

# Lynas defies market to become a super metal heavy weight

It's hard to believe that only a year ago, the fate of Lynas Corporation (ASX: LYC | OTC: LYSDY) ("Lynas") hung in the balance; debts had mounted, Malaysian operations were troubled with opposition, and the market for rare-earth elements (REEs) had never been in worse shape. Today, the company proudly wears the crown of the largest producer outside of China, and as prices begin to recover amid the Chinese crackdown on illicit mining practices, Lynas now reports positive cash flow and record operating efficiency; talk about a turnaround!

The company has been busy undertaking three years of continuous operational improvements and cost management, positioning Lynas to take advantage of the upturn in the rare earths market. This month, the company's quarterly activities report makes for delightful reading, having reached the level of largest supplier of NdPr to the free market with invoiced sales revenue of A\$75.6m for the quarter, and producing their neodymium and praseodymium products at above design rate, with 1,343 tonnes for the quarter, up 17.6% on the June 2016 quarter.

China's asking price for NdPr is being driven higher and higher by continued strong demand for magnetic materials and the effects of the China central government's initiatives to enforce stricter environmental controls. Lynas increased cash flows from operating and investing activities to A\$15.8m from A\$11.6m in the previous quarter, and given that the NdPr price trend is expected to continue in the near term, the company's position should only become stronger throughout 2017.

Neodymium and praseodymium are the company's primary focus. The magnetic elements are experiencing increasing demand due to the rise in the use of magnetic motors in modern

technologies such as electric vehicles and wind turbines; two areas in which significant growth is expected over the next decade. In fact, since many scientific groups began warning that carbon emissions must become negative as a matter of global urgency, interest in wind farming has been fueled even further, and some have even predicted that all new vehicles manufactured will be electric by 2030. It seems that the only way really for Lynas is up.

On top of the critical NdPr product, Lynas also produces cerium and lanthanum products which complement its operations. Lanthanum remained in high demand outside China this year, especially for high performance ferrite magnets and NiMH batteries, and all lanthanum produced by Lynas in this quarter was sold. The company also made significant quality improvements to cerium products, allowing them to increase their share of the catalyst and UV cut glass markets. In addition, Lynas have started developing new customized grades for niche applications in order to attract higher prices.

This continued refinement of practices and products is what has kept the company above water during the harsh times of the last half-decade, and there is nothing to suggest that Lynas will change tracks anytime soon. The company enjoys a rare position in that 100% of its assets are commissioned; nothing is sitting on the back burner. Given the hard-won top-dog status the company has achieved, shares are an absolute bargain right now at only A\$0.10, and looking forward, it appears that the next few years will be far more fortuitous than the last for this miraculous survivor of some the harshest market conditions we've ever witnessed.

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# Lynas – Barbarians at its Gate?

It's easy in all the euphoria currently swirling in the Lithium to forget that Rare Earths and Lithium were mentioned in the same breath as "no-hopers" only a few years ago. The factors that made Lithium what it is was also held true for Rare Earths.

Let's look at it. Both bubbled to the surface as sexy new things in 2009-10. A lot of press ink was spilled and scores of new vehicles were created. As we have often sustained the appearance of REEs "saved" Lithium from a similar bubble to be burst. Lithium plays were probably around 30 in number (and only 20 of any real substance) when REEs burst on the scene and created 100/200/300 listed plays (depending on your calculations). If REEs had NOT appeared then Lithium too would have been massively overpopulated. When it came down to it, there were two REE plays that got across the production line (Lynas and Molycorp) and only two new Lithium plays managed the same feat (Galaxy and Talison) and even in the case of Talison it was the reopening of an existing Lithium mine. Indeed, like REEs, there was attrition in the producers with Galaxy selling its plant in China and shutting its mine in Australia (Mt Cattlin). Sounds rather like Molycorp, except that Molycorp went bankrupt while Galaxy has lived to fight another day. And then there was one, Lynas in Rare Earths and Talison (bought in the meantime by Tanqi and Albemarle/Rockwood).

At the darkest hour the few score Lithium plays had shrunk to a mere handful while the REE space had shrivelled from hundreds to little more than ten still in contention (companies like Alkane, Peak, Ucore and Search).

Then began the Lithium renaissance and the rest is history

there. However in the Rare Earth space the turn is yet to come. The creation of the first “new” listed REE entity would be a sure first swallow of summer. However, even with ten projects still plugging away, there is probably enough available in terms of doable projects to create a viable Western REE industry without new talent appearing. Ironically Jack Lifton exhorted the industry to “right-size” its projects and yet it’s been Darwinian forces beyond the industry’s control that “right-sized” the REE space down to the couple of handfuls we have today. It’s like the Poseidon Adventure of the mining space. Only a few get to reach the light.

### **Who is the New What?**

For a while it looked like the old Lithium boom had spawned Talison as the only actual producer, as Galaxy started up then abandoned production. Orocobre and Rincon nearly got their salares to production but seemed to get lost on the final leg. If we continue the analogy then the surviving producer in the REE space (i.e. Lynas) is analogous to Talison. And yet Talison was snapped up for over \$700mn in a takeover and Lynas still wallows at a valuation of less than a third of that takeover. The question that arises is why should there not be a premium for survival afforded to Lynas? It is the only takeover prospect in the REE space, indeed the only producer. It is, as they say in the trade, Plug-And-Play.

Virtually all the rest of the universe of REE wannabes require higher REE prices to trigger a start on their projects. Even if viable at current prices, they need the price to move higher to stimulate investors to fund them. But if one posits a rise in REE prices (which we do, excepting for Cerium) then the first mover will likely be Lynas, not Tin Pot Rare Earth Mines, because it will be Lynas that can send higher prices cascading from a more robust topline down to a healthier bottom line. Meanwhile Tin Pot Rare Earth Mines will only be able to dust off their begging bowl and set themselves up on a hot air vent on Bay Street to rattle it with gusto at the

passing punters.

As we can see from the chart below, Lynas has been essentially flatlining since the start of 2015, surely there should have been at least some uplift in the price for the changed perceptions in the marketplace of the prospects of the specialty metals sector.



## **Back to Basics**

There is now nothing to compare Lynas to in the REE space, with the demise of Molycorp. Indeed it could be said that Lynas's financials are unique and incomparable! Therefore we offer the latest earnings statements for perusal. The more recent quarters are missing a lot of the detail that would make informed decisions easier.



It's evident from this that sales are on an upward track even without REE prices having staged a rebound. If the price rises rather than the volumes increase that will put Lynas back in investors' good books. But when it happens it will certainly take by surprise all those who have taken their eyes off this ball.

## **Conclusion**

The mistakes that Molycorp made could fill a book, but one of the key ones for us was not to have developed a second mine. There were plenty of down and out juniors that could have been snapped up for a song (indeed for MCP stock) and yet it remained wedded to a pit that could never in a million years have provided it with enough of the REE mix that the market wanted.

It will be interesting to see whether Lynas uses an early resurgence in REE prices to add another mine to its harem.

Names to conjure with are those with “sightlines” to Malaysia. This would include the likes of Northern Minerals (NTU.ax), Peak Resources (PEK.ax) or Mkango Resources (MKA.v). Maybe even Arafura might be considered if the others did not bite. Alkane’s DZP is unique in its multi-metal nature and thus would be beyond Lynas’s price range and have lots of products that would not be part of the Lynas flowchart.

Then there is the issue of whether Lynas itself might be a target. Certainly a PE fund might make a run. Even at a hefty premium to its current market cap it would still be quite a lot cheaper than that what Magris paid for the Niobec asset of Iamgold, for example. The Chinese would definitely NOT be allowed near it, but a respectable buyer from Japan or South Korea would not be totally inconceivable.

Therefore in conclusion we would not discount that Lynas may either become an aggressor or a target itself with the very near future. Its days as a bargain buy may soon be numbered.

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# **Official Roll-out of the Blueprint for the Development of a Malaysian Rare Earth Industry**

*The Straits Settlements, The Place that Britain’s Royal Navy Developed to Secure its Supply of Tin for Admiralty Bronze is now Entering the Age of Technology Metals as a Heavy Rare Earth Metals and End-Use Products Supplier.*

❌ Modern Malaysia is now entering the 21<sup>st</sup> century as a

rapidly developing self-sufficient high tech economy. Earlier this week the Malaysian Academy of Science (SAIN) announced that it had determined by exploration geology that there were at least 7 of the 13 States of the Malaysian Federation (A constitutional monarchy) that have "deposits" of ionic adsorption clays charged with rare earths easily solubilized by solutions of common salts (such as ammonium sulphate) and having very low radioactive content. Thus unlike the "clay-like" deposits reported, for example, in the Western Indian Ocean and in Brazil the Malaysian "clays" are in fact formed in the same way as the Chinese ionic adsorption clays in southern China (in places like Sichuan Province). In fact the Malaysian clays are the result of the same conditions and substrate geology as the Chinese clays.

The main difference between the ionic clays of southeast Asia and those in places such as Madagascar and Brazil are that the non-SE Asian clays are in-fact typically hybrids of soluble (ionic) and lattice bound (covalent) species. The covalently bound species can only be extracted by strong acids or bases. The value of these hybrid deposits is lower because of the increased OPEX of their hydrometallurgy.

I had the honor of being chosen by SAIN two years ago to assist in the formation and drafting of their Blueprint for the Development of a Malaysian Rare Earth Industry. Since then I have been privy to the work done in Malaysia by SAIN including a survey by AIST, Japan's geological survey, which identified and characterized the world's ionic adsorption clay deposits. In a closed presentation I saw in the Spring of this year AIST's Dr Yasushi Watanabe reported to the Malaysian Ministry of Mines that a belt of ionic adsorption deposits can be traced from Southern China going further south and west along an arc that includes similar deposits in Viet Nam, Thailand, Malaysia, and the Indonesian Archipelago. Of all of these non-Chinese locations Malaysia is the outstanding political choice due to its democratic form of government,

rule of law, private property and mineral rights laws, recognition of the critical importance of ethical and environmentally clean mining, and the country's existing high degree of industrialization and technical education. It also is significant that Malaysia "average" rate of GDP growth for the last several years has been 6.5%! Malaysia's national oil company, Petronas, and its steel, palm oil, and tin processing industries are already world class.

Malaysia today is the only nation in its region that manufactures a completely domestic car (500,000 per year), manufactures computer hard drives, machines rare earth permanent magnet alloys, and manufactures high tech graphite products.

Malaysia is of course a major processor of the tin ore, cassiterite, although today that ore is mostly mined in Indonesia and brought to Malaysia for refining. The residue from such refining has been a well known Malaysian source of the heavy rare earth mineral xenotime for decades as has the country's mineral sands, which have been processed in the past in Malaysia to yield their monazite.

SAIN's Blueprint is for a total rare earth supply chain to be domestically constructed within Malaysia. The country already has significant end users of rare earth permanent magnets, and, of course, currently Australia's Lynas Corporation operates, utilizing local, Malaysian engineers, managers, and workers probably the world's largest light rare earth solvent extraction based separation plant for monazite type ores. In addition the University of Malaysia, its Nuclear Regulatory Commission, and SAIN have scientists and engineers who have been working with rare earth separation and downstream processing for decades. SAIN is currently looking at all of the traditional and non-traditional rare earth separation technologies from which it will select one or more for a heavy rare earth pilot plant within a year.



The non-Chinese rare earth industry, particularly that of Japan, will I think welcome these events and support them.

Those of you who need heavy rare earths or their end use products such as magnets, phosphors, and lasers need to keep Malaysia in focus both as a resource and as a place in which to invest.

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## **The geopolitics of missing Malaysian Airlines flight MH 370**

✘ The investigation into the disappearance of the Malaysia Airlines Boeing 777, flight MH 370, continues and none of the theories, whether leaning towards foul play or malfunction, have yielded any results. All that is certain is that flight MH370 departed Kuala Lumpur with 239 people on board – two thirds of whom Chinese – took off at 00:41 hrs on March 8. Notions that the pilots, or one of the pilots, deliberately disabled the Boeing's communication systems have not been conclusive; indeed, they have been as inconclusive as all other theories, which, as any internet search will show, include UFO and Bermuda Triangle like plots as well. It is natural and necessary to speculate over what may have happened to MH 370 – this author has his own theory of possible sudden depressurization causing the plane to keep flying with nobody at the controls – nevertheless, only the facts and the evidence will reveal what has become a mystery.

The problem of speculation, however, is that it only raises the hopes of the family members of the passengers and crew of MH 370. The uncertainty and constant barrage of suppositions

and assumptions has taken its toll on the families. Furious relatives of the Chinese interrupted a press conference by a minister demanding answers before he was able to utter a word. "They say different things every day. Where is the plane now?" This article does not intend to speculate over that question – there are plenty of others that do that. Rather, there are some actual unintended developments surrounding the missing Boeing. The search has brought together 26 countries, which have been forced to share some security information, manage adverse interests under chaotic coordination in a region full of geopolitical tensions. Regardless of when or even if the fate of MH 370 is revealed, the region will emerge a little different – perhaps better or perhaps worse.

China and its neighbors compete economically with and among each other as well as strategically over sovereignty of the South China Sea. In the midst of the regional tensions, the United States have made the Asia-Pacific a "pivot" of their geostrategic policy. The search for MH 370 has been especially arduous, particularly in the crucial early days, because of the contradictory information resulting from the various states' reluctance to share information and observations. In the first 24 hours, the search focused on an area between Malaysia and Vietnam. The next day, without explanation, Malaysia announced that the flight might have changed course after about an hour's flight towards the west, re-directing the search toward Central Asia and the area south of the Indian Ocean. Malaysia revealed that its military radar had identified the aircraft while explaining that no action had been taken because it did not seem "hostile". Five days later, Thailand has also implicitly recognized a failure in radar recognition on March 8, excusing it by claiming that "the aircraft was not in Thai airspace and was not a threat to Thailand".

The tensions in the region have kept countries quiet about their capabilities. It seems they are reluctant to disclose

the limits of their technology and military capacity. This has made coordination and disclosure difficult. It has also prompted a 'pot calling the kettle black' accusation from China. Indeed, the ever cryptic China has slammed Malaysia for its lack of transparency after the disappearance of flight MH370. Beijing's indignation contrasts heavily with its well documented tendency to obfuscate disasters on its own territory. For instance, after the 2008 earthquake in Sichuan, where the collapse of schools had caused the death of thousands of children, activists were asked about the poor quality of school buildings. Those curious citizens were either beaten or arrested. China is definitely one of those countries where curiosity will hurt if not kill the cat.

This small matter has not deterred Chinese Premier Li Keqiang from curtly demanding that his Malaysian counterpart provide information with "punctuality, accuracy and completeness" over MH 370. Chinese state media have even accused Malaysia (a far more democratic and transparent country than the People's Republic) for their lack of transparency. Yet China has hardly been transparent, entirely excluding even the chance that MH 370 entered its airspace. How could they be so sure?

Beijing's silence results from the same sensitive geopolitical character that has delayed important details about radar and other detections from being revealed by all the other countries involved in the search. The search operation by military vessels in the South China Sea have been much like a massive military exercise, revealing the strengths, but even more the vulnerabilities, of those same countries' defense systems.

National self interest has prevailed over the search for MH 370. Malaysia has underlined the importance of outside help in scouring two land and sea corridors equivalent in size to the entire land mass of Australia. Yet, Indonesia was late in granting surveillance clearance to aircraft from Australia, Japan, the United Arab Emirates and Malaysia to overfly its

territory, blaming the delay on 'awaiting' instructions from Kuala Lumpur and 'protocol'.

MH 370 has uncovered the lack of cooperation and mistrust that exists in the South China Sea region. Many of the countries involved are not used to such close cooperation as required, given the need to share sensitive radar data. One positive development has come from Japan. Even though, there are no Japanese citizens aboard MH370 and despite the tensions with China over the Senkaku/Diayou Islands, Japan was not even asked to join the rescue/search operation. But it has. Japan, the one major NATO power in the region also has the most advanced technology and trained personnel in the entire Asia-Pacific region. Japan's collaboration may well help to resolve the deadlock in Sino-Japanese relations, or at least bring the two countries to discuss the Islands dispute, which will have evident economic and business repercussions, not the least of which will concern the rare earths market.

Both China and Japan have increased military spending and military naval exercises; the MH 370 incident may be the catalyst for a respite and possible diplomatic overture. Nevertheless, the heavy presence of Chinese ships in the South China Sea, in an area over which it claims sovereignty at the expense of Malaysia may cause tensions to rise in South East Asia, where many countries have grown more concerned about China's rising power status and ambition. China is Malaysia's largest trading partner. Perhaps, Malaysia will be seeking more opportunities with its equally concerned neighbors. Or, logic will win the day, as the various countries in the region will start to trust each other more in a greater climate of trust. Either way, MH 370 will have much deeper consequences and effects than the fate of its passengers.

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# Lynas suffers more losses and needs to secure liquidity

Australian rare earth producer Lynas Corp has suffered a new loss in the first half of the financial year 2013/14. Lynas needs more capital.

✘ Lynas Corp. (ASX: LYC) reported a loss of AUD\$ 59.29 million in the first half of the 2013/14 financial year. In the same period of last year, Lynas reported a loss of AUD\$ 56.58 million – though it barely started production at its processing facility in Malaysia. Nevertheless, Lynas’s sales have increased to AUD\$ 14.6 million – though the previous year had no sales. The problem is that while production and sales have gotten underway, Lynas’s expenditures have increased 32%, reaching AUD\$ 7.5 million. The Company has attributed these costs to the start-up of the Lynas Advanced Materials Plant (LAMP) facility in Malaysia. Higher staff salaries – by AUD\$ 2.5 million – than expected have also taken away from the bottom line. Lynas will now have to use the next twelve months to find additional capital in order to finance its debt and its planned – and needed – production increase. Lynas has few options in this regard. It could re-capitalize, borrow more or restructure its existing debt; whatever, it decides to do, the market has not been kind. Lynas’s shares dropped 8.5% in Sydney trading on Tuesday, closing at AUD\$ 0.27/share, though reaching a level not seen since April 2009 as the stock reached a low of AUD\$ 0.245/share.

It should be noted that Lynas has to find a solution to resolving its financial issues; yet, it is not as urgent as some of the press has made it appear. Lynas can keep running for at least 12 months according to Alan Jury, ☐Executive Vice President Corporate Affairs. Mr. Jury also suggested that Lynas is open to any solution; without specifying, this implies any range of measures beyond purely re-financing or

re-capitalization approaches. This raises an interesting speculation into what some of the solutions might be. Lynas could even agree to make a deal with a Chinese rare earth company in the same way that some of its fellow Australian rare earth competitors have already done.

In September 2013, Arafura Resources (ASX: ARU) executed a Memorandum of Understanding with China's Shenghe Resources Holding (SHA: 600392) to help develop its Nolans Rare Earths Project in the Northern Territory in order to reduce capital and operating costs. Sound impossible? As ironic as it sounds, this may be one of the solutions for Lynas. The Chinese would benefit from Lynas's highly advanced and environmentally superior processing facility. Nevertheless, there are hurdles. Even if a Chinese party interested in investing in Lynas is found – rumors suggest that state-owned Chinese conglomerate China Nonferrous Metal Mining aspires to acquire a large stake of Lynas, Australian politics might get in the way. The Australian Foreign Investment Review Board would need to approve such an acquisition, not so certain given that it would give China even more market power in the rare earths space.

In 2009, in fact, in a similar situation involving Lynas Corp from expanding its operations at Mt. Weld, the Australian government blocked China Non-Ferrous Metal Mining from acquiring a majority stake in Lynas in order to preserve resources. Short of a very convincing argument, bankers may not be all that receptive to Lynas's requests, leaving the sole option of securing a partner with cash. Meanwhile, Lynas continues to endure opposition from self styled environmental groups who are still challenging the presence of LAMP. They insist that Lynas' license to operate is temporary and take advantage of even the most ludicrous opportunity to find fault with the Company. For instance, last December an engineer died at the plant. He suffered a heart attack resulting from purely personal medical causes entirely unrelated to LAMP, which the

anti-Lynas crowd tried to exploit as evidence of the plant's alleged dangers. The anti-Lynas movement must be losing support if it has to resort to such ludicrous tactics.

Lynas began test production at LAMP in November 2012 and made the first shipment of 144 tons of rare earth oxide equivalent in the second quarter of 2013. In June 2013, Lynas announced that it would reduce output at the Mt. Weld mine – due to the difficult demand and low prices – to 11,000 tons per year. In contrast to the Lynas – or also because of its problems perhaps – Lynas's competitor Molycorp (NYSE: MCP) has been increasing production and market capitalization, reaching in the order of USD\$ 1.15 billion. Molycorp's CEO suggested that insofar as Light rare Earths are concerned, world demand is such that Molycorp, Lynas and maybe just another small producer outside of China would be sufficient. Molycorp Inc. (NYSE:MCP) recently announced its financial and operating results for the fourth quarter of 2013 as well as for the year as a whole, commenting that for the entirety of 2013, its sales volume rose 42% and that net revenue for 2013 was \$554.4 million, or 5% percent higher than in 2012.

Lynas does have a few cards in its favor. The LAMP facility is ready to reach its full – if limited due to demand expectations – production volume of 11,000 tons/year in April. Last November, JP Morgan analysts said that Lynas was obtaining premium prices for its products. Finally, Lynas's main competition and customers are in China, which is continuing to regulate industry, leaving mostly the higher end suppliers and eliminating some of the lowest cost regulation-averse producers that undercut the competition.

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# ICL and Allana form a strategic alliance to take advantage of growing potash demand in Asia and Africa

✘ Israel Chemicals ('ICL', TASE: ICL) and Allana Potash ('Allana', TSX: AAA | OTCQX: ALLRF) have established an alliance to develop Allana potash mine in the Danakhil region of Ethiopia. Under the deal, ICL has acquired USD\$ 23 million in shares and warrants of Allana Potash Corp or 16%. ICL is one of the world's leading mineral fertilizer producers. Should ICL exercise the warrants included in the 'units', the total investment would amount to some USD\$ 87 million or about 37% of the company. Moreover, ICL has also signed an offtake arrangement from the Danakhil project; Allana and ICL started negotiations for the deal last December. Allana is at an advanced stage in the project, having already completed the definitive feasibility study (FS) and secured the necessary mining license needed to start construction of the mine itself. As part of the agreement, ICL will offer Allana technical advice on the mine development as well as marketing assistance for the product.

The FS feasibility study suggests that Allana has the potential to produce about a million tons of high-grade potash a year. ICL is the world's sixth largest potash producer and it sold about five million tons of potash in 2013 and has mines in Spain and Great Britain as well. In turn, ICL – which was highly coveted by Potash Corp (NYSE: POT) in 2012 and 2013 as it sought strategic partnerships to gain better access to the emerging markets where potash demand has been most intense such as India, China and Indonesia. Had the ICL bid been successful, Potash Corp would have overtaken the Russian OAO Uralkali as the world's largest producer, giving it even more



market influence. Potash Corp had targeted ICL also because of its closer geographic position. Israel's proximity to the Suez Canal would have given Potash Corp a significant advantage in selling and delivering potash to markets in China, India and other Asian powers.

The Israeli government faced internal pressure to block the sale. Moreover, even as ICL's deal with Allana eases access to Asian markets, it opens the door to Africa, which is the continent where potash consumption will grow fastest as many countries start to pursue more effective agricultural policies. Sub-Saharan Africa was second only to South East Asia in the intensity of economic growth over the past decade. 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. More importantly, Allana is strategically located to serve the Africa, which is where potash consumption, now among the lowest in the world, will increase fastest. 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% of the people work in that sector.

Africa has continued to experience growth even as Europe and North America have struggled to recover from one of the worse recessions since the Great Depression. Resources, mining, oil and gas explorations have fueled Africa's growth, but agriculture has also emerged as an important factor. 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 metric tons. While in Europe, the gross domestic product shrank by 11% in the last five years, it rose by 29 percent in Africa. Allana's FS suggests it is on track to reach production by early 2015, while all the other aspects of the project are also proceeding on target, including the relevant roads and the port in Djibouti. Allana has measured and indicated sylvinite resources in 2013 of 327.42 million tons of 28.31% KCl and inferred sylvinite resource of 90.76 million tons at 27.80% KCl. Once in production, Allana will offer ICL a more sustainable future. Indeed, ICL's potash plant on Dead Sea has faced growing criticism from environmentalists. The tourism sector is complaining of receding waters and the growing and spreading concerns could lead to ICL having to shut down the 'Dead Sea Works', given that it has been blamed for of the problem.

Allana's project in the Danakil offers some of the best economics in the industry with very low operational and capital investment costs (OPEX and CAPEX); in simple terms, Allana will be one of the cheapest potash mines to build and operate with operating costs expected to be USD\$ 100 per ton (to port). This is well below the peer group average, providing a healthy return even if potash prices remain at the current USD 300/ton (based on CANPOTEX's recent China contract). In addition, the FS noted that the CAPEX of around 642 million dollars would also be among the lowest in the industry, largely because the Danakil deposit is found at relatively shallow depths. While some projects and potash producers have faced greater risks of failure in the wake of the lower prices, caused by the collapsed of the CANPOTEX/Russian-Belarusian duopoly last summer, others like Allana have actually gained even better chances of success. Allana is one of these because its project based in Ethiopia's Danakil region may well be the one best suited to benefit from the new potash market dynamics. ICL's expertise and market access have merely confirmed Allana's value.