



**KARNALYTE RESOURCES INC. ANNOUNCES 2018 THIRD QUARTER RESULTS,**

**PROVIDES UPDATE ON POTASH AND NITROGEN PROJECTS**

**AND**

**LAUNCHES RIGHTS OFFERING**

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**SASKATOON, SK (CNW- November 14, 2018)** – Karnalyte Resources Inc. (“**Karnalyte**” or the “**Company**”) (TSX: KRN) today announced its financial results and operational and corporate highlights for the third quarter ended September 30, 2018, provided an update on the status of its Wynyard Potash Project (“**Wynyard Potash**”) and Proteos Nitrogen Project (“**Proteos Nitrogen**”), and announced a rights offering to its shareholders.

**Highlights**

- Actively executing strategic plan to diversify into two fertilizer product lines – potash and nitrogen
- Potash price environment continues to improve, moving Wynyard Potash closer to economic viability
- Proteos Nitrogen continues to systematically advance through development
- Rights offering provides existing shareholders equal opportunity to invest in Karnalyte at an attractive entry price and provides additional working capital to fund its business
- Gujarat State Fertilizer and Chemicals Limited’s (“**GSFC**”) additional investment in Karnalyte, by way of a backstop of the rights offering, demonstrates GSFC’s ongoing commitment and support of Karnalyte, Wynyard Potash and Proteos Nitrogen

**Overview**

Mr. Frank Wheatley, President of Karnalyte, commented: “During the third quarter of 2018, we continued to execute on our strategic plan to diversify our business into two fertilizer product lines – potash and nitrogen. We are encouraged by the improving potash price environment, which brings our flagship Wynyard Potash closer to being an economically viable project.”

“We are also extremely pleased with the response to our request for expressions of interest for the development of Proteos Nitrogen” Mr. Wheatley continued, “as well as for GSFC’s vote of confidence in Karnalyte through its additional investment through the rights offering.”

## ***Potash***

There have been some encouraging signs regarding the potash price environment as some contracts in key markets reported price increases between 20% and 30% from prices reported in the third quarter of 2017. We believe that the price outlook is firm as strong global demand continues to increase while new capacity is slow to ramp up.

Despite these positive signs, prices have not yet recovered to the point where Wynyard Potash is economically viable and financeable. Karnalyte continues to monitor potash prices and continues to discuss with its strategic partner GSFC the appropriate timing to re-activate development of Wynyard Potash.

## ***Nitrogen***

Proteos Nitrogen achieved a number of project development milestones during the third quarter, including receipt of the first phase independent marketing study prepared by Integer Research Inc., which confirmed our market thesis of a viable, local market for nitrogen fertilizer in Central Saskatchewan. Karnalyte also received numerous responses to our request for expressions of interest for the development of Proteos Nitrogen on an EPC basis.

### **Proteos Nitrogen**

#### ***Expressions of Interest***

As previously reported on July 30, 2018 and October 22, 2018, Karnalyte issued, through its strategic partner GSFC, an invitation for expressions of interest (“**EOI**”) from a select group of international technology providers and engineering, procurement and construction contractors, for developing Proteos Nitrogen on a lump sum turn-key basis.

Karnalyte has received a total of 8 EOIs and together with GSFC is currently classifying these EOIs in order to short list the technology providers / EPC contractors to receive a formal Request for Proposal for development of the Project on an EPC basis.

#### ***Independent Market Analysis***

Karnalyte has received a draft of the final version of the first phase independent market study, prepared by Integer Research Ltd., which was recently acquired by Argus Media (“**Argus**”), of the nitrogen fertilizer industry in North America, with particular focus on Central Canada. The study confirms and validates Karnalyte’s internal market analysis, and Karnalyte intends to retain Argus to undertake a second phase study at the appropriate time in order to support discussions regarding project financing for the Project.

#### ***About Argus Media***

Argus is a leading energy and commodity price reporting agency providing data, news and insight as well as conference and consulting services. Companies in more than 140 countries around the world use Argus prices to index physical trade and as benchmarks in financial derivative markets as well as for analysis and planning purposes. Prior to its acquisition by Argus, Integer Research was an internationally recognized independent consultant to the fertilizers and chemicals industry that provided market studies, including supply/demand, trade and cost analysis and price forecasts. With respect to nitrogen, they offered capabilities across the nitrogen value chain, including analysis of ammonia, urea, UAN, and other nitrogen

products. They produced market documentation for lenders and banks in support of project financing for greenfield and brownfield fertilizer projects. Through their offices in London, Beijing and Tokyo, Integer Research offered consultancy services and industry intelligence to fertilizer and chemicals markets worldwide.

***Project Site***

Karnalyte continues to narrow its list of potential project sites located in Central Saskatchewan that match Karnalyte’s project site selection criteria, which include adequate space for the initial development, as well as for potential future expansion, together with proximity to all requisite infrastructure, including natural gas, power, water, rail and highway.

***Interest from the Agricultural Industry***

Karnalyte continues to receive interest in Proteos Nitrogen from a number of agriculture industry participants and Karnalyte is currently engaged in discussions with such industry participants. Those discussions confirm Karnalyte’s market thesis that there is both a desire and a demand for an independent, alternate source of supply of nitrogen fertilizer in central Saskatchewan, however, such discussions remain preliminary in nature and no agreements or arrangements have yet been concluded.

***Milestones:*** Indicative project development milestones include:

- |  |                     |
|--|---------------------|
| • Receipt of EOIs                                | Complete            |
| • Receipt of Phase 1 independent market analysis | Complete            |
| • Project Site – selection of preferred site     | Fourth Quarter 2018 |
| • Issuance of Request for Proposal:              | Fourth Quarter 2018 |

**Third Quarter Shareholders Letter**

We have today issued a letter to shareholders that we intend on regularly sending in connection with our quarterly financial reporting. Our aim is simple: to keep our shareholders apprised of developments that are relevant to Karnalyte, to provide insight into our business and broader fertilizer industry and outline the steps we are taking to execute on our strategic plan. A copy of our third quarter letter to shareholders is available on our website at [www.karnalyte.com](http://www.karnalyte.com).

**Rights Offering**

The Board of Directors of Karnalyte has approved a rights offering (the “**Rights Offering**”) to be made only to holders of common shares of record at the close of business on November 21, 2018 (the “**Record Date**”). Karnalyte will issue rights (“**Rights**”) to subscribe for up to an aggregate of 14,058,282 common shares at a subscription price of C\$0.17 per common share, raising approximately \$2.4 million. The Company intends to use the proceeds of the Rights Offering to advance the development of Proteos Nitrogen and Wynyard Potash.

Karnalyte will issue one (1) right for each common share held. Each two (2) rights will entitle the holder to subscribe for one common share of Karnalyte upon payment of the subscription price of C\$0.17 per common share. GSFC, the Company’s largest shareholder and strategic partner, has advised Karnalyte that it intends to exercise, subject to relevant restrictions, all of its basic subscription privileges. The

Company has also entered into a standby commitment agreement with GSFC, pursuant to which GSFC has agreed to purchase all common shares issuable under the Rights Offering which remain unsubscribed under the basic subscription privilege and the additional subscription privilege.

It is expected that the Rights will trade on the Toronto Stock Exchange under the symbol “**KRN.RT**” commencing on November 20, 2018 and will trade until 12:00 p.m. (Toronto time) on December 20, 2018 (the “**Expiry Time**”), after which time unexercised rights will be void and of no value. Shareholders who fully exercise their rights under the basic subscription privilege will be entitled to subscribe for additional common shares, if available as a result of unexercised rights prior to the Expiry Time, subject to certain limitations as set out in the Company’s Rights Offering circular, which will be filed on SEDAR under Karnalyte’s profile at [www.sedar.com](http://www.sedar.com). The Company expects to close the Rights Offering on or before December 31, 2018.

A Rights Offering notice and a rights certificate will be mailed to each registered shareholder of the Company resident in Canada as at the Record Date. Registered shareholders who wish to exercise their rights must forward the completed rights certificate, together with the applicable funds, to the rights agent, AST Trust Company (Canada), on or before the Expiry Time. Shareholders who own their common shares through an intermediary, such as a bank, trust company, securities dealer or broker, will receive materials and instructions from their intermediary.

The Rights Offering will be conducted in all provinces of Canada. However, certain holders of common shares in jurisdictions outside of Canada, other than the United States, may be able to participate in the Rights Offering where they can establish that the transaction is exempt under applicable legislation. If you are a holder of common shares and reside outside of Canada please see the Rights Offering notice and Rights Offering circular to determine your eligibility and the process and timing requirements to receive and, or, exercise your Rights. The Company requests any ineligible holder interested in exercising their Rights, other than ineligible holders in the United States, to contact the Company at their earliest convenience. A copy of the Rights Offering notice and the Rights Offering Circular are available on Karnalyte’s website at [www.karnalyte.com](http://www.karnalyte.com).

### **2018 Third Quarter Results**

At September 30, 2018, the Company had cash of \$9.4 million, a positive working capital of \$9 million and no debt. The Company has adequate cash to fund any existing commitments in 2018 and through the third quarter of 2019. Furthermore, the Company has sufficient cash to meet short term operating and capital requirements. Karnalyte’s Third Quarter 2018 Financial Statements and Managements’ Discussion and Analysis are available at [www.sedar.com](http://www.sedar.com).

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

Selected Quarterly Results		
	2018 Sept 30	2017 Sept 30
Total revenue	\$ -	\$ -
Comprehensive (loss)	(1,339)	(1,266)
Basic and diluted loss per share	(0.05)	(0.10)
Total current assets	10,089	8,552
Total assets	15,885	19,235
Total liabilities	1,217	946
Total shareholders' equity	14,668	18,289

\*Expressed in thousands except loss per share

### Outlook for 2018

During the fourth quarter of 2018, the Company will continue to ensure that it is in a position to re-activate the development of Wynyard Potash, if the improving potash price environment results in Wynyard Potash becoming economically viable and financeable. In addition, the Company will continue to explore the technical and economic viability of developing Proteos Nitrogen, with a view towards making an investment decision during the first half of 2019.

### Mailing List

In order to receive the latest updates, we encourage all shareholders to subscribe to our mailing list. In order to sign up to the new list, please use the following link: <http://karnalyte.com/mailling-list-signup/>

### 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.

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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 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](http://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.