

March 11, 2010



Arabian American Announces Fourth Quarter and Full Year 2009 Financial Results

Net Income for Fiscal 2009 Increased by Approximately \$17.3 Million or 161.8% to \$6.6 Million Year over Year

DALLAS , March 11 /PRNewswire-FirstCall/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the fourth quarter and full year periods ended December 31, 2009.

Financial Highlights

- Sales volume of petrochemical products for the fourth quarter of 2009 increased approximately 36.2% compared to the same period in 2008.
- Sales volume of petrochemical products for the year ended December 31, 2009 increased approximately 18.6% compared to the same period in 2008.
- Net income attributable to Arabian American Development Company for the year ended December 31, 2009 increased to \$6.6 million or \$0.28 per basic and diluted share, compared to a net loss of \$(10.7) million, or \$ (0.46) per basic and diluted share for the prior-year period, as restated, a swing to the positive of \$17.3 million.
- Gross profit for the three months ended December 31, 2009, and comparable period in 2008 was \$2.2 million and a loss of \$(7.2) million, respectively.
- Gross profit for the full year ended December 31, 2009 and comparable period in 2008 was \$21.9 million and a loss of \$(4.6) million, respectively.
- The Company is restating its financial statements and other financial information for the year and fourth quarter ended December 31, 2008 to record its equity loss in Al Masane Al Kobra (AMAK) and reflect its 50% equity in the net loss of AMAK incurred by AMAK when it expensed these organization costs in accordance with ASC Topic 720.

Operational Highlights

- Added a Business Development Manager for its petrochemical unit, South Hampton Resources, Inc., to find, evaluate and implement new processes, or business combinations which will help the Company continue its momentum toward growth.
- Updated the calculation of ore reserves for the Company's Investment in Al Masane Al Kobra (AMAK) mine joint venture in Saudi Arabia; accumulated net cash flow before taxes is expected to be \$189.9 million over a 12 year period, from 2010 - 2022, with the Company's percentage being 41% of this amount.
- International petrochemical product sales volume increased 70% over the prior full year period in 2008.

Subsequent to Fiscal Year End 2009

- Retained Summit Energy Services, Inc. to work with senior management of the South Hampton Resources, Inc. subsidiary in developing risk management strategies and feedstock and natural gas hedging solutions for ongoing operations.

Consolidated revenue for the quarter ended December 31, 2009 decreased 6.3% to \$31.0 million compared to revenue of \$33.0 million in the fourth quarter of 2008 and remained essentially flat compared to revenue of \$30.6 million in the third quarter of 2009.

Transloading generated no revenues in the fourth quarter of 2009 compared to revenues of \$4.3 million in the year-ago period. This is due to the expiration and non-renewal in April 2009 of the contract with a transloading customer. The non-renewal was primarily due to market conditions that had made the oil sands business less economical for the customer to operate in since the latter part of 2008. Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$30.0 million or 97%, of total revenue for the fourth quarter of 2009 and \$28.0 million, or 84% of total revenue, for the fourth quarter last year. The Company generated \$1.1 million in toll processing fees during the fourth quarter of 2009 compared with \$0.9 million for the prior year's fourth quarter. Toll processing customers are active and remain on long-term contracts.

During the fourth quarter of 2009, the cost of petrochemical sales and processing (including depreciation) decreased approximately \$11.5 million or 28.6% as compared to the same period in 2008. Consequently, total gross profit on revenue for the fourth quarter of 2009 increased approximately \$9.4 million or 130.7% as compared to the same period in 2008. The cost of petrochemical product sales and processing and gross profit for the three months ended December 31, 2009 was not materially impacted by any derivative transactions. The cost of petrochemical product sales and processing and gross profit for the three months ended December 31, 2008 includes an unrealized loss of approximately \$8.1 million and a realized loss of approximately \$3.8 million for a total loss effect of approximately \$11.9 million. Therefore, the increase in gross profit margin for the period was significantly impacted by the 2008 derivative situation. There was some pressure on margins during the fourth quarter of 2009 due to the erratic movement of feedstock prices during the quarter. Erratic raw material prices make it difficult for the petrochemical segment to set product prices and maintain margins.

General and Administrative costs for the fourth quarter of 2009 decreased approximately \$170,000, or 6.0%, to \$2.7 million from \$2.8 million compared to the same period in 2008 primarily due to a lower adjustment in the allowance for doubtful accounts.

The Company reported a net loss attributable to Arabian American Development Company in the fourth quarter of 2009 of \$(638,000) or \$(0.03) per basic and diluted share (based on 23.7 million weighted average number of shares outstanding). This compares to a net loss attributable to Arabian American Development Company of \$(8.4) million, or \$(0.36) per basic and diluted share for fourth quarter of 2008, as restated (based on 23.6 million

weighted average number of shares outstanding, respectively).

Nick Carter, President and Chief Executive Officer, commented, "Revenues decreased on a dollar basis in the fourth quarter from the prior-year period, primarily because we had no transloading business during the fourth quarter of 2009 compared to \$4.3 million in the year-ago period. On a dollar and volume basis, petrochemical and toll processing revenues were up in the fourth quarter and because of the negative derivative impact of 2008, we generated significantly higher margins from the year ago period. Sales volume strengthened in the second half of the year because of our continued emphasis on marketing the excess capacity which we had added in 2008. Our game plan has been to strengthen our marketing effort, both in North America and abroad, and our sales volumes are showing the results.

Our competitive advantages are achieved through our business mix, our focus on producing high quality products, customer service, and our product application experience."

Mr. Carter continued, "In March 2010, during a routine SEC review of our reporting practices, we concluded that the accounting for the equity in loss of the Al Masane Al Kobra mine should have been handled differently. AMAK is the Saudi Arabian joint venture in which at December 31, 2008, the Company owned a 50% equity interest. Through the third quarter of 2009, the Company used the equity method to account for its investment in AMAK. On three occasions during 2008, the Company, on behalf of AMAK, had issued stock totaling \$3.8 million in payment to two consultants who were helping to achieve the formation of AMAK.

The stock issuance was recorded as additional capital expenditures on the mining venture.

On December 30, 2008, when AMAK was officially approved by the Ministry of Commerce, and the mining assets of ARSD were officially transferred to AMAK, the Company did not record its equity loss of AMAK of approximately \$1.9 million arising from the charge off of start-up costs in accordance with ASC Topic 720. Accordingly, the Company is restating its financial statements and other financial information for the year and fourth quarter ended December 31, 2008 to reflect this restatement. The comparative financial statements offered here and in the 2009 10K reflect this restatement. For a complete review, we refer you to our Annual Report on Form 10K scheduled to be filed on Monday, March 15th with the Securities and Exchange Commission and available then at www.sec.gov."

Year-to-Date 2009 Financial Results

Consolidated revenue for the full year ended December 31, 2009 decreased 24.0% to \$117.6 million compared to revenue of \$154.6 million in the same period in 2008. Excluding transloading revenues of \$4.6 million and \$20.2 million generated in the years ended December 31, 2009, and December 31, 2008, respectively, revenues were \$113.0 million, a 16% decrease from \$134.4 million in the year-ago period. Sales decreased on a dollar basis but generated significantly higher margins due to the pricing strength, feedstock price declines and the derivative situation mentioned earlier. Petrochemical sales volume for the full year increased 7.8%. Petrochemical product sales volume excluding transloading increased 18.6% for the year. The Company generated \$3.8 million in toll processing fees during the year ended December 31, 2009, which is a decrease of 8.3% compared to \$4.1 million in the year-ago period.

Total gross profit on petrochemical product sales, transloading sales and processing during the full year 2009 increased approximately \$26.5 million as compared to the same period in 2008. The cost of petrochemical product sales and processing and gross profit for the year ended December 31, 2009, includes an estimated unrealized gain of approximately \$7.0

million, a realized loss of \$5.9 million for a net gain effect of approximately \$1.1 million. The cost of petrochemical product sales and processing and gross profit for the year ended December 31, 2008, includes an estimated unrealized loss of approximately \$6.8 million, a realized gain of \$1.7 million and the write off of the derivative premiums of \$14.1 million for a total loss effect of approximately \$19.2 million.

General and Administrative costs for the full year 2009 increased approximately \$110,000 to \$9.1 million from \$9.0 million in the same period in 2008 primarily due to higher administrative payroll costs for the addition of personnel, insurance premiums, directors' fees, legal fees and travel expense. Payroll costs also increased due to a 4% cost of living adjustment for employees.

For the full year 2009, net income attributable to Arabian American Development increased to \$6.6 million, or \$0.28 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 \$(10.7) million, or \$(0.46) per basic and diluted share (based on 23.4 million weighted average shares outstanding, respectively) for the year-ago period, as restated.

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 full year 2009 by \$399,000 to \$12.3 million due to increased credit terms being extended to foreign customers. The average collection period remains normal for the business. Inventory increased approximately \$2.6 million due to increased volume and prices. Derivative instrument deposits decreased \$3.95 million due to the return of previous margin call deposits.

The Company had \$18.2 million in working capital as of December 31, 2009 and ended the year with a current ratio of 3.3 to 1. Shareholders' equity increased 16.0 % at December 31, 2009 to \$52.2 million from \$45.0 million as of December 31, 2008, as restated.

Nick Carter, President and Chief Executive Officer, Arabian American Development Co., commented, "The mine development investment in Saudi Arabia, of which we own 41%, has continued to show good progress throughout 2009. The Joint Ore Reserves Committee (JORC) compliant ore reserve study on the mining project was completed by WGM (Watts, Griffis and McQuat) Ltd, Toronto and the updated estimate of accumulated net cash flow using December 2009 metal prices is calculated to be \$189.9 million (before tax) over a 12 year period. In addition, an environmental impact study for construction and operations was completed and the eight groundwater wells at the mine site were tested and found capable of producing 80 cubic meters per hour which is sufficient for the basic operation of the mine. The underground mining contract scope, the evaluation and review of the tailing-dam design and the technical review of the ore-treatment plant has also been completed. During the year, AMAK submitted four exploration license applications and a mining lease application at Qayan to the Saudi Arabian Ministry of Petroleum and Mineral Resources and has received favorable indications. On the financing side, arrangements with The Islamic Development Bank and the Saudi Industrial Development Fund are nearing completion. The major disappointment in 2009 was AMAK's inability to finalize a contract for the underground mining portion of the work, which results in delaying the scheduled start-up of the mining project approximately nine months from the third quarter of 2010 to mid-2011."

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 now a 41% 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 or early 2011 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.

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- Tables follow -

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

| | December 31, ----- | |
|----------------|-----------------------|------------|
| | 2009 | 2008 |
| | ---- | ---- |
| ASSETS | | (restated) |
| ----- | | |
| CURRENT ASSETS | | |

| | | |
|--|--------------|--------------|
| Cash and cash equivalents | \$2,451,614 | \$2,759,236 |
| Trade Receivables, net of allowance for doubtful accounts of \$126,500 and \$500,000, respectively | 12,302,955 | 11,904,026 |
| Current portion of notes receivable, net of discount of \$16,109 and \$53,628, respectively | 372,387 | 528,549 |
| Derivative instrument deposits | -- | 3,950,000 |
| Prepaid expenses and other assets | 739,989 | 799,342 |
| Inventories | 5,065,169 | 2,446,200 |
| Deferred income taxes | 640,057 | 8,785,043 |
| Taxes receivable | 4,726,708 | 429,626 |
| | ----- | ----- |
| Total current assets | 26,298,879 | 31,602,022 |
| PLANT, PIPELINE, AND EQUIPMENT - AT COST | 50,082,441 | 47,184,865 |
| LESS ACCUMULATED DEPRECIATION | (17,674,938) | (14,649,791) |
| | ----- | ----- |
| PLANT, PIPELINE, AND EQUIPMENT, NET | 32,407,503 | 32,535,074 |
| INVESTMENT IN AMAK | 31,146,157 | 31,146,157 |
| MINERAL PROPERTIES IN THE UNITED STATES | 588,311 | 588,311 |
| NOTES RECEIVABLE, net of discount of \$684 and \$16,793, respectively, net of current portion | 35,001 | 407,388 |
| OTHER ASSETS | 10,938 | 10,938 |
| | ----- | ----- |
| TOTAL ASSETS | \$90,486,789 | \$96,289,890 |
| | ===== | ===== |

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - Continued

| | | |
|---|-----------------------|-------------|
| | December 31, ----- | |
| | 2009 | 2008 |
| | ---- | ---- |
| | | (restated) |
| LIABILITIES | | |
| ----- | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$3,617,043 | \$6,069,851 |
| Accrued interest | 148,538 | 147,461 |
| Current portion of derivative instruments | 436,203 | 7,287,208 |
| Accrued liabilities | 1,336,219 | 1,029,690 |
| Accrued liabilities in Saudi Arabia | 471,280 | 1,429,156 |
| Notes payable | 12,000 | 12,000 |
| Current portion of post retirement benefit | 31,500 | -- |
| Current portion of long-term debt | 1,400,000 | 4,920,442 |
| Current portion of other liabilities | 579,500 | 544,340 |
| | ----- | ----- |
| Total current liabilities | 8,032,283 | 21,440,148 |
| LONG-TERM DEBT, net of current portion | 23,439,488 | 23,557,294 |

| | | |
|---|--------------|--------------|
| POST RETIREMENT BENEFIT, net of current portion | 815,378 | 823,500 |
| DERIVATIVE INSTRUMENTS, net of current portion | 838,489 | 1,386,103 |
| OTHER LIABILITIES, net of current portion | 562,011 | 446,035 |
| DEFERRED INCOME TAXES | 4,332,911 | 3,356,968 |
| | ----- | ----- |
| Total liabilities | 38,020,560 | 51,010,048 |
| COMMITMENTS AND CONTINGENCIES (Note 14) | | |
| ----- | | |
| 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 | 41,604,168 | 41,325,207 |
| Accumulated Other Comprehensive Loss | (841,297) | (1,120,072) |
| Retained Earnings | 9,070,736 | 2,443,285 |
| | ----- | ----- |
| Total Arabian American Development Company Stockholders' Equity | 52,177,006 | 44,990,619 |
| Noncontrolling interest | 289,223 | 289,223 |
| | ----- | ----- |
| Total equity | 52,466,229 | 45,279,842 |
| | ----- | ----- |
| TOTAL LIABILITIES AND EQUITY | \$90,486,789 | \$96,289,890 |
| | ===== | ===== |

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

| | THREE MONTHS ENDED | | 12 MONTHS ENDED | |
|-----------------------|--------------------|--------------|-----------------|---------------|
| | 31-Dec | | 31-Dec | |
| | ----- | | ----- | |
| | 2009 | 2008 | 2009 | 2008 |
| | ---- | ---- | ---- | ---- |
| | restated | | restated | |
| REVENUES | | | | |
| Petrochemical Product | | | | |
| Sales | \$29,897,604 | \$27,820,166 | \$109,178,541 | \$130,264,329 |
| Transloading Sales | - | 4,303,213 | 4,624,68 | 120,238,841 |
| Processing Fees | 1,058,656 | 919,662 | 3,783,457 | 4,127,064 |
| | ----- | ----- | ----- | ----- |
| | 30,956,260 | 33,043,041 | 117,586,679 | 154,630,234 |
| OPERATING COSTS AND | | | | |
| EXPENSES | | | | |
| Cost of Petrochemical | | | | |
| Product | | | | |
| Sales and Processing | 28,740,179 | 40,253,566 | 95,688,819 | 159,226,896 |
| | ----- | ----- | ----- | ----- |
| GROSS PROFIT (LOSS) | 2,216,081 | (7,210,526) | 21,897,860 | (4,596,662) |

| | | | | |
|--|--------------|----------------|--------------|-----------------|
| GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| General and Administrative | 2,563,067 | 2,755,596 | 9,144,710 | 9,034,366 |
| Depreciation | 114,799 | 94,112 | 443,538 | 331,703 |
| | ----- | ----- | ----- | ----- |
| | 2,677,866 | 2,849,708 | 9,588,248 | 9,366,069 |
| | ----- | ----- | ----- | ----- |
| OPERATING INCOME (LOSS) | (461,785) | (10,060,233) | 12,309,612 | (13,962,731) |
| OTHER INCOME (EXPENSE) | | | | |
| Interest Income | 9,693 | 39,904 | 63,669 | 204,635 |
| Interest Expense | (356,673) | (405,579) | (1,327,530) | (605,254) |
| Equity in Loss from AMAK | | (1,856,250) | | (1,856,250) |
| Miscellaneous Income (expense) | (71,332) | (37,944) | (74,332) | 4,165 |
| | ----- | ----- | ----- | ----- |
| | (418,312) | (2,259,869) | (1,338,193) | (2,252,704) |
| | ----- | ----- | ----- | ----- |
| INCOME (LOSS) BEFORE INCOME TAXES | (880,097) | (12,320,102) | 10,971,419 | (16,215,435) |
| INCOME TAXES | (242,575) | (3,444,616) | 4,343,968 | (4,978,846) |
| | ----- | ----- | ----- | ----- |
| NET INCOME (LOSS) | (637,522) | (8,875,486) | 6,627,451 | (11,236,589) |
| NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST | | | | |
| | - | 487,381 | - | 505,424 |
| | --- | ----- | --- | ----- |
| NET INCOME (LOSS) ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT CO. | | | | |
| | \$ (637,522) | \$ (8,388,105) | \$ 6,627,451 | \$ (10,731,165) |
| | ===== | ===== | ===== | ===== |
| Basic Earnings (Loss) per Common Share | | | | |
| Net Income (Loss) | (\$0.03) | (\$0.36) | \$0.28 | (\$0.46) |
| Basic Weighted Average Number of Common Shares Outstanding | | | | |
| | 23,736,745 | 23,575,256 | 23,733,955 | 23,409,458 |
| | ===== | ===== | ===== | ===== |
| Diluted Earnings (Loss) per Common Share | | | | |
| Net Income | (\$0.03) | (\$0.36) | \$0.28 | (\$0.46) |
| Diluted Weighted Average Number of Common Shares Outstanding | | | | |
| | 23,736,745 | 23,575,256 | 23,800,499 | 23,409,458 |
| | ===== | ===== | ===== | ===== |

SOURCE Arabian American Development Co.