

Karnalyte Resources Inc. Announces 2021 Third Quarter Results

11.11.2021 | [CNW](#)

SASKATOON, Nov. 11, 2021 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) today announced its financial results and corporate highlights for the third quarter ended September 30, 2021.

During the third quarter of 2021, the Company continued to assess the recommendations of the strategic review that was prepared by MNP LLP (the "Strategic Review Report" or "Report") and continued efforts to seek out and attract investment and strategic partners to produce and deliver this high-quality potash project to North American and global markets. Discussions continued with potential partners for both Potash and Nitrogen projects. And management continued to take steps to improve the Company's financial position and continued to investigate alternative sources of funding.

POTASH - WYNYARD POTASH PROJECT

The market conditions for potash have continued to improve over the course of the third quarter with prices up over 20% since last quarter and up over 150% since the prior year. Price increases are in part the result of the continued tightening of global potash supplies experienced as a result of sanctions imposed on Belarus in June and August 2021, production curtailments by some major producers and new project delays. This along with strong fertilizer affordability amongst growers has driven prices up. Saskatchewan potash marketer Canpotex has already announced that they are sold out for the remainder of 2021 and there are reports that China, who typically maintain minimum potash reserves are drawing on these to maintain supplies.

These positive developments in market conditions for potash along with the recommendations in the Strategic Review Report and in support of continuing efforts to seek out and attract investment and strategic partners to the Wynyard Potash Project have led the Company to a decision to update its 43-101 technical report to update, amongst other things, the following:

- Update of capital cost summaries;
- Update of operating cost summaries;
- Review and apply Karnalyte's internal cost saving studies, and
- Update market and economic analysis.

The Company is in the process of soliciting proposals for this project.

In addition to the above technical work, the Company plans to engage in specific marketing support in its effort to attract investment and strategic partners.

NITROGEN PROJECT

There have been no developments for the nitrogen project during the quarter. Management continues to assess interest in an offtake agreement and capital investment.

IMPROVING KARNALYTE'S FINANCIAL POSITION

During the quarter, Management continued to transition Karnalyte to a low-cost operation by downsizing its corporate headquarters resulting in a move to a virtual corporate office model. Management also began the divestment of certain assets not essential to the Potash Project and implementing other measures to cut general and administration expenses. Management also took steps to investigate alternative sources of

funding. This investigation continues.

OUTLOOK FOR 2021

During the balance of 2021, the Company will continue discussions with potential strategic partners and investigate alternative sources of funding. The Company will also continue to assess whether the further divestment of assets is appropriate in order to extend the operational runway. The Company plans to engage and begin work on the update to its technical report and engage in a focused marketing campaign to attract investment and strategic investors. The Company will also continue to implement cost saving measures in order to preserve the Company's available cash.

2021 THIRD QUARTER RESULTS

At September 30, 2021, the Company had cash and cash equivalents of \$2.2 million and positive net working capital (current assets less current liabilities) of \$2 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 Third 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.

	September 30, 2021	September 30, 2020
Total revenue	-	-
Net and comprehensive loss (279)		(914)
Basic and diluted per share (0.01)		(0.02)
Total current assets	2,793	6,444
Total assets	8,695	12,198
Total liabilities	2,438	2,992
Total shareholders' equity	6,257	9,206

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.

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