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

Consolidated financial statements
for the year ended December 31, 2011

Commercial registration number	1010164391	
Directors	Engr. Abdallah Bin Saif Al-Saif	Chairman
	H.E. Soliman Bin Saad Al-Hamyyd	
	H.E. Mohammed Bin Abdullah Al-Kharashi	
	Dr. Ziad Bin Abdulrahman Al-Sudairy	
	Mr. Sultan Bin Jamal Shawli	
	Engr. Khalid Al Mudaifer	
	Mr. Mansour Bin Saleh Al-Maiman	
	Engr. Khalid Bin Hamad Al-Senani	
	Mr. Abdulaziz bin Abdullah Al Sugair	
Registered address	Building number 395 Abi bakr Asseddiq Road, South Exit 6, North Ring Road, Riyadh Kingdom of Saudi Arabia	
Postal address	P.O. Box 68861 Riyadh 11537 Kingdom of Saudi Arabia	
Bankers	The Saudi British Bank (SABB)	
Auditors	PricewaterhouseCoopers King Faisal Foundation Building, North Tower, 10th Floor P.O. Box 8282 Riyadh 11482 Kingdom of Saudi Arabia	

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report, set out on page 4, is made with a view to distinguishing the responsibilities of the management and those of the independent auditors in relation to the consolidated financial statements of Saudi Arabian Mining Company (Ma'aden) and its subsidiaries ("the Group")

The management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at December 31, 2011, the results of its operations, changes in shareholders' equity and cash flows for the year then ended, in accordance with accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

In preparing the consolidated financial statements, the management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether SOCPA standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing and presenting the consolidated 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 management is also responsible for:

- designing, implementing and maintaining an effective system of internal controls throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended December 31, 2011 set out on pages 5 to 40, were approved and authorized for issue by the Board of Directors on February 14, 2012 and signed on its behalf by:

Engr. Khalid H. Al-Senani Authorized by the Board	Engr. Khalid Al Mudaifer President and Chief Executive Officer	Mr. Khalid Al-Rowais Chief Financial Officer

February 14, 2012
Riyadh
Kingdom of Saudi Arabia

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

<u>Scope of audit</u>

We have audited the accompanying consolidated balance sheet of Saudi Arabian Mining Company ("Ma'aden" or the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2011 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the notes from 1 to 40, which form an integral part of these consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and are presented to us with all information and explanations, are the responsibility of the Group'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 auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

<u>Unqualified opinion</u>
In our opinion, such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia, appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of these financial statements.

PricewaterhouseCoopers

By: ____________________
Omar M. Al Sagga
License Number 369

February 14, 2012
Riyadh
Kingdom of Saudi Arabia

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2011	2010
Assets			
Current assets			
Cash and cash equivalents	7	**5,044,478,181**	2,922,153,380
Short-term investments	8	**6,181,085,507**	8,783,974,813
Trade and other receivables	9	**481,514,210**	29,962,995
Inventories	10	**561,796,672**	303,911,264
Advances and prepayments	11	**324,351,658**	327,637,445
Due from Government	12	**-**	61,045,987
		12,593,226,228	12,428,685,884
Non-current assets			
Advances and prepayments	11	**341,645,866**	85,759,425
Investment in jointly controlled entity	13	**448,154,100**	-
Property, plant and equipment	14	**7,450,689,814**	212,586,444
Pre-operating expenses and deferred charges	15	**500,125,224**	298,839,709
Capital work-in-progress	16	**22,239,884,168**	21,690,987,323
		30,980,499,172	22,288,172,901
Total assets		**43,573,725,400**	34,716,858,785
Liabilities			
Current liabilities			
Projects and other payables	17	**1,342,199,007**	768,220,438
Accrued expenses	18	**1,503,425,929**	1,266,691,257
Zakat payable	19.2	**141,108,124**	207,342,181
Severance fees payable	20	**83,433,989**	54,454,280
Current portion of long-term borrowings	23.2	**762,383,304**	-
		3,832,550,353	2,296,708,156
Non-current liabilities			
Projects and other payables	17	**821,488,065**	-
Provision for mine closure and reclamation	21	**90,884,799**	90,923,831
Employee termination benefits	22	**129,811,062**	104,607,572
Long-term borrowings	23.2	**18,815,478,234**	13,517,087,339
		19,857,662,160	13,712,618,742
Total liabilities		**23,690,212,513**	16,009,326,898
Shareholders' equity			
Share capital	24	**9,250,000,000**	9,250,000,000
Statutory reserve			
Share premium	25	**5,250,000,000**	5,250,000,000
Transfer of net income	26	**284,327,877**	242,996,397
Retained earnings		**2,202,108,620**	1,830,125,296
Equity attributable to shareholders' of the parent company		**16,986,436,497**	16,573,121,693
Non-controlling interest	27	**2,897,076,390**	2,134,410,194
Total equity		**19,883,512,887**	18,707,531,887
Total liabilities and equity		**43,573,725,400**	34,716,858,785
Commitments and contingent liabilities	36		

SAUDI ARABIAN MINING COMPANY (MA'ADEN)
(A Saudi Arabian joint stock company)
Consolidated statement of income for the year ended December 31, 2011
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2011	2010
Sales	28	**1,514,387,952**	706,512,774
Cost of sales	29	**(481,781,913)**	(321,174,545)
Gross profit		**1,032,606,039**	385,338,229
Operating expenses			
General and administrative expenses	30	**(235,455,326)**	(214,156,213)
Exploration expenses	31	**(116,056,918)**	(78,156,089)
Technical services expenses		**(14,188,139)**	(14,050,195)
Operating income		**666,905,656**	78,975,732
Other (expenses) / income			
Share in net loss of jointly controlled entity	13	**(1,845,900)**	-
Provision for severance fees	20	**(85,032,887)**	(54,543,721)
Income from short-term investments	32	**75,155,805**	168,259,012
Financial charges		**(11,369,399)**	-
Other income / (expenses)		**13,813,569**	247,295
Income before zakat		**657,626,844**	192,938,318
Provision for zakat	19.2	**(119,547,535)**	(207,317,723)
Net income / (loss) for the year		**538,079,309**	(14,379,405)
Net income / (loss) attributable to:			
Shareholders' of the parent company	6	**413,314,804**	(9,187,814)
Non-controlling interest's share of year's net income / (loss) in subsidiary companies	27	**124,764,505**	(5,191,591)
		538,079,309	(14,379,405)
Earnings per ordinary share (Saudi Riyals)			
Operating income per share		**0.72**	0.09
Basic and diluted earnings / (loss) per share from continuing operations	33	**0.45**	(0.01)

(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
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 loss for the year		-	-	-	(9,187,814)	(9,187,814)	(5,191,591)	(14,379,405)
Increase in non-controlling interest	27	-	-	-	-	-	357,298,500	357,298,500
December 31, 2010		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 year		-	-	-	413,314,804	413,314,804	124,764,505	538,079,309
Net income transferred to statutory reserve	26	-	-	41,331,480	(41,331,480)	-	-	-
Increase in non-controlling interest	27	-	-	-	-	-	637,901,691	637,901,691
December 31, 2011		**9,250,000,000**	**5,250,000,000**	**284,327,877**	**2,202,108,620**	**16,986,436,497**	**2,897,076,390**	**19,883,512,887**

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2011	2010
Operating activities			
Income before zakat		**657,626,844**	192,938,318
Adjustments for non-cash flow items:			
(Reversal) / increase of allowance for inventory obsolescence	10	**(4,222,018)**	8,447,524
Share in net loss of jointly controlled entity	13	**1,845,900**	-
Depreciation	14	**174,150,305**	77,850,130
Adjustment / written-off property, plant and equipment	14	**8,973,299**	106,432
Amortization of pre-operating expenses and deferred charges (mine closure)	15	**20,157,539**	20,648,567
Written-off pre-operating expenses and deferred charges	15	**-**	1,165,457
Provision for severance fees	20	**85,032,887**	54,543,721
Provision for employee termination benefits	22	**35,231,278**	27,413,350
Income from short term investments	32	**(75,155,805)**	(168,259,012)
Changes in working capital:			
Trade and other receivables	9	**(451,551,215)**	1,597,742
Inventories	10	**(253,663,390)**	(106,599,938)
Advances and prepayments	11	**(252,600,654)**	(102,716,757)
Due from Government	12	**61,045,987**	-
Projects and other payables – Trade	17	**237,675,025**	(5,488,839)
Accrued expenses – Trade	18	**19,286,175**	(79,817,974)
Zakat paid	19.2	**(185,781,592)**	(268,536,042)
Severance fee paid	20	**(56,053,178)**	(45,232,356)
Provision for mine closure and reclamation paid	21	**(539,092)**	-
Employee termination benefits paid	22	**(10,027,788)**	(7,793,601)
Net cash generated from / (utilized in) operating activities		**11,430,507**	(399,733,278)
Investing activities			
Income received from short-term investments		**99,361,855**	146,637,549
Short-term investments	8	**2,578,683,256**	(592,279,490)
Investment in jointly controlled entity	13	**(181,730,185)**	-
Additions to pre-operating expenses and deferred charges	15	**(277,516,590)**	(17,733,746)
Additions to capital work-in-progress / property, plant and equipment	16	**(8,181,820,038)**	(5,201,855,097)
Projects and other payables – Projects	17	**1,157,791,609**	146,722,963
Accrued expenses – Projects	18	**217,448,497**	377,868,875
Net cash utilized in investing activities		**(4,587,781,596)**	(5,140,638,946)
Financing activities			
Proceeds from long-term borrowings received	23.2	**6,060,774,199**	4,734,089,167
Changes in non-controlling interest	27	**637,901,691**	357,298,500
Net cash generated from financing activities		**6,698,675,890**	5,091,387,667

(All amounts in Saudi Riyals unless otherwise stated)

Continued

	Notes	2011	2010
Net change in cash and cash equivalents		**2,122,324,801**	(448,984,557)
Cash and cash equivalents at beginning of year		**2,922,153,380**	3,371,137,937
Cash and cash equivalents at the end of the year	7	**5,044,478,181**	2,922,153,380
Non-cash flow transactions			
Transfer from pre-operating expenses and deferred charges to investment in jointly controlled entity	13,15	**31,939,887**	-
Transfer from capital work-in-progress to investment in jointly controlled entity	13,16	**236,329,928**	-
Transfer from pre-operating expenses and deferred charges to property, plant and equipment	14,15	**24,133,649**	-
Depreciation capitalized in capital work-in-progress	14, 16	**27,161,818**	-
Transfer from capital work-in-progress to property, plant and equipment	14,16	**7,418,903,021**	39,708,413
Provision for mine closure charged to property, plant and equipment	14, 21	**500,000**	3,156,073
Utilization of mines closure provision	21	**-**	3,525,813

(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 SR 9,250,000,000 (Nine billion and two hundred fifty million Saudi Riyals) divided into 925,000,000 (Nine hundred and twenty five million) ordinary shares with a nominal value of SR 10 each.

The objectives of the Company and its subsidiaries (the "Group") are to be engaged in various projects related to all stages of the mining industry, including development, advancement and improvement of the mineral industry, mineral products and by-products. These activities exclude petroleum and natural gas and materials derived 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, Az Zabirah and Al Zarghatt mines. Currently the Group mainly mines gold, low-grade bauxite, kaolin and magnesite.

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 SR 21 billion.

The objective of the aluminum project is to develop the bauxite mine, the alumina refinery, smelter and rolling mill as well as a power plant for the production of aluminum and related products in the Kingdom of Saudi Arabia. In December 2009, the Company entered into an agreement with Alcoa Inc. Incorporated, ("Alcoa Inc.") for the development of the aluminum project. The Company has a 74.9% interest in the aluminum project, and Alcoa Inc. has a 25.1% interest. The total cost of the project is estimated to be SR 40.5 billion. Alcoa Inc. also agreed to reimburse the Company for 25.1% of the aluminum project's costs incurred by the Company before Alcoa Inc.'s participation. As of December 31, 2011, an amount of SR 212 million has been received from Alcoa Inc. in respect of its agreed portion of the aluminum project's costs.

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

2. Group structure

The Company has the following subsidiaries and jointly controlled entity, all incorporated in the Kingdom of Saudi Arabia:

Subsidiary	**Type of company**	**Effective ownership at December 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%**	74.9%
Ma'aden Rolling Company ("MRC")	Limited liability company	**74.9%**	74.9%
Ma'aden Bauxite and Alumina Company ("MBAC")	Limited liability company	**74.9%**	-
Jointly controlled entity			
Sahara and Ma'aden Petrochemical Company ("SAMAPCO")	Limited liability company	**50%**	-

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 mining lease 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 a non-controlling interest in these consolidated financial statements. Accordingly, the non-controlling interest in the consolidated balance sheet, and their share of profit / loss attributable to the non-controlling interest in these consolidated statement of income, represent SABIC’s share in the net assets and profit / 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 SR 245,980,000. The Company and SABIC paid their proportionate share of the increase in share capital amounting to SR 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 Ras Al-Khair 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 the 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 a non-controlling interest in these consolidated 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 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 the production of alumina. Alcoa Inc., through its subsidiary AWA Saudi Limited holds a 25.1% interest in MBAC, which is accounted for as a non-controlling interest in these consolidated financial statements. MBAC is a company incorporated in Saudi Arabia and is a subsidiary of Ma’aden.

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

The financial year ends of all the subsidiaries and joint venture coincide with that of the parent company.

3. Basis of preparation

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

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

4.1 Basis of consolidation

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying 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 or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jointly controlled entity

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

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

4.2 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated 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 statement of income.

4.3 Cash and cash equivalents

Cash and cash equivalents balance includes cash on hand, cash in banks and time deposits with an original maturity of three months or less at the date of acquisition.

4.4 Short-term investments

Short term investments include placements with banks and other short-term highly liquid investments with original maturities of more than three months but not more than one year from the date of acquisition.

4.5 Trade receivables

Trade receivables are carried at the original sales invoice amount less an allowance for doubtful debts (if any). An allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. Such allowances are charged to the consolidated 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 statement of income.

4.6 Inventories

Refined metals

Refined metals are measured at the lower of net cost of production or net realizable value. The net cost of production is determined as the total cost of production divided by the saleable unit output.

Production costs include:

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

Work-in-process

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

Ore stockpiles

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

Stores and materials

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

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

4.7 Financial assets and liabilities

Financial assets and liabilities carried on the consolidated 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 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.

(All amounts in Saudi Riyals unless otherwise stated)

4.8 Property, plant and equipment

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

	Number of years
• Buildings	9 – 33
• Heavy equipment	5 – 20
• Fixed plant and heap leach facilities	4 – 20
• Other equipment	4 – 20
• Office equipment	4 – 10
• Furniture and fixtures	4 – 10
• Mobile and workshop equipment	10
• Mining assets	2 - 8
• Laboratory and safety equipment	5
• Computer equipment	5
• Motor vehicles	4
• Civil works	4

During the year ended December 31, 2011, the Group decided to include the cost of mine closure and reclamation within Property, plant and equipment by classifying such cost in a new group of assets called “Mining assets” and transferred the historical cost and accumulated depreciation from Pre-operating expenses and deferred charges, where it was previously disclosed. Also see policy on “Mine closure and reclamation” in Note 4.17.

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

Maintenance and normal repairs which do not materially extend the estimated economic useful life of an asset are charged to the consolidated statement of income as and when incurred. Major renewals and improvements, if any, are capitalized.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated statement of income.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets.

4.9 Pre-operating expenses and deferred charges

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

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

4.10 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 unit cost of total tonnes mined

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

4.11 Capital work-in-progress

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

4.12 Asset impairment

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

Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount is reversed (with the exception of goodwill) and recorded as income in the consolidated statement of income in the year 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 statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

4.15 Severance fees

Effective from period 2005 onwards, as per the Saudi Mining Investment Code issued based on the Royal Decree No. 47/M dated 20 Sha'aban 1425H (corresponding to October 4, 2004), the Company is required to pay to the Government of Saudi Arabia severance fee representing 25% of the annual net income or the equivalent of the hypothetical income tax, whichever is the lower. Severance fee is charged to income on a monthly basis and is adjusted at the end of each quarter. The Zakat due shall be deducted from the amount.

4.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event 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 are capitalized as part of mining assets, under property, plant and equipment and then depreciated as an expense over the expected life-of-mine on straight-line basis. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgments and estimates involved. Factors influencing those changes include:

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

In prior years, the full estimated mine closure and reclamation costs capitalized were deferred (included within pre-operating expenses and deferred charges) and then amortized to expense over the expected life-of-mine on straight-line basis but not exceeding seven years. As a consequence of the change in accounting policy mentioned in Note 4.8 during the year ended December 31, 2011 cost capitalized relating to mine closure and reclamation will now be depreciated over the expected life-of-the mine.

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

4.18 Employees termination benefits

Employees' end-of-service benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years 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 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 an adjustment based on an inspection of the product by the customer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of contained metal, and adjusted subsequently.

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

4.21 General and administrative expenses

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

4.22 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 6th of Rabi II 1420H (corresponding to July 19, 1999) issued by H.H. Minister of Labor and Social Affairs, a Savings Plan Program was introduced to encourage the Saudi employees of the 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 10% of the monthly savings of each member per annum for the first year and increase it by 10% in the year after it reaches 100% at the 10th year, which will in turn be credited to the savings accounts of the member. The Company's portion is charged to the consolidated 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 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 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The accounting estimates will, by definition, seldom equal the related actual results.

The most significant areas requiring the use of management's assumptions, estimates and judgments relate to:

- reserve and resource estimates;
- economic useful lives of property, plant and equipment;
- impairment and reversal of impairment of assets;
- allowances;
- mine closure and environmental obligations;
- zakat; and
- contingencies.

Reserve and resource estimates

There is a degree of uncertainty involved in the estimation and classification of ore reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until ore reserves or mineral resources are actually mined and processed, the quantity of ore reserve and mineral resource grades must be considered as estimates only. What is more, the quantity of ore reserves and mineral resources may vary depending on, 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 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-mine, assumptions that were valid at the time of estimation, may change when new information becomes available.

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

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

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

Impairment and reversal of impairment of assets

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

Allowances

The Group also creates an allowance for obsolete and slow-moving spare parts. At December 31, 2011, the allowance for obsolete slow-moving items amounted to SR 19 million (December 31, 2010: SR 23 million). These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the consolidated balance sheet date to the extent that such events confirm conditions existing at the end of the year.

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 years 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, 2011, an amount of SR 186 million relating to year ended 2010 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 year 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 the 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 has commenced trial run testing in the last quarter of 2010 and is expected to start commercial operation during 2012, except for ammonia plant for which commercial production was declared on October 1, 2011.
- **The aluminum segment**, consists of the operations related to the development of an aluminum mine, refinery, smelter, rolling mill and power plant for the production of aluminum and related products. This segment is currently in the development stage and is expected to commence commercial operation during 2013 and 2014. Chlor alkali segment consists of the operations related to the development of concentrated caustic soda and ethylene dichloride complex for the production of concentrated caustic soda, chlorine and ethylene dichloride and the supply of entire production for use in alumina refinery at Ma’aden Bauxite and Alumina Company. This segment is currently in the development stage and is expected to commence commercial operation during 2013.
- **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 operations commenced partially during 2011.
- **The infrastructure segment,** relates to the development, construction and delivery of services in the Ras Al-Khair Area, and other mining and industrial locations 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)

	Note	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	Total
December 31, 2011								
Sales	28	**-**	**900,853,900**	**540,687,740**	**-**	**70,523,183**	**2,323,129**	**1,514,387,952**
Gross profit		**-**	**610,638,471**	**451,267,851**	**-**	**22,912,563**	**(52,212,846)**	**1,032,606,039**
Income from short-term investments	32	**71,043,144**	**3,896,593**	**-**	**-**	**7,880**	**208,188**	**75,155,805**
Net income / (loss) attributable to shareholders' of the parent company		**(234,550,176)**	**391,374,105**	**294,354,152**	**(4,139,716)**	**19,735,628**	**(53,459,189)**	**413,314,804**
Investment in jointly controlled entity	13	**-**	**-**	**-**	**448,154,100**	**-**	**-**	**448,154,100**
Property, plant and equipment	14	**108,655,397**	**136,801,387**	**6,396,424,564**	**126,906**	**253,594,897**	**555,086,663**	**7,450,689,814**
Pre-operating expenses and deferred charges	15	**16,492,509**	**130,442,981**	**128,728,397**	**210,020,943**	**14,440,394**	**-**	**500,125,224**
Capital work-in-progress	16	**16,380,365**	**19,134,128**	**11,941,413,972**	**9,966,403,230**	**74,335,961**	**222,216,512**	**22,239,884,168**
Total assets		**4,751,093,751**	**1,310,426,260**	**21,749,632,574**	**14,550,923,434**	**391,648,376**	**820,001,005**	**43,573,725,400**
December 31, 2010								
Sales	28	-	676,381,347	-	-	30,131,427	-	706,512,774
Gross profit		-	371,255,322	-	-	14,082,907	-	385,338,229
Income from short-term investments	32	166,276,472	1,982,540	-	-	-	-	168,259,012
Net income / (loss) attributable to shareholders' of the parent company		(220,848,539)	215,837,507	(17,305,305)	-	13,128,523	-	(9,187,814)
Property, plant and equipment	14	70,506,067	138,316,059	3,764,318	-	-	-	212,586,444
Pre-operating expenses and deferred charges	15	8,527,351	105,530,174	162,674,081	7,080,197	15,027,906	-	298,839,709
Capital work-in-progress	16	60,546,550	21,792,745	18,074,500,793	2,493,825,789	307,327,968	732,993,478	21,690,987,323
Total assets		8,196,439,526	871,745,514	20,616,692,431	4,004,761,199	361,730,427	665,489,688	34,716,858,785

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 at acquisition	**4,241,502,076**	2,248,600,000
Cash and bank balances	**802,976,105**	673,553,380
Total	**5,044,478,181**	2,922,153,380

8. Short-term investments

	2011	2010
Short-term deposits placed with commercial banks	**6,181,085,507**	8,783,974,813

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

9. Trade and other receivables

	2011	2010
Trade	**470,757,985**	20,469,398
Other	**10,756,225**	9,493,597
Total	**481,514,210**	29,962,995

Trade receivables as of December 31, 2011 includes:

Due from SABIC (Note 34.2)	**280,596,018**	-
Due from SAMAPCO (Note 34.2)	**47,593,280**	-

10. Inventories

	2011	2010
Finished goods – ready for sale	**136,556,423**	86,296,731
By-products	**21,687,342**	21,002,116
Work-in-progress at net production cost	**180,041,210**	97,132,154
Raw materials	**83,662,590**	11,459,884
Stockpile of mined ore	**37,400,735**	8,066,838
Total inventories	**459,348,300**	223,957,723
Spare parts and consumables materials	**121,271,026**	102,998,213
Allowance for obsolete slow-moving spare parts and consumable materials	**(18,822,654)**	(23,044,672)
Total spare parts and consumables	**102,448,372**	79,953,541
Total	**561,796,672**	303,911,264

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**	14,597,148
(Reversal) / increase of allowance for obsolescence	**(4,222,018)**	8,447,524
December 31	**18,822,654**	23,044,672

(All amounts in Saudi Riyals unless otherwise stated)

11. Advances and prepayments

	2011	2010
Current portion:		
Advances to contractors	**273,980,028**	295,361,176
Advances to employees	**3,519,124**	2,074,284
Other prepayments	**46,852,506**	30,201,985
Total	**324,351,658**	327,637,445
Non-current portion:		
Advances to contractors	**336,452,533**	81,009,425
Other prepayments	**5,193,333**	4,750,000
Total	**341,645,866**	85,759,425

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

12. Due from Government

The balance represented cost incurred to finance the required feasibility studies for the Railway Line Project, linking the Northern Area (Al Jalamid) with the fertilizer plant at Ras Al-Khair (Note 34.2). The amount has been repaid in full on July 13, 2011.

13. Investment in jointly controlled entity

	2011	2010
Investment of 50% in the issued share capital of SAMAPCO, at cost	**450,000,000**	-
Share in net loss for the period since incorporation	**(1,845,900)**	-
Total	**448,154,100**	-

The investment in SAMAPCO comprises of:

Contribution in kind:	
Pre-operating and deferred charges (Note 15)	31,939,887
Capital work-in-progress (Note 16)	236,329,928
Cash paid	181,730,185
Total	**450,000,000**

(All amounts in Saudi Riyals unless otherwise stated)

14. Property, plant and equipment

	Notes	Land	Mining assets	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	16	-	-	1,044,925	10,356,076	3,095,260	4,666,604	5,432,363	6,513,207	5,155,013	3,444,965	39,708,413
Adjustments / write-offs		-	-	(138,300)	-	-	-	-	-	(11,351)	-	(149,651)
December 31, 2010		22,550,000	-	24,840,012	66,203,746	356,052,604	106,348,548	221,811,152	31,404,423	28,970,334	15,890,412	874,071,231
Additions		-	-	-	-	-	-	4,852,122	-	-	-	4,852,122
Transfer from capital work-in-progress	16	-	-	2,480,039	151,497,824	6,617,271,169	225,499,837	371,073,126	24,599,632	15,750,840	10,730,554	7,418,903,021
Transfer from pre-operating expenses and deferred charges	15	-	62,713,264	-	-	-	-	-	-	-	-	62,713,264
Deferred cost of mine closure and reclamation	21	-	500,000	-	-	-	-	-	-	-	-	500,000
Adjustments / write-offs		-	-	(4,800,226)	(7,619,032)	(2,002,846)	(92,500)	(3,934,960)	(1,686,374)	(1,204,967)	(2,742,298)	(24,083,203)
December 31, 2011		**22,550,000**	**63,213,264**	**22,519,825**	**210,082,538**	**6,971,320,927**	**331,755,885**	**593,801,440**	**54,317,681**	**43,516,207**	**23,878,668**	**8,336,956,435**
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 year		-	-	1,414,359	7,314,035	39,453,444	8,620,760	14,045,233	4,143,641	2,056,196	802,462	77,850,130
Adjustments / write-offs		-	-	(43,219)	-	-	-	-	-	-	-	(43,219)
December 31, 2010		-	-	24,516,326	35,711,146	308,027,420	45,911,893	196,628,868	17,423,589	23,542,180	9,723,365	661,484,787
Charge for the year		-	-	2,518,880	13,627,424	110,879,166	20,682,785	35,990,749	9,786,238	5,059,420	2,767,461	201,312,123
Transfer from pre-operating expenses and deferred charges	15	-	38,579,615	-	-	-	-	-	-	-	-	38,579,615
Adjustments / write-offs		-	-	(6,289,625)	(2,942,296)	(254,814)	(92,500)	(3,066,098)	(604,726)	(1,283,966)	(575,879)	(15,109,904)
December 31, 2011		**-**	**38,579,615**	**20,745,581**	**46,396,274**	**418,651,772**	**66,502,178**	**229,553,519**	**26,605,101**	**27,317,634**	**11,914,947**	**886,266,621**
Net book value												
December 31, 2010		22,550,000	-	323,686	30,492,600	48,025,184	60,436,655	25,182,284	13,980,834	5,428,154	6,167,047	212,586,444
December 31, 2011		**22,550,000**	**24,633,649**	**1,774,244**	**163,686,264**	**6,552,669,155**	**265,253,707**	**364,247,921**	**27,712,580**	**16,198,573**	**11,963,721**	**7,450,689,814**

Property, plant and equipment of MPC with a net book value at December 31, 2011 of SR 6,396,424,564 (2010: SR 3,764,318) are pledged as security to lenders under the Common Term Financing Agreement (Note 23.5).

(All amounts in Saudi Riyals unless otherwise stated)

14. Property, plant and equipment (continued)

	Notes	Year ended December 31 2011	2010
Allocation of depreciation charge for the year			
To capital work-in-progress	16	**27,161,818**	-
To cost of sales	29	**167,185,259**	73,779,722
To general and administration expenses	30	**6,965,046**	4,070,408
Total		**201,312,123**	77,850,130

(All amounts in Saudi Riyals unless otherwise stated)

15. Pre-operating expenses and deferred charges

	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Total
Cost							
January 1, 2010		27,898,608	178,728,373	121,498,507	65,252,596	16,234,380	409,612,464
Additions during the year		4,375,878	25,393,490	41,175,574	56,577,601	713,400	128,235,943
Deferred cost of mine closure and reclamation, net	21	-	3,156,073	-	-	-	3,156,073
Adjustments/written off		-	-	-	(114,750,000)	-	(114,750,000)
December 31, 2010		32,274,486	207,277,936	162,674,081	7,080,197	16,947,780	426,254,480
Additions during the year		10,340,851	65,506,198	9,096,538	234,880,633	734,592	320,558,812
Transfer to property, plant and equipment (mining assets)	14	-	(62,713,264)	-	-	-	(62,713,264)
Adjustments/written off		-	-	(41,306,088)	-	-	(41,306,088)
Transfer to inventory during the year		-	-	(1,736,134)	-	-	(1,736,134)
Transfer to SAMAPCO	13	-	-	-	(31,939,887)	-	(31,939,887)
December 31 , 2011		**42,615,337**	**210,070,870**	**128,728,397**	**210,020,943**	**17,682,372**	**609,117,919**
Amortization							
January 1, 2010		19,261,313	89,657,317	-	-	929,920	109,848,550
Charge for the year		4,485,822	15,172,791	-	-	989,954	20,648,567
Reversal of provision		-	(3,082,346)	-	-	-	(3,082,346)
December 31, 2010		23,747,135	101,747,762	-	-	1,919,874	127,414,771
Charge for the year		2,375,693	16,459,742	-	-	1,322,104	20,157,539
Transfer to property, plant and equipment (mining assets)	14	-	(38,579,615)	-	-	-	(38,579,615)
December 31, 2011		**26,122,828**	**79,627,889**	**-**	**-**	**3,241,978**	**108,992,695**
Net book value							
December 31, 2010		8,527,351	105,530,174	162,674,081	7,080,197	15,027,906	298,839,709
December 31, 2011		**16,492,509**	**130,442,981**	**128,728,397**	**210,020,943**	**14,440,394**	**500,125,224**

Pre-operating expenses and deferred charges of MPC, MAC, MRC and MBAC with a net book value, before consolidation elimination at December 31, 2011, of SR 432,078,591 (2010: SR 169,754,278) are pledged as security to the lenders under the Common Term Agreement (Note 23.5).

Certain amounts included within pre-operating expenses and deferred charges, due to the development stage activities, have been reclassified to capital work-in-progress following the conclusion of the related engineering review process.

(All amounts in Saudi Riyals unless otherwise stated)

15. Pre-operating expenses and deferred charges (continued)

	Notes	Year ended December 31 2011	2010
Allocation of amortization charge for the year			
To cost of sales	29	**15,656,130**	16,134,349
To general and administration expenses	30	**4,501,409**	4,514,218
Total		**20,157,539**	20,648,567

16. Capital work-in-progress

	Notes	Corporate	Gold	Phosphate	Aluminum	Industrial minerals	Infra-structure	2011
Cost								
January 1, 2010		60,047,900	21,295,817	14,993,111,448	811,527,784	170,002,910	452,352,069	16,508,337,928
Additions during the year		5,792,085	30,548,406	3,085,430,649	1,695,303,401	137,530,158	280,641,409	5,235,246,108
Transfer to property, plant and equipment	14	(5,293,435)	(30,051,478)	(4,041,304)	(117,096)	(205,100)	-	(39,708,413)
Adjustments		-	-	-	(12,888,300)	-	-	(12,888,300)
December 31, 2010		60,546,550	21,792,745	18,074,500,793	2,493,825,789	307,327,968	732,993,478	21,690,987,323
Additions during the year		4,429,670	34,569,606	1,081,349,436	7,708,907,369	26,190,342	93,484,425	8,948,930,848
Transfer to property, plant and equipment	14	(48,595,855)	(37,228,223)	(6,475,270,753)	-	(253,546,799)	(604,261,391)	(7,418,903,021)
Depreciation capitalized during the year	14	-	-	27,161,818	-	-	-	27,161,818
Credit for pre-commercial production revenue, net of cost		-	-	(766,327,322)	-	(5,635,550)	-	(771,962,872)
Transfer to SAMAPCO	13	-	-	-	(236,329,928)	-	-	(236,329,928)
December 31, 2011		**16,380,365**	**19,134,128**	**11,941,413,972**	**9,966,403,230**	**74,335,961**	**222,216,512**	**22,239,884,168**

During the year ended December 31, 2011, MPC capitalized an additional SR 185 million (2010: SR 259 million) and MAC capitalized SR 287 million of net finance costs. The borrowing relates to qualifying assets.

Capital work-in-progress of MPC, MAC, MRC and MBAC with a net book value, before consolidation elimination at December 31, 2011, of SR 21,983,618,181 (2010: 19,557,241,626) are pledged as security to the lenders under the Common Term Agreement (Note 23.5).

16. Capital work-in-progress (continued)

	Year ended December 31 2011
Pre-commercial production revenue net of production cost comprises of the following	
• **Phosphate (MPC)**	
Ammonia sales through SABIC, net of production cost (Note 34.1)	655,956,984
DAP sales, net of production cost	110,370,338
	766,327,322
• **Industrial minerals (MIMC)**	
Caustic calcined magnesia sales, net of production cost	5,635,550
Total amount of pre-commercial production revenue, net of production cost	**771,962,872**

(All amounts in Saudi Riyals unless otherwise stated)

17. Projects and other payables

	2011	2010
Current portion:		
Projects	**1,014,225,034**	677,921,490
Trade	**303,112,761**	61,803,994
Savings plan	**8,144,214**	4,979,880
Other	**16,716,998**	23,515,074
Total	**1,342,199,007**	768,220,438
Non-current portion		
Advances from Alcoa Inc. (Note 34.2)	**821,488,065**	-
Total	**821,488,065**	-

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

Advances received from Alcoa Inc. are for the development of MAC, MRC and MBAC.

18. Accrued expenses

	2011	2010
Projects	**1,408,791,387**	1,191,342,890
Trade	**46,043,704**	36,113,922
Employees	**48,590,838**	39,234,445
Total	**1,503,425,929**	1,266,691,257

Accrued expenses for projects mainly represents the contracts cost accruals in relation to MAC, MRC, MBAC and MPC.

19. Zakat

19.1 Components of zakat base

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

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

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

19.2 Zakat payable

	Year ended December 31	
	2011	2010
January 1	**207,342,181**	268,560,500
Provision for zakat	**119,547,535**	207,317,723
Current year	**141,108,124**	207,342,181
Previous year (over) / under provision	**(21,560,589)**	(24,458)
Paid during the year to the authorities	**(185,781,592)**	(268,536,042)
December 31	**141,108,124**	207,342,181

(All amounts in Saudi Riyals unless otherwise stated)

The provision for zakat consist of:

	Year ended December 31 2011	2010
Saudi Arabian Mining Company	**107,336,047**	196,834,815
Ma'aden Gold and Base Metals Company (Note 20)	**19,657,487**	10,507,366
Ma'aden Phosphate Company	**12,122,621**	-
Ma'aden Infrastructure Company	**1,234,914**	-
Ma'aden Industrial Minerals Company	**757,055**	-
December 31	**141,108,124**	207,342,181

19.3 Status of final assessments

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

20. Severance fees payable

	Year ended December 31 2011	2010
January 1	**54,454,280**	45,142,915
Provision for severance fee	**85,032,887**	54,543,721
Current year	**83,810,743**	54,364,970
Previous year (over) / under provision	**1,222,144**	178,751
Paid during the year to the authorities	**(56,053,178)**	(45,232,356)
December 31	**83,433,989**	54,454,280

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

Provision for severance fees consists of:

	Year ended December 31 2011	2010
Gold mines	**82,676,088**	53,849,796
Low grade bauxite, kaolin and magnesite mines	**1,134,655**	515,174
December 31	**83,810,743**	54,364,970

(All amounts in Saudi Riyals unless otherwise stated)

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

	Year ended December 31 2011	2010
Net income from operating mines before severance fee for the year	**484,575,401**	281,127,318
25% of the year's net income as defined	**121,143,850**	70,281,830
Hypothetical income tax based on year's taxable net income	**102,333,575**	64,357,162
Provision based on the lower of the above two computations	**102,333,575**	64,357,162
Provision for zakat (Note 19.2)	**(19,657,487)**	(10,507,366)
Net severance fee provision for the year	**82,676,088**	53,849,796

21. Provision for mine closure and reclamation

	2011	2010
Gold mines	**90,384,799**	90,923,831
Low grade bauxite and kaolin mines	**500,000**	-
Total	**90,884,799**	90,923,831

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

21.1 Gold mines

	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
(Reversal) / provision for the year	15	-	(3,814,936)	-	7,003,305	(32,296)	3,156,073
Utilization		(3,525,813)	-	-	-	-	(3,525,813)
December 31, 2010		24,197,336	11,380,823	20,467,221	21,661,407	13,217,044	90,923,831
Utilization		(440,425)	(98,607)	-	-	-	(539,032)
December 31, 2011		**23,756,911**	**11,282,216**	**20,467,221**	**21,661,407**	**13,217,044**	**90,384,799**
Commenced commercial production in		1988	2001	1991*	2001	2008	
Expected closure date in		2016	2013	2015	2017	2018	

* The Sukhaybarat mine ceased its mining activities and current operations are limited to the carbon in leach ("CIL") processing of ore transferred from Bulghah mine

21.2 Low grade bauxite and kaolin mines

	Note	Az Zabirah mine	Al Zarghatt mine	Total
December 31,2010		-	-	-
Provision for the year	14	300,000	200,000	500,000
December 31, 2011		**300,000**	**200,000**	**500,000**
Commenced commercial production in		2008	2011	
Expected closure date in		2026	2028	

The provision for mine closure and reclamation represents the full amount of the estimated future closure and reclamation costs for the various operational mining properties, based on information currently available including closure plans and applicable regulations. Future changes, if any, in regulations and cost assumptions may be significant and will be recognized when determined. The provision for mine closure and reclamation relates to the Group's gold, low grade bauxite, magnesite and kaolin mining activity only, as phosphate and the aluminum mines are currently in the development stage.

(All amounts in Saudi Riyals unless otherwise stated)

22. Employee termination benefits

	Year ended December 31 2011	2010
January 1	**104,607,572**	84,987,823
Provision for the year	**35,231,278**	27,413,350
Paid during the year	**(10,027,788)**	(7,793,601)
December 31	**129,811,062**	104,607,572

23. Long-term borrowings

23.1 Facilities approved

MPC, MAC, MRC and MBAC entered into Common Terms Agreements ("CTA") with the Public Investment Fund and consortiums of financial institutions, comprising of:

	MPC Facilities granted June 15, 2008	MAC Facilities granted Nov. 10, 2010	MRC Facilities granted Nov. 30, 2010	MBAC Facilities granted Nov. 30, 2011	Total
Public Investment Fund ("PIF")	4,000,001,250	4,875,000,000	3,078,750,000	3,750,000,000	15,703,751,250
Islamic and commercial banks					
Procurement*	4,269,892,500	4,447,500,000	1,041,000,000	2,690,700,000	12,449,092,500
Commercial*	1,491,562,500	900,000,000	-	258,750,000	2,650,312,500
Al-Rajhi facility	2,343,750,000	-	-	-	2,343,750,000
The Export Import Bank of Korea	1,500,000,000	-	-	-	1,500,000,000
Korea Export Insurance Corporation	750,000,000	-	-	-	750,000,000
Wakala	-	787,500,000	-	768,750,000	1,556,250,000
	10,355,205,000	6,135,000,000	1,041,000,000	3,718,200,000	21,249,405,000
Saudi Industrial Development Fund ("SIDF")	600,000,000	600,000,000	600,000,000	-	1,800,000,000
Total facilities granted	**14,955,206,250**	**11,610,000,000**	**4,719,750,000**	**7,468,200,000**	**38,753,156,250**

MPC facility

These financing agreements with financial institutions subject to special conditions and covenants provided long-term borrowing totaling to SR 15 billion 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 CTA. Other covenants include financial ratio maintenance, maximum capital expenditures allowed and restriction on dividend distribution to shareholders.

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

MAC facility

The financing agreement imposed special conditions and covenants and if the conditions are met, the financial institutions will provide long-term borrowing totaling to SR 11.6 billion for financing the construction and operation of MAC. Special covenants imposed include the limit of creation of additional liens and/or financing obligations by MAC, unless specifically allowed under the CTA. Other covenants include financial ratio maintenance, maximum capital expenditures allowed and restriction on dividend distribution to shareholders.

Riyadh Bank, Saudi Hollandi Bank, Standard Chartered Bank, APICORP, National Commercial Bank, Banque Saudi Fransi, SAMBA, Arab National Bank and Bank Al Jazira act as agents for procurement facility and Al Rajhi Bank and Alinma Bank act as agents for wakala facility, respectively.

(All amounts in Saudi Riyals unless otherwise stated)

MRC facility

The consortium of financial institutions and PIF, subject to certain conditions precedent, approved a facility of SR 4.7 billion for MRC. This facility was not utilized as at December 31, 2011.

MBAC facility

The consortium of financial institutions and PIF, subject to certain conditions precedent, approved a facility of SR 7.5 billion for MBAC. This facility was not utilized as at December 31, 2011.

23.2 Facilities utilized under the different CTAs

MPC facility

	2011	**2010**
Public Investment Fund		
July 14, 2008 arrangement 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**	475,761,503
July 26, 2011 final drawdown	**362,567,141**	-
Sub-total (Note 34.2)	**4,000,001,250**	3,637,434,109

The rate of commission on the principal amount of the loan draw down and outstanding for each commission period, is in the range of LIBOR plus 0.5% per annum. Loan repayments will start from June 30, 2012, on a six monthly basis, in equal principal repayments of SR 166.4 million, with the final repayment of SR 172.8 million on December 31, 2023.

Islamic and commercial banks		
Procurement	**4,269,892,500**	3,878,480,095
Commercial	**1,116,562,500**	1,014,209,474
Al-Rajhi facility	**2,343,750,000**	2,338,094,785
The Export Import Bank of Korea	**1,500,000,000**	1,358,868,876
Korea Export Insurance Corporation	**750,000,000**	750,000,000
Sub-total	**9,980,205,000**	9,339,653,230

The rate of commission on the principal amount of the loan draw down and outstanding for each commission period is in the range of LIBOR plus 0.5% to 1.15% per annum.

The repayment of facilities will start from June 30, 2012. All the repayments of the above facilities will be on a six monthly basis, with the final repayment due on December 31, 2023.

Saudi Industrial Development Fund		
April 26, 2010 first draw down	**300,000,000**	300,000,000
December 10, 2010 second draw down	**240,000,000**	240,000,000
September 26, 2011 third draw down	**30,000,000**	-
Sub-total	**570,000,000**	540,000,000

The project follow-up cost paid during the drawdown amounted to SR 6.3 million. Repayment of this facility will start on February 26, 2013, on a six monthly basis, with the final payment on June 19, 2019.

Total MPC borrowings	**14,550,206,250**	13,517,087,339

(All amounts in Saudi Riyals unless otherwise stated)

MAC facility

	2011	2010
Public Investment Fund	**2,248,712,948**	**-**

The rate of commission on the principal amount of the loan draw down and outstanding for each commission period, is LIBOR plus 0.5% per annum. The repayment of the loan will be in 24 installments on a six monthly basis starting from December 31, 2014. The repayments starting at SR 99.9 million and increasing over the term of the loan with the final repayment of SR 1,218 million on June 30, 2026. (Note 34.2)

	2011	2010
Islamic and commercial banks		
Dollar procurement	**411,223,842**	**-**
Riyal procurement	**1,595,819,276**	**-**
Commercial	**406,147,010**	**-**
Wakala	**365,752,212**	**-**
Sub-total	**2,778,942,340**	**-**

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 the loan will start from December 31, 2014. The repayments starting at SR 125.8 million and increasing over the term of the loan with the final repayment of SR 1,534 million on June 30, 2026.

	2011	2010
Total MAC borrowings	**5,027,655,288**	-
Total borrowings	**19,577,861,538**	13,517,087,339
Less: Current portion of long-term borrowings relating to MPC borrowing	**762,383,304**	-
Long term portion	**18,815,478,234**	13,517,087,339

23.3 Maturity profile of long-term borrowings

	2011	2010
2012	**762,383,304**	704,690,377
2013	**864,409,329**	804,007,602
2014	**1,185,890,354**	894,957,860
2015	**1,499,621,379**	978,016,987
Thereafter	**15,265,557,172**	10,135,414,513
Total	**19,577,861,538**	13,517,087,339

23.4 Facilities' currency denomination

Essentially all of the Company's facilities have been contracted in United States Dollar (US$) and the drawdown balances in US$ are shown below:

	2011 (US$)	2010 (US$)
Public Investment Fund	**1,666,323,786**	969,982,429
Islamic and commercial banks		
Procurement	**1,564,189,807**	1,034,261,358
Al-Rajhi Bank	**625,000,000**	623,491,943
The Export Import Bank of Korea	**400,000,000**	362,365,034
Korea Export Insurance Corporation	**200,000,000**	200,000,000
Commercial	**406,055,869**	270,455,860
Dollar procurement	**109,659,691**	-
Wakala	**97,533,923**	-
Saudi Industrial Development Fund	**152,000,000**	144,000,000
Total	**5,220,763,076**	3,604,556,624

23.5 Security

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

	2011	2010
Property, plant and equipment (Note 14)	**6,396,424,564**	3,764,318
Pre-operating expenses and deferred charges (Note 15)	**432,078,591**	169,754,278
Capital work-in-progress (Note 16)	**21,983,618,181**	19,557,241,626
Total	**28,812,121,336**	19,730,760,222

24. Share capital

	2011	2010
Authorized, issued and fully paid		
925,000,000 Ordinary shares, with a nominal value of SR 10 per share	**9,250,000,000**	9,250,000,000

25. Share premium

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

26. Transfer of net income

	2011	2010
January 1	**242,996,397**	242,996,397
Transfer of 10% of net income for the year	**41,331,480**	-
December 31	**284,327,877**	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.

(All amounts in Saudi Riyals unless otherwise stated)

27. Non-controlling interest

	Year ended December 31 2011	2010
January 1	**2,134,410,194**	1,782,303,285
Increase in non- controlling interest (Note 2)	**637,901,691**	357,298,500
Share of current year's net income / (loss)	**124,764,505**	(5,191,591)
December 31	**2,897,076,390**	2,134,410,194

28. Sales

	Year ended December 31 2011	2010
Gold segment		
Gold revenue	**865,751,039**	642,068,377
Zinc revenue	**35,102,861**	34,312,970
	900,853,900	676,381,347
Phosphate segment		
Ammonia revenue (Note 34.1)	**540,687,740**	-
Industrial minerals		
Low grade bauxite revenue	**63,743,696**	30,131,427
Kaolin revenue	**1,798,578**	-
Caustic calcined magnesia	**4,980,909**	-
	70,523,183	30,131,427
Infrastructure		
Infrastructure revenue	**2,323,129**	-
Total	**1,514,387,952**	706,512,774
Gold sales analysis		
Value of gold sales	**865,751,039**	642,068,377
Quantity of gold sold in ounces (Oz)	**147,205**	140,028
Average realized price per ounce (Oz) in:		
US$	**1,568**	1,223
Saudi Riyals (equivalent)	**5,881**	4,585

29. Cost of sales

	Year ended December 31 2011	2010
Personnel cost	**120,634,468**	95,628,545
Contracted services	**67,456,224**	48,461,887
Repairs and maintenance	**25,009,469**	21,352,866
Consumables	**83,342,569**	82,778,560
Overheads	**36,148,897**	17,722,568
Provision / (reversal) of inventory obsolescence	**(4,243,997)**	8,447,524
Sale of by-products	**(50,534,873)**	(36,180,302)
Total cash operating costs	**277,812,757**	238,211,648
Depreciation (Note 14)	**167,185,259**	73,779,722
Amortization (Note 15)	**15,656,130**	16,134,349
Total operating costs	**460,654,146**	328,125,719
Decrease / (increase) in inventory	**21,127,767**	(6,951,174)
Total	**481,781,913**	321,174,545

(All amounts in Saudi Riyals unless otherwise stated)

30. General and administrative expenses

	Year ended December 31 2011	2010
Salaries and staff related benefits	**166,981,090**	148,730,043
Contracted services	**27,937,061**	33,120,717
Overheads and other	**19,901,452**	14,756,721
Consumables	**6,302,892**	5,445,589
Directors' allowances	**2,375,194**	3,269,368
Repair parts	**491,182**	249,149
Depreciation (Note 14)	**6,965,046**	4,070,408
Amortization (Note 15)	**4,501,409**	4,514,218
Total	**235,455,326**	214,156,213

The Board of Directors' allowances represents accrual based on management's estimate and will be finalized upon approval by the Company's shareholders at the General Assembly Meeting.

31. Exploration expenses

	Year ended December 31 2011	2010
Salary and staff related benefits	**41,024,132**	28,737,841
Contracted services	**65,770,782**	41,265,059
Overheads and other	**3,348,751**	4,086,994
Consumables	**3,053,086**	3,217,666
Repair parts	**2,860,167**	848,529
Total	**116,056,918**	78,156,089

32. Income from short-term investments

	Year ended December 31 2011	2010
Income received and accrued on short-term investments	**75,155,805**	168,259,012

33. Earnings per ordinary share

	Year ended December 31 2011	2010
Net income / (loss) attributable to the shareholders of the parent company	**413,314,804**	(9,187,814)
Weighted average number of ordinary shares in issue during the year	**925,000,000**	925,000,000
Basic and diluted earnings / (loss) per ordinary share from continuing operations	**0.45**	(0.01)

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

(All amounts in Saudi Riyals unless otherwise stated)

34. Related party transactions and balances

34.1 Related party transactions

Transactions with a related party carried out during the year, in the normal course of business, are summarized below:

	2011	2010
Sales through SABIC during the year		
• Since commencement of commercial production on October 1, 2011, disclosed in the income statement as part of sales. (Note 28)	**540,687,740**	-
• Before date of commencement of commercial production on October 1, 2011, the pre-commercial production revenue, net of cost of production amounting to SR 655,956,984 has been credited against capital work-in-progress. (Note 16)	**1,227,916,669**	-
Total	**1,768,604,409**	-

34.2 Related party balances

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

	2011	2010
Payable to shareholder		
Advances from Alcoa Inc. (Note 17)	**821,488,065**	-
Long-term borrowings from a 50% shareholder in Ma'aden		
Due to PIF for:		
Financing of the MPC facility (Note 23.2)	**4,000,001,250**	3,637,434,109
Financing of the MAC facility (Note 23.2)	**2,248,712,948**	-
Total	**6,248,714,198**	3,637,434,109
Receivables from related party		
Due from SABIC (Note 9)	**280,596,018**	-
Due from SAMAPCO (Note 9)	**47,593,280**	-
Due from Government (Note 12)	**-**	61,045,987

35. Operating lease agreements

	2011	2010
Payments under operating leases recognized as an expense during the year	**15,016,083**	7,285,000

Future minimum operating lease commitments due under these operating leases are as follows:

	2011	2010
2011	**-**	15,016,083
2012	**15,016,083**	15,016,083
2013	**14,956,083**	14,956,083
2014	**14,956,083**	14,956,083
2015	**8,021,083**	8,021,083
2016	**2,796,083**	2,796,083
2017 through 2029	**28,364,693**	28,364,693
Total	**84,110,108**	99,126,191

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.

36. Commitments and contingent liabilities

	2011	2010
Capital expenditures:		
Contracted for	**14,701,023,625**	10,246,508,913
Guarantees:		
Guarantees in favor of Saudi Aramco, for future diesel and gas feedstock supplies	**171,000,000**	170,962,000
Guarantees for the development of aluminum project	**1,312,975,908**	1,312,975,908
Total	**1,483,975,908**	1,483,937,908
Letters of credit:		
For the development of the aluminum project	**1,537,500,000**	509,419,932

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

37. Financial risk management

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

37.1 Currency risk

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

37.2 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.

37.3 Commission rate risk

Is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group's commission rate risks arise mainly from its short-term investments and long term-borrowings, which are at floating rate of commission and are subject to re-pricing on a regular basis. The Group monitors the fluctuations in commission rate.

Based on the Groups net debt outstanding at December 31, 2011, the effect on net earnings of a 1% movement in the US Dollar LIBOR commission rate would be SR 84 million (2010: SR 18 million). These balances will not remain consistent throughout 2012.

Further, seeing that the long-term borrowings are used to finance qualifying assets the movement in the commission rate would be capitalized as part of the cost of the qualifying assets.

37.4 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.

37.5 Credit risk

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

The Group currently has two major customers which account for sales of approximately SR 856 million, representing 57% of the Group's sales for the year ended December 31, 2011 (December 31, 2010: SR 636 million representing 90% of Group's sales from two major customers). Trade receivables are carried net of provision for doubtful debts, if needed.

37.6 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.

38. Post balance sheet events

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

39. Comparative figures

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

(All amounts in Saudi Riyals unless otherwise stated)

40. Detailed information about subsidiaries and jointly controlled entity

Subsidiary	Nature of business	Issued and paid-up share capital	Effective group interest 2011 %	Effective group interest 2010 %	Cost of investment by parent company 2011	Cost of investment by parent company 2010
Ma'aden Gold and Base Metals Company ("MGBM")	Gold mining	300,000,000	100	100	**300,000,000**	300,000,000
Ma'aden Phosphate Company ("MPC")	Phosphate mining and fertilizer producer	6,208,480,000	70	70	**4,345,936,000**	4,345,936,000
Ma'aden Industrial Minerals Company ("MIMC")	Kaolin, low grade bauxite and magnesite mining	500,000	100	100	**500,000**	500,000
Ma'aden Infrastructure Company ("MIC")	Manage and develop infrastructure projects	500,000	100	100	**500,000**	500,000
Ma'aden Aluminum Company ("MAC")	Aluminum ingots, t-bars, slabs and billets	2,688,816,000	74.9	74.9	**2,013,923,184**	492,373,875
Ma'aden Rolling Company ("MRC")	Aluminum sheets for can body and lids	472,125,000	74.9	74.9	**353,621,625**	353,621,625
Ma'aden Bauxite and Alumina Company ("MBAC")	Bauxite mining and refining	510,000,000	74.9	-	**381,990,000**	-
Sub-total					**7,396,470,809**	5,492,931,500
Jointly controlled entity						
Sahara and Ma'aden Petrochemical Company ("SAMAPCO")	Production of concentrated caustic soda and ethylene dichloride	900,000,000	50	-	**450,000,000**	-
Total					**7,846,470,809**	5,492,931,500

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