

# Karnalyte Resources Inc. Announces 2013 Year End Results

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CALGARY, ALBERTA--(Marketwired - Mar 26, 2014) - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Corporation") (TSX:KRN) today announced its financial results and operational highlights for the year ended December 31, 2013.

"Karnalyte met key strategic milestones in 2013 by entering into a strategic partnership and off take agreement and receiving Environmental Impact Study approval for the Wynyard Carnallite Project from the Saskatchewan Ministry of Environment," said Robin Phinney, President and CEO of [Karnalyte Resources Inc.](#) "Despite these important accomplishments, the global potash market remains challenged. Karnalyte intends to manage costs and explore other product lines while advancing discussions with potential strategic partners and pursuing new strategic partners in this unique market environment."

The Corporation has identified other potentially economical product lines and is determining how to pursue these potential product lines to enhance shareholder value. The Corporation continues to investigate the possibility of magnesium production from its property, including product development, independent testing of product and discussions with key industry players.

In an effort to reduce corporate costs, Karnalyte plans to consolidate its two existing offices by moving its Okotoks, Alberta operations to Saskatoon, Saskatchewan. The Corporation's Executive Vice-President and Chief Financial Officer, Ron Love, has indicated he does not plan to move to Saskatoon but the Corporation anticipates that Mr. Love will remain in his current position until a replacement is identified and integrated into the Corporation.

As at December 31, 2013, the Corporation had net working capital of \$47.0 million compared to \$21.4 million at December 31, 2012, including \$46.1 million and \$25.1 million, respectively, in cash. Karnalyte's 2013 Year End Financial Statements and Management's Discussion and Analysis (MD&A) are available at [www.sedar.com](http://www.sedar.com).

## KARNALYTE RESOURCES INC.

### STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31,	December 31,
As at	2013	2012
Current assets		
Cash	\$ 46,160,972	\$ 25,114,959
Trade and other receivables	1,479,544	225,363
Prepaid expenses	139,235	128,927
	<u>47,779,751</u>	<u>25,469,249</u>
Restricted cash (note 5)	375,000	375,000
Deferred financing costs (note 4)	1,606,534	843,897
Capital assets (note 6)	18,745,166	6,404,557
Intangible exploration and evaluation and other assets (note 7)	<u>42,950,858</u>	<u>43,197,551</u>
<b>ASSETS</b>	<b>\$ 111,457,309</b>	<b>\$ 76,290,254</b>
LIABILITIES		
Current liabilities		
Trade and other payables	\$ 745,870	\$ 3,996,019
	<u>745,870</u>	<u>3,996,019</u>

Provisions (note 8)	135,319	149,956
Total liabilities	881,189	4,145,975
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 9)	129,774,229	87,473,052
Contributed surplus	7,777,894	4,905,686
Deficit	(26,976,003 )	(20,234,459 )
Total shareholders' equity	110,576,120	72,144,279
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 111,457,309</b>	<b>\$ 76,290,254</b>

**KARNALYTE RESOURCES INC.****STATEMENTS OF COMPREHENSIVE LOSS**

For the years ended December 31,

	2013	2012
<b>Expenses</b>		
General and administrative	\$ 4,756,775	\$ 4,156,447
Depreciation and amortization	843,574	747,590
Stock-based compensation expense (note 9(c))	2,057,052	1,919,477
Restructuring expenditures	67,628	895,645
Transaction costs	-	108,984
Other income and expenses	(21,317 )	(178,458 )
	7,703,712	7,649,685
Finance income	(990,185 )	(448,237 )
Finance expense	28,017	4,398
Net finance income (note 12)	(962,168 )	(443,839 )
Comprehensive loss	(6,741,544 )	(7,205,846 )
<b>Loss per share (note 9(b))</b>		
Basic and diluted	\$ (0.25 )	\$ (0.33 )

**KARNALYTE RESOURCES INC.****STATEMENTS OF CASH FLOWS**

For the years ended December 31,

	2013	2012
<b>Cash Flows from (used in) Operating Activities</b>		
Net loss for the period	\$ (6,741,544 )	\$ (7,205,846 )
Add/deduct:		
Depreciation and amortization	843,574	747,590
Stock-based compensation expense	2,057,052	1,919,477
Net finance income	(962,168 )	(443,839 )
Interest income received	536,333	448,237
Changes in non-cash working capital:		
Trade and other receivables	(69,911 )	98,393
Trade and other payables	(601,980 )	(438,270 )
Prepaid expenses	(37,028 )	(29,120 )
Purchase of shares pursuant to compensation plans	(12,325 )	-
	(4,987,997 )	(4,903,378 )
<b>Cash Flows from (used in) Investing Activities</b>		
Additions to intangible assets	(2,792,860 )	(5,637,613 )
Proceeds on sale of intangible assets	1,181,733	-
Additions to capital assets	(14,034,962 )	(1,677,353 )
Proceeds on sale of capital assets	14,140	-
	(15,631,949 )	(7,314,966 )
<b>Cash Flows from (used in) Financing Activities</b>		
Issuance of common shares	44,745,994	-
Exercise of options and warrants	-	3,613,731
Share issue costs	(2,432,492 )	-

Deferred financing costs	(1,075,243 )	(539,786 )
	41,238,259	3,073,945
Effect of foreign exchange on cash	427,700	7,829
Change in cash	21,046,013	(9,136,570 )
Cash, beginning of period	25,114,959	34,251,529
Cash and cash equivalents, end of period	\$ 46,160,972	\$ 25,114,959

## KARNALYTE RESOURCES INC.

### STATEMENTS OF CHANGES IN EQUITY

Years ended December 31,

	2013		2012	
	Number	Amount	Number	Amount
<b>Share Capital</b>				
Balance, beginning of period	21,988,704	\$ 87,473,052	21,418,536	\$ 82,105,674
Common shares issued (note 9(d))	5,490,306	44,745,994	-	-
Common shares issued on exercise of share options	-	-	261,115	735,874
Common shares issued on exercise of broker warrants	-	-	309,053	2,657,856
Treasury shares purchased	(2,049 )	(12,325 )	-	-
Transfer from contributed surplus on options exercised	-	-	-	1,188,128
Transfer from contributed surplus on broker warrants	-	-	-	785,520
Share issue costs	-	(2,432,492 )	-	-
Balance, end of period	27,476,961	129,774,229	21,988,704	87,473,052
<b>Warrants and Rights</b>				
Balance, beginning of period	-	-	368,528	934,950
Broker warrants and rights exercised	-	-	(309,053 )	(785,520 )
Broker warrants and rights expired	-	-	(59,475 )	(149,430 )
Balance, end of period	-	-	-	-
<b>Contributed Surplus</b>				
Balance, beginning of period		4,905,686		3,276,698
Stock-based compensation expense (note 9)		2,872,208		2,804,663
Transfer to share capital on exercise		-		(1,188,128 )
Option adjustments		-		(136,977 )
Broker warrants expired		-		149,430
Balance, end of period		7,777,894		4,905,686
<b>Deficit</b>				
Balance, beginning of period		(20,234,459 )		(13,028,613 )
Loss for the period		(6,741,544 )		(7,205,846 )
Balance, end of period		(26,976,003 )		(20,234,459 )
<b>Total Shareholders' Equity</b>				
Balance, end of period		\$ 110,576,120		\$ 72,144,279

### 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 impacts. Once financing is obtained to potash plant construction, the Corporation plans to operate a solution mining facility that will initially produce 625,000 tonnes of potash per year, increasing to 2.125 million tonnes of potash per year. 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 the Corporation's future operations and its access to capital markets. The

forward-looking statements contained in this document are based on certain key expectations and assumptions made by Karnalyte, including with respect to the Corporation's future operations and its ability to secure additional capital. 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, failure to obtain necessary capital 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), commodity price and exchange rate fluctuations. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Karnalyte's operations and financial results are included in documents on file with Canadian Securities regulatory authorities and maybe accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). 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.

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