

Karnalyte Resources Announces Corporate Update, Preparation Of ESG Strategy, And Launch Of Rights Offering

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SASKATOON, SK, June 22, 2022 - [Karnalyte Resources Inc.](#) ("Karnalyte" or the "Company") (TSX: KRN), is pleased to announce today a number of updates on initiatives to enhance business operations, raise capital and increase shareholder value.

"By updating our NI 43-101, embarking on our first-ever ESG strategy, and raising capital through a rights offering, Karnalyte is working toward its goal of becoming a low-cost, sustainable producer of high-quality potash, with the goal of establishing the next greenfield, environmentally innovative potash mine," said Danielle Favreau, Interim CEO of Karnalyte.

Corporate Update on NI 43-101 technical report

As previously announced, based on an improvement in potash commodity price trends that began in 2021, Karnalyte decided to proceed with an update to its NI 43-101 compliant technical report as part of the Company's strategic development plan. And due to the impact of potash supply constraints following Russia's invasion of Ukraine in February, 2022, present potash price forecasts continue to support that decision. Over the past 6 months, Karnalyte has been focused on the update to its NI 43-101 compliant technical report, following the announcement of leading global consulting and engineering firm Wood PLC serving as independent lead author. As part of the technical report update, the Company has also engaged industry leading solution mining and engineering firm ERCOSPLAN ingenieurgesellschaft Geotechnik und Bergbau mbH ("ERCOSPLAN") to assist with the project, including the update of the mineral resource estimation and the mine plan for brine field development as the basis for the mineral reserve estimate.

The update to the technical report is progressing, and since its last update includes key milestones such as a positive review of core samples by ERCOSPLAN, as well as discussion and confirmation by Saskatchewan's Ministry of Environment that Karnalyte's 2013 environmental assessment approval remains valid (subject to the same conditions when first approved). The overall supply chain constraints impacting suppliers worldwide, however, have resulted in some delays for the project at this time. Karnalyte will provide a further update as appropriate when the technical report is finalized.

Appointment of consulting firm for ESG strategy development

In line with a number of strategic plans that build on Karnalyte's environmental advantages and recent governance advancements, the Company is pleased to announce its engagement with Karri Howlett Consulting Inc. ("Karri Howlett Consulting" or "KHCI") to prepare an Environmental, Social and Governance ("ESG") strategy report. The report will seek to enhance Karnalyte's existing policies and practices to ensure they are up to date and in line with current and peer ESG trends, and that the Company continues operating in the best interests of its business and stakeholders.

KHCI will begin with a thorough analysis that identifies key focus areas for each Karnalyte stakeholder, including the Company's investors, employees, prospective customers, local communities and regulators. The consulting firm will then prepare a report that provides three to five practical recommendations for implementation by the Company under each of the Environmental, Social and Governance categories.

"The recommendations to come from the ESG strategy report will be beneficial to not only the core business, but to our shareholders and to the local communities we operate in," commented Ms. Favreau. "We look forward to the strategies identified, which will help to further Karnalyte's strategic position in the potash sector and ultimately enhance the value we bring to investors."

Karri Howlett, CFA, is the lead consultant on this project, with over 20 years of experience in providing corporate strategy and risk analysis. Ms. Howlett currently sits on the Board of NexGen Energy as Chair of the ESG Committee, sits on the Board of Gold Royalty as Chair of the ESG Committee, serves as Vice-Chair on the board of Saskatchewan Trade Export Partnership, and sits on the board of March Consulting.

Announcement of Rights Offering to shareholders

Finally, Karnalyte's Board of Directors has approved a rights offering (the "Rights Offering") as part of the Company's capital raise strategy in order to provide a viable and attractive investment opportunity for existing shareholders. The Rights Offering is to be made only to holders of common shares of record at the close of business on June 28, 2022 (the "Record Date"). Karnalyte intends to use the proceeds to advance development of its Wynyard Potash Project.

"The capital generated from the Rights Offering will go towards advancing a core Company mission, while providing shareholders with an attractive and mutually beneficial investment opportunity," said Ms. Favreau. "We look forward to progressing on the Wynyard Potash Project and unlocking its full potential."

Karnalyte will issue rights ("Rights") to subscribe for up to an aggregate of 14,058,282 common shares at a subscription price of \$0.35 per common share, raising approximately \$4,920,398.70 million. The Company will issue one (1) Right for each common share held. Each three (3) Rights will entitle the holder to subscribe for one common share of Karnalyte upon payment of the subscription price of C\$0.35 per common share.

It is expected that the Rights will trade on the Toronto Stock Exchange under the symbol "KRN.RT" commencing on June 28, 2022 and will trade until 12:00pm (Toronto time) on July 29, 2022 (the "Expiry Time"), after which time unexercised Rights will be void and of no value.

Shareholders who fully exercise their Rights under the basic subscription privilege will be entitled to subscribe for additional common shares, if available as a result of unexercised Rights prior to the Expiry Time, and subject to certain limitations as set out in the Company's Rights Offering circular to be filed on SEDAR under Karnalyte's profile at www.sedar.com. The Company expects to close the Rights Offering on or before August 10, 2022.

For more information, please see the Rights Offering Notice and the Rights Offering Circular available on Karnalyte's website at www.karnalyte.com and its SEDAR profile at www.sedar.com.

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 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 Company's 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.

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 Project, the confirmation in an independent feasibility study of Karnalyte's assumptions regarding the technical and economic viability of the 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 Board, 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 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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