

Company Research  
North America

Research Bulletin

## Allana Resources Inc.

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RATING: SPECULATIVE BUY  
12-MONTH TARGET: \$1.02

Industry Overview

6 November 2009

### *De-risking the future: Finds a partner for the project; more to come...*

AAA: TSX.V

PRICE (Nov 5)  
\$0.33

52 -WEEK RANGE  
\$0.340 - \$ 0.275

SHARES O/S  
\$80.9 MILLION

MARKET CAP  
26.3 MILLION

AVERAGE DAILY VOLUME  
1.16 MILLION



#### Company Snapshot:

Allana Resources Inc. (TSX-VEN: AAA) is a Canadian potash company focusing on the exploration and development of a previously explored Dallol potash property in the Danakil Depression, Ethiopia. The Danakil depression had small-scale potash production in the 1920's and was extensively explored in the 1960's with nearly 300 potash drill holes. The Company has a strong management with experience in potash industry and 43-101-compliant resources of over 100 million tonnes.

- On November 4, 2009, Allana Resources (TSXV: AAA) announced that it has signed an agreement with China Mineral United Management Ltd. (CMU). It will result in CMU committing up to 35% of the required project cost for developing Allana's potash project in Ethiopia. The required total project cost is estimated at \$800 million of which China Mineral at 35% share will commit \$280 million. Additionally CMU is committing to offtake 20% of the potential potash production. Apart from this future commitment, CMU will immediately invest \$2 million in AAA through a non-brokered private placement of 8 million shares at \$0.25 per share.
- Earlier on Oct 28<sup>th</sup>, Allana announced that it received several unsolicited offers over and above its previous MoU with ChinaCo (name not revealed publicly). We believe that CMU's investment is one of these unsolicited offers.
- Allana retains the flexibility to negotiate other potential offers it has received including ChinaCo. It also allows Allana to retain full economic control on the project.
- China Mineral United Management Limited is an affiliate of China Mining United Investment Co., Ltd. and the China Mining United Fund (CMUF). Established in May 2009 with initial capital of 500 million Renminbi (US \$73 million), CMUF is mandated to seek foreign and domestic investments in the resource sector.
- Ubika Research views these developments positively as it reduces the financing risk for the company and provides Allana \$2million in immediate liquidity to continue to pursue development of its Dallol Potash Project. This will help the company to focus on the next stage of drilling and move the project quickly towards feasibility stage.
- We continue to rate Allana Resources a Speculative Buy with \$1.02 target.

Please refer to important disclosures at the end of this report.

## The Company

Allana Resources Inc. (TSX-VEN: AAA) is a Canadian exploration company. The company's principal business segment is the acquisition, exploration and development of mineral properties. The company has a strong management team with experience in potash industry. The company is currently focused on the exploration and development of a previously explored Dallol potash property in the evaporite basin of Danakil Depression, Ethiopia. *The Danakil Depression is one of the largest evaporite basins in the world with known potash resources and has been attracting lots of interest from some major mining companies including BHP Billiton.* The Danakil Depression had small-scale potash production in the 1920s and was extensively explored in the 1960s with nearly 300 drill holes completed by the Ralph M. Parsons Company. Altogether, the company has NI 43-101 compliant resources of **105,200,000 tonnes with a composite grade of 20.8 % KCl.**

## Analysis and Recommendation

Ubika Research views this corporate development very favourably. The agreement with China Mineral United Management Limited is a major step for Allana Resources to move the project towards feasibility and construction. The arrangement is particularly favourable to Allana since it provides de-risking of both construction and development of the project, and through the offtake arrangement, it also ensures a buyer for 20% of the production during initial years.

We believe that this arrangement helps Allana to retain the upside for the shareholder as it does not result in a major dilution at this early stage of company's evolution. In our view, this announcement will provide more reassurance to the market about the credibility of this project. It will also remove doubts about Allana's capability to move the project towards construction and eventual production as it expands and establishes a large potash deposit at its Dallol property.

The company strongly believes that it has a sizable potash deposit base at its Dallol project and has been working strategically to ensure that it secures key partnerships at a very early stage. We believe that a partnership with a Chinese firm is very important since Chinese companies are major investors in several mining projects in Africa and China has an insatiable appetite for potash.

This agreement will allow Allana now to focus on the previously announced drilling program to confirm and expand the deposit base at Dallol. The additional financing of \$2 million will help the company to expedite and possibly expand the drilling program. Based on our discussion with the management, we believe that the company will be able to complete a 2500 meters drilling program by end of February next year.

We will monitor future events closely and will advise our readers about further developments in the future.

Allana's stock has risen from \$0.15 to \$0.33 (a +120% increase) since we initiated coverage on Feb 26, 2009. We continue to rate Allana Resources a SPECULATIVE BUY with a 12-month target of \$1.02 (a potential 209% return from yesterday's close of \$0.33).

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**Note: Ubika Research has NOT visited various mining sites to do any independent physical assessment**

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