

May 10, 2007



# Arabian American Development Announces Fiscal 2007 First Quarter Financial Results

## Company expects final approval on joint stock company during second quarter

DALLAS, May 10 /PRNewswire-FirstCall/ -- Arabian American Development Co. (OTC Bulletin Board: ARSD) today announced financial results for the first quarter ended March 31, 2007.

### First Quarter 2007 Highlights:

- \* Revenues of \$23.7 million compared to \$24.3 million in the first quarter of last year
- \* Gross profit margin of 64% versus 32.2% due primarily to the change in fair value of derivatives for feedstock purchases
- \* Operating Income increased 61.2% or by \$2.6 million year-over-year for the quarter
- \* First quarter earnings per share of \$0.20 versus \$0.12 in year-ago period
- \* Preparation continues in Saudi Arabia; Management continues to anticipate government approval for joint stock company during second quarter, then will apply to transfer the mining lease
- \* Expansion of petrochemical facilities on-track; Equipment acquisition underway and management reiterating a first quarter 2008 completion date

### Financial Results

Consolidated revenues for the first quarter of fiscal 2007 were \$23.7 million, a decrease of 2.7 percent compared to the \$24.3 million for the first quarter last year. Refined product sales (predominantly C5 and C6 Hydrocarbons and related products) represented \$22.4 million, or 94.4 percent of total revenues for the first quarter and \$23.6 million, or 97.0 percent of total revenues for the first quarter last year. The Company generated \$1.3 million in toll processing fees during the first quarter compared with \$730,004 for the prior year's first quarter.

Gross profit for the first quarter was \$9.3 million, or 39.1 percent gross profit margin, compared with gross profit of \$5.9 million, or 24.3 percent gross profit margin, for the first quarter last year. The increase in both whole dollars and as a percent of sales is due to a positive change in the fair value of derivatives for feedstock purchases. The cost of petrochemical product sales and processing and gross profit margin for the three months ended March 31, 2007 includes an estimated unrealized gain of approximately \$3.8 million on the derivative agreements. General and administrative expenses increased 55.1% to \$2.1 million from \$1.4 million last year due to expenses related to a one time accrual of Post Retirement Obligations approved by the Board on March 20, 2007 for the Senior Executives, and also to increased labor costs for the quarter.

The Company reported \$6.9 million in operating income compared to \$4.3 million in operating income last year. The Company reported net income of \$4.6 million, or \$0.20 per basic and fully diluted share (based on 23.2 million shares) compared to net income of \$2.7 million, or \$0.12 per basic and fully diluted share last year (based on 22.9 million shares).

"Demand for our specialty petrochemical products and services remained at solid levels despite price increases, enabling us to maintain revenue levels and maintain our gross profit margin," commented Nick Carter, the Petrochemical Company's President. "This high level of demand validates our decision to expand our specialty petrochemical facilities and this initiative, announced during the first quarter, remains on track to be completed by the end of the first quarter of 2008. Based on current and anticipated demand, this expansion will enable us to double both our revenue and EBITDA opportunity once we reach maximum capacity, which will be a three to five year process."

Mr. Carter continued, "We made significant progress in our mining initiative during the first quarter, and our employees are on the ground in Saudi Arabia doing prep work on the mine. We hope to receive final approval needed for the formation of the joint stock company during the second quarter of 2007. Upon receiving approval to form the new company, we can then apply with the Ministry of Minerals and Petroleum to transfer the mining lease into the new company. We then plan to accelerate construction on the mining facility in the second half of this year.

Preliminary negotiations are underway with a Chinese construction company to detail the project work schedule and to identify responsibilities for the parties involved. Mineral spot prices remain favorable and we continue to move closer to revenue generation. Our confidence in this segment of our business remains at an all-time high and we look forward to achieving a more appropriate valuation based on the proven underlying mineral assets."

The Company completed the quarter with \$2.0 million in cash compared to \$2.9 million as of December 31, 2006. Increased feedstock costs resulted in lower cash, but the Company's inventory levels increased from \$3.6 million to \$4.4 million and trade receivables increased from \$8.9 million to \$10.4 million. The changes in the Balance Sheet accounts are part of the normal ebb and flow of the business and are not considered unusual. Collections on Accounts Receivable remain timely and the higher balance reflects a return to normal sales levels from the dip at the end of December. The Company had \$4.1 million in working capital as of March 31, 2007 and ended the quarter with a current ratio of 1.2 to 1. Both working capital and current ratio were calculated excluding the \$11 million non interest-bearing/non-recourse current note payable to the Saudi Government. The Company expects this note to be transferred to the joint stock company with the mining lease in the second quarter of 2007. Shareholder's Equity increased 10.6 percent during the quarter to \$49.5 million compared to \$44.7 million as of December 31, 2006.

#### Teleconference

Management will conduct a conference call and live web cast at 4:30 p.m. Eastern Time, on Thursday, May 10, 2007. Anyone interested in participating should call 800-936-9754 if calling within the United States or 973-935-2048 if calling internationally. There will be a playback available until May 17, 2007. To listen to the playback, please call 877-519-4471 if calling within the United States or 973-341-3080 if calling internationally. Please use pin number 8769152 for the replay. This call is being web cast by ViaVid Broadcasting and can be accessed at ViaVid's website at <http://www.viavid.net>. The web cast can be accessed until June 10, 2007.

#### About Arabian American Development Co.

Arabian American owns and operates a petrochemical facility employing about 110 people located in southeast Texas just north of Beaumont, Texas, specializing in high purity petrochemical solvents and other solvent type manufacturing. Arabian American also has a mining project in Saudi Arabia which is under development and is expected to produce economic quantities of zinc, copper, gold, and silver when it is put into production. There are about 20 employees at the mine site.

#### 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, 2005 and the Company's subsequent Quarterly Report Form 10-Q.

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Tables to follow

#### ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	MARCH 31, 2007	DECEMBER 31, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,961,325	\$2,939,022
Trade Receivables, Net of allowance for doubtful accounts of \$35,000		

and \$35,000, respectively	10,421,594	8,893,182
Current portion of notes receivable, net of discount and deferred gross profit of \$198,530 and \$200,492, respectively	607,917	605,955
Financial contracts	3,726,690	--
Financial contract deposits	300,000	1,500,000
Prepaid expenses and other assets	488,757	404,228
Inventories	4,388,743	3,576,317
Income tax receivable	619,598	619,598
Total Current Assets	22,514,624	18,538,302
Plant, Pipeline and Equipment	22,385,119	21,643,903
Less: Accumulated Depreciation	(11,355,662)	(11,017,503)
Net Plant, Pipeline and Equipment	11,029,457	10,626,400
Al Masane Project	37,310,052	37,137,022
Other Interests in Saudi Arabia	2,431,248	2,431,248
Mineral Properties in the United States	1,058,138	1,084,711
Notes Receivable, net of discount of \$130,773 and \$172,041, respectively, net of current portion	1,409,132	1,545,714
Other Assets	51,437	226,769
TOTAL ASSETS	\$75,804,088	\$71,590,166
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$2,673,437	\$2,989,203
Accrued interest	61,273	59,857
Financial contracts	---	765,672
Accrued liabilities	2,530,287	1,210,054
Accrued liabilities in Saudi Arabia	1,515,148	1,645,257
Notes payable	11,012,500	11,012,500
Current portion of long-term debt	28,172	488,828
Current portion of other liabilities	584,349	584,349
Total Current Liabilities	18,405,166	18,755,720
Long-Term Debt, net of current portion	3,101,482	5,108,309
Other Liabilities	2,073,724	1,621,105
Deferred Income Taxes	1,946,946	540,000
Minority Interest in Consolidated Subsidiaries	788,834	817,558
STOCKHOLDERS' EQUITY		
Common Stock-authorized 40,000,000 shares of \$.10 par value; issued and outstanding, 22,601,994 and 22,571,994 shares in 2007 and 2006, respectively	2,260,199	2,257,199
Additional Paid-in Capital	37,183,206	37,087,206
Retained Earnings	10,044,531	5,403,069
Total Stockholders' Equity	49,487,936	44,747,474
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$75,804,088	\$71,590,166

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

	THREE MONTHS ENDED	
	March 31	
	2007	2006
REVENUES		
Petrochemical Product Sales	\$22,354,856	\$23,586,369
Processing Fees	1,307,834	730,004
	23,662,690	24,316,373
OPERATING COSTS AND EXPENSES		
Cost of Petrochemical Product		
Sales and Processing	14,399,556	18,399,203
General and Administrative	2,127,385	1,371,855
Depreciation	249,683	197,114
	16,776,624	19,968,172
OPERATING INCOME	6,886,066	4,348,201
OTHER INCOME (EXPENSE)		

Interest Income	62,595	49,688
Interest Expense	(90,872)	(145,852)
Minority Interest	2,073	1,789
Miscellaneous Income (Expense)	(10,553)	25,524
	(36,757)	(68,851)
 INCOME BEFORE INCOME TAXES	 6,849,309	 4,279,350
INCOME TAXES	2,207,847	1,578,069
NET INCOME	\$4,641,462	\$2,701,281
 Basic Earnings per Common Share		
Net Income	\$0.203	\$0.119
Basic Weighted Average Number of Common Shares Outstanding	22,875,594	22,765,327
 Diluted Earnings per Common Share		
Net Income	\$0.200	\$0.118
Diluted Weighted Average Number of Common Shares Outstanding	23,192,286	22,916,106

SOURCE Arabian American Development Co.