2011

Ma'aden | Annual Report 2011

Ma'aden | Annual Report 2011

www.maaden.com.sa

Ma'aden | Annual Report 2011

MA'ADEN معادن

Custodian of the Two Holy Mosques
King Abdullah bin Abdulaziz Al Saud

Crown Prince Naif bin Abdulaziz Al Saud,
Deputy Premier and Minister of the Interior

This annual report has been prepared based on the information available to Saudi Arabian Mining Company and its subsidiaries (hereinafter, Ma'aden or the Group) as at the issue date.

This annual report includes certain projection statements with respect to Ma'aden's operations, economic indicators, financial position, results of operations and production activities, its plans, projects and expected results, as well as the trends related to commodity prices, production and sales volumes, costs, estimates expenses, development prospects, useful lives of assets, mineral resource and ore reserves estimates and other similar factors and economic projections with respect to the mining industry and markets, starting and completion dates of certain geological exploration and production projects.

Words such as "intends", "strives", "projects", "expects", "estimates", "plans", "considers", "assumes", "may", "should", "will", "continues" and other words with similar meanings usually indicate the projection nature of the statement.

These projection statements, due to their specific nature, involve inherent risks and uncertainty, and there is a risk that the assumptions, expectations, intentions and other projection statements may never come to life. In the light of the above risks, uncertainties and assumptions, Ma'aden notifies that the actual results may differ significantly from the indicated, directly or indirectly, in the said projection statements that are effective only at the date of this annual report.

Ma'aden neither confirms nor guarantees that the results indicated in these projection statements will be achieved. Ma'aden accepts no responsibility for any losses that may be incurred by any individual or legal entity by their reliance on the projection statements. Each particular projection statement represents one of the numerous development scenarios and should not be treated as the most probable one.

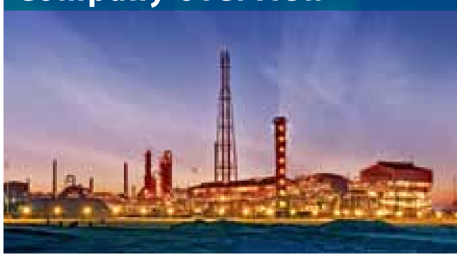
In particular, other factors that may affect the starting date of construction or production, estimated expenses and volume of production, useful lives of assets include the possibility of deriving profit from production, the effect of exchange rate changes on commodity prices of the goods produced, activities of the government authorities in the Kingdom of Saudi Arabia and other jurisdictions where Ma'aden explores, develops or uses the assets, including changes in zakat, environmental and other laws and regulations. This list of significant factors is not exhaustive.

When considering projection statements, the above factors should be carefully considered and taken into account, in particular, the economic, social and legal obligations of Ma'aden's activities.

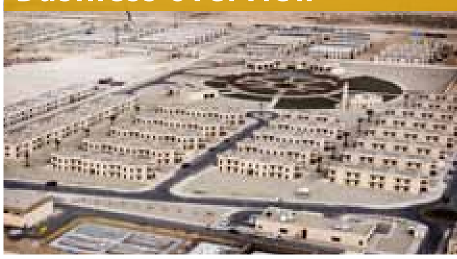
Except for cases directly provided for by the applicable laws, Ma'aden does not assume any obligations to publish updates and amendments to the projection statements, based on either new information or subsequent events.

Ma'aden is leading in the exploration and development of minerals across the Kingdom of Saudi Arabia.

Company overview

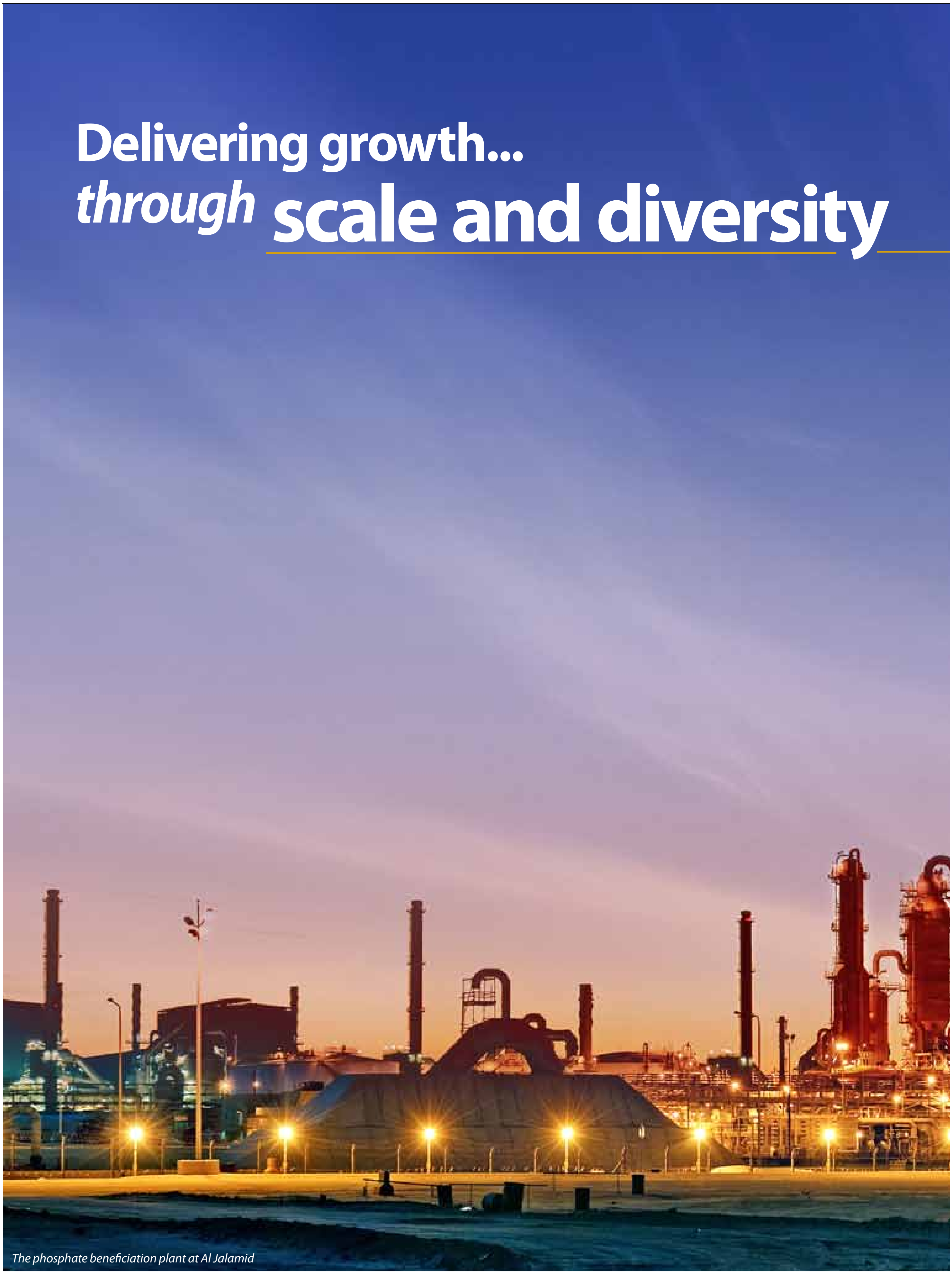


Business overview



Corporate governance

Financial statements



The phosphate beneficiation plant at Al Jalamid

Company overview

The Board of Directors

The composition of Ma'aden's Board of Directors, for the past financial year (including two new appointments and two retirements) their membership on the Boards of other companies, their membership of sub-committees of the Board, and the number of meetings attended.

The Board of Directors comprise of eight Non-executive Directors and one Executive Director, three of the Non-executive Directors are independent, whilst the remaining five Non-executive Directors are representing major shareholders of the Company.

Engr. Abdallah Bin Saif Al-Saif

Age: 69*

Holds a Bachelor degree in Petroleum Engineering

Held various senior management positions, served on several committees and held Board positions at Aramco between 1960 and 2007

Position:
Chairman
Independant

Membership of other Boards:
Dhahran Emaar Company

Membership of committees:
Chairman of the Executive Committee;
Chairman of the Nomination and Remuneration Committee

Board meetings attended: 7

Mr. Mansour Bin Saleh Al-Maiman

Age: 63*

Holds a MBA and BA degree in Accounting and Business Administration

Held many Board positions as well as Secretary General of the Public Investment Fund

Held important positions at the General Secretariat of Public Investment Fund from 1973 to 1993

Position:
Non-executive

Membership of other Boards:
Southern Province Cement Company;
Saudi Stock Exchange (Tadawul)

Membership of committees:
Nomination and Remuneration Committee

Board meetings attended: 6

Mr. Sultan Bin Jamal Shawli

Age: 59*

Holds a Masters degree in Petrological Studies and Sedimentary Environment of Phosphate Rocks in the Kingdom of Saudi Arabia

Held several senior positions in the Ministry, including his current position as undersecretary of the Ministry of Petroleum and Mineral Resources for Mineral Resources

Position:
Non-executive

Membership of other Boards:
Arab Mining Company (Jordan);
Industries Chimiques Du Fluor (Tunisia)

Membership of committees:
Executive Committee

Board meetings attended: 5

H.E. Soliman Bin Saad Al-Humayyd

Age: 67*

Holds a MBA with a major in finance and a Bachelors degree in Business Administration with a major in finance

Currently the Governor of the General Organisation for Social Insurance ("GOSI")

Held several positions at GOSI since 1973 and headed the Kingdom's delegation to several conferences of the International Society for Social Insurance

Position:
Non-executive

Membership of other Boards:
Tawuniya Co-operative Insurance Company;
Saudi Research & Marketing Group

Membership of committees:
Executive Committee

Board meetings attended: 7

H.E. Mohammed Bin Abdullah Al-Kharashi

Age: 63*

Holds a Masters degree in Accounting

Held several positions at the Pensions Agency Fund he was appointed in 2000 in his current position as Governor

Deputy Representative of Saudi Arabia in the OPEC Fund for International Development (1991–2006)

Held various directorships at the Treasury Department

Position:
Non-executive

Membership of other Boards:
Saudi Industrial Investment Group;
STC;
Saudi Research & Marketing Group

Membership of committees:
Chairman of the Audit Committee

Board meetings attended: 7

Dr. Ziad Bin Abdulrahman Al-Sudairy

Age: 60*

Holds a Doctorate in Law and a BA degree in Political Science

Worked in the government and private sectors and was a legal adviser in the office of the Minister of Interior

Currently the Director General of Ziad bin Abdulrahman Al-Sudairy Law Firm, established in 1988

Position:
Independent

Membership of other Boards:
None

Membership of committees:
Audit Committee;
Nomination and Remuneration Committee

Board meetings attended: 6

Engr. Khalid Bin Hamad Al-Senani

Age: 53*

Holds a Masters degree in Construction Project Management and a Bachelors degree in Civil Engineering

Held several senior project engineer positions at Aramco

Project engineer with the National Guard

Position:
Non-executive

Membership of other Boards:
None

Membership of committees:
Audit Committee

Board meetings attended: 7

Engr. Khalid Bin Saleh Al-Mudaifer

Age: 51*

Holds a MBA and a Bachelor's degree in Civil Engineering

President of Saudi Arabian Mining Company (Ma'aden) since 2011

VP for Phosphate and New Business Development SBU at Ma'aden from 2006 to 2010

GM of Qassim Cement Company (1993-2006)

VP and Director of Finance at Sharq Company (1986-1993)

Position:
Executive

Membership of other boards:
None

Membership of committees:
Executive Committee;
Nomination and Remuneration Committee

Board meetings attended: 2
(Membership started on October 25, 2011.)

Mr. Abdulaziz Bin Abdullah Al-Sugair

Age: 65*

Holds a Master's in Electrical Engineering and a Bachelor's degree in Electrical and Electronic Engineering

Held many positions at the Royal Saudi Air Force for ten years

CEO of Advanced Electronics Company for 13 years

CEO of Saudi Electricity Company (SEC) for one year

Position:
Independent

Membership of other boards:
None

Membership of committees:
Executive Committee

Board meetings attended: 2
(Membership started on October 25, 2011.)

Dr. Abdulaziz Bin Saleh Al-Jarbou

Age: 67*

Holds a Doctorate in Chemical Engineering and Oil Refining, with a minor in Economics

Joined SABIC since its inception and was the Director General of Project Implementation for seven years (1980–1987)

Held many Board positions including that of Chairman of the Board of Directors of Chemia Company

In 1999, a Royal Decree appointed him as a member of the Advisory Commission of the Supreme Economic Council

Position:
Independent

Membership of other Boards:
Riyadh Bank;
Saudi Arabian Amiantit Co.;
Saudi Paper Manufacturing Co. Ltd.

Membership of committees:
Nomination and Remuneration Committee

Board meetings attended: 4
(Membership ended on October 25, 2011.)

Dr. Abdallah Bin Essa Al-Dabbagh

Age: 69*

Holds a Doctorate in Geology

President of Ma'aden 1997-2010

A leading figure in administration, education, research, and technological development in the Kingdom for over 20 years

A pioneering leader in the economic circles of Saudi Arabia and has received several national awards

Position:
Executive

Membership of other boards:
None

Membership of committees:
Executive Committee;
Nomination and Remuneration Committee

Board meetings attended: 5
(Membership ended on October 25, 2011.)

* According to the Hijriya calendar.

Ma'aden's profile

The phosphate plant at Ras Al-Khair

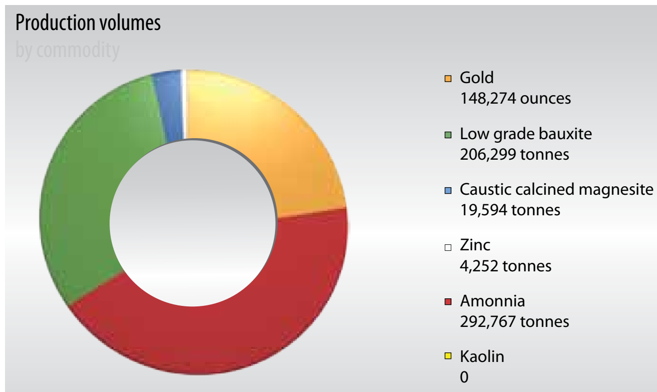
Ras Al-Khair complex

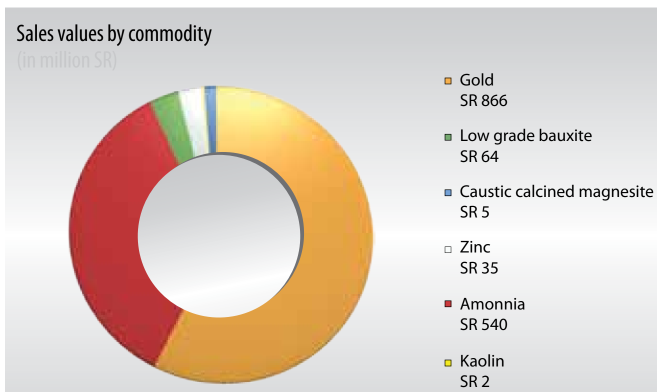
Description of business

Ma'aden is a leading mining and metals company in the Kingdom of Saudi Arabia, with a diverse portfolio of mineral assets at various stages of development including exploration, development and production. Ma'aden has a broad commodity focus spanning gold, phosphate, aluminium, magnesia, low-grade bauxite, industrial minerals, and is continually assessing opportunities to enter into new commodities that demonstrate strong long-term fundamentals and opportunities for growth, in line with Ma'aden's strategy.

Ma'aden's businesses, as of December 31, 2011, can be broken down into four distinct categories:

- Steady state operations
- Projects entering into commercial production during 2012
- Projects at development stage
- Exploration





Total sales
(in million SR)

SR 1,514

EBITDA
(in million SR)

SR 788

Inspection of the phosphoric acid plant at Ras Al-Khair

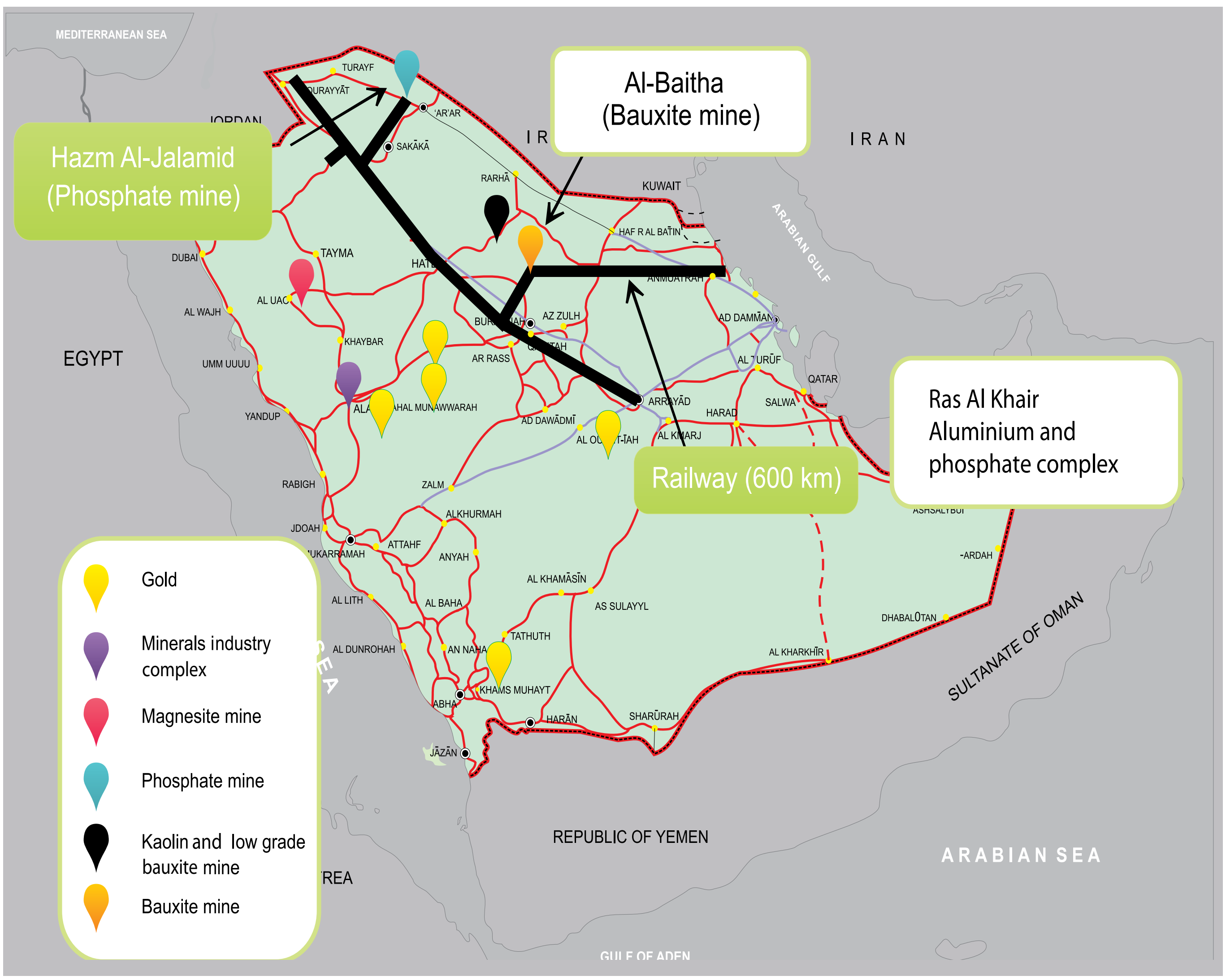
Steady state operations
Ma'aden's principal steady state operations are currently focused on mining gold, zinc, low-grade bauxite and kaolin as well as producing caustic calcined magnesia.

Ma'aden Gold and Base Metals Company (MGBM) (a limited liability company and a wholly owned subsidiary) is responsible for Ma'aden's gold mining operations. MGBM produced 148,475 ounces in 2011 with expansion plans on track to increase production to 400,000 ounces by 2015. Currently, MGBM is producing from four mines: Mahd Ad Dahab, Al Hajar (Shirs), Al Amar, Bulghah, and a processing plant at Sukhaybarat.

Ma'aden Industrial Minerals Company (MIMC) (a limited liability company and a wholly owned subsidiary) is mining low-grade bauxite and kaolin at the Az Zabirah mine in the Hail Province. MIMC is mining magnesite at the Al-Ghazalah mine and commenced commercial production of caustic calcined magnesia in October 2011.

Ma'aden Phosphate Compant (MPC) (a limited liability company and 70% owned by Ma'aden and 30% by Saudi Basic Industries Company (SABIC)) commenced commercial production of ammonia in the 4th quarter of 2011.

Ma'aden Infrastructure Company (MIC) (a limited liability company and a wholly owned subsidiary), owns and operates the residential village for singles at Ras Al-Khair for MPC staff. The company is currently expanding the village to meet the requirements of MAC.



Ma'aden geologists in the field

Environmental testing

Projects entering into commercial production during 2012

Phosphate

Ma'aden's phosphate project, one of the Company's mega projects, is in its ramp-up stage with commercial production of diammonium phosphate (DAP) due in the first quarter of 2012.

The phosphate operations include:

- the mining and beneficiation of phosphate at Al Jalamid
- the transportation by rail to Ras Al-Khair area
- the utilisation of national resources of natural gas and sulphur to manufacture DAP
- monoammonium phosphate ("MAP") fertiliser products and
- ammonia

The processing facility at Ras Al-Khair comprises four major units:

- Sulphuric acid plant
- Phosphoric acid plant
- Ammonia plant
- Diammonium phosphate plant

Ma'aden's DAP project will elevate Saudi Arabia amongst the biggest DAP producers and exporters in the world. This project is expected to become a major revenue driver for Ma'aden when it reaches capacity with annual production of approximately three million tonnes of DAP granules and 440,000 tonnes of excess ammonia per year.

Magnesite

Ma'aden's magnesite project is in the final stage of completion. The commercial production of dead burn magnesia (DBM) is due in the first quarter of 2012. The project includes the mine at Al Ghazalah and the processing plant at Al Madinah industrial zone.

Infrastructure

MIC has signed in 2008 memorandum of understanding with the Royal Commission of Jubail and Yanbu ("RCJY") to the effect that the Ras Al-Khair site management and infrastructure will be transferred to the RCJY based on a detailed Implementation agreement , in the second quarter of 2012.

MIC owns and operates a bachelor village which provides accommodation for the operational staff of the Phosphate Project at Ras Al-Khair. MIC is currently expanding the village to cater for the operational needs of the Ma'aden Aluminium Project.

In Jubail MIC is developing other accommodation projects to provide family accommodation to the Phosphate and Aluminium projects.

Caustic soda and ethylene dichloride

Ma'aden and Sahara Petrochemicals signed an agreement to create a joint plant to produce caustic soda and chlorine at the Sahara Petrochemicals complex in Jubail Industrial City. The plant was designed to produce 300,000 tonnes of ethylene dichloride and 250,000 tonnes of caustic soda per year to supply the Ma'aden refinery at Ras Al-Khair with the full amount of caustic soda and marketing of the excess ethylene dichloride product locally and international. In addition, chlorine will be utilized to manufacture ethylene dichloride. These operations will be managed by Sahara and Ma'aden Petrochemicals Company (SAMAPCO) (a limited liability company, jointly owned 50:50 by Ma'aden and Sahara).

Projects at development stage

Ma'aden is involved in a number of projects at various stages of development. These projects are of significance to the Group, offering both near and mid-term growth and also exposure to new commodities and products such as aluminium.

Aluminium

Ma'aden is focussed on developing the bauxite resources from Al Baitha mine, which is located between Hail and Qassim provinces to produce aluminum products for the local and international markets. All permits required for the project have been obtained.

The aluminum project includes the development and design of two integrated sites:

- Al Baitha mining facilities include a bauxite mine, a crusher, and ore handling facilities with a capacity of four million tonnes per year. The bauxite ore is transported by Saudi Arabia Railways on the north-south railway line from the mine to the processing facilities, at Ras Al-Khair.
- The aluminium complex at Ras Al-Khair includes:
  - an alumina refinery
  - an aluminum smelter to produce ingots, t-bars, slabs, billets, and molten aluminium, and
  - a rolling mill, one of the most technologically advanced plants in the world, will focus on making aluminium sheets for the beverage can industry and other products.

The project will benefit from the joint infrastructure under construction, including the power plant, railway, and port.

In December 2009, Ma'aden signed a SR 40.5 billion joint venture agreement with Alcoa Incorporated ("Alcoa") for the development of the aluminium project. Ma'aden holds 74.9% and Alcoa 25.1% interest in the project. Production from the smelter and rolling mill is expected to commence in 2013 and from the mine and refinery in 2014.

Exploration
In its business development and balanced growth strategy, Ma'aden depends on exploration activities to access new mineral resources in the Kingdom of Saudi Arabia.

Most exploration operations take place in the Arabian Shield region which is divided into three major areas:

- Central Arabian Gold Region ("CAGR")
- Northern Arabian Gold Region ("NAGR")
- Southern Arabian Gold Region ("SAGR").

The exploration team at Ma'aden has completed many drilling and exploration operations to search for minerals and ore reserves to expand gold production in the future. A total of six projects collectively known as the CAGR are currently under development. Of those, the most advanced are the Ad Duwayhi and As Suq projects. The other promising areas are Ar Rjum, Mansourah, Masarrah. Humaymah, Zalim and Bir Tawillah.

The development of the CAGR projects depends largely upon the supply of sufficient water for processing. For this reason, approval was obtained from the concerned authorities to pipe treated waste water from Taif. The contract was awarded for the engineering, procurement and construction of a 430 km pipeline from Taif to Ad Duwaihi as well as 70 km of branch lines supplying other mines.

Primary products
The primary products produced and sold during the financial year ended December 31, 2011 were as follows:

- Gold
- Zinc
- Ammonia

Company's organisational structure

Legal name	Saudi Arabian Mining Company – Ma'aden
Legal status	A Saudi Arabian joint stock company
Publicly traded	Listed on the Saudi Arabian Stock Exchange
Stock exchange symbol	Tadawul symbol: 1211 Reuters code: 1211. SE Bloomberg code: MAADEN AB
Total number of employees at Corporate Office	386
Location of corporate office	Riyadh

						Jointly controlled entity
Subsidiaries	**Gold**	**Industrial minerals**	**Phosphate**	**Aluminium**	**Infrastructure**	**SAMAPCO**
Legal name	Ma'aden Gold and Base Metals Company	Ma'aden Industrial Minerals Company	Ma'aden Phosphate Company	Ma'aden Aluminium Company; Ma'aden Rolling Company; Ma'aden Bauxite and Alumina Company	Ma'aden Infrastructure Company	Sahara and Ma'aden Petrochemicals Company
Legal status	Limited liability company	Limited liability company	Limited liability company	Limited liability company	Limited liability company	Limited liability company
Shareholders	Ma'aden 100%	Ma'aden 100%	Ma'aden 70% SABIC 30% 100%	Ma'aden 74.9% Alcoa 25.1% 100%	Ma'aden 100%	Ma'aden 50% Sahara 50% 100%
Commercial status	In commercial production and continuing exploration stage	Kaolin, low-grade bauxite, and caustic calcined magnesia in commercial production stage; Production of dead burn magnesia is due in 2012	Ramp-up stage with production of ammonia started in the fourth quarter of 2011; DAP commercial production due in the first quarter of 2012	Project stage with staggered production due in 2013 and 2014	Project stage with staggered production due in 2013 and 2014	Project stage with production due in 2012
Products	Au – gold Zn – zinc Cu – copper Ag – silver Pb – lead	Low-grade bauxite Kaolin Caustic calcined magnesia dead burn magnesia monolithic refractories	DAP fertiliser MAP fertiliser Sulphuric acid Phosphoric acid Ammonia	Aluminium ingots, t-bars, slabs and billets Aluminium sheets	Infrastructure Services; housing	Ethylene dichloride; chlorine; caustic soda
Location	Jeddah	Riyadh	Jubail	Khobar/Jubail	Riyadh	Jubail
Number. of employees	784	149	1060	626	15	-

The total number of employees of Ma'aden is 3,020 at December 31, 2011 excluding contractors and consultants

Vision, mission, core values and strategy

Minister of Petroleum and Minerals and Prince Faisal bin Turki visiting Ma'adens Ras Al-Khair complex

Ma'aden winning environmental award

Our vision
To be a world class minerals enterprise

Our mission
To be a profitable, publicly owned, international diversified mining company, whilst maintaining the utmost concern for human resources, health, safety, and environmental and social issues.

Our core values
Ma'aden's values are formulated to strengthen the Company's culture and foster the growth of those positive elements and characteristics that will help Ma'aden in its development as it looks to establish itself as a successful and profitable mining company, with a world class reputation for operational efficiency, sustainable development and regards for social and environmental issues.

Integrity
Integrity is the basis for Ma'aden's dealings with employees, customers, suppliers, and other stakeholders.

Teamwork
Ma'aden believes that its success depends on the collaboration of all employees to achieve its objectives.

Fair treatment
Ma'aden continues to treat its employees, communities, and environment fairly

Quality
Ma'aden is committed to excellence and the continuous improvement of its business performance with regard to its products, services, customers, suppliers, and employees.

Communication
Ma'aden is committed to openness, transparency, and honesty in its dealings with employees, shareholders, and partners. This is done through keeping them aware of its objectives, goals, and businesses.

Our strategy
Ma'aden has adopted a "balanced growth strategy" based on the Group's vision: To be ***A World Class Minerals Enterprise***, which is best expanded upon in the following statement of strategic directions:

Expanding the Company's business to be a world class enterprise through the diversity and quality of its products to reach the top ten in each of the respective industries it enters, exploiting quality deposits and focusing on cost competitiveness and marketing its products globally.

Building an integrated mining industry through utilizing the natural mineral resources in the Kingdom of Saudi Arabia, focusing on the existing projects, and future expansion through exploration in the next five years. Downstream industries will also be considered to strengthen our leading and competitive position.

Building best in class capabilities supported by both internal knowledge, an expanded talent base, and through joint venture partnerships, when necessary. Ma'aden aspires to be a leader in Corporate Social Responsibility ("CSR") through environmentally friendly, sustainable operations, creating job opportunities, and Saudisation across all sectors.

Ma'aden is currently in the process of diversifying from its historical production base of gold and low-grade bauxite, into a broader range of metals and mining activities. This includes:

- A fully integrated DAP plant which will begin commercial operations in 2012 is designed to produce 3 million tonnes per annum of DAP fertiliser
- A magnesite mine and processing plant which will begin commercial production of dead burn magnesia ("DBM") in 2012
- A joint venture with Alcoa to develop an integrated aluminium mining, refining, smelting and rolling mill facility at Ras Al-Khair producing:
    - 4 million tonnes per annum of bauxite
    - 1.8 million tonnes per annum of alumina
    - 740,000 tonnes per annum of aluminium metal, and
    - with an initial rolling capacity of 380,000 tonnes.
- New gold projects to reach the production of 400,000 ounces in 2015

To achieve its objectives, Ma'aden has organised itself around the following strategic business units ("SBUs")

- precious metals
- phosphate and industrial minerals
- and aluminium, as well as new business development ("NBD"), exploration and other supporting functions.

Balanced growth strategy

Ma'aden benefits from strong future growth potential, which is underlined by:

- Ma'aden is in previledged position as the Kingdom's dominant player in the mining industry with access to promising mineral resources
- Low cost energy fuelling industries along the value chain
- Continued favourable outlook in demand for its current products
- Utilizing the most advanced technologies

Ma'aden's 2011–2015 strategy programme is focused on capitalising on the vast expansion currently under way, whilst seeking new opportunities to drive and diversify the next phase of growth beyond the near term strategy programme. The strategy will focus on four key areas:

- **Complete development and ramp-up of existing projects** in a rapid and capital efficient way, whilst excelling in operational efficiency, productivity and cost effectiveness
- **Making significant and targeted exploration investments**, in order to identify opportunities for Ma'aden to expand and diversify into minerals with higher added value potential downstream. The Kingdom's geology remains largely underexplored and its potential mineral endowment could provide enhanced revenue generation
- **Expansions in project opportunities with higher returns and**
- **lower risks** to consolidate Ma'aden's leadership in the mining sector in the Kingdom and its global competitiveness through focusing on the existing minerals with rewarding economic returns
- **Building best in class organizational capabilities to become a "world class minerals enterprise"** by implementing the balanced growth strategy

An award winning company

Ma'aden was the winner of the following awards during the reporting period:

- MGBM won the 2011 first place award for the best photography representing field work at mines at the Society for Mining, Metallurgy, and Exploration's international competition. Ma'aden also had an honourable mention for the best photo taken from the mining nature. To view the photos, visit the Society's website at www.smenet.org.
- Ma'aden won the 2011 best project finance award in the Middle East the from London-based Project Finance magazine for its MBAC project. Ma'aden also won the best sponsor award for project finance for the same deal.
- Ma'aden won the 2011 first place award for the best project finance at the international contest organized by the Kuala Lumpur-based International Award in Islamic Finance

Chairman's statement

"Ma'aden is consolidating its presence in global markets through world-class products to achieve excellence and competitiveness at the international level."

Dear Stakeholder

It is my pleasure to present to you Ma'aden's Annual Report for 2011, which highlights the progress of Ma'aden's projects and investments. The Group has achieved tangible results in its plans to be amongst the top global mining companies in its field, through continuing to building and operating projects in the fields of phosphate, aluminum, precious metals, base metals and industrial minerals.

The Group focused strongly on improving operational efficiencies, robust cost control, as well as implementing and operating our projects with the targeted schedule and budget. This will continue to be driven through adding projects that offer cost advantages over competitors and also a continuous drive for production efficiency and effectiveness, enhanced asset management, business optimisation and cost control.

The year was an important one for Ma'aden, which started the production and export of ammonia and diammonium phosphate (DAP) fertilizer. We maintained our focus on key growth initiatives in line with our strategy of becoming a leading diversified mining company and supporting the growth and development of the economy of the Kingdom of Saudi Arabia, through the development of sustainable operations. This is significantly increasing our presence in global markets through world class products with an edge over competitors.

The Group will also complete the operation of its modern facilities to their maximum capacity through aligning its systems and procedures to manage its operations in all facilities internally and externally, improving logistics, and finding and developing opportunities for future growth. This is in addition to its focus on new business development to take full advantage of phosphate, bauxite and other mineral deposits in the Kingdom.

The Group is moving ahead with the completion of its strategy in the aluminum industry to create added value through future economic cycles, and to maintain steady growth through its commitment to providing a high quality product in accordance with international standards and a competitive price in order to become a major aluminum producer in the world. Ma'aden Aluminium Company focuses on launching its facilities to reach full production gradually, having completed the financing of all project stages, and started construction to reach the operational phase for the smelter and rolling mill in 2013, and for the mine and refinery in 2014.

In line with our strategy of "balanced growth", Ma'aden's exploration teams have achieved notable success during the year by adding new quantities of gold to our resource base. They have also carried out an extensive programme of airborne geophysics, the results of which are currently being interpreted. This is coupled with a strategy focused on accelerating exploration programs in added-value sites inside and outside current license areas, the expansion of investment in new areas, particularly in base metals, and exploring new mineral belts inside the existing licenses.

Highlights

- *We will continue to implement our mega projects to make Ma'aden a global competitor*
- *Ma'aden focuses on major growth initiatives*
- *We will complete our strategies in the aluminum sector to create added value*
- *We have been successful in our balanced growth strategy.*
- *The exploration programs are centered around sites with new mineral belts*
- *We plan to increase the number of our employees, focusing on remote areas*
- *We subject all of our businesses to the highest environmental standards.*

The Group pays great attention to human and workforce development. Our plans to increase the number of employees through major expansions at our projects, opened new career opportunities for qualified young people, especially for those from remote areas near our projects.

The Group applies strict procedures governing health, safety, and the environment at its operations. Ma'aden continues to align itself with the principals of Sustainable Development Framework of the International Council for Mining and Metals (ICMM), comprising of a set of ten principles, and is actively incorporating these practices into our day to day operations to ensure that international best practices are adopted and adhered to throughout our business.

Finally, I would also like to thank Ma'aden's shareholders for their continued support during our growth years and the Group's employees who have helped us achieve our goals. I am confident they will continue to do so in the future

Engr. Abdallah Bin Saif Al-Saif
Chairman, Ma'aden

Riyadh, Kingdom of Saudi Arabia
February 14, 2012

President and CEO's statement

"We are investing to develop the mining industries, increase job opportunities, and contribute for sustainable development."

Dear Stakeholder

It is my pleasure to present to you this report reviewing Ma'aden's activities and achievements that have had an impact on our projects and financial performance during 2011. Ma'aden's balanced growth strategy has resulted in real progress towards our ambitious goal of being a pioneering, world class minerals enterprise.

We have worked closely with our Board of Directors and interested government and private sector stakeholders to successfully lay the foundations of our phosphate and aluminium mega projects, and to develop Saudi mining related industries, enhancing the success of our investments by contributing to sustainable development and by creating new job opportunities and training programs for young Saudi people.

Our ambitious plans have led to the expansion of Ma'aden's projects resulting in consolidated sales revenue of SAR 1.514 billion for the year 2011 (2010: SAR 706 million), an increase of 114%. The Group's sales revenue was impacted positively by high global gold prices and the start of commercial production of ammonia at our Ras Al Khair phosphate complex in the Eastern Province. Consolidated net income increased by SAR 552 million to reach SAR 538 million at the end of 2011.

Ma'aden has strengthened its position in international markets by becoming a major producer and marketer of phosphate fertilizers. This is especially true in Asia after the export of the first DAP shipment by MPC in 2011, an important step in Ma'aden's revenue diversification. It is expected that the phosphate business will become Ma'aden's major source of sales revenue until the aluminium project comes on stream.

In 2011 we also completed the financing process for our aluminium project. Construction is now underway on the smelter and rolling mill which is a part of the integrated mine-to-metal joint venture to produce aluminium to the highest international specifications. This project will place the Kingdom amongst the leading countries in the aluminium industry. By the end of 2011 the aluminium project was 36% completed, 4% ahead of the original plan.

Ma'aden has also made significant progress in its gold operations, which are well set to deliver long-term growth. The projects at As Suq and Ad Duwayhi are in the final stages of a feasibility study. Moreover, a contract has been signed to build the water pipeline to provide these sites with treated waste water from Taif. Other Central Arabian Gold Region ("CAGR") sites are being assessed, including Mansoura, Massara, Ar Rjum, Humayma and Birtawilah. As a result of progress made on these projects we expect gold production to grow to over 400,000 ounces by 2015, representing a bright future for gold at Ma'aden.

Investing in growth

Highlights

- ***The success of our plans has resulted in sales revenue reaching SR 1.51 billion***
- ***Ma'aden has strengthened its position in international markets by becoming a major producer and marketer of phosphate fertilizers.***
- ***The aluminium project will place the Kingdom amongst the leading countries in the aluminium industry***
- ***Two new gold projects are in their final feasibility stages***
- ***We prioritize sustainable development programs***
- ***Ma'aden seeks to achieve growth while maintaining the highest environmental standards***

Ma'aden's industrial minerals projects, consisting of our low-grade bauxite and kaolin operations at Az Zabirah as well as our magnesite operations, are progressing according to our investment plans. Commercial production of caustic calcined magnesia started in 2011 after the Group completed all the project's components, including facilities at the mine at Al Ghazalah, in the Hail Province.

Ma'aden's exploration program is an important part of our balanced growth strategy to build a sustainable business with long-term upside and benefits. In 2011 our exploration teams implemented extensive work programmes aimed at expanding our gold and base metal portfolio.

Ma'aden seeks to achieve growth, while maintaining the highest national and international environmental standards and remaining committed to the best international practices in our field. We see this as an important step in maintaining open and harmonious relationships with the communities near our operations in the Kingdom.

To nurture its growth, Ma'aden will continue to prioritise the development of talent amongst existing employees and the expansion of the minerals industry skills base in Saudi Arabia. Through initiatives such as the Saudi Arabian Mining Polytechnic in Arar which Ma'aden is developing in conjunction with the Technical and Vocational Training Corporation (TVTC), we are committed to Saudization and the development of the Kingdom's best young talent to help us deliver the growth and make mining the third pillar of Saudi economy. The number of Ma'aden employees increased to more than 3,000 people in 2011, including 63% Saudis. In all projects we are mindful of local residents. This is reflected in the company's commitment to sustainable development which is realised through Ma'aden's established corporate social responsibility policy, in line with corporate objectives and national development plans.

I would like to thank you for supporting Ma'aden, its projects and investments as we realize our aspirations of progress, prosperity and profitability.

Engr. Khalid Bin Saleh Al-Mudaifer
President and CEO

Riyadh, Kingdom of Saudi Arabia
February 14, 2012

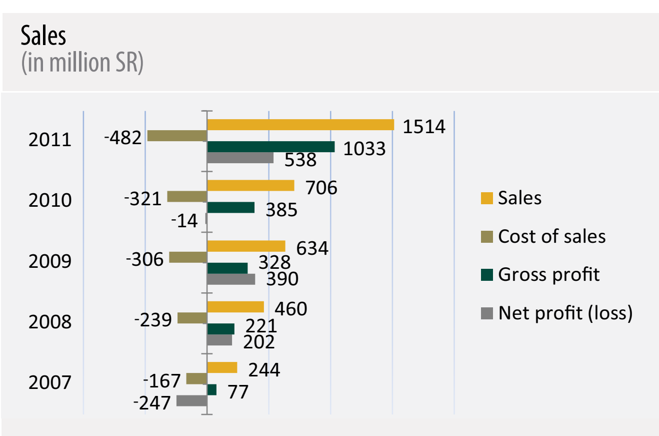
Summary of performance
Financial and non-financial

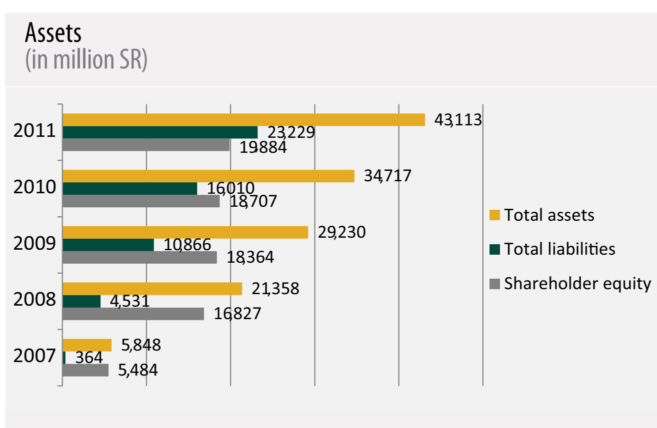
Financial highlights December 31, 2011
Five year history of consolidated income statements

Consolidated income statement line items (in millions)	**2011 SR**	2010 SR	2009 SR	2008* SR	2007* SR
Sales	**1,514**	706	634	460	244
Cost of sales	**(482)**	(321)	(306)	(239)	(167)
Gross profit	**1,032**	385	328	221	77
General and administrative expenses	**(235)**	(214)	(160)	(222)	(96)
Exploration, technical and other operating expenses	**(130)**	(92)	(80)	(55)	(31)
Operating profit/(loss)	**667**	79	88	(56)	(50)
Share in net loss of jointly controlled entity	**(2)**	–	–	–	–
Provision for severance fees	**(85)**	(55)	(44)	(32)	(4)
Other income/(expenses)	**14**	–	300	–	(419)
Income from short-term investments	**75**	169	315	290	226
Finance charges	**(11)**	–	–	–	–
Net income/(loss) before zakat	**658**	193	659	202	(247)
Provision for zakat	**(120)**	(207)	(269)	–	–
Net income/(loss) for the year	**538**	(14)	390	202	(247)
Net income/(loss) attributable to shareholders of the parent company	**413**	(9)	395	204	(247)
Non-controlling interest's share of current year's income/(loss) in a subsidiary company	**125**	(5)	(5)	(2)	–
	538	(14)	390	202	(247)
Basic and diluted earnings/(loss) per share (SR)**	**0.45**	(0.01)	0.43	0.30	(0.62)
Weighted average number of ordinary shares outstanding during the year (in millions)	**925**	925	925	663	40
Gross profit %	**68.2**	54.5	51.7	48.0	31.6
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**788**	121	152	57	13

* Ma'aden became a public company listed on the Saudi Arabian Stock Exchange (Tadawul) on July 5, 2008, after a successful Initial Public Offering ("IPO") and has to comply with Article 27:b.(3) of the Listing Rules issued by the Board of the Capital Market Authority ("CMA"), which requires the publication of five year's historical financial data, or from date of incorporation, whichever is shorter. Prior to July 5, 2008, Ma'aden was a 100% state owned company and not subject to the disclosure requirements as outlined in the Listing Rules of the CMA.

** Earnings per share have been calculated according to the number of ordinary shares in issue at December 31, 2011 namely 925 million (2010: 925 million). However, for 2008 the earnings per share have been calculated using the weighted average number of ordinary shares in issue during the year, due to the IPO when the number of issued shares was increased from 40 million ordinary shares with a nominal value of SAR 100 per ordinary share to 925 million ordinary shares with a nominal value of SAR 10 per ordinary share. For the 2007 financial years the number of ordinary shares used was 40 million





EBITDA calculation

A key performance indicator is EBITDA, before non-recurring items. Management considers "EBITDA before non-recurring items" to be a suitable indicator of Ma'aden's operating performance and earnings capabilities since the earnings are not affected by the provisions for zakat, interest received and paid, depreciation, amortisation and items of a non-recurring nature.

The use of the "EBITDA before non-recurring items" indicator ensures a greater comparability of earnings on a consistent basis over a period of time. The non-recurring items, detailed in the table below, are those items that are not sustainable and due to their significance have a distorted effect on the normal earnings pattern.

EBITDA

(in millions)	**2011 SR**	2010 SR	2009 SR	2008* SR	2007* SR
Net income/(loss) for the year	**538**	(14)	390	202	(247)
Finance charges	**11**	–	–	–	–
Interest income from short-term investments	**(75)**	(169)	(314)	(290)	(226)
Provision for zakat	**120**	207	269	–	–
Depreciation	**174**	77	84	67	33
Amortisation	**20**	20	23	21	7
Non-recurring items					
Fee for unwinding of forward sales contracts	–	–	–	–	446
IPO expense	–	–	–	57	–
Entry payment receipt from Alcoa for the opportunity to participate in the aluminium joint venture project with Ma'aden	–	–	(300)	–	–
EBITDA	**788**	121	152	57	13

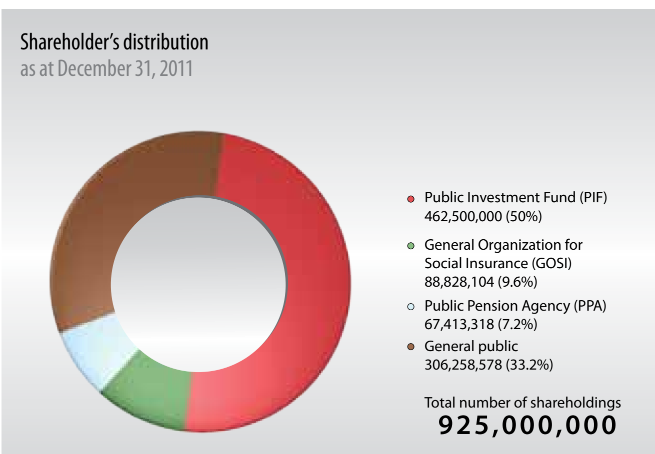
* Ma'aden became a public company listed on the Saudi Arabian Stock Exchange (Tadawul) on July 5, 2008, after a successful Initial Public Offering ("IPO") and has to comply with Article 27:b.(3) of the Listing Rules issued by the Board of the Capital Market Authority ("CMA"), which requires the publication of five year's historical financial data, or from date of incorporation, whichever is shorter. Prior to July 5, 2008, Ma'aden was a 100% state owned company and not subject to the disclosure requirements as outlined in the Listing Rules of the CMA.

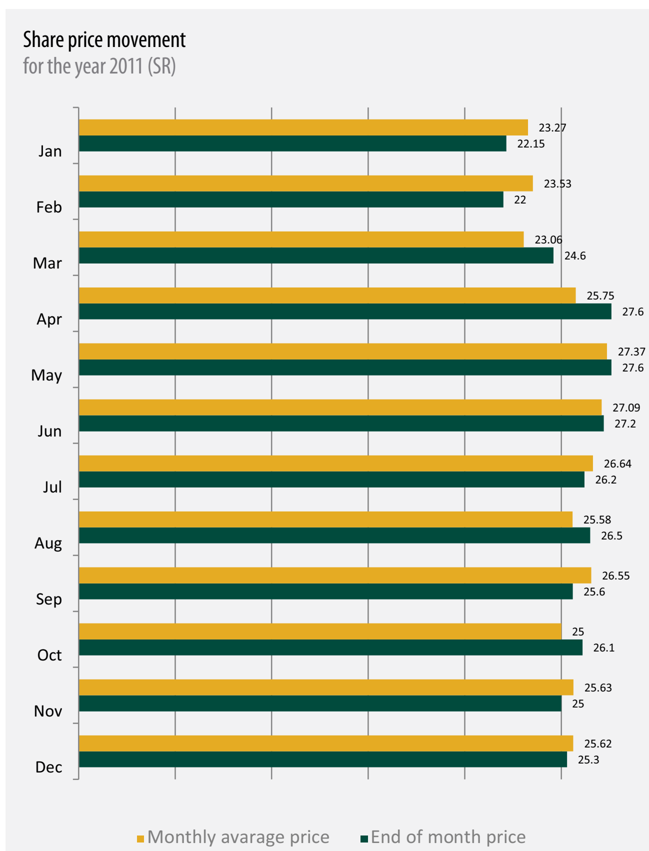
Key share price statistics for the year ended December 31, 2011

Indicator	Share price	Market capitalisation
52-weeks price range		
Lowest	SR 19.95	SR 18.5 billion
Highest	SR 28.00	SR 25.9 billion
At last trading day of the financial year i.e. December 31, 2011	SR 25.30	SR 23.4 billion

Monthly trading activity on the Saudi Stock Exchange during 2011

Month	Average share price per month	Number of transactions	Volume of shares traded	Value of shares traded (SR millions)
January	SR 23.27	42,660	125,759,383	2,916
February	SR 23.53	31,758	98,477,134	2,309
March	SR 23.06	32,104	99,107,919	2,227
April	SR 25.77	31,352	83,755,579	2,196
May	SR 27.37	26,342	62,565,408	1,718
June	SR 27.09	20,565	44,862,550	1,219
July	SR 26.64	12,556	22,057,200	587
August	SR 25.58	11,804	29,936,484	748
September	SR 26.55	12,312	22,160,223	582
October	SR 25.00	15,121	26,012,552	651
November	SR 25.63	7,595	12,437,005	320
December	SR 25.62	11,343	18,989,781	486





Phosphate complex at Ras Al Khair

Five -year history of consolidated balance sheets

Consolidated balance sheet line items (in millions)	**2011 SR**	2010 SR	2009 SR	2008* SR	2007* SR
Current assets	**12,593**	12,429	12,131	12,430	3,217
Non-current assets	**342**	86	19	66	1,816
Investment in jointly controlled entity	**448**	–	–	–	–
Property, plant and equipment	**7,451**	212	251	242	85
Pre-operating expenses and deferred charges	**500**	299	1,444	1,810	474
Capital work-in-progress	**22,240**	21,691	15,385	6,810	256
Total assets	**43,574**	34,717	29,230	21,358	5,848
Current liabilities	**3,833**	2,297	1,906	3,573	253
Other non-current liabilities	**1,042**	196	177	138	111
Long-term borrowings	**18,815**	13,517	8,783	820	–
Total liabilities	**23,690**	16,010	10,866	4,531	364
Equity attributable to shareholders of the parent company	**16,986**	16,573	16,582	16,188	5,484
Non-controlling interest	**2,897**	2,134	1,782	639	–
Total shareholders' equity	**19,884**	18,707	18,364	16,827	5,484
Total liabilities and shareholders' equity	**43,574**	34,717	29,230	21,358	5,848

Five -year history of consolidated cash flows

Items (in millions)	**2011 SR**	2010 SR	2009 SR	2008* SR	2007* SR
Cash and cash equivalents at the beginning of the year	**2,922**	3,371	4,145	596	183
Net cash generated from/(utilised in) operating activities	**11**	(400)	138	3,027	(645)
Net cash (utilised in)/generated from investing activities	**(4,588)**	(5,140)	(8,875)	(11,249)	1,058
Net cash generated from financing activities	**6,699**	5,091	7,963	11,183	–
Net cash received from non-controlling interest in a subsidiary	–	–	–	588	–
Cash and cash equivalents at the end of the year	**5,044**	2,922	3,371	4,145	596

* Ma'aden became a public company listed on the Saudi Arabian Stock Exchange (Tadawul) on July 5, 2008, after a successful IPO and has to comply with Article 27:b.(3) of the Listing Rules issued by the Board of the CMA, which requires the publication of five year's of historical financial data, or from date of incorporation, whichever is shorter. Prior to July 5, 2008, Ma'aden was a 100% state owned company and not subject to the disclosure requirements as outlined in the Listing Rules of the CMA..

Chief Financial Officer's review

Despite very challenging global market conditions, Ma'aden is in good shape to deliver on its balanced growth strategy. 2011 was a year of capacity building to deliver future mega projects and wealth creation through our phosphate and aluminium businesses.

Ma'aden is currently going through a transformational stage, as our revenues are no longer solely reliant on the gold business. They will be driven by phosphate, in the short term, until aluminium revenues come on stream.

Ma'aden was able to finish 2011 with the consolidated net income of SAR 538 million, total assets of SAR 43.5 billion, and shareholders' equity of SAR 19.8 billion.

Consolidated income statement for the year ended December 31, 2011

Consolidated income statement line items (in millions)	Explanatory note	2011 SR	2010 SR	Variance SR	Variance % change y-o-y
Sales	1	**1,514**	706	808	114
Cost of sales	2	**(482)**	(321)	(161)	(50)
Gross profit		**1,032**	385	647	168
General and administrative expenses	3	**(235)**	(214)	(21)	(10)
Exploration, technical and other operating expenses	4	**(130)**	(92)	(38)	(41)
Operating profit/(loss)		**667**	79	588	744
Share in net loss of jointly controlled entity		**(2)**	–	(2)	–
Provision for severance fees	5	**(85)**	(55)	(30)	(55)
Other income/(expenses)		**14**	–	14	–
Income from short-term investments	6	**75**	169	(94)	(56)
Finance charges		**(11)**	–	(11)	–
Net income before zakat		**658**	193	465	241
Provision for zakat	7	**(120)**	(207)	87	42
Net income/(loss) for the year		**538**	(14)	552	103
Net income/(loss) attributable to shareholders of the parent company		**413**	(9)	422	–
Non-controlling interest's share of current year's income/(loss) in a subsidiary company		**125**	(5)	130	–
		538	(14)	552	–
Basic and diluted earnings/(loss) per share (SR)	8	**0.45**	(0.01)	0.46	–
Weighted average number of ordinary shares outstanding during the year (in millions)		**925**	925	–	0
Gross profit %		**68.2**	54.5	14%	25
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	9	**788**	121	667	551

The table above discloses the movement on a year-on-year ("y-o-y") basis, and only those movements that are significant in monetary terms (i.e. more than 10%) are being analysed and discussed in the corresponding footnotes.

1. Sales

Components of sales (in millions)	2011 SR	2011 %	2010 SR	2010 %	Variance SR	Variance % change y-o-y
Gold	**866**	**57**	642	91	224	35
Zinc	**35**	**2**	34	5	1	3
Low-grade bauxite	**64**	**4**	30	4	34	113
Ammonia	**540**	**36**	–	–	540	100
Kaolin	**2**	**–**	–	–	2	100
Caustic calcined magnesia	**5**	**–**	–	–	5	100
Infrastructure	**2**	**–**	–	–	2	100
Total sales	**1,514**	**100**	706	100	808	114

The total consolidated sales revenue in 2011 increased by SAR 808 million due to the beginning of commercial production of ammonia with sales of SAR 540 million, representing 36% of the total consolidated sales.

Geographical analysis of total sales for the year ended December 31, 2010
In terms of Article 27: b. (4) of the Listing Rules issued by the CMA, Ma'aden needs to provide a geographical analysis of the consolidated turnover of the Group and the turnover of the subsidiaries outside of the Kingdom of Saudi Arabia.

Sales breakdown between international and domestic sales

Components of sales breakdown	2011 Quantity (in thousands)	2011 Value SR (in millions)	2010 Quantity (in thousands)	2010 Value SR (in millions)	Variance Quantity (in thousands)	Variance Value SR (in millions)	Country
International sales							
Gold (ounces)	**147**	**866**	140	642	7	224	Switzerland
Zinc (tonnes)	**4**	**35**	4	34	–	1	Holland
Ammonia (tonnes)	**272**	**540**	–	–	272	540	India, North America, East Asia, Southeast Asia, Morocco
Caustic calcined magnesia (tonnes)	**5**	**5**	–	–	5	5	Holland
Total international sales	**–**	**1,446**	–	676	–	770	
Domestic sales							
Kaolin (tonnes)	**6**	**2**	–	–	6	2	Saudi Arabia
Low-grade bauxite (tonnes)	**636**	**64**	284	30	352	34	Saudi Arabia
Infrastructure (services)	**–**	**2**	–	–	–	2	Saudi Arabia
Total domestic sales	**–**	**68**	–	30	–	38	
Total sales for the year	**–**	**1,514**	–	706	–	808	

The actual gold sales for 2011 amounted to SR 866 million (57% of the total consolidated sales in 2011), compared to SAR 642 millions in 2010 . The actual gold sales in 2011 was 7,177 ounces higher than in 2010; the average realised price per ounce sold was USD1,568 compared to USD1,223 for 2010.

The ammonia plant commence commercial production on October 1, 2011. Therefore the ammonia sales only represented sales for the 4th quarter of 2011.

The volume of low-grade bauxite sales increased by 124% or 352,279 tonnes during 2011, which led the sales revenue to increase by SR 34 million (or 112%). The selling price was decreased in order to be competitive in the market. At the same time there was an increase in our portfolio of customers for low-grade bauxite.

Gold ounces and zinc tonnes sold by mine

	2011		2010		Variance	
Steady state mines	**Ounces**	**%**	Ounces	%	Ounces	% change y-o-y
Mahd Ad' Dahab mine	**47,746**	**32**	49,556	35	(1,810)	(4)
Al Amar mine	**54,086**	**37**	46,236	33	7,850	17
Bulgah mine	**33,496**	**23**	23,133	17	10,363	45
Sukhaybarat mine	**5,976**	**4**	11,911	9	(5,935)	(50)
Al Hajar mine	**5,901**	**4**	9,192	6	(3,291)	(36)
Total gold ounces sold	**147,205**	**100**	140,028	100	7,177	5
Al Amar zinc sold (tonnes)	**4,272**	**–**	4,297	–	(25)	(1)

2. Cost of sales

	2011		2010		Variance	
Components of cost of sale (in millions)	**SR**	**%**	SR	%	SR	% change y-o-y
Personnel cost	**121**	**25**	96	30	25	26
Contracted services	**67**	**14**	48	15	19	40
Repairs and maintenance	**25**	**5**	21	6	4	19
Consumables	**83**	**17**	83	26	0	0
Overheads	**36**	**7**	26	8	10	38
Sale of by-products	**(50)**	**(10)**	(36)	(11)	(14)	39
Total cash operating cost	**278**	**58**	238	74	40	17
Depreciation	**167**	**35**	74	23	93	126
Amortisation	**16**	**3**	16	5	0	0
Total operating costs	**461**	**96**	328	102	133	41
Decrease/(Increase) in metal inventory	**21**	**4**	(7)	(2)	28	(4)
Cost of sales	**482**	**100**	321	100	161	50

Gold ounces and zinc tonnes produced by mine

	2011		2010		Variance	
Steady state mines	**Ounces**	**%**	Ounces	%	Ounces	% change y-o-y
Mahd Ad'Dahab mine	**49,517**	**33**	50,940	35	(1,423)	(3)
Al Amar mine	**52,050**	**35**	47,941	33	4,109	9
Bulgah mine	**34,387**	**23**	25,110	18	9,277	37
Sukhaybarat mine	**6,580**	**4**	10,709	8	(4,129)	(39)
Al Hajar mine	**5,740**	**4**	9,225	6	(3,485)	(38)
Total gold ounces produced	**148,274**	**100**	143,925	100	4,349	3
Al Amar zinc produced (tonnes)	**4,252**	**–**	4,218	–	34	1

Gold ounces produced in 2011 were 4,349 ounces, 3% higher than the 143,925 ounces produced in 2010.

Ma'aden was also successful in managing the cost base at its gold operations during 2011, in line with expectations, as the over all net production cost has decreased by SR 24 million which represents a decrease of 7% y-o-y, and an increase in the quantity of gold produced by 3% or 4,349 ounces.

The operating cost associated with the production of ammonia, only relates to the 4th quarter of 2011.

3. General and administrative expenses

General and administrative expenses increased by SR 21 million or 10% when compared with 2010.

- SR 18 million of the increase was attributable to an increase in salaries and staff related benefits as a direct result of the increase in the numbers of employees to facilitate the balanced growth strategy.
- SR 3 million of the increase is a result of an increase in depreciation and amortisation charges relating to assets that are not employed in productive mining operations itself.

4. Exploration, technical and other operating expenses

Exploration, technical and other expenses increased by SR 38 million or 42%, when compared with 2010. The increase is made up of:

- SR 27 million related to airborn surveys
- SR 8 million increase in contracted services related to drilling for clay bauxite, phosphate and Al Jalamid, Misah and Tawan licenses
- SR 3 million related to tchnical services cost allocations received from MGBM

5. Provision for severance fees

In accordance with the Mining Investment Code, based on the Royal Decree No. 47/M dated 20 Sha'aban 1425 Hijri (corresponding to October 4, 2004), Ma'aden is required to pay to the Government of Saudi Arabia severance fees calculated at 25% of the annual net income, as defined, of each of the operating gold mines and a fixed minimum severance fees for the low grade bauxite and kaoline mines.

The provision for severance fees for 2011 amounted to SR 85 million, compared to SAR 55 million for 2010, and is after the deduction of the provisions for zakat payable for the same year.

6. Income from short-term investments

Income from short-term investments decreased by SR 94 million (56%) when compared to 2010 and this is mainly due to a decrease in cash surplus available for investment during the year because the subsidiary aluminium companies needed more financing compared to 2010.

7. Provision for zakat

The provision for zakat in 2011 amounted to SR 120 million compared to SR 207 million in 2010 due to the decline in the taxable income from 2010 to 2011. This is mainly due to increasing capital investments in the aluminum project.

8. Basic and diluted earnings/(loss) per share from continuing operations

The basic and diluted earnings/ (loss) per share is calculated by dividing the income/(loss) attributable to the shareholders of the parent company by the weighted average number of ordinary shares in issue during the financial year under review.

9. EBITDA

Components of EBITDA calculation (in millions)	Explanatory note	2011 SR	2010 SR	Variance SR	Variance % change y-o-y
Net income/(loss) for the year		**538**	(14)	552	(3.943)
Interest expense/finance charges		**11**	–	11	–
Interest income from short-term investments	6	**(75)**	(168)	94	56
Provision for zakat	7	**120**	207	(87)	(42)
Depreciation		**174**	77	97	126
Amortisation		**20**	20	–	–
EBITDA		**788**	121	667	542

Consolidated balance sheet as at December 31, 2011

Consolidated balance sheet line items (in millions)	Explanatory note	2011 SR	2010 SR	Variance SR	Variance % change y-o-y
Current assets	10	**12,593**	12,429	165	1
Non-current assets	11	**342**	86	256	298
Investment in jointly controlled entity	12	**448**	–	448	–
Property, plants, and equipment	13	**7,451**	212	7,239	3,414
Pre-operating expenses and deferred charges	14	**500**	299	201	67
Capital work-in-progress	15	**22,240**	21,691	549	3
Total assets		**43,574**	34,717	8,857	26
Current liabilities	16	**3,833**	2,297	1,536	67
Other non-current liabilities	17	**1,042**	196	846	432
Long-term borrowings	18	**18,815**	13,517	5,298	39
Total liabilities		**23,690**	16,010	7,680	48
Equity attributable to shareholders of the parent company		**16,986**	16,573	413	2
Non-controlling interest	19	**2,897**	2,134	763	36
Total shareholders' equity		**19,884**	18,707	1,177	6
Total liabilities and shareholders' equity		**43,574**	34,717	8,857	26

10. Current assets
Current assets comprise primarily of:

- cash and cash equivalents of SAR 5,045 million (2010: SAR 2,922 million)
- short-term investments with commercial banks totalling SAR 6,181 million (2010: SAR 8,784 million)
- trade receivables increase by SR 451 million due to sales generated by MPC and
- Inventories increase by SAR 258 million compare to 2010, due to production ramp-up at MPC and MIMC.

11. Other non-current assets
Projects' advances and pre payments made to contractors by MPC and the aluminium companies in accordance with contractual arrangements for the development of their mega projects.

12. Investment in jointly controlled entity
Ma'aden invested SR 450 million in a 50:50% jointly controlled entity, SAMAPCO, which was incorporated on August 14, 2011. Ma'aden's share of the net loss for the period since incorporation to December 31, 2011 is SR 2 million. Ma'aden accounted for its investment in SAMAPCO using the equity method of accounting.

13. Property, plants, and equipment
During the year SAR 7.4 billion were transferred from capital work-in-progress to property, plant and equipment on the completion of a number of capital expenditure projects and their commercial declarations, i.e.

- MPC's ammonia plant at SR 3.1 billion
- MPC's ISBC power generation at SR 3.0 billion
- MPC's administrative office at SR 0.3 billion
- MGBM, MIC and MIMC accounted for the remaining SR 1.0 billion

14. Pre-operating expenses and deferred charges
Pre-operating expenses and deferred charges increase by SR 201 million or 67% compared to 2010 due to expenditure increase during project development by the aluminium companies.

15. Capital work-in-progress
During the year the following movements accurred:

- SR 7.4 billion were transfered to property, plant and equipment on the completion of the capital expenditure projects and their subsequent commercial declarations
- SR 8.9 billion of additions were added, mainly by the aluminium project (SR 7.7 billion) and MPC (SR 1.1 billion)
- SR 772 million of pre commercial production revenue, net of cost, were credited against capital work-in-progress, and
- SR 236 million of capital work-in-progress projects were transferred to SAMAPCO following the incorporation of the jointly controlled entity

The major movements listed above resulted in positive net balance of approximately SR 500 million between 2011 and 2010.

16. Current liabilities
Current liabilities increase by SR 1,536 million or 67% due to;

- SR 574 million increase in project and other payables
- SR 236 million increase in accurred expenses, both of these liabilities relates to contractual obligations arising from the phosphate and aluminium projects and
- SR 762 million relating to the current portion of long-term borrowings payable within the next 12 months.

17. Other non-current liabilities
Increased by SR 846 million or 432% compared to 2010, due to the long-term portion of project and other payables arising from the phosphate and aluminium projects,

18. Long-term borrowings

The increase in long-term borrowings is a result of additional draw downs amounting to SR 6,061million, from the approved facilities at the following institutions:

- Islamic and commercial banks SR 3,419 million
- PIF SR 2,611 million
- SIDF SR 30 million

Minus reclassification of the current portion of SR 762 million under current liabilities.

19. Non-controlling interest

The increase in non-controlling interest (SR 763 million) is a result of the issuing of shares in the aluminium companies to Alcoa, who took up their 25.1% share of the share capital amounting to SR 638 million. The share of the non-controlling interest in the current-year's profit relates to SABIC's share in MPC of SR 125 million.

Consolidated cash flows for the year ended December 31, 2011

Consolidated cash flow line items (in millions)	Explanatory note	**2011 SR**	2010 SR	Variance SR	Variance % change y-o-y
Cash and cash equivalents at the beginning of the year	10	**2,922**	3,371	(449)	(13)
Net cash generated from/(utilised in) operating activities		**11**	(400)	411	103
Net cash (utilised in)/generated from investing activities		**(4,588)**	(5,141)	1,065	21
Net cash generated from financing activities		**6,699**	5,091	1,608	32
Net change in cash and cash equivalents for the year		**2,122**	449	2,123	472
Cash and cash equivalents at the end of the year	10	**5,044**	2,922	2,122	73

Khaled Al-Rowais
Chief Financial Officer

Riyadh, Kingdom of Saudi Arabia
February 14, 2012

Business risks

Major risks in the Group are identified by the Enterprise Risk Management ("ERM") department, based on information provided by the business through the submission of regular risk reports.

The Board considers the identification, assessment and prioritisation of risks, together with the implementation of effective mitigating controls, to be of fundamental importance in achieving Ma'aden's strategic objectives and supporting the creation of long-term, sustainable returns for shareholders and other stakeholders.

The Board, supported by the Ma'aden Risk Management Committee, sets our strategic direction, which includes objectives, performance targets and policies for the management of material risks and opportunities.

The Strategic Risk Management Committee ("SRMC") reviews the risks identified by the ERM department at its quarterly meetings to make sure that the significant risks facing the Group are being managed properly. It is also the responsibility of the SRMC to develop the Group's overall risk profile including those risks that might affect the Strategic Business Units/Business Units/Subsidiary at an individual company level. Where significant strategic risks are identified, a control monitor structure will be implemented to ensure day-to-day monitoring and management of risks is carried out. For each strategic risk a member of senior management will be assigned as the risk owner and will be accountable for the management of this risk to the SRMC.

Throughout 2011 the ERM function has continued to build upon the previous work they have carried out with its aim to continually challenge and improve the way Ma'aden manages the risks that we face.

During 2011, consultants were appointed to review the ERM function and its approach and to further formalize the Ma'aden ERM process. They were also asked to ensure that Ma'aden was fully aligned with the ISO 31000:2009 Risk Management Principles and Guidelines.
A strategic risk register for the Group was released in 2011, in collaboration with the Department of Planning and Strategy. This linked the identified risks that would prevent Ma'aden from meeting its strategic objectives. The risk register includes the risks that will have the biggest impact on the Group if realized. The risk

Principal risks

Reputation

Occupational health, safety and environmental regulations

Ma'aden strives to comply with the requirements of implementing local laws and regulations governing occupational health and safety and the environment in all its mining operations and activities. It also strives to implement ISO 14001 and commit to its environmental policy through the continued improvement of performance, minimizing the impact of operations on the environment. Mines are operated in accordance with international environmental standards. The health and safety of our staff are considered our ultimate objective and the cornerstone of our operations. A variety of programs on health and safety have been put forward during the year and have had a successful impact. We will continue to instill a business culture and a healthy and safe environment to implement the best practices in these areas.

Profitability and competitiveness

Cash/fund management and capital allocation

Ma'aden's operations and performance depend on prevailing economic conditions as well as our ability to operate effectively. Our cash flow is primarily dependent on the price realized of the commodities that we produce which are affected by numerous factors beyond our control. Factors tending to influence this are:

- Key suppliers could become insolvent, resulting in a break-down in the supply chain;
- The availability of credit may be reduced – this may make it more difficult for Ma'aden to obtain financing for its operations and capital expenditure or make debt financing more expensive;
- fall in commodity prices due to economic downturn, availability of alternative materials and price reduction by competitors and
- increase in the cost of loans due to an increase in interest rates.

Fluctuations in commodity prices (gold, phosphate, and industrial minerals)

Our revenues are vulnerable to fluctuations in commodity prices, which could have a direct impact on operating results. Our prices are affected by many factors, including:

- regional and global demand and production;
- political instability;
- inflation and stagnant economic activity and
- other political, regulatory, and economic conditions.

These factors are largely beyond our control and are difficult to predict. If the sale prices of our products is less than our production cost, we will face losses that may force us to cease exploration, development and production.

Capital projects execution

Ma'aden may experience delays in completing, or be unable to complete the construction of mining or processing facilities certain key infrastructure or other projects as a result of technology failures, contractor or sub-contractor default or poor performance, accidents and other factors beyond the control of Ma'aden.

Growth

Securing new/current mineral resources and reserves

Although Ma'aden has identified proven and probable reserves, exploration and discovery are necessary to achieve current mining production at the planned levels to meet our corporate objectives and goals. Exploration is speculative in nature, may be unsuccessfully and involves many risks.

Production

The Group's ability to meet planned production levels is associated with our management of certain key risks such as:

- damage to or breakdown of critical machinery;
- variation in grade and volume of ore concentration;
- project delays and decrease in life-of-mine and
- delay of resources exploration.

Mining operations require large quantities of water for ore processing and related supporting facilities. Current operations are based in remote areas where water is scarce. Obtaining water continuously is essential to the success of our business. Despite having enough water to cover all our operational requirements, we cannot speculate that availability of water will continue in the future. In addition, new laws and regulations may be issued that could limit our ability to access adequate water resources in our operations, which would negatively affect production.

Obtain/maintain operational licenses

Obtaining the required government approvals and licenses is a complex and time consuming process. The duration and success of our efforts to obtain licenses depend on a number of factors beyond our control. In addition, we cannot guarantee obtaining all required approvals and licenses in a timely manner and at the right price.

Social risk

Social impact

Ma'aden has developed a CSR program to ensure the prosperity of local communities and achieve social and economic benefits through proactive initiatives.

Information technology and management

Information technology control centre

Telecommunication Infrastructure at Ras Al-Khair

The Information Technology (IT) Department's strategic plans correspond with the strategic plan of Ma'aden and its subsidiaries. The IT Department focuses all its efforts on supporting the strategic growth of the Group through providing and developing information technologies and solutions and infrastructure, according to international standards. IT also continues to recruit and train highly qualified professionals to perform the operation and maintenance of these systems and infrastructure to ensure the security and integrity of information as well as the continuity of services to users. Therefore, the Group's senior management recognizes the important and strategic role played by IT starting from planning strategies through to full production and operation.

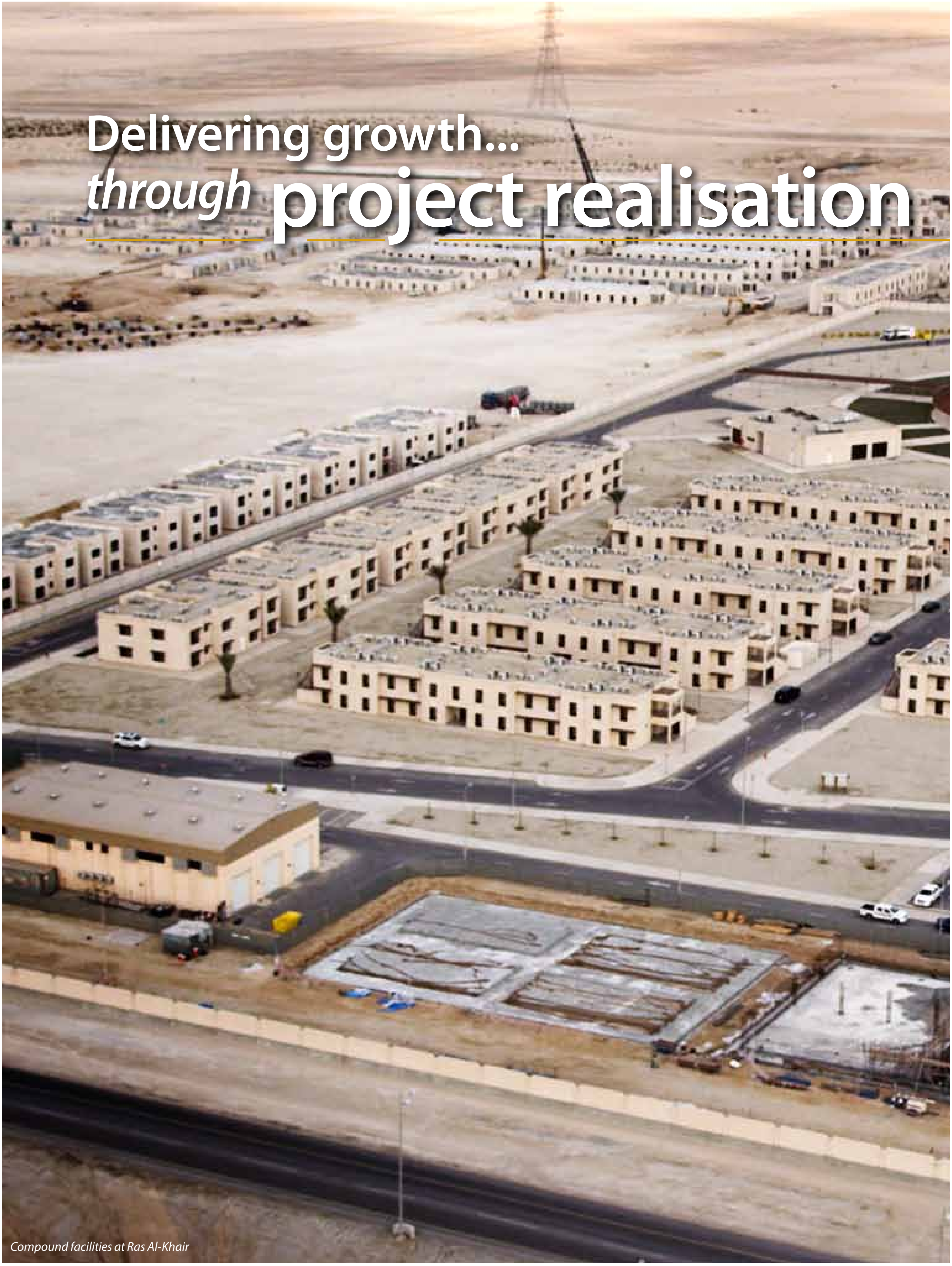
Providing plans to ensure business continuity remaind an IT priority during 2011, through applying technical solutions and monitoring business continuity in all systems and infrastructures. Databases and communications were supported by appropriate technical solutions to ensure business continuity at all times and in any location. The Department submits regular risk management reports to avoid risks before they occur. This has resulted in a 99.99% continuity percentage for information systems and infrastructures.

Through the application of the best international standards, the IT Department continued to ensure the security of information in accordance with the standards and systems of information security, governance, control, and audit. In this regard, the IT work environment is subject to periodic review by independent and impartial professional consulting firms specializing in this field.

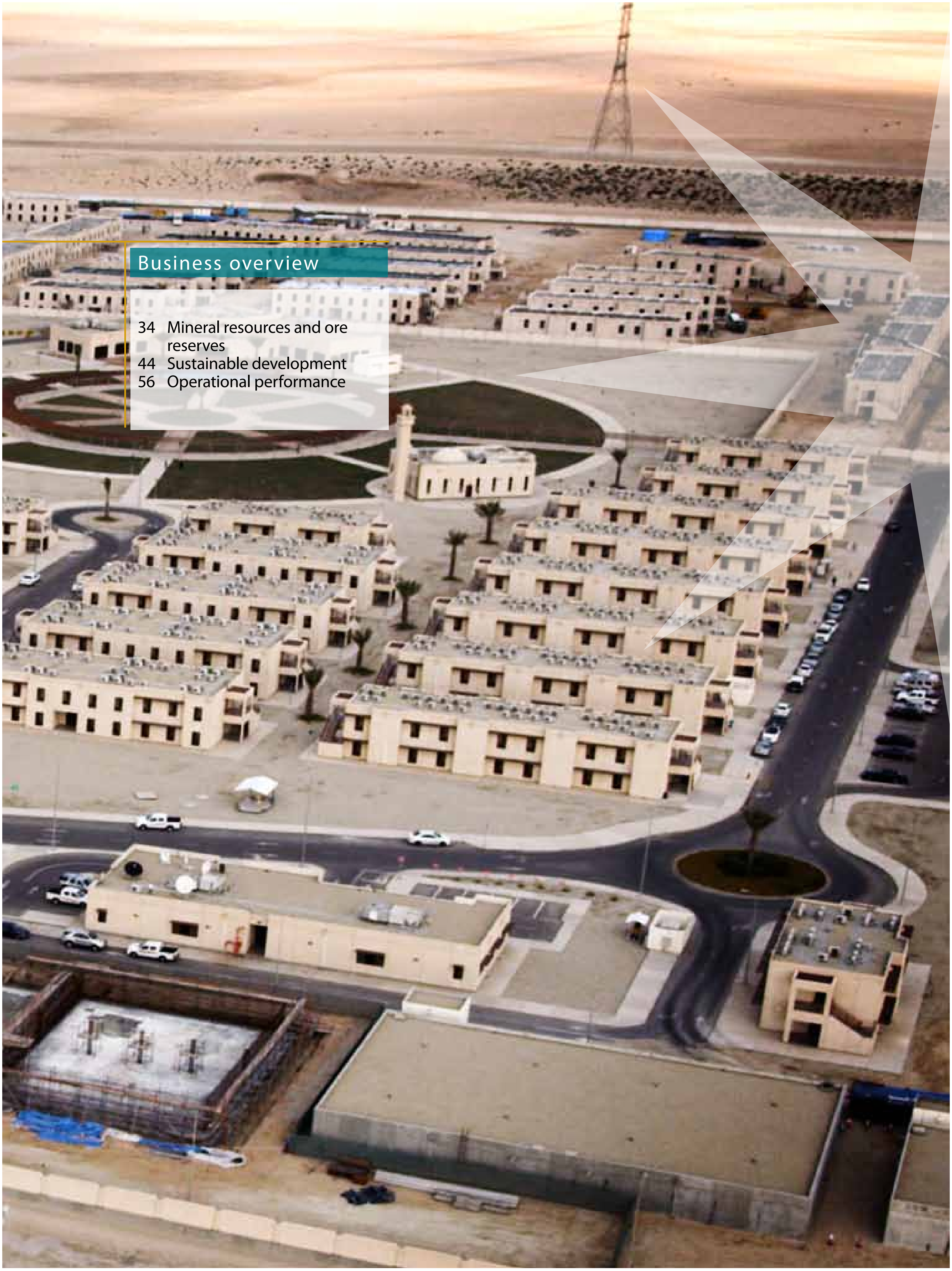
The most important achievements in 2011

- Application of administrative and financial systems for MAC, MRC, and MBAC
- Application of administrative and financial systems for MIMC
- Developing the communications infrastructure in Ras Al Khair
- Application of supplier management and procurement contract systems
- Application of intelligent systems for the analysis of procurement and contracts
- Developing a road map for content management and document applications at the corporate and subsidiary level

Delivering growth... *through* project realisation



Compound facilities at Ras Al-Khair



Business overview

Mineral resources and ore reserves
Developing world class potential

Phosphate concentrating plant

Storage tanks at Ras Al-Khair

Introduction
In line with Ma'aden's strategy to develop long-term sustainable operations, mineral resources and ore reserves are key to long-term growth and profitability. Ma'aden focuses, through its exploration and development programs, on developing its resources base and to increasing confidence through aggresive drilling programmes to achieve commercialy viable reserves. Over the past year, the Group has successfully expanded its resource base, in particular its gold resource ounces.

Ma'aden's mineral resources and ore reserves are reported in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004) unless otherwise stated.

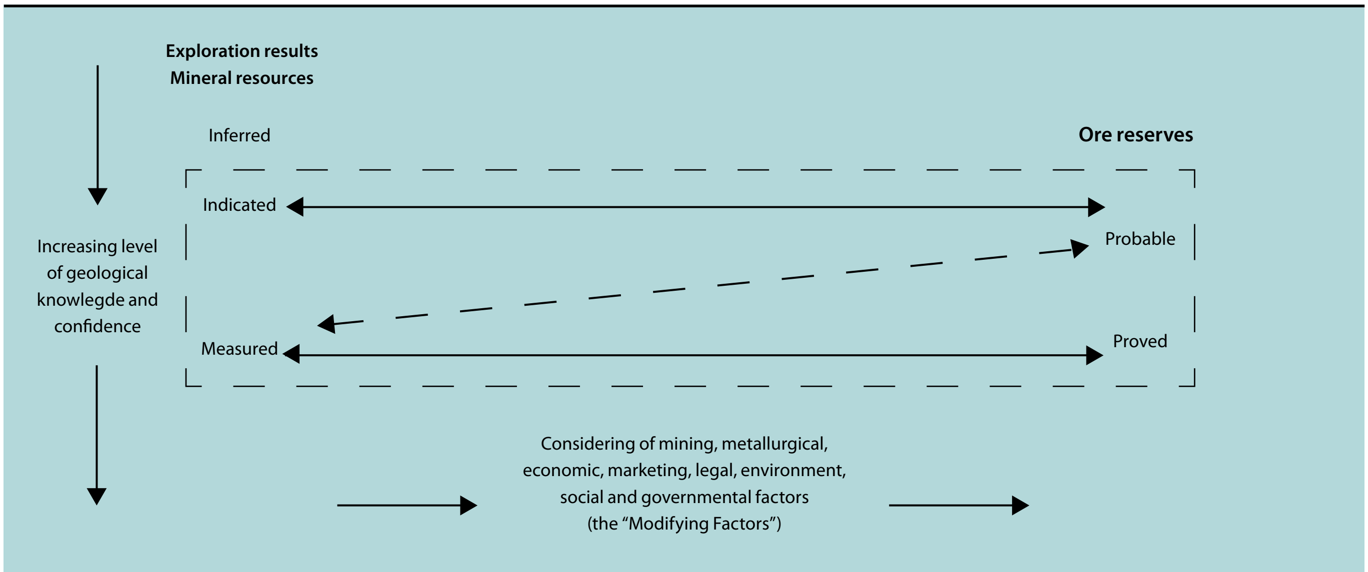
Ma'aden's mineral resources are stated inclusive of ore reserves. Mineral resources, therefore have a possibility of eventual economic extraction and have had minimum grade and/or thickness cut-offs applied as appropriate. Ore reserves, that are included in the stated mineral resources have had the current techno-economic modifying factors applied as per the JORC Code, see the diagram on the opposite page.

The mineral resources and the ore reserves of the gold operations are reported on different dates, the mineral resources are as at August 31, 2011 and the ore reserves are as at December 31, 2011, all the other mineral resources and ore reserves related to low-grade bauxite kaolin, magnesite, phosphate and bauxite are reported as at December 31, 2011 and they are stated on a total basis regardless of Ma'aden's attributable interest. Ma'aden's share of any joint venture interest or controlling interest is given where applicable. All tonnes and grade data have been rounded; hence small differences may occur in the totals.

Commodity prices used for purposes of the classification of ore reserves
Management's long-term price forecast, used for the conversion of mineral resources to ore reserves, for the following commodities are as follows:

- Gold: US$950 per ounce
- Low-grade bauxite: SR 100 per metric tonne
- Fixed exchange rate of SR 3.75 for US$1

A graphical illustration of the relationship between exploration results, mineral resources and ore reserves classifications, as defined by the JORC Code (2004)



Precious metals

Global macroeconomic uncertainty and financial market volatility have resulted in a strong gold price in 2011, which has supported Ma'aden's financial results. Gold production is still a major revenue source for Ma'aden. Gold prices are subject to a range of macroeconomic factors, including:

- global economic growth
- interest rates
- central bank gold purchases and sales
- as well as the strength of the US dollar.

Ma'aden has a unique access to the natural resource potential in the Kingdom of Saudi Arabia that enable it to build its resource base and increase production in order to reduce cash cost and limit the downside risk.

Although Ma'aden's current level of production is small compared to other parties active in gold mining, Ma'aden has continuously succeeded in identifying more gold resources in various parts of the Kingdom. This success was demonstrated through enhancing existing operations at the mines of Mahd Ad Dahab, Al Amar, Sukhaybarat, Bulghah, and Al Hajar mines, in addition to identifying the new resources under development.

Ma'aden has eight mining projects currently under development evaluation:

- As Suq and Ad Duwayhi are in, or approaching the construction stage,
- Mansoura, Masarrah, Ar Rjum and Humaymah are in the pre-feasibility stage and
- Bir Tawillah and Zalim are exploration projects.

These projects will push Ma'aden towards its target of producing 400,000 ounces of gold per annum by 2015 replacing the current level of over 148,000 ounces of gold annually. Going forward, the major goal of exploration is primarily:

- to identify JORC-compliant mineral resources in the quantity of 1.5 million ounces per year, and
- to convert 50% of these mineral resources into reserves on annual basis.

Geology of the Arabian Shield

The lower layer of the Arabian Shield is a Precambrian igneous and metamorphic complex exposed in the western part of the Arabian Peninsula bounded to the east by the Arabian Platform adjacent to the Zagros Belt located east of the Arabian Gulf.

The Nubian Shield in Africa and the Arabian Shield in the Kingdom are part of the same geological range. The Arabian Nubian Shield is the eastern part of the Arabian Shield that was separated from Africa early when the Red Sea was formed.

Gold mining

Name of the deposit/mine	Measured (million tonnes)	Grade (g/t)	Indicated (million tonnes)	Grade (g/t)	Inferred (million tonnes)	Grade (g/t)	Total (million tonnes)	Grade (g/t)
	Mineral resources as at August 31, 2011							
Steady state mine								
Mahd Ad' Dahab mine	0.47	16.77	0.65	14.04	0.58	8.58	1.70	12.92
Al Amar mine	0.72	10.57	1.24	11.74	0.70	9.24	2.66	10.76
Bulghah mine	–	–	25.13	0.65	38.68	0.58	63.81	0.61
Sukhaybarat mine	–	–	4.39	1.16	4.25	1.45	8.63	1.3
Total steady state mines	**1.19**	**13.02**	**31.41**	**1.44**	**44.21**	**0.91**	**76.80**	**1.31**

Name of the deposit/mine	Proven (million tonnes)	Grade (g/t)	Probable (million tonnes)	Grade (g/t)	Total (million tonnes)	Grade (g/t)	Ma'aden's interest (%)
	Ore reserves as at December 31, 2011						
Steady state mine							
Mahd Ad' Dahab mine	0.44	11.29	0.57	9.36	1.01	10.15	100
Al Amar mine	0.54	8.38	1.39	7.35	1.99	7.51	100
Bulghah mine	0.20	0.81	14.03	0.84	15.50	0.77	100
Sukhaybarat mine	–	–	1.12	0.7	1.12	0.7	100
Total steady state mines	**1.18**	**7.17**	**17.11**	**1.64**	**19.62**	**1.93**	**100**

The above resources and reserves for the steady state mining operations are unaudited and are not being presented as JORC compliant. The estimates have been updated in-house at the respective operations by and experience person applying the guideline, process and criteria of JORC for Resource / Reserve calculation and do not include the latest drilling/exploration results. Furthermore the methods applied in the blocking and estimation are dated and as a result all the resources and reserves are currently being reviewed, re-modeled and re-estimated from the base data by external consultants. This will result in revisions to these figures, which may in some instances be considerable.

Steady state mining operations

Ma'aden currently operates and develops the following gold and base metals mines.

Mahd Ad' Dahab

Location

Mahd Ad' Dahab mine is approximately 610 kilometres from Riyadh in Mahd Ad Dahab County in Al Madinah Province.

Mineralisation

The mineralization occurs within an area about 900 metres by 900 metres in size. Mineralization is associated with multiple phases of quartz veining and silicification related to north to northwest trending faults. The high grade gold mineralization occurs as steeply dipping, narrow (0.5 metres to 2.0 metres) quartz and massive sulphide vein systems in four zones; SAMS, Western Zone, Eastern Zone and Northern Zone; and in larger stockwork veined zones up to 20 metres in width in the Eastern Zone.

Al Amar

Location

Al Amar mine is approximately 195 kilometres southwest of Riyadh in the Riyadh Province.

Mineralisation

The main mineralization, North Vein Zone, strikes east-west and dips steeply south with a strike length of 550 metres to a depth of 350 metres. Mineralization remains open laterally and at depth but a fault truncates the mineralized zone to the west. The zone is 10 to 45 metres wide, within which two vein systems have been identified, the hanging wall vein and the foot wall vein. These veins comprise a series of sub-vertical, discontinuous quartz veins up to 0.5 metres thick associated with sub-massive sphalerite and pyrite and minor chalcopyrite.

Gold pour at Mahd Ad Dahab mine

Gold bar product of Mahd Ad Dahab

Bulgah

Location

Bulghah mine is approximately 520 kilometers west-northwest of Riyadh in the Al Madinah Province.

Mineralisation

The gold mineralization occurs in quartz filled veins associated with steep north-south faults. Gold mineralization is associated with arsenopyrite, pyrite (± minor pyrrhotite), chalcopyrite, sphalerite and other trace sulphides. Mineralization is subdivided into oxide, transitional and sulphide ore. Oxide mineralization extends from surface to about 35 meters depth and is underlain by sulphide mineralization with a transitional zone of about 5 meters between the oxide and sulphide mineralization zones.

Sukhaybarat

Location

Sukhaybarat mine is pproximately 485 kilometres west-northwest of Riyadh in the Qassim Province.

Mineralisation

Gold mineralization occurs in the contact zone between Idah Suite (diorite, tonalite) and sediments altered into Murdama. Gold mineralization is associated with quartz veins with minor arsenopyrite and pyrite. These lens-shaped veins are usually rough-grained. The sulphuric minerals are often found in vein margins and underground tonalite rocks of the Idah Suite (630-610 million years). High rates of gold are found in quartz veins (up to approximately 6 grams per ton) in the diorite rock injections.

Al Hajar

Location

Al Hajar mine is approximately 710 kilometers southwest of Riyadh in the Assir Province.

Mineralisation

The Abla-Wadi Shwas Belt contains over 30 sites with copper, zinc, gold in low grades. Most of these sites are located within a narrow strip extending north-south to about (10 km X 70 km) in the eastern part of the exploration license. This narrow strip is part of the Qirshah formation which contains metallic volcanic centers (lavas and Tutts), part of the regional environment.

Gold projects under evaluation

Projects under evaluation	Mineral resources as at August 31, 2011								
	Measured (million tonnes)	Grade (g/t)	Indicated million tonnes	Grade (g/t)	Inferred (million tonnes)	Grade (g/t)	Total (million tonnes)	Grade (g/t)	**Ma'aden's interest (%)**
As Suq	–	–	8.1	1.82	0.5	1.11	8.6	1.78	100
Ad Duwayhi	8.98	2.38	10.0	3.87	11.6	1.22	30.6	2.43	100
Mansourah	–	–	25.6	2.14	0.8	2.14	26.4	2.14	100
Masarrah	–	–	14.2	2.17	2.6	2.09	16.8	2.16	100
Zalim	–	–	–	–	10.8	1.70	10.8	1.70	100
Ar Rjum (Al Wasimah)	–	–	45.4	1.22	9.2	1.26	54.6	1.23	100
Ar Rjum (Um Al Na'am)	–	–	20.4	1.64	0.02	2.23	20.4	1.64	100
Bir Tawillah	–	–	97.7	0.54	0.1	0.47	97.8	0.54	100
Al Humaymah	–	–	13.2	1.03	41.0	1.00	54.2	1.01	100
Total projects under evaluation	**8.98**	**2.38**	**234.6**	**1.25**	**76.62**	**1.21**	**320.2**	**1.28**	**100**

Projects under evaluation
The following gold exploration projects are under evaluation within Ma'aden's exploration licenses.

As Suq
Location
As Suq is approximately 25 kilometres southeast of the town of Zalim in the Makkah Al Mukaramah Province.

Mineralisation
Gold mineralization is localized in narrow, shallow dipping quartz veins associated with a north-south trending zone of flat-dipping quartz veins and associated stringer zones within sediments and volcanic altered to make Al Siham Formation. The mineralized quartz vein system extends over a horizontal length of approximately 1.2 kilometres and to a vertical depth of at least 120 meters. The sediments hosting the mineralization consist of clay and sand stones.

Project studies
The feasibility study was completed in the first quarter of 2011. This study was then approved by the Board of Directors with a budget of US$ 49,890,000. A contract was then awarded to CGM for engineering works, equipment supply, installations, and initial operation.

The main contractor has already started work. Construction and installation are expected to be completed in March 2013, with actual production commencing in June 2013

Ad Duwayhi
Location
Ad Duwayhi is approximately 440 kilometers southwest of Riyadh in the Makkah Al Mukaramah Province.

Mineralisation
Mineralization occurs as quartz veins are associated with a thrust fault zone about 2 to 10 meters thick with a moderate dip of 45 degrees to the southeast curved toward the north from the southwest, and toward the east from the northeast. Narrower high-grade gold veins are also found outside of the main mineralized vein. Gold typically occurs as fine grained native gold and also in minor tellurides. Gold mineralization is also present in the colluviums.

Project studies
The pre-engineering study will be completed in the second quarter of 2012. The project is a surface mine where filtering will take place to directly separate the ore. Engineering works, equipment supply, and installations, will all commence in the last quarter of 2012.

Water pipeline project
The initial engineering study was completed in the first quarter of 2011. The feasibility study to build the water pipeline (part of Ad Duwayhi project) was approved by the Board of Directors with a budget of US$ 234 million. A contract was then awarded to Metal Services Co. for engineering works, equipment supply, installations, and initial operation.

The main contractor has already started work. Construction and installation are expected to be completed in the first quarter of 2014, with actual production commencing in the same period.

Mansourah
Location
Mansourah is approximately 50 kilometers east of the town of Zalim in the CAGR.

Mineralisation
Gold mineralization is associated with quartz veins and breccias inside Listwaenite rocks over widths ranging from a few meters to up to 60 meters over a strike length of approximately one kilometer. Mineralization and quartz veins develop to a lesser degree inside distorted underground rocks, parallel to regional formation grains. Gold mineralization overlaps with lower greywackes and the Shales of the Bani Ghay Suite. However, it forms narrower and less sustainable regions compared to mineralization inside the Listwaenite rocks.

Project studies
The pre-feasibility study will start in the first quarter of 2012, with an estimated production capacity of 2.2 million tonnes/year.

Masarrah
Location
Massarah is approximately 50 kilometres east of the town of Zalim in the Makkah Al Mukaramah Province.

Mineralisation
Mineralisation is very similar to the Mansourah deposit.

Project studies
The pre-feasibility study will start in the first quarter of 2012.

Zalim project
Location
The project is located one kilometer east of the town of Zalim.

Mineralisation
Diorites are intense on the surface, where gold mineralization is associated with quartz veins at the tear surface. Gold mineralization also mainly occurs inside the diorites unbound by the main rock body. A little mineralization is also found in the rocks above and below the mineralized rocks.

Ar Rjum project
Location
Ar Rjum is located within the Shakhtalia license about 20 kilometres southeast of Al Muwayh on the Taif-Riyadh highway. It consists of two deposits: Al Wasimah and Um Na'am

Mineralisation
Diorites are intense on the surface, where gold mineralization is associated with quartz veins at the tear surface. Gold mineralization also mainly occurs inside the diorites unbound by the main rock body. A little mineralization is also found in the rocks above and below the mineralized rocks.

Project studies
The pre-feasibility study will start in the first quarter of 2012, with an estimated production capacity of 2.2 million tonnes/year.

Bir Tawilah project
Location
This site is located within the Miskah exploration license in the Northern Arabian Gold Region.

Mineralisation
The rocks consist of the following (from older to newer): ophiolitic mélange, volcanic sediments of the Old Hallufah Unit, volcanic sediments of the Late Hallufah Unit, rocks stored during and after major folds, and rocks stored after major folds. All of these late Proterzoic rocks were subject to light and medium alteration.

Most of the Bir Tawilah rocks also were subject to change factors through minimum hot underground water. The majority of the mineralization occurs in granite rocks.

Al Humaymah project
Location
This site is located within the Miskah exploration license in the Northern Arabian Gold Region.

Mineralisation
The gold mineralization areas are limited to overlapping rocks (diorite, granite, etc.) along the contact region between the overlapping underground rocks and the volcanic sediments to form (basalt, marble, granite, etc.) Gold mineralization is associated with quartz veins as well as the surrounding highly cracked, altered rocks containing silica and carbonate.

The pre-feasibility study will start in the first quarter of 2012 with estimated production capacity of 4 millions tonnes per year.

Industrial minerals
With the continued growth of regional industries and construction activities, the demand for industrial minerals is expected to grow in the Kingdom of Saudi Arabia. Large local infrastructure spending is expected to continue, further boosting demand for construction materials, including low-grade bauxite and magnesite. Currently, most of these products are imported, as there is no major local supplier, indicating a large gap in the local market and placing Ma'aden in an excellent position to capitalize on this gap. Given the large usage of industrial minerals in everyday applications, the risk of price volatility of industrial minerals is expected to be low.

Considering prevailing conditions in the industrial mineral sector, Ma'aden is in an excellent position to be able to capitalize on its vast kaolin and low-grade bauxite reserves and high-grade magnesite deposits. In addition, Ma'aden should have a first-mover advantage and therefore build a competitive position in the Kingdom.

Ma'aden's industrial minerals operations currently consist of:

- The Az Zabirah kaolin and low-grade bauxite deposit and processing plant
- The Al Ghazalah magnesite deposit
- The Al Madinah magnesite processing plant

In addition, Ma'aden is in the process of evaluating further extensions of its industrial minerals business, with the goal of developing high value-added engineered products and identifying further strategic reserves to complement the existing minerals portfolio. Further studies are still required to assess the attractiveness of potential mineral deposits within the Kingdom of Saudi Arabia.

Kaolin and low-grade bauxite

Location

Az Zabirah mine is approximatelly 65 kilometers north of Al Baitha and 80 kilometers north of Turbah. It consists of an open pit mine, mining the Central zone of the Az Zabirah bauxite deposit, and processing facilities in the Hail Province.

Mineralisation

Mineral resources and ore reserves calculations were done internally by management and according to their estimations. (Therefore, they are not confirmed in accordance with the JORC Code by a competent person).

Magnesite

Location

The magnesite open pit mine is approximately 330 kilometers northeast of Hail in the Al Ghazalah County.

Mineralisation

The deposit consists of four separate bowl-shaped bodies of magnesite. Three of the ore bodies outcrop 300 meters apart from each other along a west-northwest – east-southeast trending and stand out from the surrounding desert plain as small but discrete hills. The biggest body is found at Central Hill and contains the major part of the total reserve. Magnesite ore is characterized by a high degree of purity.

Jabal Rukham exploration project

The exploration team implemented a drilling program to assess the JORC-compliant reserves and signed a contract with a consulting firm for this purpose. 22 diamond drill holes were dug with a total of 3,200 meters in 2011. The evaluation results will be available in the second quarter of 2012.

Kaolin and low-grade bauxite

	Mineral resources as at December 31, 2011			
Name of the deposit/mine	Measured (million tonnes)	Indicated (million tonnes)	Inferred (million tonnes)	Total (million tonnes)
Az Zabirah deposit/mine				
Kaolin	1.86	0.74	6.75	9.25
Low grade bauxite	2.74	8.27	17.23	28.24
High silica grade bauxite	1.55	5.99	12.71	20.25
Magnesite				
Al Ghazalah mine	2.25	0.94	–	3.19

	Ore reserves as of December 31, 2011			
Name of the deposit/mine	Proven (million tonnes)	Probable (million tonnes)	Total (million tonnes)	**Ma'aden's interest (%)**
Az Zabirah deposit/mine				
Kaolin	1.34	1.43	2.77	100
Low grade bauxite	3.023	3.53	6.55	100
High silica grade bauxite	0.87	1.80	2.67	100
Magnesite				
Al Ghazalah mine	1.92	0.86	2.78	100

Phosphate

Phosphate is an essential mineral used in the production of fertiliser as 87% of the global fertiliser trade comprised of fertilisers using phosphate as a raw material. With a high population growth and limited arable land, global fertiliser demand is expected to grow by 2.5% per annum until 2027. Increases in the supply capacity of rock and DAP/MAP is expected to be limited to average increases of 1.4% and 2% per annum, on average respectively due to expected capacity closures and decreasing grades.

Currently, Ma'aden is well positioned to capitalise on the growing demand and become a dominant player in the global DAP market. There are four supporting elements that would aid Ma'aden in achieving this goal:

- Vast phosphate rock resources in Al Jalamid and Umm Wu'al sufficient to sustain production over the next 100 years at 7.5 million tonnes per annum $P_2 0_5$
- Access to low-cost energy which enables Ma'aden to remain in the lower end of the cost curve and thus maintain healthy margins.
- Access to recently completed infrastructure such as rail, ports and industrial cities which enables Ma'aden to reach, unlock and transport resources available in the Kingdom
- Geographic proximity to India, one of the major consuming markets and the largest importer of phosphate accounting for 50% of total world trade

Ma'aden is well underway in unlocking these opportunities with plans to be active in both the upstream and midstream segments. Currently, Ma'aden Phosphate Company ("MPC"), a joint venture with SABIC, which aims to produce 3 million tonnes per annum of DAP, started initial production 2011. Significant progress has also been achieved in other planned projects, i.e. Al Khabra (acid production) and MPC expansion (fertiliser production).

Al Jalamid deposit

Location

The Al Jalamid sedimentary phosphorite deposit is approximately 150 kilometres east of Turaif south of the village of Hazm Al Jalamid in northern Saudi Arabia.

Mineralisation

Upper Phosphorite Zone ("UPZ")

In general, the UPZ is described as calcareous to semi-friable phosphorite, with many lenses of alternating material primarily cemented alternatively with sparry calcite and less frequently with argillaceous cement; scattered patches of pure argillaceous micrite; zones of and isolated nodules of quartz and calcite; highly bioturbated; colours/hues from white/cream to pinkish. The lithology varies from location to location and in many instances significant parts of the zone are semi-friable phosphorite, fine-grained, well-packed, well-sorted and is a pinkish gray to light brownish gray with quartz and calcite nodules (geodes) near the base.

The UPZ is defined by material which exceeds 12% P205 and is less than 8% MgO. Generally, the cut-off between overburden and UPZ is a very clear-cut with the % P205 increasing from 8–9 to over 14–15 within a ½-metre interval. Likewise the % MgO drops from 12–13 to 4–6 over the same ½-metre interval. There are, however, exceptions to the rules and judgements have been made accordingly.

Middle Marker ("MM")

In general, the MM is described as micrite, argillaceous to medium-high phosphate content, thin-bedded and fine-grained to vuggy with geodes and nodules of calcite and light tan to white to light pink in colour.

The MM is defined as the next zone of elevated % P205 below the Upper Middle Waste. Generally, this zone analyses more than 12% P205 and less than 8% MgO – where it is present. This zone is mostly absent from the northwestern part of the resource area but becomes thicker than 1.5 metres toward the central part of the resource area. There is an area within this resource boundary where the UPZ, the MM and the Lower Phosphorite Zone all exceed 1.5 metres in thickness. There are many locations where the zone is present in ½-metre to 1-metre thicknesses and it serves as a distinct analytical marker in the stratigraphic sequence.

Lower Phosphorite Zone ("LPZ")

In general, the (LPZ) is described as calcareous to semi-friable phosphorite, vuggy to fine grained and well sorted and pinkish to light brown in colour. The lithology varies from location to location and in some instances significant parts of the zone are semi-friable to friable. The zone generally has significant evidence of bioturbation and is, in part, fossiliferous. Generally there is, at the base, a zone of calcite crystals, nodules and/or geodes. The lithology of the zone is variable in both the vertical and horizontal directions.

The LPZ is generally defined as the next zone of elevated % P205 regardless of % MgO content. Normally, this strata exceeds 12% P205 but the % MgO content often exceeds 8. It is clearly chemically defined as even if the grade sometimes drops to less than 12% P205, it is always higher in % P205 than the material above or below it. The zone generally exceeds 1.5 metres in thickness in the northwestern part of the deposit.

Al Khabra and Umm Wu'al deposits

Location

The Al Khabra and Umm Wu'al deposits are 1,100 kilometres north of Jeddah in the middle of the Sirhan-Turayf basin. The deposit is limited by the Ha'il arch complex in the east, Wadi Sirhan, Muraymiz area in the South, and Iraqi and Jordanian borders in the north and the west.

Mineralisation

In the Al Khabra area, the Arqah Phosphorite member is repeatedly exposed by the set of northwest trending faults. The member varies in thickness from 1.3 metres to 5.6 metres and averages 3.09 metres. The phosphates layers comprise an original succession of carbonate-cemented sub-cycles, now represented by friable, semi-friable and residual carbonate-cemented phosphorite. Graded bedding is ubiquitous; with the pelletal grain size decreasing upwards in successive sub-cycles (fining upwards). Occasional barren limestone and chert interbeds are documented within the phosphorite sequence.

In the greater Umm Wu'al area, the Arqah Phosphorite member is repeatedly exposed by the set of northwest trending faults. The member varies in thickness from 2 metres to 7 metres and averages 3 metres. Occasional barren limestone and chert interbeds are documented within the phosphorite sequence.

Phosphate

	Mineral resources as at December 31, 2011							
Name of the deposit/mine	Measured (million tonnes)	Grade (P_2O_5%)	Indicated (million tonnes)	Grade (P_2O_5%)	Inferred (million tonnes)	Grade (P_2O_5%)	Total (million tonnes)	Grade (P_2O_5%)
Al Jalamid deposit								
Upper Phosphoric Zone (UPZ)	342.2	20.50	–	–	–	–	342.2	20.50
Middle Marker (MM)	66.7	16.90	–	–	–	–	66.7	16.90
Lower Phosphoric Zone (LPZ)	123.5	17.10	–	–	–	–	123.5	17.10
Total	**532.4**	**19.30**	**–**	**–**	**–**	**–**	**532.4**	**19.30**
Al Khabra deposit								
Upper Arqah	149.3	19.13	–	–	–	–	149.3	19.13
Lower sib	87.0	20.39	10.00	–	–	–	97.0	20.39
Total	**236.3**	**19.59**	**10.00**	**21.00**	**–**	**–**	**246.3**	**19.65**
Umm Wu'al deposit								
Block 10	413.0	14.00	113.00	13.00	–	–	526.0	13.50
Block 6	511.0	14.00	37.00	13.00	–	–	548.0	13.50
Total	**924.0**	**14.00**	**150.00**	**13.00**	**–**	**–**	**1074.0**	**13.85**

	Ore reserves as at December 31, 2011						
Name of the deposit/mine	Proven (million tonnes)	Grade (P_2O_5%)	Probable (million tonnes)	Grade (P_2O_5%)	Total (million tonnes)	Grade (P_2O_5%)	**Ma'aden's interest (%)**
Al Jalamid deposit							
Upper Phosphoric Zone (UPZ)	184.4	20.97	–	–	184.4	20.97	70
Middle Marker (MM)	–	–	–	–	–	–	–
Lower Phosphoric Zone (LPZ)	38.9	20.35	–	–	38.9	20.35	70
Total	**223.3**	**20.86**	**–**	**–**	**223.3**	**20.86**	**70**
Al Khabra deposit							
Upper Arqah	–	–	–	–	–	–	100
Lower sib	–	–	–	–	–	–	100
Total	–	–	–	–	–	–	**100**
Umm Wu'al deposit							
Block 10	–	–	–	–	–	–	100
Block 6	–	–	–	–	–	–	100
Total	–	–	–	–	–	–	**100**

Bauxite (aluminium)

The aluminium industry is one of the key metal industries globally. In 2011, total aluminium production was around 45 million tonnes globally and is expected to grow at an average rate of 4% per annum. Growth in production capacity has been primarily driven by China, the Middle East and India and it is expected to continue to grow in regions where energy costs are low. This capacity growth in the global smelting industry will require an additional 40 smelters by 2035, each with a capacity of 740,000 tonnes per annum. Since China strives for self sufficiency, the Middle Eastern countries and India will have room to develop into important global players. The transport and construction sectors will remain the largest consumers of aluminium products.

In 2011, Ma'aden has continued its plans and strategies to ensure a place in the global arena through a joint venture formed with Alcoa, the world's leading producer of primary aluminium, fabricated aluminium and alumina. As a result, Ma'aden will gain best in class know-how and international experience in building and operating state-of-the-art plants.

Ma'aden's aluminium operation has numerous advantages and strengths, including:

- Access to large bauxite deposits in Al Baitha in the northern Qassim Province
- Access to competitively priced energy enabling Ma'aden to be one of the lowest-cost producers, enjoying healthy margins
- Access to common infrastructure i.e., rail transport facilities, the port and general infrastructure at Ras Al-Khair under supervision of the Royal Commission of Jubail and Yanbu.
- An integrated production process, including a rolling mill, allowing Ma'aden to capitalise on additional access to the value chain

Al Baitha bauxite deposit

Location

The Al Baitha bauxite deposit is approximately 600 kilometres northwest of Riyadh and about 550 kilometres from Ras Al-Khair by rail in the northern Qassim Province.

Mineralisation

The PBZ constitutes the potentially economic portion of the bauxite zone and typically has pisolitic textures; however it is dominantly defined on grade criteria based on the total Al2O3, total SiO2 and total available alumina ("TAA") grades defined for samples within each drill hole. The thickness of the PBZ ranges up to 8 metres thick with an average thickness of approximately 2.6 metres.

The Riofinex study found boehmite to occur mainly in the matrix of the pisolites, in their concentric shells and in the small ooliths that fill the spaces between the pisolites. Gibbsite was found mainly to occur interstitially as replacement of earlier minerals and as cement for the ooliths.

A second mineralogical study completed by Ma'aden carried out quantitative analysis on 114 drill core samples from the South Zone. X-ray Diffraction ("XRD") was used to identify the major oxide minerals present and the abundances were determined from the sample geochemistry and the stoichiometric mineral compositions. The mineralogy work showed that the gibbsite and boehmite contents of the bauxite vary systematically within the deposit. The ratio of gibbsite to boehmite varies from values of approximately 1 to 4 with an average of 1 to 2.

Bauxite (aluminium)

	Ore reserves as of December 31, 2011		
Description	Proven (million tonnes)	Probable (million tonnes)	Total (million tonnes)
Al-Baitha deposit			
Minable tonnage	85	135	220
Total alumina	48.7	46.3	47.2
Alumina grade	56.5	55.8	56
Silica grade	8.5	10.6	9.8
Iron grade	10.5	10.7	10.6

Sustainable development
Focus on the future

Water retention reservoir at Ras Al-Khair

Ma'aden pays great attention to corporate social responsibility (CSR) which is one of the most important performance criteria for the Company. Ma'aden believes it is an essential factor in the success of long term business sustainability. This is being done through developing working practices that earn Ma'aden trust, transparency and a good reputation.

The true partnership between Ma'aden and its stakeholders is based on exchange and collaboration. Since the nature of Ma'aden's work relates to national development and reflects the values of the Kingdom, the concept of partnership in these development goals is significant.

In 2011 Ma'aden's commitment to CSR has included:

- Over SR 37 million invested on ground breaking environmental technologies in aluminium alone
- SR 42 million commitment to capital investment in Saudi Mining Polytechnic in Arar
- Mega project safety milestones achieved
- Water treatment and recycling for phosphate operations in Al Jalamid and Ras Al Khair
- SR 7 million social centre to be built for the community of Mahd Ad Dhab
- Zero reportable environmental incidents throughout 2011
- Comprehensive management and training systems achieving international industry standards
- Over 15,000 hours Environment, Health and Safety training in house at MPC in 2011
- Over SR 28 million invested in employee training in 2011
- SR 13 million invested in sponsoring students by MAC

The implementation of Ma'aden's CSR work is directed and overseen by the CSR steering committee which is made up of employees from Ma'aden's different business areas and functional departments.

To ensure that the meaning of CSR to Ma'aden is defined within the company and to identify the pillars through which the programmes are run, Ma'aden has a CSR Charter. This includes an endorsement of the definition of CSR proposed by the World Business Council for Sustainable Development:

- CSR is "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Ma'aden's CSR charter also details the four pillars through which Ma'aden's team manages the group's dissemination of CSR measures, standards and guidance, each having a dedicated sub-committee reporting to the CSR Steering Committee.

The four pillars of Ma'aden's CSR are:

- Health, Safety and Environment (includes HS&E policies, standards, management systems and risk management)
- Commitment to Community (how Ma'aden positively contributes to the communities in which it operates, be they local, national or international)
- Commitment to Employees (how Ma'aden treats its employees including its concern for their overall wellbeing and that of their families).
- Ethics (the way in which the company is run, regulatory and legal compliance, the governance of employees conduct and corporate governance)

During 2011 the CSR Steering Committee worked to enhance the application of consistent CSR standards and measures across Ma'aden through the development of key performance indicators set against defined principles. This mechanism was chosen to ensure that all aspects of CSR can be measured against clear targets which

The ammonia plant team meets to troubleshoot during startup

are both ambitious and achievable. This method enables the setting of measurable targets to attain common goals while accommodating the need to adapt some of the targets according to the varying operational characteristics found in a diversified business like Ma'aden.

The CSR team at Ma'aden based its work on the following ten principles to develop appropriate key performance indicators (KPIs) for each SBU:

- Implement and maintain ethical business practices and sound systems of corporate governance
- Integrate sustainable development considerations within the corporate decision-making process.
- Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
- Implement risk management strategies based on valid data and sound science.
- Seek continual improvement of our health and safety performance.
- Seek continual improvement of our environmental performance.
- Contribute to conservation of biodiversity and integrated approaches to land use planning.
- Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
- Contribute to the social, economic and institutional development of the communities in which we operate.
- Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

Presented below are the major initiatives undertaken by Ma'aden in each of its CSR pillars with examples and case studies of actions taken by Ma'aden and its affiliated companies.

PILLAR: HEALTH, SAFETY AND ENVIRONMENT

2011 Highlights

- MAC: 10,000,000 safe man-hours without lost time injury and zero fatalities
- Overall Ma'aden Lost Time Injury Frequency Rate (LTIFR) reduced from 1.95 to 1.50 per million work-hours. More than one year without lost time injury at MPC
- 5,874 employees and contractors trained (15,714 training hours) in MPC EHS in house training

During 2011, the corporate Health and Safety team introduced the Safety Culture Improvement Plan to cover all Ma'aden sites and drive improvement in all safety aspects. The plan includes:

- Management's involvement with and commitment to safety
- Employee safety training
- Awareness program, internal audit and safety recognition program

The implementation of the plan included training for employees from all subsidiaries and Headquarters on areas including:

- Creating a World Class Safety Culture,
- Defensive Driving
- Root Cause Analysis

Additionally, the plan addressed practical approaches to help management at subsidiaries formulate strategies to lead the continued development of a safety culture and gain employees' involvement through safety contact and observation and measuring the success of safety initiatives. The improvement of Overall Lost Time Injury Frequency Rate (LTIFR) was achieved as a result of increasing the safety consciousness among Ma'aden employees.

Tailings dam lining at Mahad Ad Dahab

Safety inspections
Safety inspection tours were conducted at all Ma'aden sites and any identified deficiencies were communicated to those responsible. Observed items were followed up with the concerned parties to ensure that they had been rectified and that consistent standards are applied across the organization.

EHS management system upgrade project
Work began in 2011 to identify a contractor to revise and upgrade Ma'aden Environment, Health and Safety Management System to be in line with ISO 9001, ISO 14001 and OHSAS 18001 and a scope of work produced and contract request was processed. The project is anticipated to commence in the 1st quarter of 2012.

The following is a selection of the key Health and Safety achievements of Ma'aden's companies during 2011:

Ma'aden Aluminium Company (MAC)

- 10,000,000 safe man-hours without lost time injury
- Total man-hours worked – 26.3 million
- Lost work day rate - 0.10/ million hours worked
- Total Recordable Injury rate -- 0.25/per million hours worked
- Over 250,000 hours of environmental, health and safety training were carried out by the aluminium project team in 2011 and over 525,000 project safety observations.

Ma'aden Phosphate Company (MPC)

- 4,115,460 Safe-man hours without Lost Time Injury.
- Achieving 2011 LTIFR target rate of 0.41% and Environment KPIs.
- Implementing EHS in-house training plan, trained 5,874 employees and contractors, total hours 15,714.
- Awarded Ma'aden safety recognition award (Golden Award) for achieving more than one year without lost time injury
- Participated and witnessed performance test of all plants, all stack emission's within the plant design meeting the requirements of the Royal Commission for Jubail and Yanbu.
- Implemented about 70% of EHS Standards.

The MPC EHS Management System upgrade has set a target to clear all non conforming items during 2012 and complete IMS-EHS&Q and achieve ISO 9001, ISO 14001 and OHASA 18001 certification.

Ma'aden Gold and Base Metal Company (MGBM)

- Conducting safety trainings for (110) employees and contractors on e.g. RCA, work permit, hazard identification and conducted (4) emergency drills.
- Recruited additional EHS Coordinator for Corporate office

Ma'aden Infrastructure Company (MIC)

Ma'aden has reduced motor vehicle accidents on the Ministry of Transport (MOT) road at Ras Al Khair by around 75% compared with 2010. The improvement was achieved after Ma'aden laid a special road for haul-trucks to minimize traffic levels on the MOT road.

ENVIRONMENT REVIEW 2011

2011 Highlights

- Zero reportable environmental incidents
- Zero environmental penalties incurred
- All Ma'aden facilities subjected to monthly inspection

Ma'aden's corporate environmental goal is to protect the environment and communities without compromising sustainable development through achieving compliance to national and international standards and regulations and implementing ISO 9001 and ISO-14001. Ma'aden has implemented its Environmental Management System at all sites to continually improve its environmental performance.

The Corporate Environmental Scorecard and Facility Environmental Key Performance Indicators (EKPIs) System came into operation in 2011. This is an assessment methodology for rating the environmental performance of operations. Using the results of this we can systematically and fairly rank each facility by its environmental performance. The three criteria for this evaluation and ranking system are:

- compliance
- performance
- awareness and training

The overall target of a 90% grading was set as the target for all Ma'aden's operations to achieve by the end of 2011 with key indicators for every individual operation reported to the CEO and reviewed by the management committee every month. The actual 2011 grading achieved was 92.23 %. The target set for 2012 has been raised to 95%.

In 2011, Ma'aden reiterated its full and unequivocal commitment to the pro-active preventative principle of applying "Best Practice Environmental Performance", whereby the company's goal is to go

Quality control testing

beyond compliance to national environmental regulations and standards. To that effect, the Group stipulated that all Ma'aden operations should strictly adhere to this principle and the Corporate Environment team was mandated to provide guidance and oversight to satisfy Ma'aden's commitment and vision.

Some of the environmental highlights of 2011 include the following:

- All of Ma'aden facilities including those under construction were inspected and evaluated monthly.
- All scheduled environmental awareness sessions were conducted on time. The corporate environment team helped devise and implement scheduled environmental awareness and environmental coordinators' training initiatives across operations.
- The Corporate environment team completed and reviewed all required compliance reports and monitoring programs with the Presidency of Meteorology and the Environment (PME).
- The Corporate environment team completed the review of the Environmental Impact Assessments (EIA's) for the As-Suk and Ad-Duwayhi projects and submitted them to PME for permitting process.
- Ma'aden sponsored and participated in various national environmental events and exhibitions such as The Second International Gulf Environmental and Sustainable Development Forum held in Jeddah and an environmental symposium held in Madinah in collaboration with Taibah University.

Ma'aden also decided to apply the Environment, Health, and Safety Integrated Management System (EHS- IMS), across Strategic Business Units (SBUs), and Functional Departments (FDs). Preparations for this were laid in 2011 and the project should be complete by the end of 2012 rendering Ma'aden ISO-14001 ready.

Leveraging science, technology and engineering to protect the environment

Ma'aden's operational teams invest considerable time, money and expertise in reducing the impact of their operations on the environment as the following examples show:

Steps taken by MPC to conserve resources and energy:

- Treatment of sanitary waste water at Al Jalamid to enable its re-use for irrigation
- Implementation of a water recycling system at Al Jalamid to minimise water consumption
- Sanitary waste water at Ras Al Khair is tertiary treated and used for irrigation
- Boiler blow down from the sulphuric acid plant at Ras Al Khair is re-used at the phosphoric acid plant reducing the amount of waste water generated and saving energy and resources for producing fresh process water
- Hemihydrates technology used in the phosphoric acid plant achieves a 33% reduction in water consumption compared to other technologies

MAC: introducing new environmental technologies to Saudi Arabia

As they build the aluminium complex at Ras Al Khair, the Ma'aden and Alcoa teams have worked together to develop initiatives that will save over 9,000 tonnes per day of water and 2 giga joules per tonne of alumina produced.

- Investing extra capital of around SR 37 million to preserve valuable resources
- First use of engineered natural waste water treatment system in Saudi Arabia
- Sea water cooling towers replace evaporative cooling process
- Energy reduction technology introduced

Water is a scarce and valuable commodity throughout the Kingdom and so the project is employing a wastewater treatment system (Engineered Natural System) that will treat and recycle processed waste water, sanitary waste water and storm water back to operations. Recycled process and stormwater from ENS will directly offset the need for desalinated water from SWCC. This system will be the first of its kind in Saudi Arabia.

In a 'normal' alumina refinery, fresh-water cooling towers are used. Evaporative cooling of hot water coming from the refinery is used to lower the temperature and that cold water is returned to the process area to recover heat from the process fluids in heat exchangers. We recognized that evaporative cooling would consume a great deal of fresh water (nearly 9,000 tonnes per day) and so opted to invest in sea water cooling towers instead.

In the sea water towers, the evaporative cooling is applied to hot sea water returning from heat exchangers with fresh water. The fresh water is used in a 'closed circuit' to remove heat from the process fluids, and transfer that heat to the sea water. The refinery will not release any sanitary or process influenced waters from its facility to the environment.

The alumina refinery will be installing air emissions controls that will meet both the Royal Commission's standards and those included in International Finance Corporation guidance. The control systems will be supported by operational and environmental management systems that will ensure that the controls perform optimally and that emissions remain in compliance with regulatory and internal standards.

The project has also successfully reduced expected energy consumption by 2 giga joules per tonne of alumina through the export of energy from the digestion area to the steam plant.

Magnesite processing plant, Madinah

Underground at Mahad Ad Dahab mine

Ma'aden Gold: detailed environmental monitoring

Environmental reports containing progress of environmental monitoring, issues/projects and supplemented with related photographs are forwarded by each mine to Ma'aden's corporate environment team every month. The following environmental report for 2011 at Mahd Ad Dahab mine shows the high degree of rigour and commitment applied to environmental inpsections and the prevention of negative imapcts of Ma'aden's operations on the environment:

Environmental protection efforts

- In March 2011, the mine closure phase II of old tailings dams numbers 2 and 3 was completed.
- In October 8, 2011, the mine closure phase III of old Zinc feed tailings dam (Dam number 1) commenced – 90 % completed to-date.
- Constructed concrete bund in lubricants drums location behind the power plant building.
- Constructed a concrete skimmer beside the main oil-water separator. A steel baffle to regulate/control rainwater flowing inside the separator was also installed.

Environmental studies

- Consultants from Global Environmental irommental Control Co. Ltd. came to the mine and conducted environmental measurements like gas testing, air dust measurements, noise survey at different locations at the mine. The group also performed meteorological survey/measurements and air sampling in Mahd City.

Dust control initiatives

- Aside from two (2) units of water tankers, three water spray guns were used in mine closure phase III of the old zinc feed tailings dam to minimize if not eliminate the project's dust emissions.
- Tested application of Adherex 120 dust suppressant chemicals along rough roads west of tailings dams area and the rough road near borehole number 2/2A. Same chemicals were also used in Phase III of Mine Closure project.
- Ordered eighteen (18) tonnes of Adherex 120 dust suppressant chemicals for use in mine rough/dirt roads.
- Using water spray points in crushing plant and dust scrubber as well in highly dry ore feed to crusher.
  Water spraying using tankers over rough/dirt roads in tailings dam and mill plant areas.
- Regulating speed limits on dirt/rough access roads in the mine
- Maintaining rough/dirt access road surface conditions by regular paving and scraping

Water conservation initiatives

- Water recycling in operations
- Continued collecting the brine reject of Mahd City Ro Plant using HDPE-lined pond and pumped to dome tanks for use in operations. Water is also used in rough road water spraying.
- Posted water conservation signs in operations and accommodation toilets/bathrooms.
- Installed water savings kits to shower heads and taps in accommodation facilities
- Daily monitoring of water consumption at the mine
- Monitoring and immediate fixing of pipeline and water outlet leaks

STATISTICS ON WASTE (Generation, disposal, recycling)

Major wastes	Quantity 2011 Monthly	Unit of measure	Year total	Disposal method/location
Final tails	16,224	tonnes	193,738	Tailings dam
Mine waste rock	10,230	tonnes	122,771	Waste dumpsite/backfill
Steel scraps (assorted)	2	tonnes	24	Scrapyard
Waste water	2,195	cu. m.	26,347	STP-Irrigation
Domestic wastes	60	cu. m.	720	Landfill
Used oil	7,401	liters	88,815	Taken by contractor monthly
Wooden boxes	150	kls	1,800	Re-used/scrapyard
Cartons/boxes	60	kls	720	Re-used/landfill
Plastic carbuoys (30/20-Liters)	512	pcs	6144	Scrapyard
Fluorescent tubes/bulbs	140	pcs	1,680	Storage room
Steel/plastic drums (210-Liter)	133	pcs	1,596	Scrapyard/re-used
Oil filtres (maint)	120	pcs	1440	Scrapyard
Wooden pallets	72	pcs	864	Scrapyard
Fuel filtres	65	pcs	780	Scrapyard
Air filtres	55	pcs	660	Scrapyard
Used tires (Assorted Sizes)	35	pcs	420	Scrapyard/re-capped
Used car batteries	5	pcs	60	Scrapyard

Waste water management

- Reconditioned/enhanced the aeration tanks of sewage treatment plant ("STP") replaced/fixed the blower airline air outlet points at the bed of the tanks.
- Maintaining STP in good operating condition and treated water being used for irrigation.
- Reject water from the mine's RO Plant is used in mine underground and mill plant operations.
- Used water from wash bay passes through oil-water separators, is collected and re-used.

Emission control efforts

- Performing routine preventive maintenance services to all heavy equipment and light vehicles thus maintaining engine efficiency and reducing carbon monoxide emissions.
- Regular overhauling and PMS of power plant generators to maintain operating efficiency and lessen if not eliminate unwanted gas emissions.

Environmental monitoring protocol

- Regular downloading of data from the weather station (WS-16)/ meteorological lab.
- Monthly water sampling from boreholes (monitoring wells), potable water and irrigation water sources – sample analysis performed in assay laboratory except on bacteriological analyses which are sent to Jeddah laboratory.
- Mobile Air Quality monitoring station/laboratory was stationed at the mine site to monitor air quality and collect weather data which was set-up on the east side of old zinc feed tailings dam and ran for three months.
- Conducted gas tests in mine underground and mill plant areas.
- Sent eight water samples taken from monitoring wells/ boreholes to Jeddah office for analysis of cyanide content by third party- Analyzed by MUSA, all results yielded non-detectable cyanide contents (<0.001 ppm).
- Corporate ISSED Manager and representatives from PME and Mahd City together with Mahd mine manager finalized the locations of environmental monitoring stations inside and outside the Mine. The team also discussed the following:
  - PME Madinah Branch is responsible for Mahd mine.
  - Quarterly submission (from corporate) to PME of analyses on dust particles, air quality and analyses results of boreholes.
  - Location of future housing construction west, south and north of the mine.
  - Governor shall communicate with police to secure monitoring equipment to be stationed in Mahad village.
  - PME Madinah to submit quarterly report to Governer of Madinah
  - Monitoring points – two units in Mahad village and Mahad mine.

Environmental training

- The Mine Manager attended Environmental Awareness Workshop/Environmental Review Meeting in PME office arranged by Green Environment Consultants in January, 2011
- A course on "Environmental Awareness" was held and participated by twenty-eight mine employees participated
- Environmental talks given to enhance environmental awareness of mine personnel.

Other major environmental activities achievements or issues

Visits/audit/inspections

- Annual and Environmental Inspection conducted by corporate environmental staff in the mine site in February 2011.
- PME officials and Riyadh and Jeddah Corporate Environment staff visited the in last April, 2011.
- PME officials and Riyadh and Jeddah Corporate Environment staff visited the site's Mine Closure Phase II project in March 2011.

- PME placed its air quality mobile monitoring/station inside the governor office perimeter fence and carried out tests for two months.
- Two PME officials along with Riyadh and Jeddah Corporate-Environment teams visited the Mine Closure Phase III (old zinc feed tailings dam) project in December, 2011.
- Conducted spot inspection and survey of the old tails area with the Environmental Engineer and consultant for the dust suppression test
- Three staff from Government Auditing Bureau conducted an audit at the mine

Environmental activities/achievements

- Planted additional trees on top of dike (east side) of (old zinc feed tailings dam). Trees were also planted across the sides of the rough road between the Sufaynah tank/area and the old zinc feed tailings dam.
- Excavated new landfill for domestic wastes disposal - landfill being backfilled on weekly basis.
- Contractor brought equipment to the mine and shredded empty plastic carbuoys in the scrap yard.
  Constructed additional concrete block walling over the ditch sides at the southeast portion of the heap leach plant closed area to prevent rainwater from eroding and overflowing down the slopes. Levelled the eroded slope portion of east wall and cleaned the drainage ditches of silt/sand.
- Replaced deteriorated pipes at boreholes numbers 1 and 3A. Cleaned and de-silted the ditch behind the maintenance shop and the secondary oil-water separator.
- Contractor transferred its diesel storage tank to its new location (with provision of new concrete bund) and installed pumps. The area around the pumps was also concreted.
- Used oil taken by contractor from the mine site on monthly basis.
- Completed cleaning/removing the silt/soil from drainage trenches and finalized backfilling the scoured slope of closed heap leach area (Mine Closure Phase I).
- Dust Retardant (DURATAN 300) was test-applied along selected roads at the mine site.
- Drilled additional two monitoring wells/boreholes east of the new tailings dam.
- Arranged with a contractor to perform evaluation/assessment of our STP process on site in order to establish additional parameters to improve its operations efficiency.
- Sent ISSE proposal for procedures on the disposal of expired ferrous sulfate to Corporate team in Jeddah.
- Held meeting with contractor (Closure Phase III) representatives on the execution of closure works. Main topics focused on safety and environmental impact controls (elimination of dust emission).
- Sent a presentation on the works progress/sequence of Mine Closure Phase III project to Riyadh Corporate Environment office.
- Began construction of rainwater diversion drainage channel west of tailings dams.
- Mine scraps were taken and transported by contractor.

PILLAR: COMMITMENT TO COMMUNITY

Ma'aden believes that its relationships with the local communities around its operations are of paramount importance and central to the company's social licence to operate. Therefore Ma'aden has its own community commitment policy:

Ma'aden Community Commitment Policy

Policy statement
This Community Commitment Policy (CCP) serves to address Ma'aden's commitment to engagement, environmental and social impact of operation, and sustainable development in communities in which we operate. Ma'aden defines community as the environment in which we work, both office locations and field operations.

Ma'aden recognises the real and potential corporate and operational impacts on these communities and is committed to addressing the related business responsibilities.

We are determined to develop positive relationships with these communities based on respect, active partnership and long term commitment. Wherever Ma'aden operates, we consider the various cultures, lifestyles, heritage and preferences of community members and act accordingly.

Policy objective
To establish long-term community confidence, trust and support for Ma'aden's operations in the communities in which we operate.

Policy principles

Community engagement
Ma'aden will apply collaborative, purposeful and inclusive engagement activities with the communities in which we operate through regular consultation and communications activities.

Environmental and social impact
Ma'aden will undertake and support all activities that address the environment and social impacts of our operations in the communities in which we operate.

Sustainable community development
Ma'aden commits to working towards supporting sustainable development initiatives or implementing related operational activities to ensure we are contributing toward long-term benefits in the communities in which we operate without creating unsustainable dependencies.

Saudization
Keenly aware of its responsibility as Saudi Arabia's pre-eminent mining company and the important role that mining and related industries are set to play in the Kingdom's industrial growth, Ma'aden invests heavily in Saudization, training Saudi nationals for careers in mining and doing business with local suppliers.

Despite many aspects of Ma'aden's business being new to the country and highly technical, Ma'aden's overall Saudization rate at the end of 2011 was 63%.

MPC accommodation facilities

Good house keeping ("GHK") gets top priority in the HSE programme

Ma'aden Saudization

	2011 %	2010 %
Overall	**63**	58
Ma'aden Gold & Base Metals Company	**52**	54
Ma'aden Phosphate Company	**57**	57
Ma'aden Aluminium Company	**88**	80
Corporate Office/others	**63**	60

Investing in skills development
Ma'aden, in partnership with the Technical and Vocational Training Corporation (TVTC), has established the Saudi Mining Polytechnic (SMP) in Ar'ar with the explicit aim of providing vocational training and development facilities for the mining and related industries. The existing physical facilities of the Ar'ar Technical Institute including buildings and equipment will be provided by the TVTC. The operational costs associated with running the training institute will be borne by Ma'aden.

The opening date of the SMP in Arar has been set for September 2012. It is projected that the institution will accommodate a maximum of 600 students with an estimated 200 to 300 every year. It is envisaged that the centre will provide training in the following disciplines amongst others:

- English language
- Sample preparation and assaying
- Mineral processing operators (crushers, filtration, flotation and beneficiation)
- Heavy vehicle mechanics/operators
- Mining operations (drilling, mucking, charging and blasting)

Ma'aden has spent much of 2011 leading the selection process for a specialist supplier to deliver the highly technical curriculum as well as planning for the opening.

Ma'aden's commitment to SMP in 2012 includes a one-off capital investment of SR42 million for the special equipment required for specialist experiential training. The requirement includes surface mining equipment such as: advanced equipment simulators, heavy duty shovels, trucks, tractors, wheel loaders, a blasthole drill and underground mining equipment including: mining loaders, articulated trucks, a jumbo drill, a longhole drill and jackleg drills. In addition, Ma'aden's investment will also provide a mineral processing pilot plant for training purposes.

Furthermore, Ma'aden developed a sponsorship program of SR 2,000 per month per student throughout the course. Ma'aden will recruit and sponsor a minimum of 150 students per annum for the first five years. When selecting students to sponsor, Ma'aden will give preference to applicants who live in the sorrounding areas to one of Ma'aden's mining operations in order to support local communities. The diploma run at the SMP will consist of 2 years of academic training and up to 8 months additional 'on the job' training depending on stream and elective.

MAC sponsored training for future operators in the aluminium project in two courses at Jubail Technical College with 166 trainees in the first group and 159 in the second. The investment during 2011 for these two groups was SR 8.3 million for the first group who completed the English and technical programme elements of the course and SR 4.2 million for the second group to complete the English program before continuing with the technical element in 2012. This makes a total investment of SR 13 million by MAC in 2011.

New infrastructure at Ras Al-Khair includes high quality accommodation

Al Ba'itha village re-settlement
A team from MAC attended a meeting led by the Al Qassim Province Governor HRH, Faisal Bin Bander Al Saud where the implementation of the Royal Decree concerning the re-location and resettlement of the residents of Al Ba'itha village was discussed. MAC has played a major role in facilitating and expediting the re-settlement including the development of the new village, the master plan as well as implementation of the plan on the ground. MAC made a contribution of SR1 million to arrangements for the relocation during 2011.

Generating business for companies in Saudi Arabia
Ma'aden recognises the importance of establishing local supplier networks for skills and equipment for the sustainability of mining and related industries and actively encourages and prioritise local suppliers where possible.

Levels of 2011 MAC contracts with local suppliers

	# Contracts	Committed value SR (in million)	Spent value SR (in million)
Mine and refinery	19	896	21
Smelter	55	2,059	1,160
Rolling mill	6	1,315	162
IIP	127	843	188
Total	**207**	**5,113**	**1,532**

Mahd Ad Dahab 2011 contracts with local suppliers

Goods/Service	Contract value SR (in millions)
Diesel	2.274
Gasoline	0.016
Maintenance and spare parts	0.083
Catering and janitorial services	0.232
Mine closure phase II	1.000
Sands for mining filling	0.048
Process water supply	0.018
Total	**3.671**

During 2011 Ma'aden carried out an extensive review of the contractual obligations and inducements it places on contractors and suppliers to increase their levels of Saudization and Nitiqat rating. As a result Ma'aden included Contractors Saudisation Policy information in relevant contracts covering the need for contractors to observe where possible the replacement of international employees with Saudi nationals, technology transfer, skills development including contract specific undertakings and penalty clauses for failure to comply.

Ma'aden and its subsidiary companies have made considerable donations to charities and projects based in their local communities during the year. As an example, MGBMC donated SR 900,000 in the course of 2011 and the major beneficiaries of donations from MGBMC included the following:

- Donation to the Quawaiyah Eid Festival
- Provision of a roof for the mosque at Al-Amar Village
- Assistance extended to the Dawa'a office for providing training courses aimed at Government officials
- Construction of the Al-Amar Medical Clinic
- Qassim's celebration of the King's return to the Kingdom
- Zalem's celebration of the King's return to the Kingdom
- Donation for the preparation of the Governor of Madinah's visit to Mahd
- National Day Celebration – Tree planting week
- National Day Celebration – Traffic awareness week
- Construction of the Rania Governor's office
- Donation to the Holy Quran learning group
- Donation to the Al-Madinah Al-Munawarah charity warehouse
- Donation to the Albir and social services society
- Donation to the local development committee
- Donation to the charity Project for marriage and family care
- Donation to the Umm Al-Qura University
- Environmental awareness training program – Mahd
- Environmental awareness training program – Al-Amar
- Community Eid celebrations

Mahd Ad Dahab community centre
Amongst the community projects that MGBMC started work on in 2011 is the advanced planning to fund and build a SR7 million community centre in Mahd Ad Dahab. The commitment recognises the unique role that Mahd Ad Dahab mine continues to play as the Kingdom's and Ma'aden's oldest operating mine site, and also the support of the people of Mahd Ad Dhab.

MPC community involvement in Northern Border Province
MPC is represented on the Northern Border Technical Development and Training Council. The Council was established to help to reconcile and coordinate the needs of society in the region with the needs of the mining sector. This is in part done by ensuring that the development and training of technical college graduates meets the professional standards required by the private sector and to encourage the private sector to employ vocational graduates in addition to those recruited by Ma'aden.

Ma'aden donated forty one computers to the Ministry of Education in Arar to distribute them to schools in the Al Jalamid area and these were delivered in December 2011. During the year MPC also hosted students from a number of educational institutions either to learn about the phosphate industry, to document information for project purposes or as summer students. A number of students of the Northern Border University, Science College, joined MPC to gather data for their graduation project and a group from the Industrial Vocational Institute in Arar visited the MPC training centre.


Group of graduates at Jubail Industrial College


Leisure facilities in Ras Al Khair compound

PILLAR: COMMITMENT TO EMPLOYEES

Training and development

The main goals and objectives of the employee training and development processes in Ma'aden can be summarized as follows:

- To establish and effectively maintain ongoing, viable and meaningful training and development programs for employees.
- To develop, expand and enhance the required skills, knowledge, and competencies of employees.
- To the maximum possible levels in order to achieve Saudization objectives.
- To attract, motivate, develop and retain highly qualified Saudi nationals with the necessary experience, occupational, technical and administrative skills.
- To provide the necessary motivation for an employee's personal growth and improved performance to meet current and future job requirements.

Ma'aden's HR training team has prepared a Professional Development Program (PDP) for fresh Saudi university graduates for implementation during 2012. The program consists of specially tailored development plans lasting 12 months for graduates in the disciplines of engineering, information technology, finance, human resources, exploration and mining. Mentors have been identified for the graduates taking part in the PDP and they will be trained to start mentoring once the graduates have been appointed. The first intake will be in January 2012 and will consist of 64 graduates.

The main goals of the PDP program include:

- Grow and build the talent pipeline for Ma'aden and its subsidiaries.
- Provide cross functional experience and learning in functional areas outside the participants' discipline.
- Demonstrate the participants accelerated technical/business competence and productivity.
- Identify the best organizational fit for the participants.

The total number of employees trained internally and externally, including English as a second language:

Name	No. of employees
Head office	351
MGBM	544
MPC	602
MAC	458
Total	**1,955**

Ma'aden's total investment in training courses for employees

Item	SR (in millions)
Total scholarship and training fees	16.0
Total travel expenses	1.6
Total travel airfares	0.6
Total Ma'aden training costs	**18.2**

Home ownership programme

Ma'aden has designed a home ownership programme, whereby the Company acts as a guarantor on behalf of the employee, in securing an apartment/home loan received by an entitled employee from a financial institution. The Company bears the interest on the long-term loan, whilst the employees pay the principal amount of the installment, directly to the commercial bank. The total amount of loans granted to entitled employees as at December 31, 2011 was SR 36 million and the outstanding amount of the loans as of December 31, 2011 was SR 29 million.

Savings plan

Ma'aden created a savings plan programme for its Saudi employees, whereby employees contribute a fixed share of their monthly salary and the Company contributes a proportionate share for the benefit of the employee. The total amount invested will be for the benefit of the employee, pending certain conditions. The employees' contribution towards this programme as at December 31, 2011 amounted to SR 15 million and the Company's contribution amounted to SR 8 million. The entire programme is managed and administrated in accordance with the approved Policy and Procedures of the company.

PILLAR: ETHICS

Ma'aden attaches a high level of importance to corporate ethics in line with the 10 principles against which the company sets its CSR targets. Currently Ma'aden has a code of conduct that all employees sign on starting with the company and are expected to uphold for the rest of their time with the company. Suppliers similarly have a code of conduct which must be adhered to in order to do business with Ma'aden. As an output of the strategy, Ma'aden has revised its values to reflect the behaviour that is expected in all stakeholders, these are:

Looking forward, Ma'aden has aspirations to do more to ensure that ethical practices are endemic in the business. A full code of ethics will be developed alongside a full CSR strategy. This will encompass the code of conduct and also the values, ensuring that these values are alive in the business and become a filter through which all decisions and policies are passed. Training in the code of ethics will take place for all employees and a means of surveying compliance to this will be developed. Further information on the governance aspect of ethics can be found in the Governance section of this report.

Risk management

Notable ERM achievements for 2011 include:

- Restructuring and improvement of the enterprise wide risk reporting process to deliver more detailed information about the identification, analysis and management of risk at Ma'aden.
- A revision of Ma'aden's Enterprise Risk Management Governance Manual to ensure the requirements of ISO 31000:2009 are embedded and to enhance Ma'aden's current processes and tools for the identification and management of risk.
- Updating and improving Ma'aden's ERM Policy and Standards to reflect the ISO 31000:2009 approach.
- The delivery of a Risk Management Charter that defines risk management governance, frameworks and assurance, as well as risk tolerance levels, risk appetite and key risk indicators.
- The production of a risk management roadmap that sets out the strategy for the continued enhancement of Ma'aden risk management processes.
- Creation of ERM Guidelines that describe, amongst other things, the risk management process, framework and methodology, as well as procedures for the production of risk registers.
- Collaboration with the Strategy and Planning team to identify the strategic risks that would directly impact the achievement of Ma'aden's corporate strategic objectives and goals

Operational performance
Gold operations

Steady state mining operations by mine

In terms of Article 27 (a) of the Listing Rules issued by the CMA, the Group must provide a review of operations for the financial year ended December 31, 2011 and all relevant factors affecting the Group's business.

	Mahd Ad' Dahab		Al Amar	
	2011	2010	**2011**	2010
Production statistics for the years ended December 31, 2011 and 2010				
Tonnages mined (metric tonnes)	**202,677**	200,063	**214,142**	216,970
Grade (grammes per tonne)	**–**	–	**9.7**	9.31 g/t
Tonnage milled (metric tonnes)	**198,714**	199,477	**204,949**	202,861
Grade per tonne (grammes per tonne)	**8.20 g/t**	8.4 g/t	**9.30 g/t**	8.40 g/t
Recovery %	**95%**	94%	**88%**	88%
Ounces produced	**49,517**	50,940	**52,050**	47,941
Zinc tonnes produced	**682**	679	**4,252**	4,218
Financial results of operations for the years ended December 31, 2011 and 2010				
Revenues gold (SR '000)	**279,712**	227,659	**317,528**	210,395
Gross profit (SR '000)	**236,372**	170,417	**246,592**	142,074
Capital expenditure (SR '000)	**10,454**	5,433	**8,700**	6,306
Net cash cost per ounce produced US$/oz*	**237**	238	**264**	256
Average realised sales price US$/oz	**1,562**	1,225	**1,566**	1,213
Ounces sold	**47,746**	49,556	**54,086**	46,236
Net cash cost per tonne of zinc produced US$/tonne*	**–**	–	**623**	443
Average realised sales price US$/tonne	**–**	–	**2,191**	2,129
Zinc tonnes sold	**–**	–	**4,272**	4,297
Safety statistics for the years ended December 31, 2011 and 2010				
LTI	**4**	1	**1**	2
First aid cases	**3**	13	**15**	5
Property damages	**26**	35	**13**	7
LTIFR	**5.04**	1.18	**1.61**	3.43
Property damage repair cost (SAR '000)	**72,974**	83	**38,286**	6
Total man hours worked	**794,140**	845,336	**622,046**	582,983

* Excluding severance fees paid to the Government, based on the volume of minerals extracted and sold to third parties, amounting to SR 85,032,887 (2010: SAR 54,543,721).

Bulgah		Sukhaybarat		Al Hajar		Total	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
2,488,887	2,530,615	**n/a**	n/a	**176,597**	140,957	**3,082,303**	3,088,605
0.72	1.19 g/t	**n/a**	n/a	**1.44**	2.92 g/t	**–**	–
2,340,461	2,147,162	**512,353**	523,253	**210,448**	664,990	**3,466,925**	3,737,743
0.70 g/t	0.80 g/t	**1.20 g/t**	1.00 g/t	**0.90 g/t**	0.90 g/t	**–**	–
67%	47%	**33%**	64%	**93%**	47%	**–**	–
34,387	25,110	**6,580**	10,709	**5,740**	9,225	**148,274**	143,925
n/a	–	**n/a**	–	**n/a**	–	**4,934**	4,218
200,958	107,286	**33,741**	53,930	**33,812**	42,798	**865,751**	642,068
101,273	26,213	**41,384**	17,129	**11,935**	15,422	**610,556**	371,255
11,667	11,647	**7,815**	6,251	**129**	541	**38,765**	30,178
631	668	**657**	657	**848**	778	**380**	385
1,600	1,237	**1,506**	1,207	**1,528**	1,242	**1,568**	1,223
33,496	_	**5,976**	11,911	**5,901**	9,192	**147,205**	140,028
23,133	–	**–**	–	**–**	–	**623**	834
–	–	**–**	–	**–**	–	**2,191**	2,129
–	–	**–**	–	**–**	–	**4,272**	4,297
2	2	**1**	1	**1**	2	**9**	8
3	4	**1**	1	**3**	6	**25**	29
7	3	**7**	1	**3**	30	**65**	76
3.22	3.67	**3.24**	3.29	**2.78**	4.59	**2.69**	2.95
15,000	6	**5,000**	51	**5,000**	33	**136,260**	179
620,384	545,615	**308,943**	303,902	**359,213**	436,069	**2,704,726**	2,713,905

Underground haul track being loaded at Mahad Ad Dahab Mine

Contribution to gold production for the years ended December 31, 2011 (in ounces)

	2011	%	2010	%	Change y-o-y	%
Mahd Ad' Dahab	**49,517**	**33**	50,940	35	(1,423)	(3)
Al Amar	**52,050**	**35**	47,941	33	4,109	9
Bulgah	**34,387**	**23**	25,110	18	9,277	37
Sukhaybarat	**6,580**	**5**	10,709	8	(4,129)	(39)
Al Hajar	**5,740**	**4**	9,225	6	(3,485)	(38)
Total gold production in ounces	**148,274**	**100**	143,925	100%	4,349	3
Al Amar mine's zinc production in tonnes	**4,252**	**–**	4,218		34	1

Mahd Ad' Dahab mine

Description

Mahd mine, located in the Al Madinah Province of Saudi Arabia, began commercial production in 1988. It is an underground mine with a total tunnel development in excess of 70 kilometres, extending to a depth of 300 metres. Access to the mine is via an adit, through which men, material, ore and waste rock are transported. The mine has its own metallorgical carbon-in-pulp processing plant on-site.

Safety

The mine has a total number of 245 employees as of December 31, 2011, including 125 Saudi nationals and 120 expatriates. No fatalities were recorded in 2011.

For the second year in a row, no accidents occurred at the Mine, and 216 consecutive working days were completed.

The year in review

The mine production for 2011 is 1,423 ounces lower than the gold produced in 2010 even though 2,614 more tonnes of ore were milled.
The reasons for the decline in production can be attributed to:

- A slight decrease in the gold grade to 8.20 g/t in 2011 from 8.40 g/t in 2010
- Weaker drilling equipment, resulting in not reaching targets

Future outlook

The estimated life-of-mine is five years, based on current mineral resources.

We are focused on continued underground exploration, of 13,000 metres diamond core drilling ("DD"), to increase ore reserves.

Al Amar mine

Description

Al Amar mine is located in the Riyadh Province of Saudi Arabia, approximately 195 kilometres southwest from Riyadh. Al Amar began commercial production in 2008 and is an underground mine with a total tunnel development in excess of 12 kilometres, extending to a depth of 300 metres. Access to the mine is via an adit, through which men, material, ore and waste rock are transported. The Al Amar carbon-in-leech processing facilitites processes ore mined from the under ground operation and has a rated design capacity of 200,000 tonnes per year. Processing involves crashing, grinding, copper flotation and recovery of gold from the copper flotation tailings by carbo-in-leech technology and zinc flotation.

Safety

The mine has a total number of 187 employees as of December 31, 2011, comprising of 85 Saudi nationals and 99 expatriates.

The year in review

Al Amar's gold production increased in 2011 by 4,109 ounces compared to 2010. The reasons for the increase in production can be attributed to an increase in the gold grade by 0.9 g/t in 2011 compared to 2010.

The mine's zinc production for 2011 was 34 tonnes lower than that of 2010, but less than the budget by 1,388 tonnes due to a decrease in the percentage of zinc recovery at the flotation plant attributable to some technical and mechanical difficulties.

Future outlook

The estimated life-of-mine is seven years, based on the current mineral reserves.

We are focused on the continued underground and surface exploration drilling to increase the resource base. We will also continue the diamond drilling in the South Zone

Bulgah mine
Description
Bulghah mine is located in the Al Madinah Province, approximately 65 kilometres south of the Sukhaybarat metallurgical processing plant. It comprises an open pit mine, which mines low-grade ore (less than 1.0 g/t of gold) for processing at the on-site heap leech processing facility, ore with a grade higher than 1.0 g/t is transported to the Sukhaybarat carbon-in-leech processing facilities for processing which has a design capacity of 4 million tonnes per year.
Safety
The mine has a total number of 119 employees as of December 31,2011, comprising of 51 Saudi nationals and 67 expatriates.

The year in review
The mine's production in 2011 increased by 9,277 ounces compared to 2010. This was mainly due to:

- An increase in ore inventory by 193,299 tonnes (37%) compared to 2010
- Higher grade ore from Bulghah being transported to Sukhaybarat plant for treatment, which allowed a higher recovery rate
- Solving previous crusher problems, resulting in better production in general

Future outlook
The estimated life-of-mine is six years, based on current mineral resources.

We are focused on continued mining at Bulghah. We will also look to improve production through a preventative maintenance schedule.

Sukhaybarat mine
Description
Sukhaybarat mine is located in the Qassim Province, approximately 250 kilometres east of Mahd Ad Dahab. The open pit mining operation ceased in 2003 and Sukhaybarat now is comprised of a carbon-in-leach processing plant with a rated capacity of 600,000 tonnes per year. The future of the plant depends entirely on the supply of low grade ore from the Bulgah mine.

Safety
The processing plant has a total number of 86 employees as of December 31, 2011, comprising of 39 Saudi nationals and 47 expatriates.

The year in review
The processing plant's production for 2011 was down by 4,129 ounces of gold in comparison with 2010 due to:

- In early May, more Bulghah high-grade ore was used to reach better overall production. This resulted in suspending the processing of the Sukhaybarat ore until all Bulghah high-grade ore has been transported.
- During May-December 2011, 400,000 tonnes of ore containing 1.69 g/t were transported from Bulghah stockpiles to Sukhaybarat.

Future outlook
The estimated life-of-mine is four years, based on the production from the Bulghah mine and utilizing higher gold prices in processing low-grade ore to recover gold.

We are focused on continuing the utilisation of low-grade stockpile for the next fiscal year at 0.8 g/t provided the gold price remains above US$700/oz. We will also look to utilise the Bulghah ore, which contains gold of 1.5 g/t.

Al Hajar/Jadmah mine
Description
Al-Hajar mine is located in Assir Province, 710 kilometres southwest from Riyadh. It comprise of an open pit mine and a heap leach facility. The mine was commissioned in 2001 and has a rated capacity of 750,000 tonnes per year. Mining operations ceased in 2006, and operations are now limited to the utilization of Shirs ore 16 kilometers away, with a production capacity of 300,000 tonnes and a 1.7 g/t grade. Operations will continue until the end of August 2012..

Safety
The mine has a total number of 55 employees as of December 31, 2011, comprising of 34 Saudi nationals and 21 expatriates.

The year in review
The mine's production decreased by 3,845 ounces (38%) in comparison with 2010 due to the near expiration of the mine.

Future outlook
Detailed study is ongoing to evaluate the copper deposit in the north and south pits. Initial reserves are estimated at 6.3 million tonnes at 1.2% copper, and 0.53% zinc.

A study to shut down the mine according to environmental regulations has been completed.

Operational performance
Kaolin and low-grade bauxite and magnesite operations


Sukhaybarat gold mine

Industrial minerals operation
Kaolin and low-grade bauxite

Az Zabirah mine	2011	2010	Variance y-o-y	% Change
Production statistics				
Tonnes mined	**206,299**	235,811	(29,512)	(13)
Tonnes processed	**470,317**	437,000	33,317	8
Financial results of operations				
Low grade bauxite				
Revenue (SR '000)	**65,542**	30,131	35,411	117
Capital expenditure (SR '000)	**462**	3,812	(3,350)	(88)
Net cash cost per tonne produced (SR/t)	**54**	80	(26)	(32)
Average realised sales price per tonne (SR/t)	**102**	106	(4)	(4)
Tonnes sold	**642,564**	284,159	358,405	126
Kaolin				
Revenue (SR '000)	**1,799**	–	1,799	100
Average realised sales price per tonnes (SR/t)	**78**	–	78	100
Tonnes sold	**6,127**	–	6,127	100
Safety statistics				
LTI	**1**	2	(1)	(50)
First aid cases	**3**	24	(21)	88
LTIFR	**11.28**	13.18	(1.90)	(14)
Property damages (SR '000)	**0**	2	(2)	(100)
Total man hours worked	**88,506**	151,750	(63,145)	(42)

Description
Az Zabirah mine is located, 65 kilometres north of Al Baitha and 80 kilometres north of Turbah in Hail Province. It consists of an open pit mine, where mining occurs in the central zone of the Az Zabirah and a processing facility.

The mine started operation in 2008 supplying low-grade bauxite to local cement companies.

Safety
The mine has a total number of 39 employees as of December 31, 2011, comprising of 23 Saudi nationals and 16 expatriates.

The mine outsourced some mining work to an outside contractor.

The mine recorded no mine related fatalities for 2011.

The year in review
- **Low-grade bauxite** - Sales volume increased by 358,405 tonnes in 2011 (126%), compared to 2010. The sales revenue was SAR 64 million, an increase of SAR 35 million in 2011 (112%) compared to 2010.
- **Kaolin** - Sales volume was 6,127 tonnes in 2011. The sales revenue was SAR 1,8 million

Research and development at laboratory scale has shown that both low-grade bauxite and kaolin from Az Zabirah mine are suitable for the production of high added-value products after applying further adequate processing technology.

Future outlook
The estimated life-of-mine is 12 years, based on current mineable ore reserves and assuming an annual production rate of 600,000 tonnes.

Magnesite operations

Al Ghazalah mine	2011	2010	Variance y-o-y	% Change
Production statistic				
Tonnes mined	**159,284**	24,993	134,291	537
Tonnes processed	**58,097**	–	58,097	100
Tonnes produced-caustic calcinated magnesia	**19,594**	–	19,594	100
Tonnes sold-caustic calcinated magnesia	**5,054**	–	5,054	100
Financial results of operations				
Caustic calcined magnesia				
Revenue (SR '000)	**4,981**	–	4,981	100
Average realised sales price per tonnes (SR/t)	**263**	–	263	100
Tonnes sold	**18,939**	–	18,939	100
Safety statistics				
LTI	**2**	–	2	100
First aid cases	**3**	1.7	(1.3)	(76)
LTIFR	**11.28**	–	(11.28)	100
Property damages	**–**	1	1	100
Total man hours worked	**177,243**	117,894	59,349	33

Construction of the magnesite project commenced in July 2009 and comprises the mine at Al Ghazalah and the processing plant at Madinah Industrial City. The budgeted cost of the project is SAR 348 million. The project is currently in its final stage, and both facilities are already operational.

Caustic calcined magnesia (CCM) commenced production in October 2011, and dead burned magnesia (DBM) will follow in 2012.

Magnesite ore is crushed at the mine. The different grades produced are transported to the processing plant located at Al Madinah Industrial City. The plant has two separate processing lines:

- A processing line with a multiple hearth furnace (MHF) to produce CCM
- A processing line with a vertical shaft kiln (VSK) to produce DBM

The MHF line has a designed capacity of 39,000 tonnes per year of CCM, and the product is primarily used in the metallurgical industry, animal feed, fertiliser, and waste water treatment.

The VSK line has a designed capacity of 32,000 tonnes per year of DBM, and the product is used in shaped and unshaped refractories.

Monolithics or unshaped refractories are used in the iron and steel industry, cement, and non-ferrous metal industry

Safety

The Al Madinah magnesite plant and Al Ghazalah mine have a total of 106 employees as of December 31, 2011 (61 Saudi nationals and 45 expatriates.)

The year in review

The CCM production was 19,594 tonnes in 2011. The sales volume was 5,054 tonnes, with a value of SR 5 million at an average realised price of US$ 263/tonne.

Future outlook

The estimated life-of-mine is 20 years, based on current mineable ore reserves and assuming an annual production rate of 144,000 tonnes.

Commercial production of DBM and refractories will commence in 2012.

Operational performance
Phosphate project

The sulphuric acid plant at Ras Al-Khair

A quality control engineer analyses phosphate concentrate

Overview of business/description of operations

Ma'aden phosphate and industrial minerals SBU manages its business performance through accountability focused on products marketing, technical service, whilst also seeking growth opportunities and new business development to make full use of the vast captive phosphate mineral deposit in the north of Saudi Arabia.

MPC is a fully integrated operation from mine to phosphoric fertiliser (from rock- P205 to DAP with privileged access to gas and sulphur). The production of 3 million tonnes of DAP will place Ma'aden in the top ten suppliers/producers in the world with a very low cost base and an assured life-of-mine of more than 20 years (213 million tonnes with 21.5% P205).

The ammonia plant started commercial production on October 1, 2011.

Ammonia plant

	2011	2010	Variance y-o-y	% Change
Production statistics				
Tonnes produced	**292,767**	–	292,767	100
Financial results of operations				
Revenue (SR '000)	**540,688**	–	540,688	100
Average realised sales price per tonnes (SR/t)	**531**	–	531	100
Tonnes sold	**271,767**	–	271,767	100

Key business achievements

- Start-up of the Ras Al-Khair (RAK) complex.
- Successful completion of most MPC plant operation tests in accordance with approved standards and the Royal Commission Requirements.
- MPC won Ma'aden 2011 golden safety award.
- The following committees were created:
  - Safety, Health, Environment Management (SHEM) Steering committee
  - Management of Change (MOC) committee
  - Health, Safety, Environment (HSE) Awareness committee
  - Emergency Preparedness committee
- 70 % of the SHEM Standards were implemented.
- Successful takeover of main activities at RAK by MPC

Strategy
MPC is targeting a position of being one of the top producers in the phosphate business by volume and revenue with high level of profitability. MPC is committed to delivering high quality product at a very competitive cost, with excellent customer service, adopting sustainable development and ensuring employee safety. The fully integrated world scale plant with access to gas will facilitate MPC's aim of becoming a dominate force in the global market.

MPC remains focused in the near term on achieving the designcapacities by completing the integration of operation of all the plants and sites through alignment of management systems (operational, environmental, safety, materials and finance) and procedures both internal and externally.

MPC will focus on identification of future projects and current value improvements projects to create value through future economic cycles and a reduction in the cost base. Current potential value improvement projects include reduction in specific consumption of utilities, improving logistics and using alternate cheaper consumables. Identification of future projects to reduce or find alternate usages for the effluents and identification of alternate materials will remain as our next focal points.

Safety

5,874 MPC employees and contractors attended safety related training courses (15,714 man hours) during 2011.

The LTIFR safety target for 2011 has been achieved. MPC completed over 4,100,000 safe-man hours without Lost Time Injury.

MPC is committed and focused on commissioning facilities, achieving the design production levels, and synergising various systems to deliver safety, environment, sales and financial targets

Operational performance
Aluminium project

Aluminium project at Ras Al-Khair

Progress on the aluminum potlines

Overview of business/description of operations

The aluminium SBU manages its business performance with accountability focused on products marketing, technical service, seeking growth opportunities and new business development. During 2011, the SBU initiated and completed the following:

- The awarding of the rolling mill contract, design to produce 100,000 tonnes per year of aluminium sheets for construction, packaging, auto, and transport applications
- The incorporation of Sahara and Ma'aden Petrochemical Company ("SAMAPCO"), the formation of the Board of Managers, the appointment of management and concluding the agreements to supply caustic soda to the aluminium project at RAK
- Continuous efforts with third-party interface (SWCC, SEC, SEAPA) to complete the power plant and produce water on schedule
- Completion of Phase 1 of the aluminium downstream investment studies in Saudi Arabia. The investment booklets will be distributed through chambers of commerce and SAGIA
- Obtaining board membership in the International Aluminium Institute (IAI) before starting production, and continuing to be an active member in the GAC

MAC is a fully integrated operation from mine to refinery to smelter to rolling mill, which will place Ma'aden in the top ten aluminium producers in the world with a very low cost base.

Strategy

MAC will strive to be one of the top producers in the aluminium business by revenue with a high level of profitability. MAC is committed to delivering high quality products at a very competitive cost, excellent customer service, sustainable development and ensuring employee safety.

MAC remains focused on commissioning the new facilities and achieving design capacities with concurrent development of markets and logistics. Its financial performance will be based on prudent cash flow management and optimisation of working capital. Completing the integration of operation for all the plants and sites through aligned management systems (operational, environmental, safety, materials and finance) and procedures both internal and externally.

MAC's business strategy is the creation of value throughout future economic cycles and maintaining sustainable growth.

Key business achievements

- The first concrete for the rolling mill project was poured and the first earthworks for the alumina refinery project started, within the integrated aluminium project from mine-to-metal in Ras Al-Khair.
- MRC signed a contract worth $590 million (SR 2.2 billion) with Samsung Engineering, to build the rolling mill. This contract includes detailed engineering works, equipment supply, construction, and tests.
- The Public Investment Fund's (PIF) Board of Directors approved a US$1 billion (SR 3.75 billion) loan to finance MBAC's.

Safety

The Ma'aden Construction Project team ("the TEAM") is directly responsible for the HSE compliance and performance of the aluminum project in line with all the applicable regulations in the Kingdom of Saudi Arabia and the Company's own approved HSE policies and procedures.

Fatality prevention is an absolute focus and a non-negotiable aspect for the TEAM and it has zero tolerance policy for any unacceptable HSE risks, along with environmental incident avoidance.

All members of the TEAM have an unwavering commitment to achieving exemplary HSE performance and being "HSE Leaders".

Operational performance
Exploration

Exploration drilling at Bulgah

Drilling at Al Amar

Performance

In line with Ma'aden's balanced growth strategy, the exploration drilling requirement is increasing annually at a significant pace. The exploration department was able to complete 141,187 metres of combined reverse circulation ("RC") and diamond drilling ("DD") out of a planned drilling programme of 200,000 metres representing 70% of the total drill plan.

The lack of sufficient drilling service providers in the Kingdom of Saudi Arabia remains the single most critical factor that could prevent Ma'aden from reaching its resource growth projections. Actual exploration expenditure in 2011 was SAR 116 million.

During 2011, the exploration department completed the resource definition drilling of the Bir Tawillah gold deposit, situated in the Miskah exploration licence, in the NAGR region. In this site, a total JORC compliant resource of 1.699 million ounces of gold in indicated and inferred resources was added to resource base.

The 2011 HSE records were significantly improved through collaboration, safety risk reviews, and inspection by Ma'aden safety and corporate environmental departments.

Strategy

The key role of exploration is to add value to Ma'aden by discovering grassroots standalone deposits as well as conducting brown field exploration around existing mines and advanced projects. The exploration programme is focused on replacing the ore depleted through mine production and also discovering new deposits to enable Ma'aden to meet its production growth projections, whilst increasing future cash flows and profitability.

Currently, exploration focuses on conducting a three-pronged exploration strategy consisting of:

- Accelerating exploration programmes on existing value chains, within exisiting license areas and outside existing license areas
- Expanding into new selected base metals with the main emphasis on copper and zinc
- Regional reconnaissance geochemical prospecting, airborne geophysical surveys and mineral alteration mapping with the aim of accelerating exploration within existing licences and increasing coverage to test the potential of new mineral belts in the Kingdom of Saudi Arabia

One important aspect of the current exploration strategy of Ma'aden is to complete the evaluation of the over 50,000 square kilometers exploration license area on a fast-track basis in order to relinquish areas with low potential of hosting commercially viable deposits and focus on prospects that will add value to Ma'aden by making new discoveries.

Key business achievements

Significant exploration achievements for 2011 include:

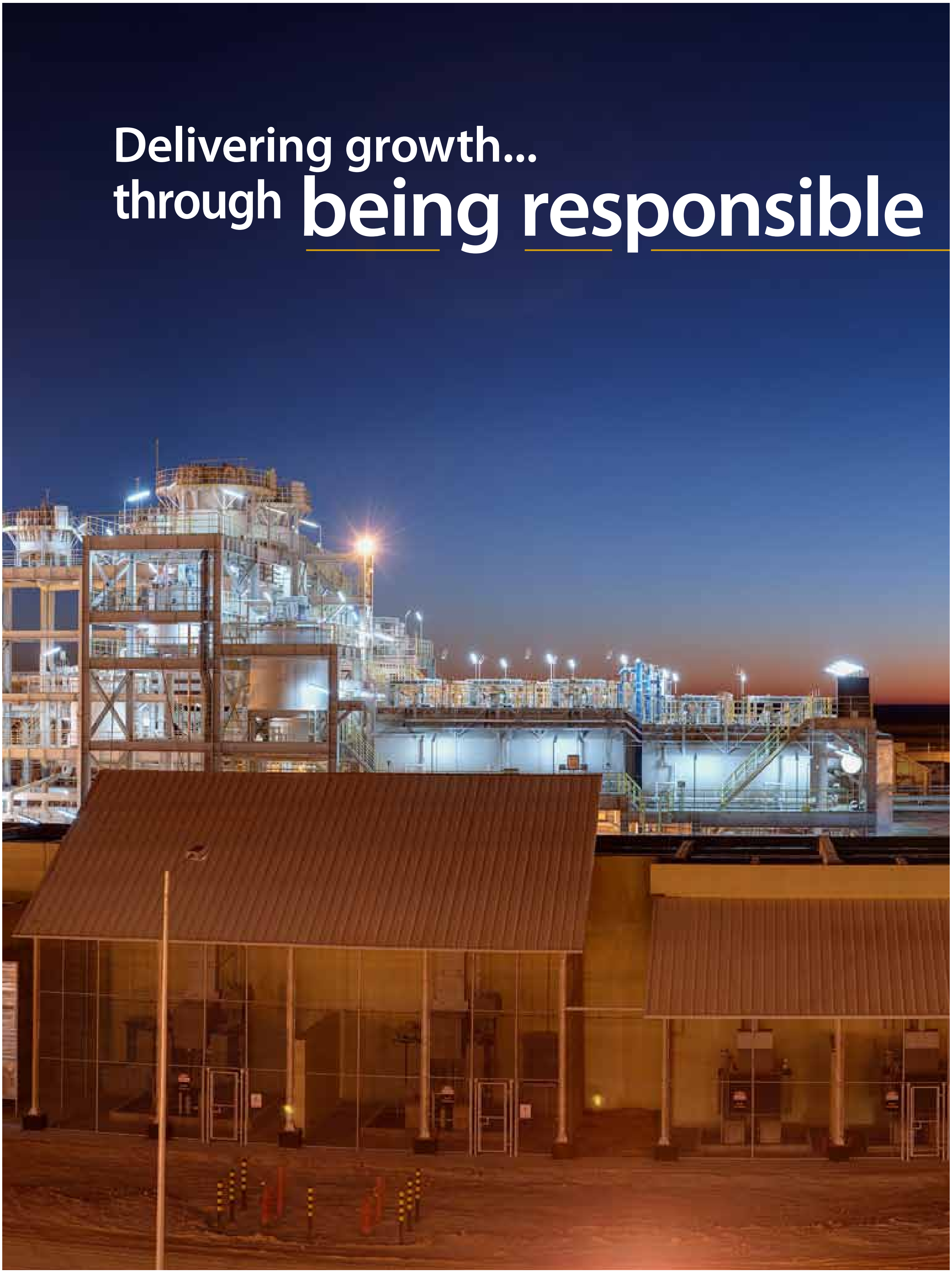
- The successful completion of resource definition drilling of the Bir Tawillah gold deposit, situated in the Miskah licence, in the NAGR region, adding a total JORC compliant resources of 1.699 million ounces of gold in the indicated and inferred categories.
- Adding of 500 million tonnes of phosphate rock resources at Umm Wu'al; and Al Khabra deposits.
- Significantly increasing the magnesite resource at Jabal Rokham.

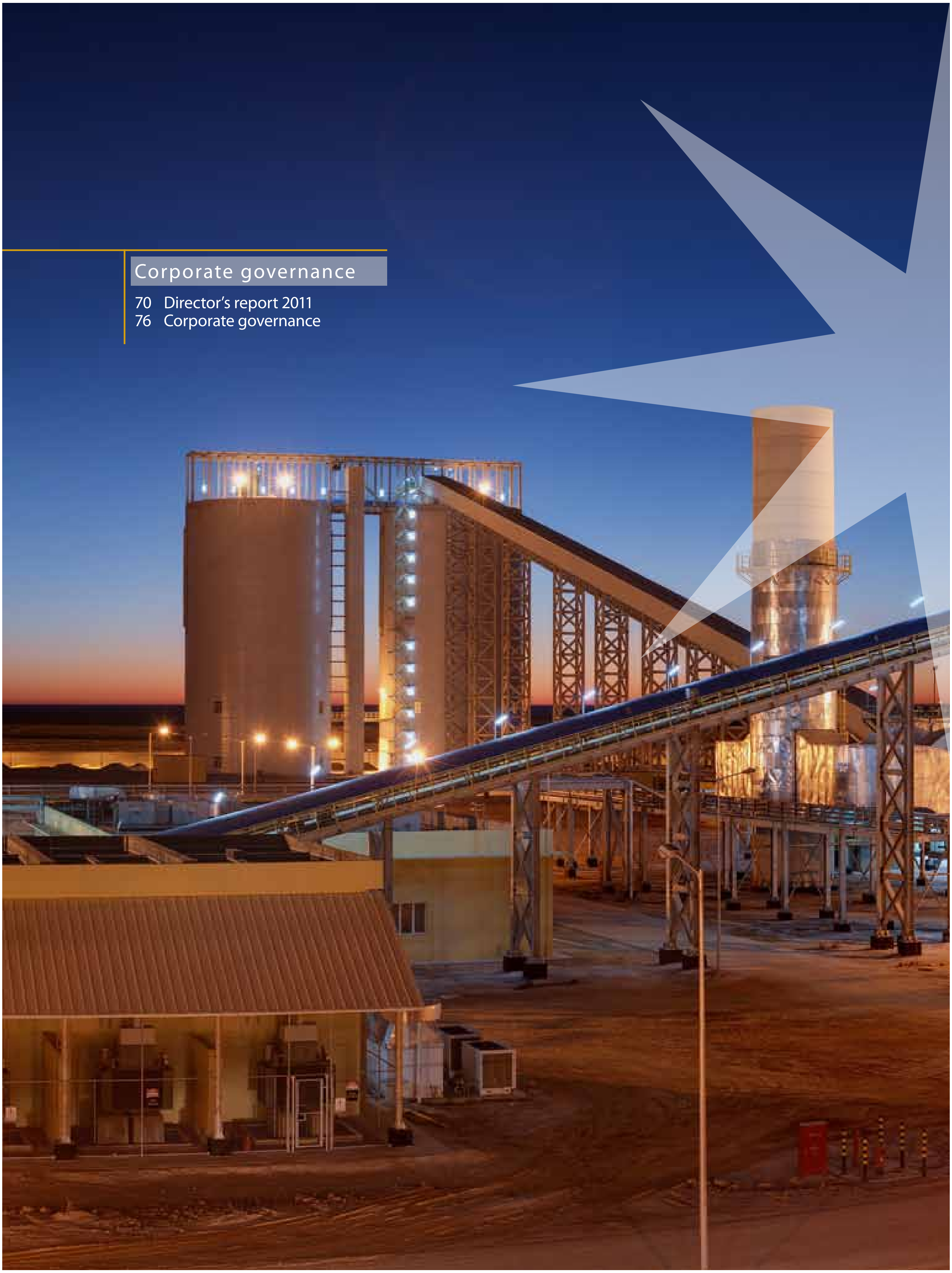
Outlook

In 2012 Ma'aden's exploration department will explore for a range of commodities in line with its mandate to explore and develop the mineral resources of the Kingdom. Focus will be given to expand Ma'aden's minerals portfolio to include value adding selected new minerals including base metals, rare earth elements ("REE") and others that will increase shareholders' value. Drilling programmes will be accelerated to increase and upgrade the total resource base of Ma'aden.

Ongoing regional reconnaissance airborne geophysics, geochem and satellite imagery mineral mapping will help Ma'aden to identify high priority drill targets for further evaluation.

Delivering growth... through being responsible





Corporate governance

Director's report
2011

Exploration drilling at Bulgah

The Board of Directors of Saudi Arabian Mining Company (Ma'aden) is pleased to submit to the Company's shareholders our annual report for the year that ended December 31, 2011, which highlights Ma'aden's accomplishments and performance during 2011 in the areas of production, marketing and construction, as well as its endeavours to achieve its long-term objectives to establish its self as a leading diversified mining Company..

The Board would like to express its deep gratitude to the Custodian of the Two Holy Mosques and His Royal Highness the Crown Prince, for their continuous support and assistance in helping to develop the mining sector as well as the industrial and economic development in our country. We also value the efforts of all the employees at Ma'aden and those of our business partners. Finally, we appreciate the support of our shareholders, trust of our customers and cooperation of all sectors with which we deal..

Corporate information
Saudi Arabian Mining Company ("Ma'aden"), a Saudi Arabian joint stock company, was established by the Royal Decree No. M/17 dated 14 Zul Qaida, 1417 Hijri (corresponding to March 23, 1997). It is registered in the city of Riyadh under Commercial Record No. 1010164391 dated 10 Zul Qaida, 1421 Hijri (corresponding to February 4, 2001).

Ma'aden became a public company listed on the Saudi Arabian Stock Exchange (Tadawul) on July 5, 2008, after a successful Initial Public Offering ("IPO") and has to comply with Article 27:b.(3) of the Listing Rules issued by the Board of the Capital Market Authority ("CMA"). Prior to July 5, 2008, Ma'aden was a 100% state owned company and not subject to the disclosure requirements as outlined in the Listing Rules of the CMA.

Principal activities
The principal activities of Ma'aden and its subsidiaries are to participate in various mining activities at all stages and related downstream industries. Currently, Ma'aden's principal activities focus on:

Activity	Current status
Gold, base and precious metals	Operation and commercial production
Kaolin and low-grade bauxite	Operation and commercial production
Phosphate	Ammonia plant started commercial production of ammonia on October 1, 2011. DAP commercial production is due in the first quarter of 2012.
Magnesite	Commercial production of caustic magnesia started on October 1, 2011 and the production of dead burn magnesia is due in 2012.
Aluminium project	About 36% of the construction and implementation plan of the project's stages has been achieved. Commercial production from the smelter and rolling mill will commence in 2013, and from the mine and refinery in 2014.
Caustic soda and ethylene dichlorid	Under construction. Around 81% of construction has been achieved. The project is expected to be fully operational towards the end of the fourth quarter of 2012.
Infrastructure	Most infrastructure works have been completed, meeting the requirements set for the phosphate and aluminium projects.

Variance from the accounting standards issued by the Saudi Organization for Certified Public Accountants

There are no differences from the accounting standards issued by the Saudi Organization for Certified Public Accountants.

Subsidiary companies and jointly controlled entity incorporated and operating in Kingdom of Saudi Arabia

Name of company	Main business	Headquarters	Ma'aden's ownership percentage
Subsidiaries			
Ma'aden Gold and Base Metals Company	Gold mining and exploration	Jeddah	100
Ma'aden Phosphate Company	Phosphate mining and fertilizer producer	Jubail	70
Ma'aden Aluminium Company	Production of aluminium ingots and palettes	Jubail	74.9
Ma'aden Bauxite and Alumina Company	Mining of bauxite and refining of alumina	Jubail	74.9
Ma'aden Rolling Company	Production of aluminium sheets used in packaging	Jubail	74.9
Ma'aden Industrial Minerals Company	Mining and processing of industrial minerals	Riyadh	100
Ma'aden Infrastructure Company	Provider of supporting infrastructure services in Ras Al Khair	Riyadh	100
Jointly controlled entity			
Sahara and Ma'aden Petrochemicals Company	Production of caustic calcined soda, chlorine, and ethylene dichloride	Jubail	50

Earnings available for distribution

The Company's Articles of Association requires the distribution of the annual net income after deducting all general expenses and other costs, in the following order/sequence:

- First, set aside 10% of net annual income, as a statutory reserve. The General Assembly Meeting of shareholders may stop this when the statutory reserve has reached 50% of the Company's issued share capital. This reserve is not available for distribution as a dividend.
- Second, the holder of preference shares receives the profit percentages allocated for such shares. The Company does not have any preference shares at the moment; therefore this requirement is not applicable
- Third, based upon a Board of Directors' recommendation, the General Assembly Meeting of shareholders may set aside a percentage of the annual net income for the year, to create any additional reserve and dedicate it for a specific purpose as determined by the General Assembly Meeting.
- Fourth, from the remainder, a first payment can be distributed to the shareholders as a dividend. This payment is equivalent to 5% of the paid-up share capital.
- Fifth, the remuneration of the members of the Board of Directors is determined.
- Sixth,the rest is then distributed to the shareholders as an additional share of the income.

After meeting the prescribed regulations established by the relevant authorities, the Company may distribute quarterly and/or semi-annual dividends.

The distribution of earnings is the prerogative of the shareholders at the General Assembly Meeting, based on the recommendation received from the Board of Directors.

A description of any interest in a class of voting shares held by persons (otherthan the issuer's directors, senior executives and their spouses and minor children) that have notified the issuer of their holdings pursuant to Article 30 of these Rules, together with any change to such interests during the last financial year.

The Company has not received any notification about any interest in the stock category that has the right to vote.

Ma'aden's main shareholders (as at December 31, 2011)

Shareholder	2011 Shareholding	%	2010 Shareholding	%	Change in shareholding	% Change
Public Investment Fund	**462,500,000**	**50.0**	462,500,000	50.0	0	0
General Organisation for Social Insurance	**88,828,104**	**9.6**	77,876,995	8.4	10,951,109	14
Public Pension Agency	**67,413,318**	**7.2**	55,728,789	6.0	11,684,529	21
General Public	**306,258,578**	**33.2**	328,894,216	35.6	(22,635,638)	(7)
Total	**925,000,000**	**100.0**	925,000,000	100.0	–	–

Non-public/public shareholders (as at December 31, 2011)

Shareholder	2011 Shareholding	%	2010 Shareholding	%	Change in shareholding	% Change
Non-public shareholders	**618,741,422**	**66.8**	596,105,784	64.4	22,635,638	4
Public shareholders	**306,258,578**	**33.2**	328,894,216	35.6	(22,635,638)	(7)
Total	**925,000,000**	**100.0**	925,000,000	100.0	–	–

A description of any interest, option rights and the rights of subscription belonging to members of the Board of Directors as well as senior executives and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries, and any change in that interest or those rights during the last fiscal year

Shareholdings by members of the Board of Directors, as well as their spouses and minor children (as at December 31, 2011)

Name	2011 Shareholding	2010 Shareholding	Change in shareholding	% Change
Abdallah Bin Saif Al-Saif	**1,000**	154	846	549
Mansour Bin Saleh Al-Maiman	**231**	308	(77)	(25)
Mohammed Bin Abdullah Al-Kharashi	–	–	–	–
Sultan Bin Jamal Shawli	–	–	–	–
Khalid Bin Hamad Al-Senani	–	–	–	–
Soliman Bin Saad Al-Humayyd	**230,464**	230,464	–	–
Ziad Bin Abdulrahman Al-Sudairy	**14,129**	48,429	(34,300)	(71)
Khaled Bin Saleh Al-Mudayfer*	**6,000**	6,000	–	–
Abdulaziz Bin Abdullah Al-Suqair*	**1,050**	–	1,050	100
Abdulaziz Bin Saleh Al-Jarbou*	–	2, 500	(2,500)	(100)
Abdullah Bin Issa Al-Dabbagh*	**231,680**	152,016	79,664	52
Total	**484,554**	439,871	44,683	10

* Note: Engineer Khaled Bin Saleh Al-Mudayfer and Mr. Abdulaziz Bin Abdullah Al-Suqair were appointed instead of Dr. Abdullah Bin Issa Al-Dabbagh and Dr. Abdulaziz Bin Saleh Al-Jarbou as of October 25, 2011, based on the resolution of the Fourth Ordinary General Assembly on Saturday, October 22, 2011.

Shareholdings of the Company's senior executives, as well as their spouses and minor children (as at December 31, 2011)

Name	2011 Shareholding	2010 Shareholding	Change in shareholding	% Change
Abdullah Bin Ibrahim Al-Fallaj	–	–	–	–
Engr. Abdullah Salim Busfar	**3,232**	3,232	–	–
Khaled Bin Salem Al-Rowais	**36,242**	36,242	–	–
Nabil Bin Abdulaziz Al-Furaih	**50,000**	–	50,000	100
Abdullah Bin Ibrahim Al-Abdulqader	–	–	–	–
Bruce Ian Kirk	–	–	–	–
Mansour Nazer*	**660**	710	(50)	(7)
Mohammed Hany Al-Dabbagh*	–	–	–	–
Total	**90,134**	40,184	49,950	124

* Note: Dr. Mansour Nazer retired on May 13, 2011, and Dr. Mohammed Hany Al-Dabbagh retired on November 30, 2011.

Long-term borrowings

Ma'aden Aluminum Company "MAC", Ma'aden Rolling Company ("MRC"), Ma'aden Bauxite & Alumina Company ("MBAC") and Ma'aden Phosphate Company ("MPC"), entered into Common Terms Financing Agreements ("CTFA") with a consortium of financial institutions (Islamic and commercial banks), comprising of:

The following table shows the draw downs on the loans as at December 31, 2011 and 2010:

			2011			2010			
Consortium of financial institutions	Facilities granted to MPC (SR million)	Facilities granted to MAC (SR million)	Total facilities granted	**Amount utilised (SR million)**	**% of total borrowing**	Total facilities granted to MPC	Amount utilised (SR million)	% of total borrowing	% Change
Public Investment Fund	4,000	4,875	**8,875**	**6,249**	**32**	4,000	3,638	27	72
Islamic and commercial banks									
Banque Saudi Fransi-procurement	4,270	4,447	**8,717**	**6,277**	**32**	4,270	3,878	29	62
Commercial	1,491	900	**2,391**	**1,522**	**8**	1,492	1,014	7.5	50
Al Rajhi Bank	2,344	–	**2,344**	**2,344**	**12**	2,344	2,338	17	0
The Export Import Bank of Korea	1,500	–	**1,500**	**1,500**	**7**	1,500	1,359	10	10
Korea Export Insurance Corporation	750	–	**750**	**750**	**4**	750	750	5.5	0
Wahala	–	788	**788**	**365**	**2**	–	–	–	100
Total Islamic and commercial banks	10,356	6,135	**16,491**	**12,758**	**65**	10,356	9,339	69	37
Saudi Industrial Development Fund	600	600	**1,200**	**570**	**3**	600	540	4	6
Total long-term borrowings	**14,956**	**11,610**	**26,566**	**19,577**	**100**	14,956	13,517	100	45

The long-term borrowing is to be utilised for the financing of the construction of MPC's fertiliser production assets and operations. The CTFA imposed certain special conditions and financial covenants including:

- The limitation on the creation and/or obtaining additional liens and/or financing obligations by MPC, unless specifically allowed under the CTFA
- Maintaining certain prescribed financial ratios
- Limitation on the maximum capital expenditure allowed
- The restriction on dividend distribution to shareholders of MPC

The maturity profile of the long-term borrowing outstanding as at December 31, 2011 is as follows

Repayment of long-term borrowings utilized (in millions)	**2011 (SR millions)**	2010 (SR millions)
2012	**762**	705
2013	**864**	804
2014	**1,186**	895
2015	**1,500**	978
In years ending thereafter	**15,265**	10,135
Total	**19,577**	13,517

A description of any arrangements or agreement under which a shareholder of the issuer has waived any rights to dividends;

None of the shareholders has waived any rights in the profits, knowing that the Company did not declare any dividend distribution to shareholders until the end of 2011.

Payment for any zakat, taxes, duties or other charges

	2011 (SR million)	2010 (SR million)
Zakat payable	**83**	55
Severence fee payable	**141**	207
Witholding tax due to contracts	**56**	6
Social insurance	**5**	3
Total	**285**	271

Employees related investments or benefits

Home ownership programme

The Company has designed a home ownership programme, whereby the Company acts as a guarantor on behalf of the employee, in favour of the financial institution in securing a home loan. The Company bears the interest on the long-term loan, whilst the employees pay the principal amount of the installment directly to the commercial bank.

The total amount of loans granted to entitled employees as of December 31, 2011 was SAR 35,680,818.

Savings plan

The Company created a savings plan programme for Ma'aden's Saudi employees, whereby employees contribute a fixed share of their monthly salary and the Company contributes a proportionate share for the benefit of the employee. The total amount invested will be for the benefit of the employee, pending certain conditions.

The employees' contribution towards this programme as of December 31, 2011 amounted to SAR 15,440,584.08 and the Company's contribution amounted to SAR 8,128,333.87.

The Board's recommendation to replace the external auditor before the end of five consecutive years

The Board has not recommended replacing the external auditor before the end of December 31, 2012.

Board's recommendations

The Board of Directors of Saudi Arabian Mining Company "Ma'aden" recommends to the Ordinary General Assembly the following:

- Approve the Board of Directors' report for the financial year ended December 31, 2011.
- Approve the audit report for the financial year ended December 31, 2011
- Approve the Company's consolidated financial statements for the financial year ended December 31, 2011
- Discharge the Board of Directors members from liability for their management during the previous year ended on December 31, 2011
- Recommend not to distribute dividends for the financial year ended December 31, 2011
- Approve the Audit Committee's recommendation to appoint the external auditor and determine the auditors fees for the audit of the Group's consolidated interim and year end financial statements, as well as the interim and year end standalone financial statments
- Authorized the Company to issue Sukuks (bonds) or any other tradable debt instruments; at any time, with amounts and conditions approved by the Board of Directors; in part or several parts, or through series of domestic or international issuances established by the Company from time to time.
- The Board of Directors is authorized do all necessary actions and procedures to issue debt instruments.
- The Board of Directors has the right to delegate any or all their authorities to any person or persons

Corporate governance

The Company applies the provisions of Article (9), paragraphs (c, e) of Article (12), Article (14), and Article (15) of the Rules of corporate governance as of 2009. In addition, the Company works hard to apply all the provisions contained in the by-laws of corporate governance issued by the CMA on an ongoing basis; these by-laws are included in the Company's basic policies with the exception of paragraph (b) of Article (6) related to the method of cumulative voting to choose the members of the Board of Directors. The company plans to apply this in the next session.

Members of the Board of Directors

Member's name	Status	Membership on other boards	Committee membership	Board meetings attended
Engr. Abdallah Bin Saif Al-Saif	**Chairman Independent**	Dhahran Emaar Company	Nomination and Remuneration; Executive	7
Mr. Mansour Bin Saleh Al-Maiman	**Non-executive**	Southern Province Cement Company; Saudi Stock Exchange (Tadawul)	Nomination and Remuneration	6
Mr. Sultan Bin Jamal Shawli	**Non-executive**	Arab Mining Company (Jordan); Industries Chimiques du Fluor (Tunisia)	Executive	5
Engr. Khalid Bin Hamad Al-Senani	**Non-executive**	None	Audit	7
H.E. Soliman Bin Saad Al-Humayyd	**Non-executive**	Tawuniya Co-operative Insurance Company; Saudi Research & Marketing Group	Executive	7
H.E. Mohammed Bin Abdullah Al-Kharashi	**Non-executive**	STC Saudi Research & Marketing Group Saudi Industrial Investment Group	Audit	7
Dr. Ziyad Bin Abdulrahman Al Sudairy	**Independent**	None	Audit	6
Engr. Khalid Bin Saleh Al Mudaifer*	**Executive**	None	Nomination and Remuneration; Executive	2
Mr. Abdulaziz Bin Abdullah Al Suqair*	**Independent**	None	Executive	2
Dr. Abdulaziz Bin Saleh Al-Jarbou*	**Independent**	Saudi Arabian Amiantit; Riyad Bank; Saudi Paper Manufacturing Company	Nomination and Remuneration	4
Dr. Abdallah Bin Essa Al-Dabbagh*	**Executive**	None	Nomination and Remuneration; Executive	5

* Note: Engineer Khaled Bin Saleh Al-Mudayfer and Mr. Abdulaziz Bin Abdullah Al-Suqair were appointed, at the same time Dr. Abdullah Bin Issa Al-Dabbagh and Dr. Abdulaziz Bin Saleh Al-Jarbou were removed from the Board as of October 25, 2011, based on the resolution of the Fourth Ordinary General Assembly on Saturday, October 22, 2011.

Meetings of the Board of Directors and the attendance record of meetings held during the financial year 2011

Member's name	15/1/2011	22/2/2011	16/4/2011	30/7/2011	22/10/2011	25/10/2011	17/12/2011	Total
Engr. Abdallah Bin Saif Al-Saif	√	√	√	√	√	√	√	7
Mr. Mansour Bin Saleh Al-Maiman	√	√	x	√	√	√	√	6
Dr. Ziyad Bin Abdulrahman Al Sudairy	√	√	x	√	√	√	√	6
Engr. Khalid Bin Hamad Al-Senani	√	√	√	√	√	√	√	7
Dr. Abdulaziz Bin Saleh Al-Jarbou*	√	√	√	x	√	-	-	4
Mr. Sultan Bin Jamal Shawli	x	√	√	√	√	x	√	5
H.E. Soliman Bin Saad Al-Humayyd	√	√	√	√	√	√	√	7
H.E. Mohammed Bin Abdullah Al-Kharashi	√	√	√	√	√	√	√	7
Dr. Abdallah Bin Essa Al-Dabbagh*	√	√	√	√	√	–	–	5
Mr. Abdulaziz Bin Abdullah Al Suqair*	–	–	–	–	–	√	√	2
Engr. Khalid Bin Saleh Al Mudaifer*	–	–	–	–	–	√	√	2

* Note: Engineer Khaled Bin Saleh Al-Mudayfer and Mr. Abdulaziz Bin Abdullah Al-Suqair were appointed at the same time Dr. Abdullah Bin Issa Al-Dabbagh and Dr. Abdulaziz Bin Saleh Al-Jarbou were removed from the Board as of October 25, 2011, based on the resolution of the Fourth Ordinary General Assembly on Saturday, October 22, 2011.

Board of Directors Committees

The Board of Ma'aden has set-up the following sub-committees of the Board:

Audit Committee

The Audit Committee was formed on November 15, 2008, and currently consists of a Chairman and four members.

Members of the Audit Committee and the attendance record of meetings held during the financial year 2011

Member's name	18/1/2011	21/2/2011	20/3/2011	17/4/2011	18/5/2011	17/7/2011	17/10/2011	20/12/2011	Total
H.E. Mohammed A. Al-Kharashi	√	√	√	√	√	√	√	√	8
Engr. Khalid H. Al-Senani	√	√	√	√	√	√	√	√	8
Dr. Saad S. Al- Rouaita*	√	√	√	√	√	x	√	–	6
Dr. Ziyad Bin A. Al Sudairy*	X	√	√	√	√	√	√	–	6
Engr. Abdullah M. Al-Fayez	√	√	√	√	√	√	√	√	8
Hamad T. Al-Khamis*	–	–	–	–	–	–	–	√	1
Dr. Abdullah H. Al-Abdulqader*	–	–	–	–	–	–	–	√	1

* Note: Dr. Abdullah H. Al-Abdulqader and Mr. Hamad T. Al-Khamis were appointed as members on the Audit Committee on October 25, 2011 at the same time Dr. Ziyad A. Al Sudairy and Dr. Saad S. Al- Rouaita were removed from the Audit Committee.

The Audit Committee's tasks and responsibilities

- Overseeing the Group's internal audit department to ensure efficiency in performing its activities and tasks assigned by the Board of Directors
- Reviewing the internal audit plan and procedures, including the views and recommendations of the committee in this regard
- Reviewing internal audit reports and pursuing corrective procedures for the weaknesses identified
- Recommending to the Board of Directors the appointment or termination of services, and fees of external auditors, taking their independence into account
- Following-up on the external auditors' engagement, and approving any activities beyond the audit scope of work assigned to them during the performance of their duty Reviewing the audit plan with the external auditor and commenting on it
- Reviewing the external auditor's comments on the financial statements, and follow-up on the measures taken in this regard
- Reviewing the quarterly and annual financial statements before presenting them to the Board of Directors, along with the committee's recommendations
- Reviewing the accounting policies adopted by the Group and submitting their recommendations thereon to the Board of Directors.

To achieve its objectives, the Audit Committee shall:

Audit Committee

- Have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to members of management and all information relevant to its responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or any others to provide assistance in the conduct of any investigation.
- Report Committee actions to the Board of Directors with such recommendations as the Committee deem appropriate.
- Review the Audit Committee Charter at least once every three years, and have all the proposed revisions approved by the Board of Directors.
- Undertake any other statutory tasks or tasks assigned by the Board of Directors.
- Prepare, at least three months prior to year end, an annual plan and schedule of the Committee activities for the coming year.
- Discuss and review its performance at least once a year to determine whether it is functioning effectively, and to agree on measures on how it can improve efficiency.
- Estimate and recommend the funding needed by the Committee for payment of:
  - * Fees to any consultants employed by the Committee; and
  - * Ordinary administrative expenses of the Committee that are necessary or appropriate in carry out its duties..
- The Committee may hold additional meetings as the Chairman considers necessary for the Committee to fulfil its duties. The chairman and the secretary shall set the agenda and circulate it to the committee members prior to each meeting.
- Follow-up on the results of previous meetings and outstanding issues.
- Nomination and Remuneration Committee

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed on November 15, 2008, and it is currently composed of a chairman and three members:

Members of the Nomination and Remuneration Committee and the attendance record of meetings held during financial year 2011

Member's name	22/2/2011	15/5/2011	30/7/2011	19/9/2011	22/10/2011	17/12/2011	Total
Engr. Abdallah S. Al-Saif (Chairman)	√	√	√	√	√	√	6
Dr. Abdulaziz S. Al-Jarbou*	√	√	√	√	√	√	4
Mr. Mansour S. Al-Maiman	√	√	x	√	√	–	6
Dr. Abdallah E. Al-Dabbagh*	√	√	√	√	√	–	5
Dr. Ziyad A. Al Sudairy*	–	–	–	–	–	√	1
Engr. Khalid S. Al Mudaifer*	–	–	–	–	–	√	1

* Note: Dr. Ziyad A. Al Sudairy and Engr. Khalid S. Al Mudaifer were appointed as members on the Nomination and Remuneration Committee on October 25, 2011 at the same time Dr. Abdallah E. Al-Dabbagh and Dr. Abdulaziz S. Al-Jarbou were removed from the Committee..

The Nomination and Remuneration Committee's responsibilities

The Nomination and Remuneration Committee shall:

- Annually assess the skills, competencies and industry backgrounds that are needed to strengthen and balance the Board of Directors.
- Verify annually and ensures independence of the Board's independent members and the existence or non-existence of any conflict of interest if the member serves on the Board of Directors of another company.
- Evaluate candidates for the Board membership, considering several factors in assessing the potential candidates including, but not limited to:
  Integrity, honesty and accountability;
  Successful leadership experience
  Strong business acumen
  Independence and absence of conflict of interest; and
  Ability to devote the necessary time to fulfil their responsibilities of the board member.
- Recommend to the Board candidates for the Board Committees membership, taking into consideration the following:
  1 - Required qualifications for membership of each committee, such as the Audit Committee, which requires specialized skills in finance and accounting.Successful leadership experience
  2 - Policy of periodic rotation of directors among committees.
  3 - Limitations on the number of consecutive years a director should serve on any one of the Board committees. The Committee shall ensure that the duration of membership of any member does not exceed the maximum limit stipulated in the general framework of the Company's rules of governance, if any, or in related laws and regulations.

- Assisting the Board in developing criteria to evaluate the Chairman's performance and such criteria shall be communicated to the Chairman.
- Make recommendations to the Board prior to allowing a board member, who is not an employees of the Company, enter into any consulting arrangement with the Company.
- Review and approve short-term and long-term compensation and benefits policies of the Company and its subsidiaries/ affiliates, as deemed appropriate.
  Review and approve the Company's goals related to the President and CEO compensation.
- Annual review of the President and CEO's performance to ensure effective leadership in the short term and long term. The CEO shall not attend the Committee's meetings dedicated to discussing his performance and rewards.
- Review and approve annually the overall compensation (salaries, allowances, shares) for all executives (the President and CEO, Vice Presidents and Executive Directors).
- Review and approve:
  1 - Human Resources policies and procedures.
  2 - Succession programs and plans for the Company's executives.
  3 - Evaluation objectives (including performance indicators) to be achieved within rewards and incentive programs.
- Make recommendations to the Board of Directors for the approval of all compensations of the Board committee members, as well as the Board and committee secretaries, including:
  1 - Attendance allowance for each session.
  2 - Annual bonus.
- Make recommendations regarding the compensation of the Board of Directors in line with Article 44 of Ma'aden's Articles of Association which require the distribution of the annual net income after deducting all general expenses and other costs, in the following order/sequence:
  1 - Withhold 10% of annual net profit, as a statutory reserve. The Ordinary General Assembly of shareholders may stop this when the statutory reserve has reached 50% of the Company's issued share capital.
  2 - The holder of preference shares receives the profit percentages allocated for such shares.
  3 - Based upon a Board of Directors' recommendation, the Ordinary General Assembly of shareholders may withhold a percentage of the annual net profit for the year, to create any additional reserve and dedicate it for a specific purpose as determined by the General Assembly.
  4 - From the remainder, a first payment can be distributed to the shareholders as a dividend. This payment should be equivalent to 5% of the paid-up share capital.
  5 - The Board Members remuneration shall then be allocated.
  6 - The balance shall be then distributed to the shareholders as an additional dividend.

The Company may after satisfying regulations established by the relevant authorities, distribute quarterly and/or semi-annual dividends.

According to Article 74 of the Corporate Statute, if these benefits represent a certain percentage of the company's profits, it must not exceed 10% of the net profits, after deducting expenses, depreciation, and reserves determined by the General Assembly in accordance with the provisions of the Regulations and the Company Articles of Associations and after the distribution of dividend of not less than 5% of the Company's capital to the shareholders. Moreover, such remuneration shall not exceed the amount of SR 200,000 per year for each member according to Ministerial Decree No. 1071 dated 2/11/1412 AH.

- Reviewing the annual compensations for board committee members, including Board members representing the Government, and making recommendations to the Board for any revisions.
- When developing the compensation policy, the Committee shall follow performance criteria in addition to:
  1 - Consider competitive rewards to attract, motivate and retain highly skilled managers
  2 - Applying ambitious performance measurement indicators, including financial and non-financial ones.
- Prepare an annual report on executive remuneration for inclusion in the Company's annual report in accordance with the applicable rules and regulations, and in compliance with Article (9) of the Rules of Corporate Governance issued by the Capital Market Authority.
- Discuss and review its performance at least annually to determine effectiveness and agree on steps to improve the performance of its members. The Report on the Committee's performance must be submitted to the Board of Directors.
- Carrying out other duties or responsibilities expressly delegated to the Committee by the Board from time to time.
- The Committee has the right to seek advice and assistance, as needed, from an external or internal legal consultant, accounting firm, search firm, compensation specialists, or other advisors. The Committee is authorized to retain, terminate and negotiate the terms and conditions of the agreements.
- Consult with the President and CEO to review the succession planning process so that there is a sufficient pool of internal candidates qualified internal candidates to fill senior and leadership positions, and to identify opportunities and deficiencies in performance as well as the subsequent steps as part of Ma'aden's succession planning and development process of executives.

Compensation and remuneration paid

Board members and senior executives during financial year ended December 31, 2011

Classification	Executive members of the Board of Directors SR	Non-executive/ independent members of the Board of Directors SR	Six senior executives who received highest bonuses and remuneration, including the CEO and CFO SR
Salaries and remuneration	–	–	6,157,946
Allowances	**245,000**	2,151,726	2,155,281
Periodic and year bonus	–	–	1,092,756
Remuneration due to achievements	–	–	3,253,314
Any other remuneration paid on a monthly/year basis	–	–	2,226,570
Total	**245,000**	**2,151,726**	**14,885,867**

Executive Committee

The Executive Committee was formed on 17/11/1429 AH (corresponding to November 15, 2008)

Members of the Executive Committee and the attendance record of meetings held during financial year 2011

Member's name	22/2/2011	15/5/2011	Total
Engr. Abdallah S. Al-Saif (Chairman)	√	√	2
Sultan Bin Jamal Shawli	√	√	2
H.E. Soliman Bin Saad Al-Humayyd	√	√	2
Dr. Abdallah E. Al-Dabbagh*	√	–	1
Mr. Abdulaziz Bin Abdullah Al Suqair*	–	√	1
Engr. Khalid S. Al Mudaifer*	–	√	1

* Note: Engineer Khaled Bin Saleh Al-Mudaifer and Mr. Abdulaziz Bin Abdullah Al-Suqair were appointed on the Executive Committee at the same time Dr. Abdullah Bin Issa Al-Dabbagh

The Executive Committee's responsibilities
The Executive Committee shall review and approve or recommend to the Board for approval:

- Ma'aden's strategies and objectivesReview and approve the Company's goals related to the President.
  Long, medium and short-term business, financial and operating plans
- Manpower, operating and capital expenditure budgets.
- All major projects and business expansions in line with approved strategies and long term business, financial and operating plans.
- Board proposals of JV agreements, acquisitions and divestments in line with long term business financial and operating plans.
- Reports on the execution and completion of Ma'aden's and its subsidiaries/affiliates major projects and expansions.
- Policies and procedures (except for those related to accounting and compensation and benefits policies which are reviewed by the Audit Committee and the Nomination and Remuneration Committee respectively).
- Incorporation of branch offices and agencies in line with the approved strategies, and long term business, financial and operating plans.
- Loans and mortgage.
- Investment plans for the Company's funds.
- Reports on the Company's legal proceedings and material litigations, and making recommendations to the Board on necessary actions.
- Overseeing the performance of the Company and its individual business units and requesting clarification regarding any departure or deviations from the approved plans and budgets.
- Reports on all key decisions taken by the Company's management. Make appropriate recommendations to the Board, and assisting the Board to focus on issues associated with these recommendations.
- Undertake any other functions entrusted to it by the Board from time to time.
- Approving operating and capital expenditures within its authority limit as specified in the Company's Authority Matrix.
- Approving operating and capital expenditures that exceed Ma'aden's budget, according to the power structure.
- Making recommendations to the Board on all the decisions beyond its authority.

Penalties, sanctions or punishment imposed on Ma'aden by the CMA or any other regulatory or judiciary body
No penalties, sanctions or punishment was imposed on Ma'aden by teh CMA or any other regulatory or judiciary body.

Results of the annual audit of the effectiveness of the internal controls
The Internal Audit Department conducts ongoing internal audits during the year and applies an audit plan based on a system of risk assessment at the Company's and subsidiaries' level . The Audit Committee approves the implementation of the plan after ensuring that it contains all the programs it wishes to study or evaluate and ensuring that they are compatible with the internal control and audit systems. The audits verify the efficiency and effectiveness of the internal control system in protecting Ma'aden's assets, assessing business risks, and measuring performance adequacy. .The Internal Audit Department shall submit periodic reports to the Audit Committee.

Audits, referred to above, did not show any fundamental or influential weakness in Ma'aden's internal control system.

The external auditor was granted access to all the Audit Committee records and the the Internal Audit Department's reports for the financial year ended December 31, 2011.
The Audit Committee exercises its mandate in discussing the relevant observations by both external and internal auditors as contained in their respective reports for establishing the corrective actions by the concerned departments, and developing the necessary time plan to implement and follow-up on the said corrective actions.

Human Resources Development
The Human Resources Department at Saudi Arabian Mining Company (Ma'aden) has a strategy of integrated planning in terms of internal and external training as well as on-the-job training in order to develop and enrich the culture human talent development in the Company, consolidate the business culture, and design administrative structures to ensure the effectiveness of leadership positions in all company departments, including projects.

The total number of employees in the Company during 2011 was 3,020 employees (63% Saudis), including 648 new employees.

Relations with investors

The Department of Investor Relations at Ma'aden provides its services to investors by responding to their inquiries through official channels of communication and Ma'aden's website. The investor relations team has participated in numerous conferences and meetings organized by financial institutions for discussion with financial analysts and responding to investors' inquiries.

Investor Relations publish important developments that occur at the Group and have an impact on its financial condition and mainstream business. This is in accordance with the Group's disclosure policy that implements the instructions of the Capital Market Authority and the regulations of the Kingdom of Saudi Arabia, through the official channels approved by the CMA. Investor Relations at Ma'aden is keen on establishing closer relationships with the Company's investors and represents the link between the Company's administration and its investors.

Delivering growth... *through* sound investment

Financial statements

Statement of Directors' responsibilities

For the preparation and approval of the consolidated financial statements for the year ended December 31, 2011

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 86 to 121, 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

Riyadh, Kingdom of Saudi Arabia
February 14, 2012

Independant auditor's report

To the shareholders of Saudi Arabian Mining Company (Ma'aden) (A Saudi Arabian joint stock company)

Scope of audit

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.

Unqualified opinion

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

Riyadh, Kingdom of Saudi Arabia
February 14, 2012

Consolidated balance sheet

as at December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

	Note	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		

Consolidated statement of income

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

	Note	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)

Consolidated statement of changes in shareholders' equity

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

		Equity attributable to shareholders of the parent company						
				Statutory reserve				
	Note	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**

Consolidated statement of cash flows

for the year ended December 31, 2011

(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
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

Consolidated statement of cash flows continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

Non-cash flow transactions	Notes	2011	2010
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

Notes to the consolidated financial statement

for the year ended December 31, 2011

(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.

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

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.

4. Summary of significant accounting policies continued

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 Tradereceivables

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.

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

4. Summary of significant accounting policies continued

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 Financialassetsandliabilities

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.

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-operatingexpensesanddeferredcharges

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.

4. Summary of significant accounting policies continued

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.

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

4. Summary of significant accounting policies continued

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. Summary of significant accounting policies continued

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.

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

5. Critical accounting estimates, assumptions and judgments continued

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) financialinformationisseparatelyavailable.

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 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

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(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.

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

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(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**	–

14. Property, plant and equipment continued

	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).

	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

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(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)
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.

15. Pre-operating expenses and deferred charges continued

		Year ended December 31	
	Notes	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

		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)		(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			(6,475,270,753)	–			(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).

Pre-commercial production revenue net of production cost comprises of the following:

	Year ended December 31 2011
• **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**

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(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

19. Zakat continued

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

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(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. Provision for mine closure and reclamation continued

21.2 Low grade bauxite and kaolin mines

	Note	Al Zabirah mine	Al Ghazalah 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.

22. Employee termination benefits

	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
Sub total	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**

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

23. Long-term borrowings continued

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.

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.

23. Long-term borrowings continued

	2011	2010
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

MAC facility

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)

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

23. Long-term borrowings continued

	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.

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

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. Long-term borrowings continued

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**	–
Sub total	**3,402,439,290**	**2,490,574,195**
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:

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

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

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.

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

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

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

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.

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(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:

Sales through SABIC during the year

	Year ended December 31 2011	2010
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:

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

	2011	2010
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

Capital expenditures

	2011	2010
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.

Notes to the consolidated financial statement continued

for the year ended December 31, 2011

(All amounts in Saudi Riyals unless otherwise stated)

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.

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	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.

Company information

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