

Karnalyte Resources Inc. Announces Results of Investigation

27.10.2020 | [CNW](#)

- NO BREACHES FOUND IN THOROUGH INVESTIGATION LED BY LEADING LAW FIRM

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SASKATOON, Oct. 26, 2020 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) announces the completion of an investigation of allegations made by a small group of dissident shareholders (the "Dissidents"). A leading law firm conducted the extensive review, which included interviews with a number of parties. The 77-page investigation report (the "Investigation Report") and the almost 300-page compendium of materials to the Investigation Report highlight, among other things, the following:

- The Interim CEO and the Board of Directors of the Company (the "Board") are in compliance with the Company's Code of Conduct contrary to the allegations made by the Dissidents.
- There is no evidence of selective disclosure of material, non-public information by the Interim CEO.
- The Interim CEO has acted appropriately to avoid all conflicts of interest.
- Mr. Vishvesh Nanavaty, a current director, and Mr. Sanjeev Varma, a former director, each nominated to the Board of Gujarat State Fertilizers and Chemicals Ltd. ("GSFC"), have acted appropriately to disclose and avoid conflicts of interest.
- The Company is not in breach of contractual or other obligations with respect to the designation of the number of nominees on the Board.
- The Company has provided full and accurate disclosure of material transactions and related party transactions in its financial statements and communications.
- The Company is in compliance with Canadian securities laws and Toronto Stock Exchange rules and regulations as it relates to the independence of the Company's board of directors.
- The Company is not in breach of the Lobbying Act (Canada).

As previously announced by the Company on July 27, 2020, the Board believed that certain allegations the Dissidents released, despite being unproven at that time, required a careful and fair review, which Karnalyte has now concluded. As a result, the Company also noted that its shareholders should expect financial costs associated with the conduct of the review and the engagement of professional advisors to ensure the impartiality and independence of the process. After carefully reviewing the Investigation Report, the Board concluded that the Company need not pursue any further actions, or incur any further costs, in relation to the Dissidents' allegations which have now been thoroughly investigated. It is clear that the Dissidents are engaged in an active campaign to discredit management and the Board through the presentation of disingenuous and incomplete facts. The Board does not support, justify or warrant the Dissidents' allegations and demands.

To ensure the thoroughness and fairness of the process, the Dissidents were invited to participate in the investigation and provide any information to substantiate their allegations. One of the Dissidents declined to participate. The remaining Dissidents voluntarily submitted to the process and attended hours of interviews, at all times accompanied by their legal counsel. The investigation process was identical to the process used in January 2019, when a similar review was conducted of allegations raised by a shareholder against the Dissidents, then directors of Karnalyte. In that case, the Dissidents were found to have breached the Company's Code of Conduct and their fiduciary obligations. As a result, the Dissidents subsequently resigned.

Since the Dissidents filed their meeting requisition, shortly after each current director received over 80% support at the recent meeting of shareholders, the Dissidents have issued a stream of news releases rife with, among other things, speculation, allegations, theories, and personal attacks on the Interim CEO and the Directors. The Dissidents, as the Investigation Report findings indicate, lack credibility. Karnalyte will have more to say about this and the Dissidents' apparent personal grievances as the Company and others as the Special Meeting of Shareholders approaches. Despite the ongoing Dissident attempts to discredit and disparage the Board and management, Karnalyte's leadership and efforts remain focused on moving the Company forward and prudently managing expenditures in the best interests of all shareholders.

ABOUT KARNALYTE RESOURCES INC.

[Karnalyte Resources Inc.](#) is a 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 TPY. 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.

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", 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 of 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, and 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 subsequent events or circumstances.

SOURCE [Karnalyte Resources Inc.](#)

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/365204--Karnalyte-Resources-Inc.-Announces-Results-of-Investigation.html>

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