

# KARNALYTE RESOURCES INC. ANNOUNCES 2019 YEAR END RESULTS AND PROVIDES CORPORATE UPDATE

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SASKATOON, SK (CNW- March 23, 2020) - Karnalyte Resources Inc. ("Karnalyte" or the "Company") (TSX: KRN) today announced its financial results and corporate highlights for the financial year ended December 31, 2019.

## 2019 - THE YEAR IN REVIEW

In 2019, Karnalyte continued to make progress in investigating the economic and technical viability of its proposed nitrogen project (the "Proteos Nitrogen Project"). Karnalyte also continued to prepare its potash project (the "Wynyard Potash Project") for improvement in market conditions such that when the Wynyard Potash Project becomes economically viable, it could be advanced to the next development stage.

## POTASH - THE WYNYARD POTASH PROJECT

In 2019, the Company continued its process of optimizing capital costs for the Wynyard Potash Project in order to position the Company to advance the development of this project when it becomes economically feasible to do so. The Company is optimistic about the long-term outlook for potash and this was supported by increases in potash prices through the first three quarters of 2019. Furthermore, global potash demand continues to grow and is projected to rebound in 2020 to around 66.6 million metric tonnes with projections to grow to 80 million metric tonnes by 2030. However, the Company is maintaining caution as the industry continues to face headwinds with major potash mines in Saskatchewan shuttering production during the third and fourth quarters of 2019 and some into the first quarter of 2020 in order to bolster prices after forecasted North American demand in the fourth quarter of 2019 didn't materialize due to a delayed harvest season. More recently, the uncertainty around the impact of the global coronavirus pandemic on the economy and capital markets has deepened the Company's sense of caution. The Company continues to monitor potash prices, the state of the capital markets and the economy generally and continues to discuss with its strategic partner Gujarat State Fertilizers & Chemicals Limited the optimal path forward to develop the Wynyard Potash Project.

## NITROGEN - THE PROTEOS NITROGEN PROJECT

In 2019, progress on investigating the viability of the Proteos Nitrogen Project included the preparation of a pre-feasibility study for the Proteos Nitrogen Project. At the end of 2019, the Company received the first draft of the study. The study includes investigation and analysis of project location and site selection, an evaluation of the production process and technology options, a project description, analysis of process selection for both the ammonia and urea plants, an analysis of raw material, utility and product specifications, an analysis of environmental implications, a financial analysis, and identification and analysis of the risks inherent in the project. The study also contemplates a project implementation

plan and time schedule. The report is still in a draft stage and the Company is preparing to finalize the report in 2020.

## OUTLOOK

The Company continues to move towards the development of the Wynyard Potash project as well as conclude some preliminary investigation of the viability of the Proteos Nitrogen Project. For the Wynyard Potash Project, the Company plans to continue to optimize the project costs with a view to re-activating the development of the project if an improving potash price environment results in the Wynyard Potash Project becoming economically viable and financeable.

For the Proteos Nitrogen Project, the Company plans to complete the pre-feasibility study for the project with a view towards making a decision on how to take the project forward including exploring and securing an offtake partner. The Company continues to have discussions with a number of agricultural industry participants who have shown interest in the project.

## 2019 YEAR END RESULTS AND SELECTED ANNUAL INFORMATION

The Company exercised fiscal restraint in 2019 as it continued to wait for the potash price environment to improve before proceeding with further development of the Wynyard Potash Project. The costs incurred by the Company in 2019 related to further cost optimization of the Wynyard project and revalidation of certain technical aspects of the project as well as further investigation and evaluation of the Proteos Nitrogen Project. As a result, at December 31, 2019, the Company had cash of \$7.5 million, a positive working capital of \$7.2 million, and no debt. The Company had adequate cash to fund all existing commitments in 2019. Furthermore, the Company has sufficient cash to meet short term operating and capital requirements.

The following information has been summarised from the Company's audited financial statements. Karnalyte's 2019 year end financial statements, management's discussion and analysis, and annual information form are available at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.karnalyte.com](http://www.karnalyte.com).

### Selected annual results (CAD \$ thousands)

	Year ended December 31		
	2019	2018	2017
Total revenue	-	-	-
Interest and other income	183	122	114
Net and comprehensive loss	(3,090)	(6,018)	(3,395)
Basic and diluted per share	(0.07)	(0.21)	(0.12)
Total current assets	8,064	11,136	12,757
Total assets	13,875	16,921	18,602
Total current liabilities	870	901	691

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Total liabilities	2,548	2,608	846
Total shareholders' equity	11,327	14,313	17,756

## 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.

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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.