

SASKATOON, May 9, 2016 /CNW/ - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) is pleased to announce that it has commenced the 2016 development program designed to optimize production from the underground caverns that will be mined at the Company's proposed potash mine near Wynyard, Saskatchewan (the "Optimization Program").

"We are excited to begin the first operational phase of the Optimization Program which we expect will further enhance our project's economics," commented Robin Phinney, Karnalyte's Founder and President. "During the winter of 2015/2016 we completed the construction for the first phase of the Optimization Program on time and within budget and I would like to thank our consultants at Ercosplan for developing the program and our engineering and construction teams for their hard work and dedication in achieving this significant milestone."

Optimization Program

The Optimization Program was designed to test whether the potassium chloride (KCl) concentration in the production brine can be increased and confirm equipment design parameters in preparation for construction of Phase 1 of Karnalyte's 625,000 tonnes per year potash production facility ("Phase 1"). The Company has retained a world-leading expert in solution mining, Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH ("Ercosplan") to design the test methods, direct and monitor the Optimization Program and report on the measured results. Ercosplan was previously engaged by Karnalyte to develop the Company's first Technical Report in 2012, and has also been engaged by the Company along with Amec Foster Wheeler Canada Ltd. and North Rim Exploration Ltd. to update the estimated capital and operating expenditures for the project and produce an updated Technical Report.

The Optimization Program consists of an initial cold leaching process to develop a production cavern, which will be followed by a hot leaching phase using heated water to generate a concentrated potash brine solution. The Company will not be using any fresh water sources in the process, but instead will be producing source water from the brackish 500-metre deep Blairmore Formation. Cavern development and production will be done in the 950 metre deep Belle Plaine Formation, and all brine generated from the cavern will be disposed into a 1,500-metre deep disposal well in the Deadwood Formation. As a result, the Optimization Program, like the planned Phase 1 potash plant, will minimize environmental impact and will not require any surface waste disposal.

The major aim of the Optimization Program is to test whether a higher potash concentration can be achieved than predicted by the laboratory testing and computer modelling. This increase in potash concentration could significantly reduce operating costs and enhance project economics. Data collected from the Optimization Program will be used to further optimize the design of Phase 1 of Karnalyte's planned potash production facility. As part of the Optimization Program, the site has been connected with a SaskPower line, which will also be used during the construction of Phase 1.

The Optimization Program is expected to be completed by the end of October 2016 with the final report containing the results expected soon thereafter.

Please visit Karnalyte's website at www.karnalyte.com to view an updated photo gallery displaying the Company's progress on the Optimization Program at the Wynyard site.

About Karnalyte Resources Inc.

Karnalyte is engaged in the business of exploration and development of high quality potash and magnesium products. Karnalyte intends to develop and extract a carnallite - sylvinitic mineral deposit through a known solution mining process at competitive costs and with minimal environmental impact. Using a staged approach to construction, the Company plans to operate a solution mining facility that will initially produce 625,000 tpy, increasing to 2.125 million tpy of potash.

Karnalyte's Common Shares are traded on the TSX under the symbol KRN.

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. More particularly and without limitation, this press release contains forward-looking information concerning the completion of the Optimization Program, the anticipated benefits to be derived therefrom, and the timing thereof.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made

by Karnalyte, including assumptions as to: the ability of Karnalyte and Ercosplan to complete the Optimization Project as described in the press release. 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.

Actual results may vary from the forward-looking information presented in this press release, and such variations could be material. Risks and uncertainties inherent in the nature of Karnalyte's operations could cause actual results to vary from the forward-looking information in this press release. Risks applicable to Karnalyte's business include 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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