**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-Q

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2012**
or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to __________

**COMMISSION FILE NUMBER 1-33926**

**ARABIAN AMERICAN DEVELOPMENT COMPANY**
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **DELAWARE**<br>(State or other jurisdiction of organization) | **75-1256622**<br>(I.R.S. employer incorporation or identification no.) |
| **1600 Hwy 6 South, Suite 240**<br>**Sugar Land, Texas**<br>(Address of principal executive offices) | **77478**<br>(Zip code) |

Registrant's telephone number, including area code: **(409) 385-8300**

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
**Yes_X__No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
**Yes_X__No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

**Large accelerated filer ____** **Accelerated filer __X__**

**Non-accelerated filer _____** **Smaller reporting company ____**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
**Yes_ No_X_**

Number of shares of the Registrant's Common Stock (par value $0.10 per share), outstanding at November 6, 2012: 24,105,313.

## TABLE OF CONTENTS

**Item Number and Description**

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS

| | SEPTEMBER 30, 2012 (unaudited) | DECEMBER 31, 2011 |
|---|---|---|
| **ASSETS** | *(thousands of dollars)* | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 3,008 | $ 6,674 |
| Derivative instruments | -- | 393 |
| Trade receivables, net | 21,764 | 23,198 |
| Advance to AMAK | 1,662 | 120 |
| Inventories | 10,325 | 9,456 |
| Prepaid derivative settlement | 500 | -- |
| Prepaid expenses and other assets | 1,762 | 561 |
| Current portion of contractual based intangible assets, net | 250 | 251 |
| Deferred income taxes | 1,257 | 1,169 |
| Total current assets | 40,528 | 41,822 |
| **Plant, pipeline and equipment**, net | 38,881 | 36,952 |
| **Investment in AMAK** | 30,884 | 30,884 |
| **Mineral properties in the United States** | 588 | 588 |
| **Contractual based intangible asset, net** | 167 | 355 |
| **Other assets** | 11 | 11 |
| **TOTAL ASSETS** | $ 111,059 | $ 110,612 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 6,256 | $ 5,857 |
| Accrued interest | 99 | 116 |
| Current portion of derivative instruments | 760 | 345 |
| Accrued liabilities | 1,514 | 2,956 |
| Accrued liabilities in Saudi Arabia | 140 | 140 |
| Current portion of post-retirement benefit | 266 | 258 |
| Current portion of long-term debt | 1,500 | 1,500 |
| Current portion of other liabilities | 852 | 937 |
| Total current liabilities | 11,387 | 12,109 |
| **Long-term debt**, net of current portion | 14,689 | 22,739 |
| **Post-retirement benefit,** net of current portion | 649 | 649 |
| **Derivative instruments,** net of current portion | 662 | 789 |
| **Other liabilities,** net of current portion | 659 | 1,071 |
| **Deferred income taxes** | 6,719 | 7,016 |
| **Total liabilities** | 34,765 | 44,373 |
| **EQUITY** | | |
| **Common stock**-authorized 40 million shares of $.10 par value; issued and outstanding 23.8 million and 23.7 million shares in 2012 and 2011, respectively (Note 6) | 2,380 | 2,373 |
| **Additional paid-in capital** | 44,569 | 44,138 |
| **Accumulated other comprehensive loss** | (645) | (748) |
| **Retained earnings** | 29,701 | 20,187 |
| Total Arabian American Development Company Stockholders' Equity | 76,005 | 65,950 |
| Noncontrolling Interest | 289 | 289 |
| **Total equity** | 76,294 | 66,239 |
| **TOTAL LIABILITIES AND EQUITY** | $ 111,059 | $ 110,612 |

See notes to consolidated financial statements.

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

| | THREE MONTHS ENDED SEPTEMBER 30, 2012 | THREE MONTHS ENDED SEPTEMBER 30, 2011 | NINE MONTHS ENDED SEPTEMBER 30, 2012 | NINE MONTHS ENDED SEPTEMBER 30, 2011 |
|---|---|---|---|---|
| | *(thousands of dollars)* | | | |
| **REVENUES** | | | | |
| Petrochemical Product Sales | $ 53,181 | $ 60,078 | $ 169,681 | $ 134,437 |
| Processing Fees | 1,097 | 1,467 | 3,240 | 3,602 |
| | 54,278 | 61,545 | 172,921 | 138,039 |
| **OPERATING COSTS AND EXPENSES** | | | | |
| Cost of Sales and Processing (including depreciation of $762, $677, $2,236, and $2,049, respectively) | 45,511 | 52,329 | 149,069 | 122,283 |
| **GROSS PROFIT** | 8,767 | 9,216 | 23,852 | 15,756 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | | |
| General and Administrative | 3,122 | 3,039 | 8,755 | 8,135 |
| Depreciation | 126 | 124 | 375 | 356 |
| | 3,248 | 3,163 | 9,130 | 8,491 |
| **OPERATING INCOME** | 5,519 | 6,053 | 14,722 | 7,265 |
| **OTHER INCOME (EXPENSE)** | | | | |
| Interest Income | 2 | -- | 2 | 4 |
| Interest Expense | (120) | (191) | (435) | (514) |
| Losses on Cash Flow Hedge Reclassified from OCI | (90) | (103) | (275) | (316) |
| Miscellaneous Income (Expense) | (15) | (10) | (92) | 15 |
| | (223) | (304) | (800) | (811) |
| **INCOME BEFORE INCOME TAXES** | 5,296 | 5,749 | 13,922 | 6,454 |
| **INCOME TAXES** | 1,764 | 1,812 | 4,408 | 2,101 |
| **NET INCOME** | 3,532 | 3,937 | 9,514 | 4,353 |
| **NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST** | -- | -- | -- | -- |
| **NET INCOME ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT COMPANY** | $ 3,532 | $ 3,937 | $ 9,514 | $ 4,353 |
| **Basic Earnings per Common Share** | | | | |
| Net Income Attributable to Arabian American Development Company (dollars) | $ 0.15 | $ 0.16 | $ 0.40 | $ 0.18 |
| Basic Weighted Average Number of Common Shares Outstanding | 24,091 | 23,990 | 24,073 | 23,990 |
| **Diluted Earnings per Common Share** | | | | |
| Net Income Attributable to Arabian American Development Company (dollars) | $ 0.14 | $ 0.16 | $ 0.38 | $ 0.18 |
| Diluted Weighted Average Number of Common Shares Outstanding | 24,753 | 24,542 | 24,759 | 24,612 |

See notes to consolidated financial statements.

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

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | *(thousands of dollars)* | | | |
| **NET INCOME** | $ 3,532 | $ 3,937 | $ 9,514 | $ 4,353 |
| **OTHER COMPREHENSIVE GAIN (LOSS), NET OF TAX** | | | | |
| Unrealized holding gains arising during period | 119 | 55 | 378 | 307 |
| Less: reclassification adjustment included in net income | 90 | (103) | 275 | 316 |
| **OTHER COMPREHENSIVE GAIN (LOSS), NET OF TAX** | 29 | (48) | 103 | (9) |
| **COMPREHENSIVE INCOME** | $ 3,561 | $ 3,889 | $ 9,617 | $ 4,344 |

See notes to consolidated financial statements.

**ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)**

| | ARABIAN AMERICAN DEVELOPMENT STOCKHOLDERS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | COMMON STOCK | | ADDITIONAL PAID-IN | ACCUMULATED OTHER COMPREHENSIVE | RETAINED | | NON-CONTROLLING | TOTAL |
| | SHARES | AMOUNT | CAPITAL | LOSS | EARNINGS | TOTAL | INTEREST | EQUITY |
| | *(thousands)* | | | *(thousands of dollars)* | | | | |
| **DECEMBER 31, 2011** | 23,731 | $ 2,373 | $ 44,138 | $ (748) | $ 20,187 | $ 65,950 | $ 289 | $ 66,239 |
| Stock options | | | | | | | | |
| Issued to Directors | - | - | (151) | - | - | (151) | - | (151) |
| Issued to Employees | - | - | 371 | - | - | 371 | - | 371 |
| Stock | | | | | | | | |
| Issued to Employees | 21 | 2 | 119 | - | - | 121 | - | 121 |
| Issued to Directors | 53 | 5 | 92 | - | - | 97 | - | 97 |
| Unrealized Gain on Interest Rate Swap (net of income tax expense of $53) | - | - | - | 103 | - | 103 | - | 103 |
| Net Income | - | - | - | - | 9,514 | 9,514 | - | 9,514 |
| **SEPTEMBER 30, 2012** | 23,805 | $ 2,380 | $ 44,569 | $ (645) | $ 29,701 | $ 76,005 | $ 289 | $ 76,294 |

See notes to consolidated financial statements.

**ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| | NINE MONTHS ENDED SEPTEMBER 30, 2012 | 2011 |
|---|---|---|
| | *(thousands of dollars)* | |
| **OPERATING ACTIVITIES** | | |
| Net Income | $ 9,514 | $ 4,353 |
| Adjustments to Reconcile Net Income Attributable to Arabian American Development Company To Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation | 2,611 | 2,405 |
| Amortization of Contractual Based Intangible Asset | 188 | 188 |
| Accretion of Notes Receivable Discounts | (2) | (1) |
| Unrealized Loss on Derivative Instruments | 731 | 388 |
| Stock-based Compensation | 293 | 645 |
| Deferred Income Taxes | (331) | (77) |
| Postretirement Obligation | 8 | 9 |
| Changes in Operating Assets and Liabilities: | | |
| (Increase) Decrease in Trade Receivables | 1,434 | (11,365) |
| (Increase ) Decrease in Notes Receivable | (66) | 35 |
| Decrease in Income Tax Receivable | -- | 216 |
| Increase in Inventories | (868) | (2,081) |
| Increase in Prepaid Derivative Settlement | (500) | -- |
| (Increase) Decrease in Prepaid Expenses | (1,135) | 99 |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | (1,045) | 4,124 |
| Increase (Decrease) in Accrued Interest | (16) | 8 |
| Decrease in Accrued Liabilities in Saudi Arabia | -- | (76) |
| Increase in Other Liabilities | 353 | 500 |
| **Net Cash Provided by (Used in) Operating Activities** | 11,169 | (630) |
| **INVESTING ACTIVITIES** | | |
| Additions to Plant, Pipeline and Equipment | (5,389) | (3,690) |
| Repayment of Advance to AMAK | -- | 750 |
| Advance to AMAK | (1,542) | (800) |
| **Net Cash Used in Investing Activities** | (6,931) | (3,740) |
| **FINANCING ACTIVITIES** | | |
| Issuance of Common Stock | 146 | 16 |
| Additions to Long-Term Debt | 2,000 | 3,000 |
| Repayment of Long-Term Debt | (10,050) | (1,459) |
| **Net Cash Provided by (Used in) Financing Activities** | (7,904) | 1,557 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (3,666) | (2,813) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 6,674 | 7,610 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | $ 3,008 | $ 4,797 |
| Supplemental disclosure of cash flow information: | | |
| Cash payments for interest | $ 816 | $ 811 |
| Cash payments for taxes, net of refunds | $ 6,150 | $ 215 |
| Supplemental disclosure of non-cash items: | | |
| Capital expansion amortized to depreciation expense | $ 850 | $ 157 |
| Unrealized gain (loss) on interest rate swap, net of tax expense | $ 103 | $ (9) |

See notes to consolidated financial statements.

**ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's 2011 Annual Report on Form 10-K. In the opinion of the management of Arabian American Development Company (the "Company"), these statements include all adjustments, which are of a normal recurring nature, necessary to present a fair statement of the Company's financial position at September 30, 2012, and the results of operations and cash flows for the three and nine months ended September 30, 2012, and 2011. Unless the context requires otherwise, references to "we," "us," "our," and the "Company" are intended to mean consolidated Arabian American Development Company and its subsidiaries.

Operating results for the three and nine months ended September 30, 2012, are not necessarily indicative of results for the year ending December 31, 2012.

We operate in one segment and all revenue originates from United States' sources and all long-lived assets owned are located in the United States.

The Company also owns a 37% interest in Al Masane Al Kobra Mining Company ("AMAK"), a Saudi Arabian closed joint stock company which owns and is developing mining assets in Saudi Arabia. The Company accounts for its investment under the cost method of accounting. Under the cost method, earnings will be recognized only to the extent of distributions received.

## 2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011 the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This amendment provides additional guidance expanding the disclosures for Fair Value Measurements, particularly Level 3 inputs. For fair value measurements categorized in Level 3 of the fair value hierarchy, required disclosures include: (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) a description of the valuation processes in place, and (3) a narrative description of the sensitivity of the fair value changes in unobservable inputs and interrelationships between those inputs. The amendments are effective during interim and annual periods beginning after December 15, 2011. The update had no impact on the Company's consolidated financial statements.

In June 2011 FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The objective of this Update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For the three and nine months ended September 30, 2012, and 2011, the Company has chosen the two-statement approach to comply with the update.

In September 2011 the FASB issued ASU No. 2011-08, Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment. ASU 2011-08 is intended to simplify how entities test goodwill for impairment and permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350, Intangibles-Goodwill and Other. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The update had no impact on the Company's consolidated financial statements.

In December 2011 the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, which requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments. The update requires new disclosures about balance sheet offsetting and related arrangements. For derivatives and financial assets and liabilities, the amendments require disclosure of gross asset and liability amounts, amounts offset on the balance sheet, and amounts subject to the offsetting requirements but not offset on the balance sheet. The guidance is effective beginning on or after January 1, 2013, and interim periods within those annual periods and is to be applied retrospectively. This guidance does not amend the existing guidance on when it is appropriate to offset; as a result, we do not expect this guidance to affect our financial condition, results of operations or cash flows.

In December 2011 FASB issued ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. The objective of this Update is to defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this Update supersede certain pending paragraphs in Update 2011-05. The amendments are being made to allow the FASB time to re-deliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. All other requirements in Update 2011-05 are not affected by this Update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. For public entities, the requirements are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not expect this guidance to affect our financial condition, results of operations or cash flows because any report reclassifications out of accumulated other comprehensive income will be reported consistent with the presentation requirements in effect before Update 2011-05.

In July 2012 the FASB issued ASU No. 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. This is amended guidance that simplifies how entities test indefinite-lived intangible assets other than goodwill for impairment. After an assessment of certain qualitative factors, if it is determined to be more likely than not that an indefinite-lived asset is impaired; entities must perform the quantitative impairment test. Otherwise, the quantitative test is optional. The amended guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the company's financial results.

**3. TRADE RECEIVABLES**

Trade receivables, net, at September 30, 2012, and December 31, 2011, consisted of the following:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| | *(thousands of dollars)* | |
| Trade receivables | $ 21,974 | $ 23,408 |
| Less allowance for doubtful accounts | (210) | (210) |
| Trade receivables, net | $ 21,764 | $ 23,198 |

Trade receivables serving as collateral for the Company's line of credit with a domestic bank were $15.9 million and $16.8 million at September 30, 2012, and December 31, 2011, respectively (see Note 7).

**4. INVENTORIES**

Inventories include the following:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| | *(thousands of dollars)* | |
| Raw material | $ 4,144 | $ 3,400 |
| Petrochemical products | 6,181 | 6,056 |
| Total inventory | $ 10,325 | $ 9,456 |

Inventories are recorded at the lower of cost, determined on the last-in, first-out method (LIFO), or market. At September 30, 2012, and December 31, 2011, current cost exceeded LIFO value by approximately $1.8 million and $2.3 million, respectively.

Inventories serving as collateral for the Company's line of credit with a domestic bank were $5.1 million and $4.8 million at September 30, 2012, and December 31, 2011, respectively (see Note 7).

Inventory included products in transit valued at approximately $2.9 million and $2.0 million at September 30, 2012, and December 31, 2011, respectively.

**5. PLANT, PIPELINE AND EQUIPMENT**

Plant, pipeline and equipment at September 30, 2012, and December 31, 2011, consisted of the following:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| | *(thousands of dollars)* | |
| Platinum catalyst | $ 1,497 | $ 1,497 |
| Land | 1,575 | 1,422 |
| Plant, pipeline and equipment | 60,106 | 57,215 |
| Construction in progress | 2,746 | 490 |
| Total plant, pipeline and equipment | 65,924 | 60,624 |
| Less accumulated depreciation and amortization | (27,043) | (23,672) |
| Plant, pipeline and equipment, net | $ 38,881 | $ 36,952 |

Plant, pipeline, and equipment serve as collateral for a $14.0 million term loan with a domestic bank (see Note 7).

Construction in progress during the first nine months of 2012 included installation of tankage, reworking an existing tower, and upgrading and expanding pipelines.

Amortization relating to the platinum catalyst which is included in cost of sales was $3,184, $3,280, $9,552 and $9,842 for the three and nine months ended September 30, 2012, and 2011, respectively.

**6. NET INCOME PER COMMON SHARE ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT CO.**

The following table (in thousands, except per share amounts) sets forth the computation of basic and diluted net income per share attributable to Arabian American Development Co. for the three and nine months ended September 30, 2012, and 2011, respectively.

| | Three Months Ended September 30, 2012 | | | Three Months Ended September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount |
| **Basic Net Income per Share:** | | | | | | |
| Net Income Attributable to Arabian American Development Co. | $ 3,532 | 24,091 | $ 0.15 | $ 3,937 | 23,990 | $ 0.16 |
| Dilutive stock options outstanding | | 662 | | | 552 | |
| **Diluted Net Income per Share:** | | | | | | |
| Net Income Attributable to Arabian American Development Co. | $ 3,532 | 24,753 | $ 0.14 | $ 3,937 | 24,542 | $ 0.16 |

| | Nine Months Ended September 30, 2012 | | | Nine Months Ended September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount |
| **Basic Net Income per Share:** | | | | | | |
| Net Income Attributable to Arabian American Development Co. | $ 9,514 | 24,073 | $ 0.40 | $ 4,353 | 23,990 | $ 0.18 |
| Dilutive stock options outstanding | | 686 | | | 622 | |
| **Diluted Net Income per Share:** | | | | | | |
| Net Income Attributable to Arabian American Development Co. | $ 9,514 | 24,759 | $ 0.38 | $ 4,353 | 24,612 | $ 0.18 |

At September 30, 2012, and 2011, 1,073,180 and 155,667 potential common stock shares, respectively were issuable upon the exercise of options.

The earnings per share calculations for the periods ended September 30, 2012, and 2011, include 300,000 shares of the Company that are held in the treasury of TOCCO.

## 7. LIABILITIES AND LONG-TERM DEBT

In September 2007 we entered into a $10.0 million term loan agreement with a domestic bank to finance the expansion of the petrochemical facility. An amendment was entered into in November 2008 which increased the term loan to $14.0 million due to the increased cost of the expansion. This note is collateralized by plant, pipeline and equipment. The agreement expires October 31, 2018. At September 30, 2012, there was a short-term amount of $1,400,000 and a long-term amount of $7,100,000 outstanding. At December 31, 2011, there was a short-term amount of $1,400,000 and a long-term amount of $8,150,000 outstanding. The interest rate on the loan varies according to several options. At September 30, 2012, and December 31, 2011, the rate was 2.5% and 2.75%, respectively. However, as discussed in Note 9, effective August 2008, the Company entered into a pay-fixed, receive-variable interest rate swap with the lending bank which has the effect of converting the interest rate on $10.0 million of the loan to a fixed rate. Principal payments of $350,000 are paid quarterly with interest paid monthly.

In May 2006 we entered into a $12.0 million revolving loan agreement with a domestic bank secured by accounts receivable and inventory. The loan was originally due to expire on October 31, 2008, but was amended to extend the termination date to June 30, 2015, and ultimately increase the availability of the line to $18.0 million based upon the Company's accounts receivable and inventory. At September 30, 2012, and December 31, 2011, there was a long-term amount outstanding of $7,489,488 and $14,489,488, respectively. The credit agreement contains a sub-limit of $3.0 million available to be used in support of the hedging program. The interest rate on the loan varies according to several options. At September 30, 2012, and December 31, 2011, the rate was 2.5% and 2.75%, respectively. The borrowing base is determined by a formula in the loan agreement. If the amount outstanding exceeds the borrowing base, a principal payment is due to reduce the amount outstanding to the calculated borrowing base. Interest is paid monthly. Loan covenants that must be maintained quarterly include EBITDA, capital expenditures, dividends payable to parent, and leverage ratio. Interest on the loan is paid monthly and a commitment fee of 0.25% is due quarterly on the unused portion of the loan. At September 30, 2012, approximately $10.5 million was available to be drawn, and the Company was in compliance with all covenants.

On November 30, 2010, as part of the consideration paid for the acquisition of STTC, a note payable was issued to Nicholas Carter, previous owner of STTC, for $300,000. Principal of $100,000 plus accrued interest at 4.0% per annum is payable annually on November 30th of each year. At September 30, 2012, and December 31, 2011, there was a short-term amount of $100,000 and a long-term amount of $100,000 outstanding.

We currently have a supplier who is the sole provider of South Hampton's feedstock, although other sources are available. The account is on open status. In 2007 South Hampton and the supplier entered into an agreement, which expires 7 years from the date of initial operation, for construction of a tank and pipeline connection for the handling of feedstock. In the event of default, South Hampton is obligated to reimburse the supplier for the unamortized portion of the cost of the tank. The tank was placed in service in July 2007. Therefore, at September 30, 2012, 5.25 years of the 7 year agreement have elapsed.

## 8. FAIR VALUE MEASUREMENTS

The following items are measured at fair value on a recurring basis subject to disclosure requirements of ASC Topic 820 at September 30, 2012, and December 31, 2011:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | September 30, 2012 | Level 1 | Level 2 | Level 3 |
| | | (thousands of dollars) | | |
| Liabilities: | | | | |
| Financial swaps on feedstock | $ 444 | $ 444 | - | - |
| Interest rate swap | 978 | - | $ 978 | - |

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | December 31, 2011 | Level 1 | Level 2 | Level 3 |
| | | (thousands of dollars) | | |
| Assets: | | | | |
| Financial swaps on feedstock | $ 393 | $ 393 | - | - |
| Liabilities: | | | | |
| Interest Rate Swap | 1,134 | - | $ 1,134 | - |

The carrying value of cash and cash equivalents, accounts receivable, advance to AMAK, accounts payable, accrued interest, accrued liabilities, accrued liabilities in Saudi Arabia and other liabilities approximate the fair value due to the immediate or short-term maturity of these financial instruments. The fair value of variable rate long term debt and notes payable reflect recent market transactions and approximate carrying value.

*Commodity Financial Instruments*

We periodically enter into financial instruments to hedge the cost of natural gasoline (the primary feedstock) and natural gas (used as fuel to operate the plant). South Hampton uses financial swaps on feedstock and options on natural gas to reduce the effect of significant raw material price increases on operating results.

We assess the fair value of the financial swaps on feedstock using quoted prices in active markets for identical assets or liabilities (Level 1 of fair value hierarchy). At September 30, 2012, and December 31, 2011, no natural gas options were outstanding.

*Interest Rate Swap*

In March 2008 we entered into an interest rate swap agreement with Bank of America related to the $10.0 million term loan secured by plant, pipeline and equipment. The interest rate swap was designed to minimize the effect of changes in the LIBOR rate. We have designated the interest rate swap as a cash flow hedge under ASC Topic 815, Derivatives and Hedging.

South Hampton assesses the fair value of the interest rate swap using a present value model that includes quoted LIBOR rates and the nonperformance risk of the Company and Bank of America based on the Credit Default Swap Market (Level 2 of fair value hierarchy).

The Company has consistently applied valuation techniques in all periods presented and believes it has obtained the most accurate information available for the types of derivative contracts it holds. See discussion of our derivative instruments in Note 9.

## 9. DERIVATIVE INSTRUMENTS

*Commodity Financial Contracts*

Hydrocarbon based manufacturers, such as the Company, are significantly impacted by changes in feedstock and natural gas prices. Not considering derivative transactions, feedstock and natural gas used for the nine months ended September 30, 2012, and 2011, represented approximately 82.1% and 82.5% of our operating expenses, respectively.

The Company endeavors to acquire feedstock and natural gas at the lowest possible cost. The primary feedstock (natural gasoline) is traded over the counter and not on organized futures exchanges. Financially settled instruments (fixed price swaps) are the principal vehicle used to give some predictability to feed prices. The Company does not purchase or hold any derivative financial instruments for trading or speculative purposes and is limited by its risk management policy to hedging a maximum of 40% of monthly feedstock requirements.

The financial contracts currently in place are not designated as hedges. As of September 30, 2012, South Hampton had committed to financial contracts with settlement dates through December 2012.

The following tables detail (in thousands) the impact the agreements had on the financial statements:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Unrealized gain (loss) | $ 1,446 | $ (307) | $ (837) | $ (388) |
| Realized gain (loss) | (1,446) | (86) | (942) | 279 |
| Net loss | $ -- | $ (393) | $ (1,779) | $ (109) |

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Fair value of financial contracts – asset (liability) | $ (444) | $ 393 |

The realized and unrealized gains/(losses) are recorded in Cost of Sales and Processing for the periods ended September 30, 2012, and 2011. As a percentage of Cost of Sales and Processing, realized and unrealized gains/(losses) accounted for 0% and 0.1% for the three months and 1.2% and 0% for the nine months ended September 30, 2012, and 2011, respectively. Due to the natural gasoline price decline during the second quarter, we purchased positions to fix our losses on our outstanding positions going forward; therefore, there will be no further effect on earnings unless additional positions are purchased.

With the drop in natural gasoline prices during the second quarter of 2012, margin calls were made on our outstanding financial contracts in the amount of $1.5 million. As of September 30, 2012, $1.0 million had been refunded leaving a balance of $0.5 million. These payments are reflected in prepaid derivative settlements at September 30, 2012.

*Interest Rate Swap*

On March 21, 2008, we entered into a pay-fixed, receive-variable interest rate swap agreement with Bank of America related to $10.0 million of our $14 million term loan secured by plant, pipeline and equipment. The effective date of the interest rate swap agreement is August 15, 2008, and terminates on December 15, 2017. The notional amount of the interest rate swap was $6,000,000 at September 30, 2012. South Hampton receives credit for payments of variable interest made on the term loan's variable rates, which are based upon the London InterBank Offered Rate (LIBOR), and pays Bank of America an interest rate of 5.83% less the credit on the interest rate swap. We have designated the transaction as a cash flow hedge. Beginning on August 15, 2008, the derivative instrument was reported at fair value with any changes in fair value reported within the Company's Statement of Comprehensive Income. The Company entered into the interest rate swap to minimize the effect of changes in the LIBOR rate. The following tables detail (in thousands) the impact the agreement had on the financial statements:

| | September 30, | |
|---|---|---|
| | 2012 | 2011 |
| Other Comprehensive Loss | | |
| Cumulative loss | $ (978) | $ (1,130) |
| Deferred tax benefit | 333 | 384 |
| Net cumulative loss | $ (645) | $ (746) |
| | | |
| Interest expense reclassified from other comprehensive loss | $ 275 | $ 316 |

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Fair value of interest rate swap - liability | $ 978 | $ 1,134 |

The cumulative loss from the changes in the swap contract's fair value that is included in other comprehensive loss will be reclassified into income when interest is paid. The net amount of pre-tax loss in other comprehensive income (loss) as of September 30, 2012, predicted to be reclassified into earnings within the next 12 months is approximately $316,000. See further discussion of the fair value of the derivative instruments in Note 8.

## 10. STOCK-BASED COMPENSATION

A summary of the status of the Company's stock option awards is presented below:

| | Number of Stock Options | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Life |
|---|---|---|---|
| Outstanding at January 1, 2012 | 1,347,750 | $ 3.66 | |
| Granted | -- | -- | |
| Exercised | (74,570) | 3.05 | |
| Expired | (200,000) | 3.40 | |
| Cancelled | -- | -- | |
| Forfeited | -- | -- | |
| Outstanding at September 30, 2012 | 1,073,180 | $ 3.75 | 7.6 |
| Exercisable at September 30, 2012 | 299,928 | $ 3.26 | 6.8 |

The fair value of the options granted below was calculated using the Black Scholes option valuation model with the assumptions as disclosed in prior quarterly and annual filings.

Directors' compensation of approximately $68,000 and $62,000 during the three months and $194,000 and $128,000 during the nine months ended September 30, 2012, and 2011, respectively, were recognized related to options to purchase shares vesting through 2016.

Employee compensation of approximately $119,000 and $145,000 during the three months and $371,000 and $444,000 during the nine months ended September 30, 2012, and 2011, respectively, was recognized related to options with a 4 year vesting period which were awarded to officers and key employees. These options vest through 2014.

Post-retirement compensation of approximately $24,000 was recognized during the three months and $73,000 was recognized during the nine months ended September 30, 2012, and 2011, related to options awarded to Mr. Hatem El Khalidi in July 2009. On May 9, 2010, the Board of Directors determined that Mr. El Khalidi forfeited these options and other retirement benefits when he made various demands against the Company and other AMAK Saudi shareholders which would benefit him personally and were not in the best interests of the Company and its shareholders. The Company is litigating its right to withdraw the options and benefits and as such, these options and benefits continue to be shown as outstanding. See further discussion in Note 15.

Post-retirement compensation of approximately $413,000 was reversed during the second quarter of 2012 due to the performance condition associated with 200,000 shares in options awarded Mr. El Khalidi not being met as required by the terms of the award by June 30, 2012.

See the Company's Annual Report on Form 10-K for the year ended December 31, 2011, for additional information.

## 11. INCOME TAXES

The Company files an income tax return in the U.S. federal jurisdiction and Texas. Tax returns for the years 2008 through 2011 remain open for examination in various tax jurisdictions in which we operate. In late 2010 the Internal Revenue Service opened an examination of the Company's 2009 tax return which was subsequently closed without change. As of September 30, 2012, and December 31, 2011, we recognized no material adjustments in connection with uncertain tax positions. The income tax rate differs from the statutory rates primarily due to Texas revised franchise tax, the domestic manufacturers' deduction, and various permanent items.

## 12. POST-RETIREMENT OBLIGATIONS

In January 2008 an amended retirement agreement, replacing the February 2007 agreement, was entered into with Mr. El Khalidi. The amended agreement provides $6,000 per month in benefits to Mr. El Khalidi upon his retirement for the remainder of his life. Additionally, upon his death $4,000 per month will be paid to his surviving spouse for the remainder of her life. A health insurance benefit will also be provided. An additional $382,000 was accrued in January 2008 for the increase in benefits. A liability of approximately $883,000 based upon an annuity single premium value contract plus accrued interest was outstanding at September 30, 2012, and was included in post-retirement benefits. As of September 30, 2012, no payments have been made pursuant to this agreement.

In June 2009 the Company's Board of Directors awarded Mr. El Khalidi a retirement bonus in the amount of $31,500 for 42 years of service. While there is no written policy regarding retirement bonus compensation, the Company has historically awarded all employees (regardless of job position) a retirement bonus equal to $750 for each year of service. Since Mr. El Khalidi was employed by the Company for 42 years, the Board of Directors voted to award him a $31,500 retirement bonus, consistent with that provided to all other retired employees. This amount remained outstanding at September 30, 2012, and was included in post-retirement benefits.

On May 9, 2010, the Board of Directors terminated the retirement agreement, options, retirement bonus, and any outstanding directors' fees due Mr. El Khalidi; however, due to the pending litigation discussed in Note 15, all amounts which have not met termination dates remain recorded until a resolution is achieved.

**13. INVESTMENT IN AL MASANE AL KOBRA MINING COMPANY ("AMAK")**

As of September 30, 2012, and December 31, 2011, the Company had a non-controlling equity interest of approximately $30.9 million. This investment is accounted for under the cost method. There were no events or changes in circumstances that may have an adverse effect on the fair value of our investment in AMAK at September 30, 2012. See the Company's Annual Report on Form 10-K for the year ended December 31, 2011, for additional information.

In May 2012 we advanced approximately $1.5 million to AMAK for interim funding on a short term basis. The amount remained outstanding at September 30, 2012.

In May 2011 we paid $50,000 on behalf of AMAK as a hiring fee for the general manager of AMAK. In June 2011 we advanced $750,000 to AMAK for interim funding. The $750,000 was returned in August 2011.

**14. RELATED PARTY TRANSACTIONS**

Legal fees of approximately $65,000 and $44,000 were incurred during the three months and $173,000 and $187,000 during the nine months ended September 30, 2012, and 2011, respectively, to the law firm of Germer Gertz, LLP of which Charles W. Goehringer, Jr. is a minority partner. Mr. Goehringer acts as corporate counsel for the Company.

Ghazi Sultan, a Company director, was paid $35,000 and $35,000 during the three months and $104,000 and $76,000 during the nine months ended September 30, 2012, and 2011, respectively for serving as the Company's Saudi branch representative.

**15. COMMITMENTS AND CONTINGENCIES**

***Guarantees*** **–**

South Hampton, in 1977, guaranteed a $160,000 note payable of a limited partnership in which it has a 19% interest. Included in Accrued Liabilities at September 30, 2012, and 2011, is $66,570 related to this guaranty.

On October 24, 2010, the Company executed a limited Guarantee in favor of the Saudi Industrial Development Fund ("SIDF") whereby the Company agreed to guaranty up to 41% of the SIDF loan to AMAK in the principal amount of 330,000,000 Saudi Riyals (US$88,000,000) (the "Loan"). The term of the loan is through June 2019. As a condition of the Loan, SIDF required all shareholders of AMAK to execute personal or corporate Guarantees; as a result, the Company's guarantee is for approximately 135,300,000 Saudi Riyals (US$36,080,000). The loan was necessary to continue construction of the AMAK facilities and provide working capital needs. The Company received no consideration in connection with extending the guarantee and did so to maintain and enhance the value of its investment.

***Litigation*** **-**

On May 9, 2010, after numerous attempts to resolve certain issues with Mr. Hatem El Khalidi, the Board of Directors terminated the retirement agreement, options, retirement bonuses, and all outstanding directors' fees due to Mr. El Khalidi, former CEO, President and Director of the Company. In June 2010 Mr. El Khalidi filed suit against the Company in the labor courts of Saudi Arabia alleging additional compensation owed to him for holidays and overtime. In September 2010

Mr. El Khalidi threatened suit against the Company in the U.S. alleging breach of contract under the above agreements and other claims. In late 2010 the Company filed suit against Mr. El Khalidi in the United States District Court in the Eastern District of Texas, Beaumont Division, seeking a declaratory judgment that all monies allegedly owed to Mr. El Khalidi are terminated (the “Federal Court Case”). On March 21, 2011, Mr. El-Khalidi filed suit against the Company in the 14th Judicial District Court of Dallas County, Texas for breach of contract and defamation (the “State Court Case”). On July 1, 2011, the Company and Mr. El-Khalidi entered into an agreement to dismiss the Federal Court Case and transfer venue for the State Court Case from Dallas County, Texas to Hardin County, Texas. Pursuant to this agreement, the Federal Court Case was dismissed on July 13, 2011, and the State Court Case was transferred to Hardin County, Texas on July 15, 2011. There has been minimal activity in this matter since its transfer to Hardin County, Texas. The Company believes that the claims are unsubstantiated and intends to vigorously defend the cases. Liabilities of approximately $1.3 million remain recorded, and the options will continue to accrue in accordance with their own terms until the lawsuits are resolved.

The Company and its subsidiaries are involved in various claims and lawsuits incidental to their business.

On September 14, 2010, South Hampton received notice of a lawsuit filed in the 58th Judicial District Court of Jefferson County, Texas which was subsequently transferred to the 11th Judicial District Court of Harris County, Texas. The suit alleges that the plaintiff became ill from exposure to asbestos. There are approximately 44 defendants named in the suit. South Hampton has placed its insurers on notice of the claim and plans to vigorously defend the case.

On April 14, 2011, and April 27, 2011, South Hampton received notice of 3 lawsuits filed in Jefferson County, Texas. The suits allege that the plaintiffs became ill from benzene exposure during their employment with Goodyear Tire and Rubber Company, an alleged customer of South Hampton. There are numerous defendants named in the suits. South Hampton has placed its insurers on notice of the claims and plans to vigorously defend the cases.

On May 3, 2012 South Hampton received notice of a lawsuit filed in Jefferson County, Texas. The suit alleges that a worker at the B.F. Goodrich facility in Orange, Texas, an alleged customer of South Hampton, became ill and subsequently died from benzene exposure. There are numerous defendants named in this lawsuit. On September 6, 2012, plaintiffs dismissed South Hampton without prejudice to re-filing again in return for South Hampton’s agreement to enter into an agreement tolling any applicable statutes of limitation for 2 years from September 6, 2012, or conclusion of the remainder of the case, whichever is earlier. As South Hampton never sold products of any kind to the B.F. Goodrich facility in Orange, Texas, this matter can be considered closed.

No accruals have been recorded for these last five claims.

***Environmental Remediation*** -

In 2008 the Company learned of a claim by the U.S. Bureau of Land Management (“BLM”) against World Hydrocarbons, Inc. for contamination of real property owned by the BLM north of and immediately adjacent to the processing mill situated on property owned by Pioche. The BLM’s claim alleged that mine tailings from the processing mill containing lead and arsenic migrated onto BLM property during the first half of the twentieth century. World Hydrocarbons, Inc. responded to the BLM by stating that it does not own the mill and that PEVM is the owner and responsible party. Pioche subsequently commenced dialogue with the BLM in late 2008 to determine how best to remedy the situation. Communication with the BLM is continuing. Pioche has retained an environmental consultant to assist with the resolution of this matter and has accrued $350,000 for environmental remediation based on their estimates. There has been no change since December 31, 2011.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### FORWARD LOOKING AND CAUTIONARY STATEMENTS

Except for the historical information and discussion contained herein, statements contained in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including the following: a downturn in the economic environment; the Company’s failure to meet growth and productivity objectives; fluctuations in revenues and purchases; impact of local legal, economic, political and health conditions; adverse effects from environmental matters, tax matters and the Company’s pension plans; ineffective internal controls; the Company’s use of accounting estimates; competitive conditions; the Company’s ability to attract and retain key personnel and its reliance on critical skills; impact of relationships with critical suppliers; currency fluctuations; impact of changes in market liquidity conditions and customer credit risk on receivables; the Company’s ability to successfully manage acquisitions and alliances; general economic conditions domestically and internationally; insufficient cash flows from operating activities; difficulties in obtaining financing; outstanding debt and other financial and legal obligations; industry cycles; specialty petrochemical product and mineral prices; feedstock availability; technological developments; regulatory changes; foreign government instability; foreign legal and political concepts; and foreign currency fluctuations, as well as other risks detailed in the Company's filings with the U.S. Securities and Exchange Commission, including this release, all of which are difficult to predict and many of which are beyond the Company's control.

### Overview

The following discussion and analysis of the Company’s financial results, as well as the accompanying unaudited consolidated financial statements and related notes to consolidated financial statements to which they refer, are the responsibility of the management of the Company. The Company’s accounting and financial reporting fairly reflect its business model involving the manufacturing and marketing of petrochemical products. The Company’s business model involves the manufacture and sale of tangible products. Our consistent approach to providing high purity products and quality services to our customers has helped to sustain our current position as a preferred supplier of various petrochemical products.

We believe we are well-positioned to participate in new investments to grow the Company. While petrochemical prices are volatile on a short-term basis and depend on the demand of our customers’ products, our investment decisions are based on our long-term business outlook using a disciplined approach in selecting and pursuing the most attractive investment opportunities.

#### Review of Third Quarter and Year-to-Date 2012 Results

We reported third quarter 2012 earnings of $3.5 million down $0.4 million from the third quarter of 2011. Basic earnings per share of $0.15 were reported for 2012, down $0.01 from 2011. Sales volume of our petrochemical products decreased slightly by 2.3% from the third quarter of 2011. Sales revenue from our petrochemical products also decreased by 11.5% as compared to the third quarter of 2011.

We reported year-to-date 2012 earnings of approximately $9.5 million up $5.2 million from the first nine months of 2011. Basic earnings per share of $0.40 were reported for 2012, up $0.22 from 2011. Sales volume of our petrochemical products increased by 32.9% from the first nine months of 2011 while sales revenue from petrochemical products increased 26.2%.

#### Liquidity and Capital Resources

#### Working Capital

Our approximate working capital days are summarized as follows:

| | September 30, 2012 | December 31, 2011 | September 30, 2011 |
|---|---|---|---|
| Days sales outstanding in accounts receivable | 34.5 | 42.4 | 44.7 |
| Days sales outstanding in inventory | 16.4 | 17.3 | 15.8 |
| Days sales outstanding in accounts payable | 9.9 | 10.7 | 8.7 |
| Days of working capital | 40.9 | 49.0 | 51.8 |

**Sources and Uses of Cash**

Cash and cash equivalents decreased $3.7 million during the nine months ended September 30, 2012, as compared to a decrease of $2.8 million for the nine months ended September 30, 2011.

The change in cash and cash equivalents is summarized as follows:

| | 2012 | 2011 |
|---|---|---|
| Net cash provided by (used in) | *(thousands of dollars)* | |
| Operating activities | $ 11,169 | $ (630) |
| Investing activities | (6,931) | (3,740) |
| Financing activities | (7,904) | 1,557 |
| Decrease in cash and equivalents | $ (3,666) | $ (2,813) |
| Cash and cash equivalents | $ 3,008 | $ 4,797 |

**Operating Activities**

Cash provided by operating activities totaled $11.2 million for the first nine months of 2012, $11.8 million higher than 2011. As discussed in Note 9 to the consolidated financial statements, feedstock and natural gas used for the nine months ended September 30, 2012, represented approximately 82.1% of our operating expenses. In the first nine months of 2012 feedstock prices decreased approximately 7.3% from the first nine months of 2011. Prices rose in late January which continued through the end of March at which point they peaked and began a slow decline. In May and June prices dipped sharply. Feedstock prices dropped 15.3% from the end of the first quarter to the end of the third quarter of 2012.

The use of financial contracts helps provide some predictability for feedstock prices. Starting in late 2010, the Company adopted a strategy of moving its larger volume customers to formula based pricing to reduce the effect of feedstock cost volatility. With this pricing mechanism, product prices move in conjunction with feedstock prices without the necessity of announced price changes, although feedstock prices used in formula based pricing are typically based on the average cost during the prior month which may or may not reflect our actual feedstock cost for the month during which the product is actually sold. Implementation of this strategy has provided increased earnings predictability going forward; however, the Company continues to investigate alternative product pricing methods. Obvious downsides to formula based pricing occur when (i) feedstock costs decrease and the Company loses the ability to maintain product pricing and retain higher margins, or (ii) feedstock costs increase from one month to the next and the Company loses the ability to immediately pass through increased costs and retain higher margins.

Another factor which has the potential to put pressure on liquidity relates to the Company’s expanding export business and the resulting increase in payment terms from the typical 30 – 40 days for domestic purchasers to 60 – 90 days for foreign purchasers. The longer payment terms correlate directly to increased transportation times associated with shipping products overseas. We have obtained credit insurance on the majority of our foreign accounts which facilitates their inclusion in the borrowing base calculation under our credit facility. The insurance also removes the burden of credit investigations of foreign entities. Since all invoices and payments are transacted in U. S. dollars, there is no foreign currency exposure.

The primary factor leading to the increase in cash provided by operating activities in 2012 was the increase in the Company’s net income. For the first nine months of 2012 net income increased by approximately $5.2 million as compared to the corresponding period of 2011. Major non-cash items affecting income included a slight increase in depreciation of $0.2 million, an increase in the unrealized loss on financial contracts of approximately $0.3 million, a decrease in share based compensation of $0.4 million, and a decrease in deferred income taxes of approximately $0.3 million.

Other factors leading to an increase in cash provided by operating activities included:

- Trade receivables decreased approximately $1.4 million (due to a 9.4% decrease in price per gallon and a 2.3% decrease in volume sold during the third quarter) as compared to an increase of approximately $11.4 million (due to a 28.2% decrease in volume and a 31.0% increase in price per gallon in the third quarter) in 2011, and

- Other liabilities increased $0.4 million in 2012 (due to the receipt of funds from toll processing customers for modifications of toll processing facilities within the plant) as compared to an increase of $0.5 million in 2011 (due to the receipt of funds from a toll processing customer for construction of a pilot plant).

These sources of cash were partially offset by the following decreases in cash provided by operations:

- Inventory increased approximately $0.9 million (due to a 10.2% increase in volume partially offset by a 6.0% decrease in cost per gallon) as compared to an increase of approximately $2.1 million (due to a 10.9% increase in volume and a 22.8% increase in cost per gallon) in 2011;

- Prepaid derivative settlement increased $0.5 million due to margin calls on outstanding contracts in 2012 compared to no prepayments in 2011;

- Prepaid expenses and other assets increased $1.1 million (primarily due to an increase in prepaid insurance) as compared to a decrease of $0.1 million in 2011 (due to expensing of prepaid pipeline services, marketing and insurance); and

- Accounts payable and accrued liabilities decreased approximately $1.0 million (primarily due to decreases in accruals for income taxes, freight and fuel gas partially offset by an increase in the accrual for derivative settlements and raw material purchases) while in 2011 the same accounts increased by $4.1 million (primarily due to an increase in accruals for raw material purchases, freight, and construction in progress billings).

**Investing Activities**

Cash used by investing activities during the first nine months of 2012 was approximately $6.9 million, representing an increase of approximately $3.2 million over the corresponding period of 2011. In May 2012 we advanced $1.5 million to AMAK for interim, short-term funding that remains outstanding. In May and June 2011 we advanced $0.8 million for the same purpose which was subsequently repaid in August 2011. During the first nine months of 2012 we purchased transport trucks and trailers for $0.8 million, land surrounding the facility for $0.2 million, made various facility improvements for $0.8 million, converted a processing tower for $0.4 million, made purchases for expansion of the pipeline of $2.0 million and purchased various other equipment. During the first nine months of 2011 we purchased several additional tanks for increased storage capacity for $0.7 million, reworked an existing tank for $0.3 million, purchased 7.3 acres for $0.1 million, purchased several new vehicles for $0.2 million, purchased a warehouse and parking facility for $0.3 million, upgraded various plant equipment for $0.6 million, and made other miscellaneous equipment purchases.

**Financing Activities**

Cash used by financing activities during the first nine months of 2012 was approximately $7.9 million versus cash provided of $1.6 million during the corresponding period of 2011. During 2012 the Company drew $2.0 million on its line of credit for working capital purposes and made principal payments of $10.1 million on its line of credit and term debt. During 2011 the Company drew $3.0 million on its line of credit to assist with working capital needs and also made principal payments of approximately $1.5 million on its long-term debt.

**Anticipated Cash Needs**

We believe that the Company is capable of supporting its operating requirements and capital expenditures through internally generated funds supplemented with debt.

## Results of Operations

### Comparison of Three Months Ended September 30, 2012 and 2011

| | | 2012 | | 2011 | | Change | %Change |
|---|---|---|---|---|---|---|---|
| | | | (in thousands) | | | | |
| Petrochemical Product Sales | $ | 53,181 | $ | 60,078 | $ | (6,897) | (11.5%) |
| Processing | | 1,097 | | 1,467 | | (370) | (25.2%) |
| Gross Revenue | $ | 54,278 | $ | 61,545 | $ | (7,267) | (11.8%) |
| | | | | | | | |
| Volume of Sales (gallons) | | | | | | | |
| Petrochemical Products | | 16,072 | | 16,454 | | (382) | (2.3%) |
| | | | | | | | |
| Cost of Materials | $ | 45,511 | $ | 52,329 | $ | (6,818) | (13.0%) |
| Total Operating Expense** | | 9,985 | | 9,359 | | 626 | 6.7% |
| Natural Gas Expense** | | 974 | | 1,392 | | (418) | (30.0%) |
| Operating Labor Costs** | | 2,742 | | 2,339 | | 403 | 17.2% |
| Transportation Cost** | | 3,995 | | 3,724 | | 271 | 7.3% |
| General & Administrative Expense | | 3,122 | | 3,039 | | 83 | 2.7% |
| Depreciation* | | 889 | | 801 | | 88 | 10.9% |
| | | | | | | | |
| Capital Expenditures | $ | 2,120 | $ | 1,750 | $ | 370 | 21.1% |

*Includes $762 and $677 for 2012 and 2011, respectively, which is included in operating expense
** Included in cost of materials

**Gross Revenue**

Gross Revenue decreased during the third quarter of 2012 from 2011 by approximately 11.8% due to a decrease in volume of 2.3%, a decrease in the average selling price of 9.4%, and a 25.2% decrease in processing revenue. One of our tolling customers has been having raw material issues and therefore, has been unable to run at normal rates.

**Petrochemical Product Sales**

Petrochemical product sales decreased by 11.5% during the third quarter of 2012 from 2011 due to an decrease in volume of 2.3% and a decrease in the average selling price of 9.4%.

**Processing**

Processing revenues decreased by 25.2% during the third quarter of 2012 from 2011 for reasons noted above.

**Cost of Materials**

Cost of Materials decreased 13.0% during the third quarter of 2012 from 2011 due to slightly lower volumes processed and a decrease in the average cost per gallon of feedstock. Volume processed decreased 4.6% due to slightly lower demand, and average feedstock price per gallon also decreased 17.0% during 2012 from 2011. We use natural gasoline as feedstock which is the heavier liquid remaining after butane and propane are removed from liquids produced by natural gas wells. The material is a commodity product in the oil/petrochemical markets and generally is readily available. The price of natural gasoline normally correlates approximately 93% with the price of crude oil. We are investigating alternative feedstock sources which contain lower percentages of less desirable components in an effort to reduce the amount of byproduct sold into fuel markets at lower prices, thereby increasing overall profitability.

**Total Operating Expense**

Total Operating Expense for the Petrochemical Company increased 6.7% during the third quarter of 2012 from 2011. Natural gas, labor and transportation are the largest individual expenses in this category.

The cost of natural gas purchased decreased 30.0% during 2012 from 2011 due to a decrease in the average per unit cost. The average price per MMBTU for the third quarter of 2012 was $3.11 whereas, for 2011 the per-unit cost was $4.56. The decreased cost was partially offset by increased volume which increased to approximately 318,000 MMBTU from about 313,000 MMBTU.

Labor costs were higher by approximately 17.2% because the Company added approximately 14 employees quarter over quarter. Increased manpower was required by significant production increases, significant product shipment increases, and the increased loading of iso-containers for foreign sales which require special handling. Some of the cost of additional personnel was born by our tolling customer, Gevo, per the toll processing arrangement which became operational in the fourth quarter of 2011. Additionally, a number of temporary personnel were hired to allow the maintenance department to accomplish budgeted maintenance and capital projects in a timely manner.

Transportation costs were higher by 7.3% due to an increase in rail freight. These costs are recovered through the Company's selling price. Higher transportation costs accounted for 43.3% of the increase in operating expense.

**General and Administrative Expense**

General and Administrative costs for the third quarter of 2012 from 2011 increased slightly by 2.7% due primarily to increases in insurance premiums (health, worker's compensation, and liability premiums increased) offset by a decrease in officer compensation (lower profit sharing distributions).

**Depreciation**

Depreciation increased 10.9% during the third quarter of 2012 from 2011 due to an increase in the amount of depreciable assets as listed in Capital Expenditures immediately below.

**Capital Expenditures**

Capital Expenditures increased 21.1% during the third quarter of 2012 from 2011 primarily due to improvements in the petrochemical facility including the conversion of a processing tower, improvements to existing tankage and other equipment, and purchases for the pipeline expansion.

**Comparison of Nine Months Ended September 30, 2012 and 2011**

| | 2012 | 2011 | Change | %Change |
|---|---|---|---|---|
| | | *(in thousands)* | | |
| Petrochemical Product Sales | $ 169,681 | $ 134,437 | $ 35,244 | 26.2% |
| Processing | 3,240 | 3,602 | (362) | (10.0%) |
| Gross Revenue | $ 172,921 | $ 138,039 | $ 34,882 | 25.3% |
| | | | | |
| Volume of sales (thousand gallons) | | | | |
| Petrochemical products | 49,492 | 37,350 | 12,142 | 32.5% |
| | | | | |
| Cost of Materials | $ 149,069 | $ 122,283 | $ 26,786 | 21.9% |
| Total Operating Expense** | 29,155 | 25,213 | 3,942 | 15.6% |
| Natural Gas Expense** | 2,769 | 3,854 | (1,085) | (28.2%) |
| Operating Labor Costs** | 7,801 | 6,369 | 1,432 | 22.5% |
| Transportation Costs** | 11,651 | 9,125 | 2,526 | 27.7% |
| General & Administrative Expense | 8,755 | 8,135 | 620 | 7.6% |
| Depreciation* | 2,611 | 2,405 | 206 | 8.6% |
| | | | | |
| Capital Expenditures | $ 5,389 | $ 3,690 | $ 1,699 | 46.0% |

*Includes $2,236 and $2,049 for 2012 and 2011, respectively, which is included in operating expense

** Included in cost of materials

**Gross Revenue**

Gross Revenue increased 25.3% during the first nine months of 2012 from 2011 primarily due to an increase in total sales volume of 32.5%.

**Petrochemical Product Sales**

Petrochemical product sales increased 26.2% during the first nine months of 2012 from the first nine months of 2011 due to an increase in total sales volume of 32.5% as noted above offset by a decrease in the average selling price of approximately 4.7%. Since approximately 50% of our product sales are based upon formulas derived from market prices of raw materials and those prices declined, our average selling price declined.

**Processing**

Processing revenues decreased during the first nine months of 2012 from 2011 by 10.0% due to one of our tolling customers experiencing raw material issues which impacted their run rates.

**Cost of Materials**

Cost of Materials increased 21.9% during the first nine months of 2012 from 2011 due to an increase in volume processed of 26.9% due to higher demand and hedging losses offset by LIFO allowance adjustments. Realized/unrealized hedging losses of $1.8 million were partially offset by a reduction in the LIFO allowance of $0.4 million for a net increase in Cost of Materials of $1.4 million. Average feedstock price per gallon decreased 7.3% during 2012 from 2011.

**Total Operating Expense**

Total Operating Expense increased 15.6% during the first nine months of 2012 from 2011. Natural gas, labor and transportation are the largest individual expenses in this category. The cost of natural gas purchased decreased 28.2% during 2012 from 2011 due to lower per-unit costs offset slight by 1.4 % higher volumes. The average price per MMBTU for 2012 was $2.83; whereas, for 2011 it was $4.50. Volume purchased increased to approximately 974,000 MMBTU from about 865,000 MMBTU but was offset by the decrease in price.

Labor costs were higher by approximately 22.5% because the Company added approximately 14 employees. Increased manpower was required by significant production increases, significant product shipment increases, and the increased loading of iso-containers for foreign sales which require special handling. Some of the cost of additional personnel was born by Gevo per the toll processing arrangement which became operational in the fourth quarter of 2011. Additionally, a number of temporary personnel were hired to allow the maintenance department to accomplish budgeted maintenance and capital projects in a timely manner.

Transportation costs were higher by 27.7% due to the increase in sales volume. These costs are recovered through the Company's selling price. Higher transportation costs accounted for 64.1% of the increase in operating expense.

**General and Administrative Expense**

General and Administrative costs increased 7.6% during the first nine months of 2012 from 2011 due to increases in management and administrative compensation (additional personnel and sign-on bonus for executive vice president), travel expense (petrochemical sales trips and corporate travel to Saudi), group health insurance (premium increase), Saudi administrative expenses (employment of a project and branch manager) accounting fees (additional audit work due to the change to accelerated filing status and move to NYSE), and liability and property insurance (premium increases) offset by a decrease in post-retirement benefits (reversal of expired options).

**Depreciation**

Depreciation increased 8.6% during the first nine months of 2012 from 2011 due to an increase in the amount of depreciable assets.

**Capital Expenditures**

Capital Expenditures increased 46.0% during the first nine months of 2012 from 2011 primarily due to purchases of transport trucks and trailers, land surrounding the facility, various facility improvements, a processing tower conversion, and purchases for expansion of the pipeline.

**Contractual Obligations**

The table below summarizes the following contractual obligations (in thousands) of the Company:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Long-Term Debt Obligations | $ 16,189 | $ 1,500 | $ 10,389 | $ 2,800 | $ 1,500 |

**Guarantee of SIDF Loan to AMAK**

As discussed in Note 15 to the consolidated financial statements, as a condition of the Loan from the SIDF in the principal amount of 330,000,000 SR (US$88,000,000) to AMAK, we were required to execute a Guarantee of up to 41% of the Loan. The decision to provide a limited corporate guarantee in favor of AMAK was difficult as we considered numerous facts and circumstances. One of the factors considered was that without the US$88,000,000 from the SIDF, construction activity on the project would likely have ceased. Another factor considered was that prior to making a firm commitment regarding funding, the SIDF performed its own exhaustive due diligence of the project and obviously reached the conclusion that the project is viable and capable of servicing the debt. Yet another factor considered was our ability to reach agreement with various AMAK Saudi shareholders whereby they agreed to use best efforts to have their personal guarantees stand ahead of and pay required payments to SIDF before our corporate guarantee. Finally, we researched numerous loans made by the SIDF to others and were unable to find a single instance where the SIDF actually called a guarantee or foreclosed on a project. Based on the above, we determined that it was in the best interest of the Company and its shareholders to provide the limited corporate guarantee to facilitate completion of the mining project in a timely manner. We also determined that the stand-in-front agreement in conjunction with the actual value of plant and equipment on the ground should act in concert to minimize any exposure arising from the corporate guarantee.

**Critical Accounting Policies and Estimates**

Our critical accounting policies are more fully described in Note 2 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2011. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period reported. By their nature, these estimates, assumptions and judgments are subject to an inherent degree of uncertainty. We base our estimates, assumptions and judgments on historical experience, market trends and other factors that are believed to be reasonable under the circumstances. Estimates, assumptions and judgments are reviewed on an ongoing basis and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies have been discussed with the Audit Committee of the Board of Directors. We believe there have been no material changes to our critical accounting policies and estimates compared to those discussed in our Annual Report on Form 10-K for the year ended December 31, 2011.

**Recent and New Accounting Standards**

See Note 2 to the Consolidated Financial Statements for a summary of recent accounting guidance.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

*Derivative Instrument Risk*

Refer to Note 9 on pages 10 through 11 of this Form 10-Q.

*Interest Rate Risk*

Refer to Note 9 on pages 10 through 11 of this Form 10-Q.

Except as noted above, there have been no material changes in the Company's exposure to market risk from the disclosure included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

**ITEM 4. CONTROLS AND PROCEDURES.**

**(a)** Evaluation of disclosure controls and procedures. Our chief executive officer and chief financial officer, with the participation of management, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934) and determined that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in internal control. There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

None other than the pending claims and lawsuits as discussed in Note 15 to the consolidated financial statements.

**ITEM 1A. RISK FACTORS.**

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

**ITEM 6. EXHIBITS.**

The following documents are filed or incorporated by reference as exhibits to this Report. Exhibits marked with an asterisk (*) are management contracts or a compensatory plan, contract or arrangement.

| Exhibit Number | Description |
|---|---|
| 3(a) | - Certificate of Incorporation of the Company as amended through the Certificate of Amendment filed with the Delaware Secretary of State on July 19, 2000 (incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 0-6247)) |
| 3(b) | - Restated Bylaws of the Company dated April 26, 2007 (incorporated by reference to Item 5.03 to the Company's Form 8-K dated April 26, 2007 (File No. 0-6247)) |
| 10(a)* | - Retirement Awards Program dated January 15, 2008 between Arabian American Development Company and Hatem El Khalidi (incorporated by reference to Exhibit 10(h) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (file No. 001-33926)) |
| 10(b)* | - Stock Option Plan of Arabian American Development Company for Key Employees adopted April 7, 2008 (incorporated by reference to Exhibit A to the Company's Form DEF 14A filed April 30, 2008 (file No. 001-33926)) |
| 10(c)* | - Arabian American Development Company Non-Employee Director Stock Option Plan adopted April 7, 2008 (incorporated by reference to Exhibit B to the Company's Form DEF 14A filed April 30, 2008 (file No. 001-33926)) |
| 10(d) | - Memorandum of Understanding relating to formation of AMAK, dated May 21, 2006 (incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (file No. 001-33926)) |

| Exhibit Number | Description |
|---|---|
| 10(e) | - Memorandum of Understanding relating to formation of AMAK, dated June 10, 2006 (incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (file No. 001-33926)) |
| 10(f) | - Articles of Association of Al Masane Al Kobra Mining Company, dated July 10, 2006 (incorporated by reference to Exhibit 10(m) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (file No. 001-33926)) |
| 10(g) | - Bylaws of Al Masane Al Kobra Mining Company (incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (file No. 001-33926)) |
| 10(h) | - Letter Agreement dated August 5, 2009, between Arabian American Development Company and the other Al Masane Al Kobra Company shareholders named therein (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 27, 2009 (file No. 001-33926)) |
| 10(i) | - Limited Guarantee dated October 24, 2010, between Arabian American Development Company and the Saudi Industrial Development Fund (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on October 27, 2010 (file No. 001-33926)) |
| 10(j) | - Agreement and Plan of Reorganization dated November 30, 2010, between Arabian American Development Company, South Hampton Transportation, Inc. and Silsbee Trading and Transportation Corp (incorporated by reference to Exhibit 2.01 to the Company's Form 8-K filed on December 2, 2010 (file No. 001-33926)) |
| 31.1 | - Certification of Chief Executive Officer pursuant to Rule 13A-14(A) of the Securities Exchange Act of 1934 |
| 31.2 | - Certification of Chief Financial Officer pursuant to Rule 13A-14(A) of the Securities Exchange Act of 1934 |
| 32.1 | - Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | - Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: November 8, 2012 ARABIAN AMERICAN DEVELOPMENT COMPANY
(Registrant)

By: /s/Connie Cook
Connie Cook
Chief Financial Officer

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a – 14(a)/15d-14(a)**

I, Nicholas Carter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arabian American Development Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2012 /s/ Nicholas Carter
Nicholas Carter
President and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a – 14(a)/15d-14(a)**

I, Connie Cook, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arabian American Development Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2012 /s/ Connie Cook
Connie Cook
Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18. U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Arabian American Development Company (the "Company") on Form 10-Q for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas Carter, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Nicholas Carter
Nicholas Carter
President and Chief Executive Officer

November 8, 2012

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO
18. U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Arabian American Development Company (the "Company") on Form 10-Q for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Connie Cook, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Connie Cook
Connie Cook
Chief Financial Officer

November 8, 2012