

Karnalyte Resources Inc. and Gujarat State Fertilizers & Chemicals Ltd. Announce Closing of Private Placement

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GSFC's Vishvesh D. Nanavaty Appointed to Karnalyte's Board of Directors

(all dollar figures expressed in Canadian dollars)

CALGARY, March 7, 2013 /CNW/ - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Corporation") (TSX:KRN) and Gujarat State Fertilizers & Chemicals ("GSFC") today announced that they have closed their previously announced non-brokered Private Placement. Karnalyte has issued GSFC approximately 5,490,000 common shares of Karnalyte at a price of \$8.15 per common share for total gross proceeds of approximately \$44.7 million. GSFC now holds a 19.98% ownership stake in Karnalyte.

"In addition to putting the off-take agreement into effect, the closing of the Private Placement represents a significant step towards obtaining the total funding required to enable construction of the Wynyard Carnallite Project," said Robin Phinney, President and CEO of Karnalyte. "This agreement is a testament to the superior quality of Karnalyte's potash product, and the partnership with GSFC will provide us with product marketing and distribution support in the Indian marketplace."

Vishvesh D. Nanavaty, General Manager of Finance of GSFC and newly appointed Director of Karnalyte commented, "This agreement with Karnalyte represents a long-term, mutually beneficial strategic partnership: GSFC has secured a significant amount of high quality potash to distribute in a market that is fully dependent on imports, and we are looking forward to working with Karnalyte to bring the Wynyard Carnallite Project into production."

The common share issue price of \$8.15 is based on a 20% premium to the volume weighted average price of Karnalyte's Common Shares traded on the Toronto Stock Exchange for the 20 trading days ended December 20, 2012. The issue price is subject to an adjustment if commercial production has not commenced on or before October 1, 2016, which may be satisfied by the issuance of an additional 555,555 common shares by Karnalyte to GSFC at that time. In accordance with applicable Canadian securities laws, the common shares distributed pursuant to the Private Placement will be subject to a hold period of four months following issuance.

Pursuant to the terms of the Subscription Agreement, GSFC retains the right to maintain its equity position in future equity offerings and has agreed to commit approximately \$15 million in future public equity financing by Karnalyte to finance the construction of Phase 1 of the Wynyard Carnallite Project.

Off-take Agreement

As previously announced, Karnalyte and GSFC have agreed to a committed off-take agreement for the purchase of approximately 350,000 tonnes per year ("TPY") of potash from Phase 1 of the Project, increasing to 600,000 TPY with the commencement of Phase 2. The off-take agreement will continue for approximately 20 years from the commencement of commercial production of Phase 1. Subject to the terms of the off-take agreement, upon commencement of commercial production, GSFC will be committed to buy 350,000 TPY of potash from Karnalyte, increasing to 600,000 TPY of potash as capacity at the Project increases during Phase 2, for a period of approximately 20 years on a take or pay basis.

Vishvesh D. Nanavaty Appointed to Karnalyte's Board of Directors

Pursuant to the terms of the Subscription Agreement, GSFC has exercised its right to appoint one nominee to the Corporation's board of directors. Karnalyte welcomes Vishvesh D. Nanavaty, General Manager of Finance and former Company Secretary of GSFC. Prior to joining GSFC, Mr. Nanavaty was Senior Finance Manager and Company Secretary at Johnson Pump (India) Ltd. Mr. Nanavaty is a Chartered Accountant, and received a First Class Commerce degree from The Gujarat University. Mr. Nanavaty has also received designations from The Institute of Cost and Works Accountants of India and The Institute of Company

Secretaries of India.

About Gujarat State Fertilizers & Chemicals

GSFC, founded in 1962, is a publicly traded agribusiness company focusing on the production and sale of fertilizers and industrial products in India. In addition to marketing fertilizers and agri-inputs to nine states throughout India, GSFC also operates a research and development centre and develops new fertilizer products as well as a variety of other chemicals and materials, as well as applications for its various industrial products at its Applications Development Centre.

About Karnalyte Resources Inc.

[Karnalyte](#) is engaged in the business of exploration and development of high quality agricultural and industrial potash and magnesium products. Karnalyte intends to develop and extract a carnallite-sylvite mineral deposit through a known solution mining process at competitive costs and with minimal environmental impact. Using a staged approach to potash plant construction, Karnalyte plans to operate a solution mining facility that will initially produce 625,000 TPY of potash, increasing to 2.125 million TPY of potash. Karnalyte owns a 100% interest in Subsurface Permit KP 360A and Subsurface Mineral Lease KLSA-010 located near Wynyard, Saskatchewan, comprising a total of 85,126 acres.

Forward-Looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning Karnalyte's off-take agreement with GSFC. The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Karnalyte, including with respect to the ability of Karnalyte to raise additional financing to complete construction of the Project and the ability to produce potash from future operations. Although Karnalyte believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Karnalyte can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the failure to obtain necessary regulatory approvals, the failure to raise additional financing, risks associated with the mining industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), potash prices and exchange rate fluctuations. The forward-looking statements contained in this document are made as of the date hereof and Karnalyte undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

For further information:

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