UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

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 0-6247

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

DELAWARE	75-1256622
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10830 NORTH CENTRAL EXPRESSWAY SUITE 175 DALLAS, TEXAS (Address of principal executive offices)	75231 (Zip Code)

Registrant's Telephone Number, Including Area Code: (214) 692-7872

Securities Registered Pursuant to Section 12(b) of the Act:
NONE

Securities Registered Pursuant to Section 12(g) of the Act:

(Title Of Class)
COMMON STOCK, PAR VALUE $0.10 PER SHARE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

Number of shares of registrant's Common Stock, par value $0.10 per share, outstanding as of December 31, 2003: 22,731,994.

The aggregate market value on June 30, 2003 of the registrant's voting securities held by non-affiliates was $1,906,191.

DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated by reference into this report.

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PART I

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PART I

ITEM 1. BUSINESS.

GENERAL

Arabian American Development Company (the "Company") was organized as a Delaware corporation in 1967. The Company's principal business activities include refining various specialty petrochemical products and developing mineral properties in Saudi Arabia and the United States. All of its mineral properties are presently undeveloped and require significant capital expenditures before beginning any commercial operations. The Company's undeveloped mineral interests are primarily located in Saudi Arabia.

United States Activities. The Company's domestic activities are primarily conducted through a wholly owned subsidiary, American Shield Refining Company (the "Refining Company"), which owns all of the capital stock of Texas Oil and Chemical Co. II, Inc. ("TOCCO"). TOCCO owns all of the capital stock of South Hampton Refining Company ("South Hampton"), and South Hampton owns all of the capital stock of Gulf State Pipe Line Company, Inc. ("Gulf State"). South Hampton owns and operates a specialty petrochemical products refinery near Silsbee, Texas that is one of the largest manufacturers of pentanes consumed domestically. Gulf State owns and operates three pipelines which connect the South Hampton refinery to a natural gas line, to South Hampton's truck and rail loading terminal and to a marine terminal owned by an unaffiliated third party. The Company also directly owns approximately 51% of the capital stock of a Nevada mining company, Pioche-Ely Valley Mines, Inc. ("Pioche"). Pioche does not conduct any substantial business activities. See Item 2. Properties.

Saudi Arabian Activities. The Company holds a thirty (30) year mining lease (which commenced on May 22, 1993) covering an approximate 44 square kilometer area in the Al Masane area in southwestern Saudi Arabia. The Company has the option to renew or extend the term of the lease for additional periods not to exceed twenty (20) years. The Company was granted exploration licenses for the other areas in southwestern Saudi Arabia which have expired.

In 1999, the Company applied for an exploration license covering an area of approximately 2,850 square kilometers surrounding the mining lease area, where it has previously explored with the written permission of the Saudi Ministry of Petroleum and Mineral Resources.

Mexico Activities. TOCCO owns approximately 93% of the issued and outstanding shares of common stock of Productos Quimicos Coin, S.A. de. C.V. ("Coin"), a specialty petrochemical products refining company. The refinery is located in Coatzacoalcos, on the Yucatan Peninsula near Veracruz, Mexico. An administrative office is located in Mexico City.

See Item 2. Properties for additional discussions regarding all of the Company's properties and financing of the Al Masane project.

Note 12 to the Company's Consolidated Financial Statements contains information regarding the Company's industry segments and geographic financial information for the years ended December 31, 2003, 2002 and 2001. In addition, see Item 7. Management's Discussion

and Analysis of Financial Condition and Results of Operations for a discussion of the Company's liquidity, capital resources and operating results.

INTERNATIONAL OPERATIONS

A substantial portion of the Company's mineral properties and related interests, and one of its specialty petrochemical refineries, are located in Saudi Arabia and Mexico, respectively. The Company's international operations involve additional risks not generally associated with domestic operations, any of which could have a material and adverse affect on the Company's business, financial condition or results of operations, including a heightened risk of the following:

Economic and Political Instability; Terrorist Acts; War and Other Political Unrest. The U.S. military action in Iraq, the terrorist attacks that took place in the United States on September 11, 2001, the potential for additional future terrorist acts and other recent events, have caused uncertainty in the world's financial markets and have significantly increased global political, economic and social instability, including in Saudi Arabia, a country in which the Company has substantial interests and operations. It is possible that further acts of terrorism may be directed against the United States domestically or abroad, and such acts of terrorism could be directed against the properties and personnel of companies such as the Company. The Company's operations in Saudi Arabia and elsewhere could be further adversely affected by post-war conditions in Iraq if armed hostilities, acts of terrorism or other unrest persist. Recent acts of terrorism and threats of armed conflicts elsewhere in the Middle East could also limit or disrupt the Company's operations.

War and other political unrest also may cause unforeseen delays in the development of the Company's mineral properties and related interests located in Saudi Arabia, and interruption in the operation of the Company's specialty petrochemical refinery located in Mexico, and may pose a direct security risk to such interests and operations.

Such economic and political uncertainties may materially and adversely affect the Company's business, financial condition or results of operations in ways that cannot be predicted at this time.

Termination of Mining Lease; Expropriation or Nationalization of Assets. The Company's mining lease for the Al Masane area in Saudi Arabia is subject to the risk of termination if the Company does not comply with its contractual obligations. See Item 2. Properties. Further, the Company's foreign assets are subject to the risk of expropriation or nationalization. If a dispute arises, the Company may have to submit to the jurisdiction of a foreign court or panel or may have to enforce the judgment of a foreign court or panel in that foreign jurisdiction.

Compliance with Foreign Laws. Because of the Company's substantial international operations, its business is affected by changes in foreign laws and regulations (or interpretation of existing laws and regulations) affecting both the mining and petrochemical industries, and foreign taxation. The Company will be directly affected by the adoption of rules and regulations (and the interpretations of such rules and regulations) regarding the refining of specialty petrochemical products and the exploration and development of mineral properties for economic, environmental and other policy reasons. The Company may be required to make significant capital expenditures to comply with non-U.S. governmental laws and regulations. It is also

possible that these laws and regulations may in the future add significantly to the Company's operating costs or may significantly limit its business activities. Additionally, the Company's ability to compete in the international market may be adversely affected by non-U.S. governmental regulations favoring or requiring the awarding of leases, concessions and other contracts or exploration licenses to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Other Difficulties and Risks Associated with International Operations. The Company also may experience difficulty in managing and staffing operations across international borders, particularly in remote locations. Additional risks associated with the Company's international operations, any of which could disrupt the Company's operations, include changing political conditions, foreign and domestic monetary policies, international economics, world metal price fluctuations, foreign currency fluctuations, foreign taxation, foreign exchange restrictions, trade protective measures and tariffs.

COMPETITION

The Company competes in both the petrochemical and mining industries. Accordingly, the Company is subject to intense competition among a large number of companies, both larger and smaller than the Company, many of which have financial and other resources (including facilities and personnel) greater than the Company. In the specialty products and solvents markets, the Refining Company has one principal and one other competitor. Generally, good economic

conditions have meant strong demand for its specialty products and solvents. The acquisition of Coin is intended to strengthen the Refining Company's position in the market in Mexico and allow it to pursue increased sales volumes in the United States. All of the Refining Company's raw materials are purchased on the open market. The cost of these materials is a function of spot market oil and gas prices, which tended down during 1998, began rising in mid-1999 and continued to rise dramatically throughout the year 2000. The prices peaked in late 2000 and returned to more traditional levels throughout 2001 and 2002. During the latter part of 2002 and early 2003, prices rose upon speculation the Iraqi freedom action would disrupt supplies. Prices remained at the historically higher prices throughout 2003, peaking again in January 2004 before falling back to more moderate levels.

ENVIRONMENTAL MATTERS

In 1993, while remediating a small spill area, the Texas Commission on Environmental Quality ("TCEQ"), formerly the Texas Natural Resources Conservation Commission ("TNRCC"), required South Hampton to drill a well to check for groundwater contamination under the spill area. Two pools of hydrocarbons were discovered to be floating on the groundwater at a depth of approximately 25 feet. One pool is under the site of a former gas processing plant owned and operated by Sinclair, Arco and others before its purchase by South Hampton in 1981. The other pool is under the South Hampton facility. Tests conducted at that time determined that hydrocarbons are contained on the property and are not moving in any direction. The recovery process was initiated in June 1998 and approximately $53,000 was spent setting up the system. The recovery is proceeding as planned and is expected to continue for several years until the pools are reduced to an acceptable level. Expenses of recovery and periodic migration testing will be recorded as normal operating expenses. Expenses for future year's recovery are expected to stabilize and be less per annum than the initial set up cost,

although there can be no assurance of this effect. Consulting engineers estimate that as much as 20,000 barrels of recoverable material may be available to South Hampton for use in its refining process, but no reduction has been made in the accrual for remediation costs due to the uncertainties relating to the recovery process. South Hampton drilled additional wells in 2001 and 2002 to further delineate the boundaries of the pools and to ensure that, with the additional rainfall experienced in 2001 and 2002, movement had not taken place. These tests confirmed that no movement of the hydrocarbon pools had taken place. As a result of the investigation, the current action plan was deemed acceptable. South Hampton investigated a potential chemical dump site on the refinery property relating to ownership by Arco in the 1950's. The investigation indicates no further action is required and the TCEQ was so notified. South Hampton continues to remediate the site of a pipeline leak and spill which occurred in 2001. The affected site contains less than one-eight acre of land and the cost is being covered by insurance. Also, see Item 3. Legal Proceedings.

The Clean Air Act Amendments of 1990 have had a positive effect on the Refining Company's business as plastics manufacturers are searching for ways to use more environmentally acceptable solvents in their processes. Plastics manufacturers have historically used C6 hydrocarbons (hexanes) as coolants and catalyst carrying agents. There is a current trend among plastics manufacturers toward the use of lighter and more recoverable C5 hydrocarbons (pentanes) which are a large part of the Refining Company's product line. Management believes its ability to manufacture high quality solvents in the C5 hydrocarbon market will provide a basis for growth over the next few years; however, there can be no assurance that such growth will occur. While the refinery continues to manufacture C6 solvents, its manufacturing of these solvents is being phased out. The Aromax(R) unit, which was jointly developed with Chevron Research Company, has the ability to convert C6 hydrocarbons into benzene and other more valuable aromatic compounds, which is one of the reasons the Refining Company initially participated in the Aromax(R) development project. Also, see Item 2. Properties.

PERSONNEL

The Company's officers who are resident in the United States are Mr. John A. Crichton, Chairman of the Board, and Mr. Drew Wilson, Jr., Secretary and Treasurer. Mr. Hatem El-Khalidi, the Company's President and Chief Executive Officer, supervises the Company's 28 employees in Saudi Arabia, consisting of the office personnel and field crews who conduct exploration and related activities. The Refining Company employs 94 persons.

AVAILABLE INFORMATION

The Company will provide paper copies of this Annual Report on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K and amendments to those reports, all as filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, free of charge upon written or oral request to Arabian American Development Company, 10830 North Central Expressway, Suite 175, Dallas, Texas 75231, (214) 692-7872. The Company does not maintain an Internet website.

ITEM 2. PROPERTIES.

UNITED STATES SPECIALTY PRODUCTS REFINERY

South Hampton owns and operates a specialty petrochemical products refinery near Silsbee, Texas. The refinery presently consists of eight operating

units which, while interconnected, make distinct products through differing processes: (i) a pentane-hexane unit; (ii) a catalytic reformer; (iii) an aromatics fractionation unit; (iv) a cyclopentane unit; (v) an Aromax(R) unit; (vi) an aromatics hydrogenation unit; and (vii) two specialty fractionation units. All of these units are currently in operation, except as noted below.

The pentane-hexane unit's design capacity is approximately 2,500 barrels per day ("BPD") of feedstock. The unit averaged 2,083 barrels per stream day during 2003. The unit consists of a series of fractionation towers and hydrotreaters capable of producing high purity solvents which are sold primarily to expandable polystyrene and high density polyethylene producers. South Hampton purchases most of its feedstock for this unit on the spot market.

The catalytic reforming unit is a standard industry design using a platinum-rhenium catalyst which produces an aromatics concentrate sold as feedstock for an aromatics extraction unit, as well as hydrogen which is utilized in other processes. The design capacity of the reformer is 800 BPD. The unit is operated as a source of hydrogen for the pentane-hexane unit and operates in tandem with the Aromax(R) unit as feedstock balances dictate. The unit's average production was 460 barrels per stream day in 2003.

The aromatics fractionation unit consists of two towers and has a design capacity of 750 BPD. The unit processes an aromatic feedstock stream into three specialized aromatic solvents used in various applications such as pesticides, paints and coatings and adhesives. The aromatics fractionation unit was shut down in September 2003 and is currently idle. It is being marketed to other potential toll processing customers but no plans have been identified for use of the equipment.

The cyclopentane unit consists of three specialized fractionation towers designed to produce a consistently high quality product which is used in the expandable polystyrene industry. The design capacity of the cyclopentane unit is 400 BPD. The unit operates according to the feedstock supplied by the pentane-hexane unit and averaged 271 barrels of production per stream day during 2003.

The Aromax(R) unit is the world's first commercial unit using a proprietary process of Chevron Research Company to produce a high benzene content product which is sold as feedstock to refiners operating benzene extraction units. The process converts petroleum naphtha into liquid hydrocarbons having a high aromatic hydrocarbon content. The Aromax(R) unit's design capacity is 400 BPD and uses a by-product from the pentane-hexane unit as feedstock. The unit's average production throughput during 2003 was 106 barrels per stream day. Chevron Research Company has agreed to continue development of the Aromax(R) process. The unit continues to successfully operate as designed.

The aromatics hydrogenation unit consists of a hydro-desulphurization reactor with an adjoining stripper tower and a new hydro-treater section with an adjoining stripper/fractionation tower. The unit, which has a design capacity of 300 BPD, was constructed to produce a specialty

product using a proprietary process and is under contract with a long-term toll processing customer for a ten year period.

The specialty fractionation unit consists of a single fractionation tower and has a design capacity of 500 BPD. This unit is currently idle. Several proposed projects are being evaluated which would make use of the existing equipment primarily to increase the capacity of existing operations.

The specialty solvents fractionation unit consists of three fractionation towers, two of which operate under vacuum. The design capacity of this unit is 1,000 BPD. This unit processes a specialized high purity feedstock into four high purity white oil solvents. This unit is leased to a customer for its own use pursuant to a contract providing for the payment of a minimum daily charge.

South Hampton owns approximately 100 storage tanks with a total capacity of approximately 320,000 barrels. The refinery owns 133 acres of land, approximately 78 acres of which are developed. South Hampton also owns a truck and railroad loading terminal consisting of eight storage tanks, a rail spur and truck and tank car loading facilities.

As a result of various expansion programs and the toll processing contracts, essentially all of the standing equipment at South Hampton is operational. South Hampton has surplus equipment in storage on site with which to assemble additional processing units, such as a hydrocracking unit with a 2,000 BPD capacity.

Gulf State owns and operates three 8 inch pipelines aggregating approximately 50 miles in length that connect South Hampton's refinery to a natural gas line, to South Hampton's truck and rail loading terminal and to a marine terminal owned by an unaffiliated third party. South Hampton leases storage facilities at the marine terminal.

MEXICO SPECIALTY PRODUCTS REFINERY

The Mexico specialty petrochemical products refinery is similar to South Hampton's refinery in Silsbee, Texas, and produces high purity solvents which are used in the expandable polystyrene and polystyrene foam industries. These solvents are additionally approved and used by developers of high-density polyethylene manufacturing processes for use in their licensed units. Coin markets its products in Mexico, Latin America and the United States. With this acquisition, the Company believes its refining operations are a significant

supplier of high purity solvents in those markets. Coin employs 23 persons. Coin's operations are dependent upon Pemex (Mexican government owned vendor) for its feedstock supply. In 2003, Coin secured a purchase contract with Pemex for feedstock.

The Mexico refinery was shut down much of 2000 and 2001 due to the high cost of feedstock and low margins. During the fourth quarter of 2001, the refinery began to operate at reduced rates and in the first quarter of 2002 was running at capacity. The refinery operated at about 50% capacity during much of 2002. The refinery shut down in early 2003 and remained idle until September 2003. The refinery was shut down again briefly in early 2004 but resumed operations in March 2004.

As discussed in Note 18 to the Company's Consolidated Financial Statements, subsequent to December 31, 2003 a creditor initiated a mortgage foreclosure proceeding against Coin that resulted in a court ordered award of Coin's plant facilities to the creditor. The legal transfer of ownership has yet to occur and management cannot predict when such transfer will occur.

SAUDI ARABIA MINING PROPERTIES

Al Masane Project

The Al Masane project, consisting of a mining lease area of approximately 44 square kilometers, contains extensive ancient mineral workings and smelters. From ancient inscriptions in the area, it is believed that mining activities went on sporadically from 1000 BC to 700 AD. The ancients are believed to have extracted mainly gold, silver and copper.

Initial Exploration Work and Prior Feasibility Studies. The Saudi Arabian government granted the Company exploration licenses for the Al Masane and Wadi Qatan areas in 1971. Subsequently, the Company conducted substantial geological and geophysical activities in these areas. Core drilling and studies by independent consulting firms concluded that Al Masane's copper, zinc, gold and silver prospects could be put in production sooner than the nickel prospect at Wadi Qatan. Metallurgical tests also showed difficulty in separating the nickel at Wadi Qatan. During 1977, a pre-feasibility mining study was conducted at Al Masane by the mining consulting firm of Watts, Griffis and McOuat Limited of Toronto, Canada ("WGM"). WGM recommended an extensive development program for the Al Masane prospect.

Phase I of WGM's recommended Al Masane development program was completed in April 1981. It involved construction of underground tunnels parallel to the ore bodies totaling 3.9 kilometers in length from which extensive underground core drilling was done in order to prove the quantity and quality of the ore reserves. This work was financed primarily with an $11 million interest-free loan from the Saudi Arabian Ministry of Finance. As a result of this work, WGM concluded that sufficient ore reserves had been established to justify completion of a fully bankable feasibility study to determine the economic potential of establishing a commercial mining and ore treatment operation at Al Masane. WGM and SNC/GECO of Montreal, Canada conducted this study in 1982. They concluded that the Al Masane deposits would support commercial production of copper, zinc, gold and silver and recommended implementation of Phase II of the Al Masane development program, which would involve the construction of mining, ore treatment and support facilities. WGM's September 1984 reevaluation of the project resulted in no substantial changes of their initial conclusions and recommendations.

The Company continued its exploration work at Al Masane after 1984. Consequently, WGM upwardly revised its reserve estimates in 1989 and again concluded that a proposed mining operation was economically viable as well as having high potential for the discovery of additional ore zones.

Current Feasibility Studies. The Saudi government granted the Company a mining lease for the Al Masane area on May 22, 1993. The Company subsequently commissioned WGM to prepare a new fully bankable feasibility study to be used to obtain financing for commercial development of the project. The study, which was completed in 1994, contained specific recommendations to insure that project construction was accomplished expeditiously and economically. The engineering design and costing portions of the study were performed by Davy International of Toronto, Canada ("Davy"). WGM and Davy updated this study in 1996. A summary of the studies' findings are as follows:

The Al Masane ore is located in three mineralized zones known as Saadah, Al Houra and Moyeath. The following table sets forth a summary of the diluted minable, proven and probable ore reserves at the Al Masane project, along with the estimated average grades of these reserves:

<TABLE>
<CAPTION>

ZONE	RESERVES (TONNES)	COPPER (%)	ZINC (%)	GOLD (G/T)	SILVER (G/T)
<S>	<C>	<C>	<C>	<C>	<C>
Saadah	3,872,400	1.67	4.73	1.00	28.36
Al Houra	2,465,230	1.22	4.95	1.46	50.06
Moyeath	874,370	0.88	8.92	1.29	64.85
Total	7,212,000	1.42	5.31	1.19	40.20

</TABLE>

For purposes of calculating proven and probable reserves, a dilution of 5% at zero grade on the Saadah zone and 15% at zero grade on the Al Houra and Moyeath zones was assumed. A mining recovery of 80% has been used for the Saadah zone and 88% for the Al Houra and Moyeath zones. Mining dilution is the amount of wallrack adjacent to the ore body that is included in the ore extraction process.

Proven reserves are those mineral deposits for which quantity is computed from dimensions revealed in outcrops, trenches, workings or drillholes, and grade is computed from results of detailed sampling. For ore deposits to be proven, the sites for inspection, sampling and measurement must be spaced so closely and the geologic character must be so well defined that the size, shape, depth and mineral content of reserves are well established. Probable reserves are those for which quantity and grade are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. However, the degree of assurance, although lower than that for proven reserves, must be high enough to assume continuity between points of observation.

The metallurgical studies conducted on the ore samples taken from the zones indicated that 87.7% of the copper and 82.6% of the zinc could be recovered in copper and zinc concentrates. Overall, gold and silver recovery from the ore was estimated to be 77.3% and 81.3%, respectively, partly into copper concentrate and partly as bullion through cyanide processing of zinc concentrates and mine tailings. Further studies recommended by consultants may improve those recoveries and thus the potential profitability of the project, however, there can be no assurances of this effect.

The mining and milling operation recommended by WGM for Al Masane would involve the production of 2,000 tonnes of ore per day (700,000 tonnes per year), with a mine life of over ten years. Annual production is estimated to be 34,900 tonnes of copper concentrate (25% copper per tonne) containing precious metal and 58,000 tonnes of zinc concentrate (54% zinc per tonne). Total output per year of gold and silver is estimated to be 22,000 ounces of gold and 800,000 ounces of silver from the copper concentrate and bullion produced. The construction of mining, milling and infrastructure facilities is estimated to take 21 months to complete. Construction necessary to bring the Al Masane project into production includes the construction of a 2,000 tonne per day concentrator, infrastructure with a 300 man housing facility and the installation of a cyanidation plant to increase the recovery of precious metals from the deposit. Project power requirements will be met by diesel generated power.

WGM recommended that the Al Masane reserves be mined by underground methods using trackless mining equipment. Once the raw ore is mined, it would be subjected to a grinding and treating process resulting in three products to be delivered to smelters for further refining. These products are zinc concentrate, copper concentrate and dore bullion. The copper and zinc

concentrates also contain valuable amounts of gold and silver. These concentrates and the dore bullion to be produced from the cynidization plant are estimated to be 22,000 ounces of gold and 800,000 ounces of silver and will be sold to copper and zinc custom smelters and refineries worldwide. After the smelter refining process, the metals could be sold by the Company or the smelter for the Company's account in the open market.

In the 1994 feasibility study, WGM stated that there is potential to find more reserves within the lease area, as the ore zones are all open at depth. Further diamond drilling, which will be undertaken by the Company, is required to quantify the additional mineralization associated with these zones. A significant feature of the Al Masane ore zones is that they tend to have a much greater vertical plunge than strike length; relatively small surface exposures such as the Moyeath zone are being developed into sizeable ore tonnages by thorough and systematic exploration. Similarly, systematic prospecting of the small gossans in the area could yield significant tonnages of new ore.

The 1996 update showed the estimated capital cost to bring the project into operation to be $89 million. At a production rate of 700,000 tonnes per year, the operating cost of the project (excluding concentrate freight, ship loading, smelter charges, depreciation, interest and taxes) was estimated to be $38.49 per tonne of ore milled.

WGM prepared an economic analysis of the project utilizing cash flow projections. A base case was prepared that included those project elements which were most likely to be achieved. WGM believed that a majority of the base case assumptions used in the 1994 feasibility study remained valid, including the ore reserves, mill feed grade, production rate, metal recoveries and concentrate grade and smelter returns. Metal prices, capital costs, operating costs and the corporate structure were adjusted to reflect more current information. Capital and operating costs were adjusted in conformity with the updated estimates prepared by Davy.

The base case assumed the corporate structure of the entity to be formed to operate the project would be owned 50% by the Company and 50% by Saudi Arabian investors and that the owners of this entity would contribute an aggregate of $26 million to the cost of the project. The base case further assumed financing for the project from commercial loans in the aggregate amount of $25 million bearing interest at the rate of 8% per year and a loan in the amount of $38 million from the Saudi Industrial Development Fund ("SIDF") repayable in equal annual installments over the initial life of the mine. Cash

generated by the operation of the project would contribute the remainder of the project financing. The base case assumed that the $11 million loan outstanding to the Saudi Arabian government would be paid by the Company in accordance with a repayment schedule to be agreed upon with the Saudi Arabian government from the Company's share of the project's cash flows. Based on these assumptions, and assuming the average prices of metal over the life of the mine to be $1.05 per pound for copper, $.60 per pound for zinc, $400 per ounce of gold and $6.00 per ounce of silver, WGM's economic analysis of the 1996 base case showed the project would realize an internal rate of return of 13.1%, the Company's and the Saudi Arabian investors' internal rates of return would be 27.3% and 12.1%, respectively, and projected net cash flow (after debt repayment) from the project of $95.1 million. The 1994 feasibility study base case showed the project would realize a 14.05% internal rate of return. Cash flow under the base case is exclusive of income tax as the base case assumes that any such tax would be paid by individual investors and not by the project. Assuming a 10% discount rate, the net present value of the project as shown in the 1996 update was $12.16 million compared to the $15.5 million net present value of the project shown in the

1994 feasibility study. Based on the 1996 update, WGM believed that the economic analysis showed that the project remained viable.

In March 2004, for purposes of estimating future cash flows, the price assumptions contained in the WGM 1996 report were updated by an independent consultant, who had previously prepared updated cash flow projections in 2000, 2002 and 2003. The new price assumptions are averages over the projected ten-year life of the mine and are $1.04 per pound for copper, $.61 per pound for zinc, $375 per ounce for gold and $5.50 per ounce for silver. Copper and zinc comprise in excess of 80% of the expected value of production. Although these prices are lower than those used in the 1996 WGM report, due to the decline in the open market prices for the minerals during the past several years, the project remains viable.

Mining Lease. As the holder of the Al Masane mining lease, the Company is solely responsible to the Saudi Arabian government for the rental payments and other obligations provided for by the mining lease and repayment of the previously discussed $11 million loan. The Company's interpretation of the mining lease is that repayment of this loan will be made in accordance with a repayment schedule to be agreed upon with the Saudi Arabian government from the Company's share of the project's cash flows. The initial term of the lease is for a period of thirty (30) years from May 22, 1993, with the Company having the option to renew or extend the term of the lease for additional periods not to exceed twenty (20) years. Under the lease, the Company is obligated to pay advance surface rental in the amount of 10,000 Saudi riyals (approximately $2,667 at the current exchange rate) per square kilometer per year (approximately $117,300 annually) during the period of the lease. At December 31, 2003, approximately $543,000 of rental payments were in arrears. In addition, the Company must pay income tax in accordance with the income tax laws of Saudi Arabia then in force and pay all infrastructure costs. The Saudi Arabian Mining Code provides that income tax will not be due during the first stage of mining operations, which is the period of five years starting from the earlier of (i) the date of the first sale of products or (ii) the beginning of the fourth year since the issue of the mining lease. The lease gives the Saudi Arabian government priority to purchase any gold production from the project as well as the right to purchase up to 10% of the annual production of other minerals on the same terms and conditions then available to other similar buyers and at current prices then prevailing in the free market. Furthermore, the lease contains provisions requiring that preferences be given to Saudi Arabian suppliers and contractors, that the Company employ Saudi Arabian citizens and provide training to Saudi Arabian personnel.

Reference is made to the map on page 15 of this Report for information concerning the location of the Al Masane project.

Project Financing. As detailed above, the estimated total capital cost to bring the Al Masane project into production is $89 million. The Company does not presently have sufficient funds to bring this project into production. Also, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a further discussion of these matters.

Pursuant to the mining lease agreement, when the Al Masane project is profitable the Company is obligated to form a Saudi public stock company with the Saudi Arabian Mining Company, a corporation wholly owned by the Saudi Arabian government ("Ma'aden"), as successor to and assignee of the mining interests formerly held by the Petroleum Mineral Organization ("Petromin"). Ma'aden is the Saudi Arabian government's official mining

company. In 1994, the Company received instructions from the Saudi Ministry of Petroleum and Mineral Resources stating that it is possible for the Company to form a Saudi company without Petromin (now Ma'aden), but the sale of stock to the Saudi public could not occur until the mine's commercial operations were profitable for at least two years. The instructions added that Petromin (now Ma'aden) still had the right to purchase shares in the Saudi public stock company any time it desires. Title to the mining lease and the other obligations specified in the mining lease would be transferred to the Saudi public stock company. However, the Company would remain responsible for repaying the $11 million loan to the Saudi Arabian government.

In order to commercially develop the Al Masane project, the Company entered into a joint venture arrangement with Al Mashreq Company for Mining

Investments ("Al Mashreq"), a Saudi limited liability company owned by Saudi Arabian investors (including certain of the Company's shareholders). The partners formed The Arabian Shield Company for Mining Industries Ltd., a Saudi limited liability company ("Arabian Mining"), which was officially registered and licensed in August 1998 to conduct business in Saudi Arabia and authorized to mine and process minerals from the Al Masane lease area. Arabian Mining received conditional approval for a $38.1 million interest-free loan from SIDF, and deposited $26 million of equity capital into its bank account.

Due to the severe decline in the open market prices for the minerals to be produced by the Al Masane project and the financial crisis affecting southeast Asia in 1998, SIDF and other potential lenders required additional guarantees and other financing conditions which were unacceptable to the Company and Al Mashreq. As a consequence, Al Mashreq withdrew from the joint venture and all equity capital was returned.

By letter dated May 11, 1999, the Company informed the Ministry of Petroleum and Mineral Resources (the "Ministry") that the recent sharp drop in the market prices of the metals to be produced from the mine at Al Masane, as a result of the economic crisis in southeast Asia, made implementation of the development of the mine uneconomical at that time and that, as a result, the Company would delay implementation of the project until metal prices recovered.

The Ministry notified the Company one year later that it must immediately implement the project and in the Fall of 2000 further notified the Company that the project should be immediately implemented or the mining lease would be terminated. A second notice from the Ministry several weeks later stated that the Committee of the Supreme Council of Petroleum and Minerals in Saudi Arabia had recommended giving the Company six months to take positive steps to implement the project. A written notice from the Ministry in the Summer of 2001 stated that the Council of Ministers of Saudi Arabia had issued a resolution in which it refused the Company's request to postpone implementation of the project, that the Company must start implementation of the project within six months of the date of the resolution and that, if the project was not then started, the Ministry was authorized to begin procedures to terminate the mining lease. Subsequent correspondence from the Ministry in the Fall and Winter of 2001 and into 2002 reiterated the threat to terminate the mining lease if the project was not immediately implemented. A letter from the Ministry in March 2002 stated that the six-month period to implement the project had expired without the Company taking positive steps towards that end.

The Company has vigorously contested the legality of the threats of the Ministry to terminate the Company's mining lease. The Company has written numerous letters to the Ministry, and the Company and its Saudi Arabian legal advisors also have had meetings with

officials of the Ministry. In September 2002, the Company sent a letter to Saudi Arabian Crown Prince Abdullah Ben Abdul Aziz, in his capacity as Deputy Chairman of the Saudi Supreme Council of Petroleum and Minerals (the King of Saudi Arabia is the chairman), in which the Company contested the legality of the threats of the Ministry to terminate the mining lease and requested his advice. As stated in its letters to the Ministry and the Crown Prince, the Company believes that the Ministry's letters to the Company asking for the implementation of the project, without any regard to metal market conditions, is contrary to the Saudi Mining Code and the mining lease agreement. In addition, the Company has had correspondence and a meeting with the United States Ambassador to Saudi Arabia where the Company presented its opinion regarding the legality of the Ministry's actions. This opinion also was conveyed in a letter to the United States Secretary of Commerce, who replied that the United States Embassy is working to set up meetings with Saudi Arabian government officials in an effort to resolve the matter. The Secretary of Commerce assured the Company that the Department of Commerce has a strong commitment in helping United States companies whenever possible. In a further letter from the Department of Commerce, signed by William H. Lash III, Assistant Secretary for Market Access and Compliance, dated March 6, 2003, he stated the following: "After investigating the matter, the U.S. Embassy in Riyadh has been informed by the Ministry of Petroleum that it did not cancel your mining lease. According to the Ministry, it is waiting development of the site by Arabian American Development Company."

On February 23, 2004, the Company's President received a letter from the Deputy Minister of Petroleum and Mineral Resources stating that the Council of Ministers had issued a resolution, dated November 17, 2003, which directed the Minister, or whomever he may designate, to discuss with the President of the Company the implementation of a work program, similar to that which is attached to the Company's mining lease, to start during a period not to exceed two years, and the payment of the past due surface rentals. If agreeable, a document is to be signed to that effect. The resolution stated further that, if no agreement is reached, the Ministry of Finance will give the Council of Ministers its recommendation regarding the $11 million loan granted to the Company.

After discussions with the Deputy Minister, the Company President responded, in a letter to the Minister dated March 23, 2004, that the Company will agree to abide by the resolution and will start implementing the work program to build the mine, treatment plant and infrastructure within two years from the date of the signed agreement. The work program was prepared by the Company's technical consultants and was attached to the letter. The Company also will agree to pay the past due surface rentals, which now total approximately $586,000, in two equal installments, the first on December 31, 2004 and the second on December 31, 2005 and will continue to pay the surface rentals as specified in the Mining Lease Agreement. On May 15, 2004, an agreement was signed with the Ministry covering these provisions. In the event the Company does not start to implement the program during the two-year period, the matter will be referred to the concerned parties to seek direction in accordance with

the Mining Code and other concerned codes.

The Company intends to make preparations to start to implement the work program, which will take approximately twenty-two months to complete, after which commercial production can begin. The Company plans to update the feasibility study, and, if positive, will attempt to locate a joint venture partner to manage the project and attempt to obtain acceptable financing to commercially develop the program now that the price of zinc, copper, gold and silver have increased significantly. There is no assurance that a joint venture partner can be located, a joint venture formed or, if it is formed, that the joint venture would be able to obtain acceptable financing for the project.

The Minister of Petroleum and Mineral Resources announced on April 2, 2002 that a new revised Saudi Arabian Mining Code would be issued, which would expedite the issuance of licenses and has new incentives to encourage investment by the private sector, both Saudi and foreign, in the development of mineral resources in Saudi Arabia. The mining code has been revised and was recently presented to the Council of Ministers for approval.

Other Exploration Areas in Saudi Arabia

During the course of its exploration and development work in the Al Masane area, the Company has carried on exploration work in other areas in Saudi Arabia. In 1971, the Saudi Arabian government awarded the Company exclusive mineral exploration licenses to explore

and develop the Wadi Qatan area in southwestern Saudi Arabia. The Company was subsequently awarded an additional license in 1977 for an area north of Wadi Qatan at Jebel Harr. These licenses have expired.

In 1999, the Company applied for an exploration license covering an area of approximately 2,850 square kilometers, which surrounds the Al Masane mining lease area and includes the Wadi Qatan and Jebel Harr areas. This area is referred to as the Greater Al Masane area. The Company has been authorized in writing by the Saudi Arabian government to carry out exploration work in the area. Previous exploration work has been carried on and paid for by the Company. The application for the new exploration licenses is still pending and is expected to be acted upon after the new Saudi Arabian Mining Code is approved.

Reference is made to the map on page 15 of this Report for information concerning the location of the foregoing areas.

Wadi Qatan and Jebel Harr. The Wadi Qatan area is located in southwestern Saudi Arabia. Jebel Harr is north of Wadi Qatan. Both areas are approximately 30 kilometers east of the Al Masane area. These areas consist of 40 square kilometers, plus a northern extension of an additional 13 square kilometers. The Company's geological, geophysical and limited core drilling disclosed the existence of massive sulfides containing an average of 1.2% nickel. Reserves for these areas have not yet been classified and additional exploration work is required. When the Company obtains an exploration license for the Wadi Qatan and Jebel Harr areas, the Company intends to continue its exploratory drilling program in order to prove whether enough ore reserves exist to justify a viable mining operation, however there is no assurance that a viable mining operation could be established.

Greater Al Masane. On June 22, 1999, the Company submitted a formal application for a five-year exclusive mineral exploration license for the Greater Al Masane area of approximately 2,850 square kilometers, which surrounds the Al Masane mining lease area and includes the Wadi Qatan and Jebel Harr areas. The Company previously worked in the Greater Al Masane area after obtaining written authorization from the Saudi Ministry of Petroleum and Mineral Resources and has expended over $3 million on exploration work. Geophysical, geochemical and geological work and diamond core drilling on the Greater Al Masane area has revealed mineralization similar to that discovered at Al Masane. A detailed exploration program and expenditures budget accompanied the application. The Company indicated on its application that it would welcome the participation of Ma'aden in this license. Ma'aden, which has expressed an interest in the Greater Al Masane area, also was informed by the Company that its participation as a joint venture partner in the license would be welcomed.

As previously stated, the Company does not possess current formal exploration licenses for any of the above areas. The absence of such licenses creates uncertainty regarding the Company's rights and obligations, if any, in these areas. The Company believes it has satisfied the Saudi Arabian government's requirements in these areas and that the government should honor the Company's claims. If the Saudi Arabian government does not issue the Greater Al Masane exploration license, the Company believes that it will be entitled to a refund of the approximately $3 million it has expended on exploration work in the area, since the Company was authorized by the Saudi Arabian government to carry out exploration work in this area while waiting for the exploration license to be issued.

UNITED STATES MINERAL INTERESTS

The Company's mineral interests in the United States are its ownership interests in Pioche. Pioche has been inactive for many years.

Nevada Mining Properties. Pioche's properties include 48 patented and 5 unpatented claims totaling approximately 1,500 acres. All the claims are located in the Pioche Mining District, Lincoln County, Nevada. There are prospects and

mines on these claims that previously produced silver, gold, lead, zinc and copper. The ore bodies are both oxidized and sulfide deposits, classified into three groups: fissure veins in quartzite, mineralized granite porphyry and replacement deposits in carbonate rocks (limestone and dolomites). There is a 300-ton-a-day processing mill on property owned by Pioche. The mill is not currently in use and a significant expenditure would be required in order to put the mill into continuous operation, if commercial mining is to be conducted on the property.

OFFICES

The Company has a year-to-year lease on space in an office building in Jeddah, Saudi Arabia, used for office occupancy. The Company also leases a house in Jeddah that is used as a technical office and for staff housing. The Company continues to lease office space in Dallas, Texas on a month-to-month basis. It also owns a base camp and accompanying facilities and equipment at the Al Masane project site.

[MAP]

ITEM 3. LEGAL PROCEEDINGS.

South Hampton, together with several other companies, is presently a defendant in four lawsuits filed by former employees of South Hampton and other refineries. The suits primarily claim illness and disease resulting from alleged exposure to chemicals, including benzene, butadiene and/or isoprene, during their employment. The plaintiffs claim that the companies engaged in the business of manufacturing, selling and/or distributing these chemicals in a manner which subjected them to liability for unspecified actual and punitive damages. South Hampton is vigorously defending itself against these claims and believes it has adequate insurance coverage to protect it financially from any damage awards that might be incurred.

In addition, South Hampton is a defendant in a lawsuit filed in September 2001 alleging that the plaintiff became ill from exposure to asbestos while employed by South Hampton from 1961 through 1975. Mediation occurred during 2003 in which the plaintiff made a financial offer of $200,000. South Hampton counter-offered a structured settlement of $90,000. To date the plaintiff has not accepted or rejected the counter-offer or withdrawn their $200,000 settlement offer. A new trial date has been set for September 2004. South Hampton has named additional parties in the case. It is uncertain at this time if the case will reach trial as the other parties have requested a change of venue. The consolidated financial statements do not include any amounts related to this case.

In August 1997, the Executive Director of the TCEQ, formerly the TNRCC, filed a preliminary report and petition with the TCEQ alleging that South Hampton violated various TCEQ rules, TCEQ permits issued to South Hampton, a TCEQ order issued to South Hampton, the Texas Water Code, the Texas Clean Air Act and the Texas Solid Waste Disposal Act. The violations generally relate to the management of volatile organic compounds in a manner that allegedly violates the TECQ's air quality rules and the storage, processing and disposal of hazardous waste in a manner that allegedly violates the TCEQ's industrial and hazardous waste rules. The TCEQ's Executive Director recommended that the TCEQ enter an order assessing administrative penalties against South Hampton in the amount of $709,408 and order South Hampton to undertake such actions as are necessary to bring its operations at its refinery and its bulk terminal into compliance with Texas Water Code, the Texas Health and Safety Code, TCEQ rules, permits and orders. Appropriate modifications were made by South Hampton where it appeared there were legitimate concerns. A preliminary hearing was held in November 1997, but no further action was taken at that time.

On February 2, 2000, the TCEQ amended its pending administrative enforcement action against South Hampton to add allegations dating through May 21, 1998 of 35 regulatory violations relating to air quality control and industrial solid waste requirements. The TCEQ proposed that administrative penalties be increased to approximately $765,000 and that certain corrective action be taken.

On December 13, 2001, the TCEQ notified South Hampton that it found several alleged violations of TCEQ rules during a record review in October 2001 and proposed a settlement for $59,375. South Hampton settled this particular claim in April 2002 for approximately $5,900.

In April 2003 South Hampton received a revised Notice of Violation from the TCEQ. Various claims of alleged violation were dropped, modified and added in the revised report and the total dollar amount of the proposed administrative penalty was reduced to approximately $690,000. On May 25, 2003, a settlement hearing with the TCEQ was held and additional information was submitted on June 2, 2003, October 2, 2003 and November 4, 2003. South Hampton believes that the revised notice contains incorrect information and erroneously delineates as ongoing problems matters that were corrected immediately upon discovery several years ago. South Hampton intends to continue to vigorously defend itself in this matter. Negotiations between South Hampton and the TCEQ are expected to continue in order to reach a final settlement.

By letter dated March 11, 2003, the Company was advised that the

Division of Enforcement of the Securities and Exchange Commission ("SEC") was conducting an informal, non-public inquiry concerning disclosure matters relating to the Al Masane project and the Ministry's threatened termination of the Al Masane mining lease. The Company fully cooperated with the SEC in the conduct of the investigation, which became a formal investigation.

On October 16, 2003, without admitting or denying any findings of fact or conclusions of law, the Company agreed to a cease-and-desist order with the SEC settling alleged violations of the federal securities laws asserted by the SEC relating to developments not previously disclosed concerning the Company's mining lease for the Al Masane area of Saudi Arabia. In connection with the settlement, the Company agreed to (i) cease and desist from violating certain provisions of the Securities Exchange Act of 1934 and (ii) comply with certain undertakings designed to improve its reporting and record keeping practices and enhance its internal accounting controls. On the same date, without admitting or denying any findings of fact or conclusions of law, the Company's President and Chief Executive Officer, Hatem El-Khalidi, agreed to a cease-and-desist order with the SEC settling alleged violations of the federal securities laws relating to the same matter and agreeing to pay a $25,000 penalty. In connection with the settlement, Mr. El-Khalidi agreed to cease and desist from violating certain provisions of the Securities Exchange Act of 1934.

On February 23, 2004, by court order, a creditor was awarded Coin's plant facilities as a result of a mortgage foreclosure proceeding. See Note 18 to the Company's Consolidated Financial Statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of 2003.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

The Company's common stock has traded on the OTC Bulletin Board and the Pink Sheets at various times during the last two fiscal years under the symbol: ARSD. The following table sets forth the range of high and low bid prices for each quarter as reported by the OTC Bulletin Board and the Pink Sheets. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

<TABLE>
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	OTC Bulletin Board	
	High	Low
<S>	<C>	<C>
Fiscal Year Ended December 31, 2003		
First Quarter ended March 31, 2003	$0.04	$0.04
Second Quarter from April 1, 2003 to May 27, 2003	$0.06	$0.05

</TABLE>

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	Pink Sheets	
	High	Low
<S>	<C>	<C>
Second Quarter from May 28, 2003 to June 30, 2003	$0.06	$0.06
Third Quarter ended September 30, 2003	$0.06	$0.03
Fourth Quarter ended December 31, 2003	$0.07	$0.05

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<TABLE>
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	OTC Bulletin Board	
	High	Low
<S>	<C>	<C>
Fiscal Year Ended December 31, 2002		
First Quarter ended March 31, 2002	$0.21	$0.19
Second Quarter to May 21, 2002	$0.15	$0.09

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<TABLE>
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	Pink Sheets	
	High	Low
<S>	<C>	<C>
Second Quarter from May 22, 2002 to June 30, 2002	$0.15	$0.11
Third Quarter ended September 30, 2002	$0.12	$0.11

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<TABLE>
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	OTC Bulletin Board

	High	Low
<S>	<C>	<C>
Fourth Quarter ended December 31, 2002	$0.08	$0.07

</TABLE>

At December 31, 2003, there were 750 record holders of the Company's common stock. The Company has not paid any dividends since its inception and, at this time, does not have any plans to pay any dividends in the foreseeable future. The provisions of the Refining Company agreements with its lender restrict the declaration and payment of dividends and other distributions to an amount not exceeding $50,000 per month, provided there is no event of default under the relevant loan agreement. See Note 8 to the Company's Consolidated Financial Statements.

See Note 10 to the Company's Consolidated Financial Statements for information about stock options outstanding at December 31, 2003.

ITEM 6. SELECTED FINANCIAL DATA.

The following is a five-year summary of selected financial data of the Company (in thousands, except per share amounts):

<TABLE>
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	2003	2002	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	$ 39,625	$ 36,753	$ 32,713	$ 42,612	$ 27,791
Net Income (Loss)	$ (3,505)	$ 692	$ (2,601)	$ (4,288)	$ 2,740
Net Income (Loss) Per Share-Diluted	$ (.15)	$ .03	$ (.11)	$ (.19)	$ .12
Total Assets (at December 31)	$ 52,672	$ 55,621	$ 55,748	$ 57,599	$ 52,848
Notes Payable (at December 31)	$ 11,744	$ 11,744	$ 11,744	$ 11,924	$ 11,874
Current Portion of Long-Term Debt (at December 31)	$ 3,170	$ 7,127	$ 7,599	$ 8,061	$ 677
Total Long-Term Obligations (at December 31)	$ --	$ --	$ --	$ --	$ 4,314

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

GENERAL

Statements in Items 7 and 7A, as well as elsewhere in, or incorporated by reference in, this Annual Report on Form 10-K regarding the Company's financial position, business strategy and plans and objectives of the Company's management for future operations and other statements that are not historical facts, are "forward-looking statements" as that term is defined under applicable Federal securities laws. In some cases, "forward-looking statements" can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "contemplates," "proposes," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such statements. Such risks, uncertainties and factors include, but are not limited to, general economic conditions domestically and internationally; insufficient cash flows from operating activities; difficulties in obtaining financing; outstanding debt and other financial and legal obligations; competition; industry cycles; feedstock, specialty petrochemical product and mineral prices; feedstock availability; technological developments; regulatory changes; environmental matters; 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 Annual Report on Form 10-K, all of which are difficult to predict and many of which are beyond the Company's control.

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in two business segments, specialty petrochemicals (which is composed of the entities owned by the Refining Company) and mining. Its corporate overhead needs are minimal. A discussion of each segment's liquidity and capital resources follows.

Specialty Petrochemicals Segment. Historically, this segment has contributed substantially all of the Company's internally generated cash flows. Beginning in February 2001, the decline of feedstock and natural gas prices returned the Refining Company to a positive cash flow, which it attained for the remainder of 2001 and throughout 2002. Demand for specialty solvents, while not enough to justify operating the plant at capacity, was strong enough to cover fixed and variable costs. The toll processing segment of the business remained strong throughout 2001 and 2002 and contributed to the Refining Company's steady performance. In the latter part of 2001 and periodically in 2002, customer demand required that product be imported from its Mexico refinery in order to meet sales commitments. During 2003, the industry again experienced tighter margins resulting from the rise in feedstock prices. Feedstock prices remained at historically higher prices throughout 2003 which resulted in operating losses for the segment in 2003. After January 2004, feedstock prices began to fall back to more moderate levels.

South Hampton obtains its feedstock requirements from a sole source vendor. At April 30, 2004 South Hampton owed this supplier approximately $7,000,000. As discussed in Note 19, on May 7, 2004, South Hampton and a major supplier signed a letter of intent whereby the supplier will purchase up to $1,800,000 of capital equipment for use by South Hampton to facilitate the execution of a new processing agreement between a large customer and South Hampton.

South Hampton entered into a $3.25 million revolving credit agreement in September 1999 with a bank, which terminated on June 15, 2003. On July 29, 2003 a Purchase and Sale Agreement was negotiated with the same bank. The terms and conditions of this agreement are discussed in Note 4 to the Company's Consolidated Financial Statements.

In connection with the acquisition of the common stock of Coin, South Hampton and Gulf State entered into a $3.5 million loan agreement in December 1999 with a commercial lending company. This agreement is discussed in Note 8 to the Company's Consolidated Financial Statements. The loan was paid in full in 2003.

At December 31, 2003 Coin had two loans payable to Mexican banks in the outstanding principal amounts of $1,125,725 and $2,044,096. The terms and conditions of these loans are discussed in Note 8 to the Company's Consolidated Financial Statements. Also, as discussed in Note 18 to the Company's Consolidated Financial Statements, the creditor of the $1,125,725 loan initiated a mortgage foreclosure proceeding subsequent to December 31, 2003 that resulted in a court ordered award of the plant facilities to the creditor.

Mining Segment. This segment is in the development stage. Its most significant asset is the Al Masane mining project in Saudi Arabia, which is a net user of the Company's available cash and capital resources. As discussed in Item 2. Properties, implementation of the project has been delayed until the open market prices for the minerals to be produced by the mine improve. At that time, the Company will attempt to locate a joint venture partner, form a joint venture and, together with the joint venture partner, attempt to obtain acceptable financing to commercially develop the project. There is no assurance that a joint venture partner can be located, a joint venture formed or, if it is formed, that the joint venture would be able to obtain acceptable financing for the project.

Management also is addressing two other significant financing issues within this segment. These issues are the $11.0 million note payable due the Saudi Arabian government and accrued salaries and termination benefits of approximately $933,000 due employees working in Saudi Arabia (this amount does not include any amounts due the Company's President and Chief Executive Officer who also primarily works in Saudi Arabia and is owed accrued salary and termination benefits of approximately $1,158,000).

Regarding the note payable, this loan was originally due in ten annual installments beginning in 1984. The Company has not made any repayments nor has it received any payment demands or other communications regarding the note payable from the Saudi government. By memorandum to the King of Saudi Arabia in 1986, the Saudi Ministers of Finance and Petroleum recommended that the $11.0 million note be incorporated into a loan from SIDF to finance 50% of the cost of the Al Masane project, repayment of the total amount of which would be made through a mutually agreed upon repayment schedule from the Company's share of the operating cash flows generated by the project. The Company remains active in Saudi Arabia and received the Al Masane mining lease at a time when it had not made any of the agreed upon repayment installments. Based on its experience to date, management believes that as long as the Company diligently attempts to explore and develop the Al Masane project no repayment demand will be made. The Company has communicated to the Saudi government that its delay in repaying the note is a direct result of the government's lengthy delay in granting the Al Masane lease and requested formal negotiations to restructure this obligation. Based on its interpretation of the Al Masane mining lease and other documents, management believes the government is likely to agree to link repayment of this note to the Company's share of the operating cash flows generated by the commercial development of the Al Masane project and to a long-term installment repayment schedule. In the event the Saudi government were to demand immediate repayment of this obligation, which management considers unlikely, the Company would be unable to pay the entire amount due.

With respect to the accrued salaries and termination benefits due employees working in Saudi Arabia, the Company plans to continue employing these individuals until it is able to generate sufficient excess funds to begin payment of this liability. Management will then begin the process of gradually releasing certain employees and paying its obligation as they are released from the Company's employment.

At this time, the Company has no definitive plans for the development of its domestic mining assets. It periodically receives proposals from outside parties who are interested in possibly developing or using certain assets. Management will continue to review these proposals as they are received, but at this time does not anticipate making any significant domestic mining capital expenditures or receiving any significant proceeds from the sale or use of these assets.

If the Company seeks additional outside financing, there is no assurance that sufficient funds can be obtained. It is also possible that the terms of any additional financing that the Company would be able to obtain would be unfavorable to the Company and its existing shareholders.

The report of the Company's independent auditors states that the

Company had incurred cumulative losses through December 31, 2003 of $16,557,704 and had an excess of current liabilities over current assets of $25,828,242 at December 31, 2003. As discussed in Notes 2 and 8 to the Company's Consolidated Financial Statements, the Company was in default of various loan agreements totaling $17,974,211, including accrued interest. All of these matters raise substantial doubt about the Company's ability to continue as a going concern.

The table below summarizes the following contractual obligations of the Company:

<TABLE>
<CAPTION>

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
Long-Term Debt Obligations	3,169,821	3,169,821	---	---	---
Capital Lease Obligations	---	---	---	---	---
Operating Lease Obligations	4,860,007	937,265	1,534,060	746,020	1,642,662
Purchase Obligations	---	---	---	---	---
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under GAAP	---	---	---	---	---
Total	8,029,828	4,107,086	1,534,060	746,020	1,642,662

</TABLE>

RESULTS OF OPERATIONS

Comparison of the Years 2003 to 2002

Specialty Petrochemicals Segment. Total refined product sales increased approximately 10% or $3.1 million in 2003, despite a reduction in sales by Coin of approximately $1.9 million. Cost of sales (excluding depreciation) increased approximately 21% or $6.3 million in 2003, which includes a reduction in Coin's cost of sales of approximately $1.4 million. 2003 was a difficult year for the Refining Company and for the petrochemical industry. Feedstock prices fluctuated by as much as 25% in early to mid-2003 and were near historical highs at year end. Feedstock price variability made preparation and planning difficult. However, product sales volumes remained relatively stable and at year end were within 2% of the 2002 levels. Gross sales of refined products (excluding Coin) were up by 17% in 2003 over 2002 largely due to increased selling prices. Gross feedstock costs were approximately $6.6 million, or 38%, higher in 2003 than in 2002. A result of these factors was a reduction of gross margin on sales of $1.6 million in 2003 from 2002, a 12% decrease. The feedstock hedging program, which the Refining Company had maintained for the previous two years, was discontinued in mid-2003 due to the consolidation of the industry's petroleum trading business. Many of the remaining energy trading firms prefer to do business on a much larger scale than the Refining Company desires, and therefore a suitable trading partner was not available for much of the year. This situation was resolved in late 2003 and the hedging strategy was renewed for 2004.

The other factor having a large effect on the Refining Company's performance during 2003 was the high cost of natural gas throughout the summer months of 2003. National gas prices are traditionally lower during the summer months as demand falls and injection into storage is done ratably throughout the warmer months. Lower than normal storage levels in early 2003 resulted in there being a higher than normal injection rate during the summer months to replenish storage reserves. This higher injection rate, in addition to perceived market shortages, kept prices 50% higher throughout the 2003 summer months than was experienced in 2002. Natural gas is the Refining Company's single largest operating expense and the increased market prices for this fuel gas increased operating costs by approximately $1.0 million for 2003 over 2002.

Toll processing continued to be a steady revenue source for the Refining Company during 2003. While the toll processing customers continued to operate at high levels, the loss of a major customer in late 2003 caused tolling fees to be reduced by 6% to $3.9 million in 2003 compared to $4.1 million in 2002.

General and administrative expenses of the specialty petrochemicals segment increased approximately $35,000 or 1% in 2003 compared to 2002. Lower insurance premiums in 2003 resulted from the segment's excellent safety record. In early 2004, the refinery achieved a milestone by completing three years without a lost time accident. Interest expense decreased in 2003 to $1.2 million from $1.3 million in 2002.

The Mexico refinery operated at about 50% of capacity during much of 2002 and was shut down in early 2003 and remained idle until September 2003 when it resumed operations. The refinery was shut down briefly in early 2004 but in March 2004 resumed operations. This refinery is now delivering product to the largest consumer of pentanes in Mexico.

Mining Segment and General Corporate Expenses. None of the Company's other operations generate significant operating or other revenues. The minority interest amount represents the Pioche and Coin minority stockholders' share of the losses from the Pioche and Coin operations. Pioche losses are primarily attributable to the costs of maintaining the Nevada mining properties.

The Company had net operating loss carryforwards of approximately $9.0 million at December 31, 2003. These loss carryforwards expire during the years 2004 through 2023.

Comparison of the Years 2002 to 2001

Specialty Petrochemicals Segment. Total refined product sales increased approximately 13% or $3.7 million in 2002, with $1.2 million of the increase due to the revenues of Coin. Cost of sales (excluding depreciation) increased approximately $1.7 million or 6% in 2002, including $0.9 million attributable to Coin. During 2002, the Refining Company operating results improved significantly over 2001 results. Cash flow for the U.S. refining operation increased approximately 85% to $2.8 million in 2002 from $1.5 million in 2001. The increase in cash flow was attributable to several factors. Gross sales of the products rose by 8% to $29.9 million from $27.7 million in 2001. The average selling prices of the products decreased by $ .11 per gallon but volume increased by almost 15% or 3.5 million gallons. The increase in volume was spread over the entire year with no individual quarter showing an unusually high number. Although the average final selling prices were lower for 2002 than for 2001, feedstock prices were also lower which contributed to a net increase in gross profit on refined product sales (excluding depreciation) of $1.9 million. Feedstock prices were moderate for much of the year due to a successful hedging program which kept feedstock costs to the refinery at favorable levels.

Also contributing to the increased performance of the refining operation were the increased toll processing fees for the year 2002. Fees rose from $3.7 million in 2001 to $4.1 million in 2002, an 11% increase. Toll processing customer volume demand also increased in 2002. While the toll processing agreements provide for minimum fees, which protects the Refining Company during business slowdowns, it is more advantageous to operate the equipment at higher volumes in order to earn higher fees.

General and administrative expenses for this segment increased approximately 10% in 2002 from 2001 due primarily to increased costs of insurance and legal fees. Interest expense

decreased in 2002 to $1.3 million from $1.5 million in 2001. The net result of the increase in refined product sales, toll processing fees and the decrease in feedstock costs, due both to market conditions and to hedging, was that operating income for the refining operation rose by $1.9 million in 2002.

Mining Segment and General Corporate Expenses. None of the Company's other operations generate significant operating or other revenues. The minority interest amount represents the Pioche and Coin minority stockholders' share of the losses from the Pioche and Coin operations. Pioche losses are primarily attributable to the costs of maintaining the Nevada mining properties.

The Company had net operating loss carryforwards of approximately $18 million at December 31, 2002. These loss carryforwards expire during the years 2003 through 2020.

New Accounting Standards

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" (SFAS No. 143), that established uniform methodology for accounting for estimated costs associated with legal obligations related to retirement of assets. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SAFS No. 143 at January 1, 2003 did not have a material impact on the Company's Consolidated Financial Statements.

In April 2002, the FASB issued SFAS No. 145, Rescission of No. 4, (Reporting Gains and Losses from Extinguishment of Debt), No. 44 (Accounting for Intangible Assets of Motor Carriers), No. 64, (Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements), Amendment of FASB Statement No. 13 (Accounting for Leases) and Technical Corrections. This statement eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current GAAP criteria for extraordinary classification. In addition, SFAS 145 eliminates an inconsistency in lease accounting by requiring that modification of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. The statement also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 at January 1, 2003 did not have a material impact on the Company's financial position, results of operations or cash flows.

In November 2002, the FASB issued FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34". FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit and warranty

obligations. It also clarifies that at the time a company issues a guarantee, a company must recognize an initial liability for the fair value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The provisions of FIN 45 relating to initial recognition and measurement must be applied on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of the initial recognition and measurement provisions did not have a significant impact on the Company's financial condition or results of operations. The disclosure requirements of FIN 45 were effective for both interim and annual periods that end after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's Consolidated Financial Statements.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities" and in December 2003, issued FIN 46R, which superceded FIN 46 (collectively FIN 46) to address perceived weaknesses in the accounting and financial reporting for investments or interests in entities commonly known as special purpose or off-balance-sheet entities. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 was required to be applied to preexisting entities of the Company as of the beginning of the first quarter after June 15, 2003. FIN 46 was required to be applied to all new entities with which the Company became involved beginning February 1, 2003. Provisions of FIN 46R are applicable to all entities subject to the Interpretation no later than the end of the first quarter after March 15, 2004. The adoption of FIN 46 did not have a material impact on the Company's Consolidated Financial Statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement was developed to respond to concerns expressed by users of financial statements about issuers' classification in the statement of financial position of certain financial instruments that have characteristics of both liabilities and equity but that have been presented either entirely as equity or between the liabilities section and the equity section of the statement of financial position ("mezzanine equity"). This Statement also addresses questions about the classification of certain financial instruments that embody obligations to issue equity shares. SFAS No. 150 aims to eliminate diversity in practice by requiring certain types of "freestanding" financial instruments, such as mandatorily redeemable instruments, to be reported as liabilities. Preferred dividends on these instruments are now classified as interest expense. Retroactive reclassification of amounts reported in historical financial statements for periods prior to the effective date of SFAS No. 150 is not permitted. The provisions of SFAS No. 150, which also include a number of new disclosure requirements, was effective for instruments entered into or modified after May 31, 2003 and pre-existing instruments as of the beginning of the first interim period that commenced after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated financial position.

CRITICAL ACCOUNTING POLICIES

Recoverability of Investments

Management periodically reviews and evaluates the recoverability of the Company's investments, which primarily include its mineral exploration and development projects. The significant judgment required in management's recoverability assessment is the determination of the fair value of the investment. Accounting standards require that if the sum of the future cash flows expected to result from a company's asset, undiscounted and without interest charges, is less than the reported value of the asset, an asset impairment must be recognized in the financial

statements. The amount of impairment to recognize is calculated by subtracting the fair value of the asset from the reported value of the asset. The recoverability of the carrying values of the Company's development properties are assessed by comparing the carrying values to estimated future net cash flows from each property. The Company's most significant asset is the Al Masane mining project in Saudi Arabia. In March 2004, for purposes of estimating future cash flows, the price assumptions contained in the 1996 update to the Al Masane project's feasibility study, which was prepared by WGM, were updated by an independent consultant. See Item 2. Properties. These price assumptions are averages over the projected ten-year life of the Al Masane mine and are $1.04 per pound for copper, $.61 per pound for zinc, $375 per ounce for gold and $5.50 per ounce for silver. Copper and zinc comprise in excess of 80% of the expected value of production. For its other mineral properties and related assets, carrying values were compared to estimated net realizable values based on market comparables. Using these price assumptions, no asset impairments existed.

The Company assesses the carrying values of its assets on an ongoing basis. Factors which may affect carrying values include, but are not limited to, mineral prices, capital cost estimates, the estimated operating costs of any mines and related processing, ore grade and related metallurgical characteristics, the design of any mines and the timing of any mineral production. There are no assurances that, particularly in the event of a prolonged period of depressed mineral prices, the Company will not be required to take a material write-down of any of its mineral properties.

Environmental Liabilities

The refining operations by South Hampton are subject to the rules and regulations of the TCEQ, which inspects the operations at various times for possible violations relating to air, water and industrial solid waste

requirements. As noted in Item 1. Business and Item 3. Legal Proceedings, evidence of groundwater contamination was discovered in 1993. The recovery process, initiated in 1998, is proceeding as planned and is expected to continue for several years.

Also, in 1997 the TCEQ notified South Hampton of several alleged violations relating to air quality rules and the storage, processing and disposal of hazardous waste. Some claims have been dropped, some have been settled and others continue to be negotiated. It is the Company's policy to accrue remediation costs based on estimates of known environmental remediation exposure. At December 31, 2003, a liability of $200,000 has been accrued to cover future estimated costs of these environmental issues.

Foreign Currency and Operations

The Company has undeveloped mining interests in Saudi Arabia and a majority interest in a refining company in Mexico. These interests are subject to foreign laws and foreign conditions, with the attendant varying risks and advantages. Foreign exchange controls, foreign legal and political concepts, foreign government instability, international economics and other factors create risks not necessarily comparable with those involved in doing business in the United States. Any changes in these conditions and influences could have a material adverse effect on the Company's financial condition, operating results and cash flows.

The functional currency for each of the Company's two foreign operations is the U.S. dollar. Transaction gains or losses, as a result of remeasuring from the local currency to the U.S. dollar, are reflected in the statements of operations as a foreign exchange transaction gain or loss.

The Company does not employ any practices to minimize foreign currency risks. The exchange rate of the Saudi riyal to the U.S. dollar has not changed in many years, but there is no guarantee that this will not change. The foreign exchange transaction gains and losses as reflected in the statements of operations are a result of changes in the exchange rate of the Mexican peso to the U.S. dollar, which does fluctuate periodically. These changes have not been material.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The market risk inherent in the Company's financial instruments represents the potential loss resulting from adverse changes in interest rates, foreign currency rates and commodity prices. The Company's exposure to interest rate changes results from its variable rate debt instruments which are vulnerable to changes in short term United States prime interest rates. At December 31, 2003 and 2002, the Company had $2.5 million and $5.8 million, respectively, in variable rate debt outstanding. A hypothetical 10% change in interest rates underlying these borrowings would result in annual changes in the Company's earnings and cash flows of approximately $18,200 and $34,300 at December 31, 2003 and 2002, respectively.

The Company is also exposed to market risk in the exchange rate of the Saudi Arabian riyal and the Mexican peso as measured against the United States dollar. The Company does not view these exposures as significant and has not acquired or issued any foreign currency derivative financial instruments.

The Refining Company purchases all of its raw materials, consisting of feedstock and natural gas, on the open market. The cost of these materials is a function of spot market oil and gas prices. As a result, the Refining Company's revenues and gross margins could be affected by changes in the price and availability of feedstock and natural gas. As market conditions dictate, the Refining Company from time to time will engage in various hedging techniques including swap and option agreements. The Refining Company does not use such financial instruments for trading purposes and is not a party to any leveraged derivatives.

At December 31, 2003, the Refining Company had natural gas option agreements in effect expiring in September 2004 and March 2005. Additionally, in the first quarter of 2004 the Refining Company entered into five feedstock swap agreements that expire through June 2004. The options and swap agreements cover approximately 72% of the average monthly fuel stock requirements. Market risk is estimated as a hypothetical 10% increase in the cost of natural gas and feedstock over the market price prevailing on December 31, 2003. Assuming 2004 total refined product sales volumes at the same rate as 2003, such an increase would result in an increase in the cost of natural gas and feedstock of approximately $3.5 million in fiscal 2004, before considering the effect of the option and swap agreements outstanding as of December 31, 2003.

At December 31, 2002, the Refining Company had two feedstock swap agreements in effect which expired in January 2003. The swap agreements covered approximately 20% to 40% of the Refining Company's average monthly feedstock needs. Market risk is estimated as a hypothetical 10% increase in the cost of feedstock over the market price prevailing on December 31, 2002. Assuming 2003 total refined product sales volumes at the same rate as 2002, such an increase would result in an increase in the cost of feedstock of approximately $1.7 million in fiscal 2003, before considering the effect of the swap agreements outstanding as of December 31, 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements of the Company and the financial statement schedules, including the independent auditor's report thereon, are included elsewhere in this document.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

The disclosure required by this item has been previously reported by the Company by a Current Report on Form 8-K dated January 31, 2003, a Current Report on Form 8-K/A dated January 31, 2003 and a Current Report on Form 8-K dated June 16, 2003.

ITEM 9A. CONTROLS AND PROCEDURES.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer and Treasurer, of the effectiveness of the Company's disclosure controls and procedures, as of the end of the period covered by this report. Based upon that evaluation, the President and Chief Executive Officer and Treasurer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective such that information relating to the Company (including its consolidated subsidiaries) required to be disclosed in the Company's Securities and Exchange Commission reports (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) is accumulated and communicated to the Company's management, including the President and Chief Executive Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended December 31, 2003, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following tables sets forth the name and age of each director of the Company, the date of his election as a director and all other positions and offices with the Company presently held by him.

<TABLE>
<CAPTION>

NAME; BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS	AGE	DATE OF ELECTION
<S>	<C>	<C>
John A. Crichton..... Chairman of the Board of the Company since 1967; Chief Executive Officer of the Company from 1967 to February 1994	87	May 1967
Hatem El-Khalidi..... President of the Company since 1975; prior to 1975 Vice President of the Company; Chief Executive Officer of the Company since February 1994	79	April 1968
Mohammed O. Al-Omair..... Executive Vice President, Saudi Fal Group of Companies, Riyadh, Saudi Arabia since 1985 (investments); President, Advanced Systems Ltd., Riyadh, Saudi Arabia since 1985 (mainframe computers)	60	May 1993
Ghazi Sultan..... Chairman, Sultan Group of Companies, Jeddah, Saudi Arabia since 1987 (investments and marble mining); Director General, Safwah Company, Jeddah, Saudi Arabia since 1987 (investments); Deputy Minister of Petroleum and Mineral Resources of the Kingdom of Saudi Arabia 1966-1987	66	September 1993

</TABLE>

Each director of the Company is elected annually to serve until his successor is elected and qualified. Each person listed in the foregoing table has served as a director since the date of election indicated. In connection with an increase in the number of positions on the Board of Directors in 1993, at the request of Sheik Fahad Al-Athel, the Company appointed Mohammed O. Al-Omair, who had served as a director of the Company from November 1989 to March 1991, to fill one of the newly-created vacancies. See Item 3. Legal Proceedings for a discussion of the cease and desist order entered into with the SEC enjoining Mr. El-Khalidi from future violations of the federal securities laws.

The Board of Directors of the Company has an Audit Committee which is currently composed of Messrs. Ghazi Sultan and Mohammed O. Al-Omair. The Board has determined that each of the members of the Audit Committee meets the Securities and Exchange Commission and National Association of Securities Dealers standards for independence. The Board has also determined that Mohammed O. Al-Omair meets the Securities and Exchange Commission criteria of an "audit committee financial expert."

The following table sets forth the name of each executive officer of the Company, his age and all the positions and offices with the Company held by him:

Name	Positions	Age
John A. Crichton	Chairman of the Board and Director	87
Hatem El-Khalidi	President, Chief Executive Officer and Director	79
Drew Wilson, Jr.	Secretary and Treasurer	71
Nicholas N. Carter	President - TOCCO	57

Each executive officer of the Company serves for a term extending until his successor is elected and qualified. Information concerning Messrs. Crichton and El-Khalidi is set forth above. Mr. Wilson is a certified public accountant. Mr. Wilson has served as Secretary and Treasurer of the Company since November 1986, and has worked as an independent public accountant since 1975. Mr. Carter has been President of TOCCO and its subsidiaries since 1987, prior to which time he served from October 1983 as Treasurer and Controller of those companies. Mr. Carter has been employed by TOCCO and its subsidiaries since 1977.

The Company has adopted a Code of Ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer and controller, and to persons performing similar functions. A copy of the Code of Ethics has been filed as an exhibit to this Annual Report on Form 10-K.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. To the best of the Company's knowledge, during the fiscal year ended December 31, 2003, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

ITEM 11. EXECUTIVE COMPENSATION.

The following information summarizes annual compensation for services in all capacities to the Company for the fiscal years ended December 31, 2003, 2002 and 2001 of the Chief Executive Officer and the other four most highly compensated executive officers of the Company:

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION(1)	YEAR	SALARY ($) (2)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	RESTRICTED STOCK AWARD(S) ($)	SECURITIES UNDERLYING OPTIONS/ SARS (#)	LONG-TERM INCENTIVE PLAN PAYOUTS($)	ALL OTHER COMPENSATION ($) (3)
Hatem El-Khalidi,	2003	$ 72,000	--	--	--	--	--	$8,000
President and Chief	2002	$ 72,000	--	--	--	--	--	$8,000
Executive Officer	2001	$ 72,000	--	--	--	--	--	$8,000
Nicholas N. Carter	2003	$113,874	$26,250	--	--	--	--	--
President, TOCCO	2002	$ 84,500	$61,700	--	--	--	--	--
	2001	$ 81,575	$30,200	--	--	--	--	--

(1) Except for Mr. Carter, no executive officer of the Company had total annual salary and bonus in excess of $100,000 during the fiscal year ended December 31, 2003.

(2) Includes $37,639, $55,898 and $61,947 in compensation for the fiscal years ended December 31, 2003, December 31, 2002 and December 31, 2001, respectively, that was deferred at the election of Mr. El-Khalidi. All present deferred compensation owing to Mr. El-Khalidi aggregating 882,155 is considered, and future deferred compensation owing to Mr. El-Khalidi, if any, will be considered payable to Mr. El-Khalidi on demand.

(3) Includes $8,000 in termination benefits for each of the fiscal years ended December 31, 2003, December 31, 2002 and December 31, 2001, respectively, that was accrued for Mr. El-Khalidi in accordance with Saudi Arabian employment laws. The total amount of accrued termination benefits due to Mr. El-Khalidi as of December 31, 2003 was $276,000.

In accordance with Saudi Arabian employment laws, the Company is required to accrue termination benefits for Mr. El-Khalidi. The amount accrued for the benefit of Mr. El-Khalidi is based on the number of years of service and compensation. Accrued benefits are payable upon termination of employment. The Company has engaged in other transactions and entered into other arrangements, directly or indirectly, with its officers and directors, the primary purpose of certain of which was to provide additional compensation to such persons. See "Certain Relationships and Related Transactions."

The Company is authorized to pay its non-employee directors a fee of $200 for each Board meeting and $100 for each committee meeting which they attend, in addition to reimbursing them for expenses incurred in connection with their attendance.

AGGREGATED OPTION/SAR EXERCISES IN
LAST FISCAL YEAR AND FISCAL YEAR-END OPTIONS/SAR VALUES

The following table shows information concerning the exercise of stock options during the fiscal year ended December 31, 2003 by the executive officers named in the Summary Compensation Table and the estimated value of unexercised options held by such individuals at year-end:

<TABLE>
<CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END(#) EXERCISABLE/UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END ($)(1) EXERCISABLE/UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>
Hatem El-Khalidi.....	0	0	400,000/0	$0/0
Nicholas N. Carter.....	0	0	0/0	$0/0

</TABLE>

(1) Based on the closing price of $.05 of the Company's Common Stock on the Pink Sheets on December 31, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of December 31, 2003, information as to the beneficial ownership of the Company's Common Stock by each person known by the Company to beneficially own more than 5% of the Company's outstanding Common Stock, by each of the Company's executive officers named in the Summary Compensation Table, by each of the Company's directors and by all directors and executive officers of the Company as a group.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED (1)	PERCENT OF CLASS
<S>	<C>	<C>
Fahad Mohammed Saleh Al-Athel..... c/o Saudi Fal P. O. Box 4900 Riyadh, Saudi Arabia 11412	3,586,468	15.8%
Mohammad Salem ben Mahfouz..... c/o National Commercial Bank Jeddah, Saudi Arabia	1,500,000	6.6%
Harb S. Al Zuhair..... P.O. Box 3750 Riyadh, Saudi Arabia	1,300,000	5.7%
Prince Talal Bin Abdul Aziz..... P. O. Box 930 Riyadh, Saudi Arabia	1,272,680	5.6%
Hatem El-Khalidi..... 10830 North Central Expressway, Suite 175 Dallas, Texas 75231	474,000(2)	2.0%
John A. Crichton..... 10830 North Central Expressway, Suite 175 Dallas, Texas 75231	650	*
Mohammed O. Al-Omair..... c/o Saudi Fal P. O. Box 4900 Riyadh, Saudi Arabia 11412	25,000	*
Ghazi Sultan..... P.O. Box 5360 Jeddah, Saudi Arabia 21422	25,000	*
Nicholas N. Carter..... P.O. Box 1636 Silsbee, Texas 77656	34,500	*
All directors and executive officers as a group (6 persons).....	584,150(3)	2.5%

</TABLE>

(1) Unless otherwise indicated, to the knowledge of the Company, all shares are owned directly and the owner has sole voting and investment power.

(2) Includes 400,000 shares which Mr. El-Khalidi has the right to acquire through the exercise of presently exercisable stock options. Excludes 385,000 shares owned by Ingrid El-Khalidi, Mr. El-Khalidi's wife, and 443,000 shares owned by relatives of Hatem El-Khalidi.

(3) Includes 425,000 shares which certain directors and executive officers have the right to acquire through the exercise of stock options or other rights exercisable presently or within 60 days. Excludes 385,000 shares owned by Ingrid El-Khalidi, the wife of Hatem El-Khalidi, the President, Chief Executive Officer and a director of the Company, and 443,000 shares owned by relatives of Hatem El-Khalidi.

Based on its stock ownership records, the Company believes that, as of December 31, 2003, Saudi Arabian stockholders currently hold approximately 61% of the Company's outstanding Common Stock, without giving effect to the exercise of presently exercisable stock options held by certain of such stockholders. Accordingly, if all or any substantial part of the Saudi Arabian stockholders were considered as a group, they could be deemed to "control" the Company as that term is defined in regulations promulgated by the SEC. Although they have orally waived their rights, certain of the Company's Saudi Arabian stockholders are parties to written agreements providing them with the right to purchase their proportionate share of additional shares sold by the Company.

The management of the Company has welcomed the substantial stock investment by its Saudi stockholders. Saudi investors have contributed vitally needed capital to the Company since 1974. Whether the Company's Saudi stockholders will be a continuing source of future capital is not known at this time. In confronting the need for additional funds, management of the Company will follow the policy of considering all potential sources consistent with prudent business practice and the best interests of all its stockholders. In the course of considering methods of future financing and other matters relating to the operations of the Company, management of the Company anticipates that in the ordinary course of business it will receive recommendations and suggestions from its principal stockholders.

EQUITY COMPENSATION PLAN INFORMATION

<TABLE>
<CAPTION>

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN(a)) (c)
<S>	<C>	<C>	<C>
Equity compensation plans approved by security holders	45,000	$78,750	0
Equity compensation plans not approved by security holders	0	0	0
Total	45,000	$78,750	0

</TABLE>

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Company directly owns approximately 51% of the outstanding capital stock of Pioche. Mr. John A. Crichton is currently a director and President of Pioche, and Mr. Hatem El-Khalidi is currently a director and Executive Vice President of Pioche. The Company is providing the funds necessary to cover the Pioche operations. During 2003 and 2002, the Company made payments of approximately $17,800 and $17,700, respectively, for such purposes. As of December 31, 2003, Pioche owed the Company $222,863 as a result of advances made by the Company. The indebtedness bears no interest.

Pursuant to a sharing arrangement, the Company and its subsidiaries share personnel, office space and other overhead expenses in Dallas, Texas with Mr. John A. Crichton, Chairman of the Board of the Company. Monthly rental on the office space is approximately $1,600. The Company pays approximately $1,100 per month for rent and approximately $980 per month for personnel and other overhead expenses pursuant to such arrangement.

During 2003, South Hampton incurred product transportation costs of approximately $388,000 with Silsbee Trading and Transportation Corp. ("STTC"), a private trucking and transportation carrier in which Nicholas N. Carter, the President of TOCCO, and Richard Crain, Vice President of TOCCO, each had a 50% equity interest. Mr. Crain resigned on January 2, 2004 as an officer of TOCCO and a co-owner of STTC. Pursuant to a lease agreement, South Hampton leases transportation equipment from STTC at a rate of approximately $32,800 per month, subject to adjustment. Under the lease arrangement, STTC provides the transportation equipment and all normal maintenance on such equipment and South Hampton provides the drivers, fuel, management of transportation operations and insurance on the transportation equipment. Approximately 95% of STTC's income will be derived from such lease arrangement. The Company believes that the terms of the lease arrangement are no less favorable in any material respect than those which could be obtained from an unaffiliated third party. The lease agreement operated on a month-to-month basis until January 1, 2004, when a new

five year agreement was entered into.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The table below sets forth the fees that Moore Stephens Travis Wolff, LLP billed the Company for the audit of its financial statements for the fiscal years ended December 31, 2003 and 2002 and the review of its financial statements for the quarterly periods in the year ended December 31, 2003, and all other fees Moore Stephens Travis Wolff, LLP billed the Company for services rendered during the fiscal years ended December 31, 2003 and December 31, 2002, respectively:

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Audit Fees	$ 96,874	$113,339
Audit-Related Fees	$ 0	$ 0
Tax Fees	$ 0	$ 0
All Other Fees	$ 2,500	$ 0

</TABLE>

Under its charter, the Audit Committee must pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimis exceptions for non-audit services under the Securities Exchange Act of 1934, as amended, which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may delegate authority to grant pre-approvals of audit and permitted non-audit services to subcommittees, provided that decisions of the subcommittee to grant pre-approvals must be presented to the full Audit Committee at its next scheduled meeting. During 2003, each new engagement of Moore Stephens Travis Wolff, LLP was approved in advance by the Audit Committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a)1. The following financial statements are filed with this Report:

Reports of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets dated December 31, 2003 and 2002.

Consolidated Statements of Operations for the three years ended December 31, 2003.

Consolidated Statement of Stockholders' Equity for the three years ended December 31, 2003.

Consolidated Statements of Cash Flows for the three years ended December 31, 2003.

Notes to Consolidated Financial Statements.

2. The following financial statement schedules are filed with this Report:

Schedule II -- Valuation and Qualifying Accounts for the three years ended December 31, 2003.

3. Independent Auditors' Report covering the financial statements of Productos Quimicos Coin, S.A. de C.V.

4. 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.

<TABLE>
<CAPTION>

EXHIBIT NUMBER		DESCRIPTION
<S>	<C>	
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)	-	Bylaws of the Company, as amended through March 4, 1998 (incorporated by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER		DESCRIPTION
<S>		<C>
10(a)	-	Contract dated July 29, 1971 between the Company, National Mining Company and Petromin (incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(b)	-	Loan Agreement dated January 24, 1979 between the Company, National Mining Company and the Government of Saudi Arabia (incorporated by reference to Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(c)	-	Mining Lease Agreement effective May 22, 1993 by and between the Ministry of Petroleum and Mineral Resources and the Company (incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(d)	-	Stock Option Plan of the Company, as amended (incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).*
10(e)	-	Agreement dated March 10, 1988 between Chevron Research Company and South Hampton Refining Company, together with related form of proposed Contract of Sale by and between Chevron Company and South Hampton Refining Company (incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(f)	-	Addendum to the Agreement Relating to AROMAX(R) Process - Second Commercial Demonstration dated June 13, 1989 by and between Chevron Research Company and South Hampton Refining Company (incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(g)	-	Letter Agreement dated May 3, 1991 between Sheikh Kamal Adham and the Company (incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(h)	-	Promissory Note dated February 17, 1994 from Hatem El-Khalidi to the Company (incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER		DESCRIPTION
<S>		<C>
10(i)	-	Letter Agreement dated August 15, 1995 between Hatem El-Khalidi and the Company (incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(j)	-	Letter Agreement dated August 24, 1995 between Sheikh Kamal Adham and the Company (incorporated by reference to Exhibit 10(m) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(k)	-	Letter Agreement dated October 23, 1995 between Sheikh Fahad Al-Athel and the Company (incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(l)	-	Letter Agreement dated November 30, 1996 between Sheikh Fahad Al-Athel and the Company (incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 0-6247)).
10(m)	-	Stock Purchase Agreement dated as of January 25, 2000 between Spechem, S.A. de. C.V. and Texas Oil and Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(p) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(n)	-	Purchase and Sale Agreement/Security Agreement dated July 29, 2003 between Southwest Bank of Texas, N.A. and South

		Hampton Refining Company, together with related Restricted Payments Letter Agreement and Guaranty of Texas Oil & Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 0-6247)).
10(o)	-	Equipment Lease Agreement dated November 14, 2003, between Silsbee Trading and Transportation Corp. and South Hampton Refining Company.
10(p)	-	Pledge Agreement dated as of May 15, 2001, by Arabian American Development Company, American Shield Refining Company, Fahad Al-Athel, Hatem El-Khalidi, Ingrid El-Khalidi and Preston Peak.
14	-	Code of Ethics for Senior Financial Officers.

EXHIBIT NUMBER		DESCRIPTION
16	-	Letter re change in certifying accountant (incorporated by reference to Exhibit 16 to the Company's Current Report on Form 8-K/A dated January 31, 2003 (File No. 0-6247)).
21	-	Subsidiaries (incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 0-6247)).
24	-	Power of Attorney (set forth on the signature page hereto).
31.1	-	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	-	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.

(b) The following reports on Form 8-K were filed during the last quarter of the period covered by this Report:

- Current Report on Form 8-K dated October 16, 2003.
- Current Report on Form 8-K dated December 29, 2003.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of Arabian American Development Company, a Delaware corporation, and the undersigned directors and officers of Arabian American Development Company, hereby constitutes and appoints John A. Crichton its or his true and lawful attorney-in-fact and agent, for it or him and in its or his name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this Report, and to file each such amendment to the Report, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises as fully to all intents and purposes as it or he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARABIAN AMERICAN DEVELOPMENT COMPANY

Dated: June 22, 2004

By: /s/ Hatem El-Khalidi
Hatem El-Khalidi
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the

Company in the capacities indicated on June 22, 2004.

<TABLE>
<CAPTION>

SIGNATURE	TITLE
<S>	<C>
/s/ Hatem El-Khalidi Hatem El-Khalidi	President, Chief Executive Officer and Director (principal executive officer)
/s/ Drew Wilson, Jr. Drew Wilson, Jr.	Secretary and Treasurer (principal financial and accounting officer)
/s/ John A. Crichton John A. Crichton	Chairman of the Board and Director
/s/ Mohammed O. Al-Omair Mohammed O. Al-Omair	Director
/s/ Ghazi Sultan Ghazi Sultan	Director

</TABLE>

INDEX TO FINANCIAL STATEMENTS

<Table>
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</Table>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Arabian American Development Company and Subsidiaries
Dallas, Texas

We have audited the accompanying consolidated balance sheets of Arabian American Development Company and Subsidiaries (the "Company") as of December 31, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Productos Quimicos Coin S.A. de. C.V. (Coin), a majority-owned subsidiary, as of December 31, 2003 and 2002, or for the three years in the period ended December 31, 2003, the statements of which reflect total assets constituting 5% and 6%, respectively, and total revenues constituting 3%, 10% and 5%, respectively, of the consolidated totals. These statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to amounts included for Coin, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan

and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arabian American Development Company and Subsidiaries as of December 31, 2003 and 2002 and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2003 in conformity with U. S. generally accepted accounting principles.

As discussed in Note 18, subsequent to year-end, a Coin creditor initiated a mortgage foreclosure proceeding that resulted in a court ordered award of Coin's plant facilities to the creditor. The legal transfer of ownership has yet to occur and management cannot predict when such transfer will occur.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the consolidated financial statements, the Company incurred cumulative losses through December 31, 2003 of $16,557,704 and had an excess of current liabilities over current assets of $25,828,242 at December 31, 2003. As discussed in Notes 2 and 8 to the consolidated financial statements, at December 31, 2003, the Company was in default of various loan agreements totaling $17,974,211, including accrued interest. If resolution with the Company's creditors is not achieved, and the Company does not generate positive cash flow adequate for its operations and loan obligations, the Company will have to raise debt or equity capital. There is no assurance that debt financing or capital would be available. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ MOORE STEPHENS TRAVIS WOLFF, LLP

Dallas, Texas
March 24, 2004
(except for Note 19,
as to which the date
is May 15, 2004)

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	DECEMBER 31, 2003	DECEMBER 31, 2002
<S>	<C>	<C>
CURRENT ASSETS		
Cash	$ 177,716	$ 319,171
Trade receivables, net	2,810,858	4,549,369
Inventories	656,481	900,061
Total current assets	3,645,055	5,768,601
REFINERY PLANT, PIPELINE AND EQUIPMENT - AT COST	18,406,665	18,250,302
LESS ACCUMULATED DEPRECIATION	(9,659,837)	(8,294,753)
REFINERY PLANT, PIPELINE AND EQUIPMENT, NET	8,746,828	9,955,549
AL MASANE PROJECT	36,165,120	35,818,157
OTHER INTERESTS IN SAUDI ARABIA	2,431,248	2,431,248
MINERAL PROPERTIES IN THE UNITED STATES	1,211,674	1,211,010
OTHER ASSETS	472,572	436,244
TOTAL ASSETS	$ 52,672,497	$ 55,620,809

</TABLE>

CONSOLIDATED BALANCE SHEETS - CONTINUED

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2003	2002
CURRENT LIABILITIES		
Accounts payable	$ 7,587,963	$ 4,217,014
Accrued interest	3,467,657	2,558,478
Accrued liabilities	832,236	759,591
Accrued liabilities in Saudi Arabia	2,671,840	2,490,005
Notes payable	11,025,780	11,025,780
Notes payable to stockholders	718,000	718,000
Current portion of long-term debt	3,169,821	7,126,773
Total current liabilities	29,473,297	28,895,641
DEFERRED REVENUE	166,543	177,806
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	834,956	844,298
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - authorized, 40,000,000 shares of $.10 par value; issued and outstanding, 22,431,994 shares in 2003 and 2002	2,243,199	2,243,199
Additional paid-in capital	36,512,206	36,512,206
Accumulated deficit	(16,557,704)	(13,052,341)
Total stockholders' equity	22,197,701	25,703,064
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 52,672,497	$ 55,620,809

The accompanying notes are an integral part of the consolidated financial statements.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

	2003	2002	2001
Revenues			
Refined product sales	$35,760,439	$32,638,719	$28,982,357
Processing fees	3,864,294	4,114,281	3,730,311
	39,624,733	36,753,000	32,712,668
Operating costs and expenses			
Cost of refined product sales and processing	36,374,346	29,529,641	28,833,062
General and administrative	4,387,957	4,087,875	3,717,822
Depreciation	1,367,218	1,414,202	1,381,469
	42,129,521	35,031,718	33,932,353
Operating income (loss)	(2,504,788)	1,721,282	(1,219,685)
Other income (expense)			
Interest income	31,954	37,621	44,534
Interest expense	(1,244,749)	(1,354,042)	(1,506,544)
Minority interest	9,343	9,064	145,649
Foreign exchange transaction gain (loss)	149,551	240,106	(104,979)
Miscellaneous income	53,826	38,032	40,007
	(1,000,575)	(1,029,219)	(1,381,333)
Income (loss) before income taxes	(3,505,363)	692,063	(2,601,018)
Income tax expense	-	-	-
Net income (loss)	$(3,505,363)	$ 692,063	$(2,601,018)
Basic and diluted net income (loss) per common share	$ (0.15)	$ 0.03	$ (0.11)
Basic and diluted weighted average number of common shares outstanding	22,731,994	22,731,994	22,768,858

The accompanying notes are an integral part of the

consolidated financial statements.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	
	SHARES	AMOUNT	CAPITAL	DEFICIT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
DECEMBER 31, 2000	22,488,994	$2,248,899	$36,523,606	$ (11,143,386)	$27,629,119
Common stock cancelled in settlement of receivable	(57,000)	(5,700)	(11,400)	-	(17,100)
Net loss	-	-	-	(2,601,018)	(2,601,018)
DECEMBER 31, 2001	22,431,994	2,243,199	36,512,206	(13,744,404)	25,011,001
Net income	-	-	-	692,063	692,063
DECEMBER 31, 2002	22,431,994	2,243,199	36,512,206	(13,052,341)	25,703,064
Net loss	-	-	-	(3,505,363)	(3,505,363)
DECEMBER 31, 2003	22,431,994	$2,243,199	$36,512,206	$ (16,557,704)	$22,197,701

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

<TABLE>
<CAPTION>

	2003	2002	2001
<S>	<C>	<C>	<C>
Operating activities			
Net income (loss)	$(3,505,363)	$ 692,063	$(2,601,018)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	1,367,218	1,414,202	1,381,469
Increase (decrease) in deferred revenue	(11,263)	56,934	(10,529)
Unrealized (gain) loss on feedstock swaps	-	(505,890)	505,890
Changes in operating assets and liabilities:			
(Increase) decrease in trade receivables	(1,511,489)	(111,807)	802,207
(Increase) decrease in inventories	243,580	(176,748)	237,181
(Increase) decrease in other assets	(36,328)	51,581	56,039
(Decrease) increase in accounts payable and accrued liabilities	3,443,594	(871,743)	(396,490)
Increase in accrued interest	909,179	801,590	1,051,184
Increase in accrued liabilities in Saudi Arabia	181,835	63,898	276,910
Other	(11,476)	(74,447)	(43,694)
Net cash provided by operating activities	1,069,487	1,339,633	1,259,149
Investing activities			
Additions to Al Masane Project	(346,963)	(202,016)	(544,568)
Additions to refinery plant, pipeline and equipment	(156,363)	(545,939)	(455,472)
(Additions to) reduction in mineral properties in the United States	(664)	(41)	71,173
Net cash used in investing activities	(503,990)	(747,996)	(928,867)
Financing activities			
Additions to notes payable and long-term obligations	-	299,236	285,940
Reduction of notes payable and long-term obligations	(706,952)	(771,231)	(575,670)
Net cash used in financing activities	(706,952)	(471,995)	(289,730)
Net increase (decrease) in cash	(141,455)	119,642	40,552
Cash at beginning of year	319,171	199,529	158,977
Cash at end of year	$ 177,716	$ 319,171	$ 199,529

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS AND OPERATIONS OF THE COMPANY

Arabian American Development Company (the "Company") was organized as a Delaware corporation in 1967. The Company's principal business activities include refining various specialty petrochemical products (also referred to as the "Refining Segment") and developing mineral properties in Saudi Arabia and the United States (also referred to as the "Mining Segment"). All of its mineral properties are presently undeveloped and require significant capital expenditures before beginning any commercial operations (see Notes 2, 6 and 7).

The Company's Refining Segment activities are primarily conducted through a wholly-owned subsidiary, American Shield Refining Company (the "Refining Company"), which owns all of the capital stock of Texas Oil and Chemical Co. II, Inc. ("TOCCO"). TOCCO owns all of the capital stock of South Hampton Refining Company ("South Hampton"), and approximately 93% of the capital stock of Productos Quimicos Coin S.A. de. C.V. ("Coin"). South Hampton owns all of the capital stock of Gulf State Pipe Line Company, Inc. ("Gulf State"). South Hampton owns and operates a specialty petrochemical products refinery near Silsbee, Texas that is one of the largest domestic manufacturers of pentanes. Gulf State owns and operates three pipelines that connect the South Hampton refinery to a natural gas line, to South Hampton's truck and rail loading terminal and to a marine terminal owned by an unaffiliated third party. Coin owns and operates a specialty petrochemical products refinery in Coatzacoalcos, on the Yucatan Peninsula near Veracruz, Mexico. The Company also owns approximately 51% of the capital stock of a Nevada mining company, Pioche-Ely Valley Mines, Inc. ("Pioche"), which does not conduct any substantial business activity. Pioche and the Company's mineral properties in Saudi Arabia constitute its Mining Segment.

The Company consolidates all subsidiaries for which it has majority ownership or voting control that is other than temporary. All material intercompany accounts and transactions are eliminated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS - The Company's principal banking and short-term investing activities are with local and national financial institutions. Short-term investments with an original maturity of three months or less are classified as cash equivalents. At December 31, 2003 and 2002, there were no cash equivalents or short-term investments.

INVENTORIES - Refined products and feedstock are recorded at the lower of cost, determined on the last-in, first-out method (LIFO), or market for inventories in the United States and on the average cost method, or market, for inventories held in Mexico.

MINERAL EXPLORATION AND DEVELOPMENT COSTS - All costs related to the acquisition, exploration, and development of mineral deposits are capitalized until such time as (1) the Company commences commercial exploitation of the related mineral deposits at which time the costs will be amortized, (2) the related project is abandoned and the capitalized costs are charged to operations, or (3) when any or all deferred costs are permanently impaired. At December 31, 2003, none of the projects had reached the commercial exploitation stage. No indirect overhead or general and administrative costs have been allocated to any of the projects.

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

REFINERY PLANT, PIPELINE AND EQUIPMENT - Refinery plant, pipeline and equipment are stated at cost. Depreciation is provided over the estimated service lives using the straight-line method. Gains and losses from disposition are included in operations in the period incurred.

OTHER ASSETS - Other assets include catalysts used in refinery operations, prepaid expenses, a note receivable and certain refinery assets, which are being leased to a third party.

ENVIRONMENTAL LIABILITIES - Remediation costs are accrued based on estimates of known environmental remediation exposure. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred.

DEFERRED REVENUE - Deferred revenue represents funds advanced by three suppliers and customers to defray development and processing costs and are being amortized over five year and 15 year periods.

STATEMENTS OF CASH FLOWS - In the statements of cash flows, cash includes cash held in the United States and Saudi Arabia. Significant noncash investing and financing activities in 2003 include the pay-off of South Hampton's $3.25 million revolving bank note with proceeds from sales of accounts receivables under a Purchase and Sale Agreement with the bank. In 2001, such activities include the cancellation of 57,000 shares of common stock in exchange for a $128,000 receivable from an officer of the Company.

NET INCOME (LOSS) PER SHARE - The Company computes basic income (loss) per common share based on the weighted-average number of common shares outstanding. Diluted income (loss) per common share is computed based on the weighted-average number of common shares outstanding plus the number of additional common shares that would have been outstanding if dilutive potential common shares, consisting of stock options and shares issueable upon conversion of debt, had been issued (Note 13).

FOREIGN CURRENCY AND OPERATIONS - The functional currency for each of the Company's subsidiaries is the US dollar. Transaction gains or losses as a result of remeasuring from the subsidiary's local currency to the US dollar are reflected in the statements of operations as a foreign exchange transaction gain or loss. The Company does not employ any practices to minimize foreign currency risks.

The Company's foreign operations have been, and will continue to be, affected by periodic changes or developments in the foreign country's political and economic conditions as well as changes in their laws and regulations. Any such changes could have a material adverse effect on the Company's financial condition, operating results or cash flows.

Saudi Arabian investors, including certain members of the Company's board of directors, own approximately 61% of the Company's outstanding common stock at December 31, 2003.

MANAGEMENT ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

STOCK-BASED COMPENSATION - The Company accounts for employee stock options under the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 and has adopted the disclosure requirements of Statement of Financial Accounting Standards (SFAS) No. 123, as amended by Statement of Financial Accounting Standards No. 148. Accordingly, the compensation expense of any employee stock options granted is the excess, if any, of the quoted market price of the Company's common stock at the grant date over the amount the employee must pay to acquire the stock. See Note 10 for additional information relating to stock options.

DERIVATIVES - Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 138 and 149, establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133, as amended, was adopted by the Company on January 1, 2001 and SFAS No. 149 was adopted on June 30, 2003.

The Company has periodically entered into commodity swap derivative agreements to decrease the price volatility of its natural gasoline feedstock requirements and has entered into option contracts to decrease the price volatility of its natural gas fuel stock requirements in 2003. These derivative agreements were not designated as hedges by the Company. (See Note 17.)

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Company's financial instruments include cash and cash equivalents, notes payable and long-term debt. The carrying amount of cash and cash equivalents approximates fair value at December 31, 2003 and 2002 due to the short-term maturity of these items. The Company's long-term debt is variable rate debt, and as a result, fair value approximates carrying value. It is not practical to estimate the fair value of the Company's notes payable because quoted market prices do not exist for similar

type debt instruments, and there are no available comparative instruments as a basis to value the notes.

NEW ACCOUNTING STANDARDS -In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" (SFAS No. 143), that established uniform methodology for accounting for estimated costs associated with legal obligations related to retirement of assets. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 at January 1, 2003 did not have a material impact on the consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, Rescission of No. 4, (Reporting Gains and Losses from Extinguishment of Debt), No. 44 (Accounting for Intangible Assets of Motor Carriers), No. 64, (Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements), Amendment of FASB Statement No. 13 (Accounting for Leases) and Technical Corrections. This statement eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

only if they are deemed to be unusual and infrequent, in accordance with the current GAAP criteria for extraordinary classification. In addition, SFAS No. 145 eliminates an inconsistency in lease accounting by requiring that modification of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. The statement also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 at January 1, 2003 did not have a material impact on the Company's financial position, results of operations or cash flows.

In November 2002, the FASB issued FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34". FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit and warranty obligations. It also clarifies that at the time a company issues a guarantee, a company must recognize an initial liability for the fair value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The provisions of FIN 45 relating to initial recognition and measurement must be applied on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of the initial recognition and measurement provisions did not have a significant impact on the Company's financial condition or results of operations. The disclosure requirements of FIN 45 were effective for both interim and annual periods that end after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's consolidated financial statements.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities" and in December 2003, issued FIN 46R, which superceded FIN 46 (collectively FIN 46) to address perceived weaknesses in the accounting and financial reporting for investments or interests in entities commonly known as special purpose or off-balance-sheet entities. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 was required to be applied to preexisting entities of the Company as of the beginning of the first quarter after June 15, 2003. FIN 46 was required to be applied to all new entities with which the Company became involved beginning February 1, 2003. Provisions of FIN 46R are applicable to all entities subject to the Interpretation no later than the end of the first quarter after March 15, 2004. The adoption of FIN 46 did not have a material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement was developed to respond to concerns expressed by users of financial statements about issuers' classification in the statement of financial position of certain financial instruments that have characteristics of both liabilities and equity but that have been presented either entirely as equity or between the liabilities section and the equity section of the statement of financial position ("mezzanine equity"). This Statement also addresses questions about the

classification of certain financial instruments that embody obligations to issue equity shares. SFAS No. 150 aims to eliminate diversity in practice by requiring certain types of "freestanding" financial instruments, such as mandatorily redeemable instruments, to be reported as liabilities. Preferred dividends on these instruments are now classified as interest expense. Retroactive reclassification of amounts reported in historical financial statements for periods prior to the effective date of SFAS No. 150 is not permitted. The provisions of SFAS No. 150, which also include a number of new disclosure requirements, was effective for instruments entered into or modified after May 31, 2003 and pre-existing instruments as of the beginning of the first interim period that commenced after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated financial position.

NOTE 2 - LIQUIDITY MATTERS, REALIZATION OF ASSETS AND BUSINESS RISKS

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements, the Company had an excess of current liabilities over current assets of $25,828,242 at December 31, 2003.

As discussed in Note 8, the Company was in default of various loan agreements totaling $17,974,211, including accrued interest, and the plant facilities of Coin have been foreclosed by a creditor (See Note 18). If resolution with the Company's creditors is not achieved, and the Company does not generate positive cash flow adequate for its operations and loan obligations, the Company will have to raise debt or equity capital. There is no assurance that it would be able to do so.

Historically, the Company's cash flows from operating activities have been insufficient to meet its operating needs, planned capital expenditures and debt service requirements. The Company has continually sought additional debt and equity financing in order to fund its mineral development and other investing activities and experienced difficulties obtaining additional financing. The Company presently needs additional financing in order to fund its planned mineral development and other activities.

The Company's mining segment is in the development stage. Its most significant asset is the Al Masane mining project in Saudi Arabia, which is a net user of the Company's available cash and capital resources. As discussed in Note 6, the Company intends to take steps to finance commercial development of the Al Masane mining project. However, there is no assurance the Company will be able to arrange financing.

Management is also addressing two other significant financing issues within this segment. These issues are the $11.0 million note payable due the Saudi Arabian government and accrued salaries and termination benefits of approximately $933,000 due employees working in Saudi Arabia (this amount does not include any amounts due the Company's President and Chief Executive Officer who also primarily works in Saudi Arabia and is owed accrued salaries and termination benefits of approximately $1,158,000). The note payable was originally due in ten annual installments beginning in 1984. While the Company has not made any repayments, it has not received any payment demands or other communications from the Saudi government regarding the note payable. This is despite the fact the Company remains active in Saudi Arabia and received the Al Masane mining lease at a time when it had not made any of the agreed upon repayment installments. Based on its experience to date,

NOTE 2 - LIQUIDITY MATTERS, REALIZATION OF ASSETS AND BUSINESS RISKS - CONTINUED

management believes as long as the Company diligently attempts to explore and develop the Al Masane project, that no repayment demand will be made. The Company has communicated to the Saudi government that its delay in repaying the note is a direct result of the government's lengthy delay in granting the Al Masane lease and requested formal negotiations to restructure this obligation. Based on its interpretation of the Al Masane mining lease and other documents, management believes the government is likely to agree to link repayment of this note to the operating cash flows generated by the commercial development of the Al Masane project, which would result in a long-term installment repayment schedule. In the event the Saudi government was to demand immediate repayment of this obligation, which management considers unlikely, the Company would be unable to pay the entire amount due.

The second issue is the accrued salaries and termination benefits due employees working in Saudi Arabia. The Company plans to continue employing these individuals until it is able to generate sufficient excess funds to begin payment of this liability. Management will then begin the process of gradually releasing certain employees and paying its obligation as they are released from the Company's employment.

A significant component of the Company's assets consists of undeveloped mineral deposits. There is no assurance that the Company will ultimately successfully develop either the Al Masane project or any of the other properties discussed in Notes 6 and 7, and, if developed, whether the mineral acquisition and development costs incurred will be recovered. The recovery of these costs is dependent upon a number of factors and future events, many of which are beyond the Company's control. Furthermore, the Company's ability to develop and realize its investment in these properties is dependent upon (i) obtaining significant additional financing and (ii) attaining successful operations from one or more of these projects.

The Company assesses the carrying values of its assets on an ongoing basis. Factors which may affect carrying values include, but are not limited to, mineral prices, capital cost estimates, the estimated operating costs of any mines and related processing, ore grade and related metallurgical characteristics, the design of any mines and the timing of any mineral production. Prices currently used to assess recoverability, based on production to begin no sooner than 2005, are $1.04 per pound for copper and $.61 per pound for zinc. Copper and zinc comprise in excess of 80% of the expected value of production. There are no assurances that, particularly in the event of a prolonged period of depressed mineral prices, the Company will not be required to take a material write-down of its mineral properties.

NOTE 3 - CONCENTRATIONS OF REVENUES AND CREDIT RISK

The Refining Segment sells its products and services to companies in the chemical and plastics industries. It performs periodic credit evaluations of its customers and does not require collateral from its customers. The largest customer accounted for 9% and 10% of the total product sales in 2002 and in 2001, respectively. No one customer accounted for more than 10% of sales in 2003. Minimal credit losses have been incurred. The carrying amount of accounts receivable approximates fair value at December 31, 2003.

NOTE 3 - CONCENTRATIONS OF REVENUES AND CREDIT RISK - CONTINUED

South Hampton's operations are dependent upon one major supplier for its feedstock supply. At December 31, 2003, South Hampton owed the supplier approximately $5,800,000 for feedstock purchases. This liability is included in Accounts Payable in the consolidated financial statements.

Coin's operations are dependent upon Pemex (Mexican government owned vendor) for its feedstock supply. Coin's operations have been negatively impacted in 2003, 2002 and 2001 by the inability to obtain feedstock for production. In 2003, Coin secured a purchase contract with Pemex for feedstock.

NOTE 4 - SALE OF ACCOUNTS RECEIVABLE

The Company accounts for the transfers of accounts receivable as sales transactions. South Hampton has an agreement in place with a bank to sell its U.S. trade receivables on a limited recourse basis up to a maximum of $4.5 million. As collections reduce previously sold receivables, South Hampton may replenish these with new receivables. At December 31, 2003, approximately $3.4 million had been sold and, due to the revolving nature of the agreement, also remained outstanding. The initial sales proceeds under this agreement were used to retire the $3.25 million revolving credit agreement balance outstanding at December 31, 2002. (See Note 8 E).

The agreement contains restrictions on dividends payable to the Company by South Hampton and is collateralized by accounts receivable and inventory. The risk South Hampton bears from bad debt losses on U.S. trade receivables sold is retained since it holds a retained interest in the sold receivables of approximately $510,000. Receivables sold may not include amounts over 90 days past due. Expenses incurred under this program of approximately $114,000 are included in interest expense in the statements of operations.

NOTE 5 - INVENTORIES

Inventories include the following at December 31:

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Refined products	$656,481	$900,061

</TABLE>

At December 31, 2003 and 2002, current cost exceeded the LIFO value by approximately $256,000 and $203,000, respectively.

NOTE 6 - MINERAL EXPLORATION AND DEVELOPMENT COSTS IN SAUDI ARABIA

In the accompanying consolidated financial statements, the deferred exploration and development costs have been presented based on the related projects' geographic location within Saudi Arabia. This includes the "Al Masane Project" (the "Project") and "Other Interests in Saudi Arabia" which primarily pertains to the costs of rentals, field offices and camps, core drilling and labor incurred at the Wadi Qatan and Jebel Harr properties.

In 1971, the Saudi Arabian government awarded the Company exclusive mineral exploration licenses to explore and develop the Wadi Qatan area in southwestern Saudi Arabia. The Company was subsequently awarded an additional license in 1977 for an area north of Wadi Qatan at Jebel Harr. These licenses have expired. On June 22, 1999, the Company submitted a formal application for a five-year exclusive exploration license for the Greater Al Masane area of approximately 2,850 square kilometers that surrounds the Al Masane mining lease area and includes the Wadi Qatan and Jebel Harr areas. Although a license has not been formally granted for the Greater Al Masane area, the Company has been authorized in writing by the Saudi Arabian government to carry out exploration work on the area. The Company previously worked the Greater Al Masane area after obtaining written authorization from the

NOTE 6 - MINERAL EXPLORATION AND DEVELOPMENT COSTS IN SAUDI ARABIA - CONTINUED

Saudi Ministry of Petroleum and Mineral Resources, and has expended over $3 million in exploration work. The application for the new exploration license is still pending and is expected to be acted upon after the proposed new Saudi Arabian Mining Code is approved. Geophysical, geochemical and geological work and diamond core drilling on the Greater Al Masane area has revealed mineralization similar to that discovered at Al Masane. The Company intends to formalize its claims in these areas.

The Al Masane project, consisting of a mining lease area of approximately 44 square kilometers, contains extensive ancient mineral workings and smelters. From ancient inscriptions in the area, it is believed that mining activities went on sporadically from 1000 BC to 700 AD. The ancients are believed to have extracted mainly gold, silver and copper. The Project includes various quantities of proved zinc, copper, gold and silver reserves.

As the holder of the Al Masane mining lease, the Company is solely responsible to the Saudi Arabian government for the rental payments and other obligations provided for by the mining lease and repayment of the previously discussed $11 million loan. The Company's interpretation of the mining lease is that repayment of this loan will be made in accordance with a repayment schedule to be agreed upon with the Saudi Arabian government from the Company's share of the project's cash flows. The initial term of the lease is for a period of thirty (30) years from May 22, 1993, with the Company having the option to renew or extend the term of the lease for additional periods not to exceed twenty (20) years. Under the lease, the Company is obligated to pay advance surface rental in the amount of 10,000 Saudi Riyals (approximately $2,667 at the current exchange rate) per square kilometer per year (approximately $117,300 annually) during the period of the lease. At December 31, 2003, approximately $543,000 of rental payments was in arrears. In addition, the Company must pay income tax in accordance with the income tax laws of Saudi Arabia then in force and pay all infrastructure costs. The Saudi Arabian Mining Code provides that income tax will not be due during the first stage of mining operations, which is the period of five years starting from the earlier of (i) the date of the first sale of products or (ii) the beginning of the fourth year since the issue of the mining lease. The lease gives the Saudi Arabian government priority to purchase any gold production from the project as well as the right to purchase up to 10% of the annual production of other minerals on the same terms and conditions then available to other similar buyers and at current prices then prevailing in the free market. Furthermore, the lease contains provisions requiring that preferences be given to Saudi Arabian suppliers and contractors, that the Company employ Saudi Arabian citizens and provide training to Saudi Arabian personnel.

Pursuant to the mining lease agreement, when the Al Masane project is profitable the Company is obligated to form a Saudi public stock company with the Saudi Arabian Mining Company, a corporation wholly owned by the Saudi Arabian government (Ma'aden), as successor to and assignee of the mining interests formerly held by the Petroleum Mineral Organization ("Petromin"). Ma'aden is the Saudi Arabian government's official mining company. In 1994, the Company received instructions from the Saudi Ministry of Petroleum and Mineral Resources stating that it is possible for the Company to form a Saudi company without Petromin (now Ma'aden), but the sale of stock to the Saudi public could not occur until the mine's commercial operations were profitable for at least two years. The instructions added that Petromin (now Ma'aden) still had the right to purchase shares in the Saudi public stock company any time it desires. Title to the mining lease and the other obligations specified in the mining lease will be transferred to the

Saudi public stock company. However, the Company would remain responsible for the repaying the $11 million loan to the Saudi Arabian government.

NOTE 6 - MINERAL EXPLORATION AND DEVELOPMENT COSTS IN SAUDI ARABIA - CONTINUED

On May 11, 1999, the Company informed the Ministry of Petroleum and Mineral Resources that implementation of the Al Masane project would be delayed until open market prices for the minerals improve. One year later in May 2000, a reply was received from the Ministry notifying the Company that it must immediately implement the project. In September 2000, the Company was further notified that the project should be immediately implemented or the mining lease would be terminated. A second notice from the Ministry several weeks later stated that the Committee of the Supreme Council of Petroleum and Minerals in Saudi Arabia had recommended giving the Company six months to take positive steps to implement the project. Another notice from the Ministry in August 2001 stated that the Council of Ministers of Saudi Arabia had issued a resolution in which it refused the Company's request to postpone implementation of the project, that the Company must start implementation of the project within six months of the date of the resolution and that, if the project was not then started, the Ministry was authorized to begin procedures to terminate the mining lease. Subsequent correspondence from the Ministry in the Fall of 2001 reiterated the threat to terminate the mining lease if the project was not immediately implemented. A letter from the Ministry in March 2002 stated that the six-month period to implement the project had expired without the Company taking positive steps towards that end. In September 2002, the Company sent a letter to Saudi Arabian Crown Prince Abdullah Ben Abdul Aziz, in his capacity as Deputy Chairman of the Saudi Supreme Council of Petroleum and Minerals (the King of Saudi Arabia is the chairman), in which the Company contested the legality of the threats of the Ministry to terminate the mining lease and requested his advice. As stated in its letters to the Ministry and the Crown Prince, the Company believes that the Ministry's letters to the Company asking for the implementation of the project, without any regard to metal market conditions, is contrary to the Saudi Mining code and the mining lease agreement. In addition, the Company has had correspondence and a meeting with the United States Ambassador to Saudi Arabia where the Company presented its opinion regarding the legality of the Ministry's actions. This opinion also was conveyed in a letter to the United States Secretary of Commerce, who replied that the United States Embassy is working to set up meetings with Saudi Arabian government officials in an effort to resolve the matter. The Secretary of Commerce assured the Company that the Department of Commerce has a strong commitment in helping United States companies whenever possible.

On February 23, 2004, the Company's President received a letter from the Deputy Minister of Petroleum and Mineral Resources stating that the Council of Ministers had issued a resolution, dated November 17, 2003, which directed the Minister, or whomever he may designate, to discuss with the President of the Company the implementation of a work program, similar to that which is attached to the Company's mining lease, to start during a period not to exceed two years, and the payment of the past due surface rentals. If agreeable, a document is to be signed to that effect. The resolution stated further that, if no agreement is reached, the Ministry of Finance will give the Council of Ministers its recommendation regarding the $11 million loan granted to the Company.

After discussions with the Deputy Minister, the Company President responded, in a letter to the Minister dated March 23, 2004, that the Company will agree to abide by the resolution and will start implementing the work program to build the mine, treatment plant and infrastructure within two years from the date of the signed agreement. The work program was prepared by the Company's technical consultants and was attached to the letter. The Company also will agree to pay the past due surface rentals, which now total approximately $586,000, in two equal installments, the first on December 31, 2004 and the second on December 31, 2005 and will continue to pay the surface rentals as specified in the Mining Lease Agreement. On May 15, 2004, an agreement was signed with the Ministry covering these provisions. In the event the Company does not start to implement the program during the two-year period, the matter will be referred to the concerned parties to seek direction in accordance with the Mining Code and other concerned codes.

The Company intends to make preparations to start to implement the work program, which will take approximately twenty-two months to complete, after which commercial production can begin. The Company plans to update the feasibility study, and, if positive, will attempt to locate a joint venture partner to manage the project and attempt to obtain acceptable financing to commercially develop the program now that the price of zinc, copper, gold and silver have increased significantly.

The Minister of Petroleum and Mineral Resources announced on April 2, 2002 that a new revised Saudi Arabian Mining Code would be issued, which would expedite the issuance of licenses and has new incentives to encourage investment by the private sector, both Saudi and foreign, in the development of mineral resources in Saudi Arabia. The mining code has been revised and was recently presented to the Council of Ministers

for approval.

There can be no assurances that the Company will be able to locate a joint venture partner, form a joint venture or obtain financing

NOTE 6 - MINERAL EXPLORATION AND DEVELOPMENT COSTS IN SAUDI ARABIA - CONTINUED

from the Saudi Industrial Development Fund ("SIDF") or any other sources. Financing plans for the above are currently being studied. In the meantime, the Company intends to maintain the Al Masane mining lease through the payment of the annual advance surface rental, the implementation of a drilling program to attempt to increase proven and probable reserves and to attempt to improve the metallurgical recovery rates, which may improve the commercial viability of the project. At December 31, 2003, approximately $543,000 of rental payments was unpaid.

Deferred exploration and development costs of the Al Masane Project at December 31, 2003, 2002 and 2001, and the changes in these amounts for each of the three years then ended are detailed below:

<TABLE>
<CAPTION>

	Balance at December 31, 2003	Activity for 2003	Balance at December 31, 2002	Activity for 2002	Balance at December 31, 2001	Activity for 2001
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Property and equipment:						
Mining equipment	$ 2,160,206	-	$ 2,160,206	-	$ 2,160,206	-
Construction costs	3,140,493	-	3,140,493	-	3,140,493	-
Total	5,300,699	-	5,300,699	-	5,300,699	-
Other costs:						
Labor, consulting services and project administration costs	$ 21,781,418	$ 346,963	$ 21,434,455	$ 319,349	$ 21,115,106	$ 193,082
Materials and maintenance	6,175,232	-	6,175,232	-	6,175,232	1,486
Feasibility study	2,907,771	-	2,907,771	-	2,907,771	-
Total	30,864,421	346,963	30,517,458	319,349	30,198,109	194,568
	$ 36,165,120	$ 346,963	$ 35,818,157	$ 319,349	$ 35,498,808	$ 194,568

</TABLE>

The deferred exploration and development costs of the "Other Interests in Saudi Arabia," in the total amount of approximately $2.4 million, consist of approximately $1.5 million associated with the Greater Al Masane area and the balance of approximately $900,000 is associated primarily with the Wadi Qatan and Jebel Harr areas. In the event exploration licenses for these areas are not granted, then all or a significant amount of deferred development costs relating thereto may have to be written off. However, the Company believes it would be entitled to a refund of the amounts expended for development costs.

NOTE 7 - MINERAL PROPERTIES IN THE UNITED STATES

The principal assets of Pioche are an undivided interest in 48 patented and 5 unpatented mining claims totaling approximately 1,500 acres, and a 300 ton-per-day mill located on the aforementioned properties in the Pioche Mining District in southeast Nevada. In August 2001, 75 unpatented claims were abandoned since they were deemed to have no future value to Pioche. Due to the lack of capital, the properties held by Pioche have not been commercially operated for approximately 35 years.

NOTE 8 - NOTES PAYABLE, LONG-TERM DEBT AND LONG-TERM OBLIGATIONS

Notes payable, long-term debt and long-term obligations at December 31 are summarized as follows:

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Notes payable:		
Secured note to Saudi Arabian government (See Note A)	$ 11,000,000	$ 11,000,000
Unsecured demand notes payable to Saudi investors	13,280	13,280
Other	12,500	12,500

Total	$ 11,025,780	$ 11,025,780
Notes payable to stockholders:		
Secured notes to investors (See Note B)	$ 698,000	$ 698,000
Unsecured note to Saudi investor (See Note C)	20,000	20,000
Total	$ 718,000	$ 718,000
Long-term debt:		
Revolving notes to foreign banks (See Note D)	$ 3,169,821	$ 3,215,100
Revolving bank note (See Note E)	-	3,250,000
Secured note with commercial lender (See Note F)	-	661,673
Total	3,169,821	7,126,773
Less current portion	(3,169,821)	(7,126,773)
Total	$ -	$ -

</TABLE>

(A) The Company has an interest-free loan of $11,000,000 from the Saudi Arabia Ministry of Finance and National Economy, the proceeds of which were used to finance the development phase of the Al Masane Project. The loan was repayable in ten equal annual installments of $1,100,000, with the initial installment payable on December 31, 1984. None of the ten scheduled payments have been made. Pursuant to the mining lease agreement covering the Al Masane Project, the Company intends to repay the loan in accordance with a repayment schedule to be agreed upon with the Saudi Arabian government from its share of cash flows. An agreement has not yet been reached regarding either the rescheduling or source of these payments. The loan is collateralized by all of the Company's "movable and immovable" assets in Saudi Arabia.

(B) Represents loans payable to a stockholder of the Company for $445,000 and the Company's President for $53,000. The loans are due on demand with interest payable at the LIBOR rate plus 2%. The balance also includes loans payable to the wife of the Company's President for $100,000 and to a stockholder of the Company for $100,000 which are due on demand with interest at 9%. All of these loans are secured by a pledge of all shares of stock of American Shield Refining Company and all shares of stock of Texas Oil and Chemical Co. II, Inc.

(C) Represents loan payable to a stockholder of the Company, which is due on demand with interest at 9%.

NOTE 8 - NOTES PAYABLE, LONG-TERM DEBT AND LONG-TERM OBLIGATIONS - CONTINUED

(D) Represents two loans payable to Mexican banks of $1,125,725 and $2,044,096, as of December 31, 2003. The first loan is payable in monthly payments through October 2004. The second loan is payable in quarterly payments through March 2007. The first loan bears interest at 5% and the second loan bears interest at the LIBOR rate plus seven points (LIBOR was 1.119% at December 31, 2003). Both loans are collateralized by all of the assets of Coin including the

plant located in Coatzacoalcos, near Veracruz. Coin was in default of the loan covenants as a result of not having made its monthly and quarterly payments and therefore the loans are classified as current in the financial statements. Unpaid interest and penalty interest of $3,103,009 and $2,275,823 are included in accrued interest at December 31, 2003 and 2002, respectively. As discussed in Note 18, the creditor of the first loan initiated a mortgage foreclosure subsequent to December 31, 2003.

(E) South Hampton had a $3.25 million revolving credit agreement with a bank. The agreement was collateralized by a first security interest in certain of its assets and terminated on June 15, 2003. South Hampton subsequently entered into a Purchase and Sale Agreement with the same bank to sell its accounts receivables. See Note 4.

(F) South Hampton and Gulf State entered into a $3.5 million loan agreement with a commercial lending company in December 1999

that was collateralized by a first security interest in all of their assets, except those dedicated to the bank mentioned in Note E above. The balance outstanding at December 31, 2002 was retired in 2003.

Interest of $335,397, $552,452 and $455,360 was paid in 2003, 2002, and 2001, respectively.

NOTE 9 - ACCRUED LIABILITIES IN SAUDI ARABIA

Accrued liabilities in Saudi Arabia at December 31 are summarized as follows:

<Table>
<Caption>

	2003	2002
<S>	<C>	<C>
Salaries	$ 1,407,821	$ 1,397,270
Termination benefits	683,010	658,370
Surface rentals	543,246	425,912
Other liabilities	37,763	8,453
Total	$ 2,671,840	$ 2,490,005

</Table>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

South Hampton has leased, on a month to month basis, various vehicles and equipment from Silsbee Trading and Transportation Corp. ("STTC"), a trucking and transportation company currently owned by an officer of TOCCO at a monthly cost of approximately $32,000. Total rental costs were approximately $388,000 in 2003, $422,000 in 2002 and $418,000 in 2001. Effective January 1, 2004, South Hampton and STTC entered into a five year lease agreement requiring a monthly rental of $32,835.

The Company is the holder of the Al Masane mining lease requiring annual rental payments of approximately $117,300 through 2023, with an option to extend the lease for an additional twenty years.

Future minimum lease payments under these lease agreements are as follows:

<Table>
<Caption>

Year Ended December 31	
<S>	<C>
2004	$ 937,265
2005	511,320
2006	511,320
2007	511,320
2008	511,320
Thereafter	1,877,462
Total	$4,860,007

</Table>

South Hampton has guaranteed a $160,000 note payable of a limited partnership in which it has a 19% interest. Included in Accrued Liabilities at December 31, 2003 and 2002 is $66,570 related to this guaranty.

South Hampton, together with several other companies, is presently a defendant in four lawsuits filed by former employees of South Hampton and other refineries. The suits primarily claim illness and disease resulting from alleged exposure to chemicals, including benzene, butadiene and/or isoprene, during their employment. The plaintiffs claim that the companies engaged in the business of manufacturing, selling and/or distributing these chemicals in a manner which subjected them to liability for unspecified actual and punitive damages. A motion for a summary judgment was granted to South Hampton in October 2003 for a previous lawsuit. South Hampton is vigorously defending itself against these claims and believes it has adequate insurance coverage to protect it financially from any damage awards that might be incurred.

In addition, South Hampton is a defendant in a lawsuit filed in September 2001 alleging that the plaintiff became ill from exposure to asbestos while employed by South Hampton from 1961 through 1975. Mediation occurred during 2003 in which the plaintiff made a financial offer of $200,000. South Hampton counter-offered a structured settlement of $90,000. To date the plaintiff has not accepted or rejected the counter-offer or withdrawn their $200,000 settlement offer. A new trial date has been set for September 2004. South Hampton has named additional parties in the case. It is uncertain at this time if the case will reach trial as the other parties have requested a change of venue. The consolidated financial statements do not include any amounts related to this case.

NOTE 10 - COMMITMENTS AND CONTINGENCIES - CONTINUED

At the request of the Texas Commission on Environmental Quality ("TCEQ"), formerly Texas Natural Resources Conservation Commission ("TNRCC"), South Hampton drilled a well to check for groundwater contamination under a spill area. Based on the results, two pools of hydrocarbons were discovered. The recovery process was initiated in June 1998, and is expected to continue for several years until the pools are reduced to an acceptable level.

In August 1997, the TCEQ notified South Hampton that it had violated various rules and procedures. It proposed administrative penalties totaling $709,408 and recommended that South Hampton undertake certain actions necessary to bring its refinery operations into compliance. The violations generally relate to various air and water quality issues. Appropriate modifications have been made by South Hampton where it appeared there were legitimate concerns.

On February 2, 2000, the TCEQ amended its pending administrative action against South Hampton to add allegations dating through May 21, 1998 of 35 regulatory violations relating to air quality control and industrial solid waste requirements. The TCEQ proposed that administrative penalties be increased to approximately $765,000 and that certain corrective actions be taken. A further amendment was made by the TCEQ on December 13, 2001 for further violations relating to air quality control and waste requirements. The TCEQ proposed that the administrative penalties be increased another $59,000. South Hampton settled this particular claim with the TCEQ in April 2002 for approximately $5,900.

On April 11, 2003, the TCEQ reduced the penalties to approximately $690,000. On May 25, 2003, a settlement hearing with the TCEQ was held and additional information was submitted to the TCEQ on June 2, October 2 and November 4, 2003. South Hampton believes the original penalty and the additional allegations are incorrect and intends to continue to vigorously defend itself against these allegations, the proposed penalties and proposed corrective actions. Management has accrued an estimate for a proposed settlement. There are no assurances that the amounts settled will not be different than the amounts accrued. Negotiations between South Hampton and the TCEQ are expected to continue in order to reach a final settlement.

South Hampton has a liability of $200,000 recorded at December 31, 2003 and 2002, related to these environmental issues. Amounts charged to expense were approximately $232,500 in 2003, $291,000 in 2002 and $227,000 in 2001.

By letter dated March 11, 2003, the Company was advised that the Division of Enforcement of the Securities and Exchange Commission ("SEC") was conducting an informal, non-public inquiry concerning matters relating to the Al Masane project and the Ministry's threatened termination of the Al Masane mining lease. The Company fully cooperated with the SEC in the conduct of the investigation, which became a formal investigation.

On October 16, 2003, without admitting or denying any findings of fact or conclusions of law, the Company agreed to a cease-and-desist order with the SEC settling alleged violations of the federal securities laws asserted by the SEC relating to developments not previously disclosed concerning the Company's mining lease for the Al Masane area of Saudi Arabia. In connection with the settlement, the Company agreed to (i) cease and desist from violating certain provisions of the Securities Exchange Act of 1934 and (ii) comply with certain undertakings designed to improve its reporting and

NOTE 10 - COMMITMENTS AND CONTINGENCIES - CONTINUED

record keeping practices and enhance its internal accounting controls. On the same date, without admitting or denying any findings of fact or conclusions of law, the Company's President and Chief Executive Officer, Hatem El-Khalidi, agreed to a cease-and-desist order with the SEC settling alleged violations of the federal securities laws relating to the same matter and agreeing to pay a $25,000 penalty. In connection with the settlement, Mr. El-Khalidi agreed to cease and desist from violating certain provisions of the Securities Exchange Act of 1934.

NOTE 11 - STOCK OPTIONS

STOCK OPTIONS - The Company's Employee Stock Option Plan (the "Employee Plan") provided for the grant of incentive options at the market price of the stock on the date of grant and non-incentive options at a price not less than 85% of the market price of the stock on the date of grant. The Company had reserved up to 500,000 shares of common stock for grant pursuant to the Employee Plan. At December 31, 2003, options to purchase 45,000 shares were outstanding under the Employee Plan. The options vested at such times and in such amounts as is determined by

the Compensation Committee of the Board of Directors at the date of grant. The Employee Plan was registered with the Securities and Exchange Commission and expired May 16, 2003.

The Company had periodically granted stock options to various parties, including certain officers and directors, who made loans to or performed critical services for the Company. Most of these options allowed the parties to purchase common stock for $1.00 per share.

Additional information with respect to all options outstanding at December 31, 2003, and changes for the three years then ended was as follows:

<TABLE>
<CAPTION>

	2001	
	Shares	Weighted average exercise price
<S>	<C>	<C>
Outstanding at beginning and end of year	872,000	$ 1.12
Options exercisable at December 31, 2001	872,000	$ 1.12

</TABLE>

<TABLE>
<CAPTION>

	2002	
	Shares	Weighted average exercise price
<S>	<C>	<C>
Outstanding at beginning of year	872,000	$ 1.12
Forfeited	(62,000)	1.38
Options at end of year	810,000	$ 1.10
Options exercisable at December 31, 2002	810,000	$ 1.10

</TABLE>

NOTE 11 - STOCK OPTIONS - CONTINUED

<TABLE>
<CAPTION>

	2003	
	Shares	Weighted average exercise price
<S>	<C>	<C>
Outstanding at beginning of year	810,000	$ 1.10
Forfeited	(365,000)	1.13
Outstanding at end of year	445,000	$ 1.08
Options exercisable at December 31, 2003	445,000	$ 1.08

</TABLE>

Additional information about stock options outstanding at December 31, 2003 is summarized as follows:

<TABLE>
<CAPTION>

	Options outstanding and exercisable		
		Weighted average	
Range of exercise prices -	Number	Remaining contractual life	Exercise price
<S>	<C>	<C>	<C>
$1.00	400,000	10 years	$1.00
$1.75	45,000	8 years	1.75
	445,000		$1.08

</TABLE>

NOTE 12 - INCOME TAXES

Income tax expense (benefit) for the years ended December 31, 2003, 2002, and 2001 differs from the amount computed by applying the applicable U.S. corporate income tax rate of 34% to net income before income taxes. The reasons for this difference are as follows:

<TABLE>
<CAPTION>

	2003	2002	2001
<S>	<C>	<C>	<C>
Income taxes at U.S. statutory rate	$(1,191,823)	$ 235,301	$ (884,346)
State taxes, net of federal benefit	270,844	64,170	174,332
Net operating losses (utilized) expired	3,704,513	155,079	(13,927)
Change in valuation allowance	(3,344,171)	(799,426)	-
Foreign operations losses with no benefit provided	580,210	337,946	707,309
Other items	(19,573)	6,930	16,632
Total tax expense	$ -	$ -	$ -

</TABLE>

NOTE 12 - INCOME TAXES - CONTINUED

The tax effects of temporary differences that give rise to significant portions of Federal and state deferred tax assets and deferred tax liabilities were as follows:

<TABLE>
<CAPTION>

	December 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
Deferred tax liabilities:			
Refinery plant, pipeline and equipment	$ (396,000)	$ (481,000)	$ (500,000)
Deferred tax assets:			
Accounts receivable	82,000	76,000	69,000
Mineral interests	236,000	236,000	236,000
Accrued liabilities	149,000	123,000	93,000
Net operating loss and contribution carryforwards	3,389,000	6,837,000	7,493,000
Tax credit carryforwards	212,000	212,000	212,000
Deferred gain on sale of property	63,000	76,000	89,000
Unrealized losses on swap agreements	-	-	187,000
Gross deferred tax assets	4,131,000	7,560,000	8,379,000
Valuation allowance	(3,735,000)	(7,079,000)	(7,879,000)
Net deferred tax assets	396,000	481,000	500,000
Net deferred taxes	$ -	$ -	$ -

</TABLE>

The Company has provided a valuation allowance against the deferred tax assets because of uncertainties regarding their realization.

At December 31, 2003, the Company had approximately $9,000,000 of net operating loss carryforwards. These carryforwards expire during the years 2004 through 2023. In addition, the Company has alternative minimum tax credit carryforwards of approximately $212,000 that may be carried over indefinitely. During 2003, net operating loss carryforwards of approximately $11,000,000 expired.

The Company has no Saudi Arabian or Mexican tax liability. At December 31, 2003, Coin had available net operating loss carryforwards and recoverable tax on assets of approximately $3,537,000 and $533,000, respectively, expiring through 2013, which are limited to the income of Coin.

NOTE 13 - SEGMENT INFORMATION

As discussed in Note 1, the Company has two business segments. The Company measures segment profit or loss as operating income (loss), which represents income (loss) before interest, foreign exchange transaction gain and (loss), miscellaneous income and minority interest. Information on segments is as follows:

<TABLE>

<CAPTION>

	December 31, 2003		
	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	$39,624,733	$ -	$ 39,624,733
Depreciation	1,365,506	1,712	1,367,218
Operating loss	(1,749,691)	(755,097)	(2,504,788)
Total assets	$12,787,676	$39,884,821	$ 52,672,497

</TABLE>

<TABLE>
<CAPTION>

	December 31, 2002		
	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	$36,753,000	$ -	$ 36,753,000
Depreciation	1,412,389	1,813	1,414,202
Operating income (loss)	2,211,310	(490,028)	1,721,282
Total assets	$16,114,394	$39,506,415	$ 55,620,809

</TABLE>

<TABLE>
<CAPTION>

	December 31, 2001		
	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	$32,712,668	$ -	$ 32,712,668
Depreciation	1,379,201	2,268	1,381,469
Operating loss	(748,945)	(470,740)	(1,219,685)
Total assets	$16,560,979	$39,186,704	$ 55,747,683

</TABLE>

NOTE 13 - SEGMENT INFORMATION - CONTINUED

Information regarding foreign operations for the years ended December 31, 2003, 2002 and 2001 follows (in thousands). Revenues are attributed to countries based upon the origination of the transaction.

<TABLE>
<CAPTION>

	Year ended December 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
Revenues			
United States	$ 38,852	$ 34,057	$ 31,455
Mexico	773	2,696	1,258
Saudi Arabia	-	-	-
	$ 39,625	$ 36,753	$ 32,713

</TABLE>

<TABLE>
<CAPTION>

	Year ended December 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
Long-lived assets			
United States	$ 5,392	$ 6,252	$ 6,739
Mexico	4,567	4,915	5,230
Saudi Arabia	38,596	38,249	37,930
	$ 48,555	$ 49,416	$ 49,899

</TABLE>

NOTE 14 - NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per share has been calculated as follows:

<TABLE>
<CAPTION>

	2003	2002	2001
<S>	<C>	<C>	<C>
Basic and diluted			

Net income (loss)	$(3,505,363)	$ 692,063	$(2,601,018)
Weighted average shares outstanding	22,731,994	22,731,994	22,768,858
Per share	$ (0.15)	$ 0.03	$ (0.11)

In 2003, 2002 and 2001, options for 445,000, 810,000 and 872,000 shares, respectively were excluded from diluted shares outstanding because their effect was antidilutive .

NOTE 15 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The quarterly results of operations shown below are derived from unaudited financial statements for the eight quarters ended December 31, 2003 (in thousands, except per share data):

	Year Ended December 31, 2003				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	$ 8,900	$ 9,890	$ 10,703	$ 10,132	$ 39,625
Net loss	(1,320)	(603)	(746)	(836)	(3,505)
Basic and diluted EPS	$ (0.06)	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.15)

	Year Ended December 31, 2002				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	$ 8,851	$ 9,079	$ 9,846	$ 8,977	$ 36,753
Net income (loss)	1,621	551	(16)	(1,464)	692
Basic and diluted EPS	$ 0.07	$ 0.02	$ (0.00)	$ (0.06)	$ 0.03

NOTE 16 - RELATED PARTY TRANSACTIONS

In 2001, the Company cancelled a receivable of $128,000 from its President and Chief Executive Officer taken in payment several years ago for the purchase of 57,000 shares of common stock at approximately $2.25 per share. Upon cancellation, the shares were returned to the Company. The Company's share price at that date was $.30 which resulted in a charge to expense of approximately $111,000.

At December 31, 2003, the Company has a liability to its President and Chief Executive Officer of approximately $1,158,000 in accrued salary and termination benefits, a loan payable to him for $53,000 and a loan payable to his wife for $100,000. There are also loans payable to two stockholders of the Company for $465,000 and $100,000.

Pursuant to a sharing arrangement, the Company shares personnel, office space and other overhead expenses in Dallas, Texas with the Company's Chairman of the Board. The Company paid approximately $23,500, $24,700 and $25,500 in 2003, 2002 and 2001, respectively, pursuant to such arrangement.

South Hampton incurred product transportation costs of approximately $388,000, $397,000 and $404,000 in 2003, 2002 and 2001, respectively, with STTC, which is currently owned by an officer of TOCCO. A previous owner and officer of TOCCO resigned in January 2004.

NOTE 17 - DERIVATIVE INSTRUMENTS

South Hampton periodically enters into financial instruments to hedge the cost of natural gasoline, the primary source of feedstock, and natural gas, fuel stock to operate the plant. In 2001 and 2002, South Hampton entered into three commodity swap agreements to limit the effect of significant fluctuations in natural gasoline prices. The last of these agreements expired in January 2003. In March and April 2003 two new agreements were entered into with the last agreement expiring on July 31, 2003. The effect of these agreements was to limit the Company's exposure by fixing the natural gasoline price of a portion of its feedstock purchases over the term of the agreements. The agreements covered approximately 20% to 40% of the average monthly feedstock requirements. During the fourth quarter of 2003, South Hampton entered into option contracts for the purchase/sale of natural gas. These contracts expire in September 2004 and March 2005 and cover

approximately 72% of the average monthly fuel stock requirements.

For the years ended December 31, 2003, 2002 and 2001 the net realized gain (loss) from the derivative agreements was ($71,492), $1,032,045 and ($339,507), respectively. There was no unrealized gain (loss) on the derivative agreements for the year ended December 31, 2003. The unrealized gain (loss) for the years ended December 31, 2002 and 2001 were $505,890 and ($505,890), respectively.

NOTE 18 - COIN ASSETS SUBJECT TO FORECLOSURE

A creditor of Coin initiated a mortgage foreclosure proceeding that resulted in a court ordered public auction of the plant facilities in Mexico on February 23, 2004. As a result, the court awarded the plant facilities to the creditor. The court order required legal transfer of the assets to the creditor within three days, however, the transfer has yet to occur and the Company, management of Coin and Coin's legal counsel are unable to determine a date certain for the legal transfer of ownership. As a result, the consolidated financial statements do not include any adjustments that may result. The following summarizes the proforma effect of the foreclosure on the December 31, 2003 consolidated financial statements:

<Table>
<Caption>

ASSETS	DECEMBER 31, 2003 AS REPORTED	PRO FORMA ADJUSTMENT	PRO FORMA ADJUSTED DECEMBER 31, 2003
<S>	<C>	<C>	<C>
Current assets	$ 3,645,055	$ --	$ 3,645,055
Refinery plant, pipeline and equipment, net	8,746,828	(4,566,616)	4,180,212
Other assets	40,280,614	--	40,280,614
Total assets	$ 52,672,497	$ (4,566,616)	$ 48,105,881
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities	$ 29,473,297	$ (1,804,195)	$ 27,669,102
Deferred revenue	166,543	--	166,543
Minority interest in consolidated subsidiaries	834,956	--	834,956
Stockholders' equity	22,197,701	(2,762,421)	19,435,280
Total liabilities and stockholders' equity	$ 52,672,497	$ (4,566,616)	$ 48,105,881
Revenues	$ 39,624,733	$ --	$ 39,624,733
Operating costs and expenses	42,129,521	--	42,129,521
Operating loss	(2,504,788)	--	(2,504,788)
Other income (expense)	(1,000,575)	(2,762,421)	(3,762,996)
Loss before income taxes	(3,505,363)	(2,762,421)	(6,267,784)
Income tax expense	--	--	--
Net loss	$ (3,505,363)	$ (2,762,421)	$ (6,267,784
Basic and diluted net loss per common share	$ (0.15)	$ (0.12)	$ (0.27)

</Table>

NOTE 19 - SUBSEQUENT EVENTS

On May 7, 2004, South Hampton and a major supplier signed a letter of intent whereby the supplier will purchase up to $1,800,000 of capital equipment for use by South Hampton to facilitate the execution of a new processing agreement between a large customer and South Hampton. The equipment purchased by the supplier will remain the property of the supplier who will enter into a ground lease for the land upon which the capital equipment is located. South Hampton and the supplier will also enter into a throughput arrangement whereby South Hampton will agree to throughput product (utilizing the purchased capital equipment) from the supplier at a rate and volume to be negotiated based upon the new agreement with the customer. The terms of both the throughput arrangement and the ground lease with the supplier will be five years. As security for the funds used to purchase the capital equipment, South Hampton will execute a mortgage covering most of the refinery's land and equipment. The mortgage is expected to be executed in June 2004. The supplier is currently the sole provider of the refinery's feedstock supply. At April 30, 2004, South Hampton owed the supplier approximately $7,000,000.

On May 15, 2004, the Company signed an agreement with the Saudi Ministry of Petroleum and Mineral Resources whereby the Company has been given two years from the date of the agreement to start the implementation of a work program similar to that which is attached to the Company's mining lease. The initial implementation was suspended in 1999 due to the worldwide decrease in the price of metals. The Company

also agreed to pay the past due surface rentals, which totaled $568,000 at December 31, 2003, in two equal installments, the first on December 31, 2004 and the second on December 31, 2005. Future annual surface rentals are to be paid as they become due.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON SCHEDULES

Arabian American Development Company and Subsidiaries
Dallas, Texas

We have audited the consolidated financial statements of Arabian American Development Company and Subsidiaries (the "Company") as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003, and have issued our report thereon dated March 24, 2004, which included an explanatory paragraph discussing the uncertainties regarding the Company's ability to continue as a going concern. Our audits also include Schedule II for this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the Schedule II at December 31, 2003, 2002, and 2001 and for the years then ended, when considered in relation to the basic financial statement taken as a whole, presents fairly, in all material respects, the information required to be set forth therein.

/s/ MOORE STEPHENS TRAVIS WOLFF, LLP

Dallas, Texas
March 24, 2004
(except for Note 19,
as to which the date
is May 15, 2004)

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Three years ended December 31, 2003

<TABLE>
<CAPTION>

Description	Beginning balance	Charged (credited) to earnings	Deductions	Ending balance
<S>	<C>	<C>	<C>	<C>
ALLOWANCE FOR DEFERRED TAX ASSET				
December 31, 2001	$ 10,200,982	$ (165,940)	$ (2,156,123)(a)(b)	$ 7,878,919
December 31, 2002	7,878,919	-	(799,426)(a)(b)	7,079,493
December 31, 2003	7,079,493	-	(3,344,171)(a)	3,735,322

</TABLE>

(a) Expiration of carryforwards

(b) Utilization of carryforwards

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
PRODUCTOS QUIMICOS COIN, S.A. DE C.V.
MEXICO CITY, MEXICO

We have audited the accompanying statement of financial position of Productos Quimicos Coin, S.A. de C.V. as of December 31, 2003, and the related statements of income (loss) and comprehensive income (loss), changes in equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As described by the Company in note 2A1 to the financial statements, the accompanying financial statements are presented using accounting principles generally accepted in the United States of America and translated into U.S. dollars to comply with specific request by the shareholders. Separately, the

Company has issued financial statements as of December 31, 2003 and for the year then ended in conformity with accounting principles generally accepted in Mexico and are expressed in Mexican currency, as to which we have issued a qualified opinion on February 23, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Productos Quimicos Coin, S.A. de C.V. as of December 31, 2003, the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As a result of the mortgage foreclosure initiated by a Company creditor, as explained in note 13 to the financial statements, the installations where the industrial facilities are located, by court resolution, were placed for sale under public auction on February 23, 2004. As disclosed in note 13B to the financial statements, on March 3, 2004, the court awarded the industrial facilities in favor of the creditor. On May 14, 2004, Company's legal counsel and management concluded that a there is no reasonable basis to estimate a date for the formal and legal transfer of ownership of the industrial facilities to the creditor. In the same manner, the terms and conditions, and the period during which management would continue to operate the industrial plant, are unknown.

As discussed in note 1 to the financial statements, the Company has reported accumulated losses for $ 11,456,068 and the statement of financial position shows excess of current liabilities over current assets for $ 7,478,468. Moreover, the Company has defaulted in meeting scheduled payments of principal and interest amounts under certain loan agreements, as discussed in notes 8 and 9 to the financial statements. The default related to a Company creditor gave origin to the legal transfer of ownership of the industrial facilities mentioned in the above paragraph. Accumulated losses exceed capital stock, which in conformity with the provisions of Mexican General Corporate Law, these losses may represent cause for dissolution of the Company as a result of legal action followed by any business-related third party. Additionally, during the period January-December 2003, installed production capacity of the Company was used only partially, representing a cost of maintaining idle the industrial plant as described in note 1 to the financial statements.

The issues described in the preceding two paragraphs raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of the uncertainties described above.

DESPACHO FREYSSINIER MORIN, S.C.

/s/ C.P. JUAN PABLO SOTO

C.P. JUAN PABLO SOTO
PARTNER

Mexico City, Mexico
February 23, 2004, except for
Note 13B, as to which the date is
May 14, 2004

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
PRODUCTOS QUIMICOS COIN, S.A. DE C.V.
MEXICO CITY, MEXICO

We have audited the accompanying statement of financial position of Productos Quimicos Coin, S.A. de C.V. as of December 31, 2002, and the related statements of income (loss) and comprehensive income (loss), changes in equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As described by the Company in note 2A1 included below, the accompanying financial statements are presented using accounting principles generally accepted in the United States of America and translated into U.S. dollars to comply with specific request by the shareholders. Separately, the Company has issued financial statements as of December 31, 2002 and for the year then ended in conformity with accounting principles generally accepted in Mexico and are expressed in Mexican currency as to which we have issued a qualified opinion on February 14, 2003.

As discussed in note 1 to the accompanying financial statements, the Company has reported accumulated losses for $9,762,125, and the statement of financial position shows excess of current liabilities over current assets for $6,149,133. Moreover, the Company has defaulted in meeting scheduled payments of principal

and interest under certain loan agreements, as discussed in notes 8 and 9 to the accompanying financial statements. Accumulated losses exceed capital stock, which in conformity with the provisions of Mexican General Corporate Law, these losses may represent cause for dissolution of the Company as a result of legal action followed by any business-related third party. Additionally, during the period January-December 2002, installed production capacity of the Company was only partially utilized, representing a cost of maintaining idle the industrial plant as described in note 1 to the accompanying financial statements. As a result of the preceding issues, the Company may be unable to continue its operations. The accompanying financial statements have been prepared on the basis applicable to a going concern and, accordingly, do not purport to give effect to adjustments relating to the valuation and reclassification of recorded liabilities that may be necessary in the event the Company could not continue its operations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Productos Quimicos Coin, S.A. de C.V. as of December 31, 2002, the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DESPACHO FREYSSINIER MORIN, S.C.

/s/ C.P. JUAN PABLO SOTO

C.P. JUAN PABLO SOTO
PARTNER

Mexico City, Mexico
February 14, 2003

EXHIBIT 10(o)

EQUIPMENT LEASE AGREEMENT

Silsbee Trading and Transportation Corp., a Texas Corporation, hereinafter "STTC"), with an address at P. O. Box 695, Silsbee, Texas 77656, agrees to lease to South Hampton Refining Co., a Texas Corporation, (hereinafter "SHRCO"), with an address at P. O. Box 1636, Silsbee, Texas 77656, which agrees to lease from STTC the Vehicles and Equipment described in SCHEDULE "A" attached hereto. The term of the lease shall begin on January 1, 2004 and shall continue for a period of Five (5) years unless terminated early as provided in the lease. Upon expiration or termination of the Vehicle lease, SHRCO shall return the vehicles to STTC at its location at Highway 418 in Hardin County, Texas, in the same condition and appearance as when received, ordinary wear and tear excepted. Any holding over after the expiration of the Vehicle lease shall be on a month-to-month basis and subject to all the terms of this Lease.

1. MAINTENANCE AND REPAIR. STTC agrees, at its own cost and expense, to provide with respect to the Vehicles leased,: (a) all preventive maintenance, replacement parts, and repairs to keep the Vehicles in good repair and operating condition; (b) oil and lubricants necessary for the efficient operation of the Vehicles; (c) all necessary tires and tubes; (d) road service due to mechanical and tire failures; (e) periodic exterior washing; (f)initial painting and lettering of each Vehicle according to SHRCO specifications at the time the Vehicle is placed into service, at a cost not exceeding the per-vehicle allowance specified in SCHEDULE "A". In the event any Vehicle shall be disabled for any reason, SHRCO and/or its driver shall immediately notify STTC. SHRCO agrees that it will not cause or permit any person other than STTC or persons authorized by STTC to make any repairs or adjustments to a Vehicle, and shall abide by its directions concerning emergency repairs. In the event a Vehicle is disabled due to mechanical or tire failure, STTC shall, within a reasonable period of time after receipt of notification, properly repair, or cause the repair of, the Vehicle. SHRCO will cause its drivers to

report any trouble concerning the Vehicle not later than the date of occurrence and to check oil and coolant levels in each Vehicle on a daily basis to prevent damage.

2. VEHICLE LEASE SERVICE AGREEMENT. STTC will provide for inspections, preventive maintenance, and routine repairs in such a manner and at such times as to minimize the disruption of the normal use of the Vehicle. SHRCO will deliver the Vehicles to the repair facility and pick them up as needed after repairs or maintenance is completed. Any tow charges resulting from routine maintenance or repairs will be paid by STTC.

3. FUEL. Shrco shall provide all fuel for the Vehicles and shall be responsible for all reporting, taxes, and charges associated therewith.

4. LICENSES, TAXES AND PERMITS. STTC shall, at its own expense, register and title each Vehicle, and pay for any Vehicle inspection fees, in the state of domicile of such Vehicle for the licensed weight. STTC shall also pay the Federal Highway Use Tax and all personal property tax applicable to such Vehicle in that domicile state. If permitted by law, STTC shall obtain, at SHRCO's expense, other vehicle licenses, registrations, or pro-rate or state reciprocity plates, as SHRCO may request. Any increase in these rates or fees or change in the method of assessment over the allowance shown in SCHEDULE "A" will be paid for by SHRCO. Other than as set forth above, SHRCO shall pay for all permits, plates, special licenses, fees, or taxes (including any penalties or interest) required by SHRCO's business or now or hereafter imposed upon the operation or use of the Vehicles, or on this lease or on the charges accruing under this lease, including, but not limited to, sales or use taxes, mileage or ton mileage taxes, highway and bridge tolls, and any new and/or additional taxes and fees.

5. LEASE CHARGES. SHRCO agrees to pay STTC the charges provided for under this lease upon receipt of an invoice, without deduction or offset. STTC will invoice SHRCO on a monthly basis, including the billing of fixed charges in advance, and payment

shall be made to the location designated by STTC. Unless SHRCO shall protest the correctness of any invoice within seven (7) days of its receipt, SHRCO agrees that such invoice shall be presumed to be correct. Should SHRCO fail to pay any charges when due, SHRCO shall pay interest on such delinquent amounts at one and one-half percent (1-1/2%) per month or the maximum permissible rate allowed in the jurisdiction in which SHRCO's principal place of business is located, whichever is lower, from the date on which payment was due until paid, together with all expenses of collection and reasonable attorneys' fees. This interest charge shall not be construed as an agreement to accept late payments.

6. VEHICLE USE AND DRIVERS. SHRCO shall use the Vehicle only in the normal and ordinary course of its business and operations and in a careful, non-abusive manner, and not beyond its capacity and SHRCO shall not make any alterations to the Vehicle without STTC's prior written consent. Subject to the terms of this lease, from the time of delivery to SHRCO of any Vehicle covered by this lease, SHRCO shall have exclusive possession, control, supervision and use of the Vehicle until its return to STTC. SHRCO agrees that all Vehicles shall be operated by safe, qualified, properly licensed drivers, who shall conclusively be presumed to be SHRCO's agent, servant or employee only, and subject to its exclusive direction and control. The Vehicles shall not be operated: (a) by a driver in possession of or under the influence of alcohol or any controlled drug, substance, or narcotic; (b) in a reckless or abusive manner; (c) off an improved road; (d) on an under inflated tire; (e) improperly loaded or loaded beyond maximum weight; or (f) in violation of any applicable laws, ordinances, or rules; and SHRCO shall protect, defend, indemnify and hold STTC harmless from and against all fines, claims, forfeitures, judgments, seizures, confiscations or penalties arising out of any such occurrence. SHRCO will be responsible for all expenses for removing or towing any mired or snowbound Vehicle. SHRCO agrees not to use or cause any Vehicle to be used for the transportation of

hazardous materials as defined by regulations promulgated by the Unite States Department of Transportation, unless otherwise agreed to in writing by STTC, nor for any illegal purpose. SHRCO will cause each Vehicle to be stored in a safe location. Upon receipt of a written complaint from STTC specifying any reckless, careless or abusive handling by any driver of the Vehicle(s), SHRCO shall prohibit the driver so identified from operating the Vehicle(s), In the event that SHRCO shall fail to do so or shall be prevented from so doing by any agreement with anyone on the driver's behalf, SHRCO shall reimburse STTC in full for any loss and expense incurred by STTC as a result of operation or use of the Vehicle(s) by such driver; and SHRCO shall protect, defend, indemnify and hold STTC and its shareholders harmless from and against any costs, expenses or damages arising out of the operation of any Vehicle(s) by such driver, notwithstanding that STTC may be designated in this lease as responsible for extending liability coverage or assuming the risk of loss of, or damage to, the Vehicle. SHRCO authorizes STTC to investigate the driving record of each driver and test such driver with respect to his ability to operate the Vehicle to which he will be assigned, without prejudice to any right or remedy of STTC under this lease. The drivers shall be selected and employed by SHRCO. STTC will have no responsibility for compensation, supervision or control of such drivers.

7. PHYSICAL DAMAGE TO VEHICLES. SHRCO assumes the risk of loss of, or damage to, the Vehicle(s) covered by this lease from any and every cause whatsoever, including, but not limited to, casualty, collision, upset, fire, theft, malicious mischief, vandalism, graffiti, glass breakage, and mysterious disappearance, except as otherwise provided in this lease. SHRCO shall, at its sole cost, procure and maintain an automobile collision and comprehensive insurance policy protecting STTC against any and all loss or damage to the Vehicles covered by this lease, in form satisfactory to STTC, which policy shall provide that losses, if any, shall be payable to STTC and/or its

assignee. The amount of coverage for each vehicle shall be the fair market value of each item as of this date. SHRCO shall deliver to STTC all policies of insurance, or evidence satisfactory to STTC of such coverage, prior to delivery to SHRCO of any Vehicle covered by this lease. Each insurer shall agree, by endorsement upon the policy issued

by it, or by an independent document provided to STTC, that it shall give STTC thirty (30) days' prior written notice of the effective date of any alteration or cancellation of such policy, and that such notice shall be sent by registered or certified mail postage prepaid, return receipt requested, to STTC, P. O. Box 695, Silsbee, Texas 77656.

8. LIABILITY COVERAGE. SHRCO shall, at its sole cost, provide liability coverage for SHRCO and STTC and their respective agents, servants and employees, in accordance with the standard provisions of a basic automobile liability insurance policy as required in the jurisdiction in which the Vehicle is operated, against liability for bodily injury, including death, and property damage arising out of the ownership, maintenance, use and operation of the Vehicle(s) with limits of at least a combined single limit of $5,000,000 per occurrence (except that STTC shall not be liable for damage to property left, stored, loaded, or transported in, upon, or by the Vehicle). Such coverage shall be primary and not excess or contributory and shall be in conformity with the basic requirements of any applicable No-Fault or uninsured motorist laws, but does not include "Uninsured Motorist" or supplementary "No-Fault", or optional coverage. Such coverage, if the obligation of SHRCO, shall be in a form acceptable to STTC and SHRCO shall deliver all policies of insurance, or evidence satisfactory to STTC of such coverage, prior to delivery to SHRCO of any Vehicle covered by this lease. Each insurer shall agree, by endorsement upon the policy issued by it, or by an independent document provided to STTC, that it shall give STTC thirty (30) days' prior written notice of the effective date of any alteration or cancellation of such policy and that such notice shall be sent in the

manner contemplated by Article 6. SHRCO shall notify STTC as well as SHRCO's insurance company, of any loss of, or damage to, or accident involving any Vehicle, immediately by telephone, and in writing as soon as practicable thereafter, and to cooperate fully in the investigation, prosecution and/or defense of any claim or suit and to do nothing to impair or invalidate any applicable liability, physical damage or cargo coverage. SHRCO shall provide in each vehicle proof of financial responsibility.

9. INDEMNIFICATION. SHRCO shall protect, defend, indemnify and hold harmless STTC and its partners and its agents, servants and employees from any and all claims, suits, costs, damages, expenses and liabilities arising from: (a) SHRCO's failure to comply with its obligations to governmental bodies having jurisdiction over SHRCO and the Vehicles or its failure to comply with the terms of this lease, or the use, selection, possession, maintenance, and/or operation of the Vehicle; (b) any liability imposed upon or assumed by SHRCO under any Workers' Compensation Act, plan or contract and any and all injuries (including death) or property damage sustained by SHRCO or any driver, agent, servant or employee of SHRCO; or (c) SHRCO's failure to properly operate or maintain a trailer or other equipment not leased by STTC under this lease, or properly connect any trailer or other equipment. Where the Vehicle is operated with a trailer or other equipment not leased by STTC under this lease, then SHRCO warrants that such trailer or other equipment shall be in good operating condition compatible in all respects with the Vehicle with which it is to be used and in compliance with all laws and regulations covering the trailer or other equipment.

10. ACCEPTANCE OF VEHICLES. If subsequent to the date of preparation of the SCHEDULE "A", any law, rule, or regulation shall require the installation of any additional equipment or accessories, including, but not limited to, anti-pollution and/or safety devices, or in the event that any modification of the Vehicle shall be required by virtue of such law, rule or

regulation, STTC and SHRCO agree to cooperate in arranging for the installation of such equipment or the performance of such modifications and SHRCO agrees to promptly pay the full cost thereof, including any additional maintenance expenses upon receipt of an invoice for same. STTC may, in order to keep the fleet of equipment in up to date and modern condition, substitute trucks or trailers of equal or higher value. Equipment changes resulting in additional or enhanced equipment being available to SHRCO will result in additional lease charges as determined by mutual agreement.

11. FORCE MAJEURE. STTC shall incur no liability to SHRCO for failure to perform any obligation under this lease caused or contributed to by events beyond STTC's reasonable control, such as, but not limited to, war, fire, governmental regulations, labor disputes, manufacturer, supplier or transportation shortages or delays, or fuel allocation programs.

12. VEHICLE TITLE. Title to the Vehicles and all equipment delivered to SHRCO under this lease shall remain in STTC or its designee. SHRCO shall, at all times, at its sole cost, keep the Vehicles and related equipment free and clear from all liens, encumbrances, levies, attachments or other judicial process from every cause whatsoever, (other than a claimant through an act of STTC), and shall give STTC immediate written notice thereof and shall indemnify and hold STTC harmless from any loss or damage, including attorneys' fees, caused thereby.

13. DEFAULT BY SHRCO AND REMEDIES. In the event SHRCO shall fail or refuse to pay any charges under this lease when due, or perform or observe any other term of this lease for five (5) days after written notice is sent to SHRCO by STTC, or if SHRCO or any guarantor of SHRCO's obligations shall become insolvent or make a bulk transfer of its assets or make an assignment for the benefit of creditors, or if SHRCO or any guarantor of SHRCO's obligations shall file or suffer the filing against it of a petition under the Bankruptcy Act or under any other insolvency law or law providing for the relief of debtors, or if any representation or warranty made by SHRCO herein or

any document furnished by SHRCO or a guarantor of SHRCO's obligations shall prove to be incorrect in any material respect, STTC shall be entitled to pursue the remedies specified in the following paragraph. Upon the happening of one of the preceding Events of Default, STTC may, with or without terminating this lease, with or without demand or notice to SHRCO, and with or without any court order or process of law, take immediate possession of, and remove, any and all Vehicles covered by this lease wherever located, and/or retain and refuse to deliver, and/or re-deliver to SHRCO, the Vehicle(s), without STTC being liable to SHRCO for damages caused by such taking of possession. In addition, STTC may proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of any of its terms. In the event STTC takes possession of or retains any Vehicle and there shall, at the time of taking or retention, be in, upon or attached to the Vehicle any property or things of a value belonging to SHRCO or in SHRCO's custody or control, STTC is authorized to take possession of such items and either hold the items for SHRCO or place them in public storage for SHRCO, at SHRCO's sole cost and risk of loss or damage.

14. ADJUSTED COST. The parties hereto recognize that the lease rate provided for in this lease is based upon STTC's current costs and that such costs may fluctuate. Accordingly, STTC and SHRCO agree that for each rise or fall of one percent (1%) in the Consumer Price Index for All Urban Consumers for the United States, published by the United States Department of Labor, Bureau of Labor Statistics, or any successor index designated by STTC, above or below the Consumer Price Index figure applicable for each leased Vehicle as shown on SCHEDULE "A", the fixed lease charges shall be adjusted upward or downward. All increases under this Article shall be cumulative and shall be calculated only on the charges initially shown on the Vehicle's SCHEDULE "A". Upon adjustment, the fixed lease charge shall be rounded off to the nearest whole cent.

15. NON-LIABILITY FOR CONTENTS. STTC shall not be liable for loss of, or damage to, any cargo or other property left, stored, loaded or transported in, upon, or by any vehicle furnished to SHRCO pursuant to this lease at any time or place, and SHRCO agrees to protect, indemnify, defend and hold STTC and its partners harmless from and against any claims for such loss or damage.

16. ASSIGNMENT AND SUBLETTING. Without prior written consent of STTC, which consent will not be unreasonably withheld, SHRCO shall not voluntarily or involuntarily assign or pledge this lease or the Vehicles, or sublet, rent or license the use of the Vehicles, or cause or permit the Vehicles to be used by anyone other than SHRCO or its agents, servants or employees. This lease and any Vehicles, rent or other sums due or to become due hereunder may be assigned or otherwise

transferred, either in whole or in part, by STTC, without affecting any obligations of SHRCO and, in such event, the right of SHRCO shall be subject to any lien, security interest or assignment given by STTC in connection with the ownership of the Vehicle(s), and the transferee or assignee shall have all of the rights, powers, privileges and remedies of STTC.

17. DISCLAIMER. STTC MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY VEHICLE COVERED BY THIS LEASE. STTC SHALL NOT BE LIABLE FOR LOSS OF SHRCO'S PROFITS OR BUSINESS, LOSS OR DAMAGE TO CARGO, DRIVER'S TIME, OR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES.

18. MISCELLANEOUS. This lease and the schedules and/or riders attached hereto shall constitute the entire agreement between the parties and to be binding on STTC must be signed by an officer of STTC. This document shall constitute an agreement of lease and nothing shall be construed as giving to SHRCO any right, title or interest in any of the Vehicles or related equipment, except as lessee only. Upon execution of this lease by STTC and SHRCO, the lease shall be binding on the respective parties and their legal representative, successors and assigns. Its

terms shall not be amended or altered by failure of either party to insist on performance, or failure to exercise any right or privilege, or in any manner unless such amendment or alteration is in writing and signed on behalf of the parties hereto. This lease shall supersede any and all proposals or agreement, written or verbal, between the parties, relating to the subject matter of this lease and may not be modified, terminated or discharged, except in writing and signed by the party against whom the enforcement of the discharge, modification or termination is sought. Any notice given under this lease shall be in writing and sent by registered or certified mail to STTC or to SHRCO, as the case may be, to the addresses set forth in this lease, or to such other addresses as are designated in writing by either party. This lease is to be interpreted, construed and enforced in accordance with the laws of the State of Texas. In the event any of the terms and provisions of this lease are in violation of or prohibited by any law, statute, regulation or ordinance of the United States and/or state or city where the lease is applicable, such terms and provisions shall be deemed amended to conform to such law, statute, regulation or ordinance without invalidating any of the other terms and provisions of this lease.

IN WITNESS WHEREOF, the parties shall cause this lease to be executed by their duly authorized representative this 14th day of November, 2003.

Silsbee Trading and Transportation Corp.

by [ILLEGIBLE]

Its President

South Hampton Refining Co.

by [ILLEGIBLE]

Its President

SILSBEE TRADING AND TRANSPORTATION CORP.

SCHEDULE A

Equipment List
January 1, 2004

<TABLE>
<CAPTION>

I.D.#	Description	VIN	Monthly Amount
<S>	<C>	<C>	<C>
TRACTORS			
113	'94 Mack Truck	1M1AA13Y4RW037862	$2,310.00
114	'95 Mack Truck	1M1AA13Y4SW050960	$2,310.00
115	'95 Mack Truck	1M1AA13Y6SW050961	$2,310.00
116	'96 Mack Truck	1M1AA13Y7TW067382	$2,310.00

117	'99 Mack Truck	1M2AA13Y3XW105563	$2,310.00
118	'00 Mack Truck	1M2AA13YXXW113708	$2,310.00
119	'00 Mack Truck	1M2AA13Y1YW127594	$2,310.00
120	'01 Mack Truck	1M1AA13Y31W139210	$2,310.00
A306 TRAILERS			
A3	'74 Trailmaster Trailer	74067	$1,035.00
A4	'77 Trailmaster Trailer	77030	$1,035.00
A307 TRAILERS			
AP25	'73 Trailmaster Trailer	73014	$1,035.00
AP26	'73 Trailmaster Trailer	73015	$1,035.00
AP27	'73 Trailmaster Trailer	73028	$1,035.00
AP28	'91 Trailmaster Trailer	1T9AE1582MF003226	$1,035.00
AP29	'94 Trailmaster Trailer	1T9AE1587RF003021	$1,035.00
AP30	'95 Trailmaster Trailer	1T9AE15B4SF003063	$1,035.00
AP31	'00 Heil Trailer	190DL452XY3H13739	$1,035.00
PRESSURE TRAILERS			
SP181	'59 Fruehauf Trailer	C41347	$1,260.00
SP182	'72 Dalworth Trailer	TP51480	$1,260.00
SP183	'86 Enderby Anderson	1DZTA442XGG451111	$1,260.00
SP184	'69 Lubbock LPG Trailer	57124	$1,260.00

</TABLE>

Other services to be provided and covered by the lease payments include:

1. Maintenance will be scheduled around operating requirements where possible;

2. Safety inspections allowance of 1200.00 annually is included in the above figures. Any excess will be charged to South Hampton;

3. License and taxes allowance of:

   a. $2,005.00 each annually for tractors;

   b. $450.00 each annually for A306/307 trailers;

   c. $600.00 each annually for LPG trailers

   Amounts in excess of the allowance will be charged to South Hampton;

4. None of the above vehicles are subject to any other lease, memo, or other agreement which has been filed with the Texas Department of Public Safety;

5. The above vehicles are for the transportation of petroleum products.

EXHIBIT 10(p)

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT ("Agreement") is made as of the 15th day of May, 2001, by Arabian American Development Company, a Delaware corporation, and American Shield Refining Company, a Delaware corporation (hereinafter collectively called "Pledgor", whether one or more), in favor of Fahad Al-Athel, Hatem El-Khalidi, Ingrid El-Khalidi and Preston Peak (hereinafter collectively called "Secured Party", whether one or more). Pledgor hereby agrees with Secured Party as follows:

1. DEFINITIONS. As used in this Agreement, the following terms shall have the meanings indicated below:

(a) The term "Code" shall mean the Uniform Commercial Code as in effect in the State of Texas on the date of this Agreement or as it may hereafter be amended from time to time.

(b) The term "Collateral" shall mean all property specifically described on Schedule "A" attached hereto and made a part hereof. The term Collateral, as used herein, shall also include (i) all certificates, instruments and/or other documents evidencing the foregoing, (ii) all renewals, replacements and substitutions of all of the foregoing, (iii) all Additional Property (as hereinafter defined), and (iv) all PRODUCTS and PROCEEDS of all of the foregoing. The designation of proceeds does not authorize Pledgor to sell, transfer or otherwise convey any of the foregoing property. The delivery at any time by Pledgor to Secured Party of any property as a pledge to secure payment or performance of any indebtedness or obligation whatsoever shall also constitute a pledge of such property as Collateral hereunder.

(c) The term "Guaranty Documents" shall mean this Agreement, all documents and instruments evidencing all deferred compensation and retirement benefits owed by Pledgor to Hatem El-Khalidi and all letter agreements and other loan documents evidencing Indebtedness of Pledgor to Secured Party and all other instruments and documents evidencing, securing, governing, guaranteeing and/or pertaining to the Indebtedness, the aggregate principal amount of such Indebtedness as of the date hereof being as follows: Fahad Al-Athel, $445,000; Hatem El-Khalidi, $1,055,000; Ingrid El-Khalidi, $100,000; and Preston Peak, $100,000.

(d) The term "Indebtedness" shall mean (i) all indebtedness, obligations and liabilities of Pledgor to Secured Party of any kind or character, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, now existing or hereafter arising under the Guaranty Documents, (ii) all accrued but unpaid interest on any of the indebtedness described in (i) above, (iii) all obligations of Pledgor to Secured Party under the Guaranty Documents or any documents evidencing, securing, governing and/or pertaining to all or any part of the indebtedness described in (i) and (ii) above, (iv) all costs and expenses incurred by Secured Party in connection with the collection and administration of all or any part of the indebtedness and obligations described in (i), (ii) and (iii) above or the protection or preservation of, or realization upon, the collateral securing all or any part of

such indebtedness and obligations, including, without limitation, all reasonable attorneys' fees and (v) all renewals, extensions, modifications and rearrangements of the indebtedness and obligations described in (i), (ii), (iii) and (iv) above.

(e) The term "Secured Party" shall mean the persons named in the introductory paragraph of this Agreement, their respective successors and assigns, including, without limitation, any party to

whom a Secured Party, or its successors or assigns, may assign its rights and interests under this Agreement.

All words and phrases used herein which are expressly defined in Section 1.201, Chapter 8 or Chapter 9 of the Code shall have the meaning provided for therein. Other words and phrases defined elsewhere in the Code shall have the meaning specified therein, except to the extent such meaning is inconsistent with a definition in Section 1.201, Chapter 8 or Chapter 9 of the Code.

2. SECURITY INTEREST. As security for the Indebtedness, Pledgor, for value received, hereby grants to Secured Party a continuing security interest in the Collateral.

3. ADDITIONAL PROPERTY. Collateral shall also include the following property (collectively, the "Additional Property") which Pledgor becomes entitled to receive or shall receive in connection with any other Collateral: (a) any stock certificate, including, without limitation, any certificate representing a stock dividend or any certificate in connection with any recapitalization, reclassification, merger, consolidation, conversion, sale of assets, combination of shares, stock split or spin-off; (b) any option, warrant, subscription or right, whether as an addition to or in substitution of any other Collateral; (c) any dividends or distributions of any kind whatsoever, whether distributable in cash, stock or other property; (d) any interest, premium or principal payments; and (e) any conversion or redemption proceeds. So long as any Indebtedness shall remain outstanding, all rights of Pledgor to receive and retain any dividends, distributions or interest paid in respect of the Collateral shall cease and all such rights shall be vested in Secured Party, who shall have the sole right to receive and hold as Collateral such dividends, distributions and interest. All Additional Property received by Pledgor shall be received in trust for the benefit of Secured Party and shall be segregated from other funds and property of Pledgor. All Additional Property and all certificates or other written instruments or documents evidencing and/or representing the Additional Property that is received by Pledgor, together with such instruments of transfer as Secured Party may request, shall immediately be delivered to or deposited with Secured Party and held by Secured Party as Collateral under the terms of this Agreement. If the Additional Property received by Pledgor shall be shares of stock or other securities, such shares of stock or other securities shall be duly endorsed in blank or accompanied by proper instruments of transfer and assignment duly executed in blank with, if requested by Secured Party, signatures guaranteed by a member or member organization in good standing of an authorized Securities Transfer Agents Medallion Program, all in form and substance satisfactory to Secured Party. Secured Party shall be deemed to have possession of any Collateral in transit to Secured Party or its agent.

4. VOTING RIGHTS. As long as no Event of Default shall have occurred hereunder, any voting rights incident to any stock or other securities pledged as Collateral may be exercised by Pledgor; provided, however, that Pledgor will not exercise, or cause to be exercised, any such voting rights, without the prior written consent of Secured Party, if the direct or indirect effect of such vote will result in an Event of Default hereunder.

5. MAINTENANCE OF COLLATERAL. Other than the exercise of reasonable care to assure the safe custody of any Collateral in Secured Party's possession from time to time, Secured Party does not have any obligation, duty or responsibility with respect to the Collateral. Without limiting the generality of the foregoing, Secured Party shall not have any obligation, duty or responsibility to do any of the following: (a) ascertain any maturities, calls, conversions, exchanges, offers, tenders or similar matters relating to the Collateral or informing Pledgor with respect to any such matters; (b) fix, preserve or exercise any right, privilege or option (whether conversion, redemption or otherwise) with respect to the Collateral unless (i) Pledgor makes written demand to Secured Party to do so, (ii) such written demand is received by Secured Party in sufficient time to permit Secured Party to take the action demanded in the ordinary course of its business, and (iii) Pledgor provides additional collateral, acceptable to Secured Party in its sole discretion; (c) collect any amounts payable in respect of the Collateral (Secured Party being liable to account to Pledgor only for what Secured Party may actually receive or collect thereon); (d) sell all or any portion of the Collateral to avoid market loss; (e) sell all or any portion of the Collateral unless and until (i) Pledgor

makes written demand upon Secured Party to sell the Collateral, and (ii) Pledgor provides additional collateral, acceptable to Secured Party in its sole discretion; or (f) hold the Collateral for or on behalf of any party other than Pledgor.

6. REPRESENTATIONS AND WARRANTIES. Pledgor hereby represents and warrants the following to Secured Party:

(a) Due Authorization. The execution, delivery and performance of this Agreement and all of the other Guaranty Documents by Pledgor have been duly authorized by all necessary corporate action of Pledgor, to the extent Pledgor is a corporation, or by all necessary partnership action, to the extent Pledgor is a partnership.

(b) Enforceability. This Agreement and the other Guaranty Documents constitute legal, valid and binding obligations of Pledgor, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and except to the extent specific remedies may generally be limited by equitable principles.

(c) Ownership and Liens. Pledgor has good and marketable title to the Collateral, free and clear of all liens, security interests, encumbrances or adverse claims, except for the security interest created by this Agreement. No dispute, right of setoff, counterclaim or defense exists with respect to all or any part of the Collateral. Pledgor has not executed any other security agreement currently affecting the Collateral and no financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except as may have been executed or filed in favor of Secured Party.

(d) No Conflicts or Consents. Neither the ownership, the intended use of the Collateral by Pledgor, the grant of the security interest by Pledgor to Secured Party herein nor the exercise by Secured Party of its rights or remedies hereunder, will (i) conflict with any provision of (A) any domestic or foreign law, statute, rule or regulation, (B) the certificate of incorporation or bylaws of Pledgor or (C) any agreement, judgment, license, order or permit applicable to or binding upon Pledgor or otherwise affecting the Collateral or (ii) result in or require the creation of any lien, charge or encumbrance upon

any assets or properties of Pledgor or of any person except as may be expressly contemplated in the Guaranty Documents. Except as expressly contemplated in the Guaranty Documents, no consent, approval, authorization or order of, and no notice to or filing with, any court, governmental authority or third party is required in connection with the grant by Pledgor of the security interest herein or the exercise by Secured Party of its rights and remedies hereunder.

(e) Security Interest. Pledgor has and will have at all times full right, power and authority to grant a security interest in the Collateral to Secured Party in the manner provided herein, free and clear of any lien, security interest or other charge or encumbrance. This Agreement creates a legal, valid and binding security interest in favor of Secured Party in the Collateral.

(f) Location. Pledgor's residence or chief executive office, as the case may be, and the office where the records concerning the Collateral are kept is located at its address set forth on the signature page hereof.

(g) Solvency of Pledgor. As of the date hereof, and after giving effect to this Agreement and the completion of all other transactions contemplated by Pledgor at the time of the execution of this Agreement, (i) Pledgor is and will be solvent, (ii) the fair saleable value of Pledgor's assets exceeds and will continue to exceed Pledgor's liabilities (both fixed and contingent), (iii) Pledgor is

paying and will continue to be able to pay its debts as they mature and (iv) if Pledgor is not an individual, Pledgor has and will have sufficient capital to carry on Pledgor's businesses and all businesses in which Pledgor is about to engage.

(h) Securities. Any certificates evidencing securities pledged as Collateral are valid and genuine and have not been altered. All securities pledged as Collateral have been duly authorized and validly issued, are fully paid and non-assessable, and were not issued in violation of the preemptive rights of any party or of any agreement by which Pledgor or the issuer thereof is bound. No restrictions or conditions exist with respect to the transfer or voting of any securities pledged as Collateral, except as has been disclosed to Secured Party in writing. To the best of Pledgor's knowledge, no issuer of such securities (other than securities of a class which are publicly traded) has any outstanding stock rights, rights to subscribe, options, warrants or convertible securities outstanding or any other rights outstanding entitling any party to have issued to such party capital stock of such issuer, except as has been disclosed to Secured Party in writing.

7. AFFIRMATIVE COVENANTS. Pledgor will comply with the covenants contained in this Section at all times during the period of time this Agreement is effective, unless Secured Party shall otherwise consent in writing.

(a) Ownership and Liens. Pledgor will maintain good and marketable title to all Collateral, free and clear of all liens, security interests, encumbrances or adverse claims, except for the security interest created by this Agreement and the security interests and other encumbrances expressly permitted by the other Guaranty Documents. Pledgor will not permit any dispute, right of setoff, counterclaim or defense to exist with respect to all or any part of the Collateral. Pledgor will cause any financing statement or other

security instrument with respect to the Collateral to be terminated, except as may exist or as may have been filed in favor of Secured Party. Pledgor will defend at its expense Secured Party's right, title and security interest in and to the Collateral against the claims of any third party.

(b) Inspection of Books and Records. Pledgor will keep adequate records concerning the Collateral and will permit Secured Party and all representatives and agents appointed by Secured Party to inspect Pledgor's books and records of or relating to the Collateral at any time during normal business hours, to make and take away photocopies, photographs and printouts thereof and to write down and record any such information.

(c) Adverse Claim. Pledgor covenants and agrees to promptly notify Secured Party of any claim, action or proceeding affecting title to the Collateral, or any part thereof, or the security interest created hereunder and, at Pledgor's expense, defend Secured Party's security interest in the Collateral against the claims of any third party. Pledgor also covenants and agrees to promptly deliver to Secured Party a copy of all written notices received by Pledgor with respect to the Collateral, including, without limitation, notices received from the issuer of any securities pledged hereunder as Collateral.

(d) Delivery of Instruments and/or Certificates. Contemporaneously herewith, Pledgor covenants and agrees to deliver to Secured Party any certificates, documents or instruments representing or evidencing the Collateral, with Pledgor's endorsement thereon and/or accompanied by proper instruments of transfer and assignment duly executed in blank with, if requested by Secured Party, signatures guaranteed by a member or member organization in good standing of an authorized Securities Transfer Agents Medallion Program, all in form and substance satisfactory to Secured Party.

(e) Further Assurances. Pledgor will contemporaneously

with the execution hereof and from time to time thereafter at its expense promptly execute and deliver all further instruments and documents and take all further action necessary or appropriate or that Secured Party may request in order (i) to perfect and protect the security interest created or purported to be created hereby and the first priority of such security interest, (ii) to enable Secured Party to exercise and enforce its rights and remedies hereunder in respect of the Collateral and (iii) to otherwise effect the purposes of this Agreement, including, without limitation: (A) executing and filing any financing or continuation statements, or any amendments thereto; (B) obtaining written confirmation from the issuer of any securities pledged as Collateral of the pledge of such securities, in form and substance satisfactory to Secured Party; (C) cooperating with Secured Party in registering the pledge of any securities pledged as Collateral with the issuer of such securities; (D) delivering notice of Secured Party's security interest in any securities pledged as Collateral to any securities or financial intermediary, clearing corporation or other party required by Secured Party, in form and substance satisfactory to Secured Party; and (E) obtaining written confirmation of the pledge of any securities constituting Collateral from any securities or financial intermediary, clearing corporation or other party required by Secured Party, in form and substance satisfactory to Secured Party. If all or any part of the Collateral is securities issued by an agency or department of the United States, Pledgor covenants and agrees, at Secured Party's request, to cooperate in registering such

securities in Secured Party's name or with Secured Party's account maintained with a Federal Reserve Bank. When applicable law provides more than one method of perfection of Secured Party's security interest in the Collateral, Secured Party may choose the method(s) to be used.

8. NEGATIVE COVENANTS. Pledgor will comply with the covenants contained in this Section at all times during the period of time this Agreement is effective, unless Secured Party shall otherwise consent in writing.

(a) Transfer or Encumbrance. Pledgor will not (i) sell, assign (by operation of law or otherwise) or transfer Pledgor's rights in any of the Collateral, (ii) grant a lien or security interest in or execute, file or record any financing statement or other security instrument with respect to the Collateral to any party other than Secured Party or (iii) deliver actual or constructive possession of any certificate, instrument or document evidencing and/or representing any of the Collateral to any party other than Secured Party.

(b) Impairment of Security Interest. Pledgor will not take or fail to take any action which would in any manner impair the value or enforceability of Secured Party's security interest in any Collateral.

(c) Dilution of Ownership. As to any securities pledged as Collateral (other than securities of a class which are publicly traded), Pledgor will not consent to or approve of the issuance of (i) any additional shares of any class of securities of such issuer (unless immediately upon issuance additional securities are pledged and delivered to Secured Party pursuant to the terms hereof to the extent necessary to give Secured Party a security interest after such issuance in at least the same percentage of such issuer's outstanding securities as Secured Party had before such issuance), (ii) any instrument convertible voluntarily by the holder thereof or automatically upon the occurrence or non-occurrence of any event or condition into, or exchangeable for, any such securities or (iii) any warrants, options, contracts or other commitments entitling any third party to purchase or otherwise acquire any such securities.

(d) Restrictions on Securities. Pledgor will not enter into any agreement creating, or otherwise permit to exist, any restriction or condition upon the transfer, voting or control of any securities pledged as Collateral, except as consented to in writing by Secured Party.

9. RIGHTS OF SECURED PARTY. Secured Party shall have the rights contained in this Section at all times during the period of time this Agreement is effective.

(a) Power of Attorney. Pledgor hereby irrevocably appoints Secured Party as Pledgor's attorney-in-fact, such power of attorney being coupled with an interest, with full authority in the place and stead of Pledgor and in the name of Pledgor or otherwise, to take any action and to execute any instrument which Secured Party may from time to time in Secured Party's discretion deem necessary or appropriate to accomplish the purposes of this Agreement, including, without limitation, the following action: (i) transfer any securities, instruments, documents or certificates pledged as Collateral in the

name of Secured Party or its nominee; (ii) use any interest, premium or principal payments, conversion or redemption proceeds or other cash proceeds received in connection with any Collateral to reduce any of the Indebtedness; (iii) exchange any of the securities pledged as Collateral for any other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, and, in connection therewith, to deposit and deliver any and all of such securities with any committee, depository, transfer agent, registrar or other designated agent upon such terms and conditions as Secured Party may deem necessary or appropriate; (iv) exercise or comply with any conversion, exchange, redemption, subscription or any other right, privilege or option pertaining to any securities pledged as Collateral; provided, however, except as provided herein, Secured Party shall not have a duty to exercise or comply with any such right, privilege or option (whether conversion, redemption or otherwise) and shall not be responsible for any delay or failure to do so; and (v) file any claims or take any action or institute any proceedings which Secured Party may deem necessary or appropriate for the collection and/or preservation of the Collateral or otherwise to enforce the rights of Secured Party with respect to the Collateral.

(b) Performance by Secured Party. If Pledgor fails to perform any agreement or obligation provided herein, Secured Party may itself perform, or cause performance of, such agreement or obligation, and the expenses of Secured Party incurred in connection therewith shall be a part of the Indebtedness, secured by the Collateral and payable by Pledgor on demand.

Notwithstanding any other provision herein to the contrary, Secured Party does not have any duty to exercise or continue to exercise any of the foregoing rights and shall not be responsible for any failure to do so or for any delay in doing so.

10. EVENTS OF DEFAULT. Each of the following constitutes an "Event of Default" under this Agreement:

(a) Failure to Pay Indebtedness. The failure, refusal or neglect of Pledgor to make any payment of principal or interest on the Indebtedness, or any portion thereof, as the same shall become due and payable; or

(b) Non-Performance of Covenants. The failure of Pledgor to timely and properly observe, keep or perform any covenant, agreement, warranty or condition required herein or in any of the other Guaranty Documents; or

(c) Default Under other Guaranty Documents. The occurrence of an event of default under any of the other Guaranty Documents.

(d) False Representation. Any representation contained herein or in any of the other Guaranty Documents made by Pledgor is false or misleading in any material respect; or

(e) Default to Third Party. The occurrence of any event which permits the acceleration of the maturity of any indebtedness

owing by Pledgor to any third party under any agreement or undertaking; or

(f) Bankruptcy or Insolvency. If Pledgor: (i) becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due; (ii) generally is not paying its debts as such debts become due; (iii) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of the assets of such party or any of the Collateral, either in a proceeding brought by such party or in a proceeding brought against such party and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or such party consents to or acquiesces in such appointment or possession; (iv) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against such party under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming such party is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by such party; (v) fails to have discharged within a period of sixty (60) days any attachment, sequestration or similar writ levied upon any property of such party; or (vi) fails to pay within thirty (30) days any final money judgment against such party; or

(g) Execution on Collateral. The Collateral or any portion thereof is taken on execution or other process of law in any action against Pledgor; or

(h) Abandonment. Pledgor abandons the Collateral or any portion thereof; or

(i) Action by Other Lienholder. The holder of any lien or security interest on any of the assets of Pledgor, including, without limitation, the Collateral (without hereby implying the consent of Secured Party to the existence or creation of any such lien or security interest on the Collateral), declares a default thereunder or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder; or

(j) Liquidation, Death and Related Events. If Pledgor is an entity, the liquidation, dissolution, merger or consolidation of any such entity or, if Pledgor is an individual, the death or legal incapacity of any such individual; or

(k) Dilution of Ownership. The issuer of any securities (other than securities of a class which are publicly traded) constituting Collateral hereafter issues any shares of any class of capital stock (unless immediately upon issuance additional securities are pledged and delivered to Secured Party pursuant to the terms hereof to the extent necessary to give Secured Party a security interest after such issuance in at least the same percentage of such issuer's outstanding securities as Secured Party had before such issuance) or any options, warrants or other rights to purchase any such capital stock; or

(l) Bankruptcy of Issuer. (i) The issuer of any securities constituting Collateral files a petition for relief under any Applicable Bankruptcy Law, (ii) an involuntary petition for relief is filed against any such issuer under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within thirty (30) days

after the filing thereof or (iii) an order for relief naming any such

issuer is entered under any Applicable Bankruptcy Law.

11. REMEDIES AND RELATED RIGHTS. If an Event of Default shall have occurred, and without limiting any other rights and remedies provided herein, under any of the other Guaranty Documents or otherwise available to Secured Party, Secured Party may exercise one or more of the rights and remedies provided in this Section.

(a) Remedies. Secured Party may from time to time at its discretion, without limitation and without notice except as expressly provided in any of the Guaranty Documents:

(i) exercise in respect of the Collateral all the rights and remedies of a secured party under the Code (whether or not the Code applies to the affected Collateral);

(ii) reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest granted hereunder by any available judicial procedure;

(iii) sell or otherwise dispose of, at its office, on the premises of Pledgor or elsewhere, the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale or other disposition of any part of the Collateral shall not exhaust Secured Party's power of sale, but sales or other dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until the Indebtedness has been paid and performed in full), and at any such sale or other disposition it shall not be necessary to exhibit any of the Collateral;

(iv) buy the Collateral, or any portion thereof, at any public sale;

(v) buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(vi) apply for the appointment of a receiver for the Collateral, and Pledgor hereby consents to any such appointment; and

(vii) at its option, retain the Collateral in satisfaction of the Indebtedness whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise.

Pledgor agrees that in the event Pledgor is entitled to receive any notice under the Uniform Commercial Code, as it exists in the state governing any such notice, of the sale or other disposition of any Collateral, reasonable notice shall be deemed given when such notice is deposited in a depository receptacle under the care and custody of the United States Postal Service, postage prepaid, at Pledgor's address set forth on the signature page hereof, five (5) days prior to the date of any public sale, or after which a private sale, of any of such Collateral is to be held. Secured Party shall not be obligated to make any sale of Collateral

regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Pledgor further acknowledges and agrees that the redemption by Secured Party of any certificate of deposit pledged as Collateral shall be deemed to be a commercially reasonable disposition under Section 9.504(c) of the Code.

(b) Private Sale of Securities. Pledgor recognizes that

Secured Party may be unable to effect a public sale of all or any part of the securities pledged as Collateral because of restrictions in applicable federal and state securities laws and that Secured Party may, therefore, determine to make one or more private sales of any such securities to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such securities for their own account, for investment and not with a view to the distribution or resale thereof. Pledgor acknowledges that any such private sale may be at prices and other terms less favorable then what might have been obtained at a public sale and, notwithstanding the foregoing, agrees that each such private sale shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to delay the sale of any such securities for the period of time necessary to permit the issuer to register such securities for public sale under any federal or state securities laws. Pledgor further acknowledges and agrees that any offer to sell such securities which has been made privately in the manner described above to not less than five (5) bona fide offers shall be deemed to involve a "public sale" for the purposes of Section 9.504(c) of the Code, notwithstanding that such sale may not constitute a "public offering" under any federal or state securities laws and that Secured Party may, in such event, bid for the purchase of such securities.

(c) Application of Proceeds. If any Event of Default shall have occurred, Secured Party may at its discretion apply or use any cash held by Secured Party as Collateral, and any cash proceeds received by Secured Party in respect of any sale or other disposition of, collection from, or other realization upon, all or any part of the Collateral as follows in such order and manner as Secured Party may elect:

(i) to the repayment or reimbursement of the reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Secured Party in connection with (A) the administration of the Guaranty Documents, (B) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral and (C) the exercise or enforcement of any of the rights and remedies of Secured Party hereunder;

(ii) to the payment or other satisfaction of any liens and other encumbrances upon the Collateral;

(iii) to the satisfaction of the Indebtedness;

(iv) by holding such cash and proceeds as Collateral;

(v) to the payment of any other amounts required by applicable law (including, without limitation, Section 9.504(a)(3) of the Code or any other applicable statutory provision); and

(vi) by delivery to Pledgor or any other party lawfully entitled to receive such cash or proceeds whether by direction of a court of competent jurisdiction or otherwise.

(d) Deficiency. In the event that the proceeds of any sale of, collection from, or other realization upon, all or any part of the Collateral by Secured Party are insufficient to pay all amounts to which Secured Party is legally entitled, Pledgor and any party who guaranteed or is otherwise obligated to pay all or any portion of the Indebtedness shall be liable for the deficiency, together with interest thereon as provided in the Guaranty Documents.

(e) Non-Judicial Remedies. In granting to Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, Pledgor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require

Secured Party to enforce its rights by judicial process. Pledgor recognizes and concedes that non-judicial remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's-length. Nothing herein is intended to prevent Secured Party or Pledgor from resorting to judicial process at either party's option.

(f) Other Recourse. Pledgor waives any right to require Secured Party to proceed against any third party, exhaust any Collateral or other security for the Indebtedness, or to have any third party joined with Pledgor in any suit arising out of the Indebtedness or any of the Guaranty Documents, or pursue any other remedy available to Secured Party. Pledgor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension of the Indebtedness. Pledgor further waives any defense arising by reason of any disability or other defense of any third party or by reason of the cessation from any cause whatsoever of the liability of any third party. Until all of the Indebtedness shall have been paid in full, Pledgor shall have no right of subrogation and Pledgor waives the right to enforce any remedy which Secured Party has or may hereafter have against any third party, and waives any benefit of and any right to participate in any other security whatsoever now or hereafter held by Secured Party. Pledgor authorizes Secured Party, and without notice or demand and without any reservation of rights against Pledgor and without affecting Pledgor's liability hereunder or on the Indebtedness, to (i) take or hold any other property of any type from any third party as security for the Indebtedness, and exchange, enforce, waive and release any or all of such other property, (ii) apply such other property and direct the order or manner of sale thereof as Secured Party may in its discretion determine, (iii) renew, extend, accelerate, modify, compromise, settle or release any of the Indebtedness or other security for the Indebtedness, (iv) waive, enforce or modify any of the provisions of any of the Guaranty Documents executed by any third party, and (v) release or substitute any third party.

(g) Voting Rights. Upon the occurrence of an Event of Default, Pledgor will not exercise any voting rights with respect to securities pledged as Collateral. Pledgor hereby irrevocably appoints Secured Party as Pledgor's attorney-in-fact (such power of attorney being coupled with an interest) and proxy to exercise any voting rights with respect to Pledgor's securities pledged as Collateral upon the occurrence of an Event of Default.

12. INDEMNITY. Pledgor hereby indemnifies and agrees to hold harmless Secured Party, and its officers, directors, employees, agents and representatives (each an "Indemnified Person") from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature (collectively, the "Claims") which may be imposed on, incurred by, or asserted against, any Indemnified Person arising in connection with the Guaranty Documents, the Indebtedness or the Collateral (including, without limitation, the enforcement of the Guaranty Documents and the defense of any Indemnified Person's actions and/or inactions in connection with the Guaranty Documents). WITHOUT LIMITATION, THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO ANY CLAIMS WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH AND/OR ANY OTHER INDEMNIFIED PERSON, except to the limited extent the Claims against an Indemnified Person are proximately caused by such Indemnified Person's gross negligence or willful misconduct. If Pledgor or any third party ever alleges such gross negligence or willful misconduct by any Indemnified Person, the indemnification provided for in this Section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. The indemnification provided for in this Section shall survive the termination of this Agreement and shall extend and continue to benefit each individual or entity who is or has at any time been an Indemnified Person hereunder.

13. MISCELLANEOUS.

(a) Entire Agreement. This Agreement contains the entire agreement of Secured Party and Pledgor with respect to the Collateral. If the parties hereto are parties to any prior agreement, either written or oral, relating to the Collateral, the terms of this Agreement shall amend and supersede the terms of such prior agreements as to transactions on or after the effective date of this Agreement, but all security agreements, financing statements, guaranties, other contracts and notices for the benefit of Secured Party shall continue in full force and effect to secure the Indebtedness unless Secured Party specifically releases its rights thereunder by separate release.

(b) Amendment. No modification, consent or amendment of any provision of this Agreement or any of the other Guaranty Documents shall be valid or effective unless the same is in writing and signed by the party against whom it is sought to be enforced.

(c) Actions by Secured Party. The lien, security interest and other security rights of Secured Party hereunder shall not be impaired by (i) any renewal, extension, increase or modification with respect to the Indebtedness, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Secured Party may grant with respect to the Collateral or (iii) any release or indulgence granted to any endorser,

guarantor or surety of the Indebtedness. The taking of additional security by Secured Party shall not release or impair the lien, security interest or other security rights of Secured Party hereunder or affect the obligations of Pledgor hereunder.

(d) Waiver by Secured Party. Secured Party may waive any Event of Default without waiving any other prior or subsequent Event of Default. Secured Party may remedy any default without waiving the Event of Default remedied. Neither the failure by Secured Party to exercise, nor the delay by Secured Party in exercising, any right or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right or remedy at a later date. No single or partial exercise by Secured Party of any right or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right or remedy hereunder may be exercised at any time. No waiver of any provision hereof or consent to any departure by Pledgor therefrom shall be effective unless the same shall be in writing and signed by Secured Party and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Pledgor in any case shall of itself entitle Pledgor to any other or further notice or demand in similar or other circumstances.

(e) Costs and Expenses. Pledgor will upon demand pay to Secured Party the amount of any and all costs and expenses (including, without limitation, attorneys' fees and expenses), which Secured Party may incur in connection with (i) the transactions which give rise to the Guaranty Documents, (ii) the preparation of this Agreement and the perfection and preservation of the security interests granted under the Guaranty Documents, (iii) the administration of the Guaranty Documents, (iv) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, (v) the exercise or enforcement of any of the rights of Secured Party under the Guaranty Documents or (vi) the failure by Pledgor to perform or observe any of the provisions hereof.

(f) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAWS, EXCEPT TO THE EXTENT PERFECTION AND THE EFFECT OF PERFECTION OR NON-PERFECTION OF THE SECURITY INTEREST GRANTED HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.

(g) Venue. This Agreement has been entered into in Dallas

County, Texas and it shall be performable for all purposes in such county. Courts within the State of Texas shall have jurisdiction over any and all disputes arising under or pertaining to this Agreement and venue for any such disputes shall be in the county or judicial district where this Agreement has been executed and delivered.

(h) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this

Agreement and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

(i) Notices. All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be in writing and given by (i) personal delivery, (ii) expedited delivery service with proof of delivery or (iii) United States mail, postage prepaid, registered or certified mail, return receipt requested, sent to the intended addressee at the address set forth on the signature page hereof or to such different address as the addressee shall have designated by written notice sent pursuant to the terms hereof and shall be deemed to have been received either, in the case of personal delivery, at the time of personal delivery, in the case of expedited delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of mail, upon deposit in a depository receptacle under the care and custody of the United States Postal Service. Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other party of such new address at least thirty (30) days prior to the effective date of such new address.

(j) Binding Effect and Assignment. This Agreement (i) creates a continuing security interest in the Collateral, (ii) shall be binding on Pledgor and the heirs, executors, administrators, personal representatives, successors and assigns of Pledgor and (iii) shall inure to the benefit of Secured Party and the heirs, executors, administrators, personal representatives, successors and assigns of Secured Party. Without limiting the generality of the foregoing, Secured Party may pledge, assign or otherwise transfer the Indebtedness and its rights under this Agreement and any of the other Guaranty Documents to any other party. Pledgor's rights and obligations hereunder may not be assigned or otherwise transferred without the prior written consent of Secured Party.

(k) Termination. Upon the satisfaction in full of the Indebtedness, this Agreement and the security interests created hereby shall terminate. Upon termination of this Agreement and Pledgor's written request, Secured Party will, at Pledgor's sole cost and expense, return to Pledgor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof and execute and deliver to Pledgor such documents as Pledgor shall reasonably request to evidence such termination.

(l) Cumulative Rights. All rights and remedies of Secured Party hereunder are cumulative of each other and of every other right or remedy which Secured Party may otherwise have at law or in equity or under any of the other Guaranty Documents, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies.

(m) Gender and Number. Within this Agreement, words of any gender shall be held and construed to include the other gender, and words in the singular number shall be held and construed to include the plural and words in the plural number shall be held and construed to include the singular, unless in each instance the context requires otherwise.

(n) Descriptive Headings. The headings in this Agreement are for convenience only and shall in no way enlarge, limit or define the scope or meaning of the various and several provisions hereof.

EXECUTED as of the date first written above.

Pledgors' Addresses:
10830 North Central Expressway
Suite 175
Dallas, Texas 75231

ARABIAN AMERICAN DEVELOPMENT COMPANY

By: /s/ J. A. Crichton
Name: Jack Crichton
Title: Chairman

AMERICAN SHIELD REFINING COMPANY

By: /s/ J. A. Crichton
Name: Jack Crichton
Title: Chairman

Secured Parties Addresses:

10830 North Central Expressway
Suite 175
Dallas, Texas 75231

SCHEDULE "A"

The following property is a part of the Collateral as defined in Subsection 1(b):

1. All shares of stock in American Shield Refining Company, now existing and hereafter issued, presently evidenced by stock certificate no. 1, evidencing 100 shares of common stock.

2. All shares of stock in Texas Oil and Chemical Co. II, Inc., now existing and hereafter issued, presently evidenced by stock certificate no. 13, evidencing 1,836,311 shares of common stock.

EXHIBIT 14

ARABIAN AMERICAN DEVELOPMENT COMPANY

CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS

(ADOPTED FEBRUARY 13, 2004)

The Board of Directors (the "Board") of Arabian American Development Company (together with its subsidiaries and affiliates, the "Company") has adopted this Code of Ethics (the "Code"). The Code applies to the Company's principal executive officer, principal financial officer, principal accounting officer and controller, and to persons performing similar functions (collectively, the "Senior Financial Officers"), and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated thereunder.

The Code is designed to deter wrongdoing and to promote (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in Securities and Exchange Commission ("SEC") filings and in other public communications made by the Company, (iii) compliance with applicable governmental laws, rules and regulations, (iv) prompt internal reporting to the Board of violations of the Code and (v) accountability for adherence to the Code.

The Board believes the Code should be an evolving set of conduct and ethics, subject to alteration as circumstances warrant. Any modifications to or waiver from the Code may be made only by the Board. The Board will promptly disclose changes to and waivers from this Code as required by applicable law, including the rules and regulations promulgated by the SEC.

The Code does not cover every issue that may arise, but it sets out basic principals to guide the Senior Financial Officers. EACH SENIOR FINANCIAL OFFICER'S FULL COMPLIANCE WITH THE CODE IS MANDATORY.

I. ETHICAL CONDUCT AND ETHICAL HANDLING OF CONFLICTS OF INTEREST

Each Senior Financial Officer is expected to conduct his or her affairs with uncompromising honesty and integrity. Each Senior Financial Officer is required to adhere to the highest moral and ethical standards in carrying out their duties on behalf of the Company. A Senior Financial Officer of the Company is expected to be honest and ethical in dealing with all employees of the Company and third parties.

Each Senior Financial Officer is expected to avoid engaging in activities that conflict with, or are reasonably likely to conflict with, the best interests of the Company and its stockholders. Any personal activities, interests or relationships of a Senior Financial Officer that would or could negatively influence his or her judgment, decisions or actions to a material extent, or give rise to the appearance of such negative influence, must be disclosed to the Board

or its designee, who will (in consultation with the Board, if appropriate) determine if there is a conflict and, if so, how to resolve it without compromising the Company's interests. Prompt and full disclosure is always the correct first step towards identifying and resolving any potential conflict of interest or problem. Conflicts of interest will be reviewed by the Board taking into account the particular circumstances in the context of the Senior Financial Officer's activities with the Company. In certain limited cases, activities or relationships giving rise to potential conflicts of interest may be permitted if the Board determines that they are not to be harmful to the Company. If you have any doubt about whether a conflict of interest exists, please contact the Company's legal advisors so that they can help make that determination.

This policy applies not only to each Senior Financial Officer but also to immediate family members of each Senior Financial Officer, any trust in which a Senior Financial Officer (or a member of the Senior Financial Officer's

immediate family) has a beneficial interest (and over which he can exercise or influence decision making) and any person with whom the Senior Financial Officer (or a member of the Senior Financial Officer 's immediate family) has a substantial business relationship. An "immediate family member" includes a person's spouse, parents, children, siblings, parents-in-law, children-in-law, siblings-in-law and anyone who shares such person's home.

The following list serves as a guide to the types of activities that might create a conflict of interest, but it is not exclusive:

- Interest in entities transacting business with the Company. No Senior Financial Officer shall have a financial interest in an entity that does business with the Company. This includes, but is not limited to, ownership by a Senior Financial Officer or any member of his or her immediate family of more than 5% of the stock either directly or indirectly in any outside concern that does business with the Company, except where such interest consists of securities of a publicly-owned corporation and such securities are traded on the open market (unless such investments are of a size as to have influence over such corporation).

- Loans. Loans to, or guarantees of obligations of Senior Financial Officers create conflict of interest issues. Accordingly, no loans will be allowed without the prior approval of the Board (including the independent directors), and will only be permitted if allowed by applicable laws.

- Corporate opportunity. Each Senior Financial Officer owes a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Consequently, each Senior Financial Officer is prohibited from taking for themselves personally (including for the benefit of immediate family members or friends) opportunities that are discovered through the use of corporate property, information or position without the consent of the Board. No Senior Financial Officer may use corporate property, information or position for improper personal gain (including for the gain of immediate family members or friends) and may not compete with the Company directly or indirectly.

- Protection and proper use of company assets. All Senior Financial Officers should protect the Company's assets and ensure their efficient use. Furthermore, Company equipment should not be used for non-company business, though incidental personal use may be permitted. It is important to remember that theft, carelessness and waste of the Company's assets have a direct impact on the Company's profitability. Accordingly, any suspected incident of fraud, theft or misuse should be immediately reported for investigation.

- Transactions. Senior Financial Officers cannot represent the Company in any transaction in which the Senior Financial Officer or any immediate family member has a substantial interest.

- Relationship with Competitors. Neither a Senior Financial Officer nor any member of his immediate family should (i) invest in or serve as a director of a competitor, (ii) participate in any outside business activity or relationship with any competitor or (iii) receive any payments from any competitor.

- Trading. Neither a Senior Financial Officer nor any member of his immediate family shall trade in any securities (including any Company securities) or any other kind of property based on knowledge that comes from his job if that information has not been reported publicly. It is against

the law to trade or to "tip" others who might make an investment decision based on inside job information. For example, using non-public information to buy or sell Company stock or exercise options to buy Company stock is prohibited.

II. FULL, FAIR, ACCURATE AND TIMELY DISCLOSURE FOR SEC FILINGS; RECORD KEEPING

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must promptly, completely and accurately reflect the Company's assets, liabilities and transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable laws, rules or regulations. In addition, no undisclosed or unrecorded fund or asset shall be maintained for any purpose and no transaction shall be carried out in a manner such that the substance of the transaction is obscured, nor shall any transaction be recorded improperly. If a mistake in any information previously disclosed is discovered, such mistake should immediately be brought to the attention of the Audit Committee of the Board and, if applicable, the Company's independent auditors or legal advisors.

In order to assist the Board in fulfilling its oversight responsibility as to the integrity of the Company's financial statements and periodic reports filed with the SEC, the integrity of the Company's financial reporting and public disclosure process and the Company's compliance with legal and regulatory requirements, each Senior Financial Officer must fully, completely, accurately and timely advise and inform the entire Board and its relevant committees and the appropriate executive officers of the Company of all material facts and developments relating to the Company's business and operations.

The Chief Executive Officer, President, principal financial officer, principal accounting officer and controller shall read each SEC report and press release prior to the time it is filed, furnished or issued to the SEC or public, as applicable. Any inaccuracy or material misstatement in, or the omission of any information necessary to make the statements made not misleading from, any SEC filing or press release shall be immediately disclosed to the Audit Committee of the Board and, if applicable, the Company's auditors.

If you have any concerns with accounting or auditing matters, you should report them to the Audit Committee of the Board.

III. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

The business of the Company is to be conducted in accordance with applicable domestic and foreign laws and in accordance with the highest ethical standards of business conduct. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. Each Senior Financial Officer must respect and obey the applicable domestic and foreign laws of the jurisdictions in which we operate. If a law conflicts with a policy in this Code, you must comply with the law; however, if a local custom or policy conflicts with this Code, you must comply with this Code.

IV. REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR OR ACCOUNTING OR AUDITING CONCERNS

Senior Financial Officers shall consult with the Audit Committee of the Board (i) about observed illegal or unethical behavior and/or violations of the Code, (ii) about observed accounting or auditing concerns and/or (iii) when in doubt about the best course of action in a particular situation. It is the policy of the Company not to allow retaliation for reports of misconduct by others or of accounting or auditing concerns, in each case, made in good faith by employees. Senior Financial Officers are expected to cooperate in internal investigations of misconduct. If you observe or become aware of illegal or unethical behavior, violations of the Code or accounting or auditing concerns, you should report the behavior immediately to the Board. To the extent the matter has been reported and remains unresolved, you should report the matter to

the Company's Audit Committee and its legal advisors.

V. ACCOUNTABILITY FOR ADHERENCE TO THE CODE

THOSE WHO VIOLATE THE STANDARDS IN THE CODE WILL BE SUBJECT TO DISCIPLINARY ACTION. DISCIPLINARY ACTION MAY INCLUDE LOSS OF PAY, TERMINATION, REFERRAL FOR CRIMINAL PROSECUTION AND REIMBURSEMENT TO THE COMPANY OR OTHERS FOR ANY LOSSES OR DAMAGES RESULTING FROM THE VIOLATION. IF YOU ARE IN A SITUATION WHICH YOU BELIEVE MAY VIOLATE OR LEAD TO A VIOLATION OF THIS CODE, YOU MUST CONTACT THE COMPANY'S AUDIT COMMITTEE AS SOON AS PRACTICABLE.

VI. WAIVERS OF THE CODE

A waiver of, or amendment to, the Code may be made only by the Board and will be promptly disclosed as required by law, including the rules and regulations promulgated by the SEC.

EXHIBIT 31.1

CERTIFICATION

I, Hatem El-Khalidi, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) 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 annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual 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

   c. disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 auditors 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 controls 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 controls over financial reporting.

Date: June 22, 2004

/s/ HATEM EL-KHALIDI

Hatem El-Khalidi
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Drew Wilson, Jr. certify that:

6. I have reviewed this annual report on Form 10-K of Arabian American Development Company;

7. Based on my knowledge, this annual 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 annual report;

8. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

9. 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)) 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 annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual 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

   c. disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

10. 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 auditors 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 controls 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 controls over financial reporting.

Date: June 22, 2004

/s/ DREW WILSON, JR.

Drew Wilson, Jr.
Treasurer

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 Annual Report of Arabian American Development Company (the "Company") on Form 10-K for the year ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hatem El-Khalidi, 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:

(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/ HATEM EL-KHALIDI
- ----------
Hatem El-Khalidi, President and Chief Executive Officer

June 22, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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 Annual Report of Arabian American Development Company (the "Company") on Form 10-K for the year ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Drew Wilson, Treasurer 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:

(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/ DREW WILSON, JR.
- --
Drew Wilson, Jr., Treasurer

June 22, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.