

Karnalyte Resources Inc. Provides Corporate Update and Outlines Plans for 2019

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SASKATOON, Jan. 16, 2019 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) today provided a corporate update and outlined its plans for 2019.

2019 – The Year Ahead

We anticipate that 2019 will be a busy time for Karnalyte as we continue to take steps to advance our strategy to build an independent Saskatchewan-based fertilizer company through the production of potash and the manufacture of nitrogen. Our plans for 2019 include:

- advancing the development of the Proteos Nitrogen Project ("Proteos Nitrogen") towards an investment decision; and
- continuing discussions with Gujarat State Fertilizer & Chemicals Limited ("GSFC") as to the appropriate time to advance the development of the Wynyard Potash Project ("Wynyard Potash"), given the improving potash price environment.

Wynyard Potash

Wynyard Potash is a well advanced conventional solution mining potash project. We have completed a NI 43-101 final feasibility study, basic engineering, obtained all necessary environmental approvals, and entered into an offtake agreement with GSFC for approximately 50% of Phase 1 production. The only ingredient lacking is a potash price that makes Wynyard Potash economically viable.

We continue to be encouraged by the improvement in potash prices, and in particular by the recent contracts entered into by China and India in the fourth quarter of 2018. However, while potash prices continue to improve, they have not yet reached the level where Wynyard Potash is an economically viable and financeable mining project. Global economic uncertainty continues to negatively impact international financial markets and debt markets remain tight, restrictive and unpredictable due to such uncertainty. We continue to take a prudent and disciplined approach to the development of Wynyard Potash, and we will closely monitor potash prices and financial markets in determining when to advance the development of Wynyard Potash.

The Company's strategic partner, GSFC, remains committed to both the Company and Wynyard Potash. GSFC continues to confirm to the Company that it will support the structuring of the most cost-effective financing package for the development of Wynyard Potash, similar to the support GSFC offered to the Company in 2016.

Proteos Nitrogen

Proteos Nitrogen is a compelling part of Karnalyte's future. Moving into the manufacturing of nitrogen will provide valuable diversification away from a reliance on potash alone and give us another market in which to do business. Proteos Nitrogen also has the potential to provide a source of free cash flow to assist in funding the development of Wynyard Potash.

We expect to complete our investigation of the technical and economic viability of Proteos Nitrogen,

including the acquisition of an appropriate project site, during the first half of 2019, in order to allow the Board of Directors to make an investment decision. We continue to have productive discussions with local agricultural industry partners regarding their potential participation in Proteos Nitrogen.

Corporate Matters

Karnalyte is strongly committed to the implementation and maintenance of best governance practices. In this regard, a number of allegations attacking the Company, its Board of Directors and management, and Karnalyte's governance, have been made by two of the respondents in court proceedings brought by Karnalyte in the Alberta Court of Queen's Bench in connection with the Company's 2018 annual and special meeting of shareholders. The Company believes that these allegations, which are disputed and unproven, have no relevance to the matters at issue in the court proceedings and were made for the collateral purpose of damaging its Board of Directors and management. In preparing to respond as appropriate in the court proceedings, the Company is conducting an internal investigation into the allegations.

Notwithstanding the collateral nature of these allegations, the Company has embarked on a detailed internal review of its governance practices. As part of this review, the Company is evaluating current and historical governance practices, its corporate governance guidelines, code of conduct and ethics, committee charters and position descriptions and intends to update them with a view to meeting or exceeding current standards for best practices in corporate governance. This review has not yet been completed. The Company expects to complete the update of its governance policies and practices prior to the end of the first quarter of 2019. Upon completion, copies will be available on the Company's website.

In addition, in furtherance of best corporate governance standards, and having regard to Karnalyte's strategic plan transition to a multi-product independent fertilizer company, the Company is currently reviewing the composition of its Board of Directors. In this connection, Karnalyte has determined to seek new Board members in order to augment its experience and expertise and to enhance the Company's ability to effectively execute its strategic plan to develop Wynyard Potash and Proteos Nitrogen. In doing so, the Board must determine, in light of the opportunities and risks facing the Company, the competencies, skills and personal qualities it should seek in new Board members in order to provide it with the best opportunity to advance the Company's projects in a timely manner to the next stage of their development. Based on this framework, a skills matrix is being developed outlining the Company's desired complement of directors' competencies, skills and characteristics. The specific make-up of the matrix includes such items as experience in the agriculture industry, leading growth-oriented Canadian public companies, development of major capital projects, raising equity and project debt financing, corporate governance expertise, financial literacy, and meeting all legal and regulatory requirements applicable to Canadian public companies. The Board will utilize the matrix to determine its own strengths and weaknesses and identify gaps that need to be filled to assist in approaching qualified new nominees for election to the Board, and for assessing directors on an ongoing basis. In its consideration of potential director nominees, candidates will be sought that meet all standards of independence applicable to the Company and have no direct or indirect material relationships with the Company or its shareholders.

In light of the foregoing, three current directors, Messrs. Peter Matson, Gregory Szabo and Mark Zachanowich, have agreed to resign their positions, effective immediately. The Company is greatly appreciative of their service, and wishes them well in their future endeavours.

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).

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.

SOURCE [Karnalyte Resources Inc.](#)

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