

# Allana Potash and its potential Role in African Security

☒ Allana Potash has filed a 43-101 technical report, based on the production of one million tons of potash (MOP) a year for its Danakil solution mining Potash Project in northern Ethiopia. The technical report has been published just a few weeks after the presentation of the Feasibility Study (FS). The FS highlighted three main considerations.

- Allana has one of the lowest CAPEX and OPEX costs of any greenfield potash project
- Allana has some of the best economies of any of the emerging junior plays.
- Allana is operating in what might be one of the most advantageous mining jurisdictions in the world and certainly the best in Africa.

Moreover, at USD 579 million, and port and transportation investments of USD 63 million, Allana has one of the lowest capital expenditures (CAPEX) costs of any new potash project (if not the lowest). It also has some of the lowest operating expenditures both in Production: USD 69.25/ton and FOB vessel transportation: USD 29.50/ton for a total production OPEX of USD 98.75/ton based on an annual production of 1 million tons/year of muriate of potash (MOP). Taking a longer term and wider geographic view, the value of the project has increased further in the past few weeks, considering the suspension of Vale SA's Rio Horizonte potash project in Argentina. That USD 10 billion project was intended to rival major world producer and would have added some 4-6 million tons of potash a year into the market, enough to meet Brazilian demand with some potential leftover to put pressure on potash prices.

Vale SA's departure from the potash market – at least for the time being – has given added impetus to the merging juniors able to reach Feasibility stage now. Allana's natural markets are more inclined toward Asia and Africa than South America but, given that the Company has based its FS on an average potash price of USD 427/ton (which is the 2013 CANPOTEX contract price for India, meaning that other smaller markets will pay closer to the USD 475/ton mark), the Danakil Project offers very good value and Allana is certainly slated to become one of Africa's main potash producers. This is very important because there is also another kind of value to ponder in evaluating the potential of potash in a continent such as Africa.

The value does not translate easily to a quantifiable market appeal; however, it is essential in human and societal terms, considering the relationship between potash to agriculture and agriculture to political and social stability – two aspects that can be summed up as security. The relationship between agricultural development and security – i.e. the ability to challenge rogue political movements using terrorism and fanatic ideologies – was brought up at a four day seminar on African security hosted by the US Army, where I was an invited lecturer last week. One of the conclusions was that the agricultural sector is very important at the geopolitical level. High food prices in Africa, owing to the problem that much food has to be imported, are one of the main triggers of social unrest and violence. In 2011, a climate crisis in Russia decreased the supply of wheat and caused prices to spike; this was sufficient to spark riots in Mozambique, with ten dead and hundreds injured. Food riots in Cairo in 1979 led to the death of hundreds of protesters after the government lifted subsidies on bread.

Africa has strong potential but limited subsidies to support use of potash and other mineral fertilizers. This can be seen in the phenomenon of 'land grabbing', whereby the best lands

are acquired by organizations from countries with significant financial resources (like the Gulf States) but lacking arable land. They have been buying properties mostly in Africa and Latin America, demonstrating the validity of the concept that a strong agricultural sector (one able to provide food for all) is one of the main pillars of a nation's stability and security.

Indeed, it is not surprising that would be terrorists in Africa have cited agriculture as legitimate target of terrorist actions, which could include the use of parasites decided to destroy entire crops or contaminate agricultural commodities which would lead to dramatic consequences not only in the areas of production, processing and trade and tourism. The next "007" will have to have a license to 'sow and grow' as well as a license to kill. The European Union, for its part, has funded a project entitled 'Crop and food bio-security, and provision of the means to advance and tackle crop bioterrorism" and the US is considering similar measures. Yet, apart from the more limited terrorist threat, agricultural neglect – in which the lack of adequate fertilizer use is certainly an important aspect – is one of the causes of the series of social and political protests known as the 'Arab Spring' in North Africa and the Middle East. Surely, the 'Spring' was fueled by frustrations with existing political regimes, a growing youth population and few employment opportunities; nevertheless, high food prices deriving from scarce agricultural production has played a critical role in fomenting unrest.

The UN Food and Agriculture Organization (FAO) has made a direct correlation between high food prices and social unrest. A limited access to food vastly reduces a people's trust in their governments, making them more vulnerable to external and internal threats. Food subsidies, however, are not the solution; they have been used extensively in Africa and the Middle East and their main effect is to distort the market and

favor imports. The solution that has a greater chance of 'bearing fruit' is greater agricultural productivity and fertilizers such as potash and phosphate are the key in addressing the problem in the vast Central African area known as the Sahel, where the soil is poor in the mineral nutrients that support agriculture. If any subsidies should be encouraged, they should be targeted to help farmers acquire mineral fertilizers in order to truly stimulate agricultural and societal development.