

Karnalyte Resources Inc. Announces 2022 Year End Results And Provides Corporate Update

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SASKATOON, March 28, 2023 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) today announced financial results and corporate highlights for the financial year ended December 31, 2022.

2022 - YEAR IN REVIEW

In 2022, Karnalyte commenced an update to its NI 43-101 Compliant Technical Report, successfully raised capital by way of a rights offering, and prepared an ESG Strategy Report.

POTASH - WYNYARD POTASH PROJECT

Market Update - The market conditions for potash stayed strong in 2022 although softening slightly toward the end of the quarter of 2022 and to date. Major geopolitical events including the Russian invasion of Ukraine resulted in unprecedented supply chain disruption for many commodities and especially for potash. It is expected that these conditions will persist into 2023 and likely beyond.

UPDATE TO THE NATIONAL INSTRUMENT 43-101 COMPLIANT TECHNICAL REPORT

In January of 2022, the Company announced the appointment of Wood PLC ("Wood"), a leading global consulting and engineering company, as lead author of an update to its NI 43-101 compliant technical report ("Technical Report" or "TR"). Wood was appointed after a significant improvement in the market conditions for potash which began in 2021 and continued through 2022.

Karnalyte has made diligent progress on this important step toward construction of its Wynyard Potash Project, despite unforeseen challenges that have resulted in delays.

Wood provided Karnalyte with preliminary capital cost and operating cost estimates using budgetary pricing for mechanical equipment, mechanical bulks, and tanks that take into account the changes to Saskatchewan's tax regime, currency exchange rates and cost of labour. Karnalyte has been reviewing these capital and operating cost quotes, along with exploring various assumptions while Wood works toward the finalization of a financial model and final compilation of the report, expected in the second half of 2023.

The recent increase in potash prices and other commodity prices has resulted in significant growth in Western Canadian mining activity, and this, in conjunction with supply chain constraints impacting suppliers worldwide is, among other factors, causing delays to the update to the Technical Report. In conjunction with the update Karnalyte is also investigating certain capital cost efficiencies, opportunities to enhance sustainability and working towards getting more comfort on the assumptions used in the current market and economic conditions. Karnalyte will provide a further update as appropriate once the Technical Report is finalized.

"Karnalyte continues to focus on advancing the update to the NI 43-101 Compliant Technical Report and has continued to make steady progress, despite challenges the mining industry is facing beyond our control and the Company's desire to move forward in a responsible way." said Danielle Favreau, interim Chief Executive Officer of Karnalyte. "The Company remains committed to following best practices as we work through this critical step, which will serve as a strong foundation for our Wynyard Potash Project."

To date, Karnalyte has achieved a number of key milestones in relation to the update to the Report. This includes engaging

industry leading solution mining and engineering firm ERCOSPLAN ingenieurgesellschaft Geotechnik und Bergbau mbh ("ERCOSPLAN"), which provided Karnalyte with a positive review of core samples, and confirmation from Saskatchewan Ministry of Environment that Karnalyte's previous Environmental Impact Study approval from 2013 remains valid.

NITROGEN - THE PROTEOS NITROGEN PROJECT

The Proteos Nitrogen Project remains under consideration as part of Karnalyte's future and may diversify our business into a second fertilizer product line. The Proteos Nitrogen Project is a proposed regional-scale nitrogen fertilizer plant to be located in central Saskatchewan, with a nameplate capacity of 700 metric tonnes per day ("mtpd") ammonia and 1,200 mtpd urea. The primary target market is local, independent wholesalers within a ~400-kilometre radius of Saskatoon, Saskatchewan, with a secondary target market of Midwest USA wholesalers near the Canadian border. There were no significant developments reported on this project in 2022.

RIGHTS OFFERING

On June 22, 2022, the Company announced the launch of a rights offering (the "Rights Offering") as part of its capital raising strategy in order to provide a viable and attractive investment opportunity for existing shareholders. On August 3rd, 2022, the Company announced the successful completion of this Rights Offering, following its expiry on July 29, 2022, raising a total of \$3,800,000 in proceeds as additional capital for, among other things, the development of the Potash Project.

Karnalyte was pleased to announce the participation of Gujarat State Fertilizers and Chemicals Limited ("GSFC") in the Rights Offering, a major agriculture sector business in India, providing additional investment in Karnalyte and further demonstrating ongoing commitment and support for the Company and the Potash Project.

ESG STRATEGY DEVELOPMENT

In line with Karnalyte's environmental advantages and governance advancements, the Company engaged with Karri Howlett Consulting Inc. ("Karri Howlett Consulting" or "KHCI") in the year to prepare an Environmental, Social and Governance strategy report. In October 2022, Karnalyte received a first draft of the report analyzing key focus areas per Karnalyte stakeholder groups, with practical recommendations under each of the Environmental, Social and Governance categories.

Karnalyte is in the process of reviewing the recommendations as it seeks to enhance its existing policies and practices. The Company is up to date and in line with current and peer ESG trends. Karnalyte maintains its ultimate goal of operating its business in the best interests of shareholders and relevant stakeholders to further strengthen its strategic position in the fertilizer sector.

OUTLOOK FOR 2023

In 2023, the Company plans to complete the update to its NI 43-101 technical report, to continue to work on identifying operational efficiencies, optimizing construction and operation plans, and enhancing project sustainability, and to increase business development activities to seek out and attract investment and strategic partners to move one or both of the Company's projects forward to development.

2022 YEAR END RESULTS AND SELECTED ANNUAL INFORMATION

During the year ended December 31, 2022, the Company's focus was on updating its NI 43-101 Compliant Technical Report, the successful raising of capital by way of a rights offering, and the preparation of an ESG Strategy Report. On December 31, 2022, the Company had cash of \$3.7 million, a positive working capital of \$3.6 million, and no debt.

The following information has been summarised from the Company's audited financial statements. Karnalyte's 2022-year financial statements, management's discussion and analysis, and annual information form are available at www.sedar.com and the Company's website at www.karnalyte.com.

Selected annual results
(CAD \$ thousands)

	Year ended December 31		
	2022	2021	2020
Total revenue	-	-	-
Interest and other income	62	19	65
Net and comprehensive loss (1,728)	(2,193)	(3,429)	
Basic and diluted per share (0.04)	(0.05)	(0.08)	
Total current assets	4,209	2,498	5,291
Total assets	9,883	8,393	11,241
Total current liabilities	628	884	1,499
Total liabilities	2,006	2,630	3,311
Total shareholders' equity	7,877	5,763	7,930

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.

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 million TPY. 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 and obtaining financing.

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 that was commissioned in the year 2000, and two urea plants that were established in 1969, at its fertilizer production complex in Vadodara, Gujarat State, India.

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.

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