

Karnalyte Resources Inc. Files Management Information Circular and Issues Letter to Shareholders

24.11.2020 | [CNW](#)

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- Urges shareholders to vote the BLUE MANAGEMENT PROXY FORM for professional leadership and stability
- Warns that self-interested dissident shareholder interests diverge from those of other shareholders

SASKATOON, Nov. 23, 2020 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) announces that it has filed its Management Information Circular ahead of the Special Meeting of Karnalyte Resources Shareholders (the "Meeting"), to be held on December 15, 2020. The Meeting has been scheduled following a requisition from Peter Matson, Greg Szabo and Mark Zachanowich, (the "Dissidents"), former Karnalyte Directors who resigned from the Board of Directors of Karnalyte ("Board") in January of 2019, following their breach of the Company's Code of Conduct and their fiduciary obligations.

The Management Information Circular is in the process of being mailed to shareholders and can be downloaded from the Company's website. Shareholders are urged to review the Management Information Circular and then vote the BLUE MANAGEMENT PROXY FORM:

1. AGAINST the Directors Removal Resolution, and
2. WITHHOLD from the Dissident Director Election (as described in the Management Information Circular).

LETTER TO SHAREHOLDERS

Karnalyte has also issued a letter to shareholders, which details the need for professional leadership and stability and how the Dissident claims and accusations should be disregarded, as the Dissident interests are not the same as those of the shareholders. In fact, if the Dissidents were successful in taking control of the Board the future value of shareholders' investments in Karnalyte would be threatened. The letter to shareholders is as follows:

Dear Karnalyte Shareholders,

[Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") faces an unnecessary and expensive proxy contest, following a requisition from Peter Matson, Greg Szabo and Mark Zachanowich, (the "Dissidents"). The Dissidents are former Karnalyte Directors who resigned from the Board of Directors of Karnalyte (the "Board") in January of 2019, following their breach of the Company's Code of Conduct and their fiduciary obligations. To make matters worse, the Dissidents submitted their requisition very shortly after the current Directors were elected, with over 80% support of the votes cast. Now, shareholders are faced with an attempt to take control of the Board by a group of self-interested Dissidents. The good news is that you can protect your investments in Karnalyte by following the voting recommendations included in the BLUE MANAGEMENT PROXY FORM.

VOTE THE BLUE MANAGEMENT PROXY FORM FOR PROFESSIONAL LEADERSHIP AND STABILITY

There is considered decision making and positive momentum at Karnalyte. Your existing Board has initiated a review process to determine the optimal strategic direction to maximize value for all shareholders, and has engaged a leading business consulting firm to assist in that strategic review process and to provide an independent review of the pre-feasibility study on the Nitrogen Project. This independent review is nearing completion and the results will be shared with shareholders when available. By acting with an eye towards preserving shareholder value while also moving the ball forward with discipline, your current Board has conserved shareholder funds and reduced risk by working with Gujarat State Fertilizers and Chemicals Ltd. ("GSFC"), the Company's largest shareholder, on the pre-feasibility study for the Nitrogen Project.

At the same time, your Board has demonstrated its commitment to good governance and stewardship by acting quickly

decisively to engage external counsel to investigate dubious but concerning allegations made by the Dissidents, ultimately those claims to be without merit. Your Board and management team have also refrained from using Company resources to address relentless attacks, even when the Board and management had every justification to do so. The Board has instead directed the Company's depleted cash resources towards determining the best strategic direction for Karnalyte, an exercise at maximizing value for all shareholders. At all times, the Board and the management team have demonstrated their deep commitment to acting in the best interests of all shareholders.

Perhaps most importantly, Karnalyte's Board has deep and diversified industry expertise, meets all independence requirements and is well qualified to oversee the execution of the Company's value creation plan. These qualifications stand in stark contrast to the lack of qualifications on the part of the Dissidents and their handpicked Director nominees.

WITHHOLD FROM SUPPORTING SELF-INTERESTED DISSIDENTS WHO THREATEN THE FUTURE VALUE OF YOUR INVESTMENT IN KARNALYTE

The Dissidents and their Board nominees are the wrong people, in the wrong place, at the wrong time. The self-anointed "Concerned Shareholders" have a history of unethical behavior and putting their own interests ahead of other shareholders. As mentioned above, the Dissidents were previously Directors of Karnalyte but resigned from the Board after being found in breach of their fiduciary duties and Karnalyte's Code of Conduct. Regardless, the Dissidents—who hold just over 1% of the Company's outstanding shares—are now demanding to appoint their handpicked Director nominees to two third of the seats on Karnalyte's Board.

It is important to keep in mind that the Dissidents are the same individuals who as Directors, spent millions of dollars with no real results. To make matters worse, the Dissidents are continuing to unnecessarily cost Karnalyte shareholders thousands of dollars and would continue to do so, should they be allowed to pursue their proxy contest misadventure. Thoroughly and independently investigating what turned out to be unfounded and unjustified allegations cost shareholders \$103,000. Holding an unnecessary special meeting between two Annual Meetings and in the middle of a global pandemic is likely to cost shareholders a minimum of \$350,000. Shareholders should question why the Dissidents chose to make their requisition a short time after the annual meeting instead of making a proposal to be considered at that annual meeting and avoiding the significant additional costs. If the Dissidents are successful, they will double the size of the Board resulting in additional costs to shareholders. Adding insult to injury, the Dissidents may even expect shareholders to pay for the Dissidents' own costs if the Dissidents are successful in taking control of Karnalyte. Expect the Dissident costs to be in the tens to hundreds of thousands of dollars.

According to the information provided to the Company by the Dissidents themselves, the Dissident director nominees have limited or no experience serving as directors of a public company, NO experience in the financing or construction of major projects, nor any experience in the potash or mining sectors. Given the lack of critical skills and industry expertise within the Dissident Director Nominees and a lack of any vision or clarity regarding the Dissident's potash plan, it is fair for shareholders to wonder if the Dissidents' plan is actually to abandon the Company's potash project all together to focus exclusively on the real estate strategy. While the Dissidents have not come out and said this, their choices for their Director nominees—and their corresponding lack of applicable experience or expertise—do beg this question.

After carefully reviewing what Karnalyte and the Dissidents have to offer—more detail is included in the Management Information Circular—the choice for shareholders is simple. Accordingly, your Board unanimously recommends that shareholders vote as follows using only the BLUE MANAGEMENT PROXY FORM:

1. AGAINST the Directors Removal Resolution;
2. WITHHOLD from the Dissident Director Nominees (as described in the Management Information Circular).

VOTE YOUR BLUE MANAGEMENT PROXY FORM TODAY

The Special Meeting of Shareholders is scheduled for Tuesday, December 15, 2020 but given the COVID-19 pandemic, shareholders are strongly encouraged not to attend the Meeting in person. Instead, in order to ensure that their vote is received at the Meeting, shareholders are urged to vote in advance and ensure that their vote is received prior to the proxy voting cutoff on Friday, December 11, 2020 at 9:30 a.m. (Saskatoon Time). Shareholders will be able to listen to the meeting. For more information, please see the Meeting details in the Management Information Circular.

On behalf of the Board of Directors, we appreciate your investment in Karnalyte, along with your continued engagement and support. We urge you to vote using the BLUE MANAGEMENT PROXY FORM for professional management and stability. We believe the best is yet to come!

Sincerely,

The Board of Directors of [Karnalyte Resources Inc.](#)

VOTING INSTRUCTIONS

There are two resolutions for shareholders to vote on. Karnalyte recommends that shareholders vote:

1. AGAINST the Directors Removal Resolution, and
2. WITHHOLD from the Dissident Director Election (as described in the Management Information Circular).

To ensure that your vote is counted at the Special Meeting of Karnalyte Shareholders, please ensure it is received well before the proxy voting deadline of Friday, December 11, at 9:30 a.m. (Saskatoon time). If you require assistance voting your proxy, please contact the Proxy Solicitor at info@karnalyte.com or call 306-986-1486.

ABOUT KARNALYTE RESOURCES INC.

[Karnalyte Resources Inc.](#) is a 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, taking total production up to 2.125 million TPY. 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 year ("MTPD") of ammonia and approximately 1,200 MTPD of urea, and a target customer market of independent fertilizer users in Central Saskatchewan.

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", 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 of 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, and 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).

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 changes in events or circumstances.

SOURCE [Karnalyte Resources Inc.](#)

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