

Karnalyte Resources Inc. Unveils Results Of Updated Feasibility Study For Flagship Wynyard Project

27.11.2025 | [CNW](#)

Showcasing 70-year Potash Mine Life, Positive Economics, And Market Growth

- Positioned for stable, de-risked returns with a secured offtake agreement, positive project economics, and a projected 70-year mine life producing 142.2 million tonnes (2.175 million tonnes per annum "Mt/a") of potash and 7 million tonnes (104 kilotonnes per annum "kt/a") of hydromagnesite
- After-tax NPV of \$2.04 billion Canadian dollars at an 8% discount rate and IRR of 12.5% demonstrate strong project economics
- Located 175 km east of Saskatoon, with direct access to infrastructure, services, and established potash transportation routes
- Poised to meet growing potash and hydromagnesite demand

[Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN) is pleased to announce the results of its updated feasibility study for the Wynyard deposit in central Saskatchewan (the "Project") showing a projected 70-year potash mine life and positive economics that provide the foundation for stable, de-risked long-term returns from the Project.

Karnalyte retained Wood Canada Limited ("Wood"), ERCOSPLAN Ingenieurgesellschaft ("ERCOSPLAN"), RESPEC Consulting Inc. ("RESPEC"), and March Consulting Associates Inc. ("MARCH") to update the existing feasibility study for the Project and prepare a technical report (the "Report") under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The Report, effective November 26, 2025 and titled NI 43-101 Technical Report on the Feasibility Study of the Wynyard Project, Saskatchewan, Canada, will be filed under the Company's issuer profile at www.sedarplus.com within 45 days of this news release.

"The updated Feasibility Study marks a pivotal milestone for Karnalyte Resources, confirming the expected strength and longevity of our Wynyard deposit," said Danielle Favreau, Chief Executive Officer of Karnalyte Resources. "Our disciplined focus on efficiency and growth has positioned us to advance the Project toward successful development as we invest in operational planning. With a strong foundation and clear strategy, we are ready to capitalize on opportunities that further enhance value for all stakeholders."

Ms. Favreau continued, "Supported by robust estimated mineral resources and mineral reserves, planned potash production capacity, and a secured offtake agreement with our strategic partner, the Wynyard project is designed to deliver stable returns and reliable future cash flow. As potash is essential to global food security, our competitive cost structure and positive market fundamentals, backed by strong price forecasts, provide a solid platform for long-term value creation."

"Karnalyte is also well-positioned in the hydromagnesite market, with the potential to offer North American and international buyers a high-quality, cost-effective alternative amid limited supply. Our deposit and scalable Project design provide opportunities for future expansion into higher-value markets, positioning Karnalyte to capture a significant share of the global hydromagnesite market. With a planned long-term mine life and a commitment to operational excellence, Karnalyte is poised to support agricultural productivity and industrial growth for decades to come," concluded Ms. Favreau.

PROJECT OVERVIEW & STRATEGIC POSITION

- 70-year projected mine life provides a strong foundation for long-term, steady returns from supporting global food security and industrial growth.

- Strategic location in Saskatchewan, 175 km east of Saskatoon, and within a recognized potash belt in proximity to established producers, with access to necessary infrastructure to serve North American and export markets.
- Unique project that mines from a carnallite deposit that contains potassium chloride ("KCl") as well as magnesium chloride ("MgCl₂") and so can produce potash as well as magnesium products like hydromagnesite.
- Strategic partnership with Gujarat State Fertilizers and Chemicals Limited ("GSFC"), a major shareholder, and a government-backed entity, assures a reliable offtake agreement and underscores the confidence of key stakeholders in Karnalyte's ability to deliver a stable, long-term supply of potash.
- The Report was prepared in accordance with NI 43-101 by leading consultants Wood, ERCOSPLAN, RESPEC, and MARCH, reflecting industry best practices and transparency.
- Positioned to meet growing North American and Indian demand for potash and world demand for hydromagnesite, with the ability to capture premium pricing due to product quality and location.
- All amounts are in Canadian dollars unless indicated otherwise.

ECONOMICS & FINANCIALS

- After-tax net present value of \$2.04 billion at an 8% discount rate, and an after-tax internal rate of return of 12.5%.
- After-tax payback of 8.8 years reflects the Project's strong cash flow generation, and attractive investment profile.
- Estimated total initial capital cost: \$4.19 billion, which includes:
 - \$3.96 billion for potash processing (over three phases)
 - \$231 million for the hydromagnesite production facility
- Separating potash process facility operating costs are forecasted to remain stable and competitive at \$134.01/t.
- Hydromagnesite production facility operating costs estimated at \$318.04/t.
- Potash process facility operating costs:
 - \$360/t for white 61.3% K₂O granular Muriate of Potash ("MOP") (US Corn Belt)
 - US\$507/t for white 61.3% K₂O granular MOP (India)
 - US\$438/t for white 60% K₂O granular MOP (Vancouver)
- The Offtake Agreement")
 - risks ("O&A").
 - economics, ensuring a built-in buyer for 350,000 tonnes of potash per year from Phase 1, with an additional 250,000 tonnes per year from Phase 2 for a total of 600,000 tonnes per year

from the date of commencement of Phase 2 production. The Offtake Agreement provides GSFC the potential to increase its offtake by up to 400,000 t/a from Phase 3 which could bring total annual quantities sold pursuant to the Offtake Agreement up to 1,000,000 t/a.

MINERAL RESOURCES ESTIMATE

- Measured, indicated, and inferred resources are reported for each potash bearing member:
 - Patience Lake and Belle Plaine Members: carnallite-rich, with minor sylvite.
 - Esterhazy Member: sylvite-rich, with minor carnallite.
 - Below mineral resources are composite grades for all potash bearing members combined.
- Long-term Measured mineral resources: 1,162.4 million tonnes grading 47.9% carnallite, 6.1% sylvite hydromagnesite equivalent to 12.0% potassium oxide ("K₂O"), and 6.9% magnesium oxide ("MgO").
 - Indicated mineral resources: 1,789.9 million tonnes grading 50.0% carnallite, 5.1% sylvite hydromagnesite equivalent to 12.0% potassium oxide ("K₂O"), and 6.9% magnesium oxide ("MgO").
 - Synthetic hydromagnesite: 1,399.2 million tonnes grading 45.2% carnallite, 7.2% sylvite (equivalent to 12.2% K₂O, and 6.6% MgO).

MARKET STUDIES AND CONTRACTS

Karnalyte is positioned for stable growth in the North American potash and hydromagnesite markets, with future opportunities to expand into alternative magnesium-based products.

Offtake Commitment secures 42-52% of potash sales, ensuring predictable early revenue. The remaining

- Project target strategy is approximately US\$ 244 per tonne of permanent operating jobs, and 1,100 construction jobs.
- The typical 20-year life cycle of a potash mine is approximately 10 years. In 2018, the project received site potential for its competitive bid alternative to cost (State of Alberta) to 2018 for a significant Karnalyte offtake agreement and future approval of EIS during the United States. ● Karnalyte like magnesium ● These ma

OPERATIONAL IMPROVEMENTS

Operational improvements such as transitioning to compacted product and adopting proven production methods underscore our commitment to efficiency and excellence. The Phase 1 production was also increased from 625,000 t/a to 675,000 t/a, this results in an overall production increase from 2.125 Mt/a to 2.175 Mt/a. These advances demonstrate our ability to capture premium pricing, maximize long-term value, and support a more sustainable future for agriculture and industry.

NI 43-101 TECHNICAL REPORT ON THE FEASIBILITY STUDY QUALIFIED PERSONS

The following individuals are each Qualified Persons ("QPs"), as defined under NI 43-101, and have reviewed and approved the scientific and technical information in this news release:

- Ms. Tabettha Stirrett, P.Geol., President, RESPEC
- Dr. Sebastiaan van der Klauw, EurGeol, Consulting Geologist, ERCOSPLAN
- David Mitchell, P.Eng., Senior Process Engineer, Wood
- David Myers, P.Eng., Technical Director Mining and Minerals (Saskatoon), Wood
- Kyle Krushelniski, P.Eng., Senior Project Manager, MARCH

DATA VERIFICATION

QP Stirrett visited the Project site. She has reviewed the re-assaying results, verified the Karnalyte exploration drill hole data and associated geochemical data and carried out quality control measures to ensure the accuracy and integrity of the core.

QP van der Klauw visited the Project site and inspected drill sites and drill core and observed the start of the solution mining test. He discussed the results of the 3D seismic survey with those who conducted the survey,

directed the rock mechanical and dissolution test work and visited the laboratories where the tests were conducted.

QP Myers completed a site visit and confirmed site access, assessed existing infrastructure and observed conditions at site.

QP Mitchell reviewed the metallurgical test work reports, the analytical procedures, qualification of the laboratory and presentation of test results, concluding that all items reviewed have followed industry accepted practice.

QP Krushelniski reviewed the Offtake Agreement as well as the independent market study reports commissioned by Karnalyte for potash and hydromagnesite.

PROJECT RISKS AND OPPORTUNITIES

The following opportunities have been identified:

- Selling a $MgCl_2$ brine for road dust suppression or de-icing directly to municipalities or through a distributor. The current plant has the ability to supply up to 100,000 tonnes of $MgCl_2$ brine annually. If market conditions are favourable, $MgCl_2$ brine production can be increased with minimal capital investment.
- Ongoing market disruptions due to world events may improve opportunities for North American domestic producers to access the US Corn Belt market, which imports a portion of its potash consumption from Russia.
- The hydromagnesite market study shows rapid growth in the demand for hydromagnesite particularly in North America where supply currently relies on imports. If market supply remains restricted as indicated in the market study, hydromagnesite production can be increased and sold into the world market to help reduce supply limitations.
- The synthetic world hydromagnesite market is supply limited. Karnalyte may capture a portion of the world synthetic hydromagnesite market resulting in increased revenue.
- Investigating alternative magnesium-based products to determine economic production and potential markets. Any new magnesium products would utilize excess $MgCl_2$ -rich end brine and would be in addition to planned hydromagnesite production.

The following risks have been identified:

- There is a risk that the hydromagnesite processing plant will not perform as designed based on bench scale testing at a prefeasibility level. A larger scale test should be performed (e.g. pilot plant) to confirm its process design and capital cost. This risk has been mitigated with the inclusion of a higher percent contingency for this part of the overall project capital cost.
- There is a risk that the brine sent from the potash facility to feed the magnesium facility may have higher than designed impurities (sulphates, calcium). This is a small risk to operational costs of the hydromagnesite plant and would require a small increase in water and reagent usage.
- There is a risk that the Company's ability to capture a share of the existing potash market for the new potash supply provided by the Project could be impacted given local emerging competitors. New planned production was taken into consideration for the establishment of long-term pricing.
- There is a risk that Karnalyte's entry into the hydromagnesite market could affect pricing due to the scale of production relative to current market size.
- There is a risk that the possible introduction of a royalty framework for magnesium will directly impact the Project NPV.

MINERAL RESOURCE ESTIMATE

The mineral resource estimate presented in the table below assumes the solution mining of carnallite and sylvite and is reported in accordance with 2014 Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves ("2014 CIM Definitions Standards"). The mineral resource is reported at a cut-off of approximately 55% carnallite for carnallite and 20% sylvite for sylvite determined based on operating costs, process recovery and a potash price of US\$516/t. The Project will mine carnallite from the Patience Lake and Belle Plaine members and sylvite from the Esterhazy member.

Classification Category	Tonnes Carnallite		Grade Sylvite	Avg. K ₂ O	Avg. MgO
	(Mt)	(%)	(%)	(%)	(%)
Measured					
Patience Lake	324.5	60.2	3.9	12.7	8.7
Upper Belle Plaine	392.9	67.7	1.2	12.2	9.8
Lower Belle Plaine	267.8	29.9	4.3	7.8	4.3
Esterhazy	177.2	8.6	23.7	16.4	1.3
Total Measured	1,162.4	47.9	6.1	12.0	6.9
Indicated					
Patience Lake	532.3	61.4	3.5	12.6	8.9
Upper Belle Plaine	627.5	67.1	1.1	12.1	9.7
Lower Belle Plaine	428.2	30.1	4.4	7.9	4.4
Esterhazy	201.9	8.8	23.3	16.2	1.3
Total Indicated	1,789.9	50.0	5.1	11.7	7.2
Inferred					
Patience Lake	1,160.1	157.4	4.8	12.8	8.3
Upper Belle Plaine	1,203.6	65.8	1.5	12.1	9.5
Lower Belle Plaine	814.9	30.0	4.4	7.8	4.3
Esterhazy	723.5	8.2	23.5	16.2	1.2
Total Inferred	3,902.1	145.2	7.2	12.2	6.6

Notes:

- (1) The effective date of the mineral resource is November 26, 2025. The QP for the mineral resource is Sebastiaan van der Klauw, an employee of ERCOSPLAN.
 - (2) Mineral resources are reported in accordance with 2014 CIM Definition Standards.
 - (3) Mineral resources are reported inclusive of those mineral resources that have been converted to mineral reserves.
 - (4) Mineral resources are assumed to be extracted using solution mining.
 - (5) Mineral resource tonnage is determined by measuring the area of the resource using the polygonal method, calculating the volume by applying the thickness of the potash bearing member determined from the well and multiplying by the density determined by the mineralogical composition typically (1.7 to 1.9 g/cm³ for carnallite, depending on relative amounts of sylvite in the rock, and between 2.01 and 2.1 g/cm³ for sylvinitite, depending on the relative amount of carnallite in the rock).
 - (6) Cut-off grades are approximately 55% carnallite for carnallite and 20% sylvite for sylvinitite. Using these defined cut-offs the maximum mining, process and G&A operating costs (\$134.01/t), process recovery of 90% and an assumed MOP price of US\$516/t the Project generates positive cash flows. The Lower Belle Plaine Member does not make the cut-off grades; however, the brine from the Lower Belle Plaine Member is considered as part of the mineral resource as it is used as solvent for solution mining of the Upper Belle Plaine and Patience Lake Members.
 - (7) The average K₂O content for the mineralized material is obtained by the sum of the carnallite grade multiplied by a factor of 0.17 and sylvite grade multiplied by a factor of 0.63 representing the K₂O content of 100% carnallite and 100% sylvite, respectively. The average MgO content of the mineral resource is obtained by the product of the carnallite grade multiplied by the factor of 0.145 representing the MgO content of 100% carnallite.
 - (8) Mineral resources are estimated in-situ with no allowances for mine or process recoveries. A limiting factor will be applied to the magnesium product to reflect the capacity constraint of the market.
 - (9) Areas covered by 2D seismic that are outside the 3D seismic boundary have a 25% deduction applied to the tonnage to account for anomalies that might not have been detected by the 2D seismic investigations. Areas within the 3D seismic boundary have a 10% deduction applied to the tonnage to account for anomalies that might not have been detected by the 3D seismic investigations.
- Modifying factors were applied to measured and indicated mineral resources to convert them to proven and probable mineral reserves based on the leaching of potash-bearing carnallite and sylvite members using a non-selective solution mining method. The table below presents the mineral reserves classified in accordance with 2014 CIM Definition Standards that reflects a mine plan developed over three project phases amounting to the production of 2.175 Mt/a 97% KCl. The point of reference is delivery of the production brine at the tank farm at the process facilities. Mineral reserves are defined for the minerals carnallite and sylvite that can be processed to MOP fertilizer and MgCl₂-rich brine which can be processed to a magnesium product. The Project will utilize only a portion of the MgO reserves in the production of a magnesium product.

Karnalyte Mineral Reserve Statement

Confidence Category	Tonnes (Mt)	Carnallite Grade (%)	Sylvite Grade (%)	Avg. K ₂ O Grade (%)	Avg. MgO (%)
Proven Mineral Reserves					
Patience Lake	103.8	60.3	3.8	12.6	8.7
Upper Belle Plaine	125.9	67.6	1.3	12.3	9.8
Lower Belle Plaine	30.3	29.7	4.2	7.7	4.3
Esterhazy	53.2	8.8	23.9	16.6	1.3
Sub-total Proven	313.2	51.5	6.2	12.7	7.5
Probable Mineral Reserves					
Patience Lake	166.9	61.4	3.5	12.6	8.9
Upper Belle Plaine	200.9	67.1	1.1	12.1	9.7
Lower Belle Plaine	48.5	29.9	4.4	7.8	4.3
Esterhazy	47.5	10.5	23.3	16.5	1.5
Sub-total Probable	463.8	55.4	4.6	12.3	8.0
Total Proven and Probable	777.1	53.8	5.2	12.4	7.8

Notes:

- (1) The effective date of the mineral reserve is November 26, 2025. The QP for the mineral reserve is Dr Sebastiaan van der Klauw, an employee of ERCOSPLAN.
 - (2) Mineral reserves are reported in accordance with 2014 CIM Definition Standards.
 - (3) Mineral reserves have been determined by counting the number of solution mining caverns with their centre point within the mineral resource radius of influence for the measured and indicated categories for each well. The number of caverns was then multiplied by the dissolved tonnage of carnallite and sylvite for each member to obtain the tonnage and average grade that could be solution mined from this area.
 - (4) To ensure optimal plant operation the mine plan has been designed to maintain a sylvinitic: carnallitic ratio between 25:75 and 10:90. To achieve this, not all indicated and measured mineral resources of the Esterhazy member were converted to proven and probable mineral reserves.
 - (5) Cut-off grades are approximately 55% carnallite for carnallite and 20% sylvite for sylvinitic. Using these defined cut-offs the maximum mining, process and G&A operating costs (\$134.01/t), process recovery of 90% and an assumed MOP price of US\$516/t the Project generates positive cash flows. The Lower Belle Plaine Member does not make the cut-off grades; however, the brine from the Lower Belle Plaine Member is considered as part of the mineral reserve as it is used as solvent for solution mining of the Upper Belle Plaine and Patience Lake Members.
 - (6) The average K₂O content for the mineral reserve is obtained by the sum of the carnallite grade multiplied by a factor of 0.17 and sylvite grade multiplied by a factor of 0.63 representing the K₂O content of 100% carnallite and 100% sylvite, respectively. The average MgO content of the mineral reserve is obtained by the product of the carnallite grade multiplied by a factor of 0.145 representing the MgO content of 100% carnallite.
 - (7) Mineral reserves include allowances for solution mining recovery, but not for process recovery. Each well has their own cavern solution recoveries that range from 84% to 91% for the Patience Lake Member, from 89% to 91% for the Upper Belle Plaine Member, from 30% to 33% for the Lower Belle Plaine Member, from 88% to 92% for the Upper Esterhazy Member and from 88% to 91% for the Lower Esterhazy Member. A limiting factor of marketing capacity will be applied to the magnesium by-products from MOP production to reflect the capacity constraint of the market.
 - (8) Areas covered by 2D seismic that are outside the 3D seismic boundary have a 25% deduction applied to the tonnage to account for anomalies that might not have been detected by the 2D seismic investigations. Areas within the 3D seismic have a 10% deduction applied to the tonnage to account for anomalies that ~~PRODUCES HAVE BEEN DETECTED BY THE 3D SEISMIC INVESTIGATIONS~~
- (9) ~~Figures are rounded~~
Figures are rounded due to rounding.

Since 2011, Karnalyte has completed dissolution testing, evaporation and crystallization test work, thermodynamic modelling of the evaporation and crystallization circuit, pilot solution mining testing, and performed laboratory work to confirm the process of creating hydromagnesite. The test work, combined with standard industry knowledge, allowed for a predicted recovery to be estimated based on the deposit.

Dissolution test work was conducted on samples from the Patience Lake, Belle Plaine and Esterhazy members with most samples showing a low content of insoluble minerals which can have considerable impact on the dissolution rate and cavern shape development. Test work also showed correlation between KCl brine grade and the carnallite/sylvite content of the carnallite with carnallite providing KCl saturation values of approximately 80% at 50°C.

In 2016 Karnalyte performed a pilot solution mining test operation consisting of an initial cavern preparation phase using cold water from the Blairmore aquifer followed by a production leaching phase where the prepared cavern was injected with heated Blairmore water. The pilot operation concluded that carnallite solution mining of the Belle Plaine Member is technically feasible and the results were sufficient to support the concepts used to estimate the production brine composition. Combined testing and design criteria illustrate that a suitable brine can be recovered for processing in the designed mill to produce a 97% pure KCl product at 90% recovery.

In 2014, the Saskatchewan Research Council completed laboratory work that produced two samples of hydromagnesite from the brine that are comparable to current products in the high purity market.

A brine disposal test was completed in 2013. It showed the disposal of excess $MgCl_2$ brine and NaCl brine, from redissolved solid NaCl, in the Deadwood Formation is feasible. The brine disposal well was also successfully used to dispose all brines produced during the pilot solution test operation in 2016. Planned disposal to meet Phase 1 and Phase 2 should be obtained with two disposal wells and a third as standby. Subsequently, Phase 3 would require one additional active injection well.

Recovery Methods

The potash plant design was developed from the test work completed since 2011. The basis of design is on the production of 675,000 t/a of KCl product with a KCl grade of 97%. This initial phase (Phase 1) will be expanded in Year 3 with the commissioning of a separate facility capable of producing 750,000 t/a of 97% KCl (Phase 2) after a ramp up commissioning phase. A third facility (Phase 3) will be capable of producing a further 750,000 t/a of 97% KCl in Year 5 after another ramp up commissioning phase.

All three potash processing facilities utilize the same flowsheet by first removing insoluble and blanketing fluid from production brine followed by evaporation, NaCl and KCl crystallization, and drying and compacting producing a high-purity granular agricultural grade product.

The solid salt produced from the evaporation and crystallization circuit is dissolved into an NaCl brine and injected into the Deadwood Formation via disposal wells.

A portion of the $MgCl_2$ rich end brine from potash production is used to produce up to 104,000 t/a of hydromagnesite in a separate facility. The process involves treating the brine with Epsom salt and then ammonia. Hydromagnesite is then produced through carbonation. The resulting slurry is then dewatered and dried before sale.

The remaining portion of the $MgCl_2$ rich end brine is injected into the Deadwood formation as a waste material.

PROJET INFRASTRUCTURE

The Project is accessible via an existing provincial road just south of the Yellowhead Highway. A truck and rail loadout is located just south of the Phase 1 potash plant and storage building which will store potash produced from the three process facilities. A 3 km train rail connects the onsite rail loadout to the Canadian Pacific (CP) Rail main line north of the site to transport the potash product to market. Hydromagnesite will be transported by trucks to their destination. Key infrastructure includes the potash processing facilities for each phase, the magnesium processing facility, storage building, tank farms, injection wells, pipelines, utility buildings, cooling towers, and storm water ponds.

Solid waste produced from the processing facilities will be partly backfilled in mined out caverns. Remaining solid NaCl will be dissolved in water and injected into the Deadwood and Winnipegosis Formations along with the $MgCl_2$ and $CaCl_2$ waste brines eliminating the need for surface waste piles.

Raw water from the Blairmore aquifer will supply solution mining, process utility water and cooling water. Natural gas will be purchased from a gas marketer and delivered to the site by TransGas. The infrastructure for gas transportation will be funded by Karnalyte and offset by a rebate. SaskPower is expected to supply power to site with a new line to site funded by Karnalyte. Power requirement for Phase 1 is 32 MW with each additional phase requiring 36 MW and the magnesium facility 2.1 MW.

MARKET STUDIES AND CONTRACTS

Karnalyte commissioned market studies for KCl and hydromagnesite from independent marketing analysts: Argus Media group and PW Consulting Limited. The market forecasts and pricing were used to determine the market entry strategy for both potash and hydromagnesite.

For potash, the Offtake Agreement provides for reliable, low risk sales at the start of production. The Offtake

Agreement accounts for 42 - 52% of the combined Phase 1 and Phase 2 production. The balance of production will be sold into the US Corn Belt market. The Offtake Agreement provides a gradual ramp up of potash sales into the US Corn Belt. This allows time to develop customers over the first few years of production.

Hydromagnesite is a rapidly growing market as an environmental alternative to conventional fire-retardant materials. The current market is supplied by numerous small producers in Europe and Asia. The North American market is typically an import market that is currently paying a price premium to account for transportation costs from existing producers. Karnalyte will provide the benefits of a large-scale local producer to the North American market. The hydromagnesite produced will be higher purity with more uniform physical traits. This should enable Karnalyte to supply a large percentage of the existing market and future market growth.

Hydromagnesite production uses only a portion of the $MgCl_2$ rich end brine produced from the production of KCl. Karnalyte has the ability, in the future, to investigate further opportunities from the $MgCl_2$ rich end brine. This can include magnesium compounds such as magnesium chloride brine, magnesium chloride hexahydrate, magnesium hydroxide, and magnesium oxide. Magnesium chloride can also be used as the feedstock for electrolysis for producing magnesium metal. Karnalyte has not studied the cost of production or the potential markets for these alternative products. Further study would be required prior to the Project being able to realize any economic benefits from these products.

ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

Karnalyte received approval for a comprehensive EIS in February 2013 (the "Approval"). The Approval is based on the development of an underground potash solution mine with a design capacity to produce approximately 625,000 tonnes of saleable KCl mined over approximately 28 years. Correspondence from the Ministry of Environment ("MOE") in 2022 indicated that Phase 1 Approval was still valid, and that changes to the Project may require approval under Section 16 of the Saskatchewan Environmental Assessment Act. The expectation is that Karnalyte will prepare, and submit to MOE, an amendment to the EIS as per Section 16 of the Saskatchewan Environmental Assessment Act for Phases 2 and 3, which are functionally similar to Phase 1.

CAPITAL AND OPERATING COSTS

The initial capital cost for the Project was prepared with an accuracy expected to be within $\pm 15\%$ including contingency and has been determined for the facilities required for the processing of potash and hydromagnesite totaling \$4.19 billion.

The total capital cost associated with the potash processing facility was developed to a feasibility level and is \$3.96 billion over three phases as shown in the Potash Capital Cost Estimate Summary below. The estimate was prepared with an expected accuracy to be within $\pm 15\%$ including contingency and is expressed in second quarter ("Q2") 2025 Canadian dollars.

The capital cost estimate associated with the magnesium processing facility was developed to a prefeasibility level in 2012 and escalated to Q2 2025 Canadian dollars with an accuracy within $\pm 25\%$ including contingency. The total capital cost is \$231 million as shown in the Magnesium Process Facility Capital Cost Estimate Summary below.

Total potash and magnesium sustaining capital costs associated with the drilling of new wells, wellfield installed assets and maintenance and replacement of equipment and materials in the processing plants over the LOM totals \$7.62 billion.

The LOM average operating cost for the potash process facility will be \$134.01/t. The LOM operating costs for the magnesium process facility will be \$318.04/t.

Potash Capital Cost Estimate Summary

	Phase 1	Phase 2	Phase 3
	675,000 t/a	1,425,000 t/a	2,175,000 t/a
	97% KCI	97% KCI	97% KCI
Area Description	(\$M)	(\$M)	(\$M)
Direct Costs			
Process Equipment and Facilities	510.8	510.8	510.8
Infrastructure	86.9	10.0	5.9
Utility Equipment and Facilities	140.1	140.1	140.1
Rail Loading Facilities	22.9	22.9	0.0
Solution Mining Facilities	199.2	55.6	55.6
Subtotal Direct Costs	960.1	739.4	712.3
Indirect Costs			
EPCM Services	133.6	102.9	99.2
Owner Costs	201.7	42.9	41.3
Indirect Field Costs	153.6	118.3	114.0
Taxes	72.0	55.5	53.4
Subtotal Indirect Costs	561.0	319.6	307.9
Contingency	152.1	105.9	102.0
Total	1,673.1	1,164.8	1,122.2

Notes:

(1) EPCM - engineering procurement construction management.

(2) Figures may not sum due to rounding.

Magnesium Process Facility Capital Cost Estimate Summary

Area Description	Cost (\$M)
Direct Costs	
Process Equipment and Installation	94.1
Building	7.2
Structural	8.1
Plant Electrical, Instrumentation and Piping	11.9
Mobile Equipment	0.6
Subtotal Direct Costs	121.9
Indirect Costs	
EPCM	16.5
Other Indirect Costs	16.4
Owner's Cost	34.2
Subtotal Indirect Costs	67.0
Contingency	42.1
Total	231.0

Notes:

(1) Figures may not sum due to rounding.

Cautionary Notes to Investors - Mineral Resource and Reserve Estimates

In accordance with applicable Canadian securities laws, all Mineral Reserve and Mineral Resource estimates of the Company disclosed or referenced in this news release have been prepared in accordance with the disclosure standards of NI 43-101 and have been classified in accordance with the 2014 CIM Definitions Standards.

ABOUT KARNALYTE RESOURCES INC.

Karnalyte Resources Inc. is a development stage potash company. Karnalyte owns the Wynyard Project, with planned Phase 1 production of 675,000 t/a of high grade granular potash, and two subsequent phases of 750,000 t/a each, taking total production up to 2.175 million t/a. All environmental permits remain valid, preliminary detailed engineering is complete, and the existing Offtake Agreement with GSFC remains in effect. Karnalyte is also considering opportunities relating to secondary magnesium compounds. Further development is dependent on the continued strength of potash prices and obtaining financing

ABOUT GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

GSFC is a leading Indian Fortune 500 chemicals and fertilizer company that has been in business for more than 60 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. GSFC is the Company's strategic partner and single largest shareholder.

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.

Forward-looking statements in this press release include statements regarding: the Company's ability to commence production of 675,000 t/a, and increase it to 1.425 million t/a and thereafter to 2.175 million t/a of potash; the production of potash, nitrogen fertilizer, or magnesium compounds; the costs related to the operation of the plant and facilities will be consistent with other solution mining operations subject to differences in the Company's mineral body and processing; the implementation and ongoing use of solution mining process; further seismic exploration and drilling; global fertilizer demand and consumption; CAPEX and OPEX estimates; anticipated results of development and extraction activities and estimated future developments; the Company's ability to produce sufficient potash to meet its obligations under the Offtake Agreement; the Company's ability to obtain additional financing on satisfactory terms; the market prices for potash, nitrogen fertilizer, and magnesium compounds; the Company's ability to pump the waste underground to eliminate any requirement for surface salt tailings piles; the Company's ability to economically extract and process mineralized material into potash; and the improvements that the Company has developed for the solution mining process are as effective as expected by the Company.

Such forward-looking statements are based on a number of material factors and assumptions, including: the stabilization of the global potash industry and market; the Company obtains additional financing in the future; the Company executes its project development plans in a manner consistent with the Technical Report; the Company executes its discounted cash flow model assumptions as described in the Technical Report; estimates of Mineral Resources and Mineral Reserves are accurate; full potash production is reached; that the Company continues to have title to the Karnalyte Property, and such title is not challenged or impacted in any material manner; that the Company is able to obtain required approvals, licences and permits, in a timely manner; the Company is able to successfully develop and market magnesium-based products; the Company's key senior management continue in their respective roles with the Company; the Company's intellectual property is not challenged; the Company does not become subject to litigation; the Company's ability to meet its obligations under the Offtake Agreement; environmental and other applicable law and other regulations are not amended, repealed or applied in a manner that impacts the development and operation of the Wynyard Project and the Proteos Nitrogen Project as currently anticipated; there are no adverse changes to price of potash, nitrogen fertilizer, or magnesium compounds that would adversely affect the prospects for developing and operating the Wynyard Project and the Proteos Nitrogen Project, or making it inadvisable or uneconomic to proceed with development; the future mining facilities operate as anticipated; the Company's ability to maintain and develop positive relationships with foreign governments and future business partners; the Company is able to develop and maintain the infrastructure required to export, store and transport its potash, nitrogen fertilizer, or magnesium compounds production; there are no comparable mining companies targeting carnallite in North America; and the continued existence and operation of the primary potash or nitrogen fertilizer production facility.

Forward-looking statements involve significant risks and uncertainties; however, Karnalyte believes the expectations and assumptions upon which the forward-looking information is based are reasonable. Notwithstanding the foregoing, 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. Such statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the following factors, which are discussed in greater detail in the Company's Annual Information Form for the year ended December 31, 2024 and dated March 21, 2025 and available for review on the Company's profile on SEDAR+ (www.sedarplus.ca) (the "AIF") under the heading "Description of the Business - Risk Factors": exploration, development and operation risks related to the Wynyard Project and the Proteos Nitrogen Project; the ability to secure adequate financing to implement the Company's strategic and development objectives; the ability to maintain adequate capital to meet the Company's financial commitments; the successful execution of the Company's project plans; the uncertainty regarding the estimation of Mineral Resources and Mineral Reserves; the lack of current revenues and uncertainty about future revenues; the risks associated with the limited operating history of the Company; the lack of developed markets for the Company's magnesium-based products; the unproven nature of solution mining of carnallite in Saskatchewan; no assurance of titles, leases, or maintenance of existing permits; permit and licensing requirements related to exploration and development activities; the Company's ability to satisfy its material agreements, including the Offtake Agreement; the risks associated with the enforcement of the Company's material agreements, including the Offtake Agreement; the potential loss of key employees, technical experts or key suppliers; the potential for a volatile market for the Common Shares; the potential dilution of shareholders through future financings; failure to protect the Company's intellectual property rights; litigation and tax matters; adequacy of the Company's insurance coverage; adequacy of the Company's internal controls over financial reporting; environmental and regulatory risks; the volatility of potash and magnesium compounds prices; the cyclical nature of the potash and magnesium

compounds industries; availability and cost of labour and materials required for the construction of Phase I; competition; and currency exchange rate fluctuations.

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 Plus website (www.sedarplus.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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