KARNALYTE RESOURCES INC. PROVIDES UPDATE ON THE

PROTEOS NITROGEN PROJECT

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SASKATOON, SK (CNW - October 22, 2018) – Karnalyte Resources Inc. ("Karnalyte" or the "Company") (TSX: KRN) today provided an update on the status of its Proteos Nitrogen Project.

Proteos Nitrogen Project

Further to Karnalyte's press releases of July 30, 2018 and August 9, 2018 with respect to the Proteos Nitrogen Project (the "Project"), Karnalyte provides the following update on the status of the various aspects of development designed to explore the technical and economic viability of the Project.

Mr. Frank Wheatley, President of Karnalyte, commented that: "We are very pleased with the interest shown by the technology providers / contractors in our Proteos Nitrogen Project, as well as the positive first phase independent market study, both of which support and confirm our decision to pursue the development of the Project."

Expressions of Interest

As previously reported on July 30, 2018 Karnalyte issued, through its strategic partner Gujarat State Fertilizers & Chemicals Limited ("GSFC"), an invitation for expressions of interest ("EOI") from a select group of international technology providers and engineering, procurement and construction contractors, for developing the Project on a lump sum turn-key basis.

Karnalyte has received a total of 8 EOIs and together with GSFC is currently classifying these EOIs in order to short list the technology providers / EPC contractors to receive a formal Request For Proposal ("RFP") for development of the Project on an EPC basis.

Independent Market Analysis

Karnalyte has received a draft of the final version of the first phase independent market study, prepared by Integer Research Ltd., which was recently acquired by Argus Media ("Argus"), of the nitrogen fertilizer industry in North America, with particular focus on Central Canada. The study confirms and validates Karnalyte's internal market analysis, and Karnalyte intends to retain Argus to undertake a second phase study at the appropriate time in order to support discussions regarding project financing for the Project.

About Argus Media

Argus is a leading energy and commodity price reporting agency providing data, news and insight as well as conference and consulting services. Companies in more than 140 countries around the world use Argus prices to index physical trade and as benchmarks in financial derivative markets as well as for analysis and planning purposes. Prior to its acquisition by Argus, Integer Research was an internationnaly recognized independent consultant to the fertilizers and chemicals industry that provided market studies, including supply/demand, trade and cost analysis and price forecasts. With respect to nitrogen, they offered capabilities across the nitrogen value chain, including analysis of ammonia, urea, UAN, and other nitrogen products. They produced market documentation for lenders and banks in support of project financing for greenfield and brownfield fertilizer projects. Through their offices in London, Beijing and Tokyo, Integer Research offered consultancy services and industry intelligence to fertilizer and chemicals markets worldwide.

Project Site

Karnalyte continues to narrow its list of potential project sites located in Central Saskatchewan that match Karnalyte's project site selection criteria, which include adequate space for the initial development, as well as for potential future expansion, together with proximity to all requisite infrastructure, including natural gas, power, water, rail and highway.

Interest from the Agricultural Industry

Karnalyte continues to receive interest in the Project from a number of agriculture industry participants and Karnalyte is currently engaged in discussions with such industry participants. Those discussions confirm Karnalyte's market thesis that there is both a desire and a demand for an independent, alternate source of supply of nitrogen fertilizer in central Saskatchewan, however, such discussions remain preliminary in nature and no agreements or arrangements have yet been concluded.

Milestones: Indicative project development milestones include:

• Receipt of EOIs	Complete
• Receipt of Phase 1 independent market analysis	Complete
• Project Site – selection of preferred site	Fourth Quarter 2018
• Issuance of Request for Proposal:	Fourth Quarter 2018

About Karnalyte Resources Inc.

Karnalyte Resources Inc. is an advanced 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 tonnes per year (Mtpy). 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 Mtpy. 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.

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 of 445,000 Mtpy nameplate capacity, which was commissioned in the year 2000 based on Linde's technology (after the two old ammonia plants established in 1969 were retired due to higher energy consumption), and two urea plants, with a total of 370,590 Mtpy nameplate capacity which were established in 1969, at its fertilizer production complex in Vadodara, Gujarat State, India. GSFC's urea plants have consistently operated at optimum capacity over the past five decades.

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.