

Karnalyte Resources Inc. Announces 2021 Second Quarter Results

13.08.2021 | [CNW](#)

SASKATOON, Aug. 12, 2021 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) today announced its financial results and corporate highlights for the second quarter ended June 30, 2021.

During the second quarter of 2021, the Company continued to focus on activities surrounding the corporate strategic review that was prepared by MNP LLP (the "Strategic Review Report" or "Report"). As previously announced, Karnalyte's Board of Directors (the "Board") initiated the strategic review process to evaluate a broad range of potential strategic alternatives available to the Company, including evaluation of its existing and future projects, with a focus on determining what is in the best interests of Karnalyte and maximizing value for its shareholders. An update on this review was provided during the second quarter including commentary on the specific matters addressed in the Strategic Review Report. This update included a review and analysis of the Company's proposed nitrogen fertilizer project, a review and analysis of market sounding activities for the Potash Project and suggestions for improving Karnalyte's financial position.

NITROGEN PROJECT

In the Strategic Review Report, the opportunity of building a regional nitrogen production facility near Saskatoon, Saskatchewan (the "Nitrogen Project") was analyzed as one of the options to maximize value for Karnalyte's shareholders.

The Report concluded that the Nitrogen Project could be a profitable venture, with an estimated average annual cash flow of US\$52 million per year, an IRR of 9.06% and a payback period of under 10 years if all product produced is sold at expected market values within the production period. These projections were predicated on the market price of nitrogen fertilizer, the capital cost of the facilities, labour costs, costs of raw materials (including natural gas), transportation and other costs of production all falling within the levels assumed in the Report. Management notes that there can be no assurance that such estimates and assumptions will prove to be accurate. Accordingly, readers should not place undue reliance on such estimates and assumptions.

While MNP noted that the economics of this project could be positive, the Report concluded that, given current market and competitive conditions, the Nitrogen Project is high-risk without both an offtake agreement and a joint or independent capital investment. Management and the Board are considering the various challenges identified in the Report including market risk and capital risk and are continuing discussions with multiple prospective partners to assess interest in an offtake agreement and capital investment. Further updates will be provided when appropriate or required as discussions continue.

Gujarat State Fertilizers and Chemicals Limited ("GSFC"), a 38.7% shareholder of Karnalyte, has indicated that, if requested by the Company, they would support the Nitrogen Project by bringing GSFC's significant experience operating nitrogen fertilizer production facilities to the project but only as technical advisor at the planning, design, and construction phases and as initial operator of the Nitrogen Project facility. However, GSFC has emphasized that Karnalyte will require a strategic partner to support the Nitrogen Project, as GSFC is not in a position to act as lead partner for the Nitrogen Project.

POTASH PROJECT

As further development of the Company's Potash Project is dependent on improved potash prices, financing, and other matters, the Strategic Review Report provides a future economic outlook on the global potash industry and identifies how a Karnalyte potash facility would compare in the industry.

While the Strategic Review Report noted that the price of potash has increased in 2021 and that potash

demand is expected to grow linearly year over year through to 2030, the market is expected to be in a prolonged state of oversupply. This expectation is in part derived from speculation in the market surrounding new mines coming online in Belarus, Russia and Canada (BHP Jansen). An oversupply in the market creates an ongoing structural problem between supply and demand that will have a less predictable impact on the price of potash. That said, management is of the view that recent positive developments in the industry could result in a shift in this demand supply balance such that upward pressure on the price will be realized. The market has been showing signs of tightening over the past several months and continues at the writing of this MD&A, with potash prices in North America showing significant increases from 60 to 100%. Increases globally year over year are near 20% but expected to be higher during the second half of 2021. Developments include recent production curtailments as a result of the early closure by (The) Mosaic Company of its K1 and K2 shafts at Esterhazy, Saskatchewan, and sanctions imposed on potash exports from Belarus that were implemented in the European Union at the end of June 2021 and further sanctions just announced by the United States on imports of potash from Belarus. If current demand rates continue and further sanctions result in a decrease in potash exports from Belarus, this could result in further upward pressure on global potash prices.

The Strategic Review Report noted that the Potash Project would have a number of advantages that would make the project potentially attractive to a strategic industry player despite current conditions:

- **Environmental:** The mine would not produce tailing piles or ponds, would require a limited use of fresh water, would result in minimal surface impact and has the possibility of a secondary, marketable magnesium product.
- **Pre-Work & Investment:** There has been a significant amount invested in pre-work and permitting, allowing for shorter lead time to initiate construction.
- **Strategic Partner:** Karnalyte has an agreement with its strategic partner, GSFC, for approximately a 56% off-take over 20 years of the expected production in phase 1 of the Potash Project.
- **Product Quality:** The potash at the mine is a high-quality product that would be produced in a desirable granular form with the ability to upgrade quality to industrial-use standards to attract additional demand at a higher margin in the premium potash market.

The market sounding activities conducted to date have indicated industry partner interest based on the above factors and others. Although interest is limited in terms of number of players, it is indicative that there is additional potential with an aggressive and well-structured marketing effort.

Offsetting the strategic advantages noted above are the current unfavorable market conditions including current potash prices, low interest level from financial institutions, and limited capacity from the current shareholder group and the majority shareholder of Karnalyte to finance the Potash Project. Such unfavourable conditions could be overcome by attracting another strategic partner with a strong presence in the industry and a long-term development vision.

The Board and management are actively assessing the recommendations in the Report to continue efforts to seek out and attract a major industry partner with a sound financial position and long-term strategic vision to produce and deliver this high-quality potash product to North American and global markets. These partnership options could include any or a combination of an equity offering with which to build out the Potash Project, royalty financing, debt financing, long-term off-take arrangement or other strategies. Discussions with a number of potential partners continue.

IMPROVING KARNALYTE'S FINANCIAL POSITION

The Strategic Review Report also recommended that the Board and management transition Karnalyte to a low-cost operation by developing and implementing a minimum cash flow budget to preserve available cash for investment in seeking out a strategic industry partner. Specifically, the report recommended that Karnalyte investigate alternative sources of funding to extend the operational runway, monetize existing assets to preserve a financial and liquidity foundation and maintain the minimum requirements to sustain an exchange listing.

In response to these recommendations, management intends to investigate alternative sources of funding, divest certain assets not essential to the Potash Project, reduce general and administrative expenses and potentially move Karnalyte to the TSX Venture Exchange to reduce the higher regulatory and cost burdens on the TSX. During the second quarter of 2021, some restructuring was implemented in order to reduce

general and administrative expenses. During the third quarter, the Company intends to downsize its office space requirements at its corporate headquarters by moving to a virtual corporate office model in order to maximize cost savings.

CORPORATE & GOVERNANCE MATTERS

The Board remains committed to good governance practices. In light of the opportunities and risks facing the Company, and in the interests of strengthening the Board and improving its independence, the Board decided to expand its composition to a board of five (5) directors. In doing so, the Board assessed the competencies, skills and personal qualities it requires in directors in order to provide the Board with the best opportunity to advance Karnalyte's projects to the next stage of development. After an extensive recruiting process, management nominated two additional directors in the Company's information circular dated May 31, 2021. At Karnalyte's annual general meeting on June 29, 2021, the shareholders elected these additional directors to the Board.

Derek Hoffman is a corporate/commercial lawyer with the Hoffman Group advising public and private entities in a range of industries including mining, energy, agriculture and technology. Derek brings significant mining experience to the board having previously served as a Partner and Leader of the Mining Group at Miller Thompson LLP, a leading Canadian law firm, and also as in-house counsel for the global mining company BHP where he advised on a broad range of matters involving mineral exploration, strategic transactions and mine and associated infrastructure development and construction.

Dilip V. Pathakjee, nominee of GSFC, is the Senior Vice President of Materials Management at GSFC. Mr. Pathakjee has over 30 years of experience in operations research and development, finance, marketing, materials management, and management of foreign projects. During the past 5 years Mr. Pathakjee has held other senior roles at GSFC including Vice President (Finance) and Senior Vice President (Finance). Mr. Pathakjee holds a master's degree in chemical engineering, a master's degree in business administration, a post-graduate diploma in treasury and risk management and a diploma in industrial psychology.

OUTLOOK FOR 2021

During the third quarter of 2021, the Company will continue discussions with potential strategic partners for both the Potash Project and the Nitrogen Project. The Company will continue to assess the analysis and recommendations of the Strategic Review Report and will continue to implement cost saving measures in order to preserve the Company's available cash.

2021 SECOND QUARTER RESULTS

At June 30, 2021, the Company had cash and cash equivalents of \$2.8 million and positive net working capital of \$2.3 million and no debt. The Company expects to have adequate cash to meet its existing commitments as well as to meet short-term operating and capital requirements but does not currently have adequate funds to proceed with full-scale development of the solution mining facility. The Company is pursuing the sale of non-strategic assets and considering strategic alternatives as the ability of the Company to continue as a going concern will require further equity issuances or other forms of financings. Karnalyte's Second Quarter 2021 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.

	June 30, 2021	June 30, 2020
Total revenue	-	-
Net and comprehensive loss (839)		(742)
Basic and diluted per share (0.02)		(0.02)
Total current assets	3,388	6,944
Total assets	9,305	12,722
Total liabilities	2,774	2,615
Total shareholders' equity	6,531	10,107

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.

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.

/NOT FOR DISTRIBUTION TO U.S. NEWS WIRE SERVICES OR DISSEMINATION IN THE UNITED STATES/

SOURCE [Karnalyte Resources Inc.](#)

Contact

Danielle Favreau, Interim CEO, [Karnalyte Resources Inc.](#), 1(306) 986-1486, info@karnalyte.com, www.karnalyte.com

Dieser Artikel stammt von [Rohstoff-Welt.de](#)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/391467--Karnalyte-Resources-Inc.-Announces-2021-Second-Quarter-Results.html>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer](#)!

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2025. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).