

November 5, 2009



# Arabian American Development Announces Third Quarter 2009 Financial Results

## Year-to-Date 2009 Net Income Increases to \$7.3 Million Year over Year

DALLAS, Nov. 5 /PRNewswire-FirstCall/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the third quarter and nine months ended September 30, 2009.

### *Financial Highlights*

- Sales volume of petrochemical products for the third quarter of 2009 increased approximately 24.3% compared to the same period in 2008.
- Net income for the quarter ended September 30, 2009 was \$528,000, or \$0.02 per basic and diluted share compared to a net loss of \$(6.9) million, or \$(0.30) per basic and diluted share for the prior-year period.
- Net income for the nine months ended September 30, 2009 increased to \$7.3 million or \$0.31 per basic and diluted share, compared to a net loss of \$(2.3) million, or \$(0.10) per basic and diluted share for the prior-year period, a swing to the positive of \$9.7 million.
- Gross profit for the three months ended September 30, 2009, and comparable period in 2008 was \$4.3 million and a loss of \$(9.1) million, respectively.
- Gross profit for the nine months ended September 30, 2009 and comparable period in 2008 was \$19.7 million and \$2.6 million, respectively.

### *Operational Highlights*

- Reached a binding agreement resolving prior discussions surrounding the Al Masane Al Kobra Mining Company (AMAK) corporate documentation which releases the Company from any future financial obligations and eliminates any further liability to AMAK or the Saudi government.
- Signed a new, one-year contract with an existing customer with headquarters in Mexico. The contract is an increase over the original value of an existing contract based on current market conditions. The Company will deliver an estimated annual volume of approximately 3.6 million U.S. gallons of pentanes.
- Signed a three-year contract with a new customer, a joint venture between a major European petrochemical manufacturer and a Middle Eastern national petrochemical company, to deliver a volume of over five million pounds annually for 100% of the supply of high purity C5's to the joint venture's state-of-the-art polyethylene facility.
- Signed a new contract with an existing customer which is estimated at \$11 to \$15 million per year over the term of the contract for normal hexane, isohexane and isopentane. The additional volume represents an increase of approximately 40% from the previous contract.

Consolidated revenue for the quarter ended September 30, 2009 decreased 35.8% to \$30.6 million, compared to revenue of \$47.7 million in the third quarter of 2008 and a 7.2% sequential increase compared to revenue of \$28.6 million in the second quarter of 2009. Transloading generated no revenues in the third quarter of 2009 compared to revenues of \$7.9 million in the year-ago period. This is due to the expiration in April 2009, and non renewal, of a contract with a transloading customer because the market for diluents used in the oil sands crude production decreased as the price of crude oil fell to comparatively low levels in the later part of 2008. Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$29.7 million or 97%, of total revenue for the third quarter of 2009 and \$38.8 million, or 81.2% of total revenue, for the third quarter last year. Petrochemical sales were down on a dollar basis in the quarter due to lower prices to customers, however from a volume standpoint, sales increased 24.3% for the quarter. The Company generated \$0.9 million in toll processing fees during the third quarter of 2009 compared with \$1.1 million for the prior year's third quarter. Toll processing customers are active and remain on long-term contracts.

During the third quarter of 2009, the cost of petrochemical sales and processing (including depreciation) decreased approximately \$30.5 million or 53.6% as compared to the same period in 2008. Consequently, total gross profit margin on revenue for the third quarter of 2009 increased approximately \$13.4 million or 147.1% as compared to the same period in 2008. The cost of petrochemical product sales and processing and gross profit for the three months ended September 30, 2009 was not impacted by any derivative transactions. The cost of petrochemical product sales and processing and gross profit for the three months ended September 30, 2008 includes an unrealized loss of approximately \$17.7 million and a realized gain of approximately \$2.4 million for a net loss effect of approximately \$15.3 million. Therefore, the increase in gross profit margin for the period was primarily due to the decreased price of feedstock during the quarter.

General and Administrative costs for the third quarter of 2009 increased approximately \$825,000 to \$2.5 million from \$1.7 million as compared to the same period in 2008 due primarily to the expensing of expenditures in Saudi Arabia versus their capitalization in the prior year and increases in consulting fees, property taxes, and travel.

The Company reported net income attributable to Arabian American Development in the third quarter of 2009 of \$528,000 or \$0.02 per basic and diluted share (based on 23.7 million and 23.8 million weighted average number of shares outstanding, respectively). This compares to a net loss of \$(6.9) million, or \$(0.30) per basic and diluted share for third quarter of 2008 (based on 23.5 million weighted average number of shares outstanding, respectively).

Nick Carter, President and Chief Executive Officer, commented, "Sales volume was up approximately 24.3% from the year-ago period and demand remained strong for most products through the first nine months of 2009. During the quarter, we signed a number of new contracts, including a new international customer as well as renewal of contracts with existing customers, one of whom increased their volume by 40%. We began to see the volume and financial impact of these contracts reflected in our third quarter results. We are seeing the direct benefits of opening and staffing a marketing office in Europe to better serve customers in the Eastern Hemisphere and for the nine months ended September 30, 2009, we saw international sales volume increase 29.9% over the same period in 2008."

Mr. Carter continued, "Transloading sales for the third quarter of 2009 decreased 100.0% due to the contract expiration of the transloading venture undertaken by the Company in April 2008. As we indicated previously, the contract expired in April 2009 and was not renewed because the market for crude oil fell in the latter part of 2008. This was relatively low margin business and, therefore, we do not anticipate the reduction in revenue from transloading to significantly impact our profitability for the year. In addition, we continue our conversations with certain customers who have approached the Company about a possible contract for the 2010 calendar year, and negotiations are underway to secure other contracts. This business is good if we can make use of existing facilities and manpower in an efficient manner, but it's not a key component of our operation."

#### *Year-to-Date 2009 Financial Results*

Consolidated revenue for the nine months ended September 30, 2009 decreased 28.8% to \$86.6 million, compared to revenue of \$121.6 million in the same period in 2008. Excluding transloading revenues of \$4.6 million and \$15.9 million generated in the first nine months of the periods ended September 30, 2009, and September 30, 2008, respectively, revenues were \$82.0 million, a 22.4% decrease from \$105.7 million in the year-ago period. Sales decreased on a dollar basis but saw significantly higher margins given pricing strength and feedstock price declines. Petrochemical sales volume for the nine months increased 13.5%. The Company generated \$2.7 million in toll processing fees during the nine months ended September 30, 2009, which is a decrease of 15.0% compared to \$3.2 million in the year-ago period.

Total gross profit margin on petrochemical product sales, transloading sales and processing during the first nine months of 2009 increased approximately \$17.1 million as compared to the same period in 2008. The cost of petrochemical product sales and processing and gross profit margin for the nine month period ended September 30, 2009, includes an estimated unrealized gain of approximately \$17.4 million, a realized loss of \$16.3 million for a net gain effect of approximately \$1.1 million. The cost of petrochemical product sales and processing and gross profit margin for the nine month period ended September 30, 2008, includes an estimated unrealized loss of approximately \$10.1 million, a realized gain of \$5.5 million for a net loss effect of approximately \$4.6 million.

General and Administrative costs for the first nine months of 2009 increased approximately \$303,000 to \$6.6 million from \$6.3 million the same period in 2008. This increase is primarily attributable increases in consulting fees, property taxes, and travel.

For the first nine months of 2009, net income of Arabian American Development increased to \$7.3 million, or \$0.31 per basic and diluted share (based on 23.7 million and 23.8 million weighted average shares outstanding, respectively) compared to a net loss of \$(2.3) million, or \$(0.10) per basic and diluted share (based on 23.4 million weighted average shares outstanding, respectively) for the year-ago period.

The Company completed the quarter with \$2.5 million in cash and cash equivalents compared to \$2.8 million as of December 31, 2008. Trade receivables increased during the first nine months by \$2.2 million to \$14.1 million due to increased credit terms being extended to foreign customers. The average collection period remains normal for the business. Inventories increased from December 31, 2008 due to an increase in the volume and price of inventory the Company had on hand at the end of the period. Derivative

instruments decreased from a current liability of approximately \$8.7 million (primarily crude options) to \$1.2 million (primarily interest rate swaps on term debt) due to settlements of instruments during the first nine months of 2009 and changes in fair value of contracts on hand at September 30, 2009.

The Company had \$17.7 million in working capital as of September 30, 2009 and ended the quarter with a current ratio of 3.0 to 1. Shareholders' equity increased 16.5 % at September 30, 2009 to \$54.9 million from \$47.1 million as of December 31, 2008.

The Company finalized an agreement surrounding the Al Masane Al Kobra Mining Company (AMAK) corporate documentation. Under the Agreement, the Company is released from any future financial obligations and will have no further liability to AMAK or the mine property. Further information may be found in the Company's report on Form 8K filed on August 25, 2009, with the Securities and Exchange Commission, which can be reviewed at [www.sec.gov](http://www.sec.gov).

Nick Carter, President and Chief Executive Officer, Arabian American Development Co., commented, "The increased market prices of copper, gold and silver over the last few months has doubled the projected annual cash flow of the project from the low point of nine months ago. As the price of zinc begins to reflect the improving global economic activity, we expect the projections will really start to reflect the significant long term value of this project. The mill construction is coming along and we anticipate doing ore processing test runs soon after the first of the year. We are looking forward to seeing the project come to fruition."

#### *Teleconference*

Management will conduct a conference call and live web cast at 4:30 p.m. Eastern Time, on Thursday, November 5, 2009. Anyone interested in participating should call 877-941-1430 if calling within the United States or 480-629-9667 if calling internationally. There will be a playback available until November 12, 2009. To listen to the playback, please call 800-406-7325 if calling within the United States or 303-590-3030 if calling internationally. Please use pin number 4179611 for the replay. A link to a simultaneous webcast of the teleconference will be available at [www.arabianamericandev.com](http://www.arabianamericandev.com) through Windows Media Player or RealPlayer. A replay of the call will also be available through the same link.

#### *About Arabian American Development Company (ARSD)*

ARSD owns and operates a petrochemical facility located in southeast Texas just north of Beaumont which specializes in high purity petrochemical solvents and other solvent type manufacturing. The Company is also the original developer and an equity investor in a Saudi Arabian joint stock company involving a mining project in the Al-Masane area of Saudi Arabia which is currently under construction. The mine is scheduled to be in production in late 2010 and will produce economic quantities of zinc, copper, gold, and silver.

#### *Safe Harbor*

Statements in this release that are not historical facts are forward looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward looking statements are based upon management's belief as well as assumptions made by and information currently available to management. Because such statements are based upon expectations

as to future economic performance and are not statements of fact, actual results may differ from those projected. These risks, as well as others, are discussed in greater detail in Arabian American's filings with the Securities and Exchange Commission, including Arabian American's Annual Report on Form 10-K for the year ended December 31, 2008 and the Company's subsequent Quarterly Reports on Form 10-Q.

Tables follow

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2009 ---- (unaudited)	DECEMBER 31, 2008 ----
ASSETS		
-----		
Current Assets		
Cash and cash equivalents	\$2,469,926	\$2,759,236
Trade Receivables, net of allowance for doubtful accounts of \$126,000 and \$500,000, respectively	14,090,220	11,904,026
Current portion of notes receivable, net of discount of \$22,104 and \$53,628, respectively	468,109	528,549
Derivative instrument deposits	--	3,950,000
Prepaid expenses and other assets	781,801	799,342
Inventories	3,787,904	2,446,200
Deferred income taxes	1,903,122	8,785,043
Income taxes receivable	3,000,000	429,626
	-----	-----
Total current assets	26,501,082	31,602,022
Property, Pipeline and Equipment	50,303,714	47,184,865
Less: Accumulated Depreciation	(17,067,622)	(14,649,791)
	-----	-----
Net Property, Pipeline and Equipment	33,236,092	32,535,074
Investment in AMAK	33,002,407	33,002,407
Mineral Properties in the United States	605,848	588,311
Notes Receivable, net of discount of \$4,345 and \$16,793, respectively, net of current portion	52,177	407,388
Other Assets	10,938	10,938
	-----	-----
TOTAL ASSETS	\$93,408,544 =====	\$98,146,140 =====
LIABILITIES		
-----		
Current Liabilities		
Accounts payable	\$2,436,628	\$6,069,851
Accrued interest	126,342	147,461
Derivative instruments	1,167,085	8,673,311
Accrued liabilities	1,556,584	1,029,690
Accrued liabilities in Saudi Arabia	1,075,749	1,429,156
Notes payable	12,000	12,000
Current portion of post retirement benefit	83,202	--

Current portion of long-term debt	1,724,860	4,920,442
Current portion of other liabilities	618,505	544,340
	-----	-----
Total current liabilities	8,800,955	22,826,251
Long-Term Debt, net of current portion	23,964,627	23,557,294
Post Retirement Benefit, net of current portion	808,815	823,500
Other Liabilities, net of current portion	692,719	446,035
Deferred Income Taxes	4,210,581	3,356,968
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Total liabilities	38,477,697	51,010,048
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#### EQUITY

Common Stock-authorized 40,000,000 shares of \$.10 par value; issued and outstanding, 23,433,995 and 23,421,995 shares in 2009 and 2008, respectively	2,343,399	2,342,199
Additional Paid-in Capital	41,511,024	41,325,207
Accumulated Other Comprehensive Loss	(763,014)	(1,120,072)
Retained Earnings	11,564,508	4,299,535
	-----	-----
Total Arabian American Development Company Stockholders' Equity	54,655,917	46,846,869
Noncontrolling Interest	274,930	289,223
	-----	-----
Total equity	54,930,847	47,136,092
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TOTAL LIABILITIES AND EQUITY	\$93,408,544	\$98,146,140
	=====	=====

#### ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2009	2008	2009	2008
	----	----	----	----
REVENUES				
Petrochemical				
Product Sales	\$29,741,240	\$38,784,278	\$79,280,937	\$102,444,163
Transloading				
Sales	--	7,890,773	4,624,681	15,935,628
Processing Fees	906,848	1,066,919	2,724,801	3,207,402
	-----	-----	-----	-----
	30,648,088	47,741,970	86,630,419	121,587,193
OPERATING COSTS AND EXPENSES				
Cost of				
Petrochemical				
Product				
Sales and				
Processing				

(including depreciation of \$556,281, \$260,543, \$1,671,957, and \$746,348, respectively)	26,354,402	56,851,844	66,948,640	118,973,330
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GROSS PROFIT (LOSS)	4,293,686	(9,109,874)	19,681,779	2,613,863
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	2,480,340	1,655,790	6,581,643	6,278,770
Depreciation	107,397	82,534	328,739	237,591
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	2,587,737	1,738,324	6,910,382	6,516,361
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OPERATING INCOME (LOSS)	1,705,949	(10,848,198)	12,771,397	(3,902,498)
OTHER INCOME (EXPENSE)				
Interest Income	12,141	56,628	53,976	164,731
Interest Expense	(324,449)	(109,368)	(970,857)	(199,675)
Miscellaneous Income (Expense)	65,176	(2,757)	(17,293)	42,109
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	(247,132)	(55,497)	(934,174)	7,165
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	1,458,817	(10,903,695)	11,837,223	(3,895,333)
INCOME TAXES	934,246	(3,969,245)	4,586,543	(1,534,230)
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NET INCOME (LOSS)	524,571	(6,934,450)	7,250,680	(2,361,103)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	3,557	3,388	14,293	18,043
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NET INCOME (LOSS) ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT COMPANY	\$528,128	\$(6,931,062)	\$7,264,973	\$(2,343,060)
	=====	=====	=====	=====
Basic Earnings (Loss) per Common Share				
Net Income (Loss) attributable to Arabian American Development Company	\$0.02	\$(0.30)	\$0.31	\$(0.10)
Basic Weighted				

Average Number of Common Shares Outstanding	23,733,995 =====	23,471,995 =====	23,725,995 =====	23,354,193 =====
Diluted Earnings (Loss) per Common Share Net Income (Loss) attributable to Arabian American Development Company	\$0.02	\$ (0.30)	\$0.31	\$ (0.10)
Diluted Weighted Average Number of Common Shares Outstanding	23,753,535 =====	23,471,995 =====	23,822,601 =====	23,354,193 =====

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