



KARNALYTE RESOURCES INC. PROVIDES OPERATIONAL AND CORPORATE UPDATE AND ANNOUNCES 2017 YEAR END RESULTS

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SASKATOON, SK (CNW- March 27, 2018) – Karnalyte Resources Inc. ("**Karnalyte**" or the "**Company**") (TSX: KRN) today announced its financial results and operational and corporate highlights for the year ended December 31, 2017.

2017 – The Year in Review

2017 was a challenging year for the Company, both from a potash industry perspective, as well as from a corporate perspective. Potash markets in 2017 witnessed strong global demand, with major potash producers reporting record shipments, together with an increase in potash prices in all major markets. Notwithstanding the strong demand for potash, and an improving potash price environment, potash prices have not yet recovered to a level where the Company's potash project in Wynyard, Saskatchewan (the "**Wynyard Project**") is economically viable. As a result, it is still not possible for the Company to finance and profitably construct and operate a potash mine and production facility at the Wynyard Project site at the present time.

The Wynyard Project remains a construction ready potash project. All permits remain in place, preliminary detailed engineering is complete, and the existing offtake agreement with Gujarat State Fertilizers & Chemicals Limited ("**GSFC**") remains in place. Management believes that if potash prices continue to improve, then there will come a point where the Wynyard Project becomes economically viable and financeable, and the Company will then be in a position to pursue the construction and operation of the Wynyard Project.

The Company's strategic partner, GSFC, remains committed to both the Company and the Wynyard Project. GSFC has 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 Project, similar to the support GSFC offered to the Company in 2016. See the Company's material change report filed on March 18, 2016 and MD&A dated March 14, 2017, both available on SEDAR at www.sedar.com.

Wynyard Project

During 2017, the Company continued to undertake additional test-work flowing from the optimization and de-risking program completed during 2016 (the "**Optimization Program**"). The Optimization Program was designed to confirm the design parameters in the National Instrument 43-101 Technical Report dated June 23, 2016 (the "**Technical Report**"). For more information about the Technical Report, including a more detailed analysis and the assumptions and qualifications on which the Technical Report authors rely, see the Technical Report available on SEDAR at www.sedar.com. The Optimization Program included the following:

1. *Cavern Testing* – The Company measured the brine concentration, temperature, and blanket oil level in the Belle Plaine zone pilot test cavern to further match actual operating conditions to the ERCOSPLAN laboratory work and verify their modeling of the test cavern. This verification work was successful and confirmed brine design concentration and temperature set out in the Technical Report. In addition, the Company prepared a new sonar map of the test cavern for comparison with the initial sonar

mapping done before the test cavern was created. Management believes that these two sonar maps will assist in analyzing the test results, improving the future detailed engineering design and optimizing the project economics. Further testing of the Patience Lake Member and the development of a dual well cavern was determined not to be necessary and will not be undertaken.

2. *Decommissioning 2016 Test Cavern Site* – Karnalyte largely decommissioned the test cavern site in accordance with the operating permit from the Government of Saskatchewan. All rental equipment was returned and most of the Company-owned equipment and material was moved to the permanent storage yard. These activities also prepared the site for the first phase of the Wynyard Project ("**Phase I**") construction.

3. *Disposal Well Temperature Log* – To fulfill a condition of the licence for the disposal well requiring a well temperature log every 5 years, the Company contracted North Rim Exploration Ltd. to carry out a routine temperature log in November, 2017 to ensure that the continued integrity of the disposal well is being maintained. In addition, this work included opening up the two disposal zones, thereby increasing the well's disposal capacity. The test work was interrupted by very early cold winter conditions on November 1, 2017 that interfered with the logistics of the water-based testing, and the decision was made to complete the temperature log in the spring of 2018.

4. *Magnesium Testing* – The Company extracted samples of the production brine containing $MgCl_2$ from the Belle Plaine zone pilot test cavern and provided those samples to the Saskatchewan Research Council ("**SRC**") for further lab scale testing. The purpose of the test work was to further verify Karnalyte's process to produce high purity 99% plus Basic Magnesium Carbonate ("**BMC**") in a specified variety of formulations to meet various industrial specifications for varying uses. SRC also completed testing to convert the BMC to high grade Magnesium Oxide ("**MgO**") under various calcination conditions. The Company also undertook an evaluation of the potential markets for $MgCl_2$ brine, BMC and MgO, which evaluation management believes confirmed the existence of viable markets for such products.

5. *EIS Compliance* - To comply with terms of the approved Environmental Impact Statement ("**EIS**") for the Wynyard Project, the Company engaged Dillon Consulting Limited, who had originally prepared the EIS, to prepare an updated decommissioning, reclamation and financial assurance plan for the Government of Saskatchewan. This is a standard requirement of the Government of Saskatchewan performed every 5 years. This plan defines the work and calculates costs that would be required to decommission and reclaim all existing site work undertaken, and facilities constructed, to date for the Wynyard Project, in the event that the project does not proceed. A draft plan has been provided to the Saskatchewan Environment Ministry for review, and the updated plan is expected to be completed and accepted during 2018.

6. *Review of Project Economics* – The Company undertook a review of the economics of the Wynyard Project, which included a review of: a) alternate throughput levels; b) capital expenditure ("**capex**") and operating expenses ("**opex**") for the various throughput levels; and c) a review of the capex and opex for the Wynyard Project as presently designed, with a view towards identifying any potential cost savings.

- a) The Company reviewed a variety of throughput levels for the Wynyard Project, ranging from 200,000 TPY potash production, through 250,000 TPY, 312,500 TPY up to the current Phase I design basis of 625,000 TPY potash production. Management believes that the results of this exercise confirmed that the current Phase I design basis of 625,000 TPY of potash production provides superior economics, as well as superior per tonne capex and per tonne opex, to any of the other throughput scenarios investigated.
- b) During 2018, the Company plans to continue the review of the various throughput scenarios as part of an ongoing exercise to explore opportunities to improve the capex and opex for the

Wynyard Project.

- c) The Company also investigated the potential to find significant savings on capex and opex for the current Phase I design basis of 625,000 TPY of potash production through a review of all front-end engineering and solution mining design. While this investigation did reveal some potential savings in both capex and opex, management believes that they were not of such a magnitude as to materially affect either the current economics, or the ability to finance, the Wynyard Project in the current potash price environment.

7. *Review of Alternate Technologies* – The Company is aware of a number of conceptual ideas for novel solution mining and processing techniques and technology. The Company has spent considerable time investigating these ideas, and at present, management understands that none of these ideas have been progressed beyond the conceptual stage. Given none of these ideas has been the subject of any comprehensive program of test work whether bench scale, pilot scale, or industrial scale test work, these ideas remain untested and unproven for potash production. In designing the potash operations for the Wynyard Project, the Company has relied on conventional, industry standard, proven and workable technology. The Company plans to continue to monitor research and development programs regarding novel potash mining techniques and technologies.

Corporate Matters

2017 was also a challenging year for the Company from a corporate perspective. A number of senior executives resigned or were terminated, and the Company continues to face legal proceedings related thereto.

The Company engaged an executive search firm to undertake a global executive search for a new Chief Executive Officer. After a comprehensive six-month process, in February 2018 the Company announced the appointment of Frank Wheatley as President of the Company. The Company intends for Mr. Wheatley to become the permanent Chief Executive Officer, replacing Interim Chief Executive Officer, W. Todd Rowan, upon the Company arranging successful financing for the Wynyard Project.

Outlook

During 2018, the Company will continue to ensure that it is in a position to make a final investment decision on the Wynyard Project if the improving potash price environment results in the Wynyard Project becoming economically viable and financeable.

With new senior management in place, the Company is undertaking a comprehensive review of its business, operations and strategy, and plans to have completed that review concurrently with the release of the 2018 first quarter financial results.

2017 Year End Results and Selected Annual Information

The Company has been exercising fiscal restraint while continuing to seek and analyze financing alternatives for the Wynyard Project. As a result, at December 31, 2017, the Company had cash of \$12.3 million, a positive working capital of \$12.1 million and no debt. The Company has adequate cash to fund any existing commitments in 2018. Furthermore, the Company has sufficient cash to meet short term operating and capital requirements. Karnalyte's 2017 Year End Financial Statements, Management's Discussion and Analysis and Annual Information Form are available at www.sedar.com.

The information has been summarised from the Company's audited financial statements.

Selected Annual Results (CAD \$ thousands)			
	Year ended December 31		
	2017	2016	2015
Total revenue	\$ -	\$ -	\$ -
Interest and other income	114	296	160
Net and comprehensive loss	(3,395)	(8,852)	(14,536)
Basic and diluted per share	(0.12)	(0.32)	(0.53)
Total current assets	12,757	17,156	28,067
Total assets	18,602	23,024	31,962
Total current liabilities	691	1,750	1,883
Total liabilities	846	1,886	2,064
Total shareholders' equity	17,756	21,138	29,898

For further information, please contact:

Danielle Favreau, Chief Financial Officer
 Karnalyte Resources Inc.
 1(306) 986-1486
info@karnalyte.com
www.karnalyte.com

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 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.

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.