The Mining Sector in the Kingdom of Saudi Arabia

U.S.-SAUDI ARABIAN BUSINESS COUNCIL

Strengthening Bilateral Business Relations through Trade and Investment

U.S.-Saudi Arabian Business Council

مجلس الأعمال السعودي الأمريكي
LETTER FROM THE PRESIDENT

Dear Reader,

The U.S.-Saudi Arabian Business Council (USSABC) is pleased to offer you this summary of our recently released *Mining Sector in the Kingdom of Saudi Arabia* report. Based on extensive research gathered from Saudi Government documents, media agencies, and studies by non-governmental organizations, this report presents a concise yet thorough overview of Saudi Arabia’s mining sector, including billions of dollars worth of investment opportunities.

The report provides an analysis of the most recent statistics and ongoing trends in the industry. It describes the sector’s regulatory structure and major developments. More importantly, these topics are discussed within the framework of private and foreign investment opportunities. A current list of key contacts for government ministries and leading Saudi companies in the mining industry is also included.

The 2008 *Mining Sector Report* is a great resource for companies interested in learning more about Saudi Arabia’s growing mining industry. Combined with the Council’s other business development services, the report provides companies with a valuable “first step” toward breaking into the Saudi market, which boasts a combined $1.4 trillion worth of investment opportunities through 2020.

To obtain a complete copy of the report, please see the back cover for additional information.

Sincerely,

Edward Burton
President and Managing Director
U.S.-Saudi Arabian Business Council
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OVERVIEW OF
THE MINING SECTOR IN SAUDI ARABIA

Saudi Arabia possesses more mineral resources than any other country in the Gulf region. The soil in Saudi Arabia is rich in gold, copper, phosphate, and a wide array of industrial minerals. Development of the mining sector therefore occupies a prominent position in Saudi Arabia’s program of diversification away from hydrocarbons. In fact, Saudi Arabia hopes to transform its nascent mining industry into the “third pillar” of the Saudi economy after oil and petrochemicals. To reach this goal, the Saudi Government’s strategy includes establishing industries for extracting and processing the minerals, developing the transportation infrastructure to make the minerals accessible for processing, and streamlining procedures for the export of minerals and mineral-derived products. Meeting these objectives will require a significant amount of financial and capital investment. Accordingly, the Saudi Government has earmarked an estimated $11.9 billion (SR44.63 billion) for mining and mineral development through 2020. In 2006, the contribution of the Kingdom’s mining sector towards the country’s GDP stood at $747 million (SR2.8 billion), up from $728 million (SR2.73 billion) in 2005. Significantly, non-oil mineral activity in Saudi Arabia is expected to grow at a rate of up to 10 percent.

Ma’aden

In 1997, the Saudi Government established the Saudi Arabian Mining Company (Ma’aden) as a catalyst for private investment in the mining sector. Capitalized at $1 billion (SR3.75 billion), Ma’aden was entrusted with consolidating the government-owned mining projects and turning them into commercially viable ventures with private sector participation. Since its inception, Ma’aden has adopted an aggressive exploration and mineral exploitation program, and has focused on the establishment of infrastructure services at the mining sites, including water, electricity, telecommunications, and transportation. The Saudi mining company has actively sought strategic partnerships with the private sector in order to further develop the sector from the exploration stage to the mining and processing stages.

In 2004, the Saudi Government approved the initial steps to privatize Ma’aden. Ma’aden has thus far completed the restructuring of its precious metals unit and is currently in the process of creating individual companies for its gold, industrial minerals, phosphate, and aluminum interests.

Mining Code

Saudi Arabia approved a revised mining code in 2004 to further encourage investment in the mining industry. Under the new code, the Ministry of Petroleum and Mineral Resources can issue seven types of licenses. Investors can choose from three non-exploitation licenses and four exploitation licenses. Non exploitation licenses include reconnaissance and material collection licenses, both valid for two years, and exploration licenses, valid for three years. According to the Saudi Arabian Monetary Agency’s (SAMA) 43rd Annual Report published in 2007, the number of valid mining licenses for 2006 amounted to 1,269, including 65 for prospecting; 32 for exploration; 28 for small-sized mines; 11 for mining concessions for various metal ores such as gold, copper, and zinc; and 30 mining concessions for exploiting ores of the country’s cement industry.
**Identified Minerals**

To date, over 48 minerals have been identified in the Kingdom of Saudi Arabia, with at least 15 industrial minerals that could become commercially viable. The DMMR (Deputy Minister for Mineral Resources) has identified 1,273 sites of precious metals and 1,171 sites of non-precious metals. Minerals discovered in Saudi Arabia include phosphate; bauxite; bentonite; copper; dolomite; expandable clay; feldspar and nepheline syenite; garnet; gold; zinc; granite; graphite; gypsum; tantalum; high grade silica sand; kaolinitic clays; limestone; magnesium; marble; olivine; pozzolan; rock wool; silver; and zeolites.

**Infrastructure**

Given the vast size of the Kingdom, one of the major challenges to making mineral development commercially viable is the availability of the necessary infrastructure to transport ores to processing plants and exporting ports. In 2002, the Supreme Economic Council (SEC) approved the construction of a minerals railway, and in 2004, a $10 million (SR37.5 million) consultancy contract was awarded to a consortium comprising Canarail of Canada, Systra of France, and the Saudi Consolidated Engineering Company to cover railway design, route definition, and feasibility studies for the project. The North–South Railway (NSR), as it has been named, will consist of a 2,400 kilometer rail network with 1,500 kilometers dedicated solely to transporting minerals. In fact, the railway will connect the Al-Jalamid phosphate mine, via Al-Zabirah, to Riyadh, then to Jubail. An additional direct line will also be established between Al-Zabirah.

**Investment Opportunities**

The Kingdom is a favorable market for investors and joint venture opportunities in the mining industry. The Saudi Government is currently developing six economic cities throughout the Kingdom, heralding a new era of regional development. Together, the cities are estimated to attract over $100 billion worth of investments. Valued at $8 billion, the Prince Abdulaziz bin Musaed Economic City will be developed in the Hail region in the northern part of Saudi Arabia to exploit the local mineral deposits. One of the 12 components of the city will be dedicated to mining services.

Opportunities to explore Saudi Arabia’s mineral resources are not confined to the central and northern parts of the Kingdom. The DMMR has published a list of industrial minerals that can be developed by investors. Some of these deposits have been explored or are in the process of being mined, while others have not.

Aside from the country’s mineral endowment and planned industrial projects, a number of other characteristics have given Saudi Arabia a comparative advantage in the mining industry. The most important among these include the availability of low-cost feedstock, sulfur, and ammonia in the Jubail area, and the Kingdom’s easy access to world markets via a network of eight ports, the largest in the region.
USSABC MEMBER COMPANIES INVOLVED IN THE MINING SECTOR

Al-Murjan Trading and Industrial Co. Ltd.
Website: N/A

Alujain Corporation
Website: www.alujaincorporation.com

Arabian Minerals and Chemicals Company, Subsidiary of Al Rushaid Investment Company
Website: www.al-rushaid.com

Website: www.delmon.com.sa

Saudi Arabian Mining Company (Ma’aden)
Website: www.maaden.com.sa

Saudi Binladin Group
Website: www.sbg.com.sa (Under Construction)

Zahid Tractor and Heavy Machinery Company
Website: www.zahid.com

OTHER SAUDI COMPANIES INVOLVED IN THE MINING INDUSTRY

Al Mihdar Development Co. Mining Division
Website: N/A

Arabian Geophysical & Surveying Co. (ARGAS)
Website: N/A

Arabian American Development Company
Website: www.arabianamericandev.com

Atlas Industrial Equipment Company (ATLASCO)
Website: www.atlasindustrial.com

Bakheet Company for Machinery, Ltd.
Website: www.bakheet.com.sa

Red Sea Mining Company, Ltd.
Website: www.redseamining.com

Saudi Marble Company
Website: www.smcalcium.lbgo.com

Saudi Oger Ltd.
Website: www.saudioger.com

Tanhat Mining Company, Ltd.
Website: www.tanhatmining.com

United Arabian Manajem Co.
Website: www.manajem.com (Under Construction)

Note: The complete copy of the Mining Sector in the Kingdom of Saudi Arabia report includes a brief profile, key senior executives, and full contact information for each company.
About the U.S.-Saudi Arabian Business Council

The U.S.-Saudi Arabian Business Council (USSABC) is a non-profit organization with offices in the Washington, D.C. metropolitan area and Riyadh, Saudi Arabia. Incorporated in December 1993, our mission is to develop, foster, and expand the strategic business alliance between the U.S. and Saudi Arabia by promoting trade, investment, and sustainable economic development. We are a membership-driven organization with an impressive member roster that includes some of the most influential companies in the United States and Saudi Arabia. To learn more about the USSABC, please visit us online at www.us-sabc.org.

To purchase a copy of The Mining Sector in the Kingdom of Saudi Arabia report, please visit the USSABC’s website at www.us-sabc.org or contact the Business Council at 703-962-9300.

Cost: $200 (SR750) (for non-members of the Business Council)

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