

Karnalyte Welcomes Support from Largest Shareholder as Momentum Builds Behind Management Slate and Resolutions at AGM

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Shareholders urged to vote FOR all management director nominees and resolutions prior to the proxy voting deadline of 9:30 a.m. (Saskatoon time) on Tuesday, June 5, 2018

SASKATOON, May 29, 2018 /CNW/ - Karnalyte Resources Inc. ("Karnalyte" or "the Company") (TSX:KRN) today announced that Gujarat State Fertilizers & Chemicals Limited ("GSFC"), the Company's largest shareholder, has voted its 6,045,861 shares representing 21.5% of Karnalyte's shares, FOR all management nominees and resolutions ahead of the Annual and Special Meeting of Karnalyte shareholders on June 7, 2018.

The Board of Directors collectively own the third largest block of shares and have also voted their 1,141,662 shares or 4.06% of the Company's shares FOR all management nominees and resolutions. Accordingly, a total of 7,187,523 shares or 25.5% of all Karnalyte's shares have been voted in support of a clean break from the past and a brighter future to the benefit of *all* shareholders.

Speaking on behalf of Karnalyte's Board of Directors, Peter Matson, a Director and the 3rd largest shareholder of the Company, said:

"The support from our largest shareholder and strategic partner is an important endorsement of the necessary and disciplined steps that our Board has taken over the past year to turn the page and position Karnalyte to create value. We appreciate the time many shareholders are taking to engage with their Board and the many expressions of support we have received."

Mr. Matson added: "As a long-time significant shareholder of the Company I have been disappointed with Karnalyte's performance. Since I joined the Board I have learned more and have been extremely disturbed by the conduct of past management and certain shareholders who have put their personal interests ahead of the interests of the Company. We will never create value if we don't break from this past. As Directors, we will never again allow any individual's personal agenda to stand in the way of the Board of Directors moving the Company forward with the objective of creating value for all shareholders."

GSFC EXPRESSES SUPPORT FOR STRATEGIC DIRECTION AND BOARD OF DIRECTORS

In addition to voting its proxy, Karnalyte has received a letter from GSFC's Managing Director, Mr. Tiwari, which expresses GSFC's support for the Company's strategic plan and diversification into nitrogen fertilizer production. This letter, which can be viewed at www.karnalyte.com, follows a number of official communications from GSFC which outlined the key elements that will enable Karnalyte to obtain the financing it will require to develop the Wynyard Potash Project and execute on its business plan. In particular, GSFC indicated that its financial partners, including the State Bank of India (a Fortune Global 500 company with US\$32 billion revenue in 2017), require professional, experienced and credible executive leadership in order to consider potential financing support in the future.

VOTE FOR ALL MANAGEMENT NOMINEES AND RESOLUTIONS

Added Mr. Matson: "The Board is unified in its commitment to create value – we are directors, but also individual shareholders with skin in the game. Collectively we are the largest group of shareholders, and accordingly we have the most to gain, or lose, from Karnalyte's future. Your Directors continue to engage with Karnalyte's partners, stakeholders, and bankers, as well as industry professionals and fellow shareholders. These discussions make it clear that we need to end the involvement of those who would seek to take advantage of the Company for their own individual purpose. We took a crucial step by recruiting Frank D. Wheatley, a seasoned, experienced executive who has put in place an actionable plan to move Karnalyte forward, and who is exactly the kind of person GSFC was referring to as being essential to ultimately financing the Wynyard Potash Project.

We urge all shareholders to join with GSFC and our Board and vote FOR all management nominees before the proxy cut-off of 9:30 a.m. (Saskatoon time) on Tuesday, June 5, 2018."

For questions or assistance voting their shares, shareholders should contact D.F. King (Karnalyte's Proxy and Information Agent) toll-free at 1-800-926-4985.

Detailed information regarding the AGM is contained in Karnalyte's Management Information Circular dated May 14, 2018 which has been mailed to shareholders and is also available on Karnalyte's website at www.karnalyte.com and on SEDAR at www.sedar.com.

About Karnalyte Resources Inc.

Karnalyte Resources Inc. is an advanced fertilizer development company focused on two products to be developed in Saskatchewan: potash and nitrogen. Karnalyte owns the construction ready Wynyard Potash Project, with planned Phase 1 production of 625,000 tonnes per year of high grade granular potash, and two following phases taking total production up to 2.125 million tonnes per year. Karnalyte is also pursuing the Proteos Nitrogen Project, which is a proposed nitrogen fertilizer plant with a nameplate production capacity of approximately 700 metric tonnes per day ammonia and approximately 1,200 metric tonnes per day urea, and a target customer market of proximate independent fertilizer

wholesalers in Saskatchewan.

ABOUT D.F. KING

The Company has engaged the services of D.F. King, a division of AST Investor Services Inc. (Canada), as its proxy solicitation and information agent. Engaging a proxy solicitor is very common for publicly traded - companies as it helps facilitate shareholder engagement in the governance of the company. Initiating a targeted shareholder engagement effort supports shareholder democracy by ensuring that all shareholders, despite the size of their holdings, receive timely, current, and comprehensive information about the Company and the matters to be voted on at its shareholder meetings. D.F. King has been engaged at an anticipated cost of \$125,000 consisting of a base fee of \$50,000 and an additional fee of \$35,000, if management's nominees are elected and each of the resolutions recommended by management is passed, and a further \$40,000, based on the number of votes cast in favour of, or withheld from voting for, each of management's nominees. The total potential cost will be borne by the Company.

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 a 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.

SOURCE Karnalyte Resources Inc.

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