

Karnalyte Completes Rights Offering

24.12.2018 | [CNW](#)

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SASKATOON, Dec. 24, 2018 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) today announced the successful closing of its rights offering ("Rights Offering") following the expiry of the rights on December 20, 2018.

Highlights

- Fully subscribed Rights Offering with 14,058,282 common shares issued for a total of approximately \$2.3 million in proceeds
- Provides additional working capital for development of Proteos Nitrogen
- Gujarat State Fertilizer and Chemicals Limited's ("GSFC") additional investment in Karnalyte demonstrates GSFC's ongoing commitment and support of Karnalyte, Wynyard Potash and Proteos Nitrogen

Mr. Frank Wheatley, President of Karnalyte, commented: "I would like to thank all shareholders that participated in the Rights Offering and for their vote of confidence in our strategic plan to diversify our business into two fertilizer product lines – potash and nitrogen. We look forward to 2019 and proceeding with the development of Proteos Nitrogen and, if potash prices continue to improve, the development of Wynyard Potash."

Rights Offering

The Rights Offering was fully subscribed and the Company issued a total of 14,058,282 common shares at a price of \$0.17 per share for gross proceeds of approximately \$2.3 million. The total number of issued and outstanding common shares of the Company upon completion of the Rights Offering is 42,174,847 common shares.

A total of 5,548,339 common shares were issued under the basic subscription privilege and a total of 8,509,943 common shares were issued under the additional subscription privilege. Of the 5,548,339 common shares issued under the basic subscription privilege, approximately 3,022,930 common shares were issued to persons who were known to be insiders of the Company before the Rights Offering, and 2,525,409 common shares were issued to all other persons. Of the total of 8,509,943 common shares issued under the additional subscription privilege, 7,265,767 common shares were issued to persons who were known to be insiders before the Rights Offering, and 1,244,176 common shares were issued to all other persons.

No common shares were issued under the stand-by commitment provided by GSFC and no fees or commissions were paid in connection with the issuance of the common shares under the Rights Offering.

GSFC acquired 3,022,930 common shares under the basic subscription privilege and 7,265,767 common shares under the additional subscription privilege for a total of 10,288,697 common shares. GSFC now holds 16,334,558 common shares of the company representing approximately 38.8% of the issued and outstanding common shares of the Company. GSFC acquired the additional common shares for investment purposes and may acquire or dispose of its common shares of the Company in the future but has no current plans or intentions to do so.

Use of Proceeds

The net proceeds of the Rights Offering will be used as set out in the Company's Rights Offering Circular, including but not limited to development of the Wynyard Potash Project and the Proteos Nitrogen Project.

About Karnalyte Resources Inc.

[Karnalyte Resources Inc.](#) is an advanced 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 each, taking total production up to 2.125 million tonnes per year (Mtpy). 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 day (mtpd) of ammonia and approximately 1,200 mtpd of urea, and a target customer market of independent fertilizer wholesalers in Central Saskatchewan.

About the Wynyard Potash Project

The Wynyard Potash Project is a construction ready solution mining potash project located in Wynyard,

Saskatchewan, with planned phase 1 production of 625,000 tpy of high grade granular potash, and two subsequent phases of 750,000 tpy each, taking total production up to 2.125 Mtpy. All environmental permits remain valid, preliminary detailed engineering is complete, and the existing offtake agreement with Gujarat State Fertilizers & Chemicals Limited remains in effect. Further development is dependent on improved potash prices.

About the Proteos Nitrogen Project

The Proteos Nitrogen Project is an advanced stage development project consisting of a proposed small-scale nitrogen fertilizer plant to be located in Central Saskatchewan, having a nameplate production capacity of approximately 700 mtpd of ammonia and approximately 1,200 mtpd of urea, and designed to produce two products – anhydrous ammonia (82-0-0) and granular urea (46-0-0). Karnalyte's primary target market is independent local Saskatchewan fertilizer wholesalers within a 400-kilometer radius of Saskatoon, Saskatchewan. A secondary target market is the US Midwest fertilizer wholesalers near to the Canadian – United States border. The proposed plant would be the first greenfield nitrogen fertilizer plant built in Canada in the last 26 years.

About Gujarat State Fertilizers & Chemicals Limited

Gujarat State Fertilizers & Chemicals Limited ("GSFC") is a leading Indian Fortune 500 chemicals and fertilizer company that has been in business for more than 50 years. GSFC currently operates one ammonia plant of 445,000 Mtpy nameplate capacity, which was commissioned in the year 2000 based on Linde's technology (after the two old ammonia plants established in 1969 were retired due to higher energy consumption), and two urea plants, with a total of 370,590 Mtpy nameplate capacity which were established in 1969, at its fertilizer production complex in Vadodara, Gujarat State, India. GSFC's urea plants have consistently operated at optimum capacity over the past five decades.

As the Company's strategic partner and single largest shareholder, GSFC remains committed to the Company and the Wynyard Potash Project, and is fully supportive of the Company pursuing the development of the Proteos Nitrogen Project. GSFC has also confirmed to the Company that it will continue to support the structuring of the most cost-effective financing package for the development of the Wynyard Potash Project, as GSFC has consistently offered to the Company since becoming a shareholder in 2013.

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.

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

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/316121-Karnalyte-Completes-Rights-Offering.html>

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 new events or circumstances.

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