

KARNALYTE RESOURCES INC. ANNOUNCES 2020 FIRST QUARTER RESULTS

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SASKATOON, SK (CNW- May 12, 2020) - Karnalyte Resources Inc. ("Karnalyte" or the "Company") (TSX: KRN) today announced its financial results and corporate highlights for the first quarter ended March 31, 2020.

The first quarter of 2020 was a time of local and global uncertainty as protective public health measures put in place across the world in response to the COVID-19 pandemic resulted in lockdowns and stay home orders in many countries including Canada. The mandatory public health measures have had some impact on our Company as Karnalyte's office closed to the public in mid March in order to keep our employees and service providers safe, and for a period of time from approximately the middle of March to the end of April, many of our employees worked remotely from home. Our systems are fully functional in remote settings and the impact on day to day business activities was minimal. As the Province of Saskatchewan has begun implementing a phased re-opening plan, most of our employees have returned to the office.

While the long-term impacts of the COVID-19 pandemic remain unknown, the mandatory stay at home orders have resulted in lower global agriculture prices and significant volatility in the capital markets. While fertilizer has been deemed an essential industry across most of the world and near-term production, distribution and consumption were not heavily impacted, there are some significant risks pointing to lower fertilizer prices for the remaining months of 2020. These risks include lower global agriculture prices and lower fertilizer application rates all resulting from a change in food consumption patterns including more people eating at home during the COVID-19 pandemic and potentially beyond. Furthermore, the capital markets have been showing some significant volatility and the ultimate duration and magnitude of impact on the capital markets and the economy generally, is not yet known. Karnalyte is monitoring the situation closely but is optimistic that the Company can withstand the economic downturn resulting from this pandemic due to a number of positive factors, including:

- the essential nature of potash and nitrogen fertilizers and their importance in maintaining food security worldwide;
- Karnalyte's positive cash situation;
- Karnalyte's ongoing reduction of operating costs; and
- a supportive strategic partner.

POTASH - THE WYNYARD POTASH PROJECT

While the short-term outlook for potash fertilizer is bearish, Karnalyte is encouraged by the essential nature of potash fertilizer that long-term prices could be strong. However, in the current environment, the continued depression of potash prices are making the development of the Wynyard Potash Project more challenging.

We continue to take a prudent and disciplined approach to the development of the Wynyard Potash Project, as we monitor and update initial capital costs and operating costs in order to position the Company to advance the development of the Wynyard Potash Project when feasible.

NITROGEN - THE PROTEOS NITROGEN PROJECT

In the fall of 2019, progress on investigating the viability of the Company's proposed nitrogen project (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. While the completion of this study has been delayed due to the global COVID-19 pandemic, the Company hopes to finalize the report in 2020.

OUTLOOK FOR 2020

During the second quarter of 2020, the Company will continue its work to monitor and update initial capital and operating costs for the Wynyard Potash Project. The Company will also focus on completion of the pre-feasibility study for the Proteos Nitrogen Project. In addition to the continuation of these initiatives, the Company is working to engage the services of a strategic consultant to advise the board on the strategic direction of the Company in light of the projects it is exploring and the current economic environment.

2020 FIRST QUARTER RESULTS

At March 31, 2020, the Company had cash of \$7.3 million and positive net working capital of \$6.7 million and no debt. The Company has adequate cash to fund any existing commitments in 2020 as well as to meet short term operating and capital requirements. Karnalyte's First Quarter 2020 Financial Statements and Managements' Discussion and Analysis are available at www.sedar.com and on Karnalyte's website at www.karnalyte.com.

The following information has been summarised from the Company's Condensed Interim Unaudited Financial Statements.

	March 31, 2020	March 31, 2019
Total revenue	-	-
Net and comprehensive loss	(483)	(905)
Basic and diluted per share	(0.01)	(0.03)
Total current assets	7,647	10,068
Total assets	13,442	15,843
Total liabilities	2,595	2,383

Total shareholders' equity	10,847	13,460
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DIRECTOR CHANGES

The Company regrets to announce that one of Karnalyte's longest serving directors, Mr. Sanjeev Varma resigned from the board on May 11, 2020 after being redeployed in his role with our strategic partner GSFC. "Mr. Varma is an accomplished professional and his knowledge and experience have been valuable assets to the Karnalyte Board of Directors" said Danielle Favreau, Karnalyte's CFO and Interim CEO. His leadership, guidance and commitment to serving the Company over the past 5 years have been immeasurable. On behalf of the Board and management, we would like to thank Sanjeev for his significant contributions, and we wish him all the best."

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).

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.