Eurobonds and potash will boost Ethiopia and Africa's food security

Ethiopia issued a dollar based bond to fund its development goals focused on increasing agricultural production, power generation and transportation infrastructure including the 6,000 megawatt Millennium Dam hydroelectricity project on a Nile river tributary. Deutsche Bank and JP Morgan will be handling the sale of the ten year bond (yielding 6.75%). Ethiopia has been Africa's fastest growing economy for the past few years; it follows in the lead of other African countries that have issue similar bonds (Eurobonds) recently, including Kenya, Ivory Coast, Senegal and Ghana. Ethiopia's bond issue reflects both the scope of its development ambitions – needing to raise at least USD$ 50 billion before the end of the decade to complete its development targets – and foreign investors' growing interest in the country and Africa in particular. The Millennium Dam is seen as crucial to boosting agriculture in Ethiopia as well as some of its neighbors such as South Sudan, Kenya and Uganda. Indeed, Ethiopia has taken full responsibility for funding the Millennium Dam in order to establish greater control over the flow of the Nile waters and its power will allow Ethiopia to become a regional hydro-electricity hub.

It was exactly 30 years ago when the world learned of a terrible famine in Ethiopia, which also included present day Eritrea at the time prompting worldwide relief campaigns punctuated by songs like 'Do they know it's Christmas' and 'We are the World'. Much has changed today: Ethiopia is home to the third largest agricultural industry on the African continent and it is on track to achieve food security. Despite the huge challenge of expanding agriculture in a country that was not long ago on the brink of famine to 'Africa's bread

basket’ is a huge challenge but thanks to farming method innovations and research, the country will, in the very near future, achieve food security. But Ethiopia’s ambitions reflect the wider agricultural growth phenomenon that has been occurring throughout Africa, which have been fueling the enthusiasm of local populations and private investors alike. With increasing urbanization and an exponential growth of the middle class, the African food market just waiting to grow and is expected to triple by 2030 according to a study by the World Bank in 2013. There is also a growing food deficit between demand and regional supply, which has contributed to interest in agriculture. Ethiopia and Africa will gains benefits in development and wealth creation along with agricultural best practices, better yield per hectare, and more intense trade links to developed countries. Recently a US private equity fund (KKR & Co) has made its first investment in Ethiopia.

The international investment and financing such as today’s aforementioned bond issue will help to address the technical challenges to agriculture throughout Africa as multiple land expansion projects are being planned all over the continent. Thus, the enthusiasm of the private equity companies for Sub-Saharan Africa is accelerating, agriculture appears as a natural investment sector. An international law firm, Freshfields, has pointed out that agriculture investments in Africa have increased by 137% in the first half 2014 compared to the same period in 2013, facilitated by improving political risk and easier transactions. It should be reminded that Africa is huge, covering the second largest area after Asia, holing the second largest population. Moreover, the UN has noted that Africa has 17% of the world’s arable land and agriculture accounts for more than 20% of the Continent’s GDP. Farming now occupies 60% of the workforce in Africa.

African agriculture has tremendous growth potential because the continent still has many reserves of uncultivated land,

counting 226 million arable land but being able to reach almost 500 million. Much of Africa is well irrigated and the climate is favorable to the production of maize, soya and sugar cane. The Chinese are well aware of this potential and have signed leases in the long term, using already 2-3% of the resources and Ethiopia is one of their leading targets. Africans will need more arable land and implement agriculture to increase food production yields. Production costs are low and the workforce is young and plentiful. If over the past 15 years, it has been Brazilian agriculture's turn to shine, now is the time of Africa and it is estimated that the continent will become a net exporter of corn and soybeans in the next ten years. Other cereals include barley, sorghum, cotton, sugar cane, groundnut, millet and cassava. However, investment in infrastructure is not enough. African agricultures needs the right soil and productivity to flourish.

Potash and other mineral fertilizers are one of the keys to the Continent's agricultural growth strategy. To this effect, Allana Potash (TSX: AAA | OTCQX: ALLRF) could become one of the largest potash producers in Africa thanks to a promising project in Ethiopia, addressing domestic, African and Asian potash demand. The Horn of Africa, from where Allana's potash will be shipped, is strategically located to serve India, China and more importantly, all of the markets where potash demand is rising fastest such as Indonesia, Malaysia and Laos – all countries featuring potash intensive palm oil production. But it is Africa, where potash consumption, now among the lowest in the world, is slated to increase the most. Ethiopia alone will guarantee significant sales for Allana. Indeed, Ethiopia, which is home to some 90 million inhabitants, has ambitious economic growth plans and agriculture is its highest priority given that some 85 percent of the people work in that sector.

There is room for growth because most agricultural production revolves around a vast number of small rural areas with

operations smaller than one hectare. Now, there are 12.5 million hectares of arable land in Ethiopia but the potential is 50 million hectares. The country has already sought international cooperation to help improve land productivity and make fallow land available for farmers. There is no more effective way to achieve this process than through a greater use of potash, which is essential to increasing yields and providing the kind of nutrients that African soils are known to lack. In the 1960's-70's, the use of mineral fertilizers grew considerably in Latin America while dropping in Africa. Not surprisingly, those decades (and until now) saw various famines in Africa, while food production increased in Latin America. Now, the International Fertilizer Industry Association suggests that African potash use could reach five million tons over the next few years. It is now not even close to a million tons. Allana is edging ever closer to production phase having been granted all relevant mining permits from the Ministry of Mines of Ethiopia; its strategy is to help develop and expand the mineral fertilizer market in Ethiopia and Africa in general – even if the initial focus will be East Africa. The African continent presents tremendous market potential for mineral fertilizers and potash in particular, given that it has the potential to attract 880 billion dollars of investment in agriculture by 2030, which will drive demand for products such as fertilizers, seeds, pesticides and machinery as Africa develops its own production of biofuel, grain refinement and food.

Allana Feasibility Study: One

of best Greenfield Potash Plays in the World

Allana Potash (TSX: AAA) has issued an independent Feasibility Study (FS) for its Dallol project in Ethiopia's Danakhil region, having reserves of over 1.3 billion tons of potash and capable of producing 1 million tons/year at an average grade of 19.32% potassium chloride (KCl). The FS and the context in which the Project is proceeding make Allana one of the most promising greenfield potash projects in the world. Allana's Dallol project can be summarized as offering three general advantages:

- 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 potash plays.
- Allana is operating in what might be one of the most advantageous mining jurisdictions in the world and certainly the best in Africa.

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). While potash prices have not kept up with the record highs seen in 2008-2009, the recent Uralkali contract with India, whose government has decided not to subsidize potash, at USD 427/ton, suggests that the price floor for the foreseeable future will be above USD 400/ton. Recently, Germany's Potash producer, K+S suggested that potash was still being sold at some USD 465/ton in smaller Asian markets such as Indonesia (where potash demand

is increasing) which buy lower volumes than India or China (the largest potash importers).

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, set to become one of the first to market and largest potash producers in Africa, 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 Dallol deposit has a strong record of historical exploration and features an extensive sylvinite mineralization at very shallow levels. The confirmed and plentiful availability of water confirms that the Dallol project is proceeding on schedule. The fact that the water resources that are both environmentally and commercially sustainable marks an important milestone in Allana's timetable 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.

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 2011/12, the agriculture sector grew by 4.9 %. Ethiopia has invested in infrastructure, promoting industry and doubling agricultural production. One of the most significant infrastructure improvements is the 'Grand Renaissance' power station, which upon completion, will generate 6,000 MW and will be the largest hydropower project in Africa, accounting for a fourfold increase in Ethiopia's power generation capacity. The country is facing a growing

demand for electricity close to 10 per cent per annum. With a production of hydropower potential estimated at 35,000 MW, Ethiopia aims to become a key player in energy production for the Africa itself.

The International Monetary Fund has included Ethiopia as one of the fastest growing economies in sub-Saharan Africa thanks to the valuable mining resources, such as potash, that it can produce. Agriculture has experienced a major revival in Africa, vastly increasing potash demand in the Continent. Nigeria, for instance, once solely preoccupied with oil production, has embarked on a vast scale agricultural expansion program, investing heavily in improving soil yields and studying ways to increase productivity. Moreover, the Ethiopian 'Metal and Engineering Corporation' (METEC), a government engineering company, is in advanced stages of completing eight fertilizer producing factories, five of which will be producing Diammonium Phosphate DAP and three for Urea and Ethiopia is targeting reaching production stage by the 2013/14 cropping season.

Ethiopia's own agricultural output has been increasing steadily and farmers harvested some 21.8 million tons of crops in 2012 – an increase over the 20.5 million tons of 2011, including maize, sorghum, wheat and oil seeds. Current productivity levels are below the international standards under which a country can claim food self sufficiency; however, Ethiopia is aiming to reach that target (250 kilos of crops per year per person). Agriculture is still the largest sector of the Ethiopian economy and fertilizer consumption is increasing, meaning that Allana will have direct access to this growing domestic market.

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).

Allana Potash announces additional Water Resources from Nova Acquisition

On December 11, Allana revealed the results of the drill holes from the Nova property, noting that the Nova acquisition has increased the potential to extend mineral resources beyond the core Allana license area. In November, Allana Potash Corp ('Allana', TSX: AAA) announced that it has acquired Nova Potash, which owned potash exploration license for a property adjacent to Allana's Dallol Project in the Danakhil Depression, about 600 kilometers from capital Addis Ababa.

The former Nova exploration area uncovered a similar geology to drill holes from the original Allana property, showing 33.7% potassium chloride (KCl) content in the sylvinite zone.

More significantly, however, is the fact that the Nova drill holes were all found to contain water; sufficient water to produce some three million tons of potash. The Nova property also has more holes to be explored near alluvial sands, which offers an additional guarantee for future water supply needs. The water supply, particularly in view of the fact that Allana will be using a solution mining approach to produce potash, has offered the Company a veritable strategic asset. Allana's Dallol project will use solution mining and the test well, using water from a well located about five kilometers away 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. One of the main advantages of the Dallol resource and most of the potash available in the Danakil region (which extends into Eritrea with similar mineralization) 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.

Allana is "controlling most of the water" and the Company enjoys Preferential Status in Ethiopia as the potash producer of choice. Allana has emerged as a leader as it has absorbed some of the competition in the form of Nova; however, other projects in the Danakhil are finding it ever more difficult to compete. Ethiopian Potash has essentially been forced to stop activities due to financial difficulties. Across the border in Eritrea, though still geologically and geographically in the Danakhil plain, the South Boulder project is incurring ever more potential for nationalization as the Government in Asmara has raised its stake in the Project to 50% ownership, raising the risk that it could move toward full control, when and if

production begins, leaving investors cold. Moreover, Yara International, one of the world's largest mineral fertilizer producers, will likely have to enter some kind of deal with Allana, given that they are rumored to be planning production of Sulfate of Potash (SOP: so is Allana at a later stage in the project) rather than Muriate of Potash (MOP); SOP requires a far higher amount of water to produce and for the time being, Allana has a commanding lead in water resources.

Allana's timetable will become rather dense as it edges ever closer to the production stage. Allana expects to present a bankable Feasibility Study next January and by the end of next summer the shovels should hit the ground, leading to the first ton of potash to be produced before the end of 2014 – if all technical aspects proceed according to plan. Initial production of about 1 million tons per year is expected to start in 2015 (or by the end of 2014), reaching peak levels (full production) approximately a year to 16 months later. 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.

The data from the former Nova drill holes will be included in Allana's data for the preparation of the updated 43-101 mineral resource estimate to be issued alongside the Feasibility Study, which will also present an optimization and the Environmental, Social, and Health Impact Assessment ("ESHIA") study by Environmental Resources Management ("ERM") before submission for governmental approval.

As for financing, offtake agreements are in the works while Liberty Mines and Metals and the IFC have indicated a strong interest in participating in the project until completion. In short, a consortium of bank lenders has provided 'soft' commitments for USD$ 650 million for the project debt requirement. Thanks to commitments on the equity side by Liberty Metals & Mining Holdings (a wholly owned subsidiary of Liberty Mutual Group from Boston) and the International

Finance Corporation (IFC, a member of the World Bank group), the Company should have little difficulty in raising the total project funds (USD 800 million). Allana will ship its potash through the Republic of Djibouti, where a new port is being built in Tadjoura.

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 expansion of the Port of Tadjoura in Djibouti is being supported financially by the Arab Fund for Development and the Saudi Development Fund, providing about USD$ 100 million toward its completion and saving Allana 90% of that. The port includes new storage, logistical and port depth improvements such as to allow for the entry of larger ships (50,000 to 60,000 ton category). A combination of growing demand for food and mineral soil nutrients, especially in Africa, and increased political stability in Ethiopia over the past decade have helped to boost interest in the country’s strong potential for potash production. Allana is well poised to take advantage of projected continued high demand for fertilizer as farmers, especially in developing countries, want to take advantage of higher crop prices and as they adopt more advanced agricultural techniques, requiring the use of potash based fertilizers.