

# **Karnalyte Resources Inc. Announces 2018 Year End Results and Provides Corporate Update**

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SASKATOON, March 22, 2019 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) today announced its financial results and corporate highlights for the financial year ended December 31, 2018.

## Highlights

### Wynyard Potash Project ("Wynyard Potash")

- Potash price environment continues to improve, moving Wynyard Potash closer to economic viability
- Phase 1 initial capital cost estimate to be updated during 2019

### Proteos Nitrogen Project ("Proteos Nitrogen")

- Project site land assembly continuing
- Preliminary environmental permitting work identified
- Technology provider selection process continuing
- Agricultural industry partner and offtake arrangements discussions continue

## Corporate

- Actively executing strategic plan to diversify into two fertilizer product lines – potash and nitrogen
- Rights offering provided additional working capital to fund project development
- Gujarat State Fertilizer and Chemicals Limited's ("GSFC") additional investment in Karnalyte, through a backstop of the rights offering, demonstrates GSFC's ongoing commitment to and support of Karnalyte, Wynyard Potash and Proteos Nitrogen

## 2018 – The Year in Review

2018 was a year of transition for Karnalyte as it took a series of steps to position itself to execute on its strategy to build an independent Saskatchewan based fertilizer company producing potash and manufacturing nitrogen fertilizer. Changes in management and the Board continued to position Karnalyte to advance the development of both Wynyard Potash and Proteos Nitrogen.

## Wynyard Potash

Wynyard Potash is a well advanced conventional solution mining potash project. We have completed a NI 43-101 final feasibility study, basic engineering, obtained all necessary environmental approvals, and entered into an offtake agreement with GSFC for approximately 50% of Phase 1 production. The only ingredient lacking is a potash price that makes Wynyard Potash economically viable.

Future development of Wynyard Potash remains dependent on an improvement in potash prices.

While 2018 witnessed some encouraging signs regarding potash prices, and in particular by the contracts entered into by China and India in the fourth quarter of 2018, potash prices have not yet reached the level where Wynyard Potash is an economically viable and financeable mining project. Global economic uncertainty continues to negatively impact international financial markets and equity and debt markets remain tight, restrictive and increasingly expensive as interest rates rose during 2018.

The Company and the Board of Directors are committed to taking a prudent and disciplined approach to the development of Wynyard Potash, and the Company will continue to closely monitor potash prices and market dynamics in deciding when to re-activate development of Wynyard Potash. The Company has decided that the timing is right to update the initial capital cost estimate for Phase 1, as the last estimate was completed in 2016, and expects to undertake this update during 2019.

The Company's strategic partner and single largest shareholder, GSFC, originally invested in Karnalyte in 2013 with the intention of developing Wynyard Potash into an operating potash mine and an independent source of potash for export to India. GSFC remains committed to developing Wynyard Potash and continues to work with the Company to update Phase 1 capital costs, determine when to re-activate development, and assist in structuring the most cost-effective financing package for the development of the Wynyard Potash.

## Proteos Nitrogen

Proteos Nitrogen is a compelling part of Karnalyte's future and diversifies our business by adding a second fertilizer product line. Proteos Nitrogen is a proposed regional-scale nitrogen fertilizer plant to be located in central Saskatchewan, with a nameplate capacity of 700 mtpd (metric tonnes per day) ammonia and 1,200 mtpd urea. Our primary target market is local, independent wholesalers within a ~400-kilometre radius of Saskatoon, with a secondary target market of Midwest USA wholesalers near the Canadian border.

Saskatchewan has a number of competitive advantages for nitrogen fertilizer production, including:

- Plentiful natural gas
- Some of the lowest global natural gas prices
- Higher urea usage rates
- Premium pricing in local markets
- Proximity to local markets

The Company believes its regional scale design will provide farmers with local supply, while at the same time allowing them to reduce transportation costs and associated risks. As with any industrial material, the ultimate consumers are always looking for local, alternate and independent sources of supply.

During 2018, progress on investigating the project's technical and economic viability included an independent market study conducted by Argus Media, with positive results, a strong response to an invitation for expressions of interest from technology providers and EPC contractors, as well as project site identification and continuing discussions with a number of agriculture industry participants.

## Corporate Matters

2018 also witnessed a number of changes in senior management and the Board of Directors designed to position Karnalyte to advance the development of both Wynyard Potash and Proteos Nitrogen. Karnalyte is strongly committed to the implementation and maintenance of best governance practices and is undertaking a detailed internal review of its governance practices in order to update and upgrade its governance policies and practices during the first half of 2019. In addition, in furtherance of best corporate governance standards, and having regard to Karnalyte's strategic plan transition to a multi-product independent fertilizer company, the Company has developed a skills matrix outlining the required competencies, skills and experience of potential directors of Karnalyte, including experience in the agriculture industry, public companies, development of major capital projects, raising equity and project debt financing, corporate governance expertise, financial literacy, and meeting all legal and regulatory requirements applicable to Canadian public companies.

During the fourth quarter of 2018, Karnalyte undertook a fully subscribed rights offering, raising a total of approximately \$2.3 million in working capital to further the development of Wynyard Potash and Proteos Nitrogen. GSFC backstopped the rights offering and now holds approximately 38.7% of the Company. GSFC's additional investment in the Company demonstrates GSFC's ongoing commitment to and support of Karnalyte, Wynyard Potash and Proteos Nitrogen.

## Outlook

2019 will be a pivotal year for Karnalyte as it moves the development of both Wynyard Potash and Proteos Nitrogen towards critical milestones. For Wynyard Potash, the completion of the Phase 1 capital cost update will set the stage for a potential investment decision if, when combined with an improving potash price environment, Wynyard Potash becomes an economic and financeable project.

Completing the site acquisition, initiating permitting, solidifying offtake arrangements, as well as securing potential equity investors will also move Proteos Nitrogen towards confirming the technical and economic viability of Proteos Nitrogen, and facilitate an investment decision prior to the end of 2019. We continue to have productive discussions with local agricultural industry partners regarding their potential participation in Proteos Nitrogen.

While Karnalyte has sufficient working capital to advance the development of both Wynyard Potash and Proteos Nitrogen, it will require additional funding to complete the development activities necessary to take both projects to the stage where an investment decision can be made by the Board of Directors.

#### 2018 Year End Results and Selected Annual Information

The Company continued to exercise fiscal restraint during 2018 as it waits for the potash price environment to improve before proceeding with further development of Wynyard Potash. The costs incurred by the Company during 2018 were primarily associated with the technical and economic evaluation of Proteos Nitrogen. As a result, at December 31, 2018, the Company had cash of \$10.5 million, a positive working capital of \$10.3 million, and no debt. The Company has adequate cash to fund all existing commitments in 2019.

Furthermore, the Company has sufficient cash to meet short term operating and capital requirements. Karnalyte's 2018 Year End Financial Statements, Management's Discussion and Analysis and Annual Information Form are available at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.karnalyte.com](http://www.karnalyte.com).

The following information has been summarised from the Company's audited financial statements.

#### Selected annual results (CAD \$ thousands)

	Year ended December 31		
	2018	2017	2016
Total revenue	-	-	-
Interest and other income	122	114	296
Net and comprehensive loss	(6,018)	(3,395)	(8,852)
Basic and diluted per share	(0.21)	(0.12)	(0.32)
Total current assets	11,136	12,757	17,156
Total assets	16,921	18,602	23,024
Total current liabilities	901	691	1,750
Total liabilities	2,608	846	1,886
Total shareholders' equity	14,313	17,756	21,138

About Karnalyte Resources Inc.

[Karnalyte Resources Inc.](#) is an advanced development stage company focused on two fertilizer products, potash and nitrogen, to be produced and manufactured in Saskatchewan. Karnalyte owns the construction ready Wynyard Potash Project, with planned phase 1 production of 625,000 tonnes per year (tpy) of high grade granular potash, and two subsequent phases of 750,000 tpy each, taking total production up to 2.125 million tonnes per year (Mtpy). Karnalyte is also exploring the development of the Proteos Nitrogen Project, which is a proposed small-scale nitrogen fertilizer plant with a nameplate production capacity of approximately 700 metric tonnes per day (mtpd) of ammonia and approximately 1,200 mtpd of urea, and a target customer market of independent fertilizer wholesalers in Central Saskatchewan.

#### About the Wynyard Potash Project

The Wynyard Potash Project is a construction ready solution mining potash project located in Wynyard, Saskatchewan, with planned phase 1 production of 625,000 tpy of high grade granular potash, and two subsequent phases of 750,000 tpy each, taking total production up to 2.125 Mtpy. All environmental permits remain valid, preliminary detailed engineering is complete, and the existing offtake agreement with Gujarat State Fertilizers & Chemicals Limited remains in effect. Further development is dependent on improved potash prices.

#### About the Proteos Nitrogen Project

The Proteos Nitrogen Project is an advanced stage development project consisting of a proposed small-scale nitrogen fertilizer plant to be located in Central Saskatchewan, having a nameplate production capacity of approximately 700 mtpd of ammonia and approximately 1,200 mtpd of urea, and designed to produce two products – anhydrous ammonia (82-0-0) and granular urea (46-0-0). Karnalyte's primary target market is independent local Saskatchewan fertilizer wholesalers within a 400-kilometer radius of Saskatoon, Saskatchewan. A secondary target market is the US Midwest fertilizer wholesalers near to the Canadian – United States border. The proposed plant would be the first greenfield nitrogen fertilizer plant built in Canada in the last 26 years.

#### About Gujarat State Fertilizers & Chemicals Limited

Gujarat State Fertilizers & Chemicals Limited ("GSFC") is a leading Indian Fortune 500 chemicals and fertilizer company that has been in business for more than 50 years. GSFC currently operates one ammonia plant of 445,000 Mtpy nameplate capacity, which was commissioned in the year 2000 based on Linde's technology (after the two old ammonia plants established in 1969 were retired due to higher energy consumption), and two urea plants, with a total of 370,590 Mtpy nameplate capacity which were established in 1969, at its fertilizer production complex in Vadodara, Gujarat State, India. GSFC's urea plants have consistently operated at optimum capacity over the past five decades.

As the Company's strategic partner and single largest shareholder, GSFC remains committed to the Company and the Wynyard Potash Project, and is fully supportive of the Company pursuing the development of the Proteos Nitrogen Project. GSFC has also confirmed to the Company that it will continue to support the structuring of the most cost-effective financing package for the development of the Wynyard Potash Project, as GSFC has consistently offered to the Company since becoming a shareholder in 2013.

#### FORWARD-LOOKING STATEMENTS

Certain information included in this press release is forward-looking, within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "plan", "intend", "forecast", "future", "guidance", "may", "predict", "project", "should", "strategy", "target", "will" or similar words or phrases suggesting future outcomes or language suggesting an outlook.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Karnalyte, including, without limitation, assumptions as to: projected economics for the Company's planned potash production facility, the confirmation in an independent feasibility study of

Karnalyte's assumptions regarding the technical and economic viability of the Proteos Nitrogen project, the ability of Karnalyte to obtain financing on terms favourable to the Company, and the ability of Karnalyte to receive, in a timely manner, the necessary approvals from the Company's board of directors, shareholders, regulatory authorities, and other third parties.

Karnalyte believes the expectations and assumptions upon which the forward-looking information is based are reasonable. However, no assurance can be given that these assumptions and expectations will prove to be correct. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release. Without limiting the generality of the foregoing, readers are cautioned that the Company has not received a feasibility study prepared by a third party with respect to the Proteos Nitrogen project.

Actual results may vary from the forward-looking information presented in this press release, and such variations could be material. Risk factors and uncertainties could cause actual results to vary from the forward-looking information in this press release. Additional information on forward-looking statements and other factors that could affect Karnalyte's operations and financial results are included in documents on file with Canadian securities regulatory authorities and may be accessed through the Company's profile on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

These forward-looking statements are made as of the date hereof and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

SOURCE [Karnalyte Resources Inc.](#)

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