

CALGARY, ALBERTA--(Marketwired - Jul 14, 2015) - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX:KRN) announces that the Company is restarting its operations at Wynyard, Saskatchewan to develop its Carnallite project (the "Project").

Karnalyte's 2015 / 2016 Development Program

Following the election of six new directors at the Company's Annual Meeting of shareholders held on June 23, 2015, the Company has reopened its Saskatoon and Wynyard offices, has re-hired key engineering and technical personnel, and has restarted the critical engineering and development work necessary to implement the planned Development Program. The Development Program is designed to optimize production from the underground caverns, increase KCl concentration and confirm equipment design parameters in preparation for construction of the full-scale production facility.

The Demonstration Program was first planned for implementation in 2012 following the recommendations of Ercosplan in the Technical Report for the Project dated March 30, 2012 (the "Technical Report"). The Technical Report from Ercosplan used an average KCl content of 9.3% KCl in the production brine and this was used in the Company's design base memorandum.

Based on preliminary test results achieved in Karnalyte's laboratory, the Project's geological formation is unique and favours the dissolution of potassium chloride over sodium chloride. The Company's technical team predicts that an increase in cavern temperature will increase the concentration of KCl in the brine solution while lowering the concentration of NaCl, ultimately resulting in a significant increase in the production of potash. This is indicated in the chart below which is found on page 139 of the Technical Report which shows the relevant points for dissolution of Carnallite from Carnallite rock and the design ranges for production brine of the Sylvinitic Esterhazy Member (red quadrangles) and the Carnallitic Patience Lake and Belle Plaine Members (orange quadrangles). Also shown are the compositions of average Carnallitic production brine:
<http://media3.marketwire.com/docs/KRN714.jpg>

In 2012 the Company concluded preliminary testing on two production wells located at 2-24-32-16 W2 and 6-32-31-16 W2. These preliminary tests resulted in a concentration of 9.3% KCl at 30 degrees Celsius. The Company's preliminary test wells running at elevated temperatures of 40 to 50 degrees Celsius increased the concentration of produced KCl beyond 9.3%. Any increase in KCl concentration above 9.3% has the potential to dramatically improve the Project's economics.

Following these tests, Karnalyte's engineering and technical teams focused on advancing the required engineering and design work and sourced specialized equipment to further test these wells at elevated temperature thresholds of 40 and 50 degrees Celsius. Testing at elevated temperatures is necessary to obtain deposit-specific data in order to calibrate the cavern temperature model and increase confidence in the prediction of higher KCl concentrations in the production brine. By the winter of 2013 Karnalyte's engineering and technical teams had completed the engineering, and by the spring of 2014 the Company's management had all of the necessary equipment secured at the Project site in preparation for a summer test program in 2014.

Unfortunately, the Development Program that was scheduled for commissioning in the summer of 2014 was cancelled by the Company's management at the time. Conducting the Development Program in the summer is essential as the test program requires approximately 6 continuous months of production at a rate of 30 m³ per hour prior to freeze-up in the winter. This delay led to the Company's proxy contest in late 2014 and early 2015, and ultimately a delay of over two years in the completion of the Development Program.

The Company plans to conduct the 2015 / 2016 Development Program in two Phases. Phase 1 has already begun and consists of securing the necessary permitting, procuring and installing equipment, and developing the cavern by injection of cold water. The Company plans to run Phase 1 until freeze-up in late 2015. Phase 2 is currently scheduled to be conducted in 2016, and consists of the implementation of the full scale test program to test KCl concentration at elevated temperatures of 40 to 50 degrees Celsius over a period of approximately 6 months.

The Company estimates that the total cost of the Development Program will be approximately \$4.25 million and could significantly enhance the Project's revenue projections and financial outlook.

In connection with the Company's rehiring of key personnel to conduct the Development Program, pursuant to the Company's Stock Option Plan as approved by shareholders on June 20, 2013, Karnalyte has granted an aggregate of 1,930,000 stock options to employees, officers and directors of the Company, subject to applicable regulatory and Toronto Stock Exchange approval. The purpose of the stock option plan is to give suitable recognition to the ability and performance of such persons who contribute materially to the success of the Corporation and to attract and retain persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. The options were issued with an exercise price of \$0.75 per share and have a five year term.

With regards to the previously announced Framework Agreement with KRN's largest shareholder, Gujarat State Fertilizers and Chemicals Ltd. ("GSFC"), GSFC has indicated its willingness to support KRN by arranging Project Financing based on GSFC's financial strength and relationships with Indian banking institutions. Such Project Financing may be available on significantly more attractive terms than offered by North American banks, specifically allowing the Company a substantial upfront debt

disbursement without a corresponding initial equity infusion, the flexibility to raise required equity as a subordinated shareholder loan, and a commitment by GSFC or its affiliates to backstop required equity if needed.

The Company is in continuous discussions with GSFC and is in receipt of an indicative term sheet containing broad terms for debt financing from the investment arm of one of India's largest banks. The Company's board continues to discuss and negotiate the terms of the financing to fund the Project, which could be transformative for the Company.

Investors are encouraged to contact management for further information at info@karnalyte.com.

About Karnalyte

[Karnalyte Resources Inc.](#) 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, the Company 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.

Karnalyte's common shares are traded on the Toronto Stock Exchange (TSX) under the symbol KRN.

Forward-Looking Statements

This press release contains forward-looking statements. 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 plans and operations and its ability to secure additional financing. 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 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 may be accessed through the SEDAR website (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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