UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDING SEPTEMBER 30, 1997

COMMISSION FILE NUMBER 0-6247

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

DELAWARE (State or other jurisdiction of incorporation or organization)	75-1256622 (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

Former name, former address and former fiscal year,
if changed since last report.
NONE

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 ___

Number of shares of the Registrant's Common Stock (par value $0.10 per share), outstanding at September 30, 1997: 20,656,494.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	SEPTEMBER 30,1997 (UNAUDITED) <C>	DECEMBER 31, 1996 <C>
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents in U.S.	$ 308,618	$ 209,251
Short-term Investments	357,106	298,726
Accounts Receivable (Net)	2,989,981	2,643,691
Inventories	552,944	565,346
Total Current Assets	4,208,649	3,717,014
CASH IN SAUDI ARABIA	77,832	176,039
REFINERY PLANT, PIPELINE & EQUIPMENT (AT COST)		
Refinery Plant, Pipeline & Equip	5,922,882	5,758,852
Less: Accumulated Depreciation	(3,200,723)	(2,911,823)
Net Equipment	2,722,159	2,847,029

AL MASANE PROJECT	33,293,598	32,882,838
OTHER INTERESTS IN SAUDI ARABIA	2,431,248	2,431,248
MINERAL PROPERTIES IN THE U.S.	1,385,358	1,418,615
GOODWILL	--	117,598
OTHER ASSETS	390,413	505,566
TOTAL ASSETS	$ 44,509,257	$ 44,095,947
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	$ 1,009,961	$ 1,408,677
Accrued Liabilities	824,645	520,445
Accrued Liabilities in Saudi Arabia	1,174,229	1,174,229
Notes Payable	11,375,780	11,375,780
Current Portion of Long-Term Debt	898,000	992,729
Current Portion of Long-Term Obligations	80,210	150,904
Total Current Liabilities	15,362,825	15,622,764
LONG-TERM DEBT	3,310,773	3,544,112
LONG-TERM OBLIGATIONS	21,150	35,009
ACCRUED LIABILITIES IN SAUDI ARABIA	755,456	714,143
DEFERRED REVENUE	118,057	129,685
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	978,384	1,003,590
STOCKHOLDERS' EQUITY		
COMMON STOCK-authorized 40,000,000 shares of $.10 par value; 21,456,494 shares issued and outstanding	2,145,649	2,095,649
ADDITIONAL PAID-IN CAPITAL	35,382,700	34,932,700
RECEIVABLES FROM STOCKHOLDERS	(126,000)	(126,000)
ACCUMULATED DEFICIT	(13,439,737)	(13,855,705)
Total Stockholders' Equity	23,962,612	23,046,644
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 44,509,257	$ 44,095,947

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

<S>	Three Months Ended Sept.30,1997 <C>	Three Months Ended Sept.30,1996 <C>	Nine Months Ended Sept.30,1997 <C>	Nine Months Ended Sept.30, 1996 <C>
REVENUES:				
Refined Product Sales	$ 6,459,566	$ 5,727,289	$ 18,849,743	$ 15,553,465
Processing Fees	146,505	171,308	397,235	514,741
	6,606,071	5,898,597	19,246,978	16,068,206
OPERATING COSTS AND EXPENSES:				
Cost of Refined Product Sales and Processing	5,470,319	5,156,186	16,566,461	13,862,547
General and Administrative	618,999	534,200	1,734,621	1,580,258
Depreciation and Amortization	100,380	174,485	425,993	518,833
	6,189,698	5,864,871	18,727,075	15,961,638
OPERATING INCOME	416,373	33,726	519,903	106,568
OTHER INCOME (EXPENSES):				

Interest Income	20,043	5,183	31,414	19,636
Interest Expense	(103,614)	(84,242)	(317,942)	(256,515)
Minority Interest	6,788	6,703	25,578	10,931
Miscellaneous Income	44,802	45,617	157,015	147,944
NET INCOME BEFORE INCOME TAXES	384,392	6,987	415,968	28,564
Income Tax Expense	--	--	--	--
NET INCOME	$ 384,392	$ 6,987	$ 415,968	$ 28,564
PER COMMON SHARE:				
NET INCOME	$ .02	$ .01	$ .02	$ .01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	21,456,494	20,356,494	21,367,605	20,273,160

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN	RECEIVABLES FROM	ACCUMULATED	
	SHARES	AMOUNT	CAPITAL	STOCKHOLDERS	DEFICIT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1996	20,956,494	$ 2,095,649	$ 34,932,700	$ (126,000)	$(13,855,705)	$ 23,046,644
Common Stock and Common Stock Subscriptions Sold	500,000	50,000	450,000			500,000
Net Income					415,968	415,968
BALANCE, SEPTEMBER 30, 1997	21,456,494	$ 2,145,649	$ 35,382,700	$ (126,000)	$(13,439,737)	$ 23,962,612

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPT. 30,1997	NINE MONTHS ENDED SEPT. 30,1996
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net Income	$ 415,968	$ 28,564
Adjustments for Non-Cash Transactions:		

Depreciation and Amortization	425,993	518,833
Recognition of Deferred Revenue	(11,628)	(11,628)
Effect of Changes in:		
Decrease (Increase) in Accounts Receivable	(346,290)	(874,513)
Decrease (Increase) in Inventories	12,402	(105,615)
Decrease (Increase) in Other Assets	115,153	62,825
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(94,516)	635,931
Other	(44,701)	(21,857)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	472,381	232,540
INVESTING ACTIVITIES:		
Additions to Short-Term Investments	(58,380)	(4,038)
Additions to Al Masane Project	(410,760)	(343,795)
Additions to Plant, Pipeline & Equipment	(164,030)	(177,907)
Reduction in Mineral Properties in U.S.	33,257	--
(Increase) Decrease in Cash in Saudi Arabia	98,207	183,974
Increase (Decrease) in Accrued Liabilities in Saudi Arabia	41,313	43,867
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(460,393)	(297,899)
FINANCING ACTIVITIES:		
Common Stock Issued for Cash	500,000	450,000
Additions to Notes Payable & Long-Term Obligations	--	--
Reductions of Notes Payable & Long-Term Obligations	(412,621)	(308,935)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	87,379	141,065
NET INCREASE (DECREASE) IN CASH	99,367	75,706
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	209,251	302,039
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 308,618	$ 377,745

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. These financial statements have not been examined by independent certified public accountants, but in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of consolidated results of operations, consolidated financial position and consolidated cash flows at the dates and for the periods indicated, have been included.

These financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the nine month period ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ended December 31, 1997. For further information, refer to the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.

These financial statements include the accounts of Arabian Shield Development Company (the "Company") and its wholly-owned subsidiaries, American Shield Refining Company (the "Refining Company") and American Shield Coal Company (the "Coal Company"). The Refining Company owns all of the outstanding common stock of Texas Oil and Chemical Company II, Inc. ("TOCCO"). South Hampton Refining Company ("South Hampton")is a wholly-owned subsidiary of TOCCO, and Gulf State Pipe Line Company, Inc. ("Gulf State")is a wholly-owned subsidiary of South Hampton. The Company also has voting rights to approximately 55%, and directly owns approximately 46%, of the capital stock of an inactive Nevada mining company, Pioche-Ely Valley Mines, Inc. ("Pioche"). At December 31, 1996, the Company concluded that its voting control of Pioche was no longer temporary and consolidated the accounts of Pioche in its financial statements for 1996. Previously, the investment in Pioche was accounted for on the equity method.

2. GOING CONCERN

These financial statements have been prepared assuming the Company will continue as a going concern. The Company's sources of cash flow in 1996 and the first nine months of 1997 were the operations of South Hampton's refinery and the proceeds from stock sales to Saudi Arabian investors. The Company is not currently generating cash flow from any other activities. As the cash flow attributable to the refinery is fully dedicated to repayment of debt and funding of refinery operations, the cash flow attributable to the refinery currently is not adequate to support the Company's operations. The Company is liable to the Saudi Arabian government for an $11,000,000 loan. The Company does not currently have the financial resources to pay this obligation.

Management plans to fund future operations through sales of its common stock and borrowings. It is expected that the operations and obligations of the Company will be eventually funded from operations of the Al Masane mine. However, because of uncertainties with respect to future sales of

common stock, obtaining suitable financing, and reaching an agreement on the repayment of the loan to the Saudi Arabian government, there is substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

3. LEGAL PROCEEDINGS

South Hampton, together with over twenty-five other companies, has been a defendant in two proceedings pending in the 60th Judicial District Court in Jefferson County, Texas, and in the 136th Judicial District Court in Jefferson County, Texas, respectively, brought on July 21, 1993 and July 18, 1994, respectively, by two former employees of the Goodyear Tire & Rubber Company plant located in Beaumont, Texas, claiming illness and diseases resulting from alleged exposure to chemicals, including benzene, butadiene and/or isoprene, during their employment with Goodyear. Plaintiffs claim that the defendant companies engaged in the business of manufacturing, selling and/or distributing these chemicals in a manner which subjects each and all of them to liability for unspecified actual and punitive damages. South Hampton entered into a settlement agreement with one of the plaintiffs on March 13, 1997, by agreeing to pay such plaintiff the amount of $45,000 in full and final settlement of all claims by such plaintiff against South Hampton. The second suit has recently been verbally settled for a similar nominal amount and the final papers are being completed.

On August 18, 1997, the Texas Natural Resource Conservation Commission notified South Hampton that it has violated various rules and procedures and has proposed administrative penalties totaling $709,408 and recommends that South Hampton undertake certain actions necessary to bring its operations at the refinery into compliance. The violations generally relate to various air and water quality issues. South Hampton feels the penalty is greatly overstated and intends to vigorously defend against it. A preliminary hearing will be held in mid-November.

On May 15, 1991, the Company filed a complaint with the U. S. Department of Justice ("DOJ") against Hunt Oil Company of Dallas, Texas ("Hunt"), alleging violations of the Foreign Corrupt Practices Act ("FCPA")by Hunt in obtaining its Petroleum Production Sharing Agreement ("PSA") in Yemen in 1981, subsequent to the Company presenting a bid to the Yemen government for the same area before Hunt made its application. On May 5, 1995, Company's attorneys in Washington, D.C.

informed the Company that, because the PSA of Hunt is still ongoing, and under its auspices, payments and receipts occur daily, the DOJ still has ample jurisdiction to continue its investigation. A letter from the DOJ on December 19, 1995 stated its interest in receiving additional documentation regarding the Company's allegations. On February 28, 1996, the Company sent more documents to the DOJ which it believed would further support its allegations. The Company's attorneys in Washington, D.C. believe that the Victim Restitution Act provides for restitution to the Company of monies lost as a result of the alleged wrongdoing by Hunt, if Hunt is convicted under the FCPA. On October 1, 1996, the DOJ wrote that the documents presented did not suggest that any criminal events happened within the statute of limitations, and that, at that time, the DOJ did not intend to pursue its investigation. On November 18, 1996, legal counsel retained by the Company, after studying the facts of the case, sent the DOJ an analysis concluding that, while the statute of limitations of FCPA may have lapsed, the statute of limitations for conspiracy to violate the FCPA had not lapsed, and that, as a consequence, the DOJ could criminally prosecute

Hunt for conspiracy to violate the FCPA. The legal counsel met with the Fraud Section of the DOJ on December 13, 1996 and was told that the DOJ would take a more aggressive stance if more information of evidentiary quality were presented to them. The Company intends to vigorously pursue obtaining such further information in the United States and in Yemen.

Late in 1994, articles were published in two prominent Yemen newspapers in which Yemen Hunt Oil Company, a wholly-owned subsidiary of Hunt Oil Company of Dallas, Texas ("Yemen Hunt"), was accused of obtaining a petroleum production sharing agreement in Yemen in 1981 through the corruption of Yemen officials in order to exclude the application of the Company and it then partner, Dorchester Gas Company, from consideration for the same area. A letter to the editor of one of these newspapers, published on December 7, 1994 and signed by the executive vice president of Yemen Hunt, after explicitly mentioning the Company and Dorchester Gas Company, stated that "(Yemen Hunt) knows well those suspicious companies who are mainly engaged in political activities for the purpose of undermining the economic interest of Yemen..." On December 26, 1995, the Company filed a complaint of criminal libel with the Yemen Attorney General for Publications in Sana'a, Yemen against Yemen Hunt, alleging that Yemen Hunt, in its published letter to the prominent Yemen newspaper, had criminally libeled the Company, which, if not addressed, could seriously affect the business and reputation of the Company and its employees in the Middle East. In October 1996, the Company received the official decision from the Deputy Attorney General for Publications of Yemen which stated that, after taking the statement of the President of the Company and the statement of the chief of the legal department of Yemen Hunt, it was evident that the letter from Yemen Hunt published in the Yemen newspaper on December 7, 1994 was libelous to the Company. However, since the four month statute of limitations period under Yemen criminal law had run, Yemen Hunt could not be prosecuted for criminal libel. The Company intends to vigorously pursue the matter under the civil libel laws of Yemen.

4. INVENTORIES

Inventories include the following:

<TABLE>
<CAPTION>

<S>	SEPT. 30, 1997 <C>	DEC. 31, 1996 <C>
Refinery feedstock	$148,654	$ --
Refined products	404,290	565,346
Total inventories	$552,944	$565,346

</TABLE>

Refined products and feedstock are recorded at the lower of cost, determined on the last-in, first-out method (LIFO), or market. At September 30, 1997 the carrying value of inventories approximated current cost and at December 31, 1996, current cost exceeded LIFO value by approximately $163,000.

5. NEW ACCOUNTING PRONOUNCEMENT

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share", which is effective for financial statements issued after December 15, 1997. Early adoption of the new standard is not permitted. The new standard eliminates primary and fully diluted earnings per share and requires presentation of basic and diluted earnings per share together with disclosure of how the per share amounts were computed. The adoption of this new standard is not expected to have a material impact on the disclosure of earnings per share in the financial statements.

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

RESULTS OF OPERATIONS

The Company had net income of $415,968 for the nine months ending September 30, 1997, compared to net income of $28,564 for the same period in 1996, resulting in a net income increase of $387,404 in 1997.

For the first nine months ending September 30, 1997 and 1996, the refinery had operating income of $902,735 and $576,105, respectively and net income of $690,256 and $480,788, respectively, a net income increase in 1997 of $209,468 compared to the same prior year period. The refinery had positive cash flow from operations of $606,717 for the third quarter of 1997, which was in contrast to the comparable figure of $245,867 in 1996. Sales volume was higher in 1997 by 10.2% to 7,311,426 total gallons and the average selling price per gallon was higher than that for the third quarter of 1996 by $.025 per gallon. Feedstock prices were lower by almost $.035 per gallon average than the prices for the same period in 1996. Sales for the third quarter in 1997 continued the trend set in the first two quarters of 1997 and stayed at record volume levels for the premium pentane products. The rapidly rising feed costs for the last two months of the fourth quarter 1996 and the first two months of the first quarter of 1997, started the year off poorly, however, the refinery's strong results since March have made up for the early deficit. Pricing commitments and competitive pressures prevent raising product prices instantly as feed prices go up, therefore the gross margin is always squeezed for a time during periods of rapidly rising prices which affected January and February results. The reverse is true in times of falling prices. Margins are larger for a period of time until product prices start easing down. Feedstock prices began falling in late February and have continued to be competitive through September, so the third quarter resulted in good earnings which are expected to continue on into the fourth quarter.

Expenses at the refinery for the third quarter in 1997 were higher than a year ago. In addition to rapid feedstock cost rises early in the year, the price of natural gas used to fuel the refinery processes rose rapidly for the same four month period and have continued to be higher than a year ago. Natural gas prices rose to a peak of $3.85 per MMBTU for the month of January 1997 before starting to fall off in February. While prices have dropped from the high winter months, they still remain in a range which is higher than was experienced in previous periods. The refinery has recently established a natural gas hedging program in an attempt to flatten the cost of fuel to the refinery throughout the year. Contributing to the higher operating expenses is the effort the refinery is making toward clean up of the operating area and the efficient management of the higher production rates. The additional expenses stem mainly from increased maintenance personnel, increased environmental testing and analysis and increased preventative maintenance efforts. Administrative expenses were flat or decreased slightly compared to prior periods.

Processing fees remained flat for the year and were $146,505 for the quarter which is a decrease of about 14% from the same period in 1996. One unit used for toll processing remains idle at this time. Another has begun full production for what the customer has represented as an extended

run to meet the growing demand for their product. This alone should help fees increase for the fourth quarter. Expectations are that processing fees should grow as a new customer is found for the idle unit. The refinery has found that in this period of "right-sizing", which many of the major oil and chemical companies are experiencing, there are many opportunities for a smaller company to provide processing services on streams which the larger companies no longer want to handle themselves. The refinery is in the process of erecting four process towers to increase the capacity and capabilities of the toll processing side of the business. Completion is expected in the first quarter of 1998 with the results on net income to become evident by the end of the second quarter of 1998.

The outlook for the industry is good from the perspective of increased opportunities for toll processing. The refinery is currently operating processes for three different entities and, while the contracts are being renewed on a year-to-year basis, the outlook on all the contracts is that they will be longer term operations. Sales of the refinery's prime products remain stable and expanded marketing efforts have kept the plant at capacity through the winter and early spring months which are historically the weakest.

Maintenance and capital items are on schedule in accordance with the refinery's budget plan for the year. The maintenance program to install secondary seals on the tank roofs was completed during the second quarter. The design of a new control room is complete and the building was completed in the third quarter. It is expected to be operational by year-end. Refinery personnel are doing much of the work to keep the costs to a minimum. The modifications of the Chevron sponsored Aromax unit were completed in the second quarter and the unit is operating as planned. The outlook for the fourth quarter is good. Sales remain firm and, as of early November, there is no immediate outlook for higher feed prices. The refinery bought feedstock ahead for the next three months to hedge against any winter spikes in prices and the natural gas hedging program should control any sudden rises in the single largest expense.

General and Administrative Expenses for the first nine months in 1997 were $154,363 higher than for the same period in 1996, a slight increase of 10%. Interest Expense in 1997 and 1996 was practically all attributable to the debt of the refinery and increased by $61,427 in 1997 due to a larger amount of interest-bearing debt, which was a result of a major debt restructuring in October 1996 when accrued interest was rolled over into principal and the new interest rates were higher.

In 1996, the Company concluded that its voting control of Pioche was no longer temporary and, therefore, the accounts of Pioche have been consolidated into the Company's financial statements. The Minority Interest amount in the first nine months of 1997 and 1996 of $25578 and $10,931, respectively, represents the Pioche minority shareholders' portion of Pioche's losses. There has been no activity in several years on the Pioche properties primarily due to the lack of financing for claims to be explored and developed. The losses in Pioche are attributable to the costs of maintaining the Nevada mining properties.

A charge for Amortization of Goodwill of $115,447 during the first six months of 1997 and $207,855 during the first nine months of 1996 relates to the goodwill recognized on the purchase of the refinery in 1987. In the second quarter of 1997, the goodwill amortization over the ten year period ended. Interest Income in both periods was primarily from a short-term investment by the refinery and from the investment of temporary excess

cash in time deposits in Saudi Arabia. Miscellaneous Income in both periods primarily includes income from tank rentals, building rentals, commission income and occasional small asset sale proceeds at the refinery. Miscellaneous Income in June 1997 included a profit amount of approximately $48,000 applicable to the down payment portion received from the installment sale of an office building at the refinery. The sale price will be received in annual note installment payments over a ten year period with each installment payment including a portion of the total profit amount of approximately $387,000. The current portion of the discounted installment note receivable at September 30, 1997 was approximately $20,000 and the non-current portion (reflected in "Other Assets") was approximately $267,000. Offsetting this profit in June was a charge of approximately $34,000 for the write down of the value of a pipeline which had never been used by the refinery.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the acquisition in June 1987 of the refinery in Silsbee, Texas, the Company had substantially no significant operating revenues since 1972. Because of the lack of operating revenues, it has been necessary for the Company continually to seek additional debt and equity financing in order to have funds to continue operations.

Due to the granting by Saudi Arabia of the Al Masane mining lease in May 1993, the Company has begun planning for the mobilization program and financing to implement the construction and commissioning of the mining treatment plant and housing facilities for the mine. The firm of Watts, Griffis and McOuat of Toronto, Canada, has been appointed as owner's agent and project manager. The Company also plans to start an intensive exploration program to increase the reserves at the mine site and elsewhere in the lease area. In addition, the Company is engaged in the establishment of a petrochemical plant in Jubail, Saudi Arabia similar to the one at the refinery. The products to be manufactured would be solvents for the plastics industry which are anticipated to be sold in the Middle East, Europe and the Far East. An industrial license for the plant has recently been received. Dialog on feedstock supply and transportation has been productive. The market is currently being reassessed to determine the optimum capacity for the facility . There has been a strong interest from a German firm who would like to participate in the development of the site with processes of their own.

The principal assets of Pioche are an undivided interest in 48 patented and 81 unpatented mining claims and a 300 ton-per-day mill located in southeastern Nevada. Due to lack of capital, the properties held by Pioche have not been commercially operated for approximately 35 years. In late 1996, Pioche was extended a proposal from a prominent mining company for the lease of its mining claims. On October 21, 1997, an "Exploration Agreement and Option to Purchase" was executed between the two parties. The agreement provides for annual payments to Pioche of $50,000 for seven years until, or unless, an option is exercised to purchase an 85% interest in the mining claims for $3,000,000. The mining company will pay all annual taxes and claim rentals and has agreed to expend at least $50,000 in exploration work each year and to drill at least one hole during the first year.

During 1996 and the first three quarters of 1997, the Company took certain actions designed to generate additional equity capital and improve its financial condition, including: (1) the completion at October 15, 1996 of

negotiations by South Hampton of a restructuring of its debt to Den norske Bank to provide for a revolving credit facility in an aggregate principal amount of up to $1,965,000; (2)the restructuring at October 15, 1996 of the indebtedness of South Hampton to Saudi Fal Co., Ltd., a Saudi Arabian limited liability company owned by a stockholder of the Company, and to American Shield Refining Company, whereby accrued interest to October 15, 1996 was added to principal, resulting in new promissory notes in the principal amounts of $1,945,773 and $1,694,605, respectively, which promissory notes are subordinated to the Den norske note; (3)approval by the Company's Board of Directors in June 1996 of the sale of up to 1 million shares of common stock through private placements at a price no less than $1.00 per share, and the approval in July 1997 by the Board for the sale of another 1 million shares at no less than $1.00 per share; (4)the sale in 1996 of 450,000 shares of common stock at $1.00 per share to a Saudi Arabian investor who is a stockholder of the Company and the sale in 1997 of an additional 450,000 shares of common stock at $1.00 per share to the same investor; and (5) the sale in January 1997 of 50,000 shares of common stock at $1.00 per share to a Saudi Arabian investor.

At September 30, 1997, the outstanding principal amount under the new Amended and Restated Credit Agreement with Den norske was $1,665,000, with $1,365,000 classified as long-term debt. The entire balance under the Amended and Restated Credit Agreement is now due on December 31, 1998. Prior to the restructuring of this debt at October 15, 1996, the Agreement had been extended on a month-to-month basis pending the final approval of new terms. South Hampton has now agreed to make minimum quarterly principal payments of $75,000 plus interest at the Den norske prime rate plus 1%, and under certain conditions, can make distributions to Saudi Fal and the Company. The debt is secured by all of the assets of the refinery and all of the issued and outstanding shares of the Company's three subsidiaries there.

On October 15, 1996, there was also a restructuring of the loan of $1,500,000 owed by South Hampton to Saudi Fal, pursuant to Board of Director approval in October 1995. The loan, plus accrued interest, was converted into a Second Lien Promissory Note in the principal amount of $1,945,773 bearing interest at the Den norske prime rate plus 1%. Interest only is due and payable monthly on the note and the entire unpaid balance of principal and accrued interest is due on December 31, 1998. The principal amount at September 30, 1997 remained at $1,945,773. No interest payments have been made through September 30, 1997 and the amount of accrued unpaid interest was approximately $175,000. The note is secured by all of the assets of the refinery and is subordinate to the Den norske note.

The Company, through its subsidiary American Shield Refining Company, advanced funds in 1990 for some of the costs to increase the processing capacity of the refinery. These advances were in the form of a note from the refinery. This note was also restructured at October 15, 1996, whereby accrued interest of $361,250 was added to principal with the note bearing interest at the Den norske prime rate plus 1%. This resulted in a new principal amount of $1,694,605 at that time, which remained the same at September 30, 1997. No interest payments have been made by the refinery to the Company through September 30, 1997 and the amount of accrued unpaid interest was approximately $153,000. The note is secured by all of the assets of the refinery and is subordinate to the promissory note issued to Saudi Fal.

On September 3, 1995, the Company made a formal application to the Saudi Industrial Development Fund ("SIDF")to obtain 50% of the capital needed to finance the development of the Al Masane project. Before the loan could be approved, the Company had to obtain an industrial license for the project. This license was applied for on February 10, 1996 and was issued on December 23, 1996. The industrial license and the 1996 update to the Watts Griffis feasibility study were presented to the SIDF on December 23, 1996. A presentation by Watts Griffis of additional information requested by the SIDF was made in May 1997, and representatives of the SIDF have recently visited the Company office in Jeddah and the mining facility. Negotiations are continuing toward the approval of the loan, and the Company is in the process of forming the Saudi limited liability company in whose name the mining lease will be transferred.

In May 1996, the Company entered into a one-year agreement with two Saudi Arabian advisors to assist the Company in obtaining financing for the Al Masane project. The advisors assisted in obtaining the industrial license in December 1996 and in obtaining some of the equity funds for the proposed Saudi limited liability company. The agreement was terminated by the Company in August 1997 according to its terms and negotiations are being held to complete a new agreement.

At September 30, 1997, a total of approximately $1,531,000 in salaries and termination benefits accrued since 1971 was due to Company employees in Saudi Arabia in accordance with Saudi Arabian employment laws. This amount includes approximately $755,000 due to Hatem El-Khalidi, the Company's President and Chief Executive Officer. The payment of these amounts has been deferred until the Company's working capital position improves. Also, the Company has not made all of the surface rental payments due to the Saudi Arabian government under the terms of the Al Masane Project lease. The unpaid amount of these rental payments at September 30, 1997 was approximately $426,000. The payments are being deferred to be paid by the Saudi Arabian limited liability company after it is formed. In addition, the Company has not complied with certain statutory reporting requirements in Saudi Arabia. Management of the Company believes that the lack of compliance with these license requirements will not have any effect on the Company's operations in Saudi Arabia.

The annual meeting of the stockholders of the Company was held on May 5, 1997 for the purpose of electing six directors to serve until the next annual meeting. Directors elected at the meeting were Messrs. John A. Crichton, Hatem El-Khalidi, Harb S. Al Zuhair, Mohammed O. Al-Omair and Ghazi Sultan. Mr. Oliver W. Hammonds received only 48.7% of the shares voted and was not elected. The total number of shares voted by proxy and in person represented approximately 51% of the total shares owned and outstanding as of the record date of March 17, 1997. In June 1997, Mr. Harb S. Al Zuhair resigned from the Board, citing personal reasons. No replacements for the two directors have been made yet.

A major component of the Company's activities relates to the acquisition, exploration and development of mineral deposits. There can be no assurance that the Company will successfully develop any of its properties, and if developed, whether the mineral acquisition, exploration and development costs incurred will ultimately be recovered. The recovery of such costs is dependent upon a number of future events, some of which are beyond the control of the Company. The ability of the Company to develop any of these properties is dependent upon obtaining additional financing as may be required and, ultimately, its financial success depends on its ability to attain successful operations from one or more of its projects. Company management is devoting a significant amount of its attention to addressing the Company's immediate and longer term needs.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

None

(b) REPORTS ON FORM 8-K

None

SIGNATURES

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

DATE: November 6, 1997	ARABIAN SHIELD DEVELOPMENT COMPANY
	(Registrant)
	/s/ J. A. CRICHTON
	J. A. Crichton, Chairman of the Board of Directors
	/s/ DREW WILSON, JR.
	Drew Wilson, Jr. Secretary/Treasurer

INDEX TO EXHIBITS

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Exhibit Number	Description
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27	Financial Data Schedule

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