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With The Strong Demand For Potash Fuelled By The Growth Of Population, Their Wealth And Improving Diets In Countries Like China And India, Allana Resources Is In The Right Industry At The Right Time With Their Asset In Ethiopia



Basic Materials
Potash
(AAA-TSXV)

Allana Resources Inc.

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Farhad Abasov
President and CEO

BIO:

Before joining Allana, Mr. Abasov held various senior executive positions and directorships with leading domestic and international resource, energy and finance companies. Most recently Mr. Abasov served as Senior Vice President at Potash One. Prior to that Mr. Abasov was Vice President, Portfolio Management and Vertical Integration for Uranium One, managing Uranium One's large asset base in the United States. Mr. Abasov has an MBA in International Business and Finance from the International University of Japan, a leading Japanese business school.

Company Profile:

Allana is a publicly traded corporation with a focus on the development of potash assets internationally and recently agreed to acquire extensive potash exploration assets in Ethiopia. Allana has approximately 35 million shares outstanding and trades on the TSX-Venture exchange under the symbol "AAA".

Interview conducted by:
Lynn Fosse, Senior Editor
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CEOCFO: Mr. Abasov, what attracted you to Allana Resources?

Mr. Abasov: "I was with another potash company called Potash One, as a senior vice president. That company had a Saskatchewan property with a focus on solution mining. The reason I was attracted to Allana Resources is that this particular asset in Ethiopia, in the Ethiopian desert in the northeast of the country, has very attractive characteristics. This deposit has very shallow depth of about 50 to 80 meters deep and this property was previously explored by a number of different reputable companies. For example, in the 1960's an American company called Parsons did full exploration programs with about three hundred drill holes in that area. We already have a report on this property, done by a premiere potash engineering firm out of Germany called Ercosplan. The property has very positive characteristics plus the fact that Ethiopia is considered a very stable and pro-business government in Africa. Therefore, I have decided to join the company to lead this effort."

CEOCFO: What is the status of the project?

Mr. Abasov: "As I mentioned, this property was explored previously. Currently we have quite a large extensive property there and when I say property it is an exploration license granted by the Ethiopian government. Where we stand now is that we have recently finished an assessment study by the German group who have traveled there and also looked at all the data that resides in the capital of

Ethiopia. They are telling us that reported numbers are about 100 million tonnes of inferred resource between two different layers in what they call a silvite and kainit layers. Last week we started formulating an exploration program going forward. This primarily includes quite a bit of seismic work, most likely 2D seismic to start with and followed by a drilling program to confirm and hopefully upgrade the existing potash resource there."

CEOCFO: What are the unique challenges and opportunities about looking for potash?

Mr. Abasov: "Potash is a very interesting mineral used mostly for fertilizer. Potash is abundant in the world; however, it is highly geographically concentrated. So if you think about potash production, currently two major countries come to mind, one being Canada and specifically Saskatchewan and the other one Russia. There are altogether about twelve countries that produce potash in the world, but the rest of the world is of course the consumer. In exploring for potash you have to go to the areas that have been previously explored and are known to have potash resources. That is probably the best way to tackle the exploration issue of potash because obviously that is the best return on your time and effort and that is why you will see that there are a lot of companies, a lot of juniors mushrooming in Saskatchewan. Also some juniors are trying to get land positions in the US; as the same prairie evaporate formation from Saskatchewan continues into the US.

We believe that the best mining method for potash is solution mining at this point. Obviously not all the assets or de-

posits are amenable to solution mining, as we have to have specific conditions for solution mining to work. The reason that we think solution mining is more advantageous, is first with solution mining you don't have to sink a shaft. That means a tremendously less expensive Capex, basically what you do is drill wells, heat the water to a certain degree and then pump water underground. This will dissolve the potash underground creating caverns. The dissolved potash along with other minerals is pumped back up for processing and separating potash from other minerals. Another advantage is that because you don't need to sink a shaft for underground mining you can actually cut the time to production. For example, the current estimate is that it will take five to seven years for a Greenfield underground mine to be put into operation vs. a solution mine, which will probably take four to five years. In the case of Ethiopia, these deposits are much more shallow compared to Saskatchewan or the United States deposits. In Saskatchewan we are talking about five hundred to one thousand meters and deeper; in the US it is even deeper than that. In Ethiopia, we are talking about fifty to eighty to a hundred meters. Obviously there are deposits in Ethiopia that are deeper than that, but there is a substantial resource as far as we know, as of now that is located about fifty to one hundred below surface."

CEOCFO: What about using geothermal and solar power?

Mr. Abasov: "That is an excellent point; geothermal and solar evaporation for solution mining is a really great fit. However, depending on the geography of that particular deposit you may or may not be able to use it. To give you an example a US company called Intrepid out of Utah, makes use of solar evaporation for their potash operations. However, in a geography such as Saskatchewan for example, although there are a lot of sunny days in the year, you can not really take advantage of solar evaporation let alone geothermal. In the case of Ethiopia in the

report that we have received from Ercoflan they state that there is a very distinct possibility of using both geothermal and solar evaporation. This deposit is located in the desert, so you can imagine that it is quite dry there. The rainfall is extremely small, so solar evaporation can be used for potash solution mining. When you extract potash from underground in the form of slurry, which is a mixture of potash, water and other minerals that come out of the ground, it is then precipitated and separated using different kinds of evaporation. In our case in Ethiopia, we can use solar evaporation because of the dry hot weather. In other areas like

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Russia or Saskatchewan, you have to use thermal evaporation to evaporate water, which means you have to use a lot of energy for evaporation. In the case of Ethiopia, we can keep our energy consumption quite low because of the possibility to use solar evaporation. As far as geothermal is concerned, we are advised that at this preliminary stage it is possible as we have hot springs in the desert. But it requires further studies. So we don't know in what form or shape, but we will definitely investigate because that would be a tremendous local energy source for us."

CEOCFO: Do you own the property 100%?

Mr. Abasov: "We currently have an option from a private organization to earn

100%. The exploration license works as follows: you get three years to do exploration work on this property and then you can extend it twice by one year each. So basically you get five years to conduct your exploration program. Once you satisfy yourself and the government of Ethiopia that this ground has enough potential to go into production; then you have to apply for a mining license."

CEOCFO: Do you need infrastructure; what is the setting in Ethiopia?

Mr. Abasov: "It is a good stable country with a pro-western, pro-business government. They have been developing their infrastructure quite rapidly for the last several years. They have a democratic government there; Indian as well as Chinese companies are quite involved in building up the country's infrastructure. The location we are talking about is in the desert, so there is not much of an infrastructure there although there are roads leading to the property. We recently received a letter from the Ethiopian government where they announced their plans to finance the construction of a new road to the property. The good thing about this property is that there are two major companies exploring for potash besides us in this same Danakil desert. One is an Indian company called Sainik, a coal company

exploring for potash and our asset completely surrounds their licenses in the area. To the south of us, BHP Billiton has a very large ground with what they call a prospecting license, so we have very good neighbors there and they are also planning to start exploration work. Therefore, we will talk to them as to how we can leverage our exploration efforts there. Most importantly, one of these companies is planning to build infrastructure around their assets. So it is a critical thing for us to know because that will allow us to leverage that infrastructure for potash production and logistics. The location has two routes to take potash to the international markets. One is to the southeast, the port of Djibouti, which is about 600 kilometers, the other one is to the port on

the Red Sea Coast, which is about 100 kilometers away. Although it may seem a bit early for us to start thinking about logistics, but we started considering both of these options in order to determine the most viable route and whether we can work with one or both of those two companies to develop these routes.”

CEOCFO: Would you tell us about your property in Argentina?

Mr. Abasov: “Yes, we just acquired that property and unlike the Ethiopian property, we have very little previous exploration data on this property. The plan is to do some grassroots exploration work. We know that there must be some potential there because it is adjacent to Rio-Tinto’s Rio-Colorado operation and Rio Tinto is planning to build a very large solution mining facility there. The plan going forward, probably starting later this year, is to do some grassroots exploration to find what potential we have. This will probably include seismic work and then possibly followed by drilling. Then we can see whether we can actually manage both at the same time in Ethiopia and Argentina or we will need to JV one. At this point we are going to focus on Ethiopia, the property has a lot of merit and that will be our primary focus.”

CEOCFO: Would you touch on the commodity market for potash, and why do you like to work with potash?

Mr. Abasov: “The potash market is a very interesting market; it is not traded publicly on any organized exchanges. All the transactions that take place in the potash sector are between buyers and sellers. Two major countries control about 70% of potash production in the world. There are three major companies operating out of Canada and the US; Potash Corporation of Saskatchewan,

Agrium and Mosaic and there are three large operators out of the former Soviet Union. Major buyers of potash are China, India, the US, Brazil and a lot of other smaller countries that use potash for their fertilizer needs. The interesting thing about potash is that there is plenty of potash in the world, but it takes a long time to bring new capacity into production. It takes a long time, a lot of money to do that and that is why you see that for the last couple of years we had this situation where there is a supply and demand gap in the sector. There is a growing demand coming from rapidly developing nations such as India and China. Therefore, the producers are having a hard time keeping up with that demand, because it takes a longer time to bring a Greenfield mine into operation and it takes over \$2 billion to put a conventional underground mine into production.

If you want to trace back the reason for the huge demand for potash you need to go back ten, fifteen, or twenty years. You need to look at the economic reform programs undertaken by China at that time. Later India and Brazil joined this development race where the growing middle-class want to have better lifestyle and better foods. So one of the major drivers of course is increase in consumption of protein-based foods such as beef for example and other meats. Potash is a key ingredient for the growth of healthy plants used for human and animal food. What happens is at the same time as this demand grows, the arable land area per capita is shrinking at a rapid pace especially in countries like China and India. China has very little potash production domestically and I don’t believe India has any potash production. Those countries are large net importers of potash. As we go forward obviously the development of

India and China will probably stay quite high, and definitely higher than in the west. Tens of millions of people will continue joining the ranks of the middleclass. Therefore, strong demand for potash is likely to continue in foreseeable future.”

CEOCFO: In closing, why should potential investors choose Allana Resources out of the crowd?

Mr. Abasov: “It is very straightforward for me; it will be probably one of the lowest Capex and possibly lowest Opex potash operations in the world. We are talking about a very shallow deposit, potential use of solar evaporation and geothermal energy in this area. We are talking about comparatively less money spent on exploration compared to many other areas in the world including Saskatchewan, and the possibility of finding a strategic partner in countries like China or India or maybe partnering with a major mining company that will be interested in developing this very attractive deposit. I believe that a strategic partnership will be the way to go, and Ethiopia is in an excellent position for that because it is a stable country with a strong asset. It is very close to transportation hubs. It is only 100 kilometers away from the Red Sea coast. We have a very strong management and exploration team. And we are going to strengthen our team further both on an advisor level, board level, and on a management level. In our exploration and development efforts In our exploration and development efforts we get a tremendous help from Northrim Explorations out of Saskatchewan and Ercoflan of Germany, both probably the best potash mining experts in the world with whom I have built quite strong relationships that will be developed further going forward.”



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