High Water Recharge Rate brings Allana's ambitious Targets Closer to Reach

On January 7, Allana Potash ('Allana', TSX: AAA) announced that it has delineated a significant water source with very high annual recharge rates as established by ongoing hydro-geological research in the alluvial fan. Water supply is essential to Allana because its Dallol project is based on solution mining. A test well in the western alluvial fan area has been operational since last September. The preliminary pump tests have already shown an average 70 cubic meter flow rate, sometimes reaching 150 cubic meters, confirming the presence of a fresh water aquifer in the alluvial fans along the western boundary of the Allana license area.

Fugro Consult GmbH ('Fugro' a geological services consultancy) has now estimated recharge rates of the 160 million m3 water reservoir based on data from observation wells since last March. The calculations suggest a recharge rate in the range of 35.7 million m3 and 55.2 million m3 annually for the Allana license areas. Given that Allana expects annual water use to be in the order of 16 million m3, the recharge rate is more than sufficient to meet the expanded annual production targets averaging 2-3 million tons of potash (MOP). Solution mining works by enabling the extraction of the mineral from the ground through the dissolving of water soluble minerals with underground water. Solution mining does not place personnel underground and thus does not have the risks inherent to underground mining. This solution is extracted from the earth and then processed to recover the mineral.

Allana said has targeted initial production at Dallol to be about 1 million metric tons of MOP per year starting in late 2014 or early 2015 then reaching peak levels (full production)

approximately a year to 16 months after later. The confirmed availability of water confirms that the Dallol project is proceeding on schedule.

Allana Potash (Allana, TSX: AAA) is set to make the Company one of the first to market and largest potash producers in Africa. Allana has benefited from Ethiopian pro-investment policies, which have enabled the country to record one of the highest economic growth rates in the world (10%, expected to continue until 2015). In addition, the fact that the water resources that are both environmentally and commercially sustainable marks an important milestone for Allana's timetable. Allana has a distinct advantage over competitors in Ethiopia (i.e. Yara International) and beyond Ethiopia's borders in Eritrea.

Allana's most recent NI 43-101 mineral resource estimate for the Dallol Potash Project has envisaged a production capacity of 1.3 billion tons at an average grade of 19.32% KCI (potassium chloride). The Dallol deposit has a strong record of historical exploration. The Dallol resource, as with much of the potash available in the Danakhil region is that there is an extensive sylvinite mineralization at very shallow levels. Allana will continue to focus the development of the shallow region, though it has already drilled in the deeper areas to establish the presence of potash there as well. Ethiopia has invested in infrastructure, promoting industry and doubling agricultural production. Project financing should be completed by mid-2013 in order to begin construction by the fall (or late) of 2013. Allana also has the potential to raise capacity to two or three million tons a year (MOP) and in addition have the ability to produce SOP. Today's water announcement validates the ambitious production targets and schedule, bringing both further within reach.

Allana will ship its potash through the Republic of Djibouti, where a new port is being built in Tadjoura. Construction on the new port was officially launched just before the Christmas

break in a joint ceremony attended by officials from Djibouti and Ethiopia. The port is scheduled to become operational by the end of 2015, adding to Ethiopia’s import and export capacity. Currently, goods move in and out from the Port of Djibouti and Dorhaleh container terminal; however, Allana will have its own terminal with unloading and storage facilities at the new port. The potash will be delivered to the port by truck along a new highway linking the Dallol project with the port, which is already under construction. The project is expected to cost USD$ 61 million to be covered by a loan from Kuwait based Arab Fund for Economic and Social Development (USD$ 36 million) and Saudi Fund for Development (USD$ 25 million).