



**KARNALYTE RESOURCES INC. OUTLINES UPDATED STRATEGIC PLAN
AND
ANNOUNCES 2018 FIRST QUARTER RESULTS**

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SASKATOON, SK (CNW- May 14, 2018) – Karnalyte Resources Inc. (“Karnalyte” or the “Company”) (TSX: KRN) today outlined its updated strategic plan, together with its financial results and operational and corporate highlights for the first quarter ended March 31, 2018.

Strategic Plan

Karnalyte announces, after a comprehensive review of its business, operations and strategy during the first quarter of 2018, that it has updated its strategic plan (the “Strategic Plan”) and intends to diversify its business into two fertilizer products – potash and nitrogen.

In connection with this updated Strategic Plan, Mr. Frank Wheatley, President of Karnalyte commented that: “It is time for a fresh start for Karnalyte, and for it to take advantage of opportunities available to it in Saskatchewan to increase shareholder value, including diversification into the production of a second fertilizer product - nitrogen fertilizer.”

Mr. Wheatley continued: “Karnalyte’s Wynyard Potash Project remains a construction ready project, and is poised to be developed once potash prices recover to a point where it becomes economically viable and can be financed, constructed and profitably operated.”

“Karnalyte is now actively exploring the possibility of developing a small-scale ammonia/urea plant to be located in Central Saskatchewan. Karnalyte has undertaken preliminary work on this opportunity, and intends to capitalize on the competitive advantages Saskatchewan provides for nitrogen fertilizer production. We also believe that the local Saskatchewan market provides an opportunity for a new, small scale, independent nitrogen fertilizer producer that will provide direct benefits to the local Saskatchewan farming community,” Mr. Wheatley added.

Overview

After a challenging 2017, Karnalyte started 2018 with the appointment of Frank Wheatley as its new President after a six-month global executive search. Mr. Wheatley undertook a review of Karnalyte’s business, operations and strategy and with the support of management and the Board of Directors, determined that Karnalyte required a fresh start. Karnalyte has developed a new strategic plan to diversify Karnalyte’s business into two fertilizer products – potash and nitrogen. As part of repositioning, refocusing and rebranding the Company’s business to reflect the updated strategic direction of the Company, the Board of Directors will ask the shareholders at the upcoming annual and special meeting of shareholders to approve a change of the Company’s name to “Alere Chemicals & Fertilizers Inc.”

Potash – Wynyard Potash Project

The Wynyard Potash Project remains a construction ready potash project. All environmental permits remain valid, 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 Company will be able to finance, construct and profitably operate the Wynyard Potash Project. During 2018, the Company plans to continue the review of the various throughput scenarios, and to continue to investigate potential cost savings in capital and operating costs, as part of an ongoing exercise to explore opportunities to improve the economic viability of the Wynyard Potash Project.

The Company’s strategic partner and single largest shareholder, GSFC, remains committed to both the Company and the Wynyard Potash 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 Potash Project, as GSFC has consistently offered to the Company since becoming a shareholder.

Nitrogen – Proteos Nitrogen Project

Proposed Nitrogen Fertilizer Plant: Karnalyte is actively exploring the potential development of a small-scale ammonia/urea plant to be located in Central Saskatchewan (the “Proteos Nitrogen Project”). The proposed nitrogen fertilizer plant will have a nameplate production capacity of approximately 700 metric tonnes per day (“mtpd”) ammonia and approximately 1,200 mtpd urea, and would be designed to produce two products – anhydrous ammonia (82-0-0) and granular urea (46-0-0).

Rationale: The Company intends to avail itself of the competitive advantages Saskatchewan provides for nitrogen fertilizer production, including some of the lowest global natural gas costs, some of the highest urea prices, together with well-established infrastructure, a trained workforce and a politically stable jurisdiction. Karnalyte is of the view that there is demand for a local, independent producer that provides an alternate source of supply of nitrogen fertilizer in Saskatchewan. The proposed plant would be the first greenfields nitrogen fertilizer plant built in Canada in the last 26 years.

Target Market: Karnalyte’s intended primary target market would be independent local Saskatchewan fertilizer wholesalers within a 400-kilometer radius of Saskatoon, Saskatchewan. A secondary target market would be the US Midwest fertilizer wholesalers near to the Canadian – United States border. Management believes that a Central Saskatchewan location capitalizes on the inherent logistical advantages presented by situating production in close proximity to local end markets.

Technology Providers: To the extent that Karnalyte proceeds with the Proteos Nitrogen Project, it intends to use industry leading technology for both the ammonia and urea plants, and is currently reviewing the alternate ammonia / urea technologies from the principal technology providers to determine the most appropriate technologies for the Proteos Nitrogen Project.

GSFC Nitrogen Fertilizer Business: Karnalyte’s strategic partner, GSFC, currently operates one ammonia plant of 445,000 mtpa 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 mtpa 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.

GSFC is fully supportive of the Company pursuing the development of the Proteos Nitrogen Project and Karnalyte believes that GSFC’s support, coupled with its five decades of experience in the production of nitrogen fertilizer, will prove invaluable as Karnalyte pursues this opportunity.

Development Schedule & Milestones:

Initial Work: Initial work undertaken to date by the Company to investigate this opportunity includes:

- Analysis of the Canadian and North American nitrogen fertilizer industry and end markets
- Completion of a preliminary fatal flaw analysis, indicating no major impediments or barriers to entry to the development of the project
- Development of a preliminary financial model, with the assistance of GSFC, based on their nitrogen fertilizer experience

Next Steps: Next steps will include project definition and independent market analysis:

- Karnalyte has engaged a recognized fertilizer industry research firm to undertake a formal, independent market study
- The Company is currently in discussions with engineering companies and technology providers to develop the project definition and the scope of a feasibility study (the “Nitrogen Feasibility Study”) to confirm the technical and economic viability of the project, initial and sustaining capital costs, operating costs, together with a detailed project development schedule and budget
- Several potentially suitable project sites have been identified and Karnalyte is currently undertaking due diligence on each of the prospective sites
- All necessary environmental baseline work for an environmental impact assessment (the “EIA”) will commence once a suitable plant site has been secured

Milestones: Near term, indicative project development milestones include:

- | | |
|---|------------------|
| • Project Definition and Initiation of Nitrogen Feasibility Study | Second Half 2018 |
| • Project site identification and due diligence | Second Half 2018 |
| • Completion of Independent Market Analysis | Second Half 2018 |
| • Initiation of Environmental Baseline Studies: | Second Half 2018 |
| • Completion of Nitrogen Feasibility Study: | First Half 2019 |
| • Completion of EIA Technical Report / EIA Terms of Reference | First Half 2019 |
| • Submission of EIA Application: | First Half 2019 |

A more detailed project development schedule and budget will be created as part of the Nitrogen Feasibility Study. All initial development activities for the first phase of investigation of this opportunity will be funded from working capital. Additional details on the Proteos Nitrogen Project will be released as the project develops.

Corporate Matters

Annual and Special Meeting of Shareholders

The annual and special meeting (the “Meeting”) of shareholders of the Company will be held on Thursday, June 7, 2018 in Saskatoon, Saskatchewan. The business to be considered at the Meeting will include the election of directors, the re-appointment of auditors and the change of the Company’s name to “Alere Chemicals & Fertilizers Inc.” The notice of meeting and management information circular for the Meeting provide additional information on the Meeting and are filed concurrently with this press release on SEDAR at www.sedar.com.

Outlook for 2018

During 2018, the Company will continue to ensure that it is in a position to re-activate the development of the Wynyard Potash Project if the improving potash price environment results in the Wynyard Potash Project becoming economically viable and financeable. In addition, the Company intends to continue to explore the technical and economic viability of developing the Proteos Nitrogen Project, with a view to completing the Nitrogen Feasibility Study during the first half of 2019. A more detailed project development schedule and budget will be developed as part of the Nitrogen Feasibility Study.

2018 First Quarter Results

At March 31, 2018, the Company had cash of \$11.4 million, a positive working capital of \$11.5 million and no debt. The Company has adequate cash to fund any existing commitments in 2018 and the first quarter of 2019. Furthermore, the Company has sufficient cash to meet short term operating and capital requirements. Karnalyte’s First Quarter 2018 Financial Statements and Managements’ Discussion and Analysis are available at www.sedar.com.

The information has been summarized from the Company’s Condensed Interim Unaudited Financial Statements.

| Selected Quarterly Results | | |
|----------------------------------|--------|--------|
| | 2018 | 2017 |
| | Mar 31 | Mar 31 |
| Total revenue | \$ - | \$ - |
| Comprehensive (loss) | (745) | (7) |
| Basic and diluted loss per share | (0.03) | - |
| Total current assets | 12,010 | 15,724 |
| Total assets | 17,839 | 21,521 |
| Total liabilities | 790 | 388 |
| Total shareholders' equity | 17,049 | 21,133 |

*Expressed in thousands except loss per share

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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 a 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.