivables	4	41,156,501	207,511,129
Inventories, net	5	172,557,834	110,583,786
Prepaid expenses and other current assets	6	967,924,194	82,407,532
<b>Total current assets</b>		<u>12,609,488,715</u>	<u>3,155,901,687</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term receivable	7	61,045,987	61,045,987
Advance against investment in company under formation	21b	-	1,815,796,834
Property, plant and equipment, net	8	6,960,854,761	341,277,507
Pre-operating expenses and deferred charges, net	9	1,943,961,464	474,371,224
<b>Total non-current assets</b>		<u>8,965,862,212</u>	<u>2,692,491,552</u>
<b>Total assets</b>		<u>SR21,575,350,927</u>	<u>SR 5,848,393,239</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES:</b>			
Trade and other payables	10	SR 2,551,627,965	SR 146,652,664
Accrued expenses	11	1,168,612,356	105,883,831
<b>Total current liabilities</b>		<u>3,720,240,321</u>	<u>252,536,495</u>
<b>NON-CURRENT LIABILITIES:</b>			
Long term loan	12	800,000,250	-
Provision for mine closure and reclamation	13	66,145,395	54,852,895
End-of-service indemnities	14	72,450,755	56,859,438
<b>Total non-current liabilities</b>		<u>938,596,400</u>	<u>111,712,333</u>
<b>Total liabilities</b>		<u>4,658,836,721</u>	<u>364,248,828</u>
<b>EQUITY:</b>			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	9,250,000,000	4,000,000,000
Statutory reserve	15	204,495,808	183,179,887
Share premium		5,250,000,000	-
Government grant	2	200,000,000	-
Retained earnings		1,478,338,180	1,300,964,524
<b>Total shareholders' equity</b>		<u>16,382,833,988</u>	<u>5,484,144,411</u>
Minority interest	2	533,680,218	-
<b>Total equity</b>		<u>16,916,514,206</u>	<u>5,484,144,411</u>
<b>Total liabilities and equity</b>		<u>SR21,575,350,927</u>	<u>SR 5,848,393,239</u>

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

**SAUDI ARABIAN MINING COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF INCOME FOR THE THREE-MONTH AND YEAR ENDED DECEMBER 31, 2008**

	Notes	For the three-month period ended December 31,		For the year ended December 31,	
		2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Audited)
Sales	16	SR 127,687,741	SR 69,078,768	SR 460,184,747	SR 244,130,229
Cost of sales		(82,294,898)	(46,597,283)	(233,488,056)	(167,406,905)
Gross profit		45,392,843	22,481,485	226,696,691	76,723,324
General and administrative expenses	18	(56,895,010)	(39,153,271)	(237,243,955)	(96,304,044)
Exploration expenses		(12,624,779)	(3,649,194)	(45,252,519)	(25,499,987)
Technical services expenses		(3,356,532)	(658,670)	(9,091,288)	(4,879,317)
Operating loss		(27,483,478)	(20,979,650)	(64,891,071)	(49,960,024)
Severance fees		(8,741,749)	9,170,679	(32,237,990)	(4,280,984)
Loss on unwinding forward hedge		-	(446,293,125)	-	(446,293,125)
Other income (expenses), net	22	1,462,226	16,394,533	(673,383)	27,694,952
Loss before income from short-term investments		(34,763,001)	(441,707,563)	(97,802,444)	(472,839,181)
Income from short-term investments		148,895,715	46,300,349	290,290,750	225,635,873
Net income / (loss) before minority interest		114,132,714	(395,407,214)	192,488,306	(247,203,308)
Loss attributable to minority interest	2	2,232,055	-	6,201,271	-
Net income / (loss) attributable to the shareholders of the Company		SR 116,364,769	SR (395,407,214)	SR 198,689,577	SR (247,203,308)
Operating (loss) per share (includes minority share)		SR (0.03)	SR (0.05)	SR (0.09)	SR (0.12)
Earning / (loss) per share from net income for the period		SR 0.13	SR (0.99)	SR 0.29	SR (0.62)

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

**SAUDI ARABIAN MINING COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Notes</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Share premium</u>	<u>Government grant</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2007		SR 4,000,000,000	SR 183,179,887	-	SR -	SR 1,548,167,832	SR 5,731,347,719
Net income		-	-	-	-	(247,203,308)	(247,203,308)
Transfer to statutory reserve	15	-	-	-	-	-	-
December 31, 2007 (Audited)		<u>SR 4,000,000,000</u>	<u>SR 183,179,887</u>	<u>SR -</u>	<u>SR -</u>	<u>SR 1,300,964,524</u>	<u>SR 5,484,144,411</u>
January 1, 2008		SR 4,000,000,000	SR 183,179,887	-	SR -	SR 1,300,964,524	SR 5,484,144,411
Issue of shares at premium		5,250,000,000	-	5,250,000,000	-	-	10,500,000,000
Grant from government	2	-	-	-	200,000,000	-	200,000,000
Net income		-	-	-	-	198,689,577	198,689,577
Transfer to statutory reserve	15	-	21,315,921	-	-	(21,315,921)	-
December 31, 2008 (Unaudited)		<u>SR 9,250,000,000</u>	<u>SR 204,495,808</u>	<u>SR 5,250,000,000</u>	<u>SR 200,000,000</u>	<u>SR 1,478,338,180</u>	<u>SR 16,382,833,988</u>

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

**SAUDI ARABIAN MINING COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	(Unaudited) 2008	(Audited) 2007
<b>OPERATING ACTIVITIES:</b>		
Net income / (loss) before minority interest	SR 192,488,306	SR (247,203,308)
Adjustments for:		
Depreciation	67,047,750	33,445,411
Amortization of pre-operating expenses and deferred charges	21,143,244	7,264,443
End-of-service indemnities expense	18,825,428	13,646,993
Income from short-term investments	(290,290,750)	(225,635,873)
Deferred revenue	-	(13,500,000)
Pre-operating expenses and deferred charges written-off	-	11,401,708
	<u>9,213,978</u>	<u>(420,580,626)</u>
Changes in working capital:		
Trade and other receivables	233,797,907	(196,889,225)
Inventories, net	(61,974,048)	(11,696,740)
Prepaid expenses and other current assets	(302,150,887)	(75,669,716)
Trade and other payables	2,230,356,685	63,701,557
Accrued expenses	867,707,305	(3,780,060)
End-of-service indemnities paid	(5,704,922)	(2,120,589)
Net cash from / (used in) operating activities	<u>2,971,246,018</u>	<u>(647,035,399)</u>
<b>INVESTING ACTIVITIES:</b>		
Short-term investments - net	(6,652,988,599)	2,464,750,000
Interest income received	259,143,174	292,573,183
Long-term receivable	-	2,452,067
Advances against investment in company under formation	-	(1,383,663,018)
Additions to property, plant and equipment, net	(5,481,326,318)	(142,316,714)
Additions to pre-operating expenses and deferred charges	(958,943,949)	(173,726,557)
Net cash (used in)/ from investing activities	<u>(12,834,115,692)</u>	<u>1,060,068,961</u>
<b>FINANCING ACTIVITIES:</b>		
Long-term loan received	800,000,250	-
Proceeds from the IPO	10,500,000,000	-
Government grant	200,000,000	-
Minority interest	(238,317,154)	-
Net cash from financing activities	<u>11,261,683,096</u>	<u>-</u>
Net change in cash and cash equivalents	1,398,813,422	413,033,562
Cash and cash equivalents, January 1	595,936,585	182,903,023
Net cash from spin-off of the phosphates project to the newly incorporated subsidiary (note 21b)	<u>588,102,391</u>	<u>-</u>
Cash, cash equivalents, December 31,	<u>SR 2,582,852,398</u>	<u>SR 595,936,585</u>

**(Continued)**

**SAUDI ARABIAN MINING COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008 (Continued)**

	(Unaudited) 2008	(Audited) 2007
<b>NON-CASH TRANSACTIONS:</b>		
Advances against investment in a company under formation transferred to investment in a subsidiary	<u>1,815,796,834</u>	<u>-</u>
Pre-operating expenses and deferred charges and property, plant and equipment transferred to advance against investment in a company under formation	<u>-</u>	<u>432,133,816</u>
Pre-operating expenses and deferred charges transferred to property, plant and equipment	<u>34,312,351</u>	<u>-</u>
Provision for mines closure charged to pre-operating expenses and deferred charges	<u>11,292,500</u>	<u>-</u>

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

**SAUDI ARABIAN MINING COMPANY**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
**FOR THE THREE-MONTH AND YEAR ENDED DECEMBER 31, 2008**

---

**1. ORGANIZATION AND ACTIVITIES**

Saudi Arabian Mining Company (the "Company" or "Group") 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 Council of Ministers Resolution No. 179 dated 8 Zul Qaida 1417H (corresponding to March 17, 1997), with Commercial Registration Number 1010164391 dated 10 Zul Qaida 1421H (corresponding to February 4, 2001) and with a share capital of SR 4,000,000,000 (Four billion Saudi Riyals), comprising 400,000,000 shares at a nominal value of SR 10 each.

The Company through March 2, 2008 was wholly owned by the Saudi Government (the "Government") represented by the Public Investment Fund ("PIF"). The Council of Ministers issued its resolution No. 49, dated 25 Safar 1429H (corresponding to March 3, 2008) whereby the authorized share capital of the Company was increased from SR 4,000,000,000 (Four billion Saudi Riyals) divided into 400,000,000 shares to SR 9,250,000,000 (Nine billion and two hundred fifty million Saudi Riyals) divided into 925,000,000 shares and to offer 50% of the newly authorized share capital in the Saudi capital market through an Initial Public Offering ("IPO"). Consequently, the Government's interest in the Company was diluted to 50%.

As a result of the increase in the company's capital, the PIF's interest in the Company was increased to SR 4,625,000,000 (Four billion six hundred and twenty five million Saudi Riyals) divided into 462,500,000 shares through an injection of SR 1,250 million which was paid by the PIF during the period ended June 30, 2008 in which SR 625 million was recorded as an increase in share capital and the remaining SR 625 million as share premium.

The remaining 50% shares were offered to the Public on 2 Rajab 1429H (corresponding to July 5, 2008) through an Initial Public Offering ("IPO") to the Public Pension Agency ("PPA") and General Organization for Social Insurance ("GOSI"), Saudi citizens and certain authorized persons participating in this IPO (Note 20).

The objectives of the company and its subsidiaries 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 principal mining activities are the Mahd Ad' Dahab, Al-Hajjar, Bulghah, Al-Amar, Sukhaybarat and Kaolin mines. Other mines are currently being developed in the Kingdom of Saudi Arabia.

Currently the Company mainly mines gold and low grade bauxite.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation - The Company's consolidated financial statements are prepared in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim consolidated 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.

Interim results - The results of operations for the interim period may not represent a proper indication of the annual results of operations.

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 the following subsidiaries:

	<u>Percentage of ownership</u>
Ma'aden Gold and Base Metals Company ("MGC")	100%
Ma'aden Phosphate Company ("MPC") - see Note (21b)	70%

MPC was incorporated on January 1, 2008 and is currently in the development stage. Saudi Basic Industries Corporation holds the remaining 30% interest in the MPC, and it is accounted for as minority interest in this consolidated financial statements. Accordingly, minority interest in the balance sheet, and loss attributable to the minority interest in the income statement, represent SABIC share in the net assets and loss of the MPC.

All material inter-company balances and transactions are 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.

Segment reporting - A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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 interim consolidated statement of income.

Cash and cash equivalents - Cash and cash equivalents balance includes cash on hand, cash in banks and time deposits with maturity of 90 days or less at acquisition.

Inventories - Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average 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>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:

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

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.

