

KARNALYTE RESOURCES INC. ANNOUNCES 2022 SECOND QUARTER RESULTS

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SASKATOON, SK (CNW- August 12, 2022) - Karnalyte Resources Inc. ("Karnalyte" or the "Company") (TSX: KRN) today announced its financial results and corporate highlights for the second quarter ended June 30, 2022.

UPDATE TO THE NI 43-101 COMPLIANT TECHNICAL REPORT

Based on an improvement in potash commodity price trends that began in 2021, Karnalyte, as previously announced, made the decision to proceed with an update to its NI 43-101 compliant technical report as part of its strategic development plan, and has maintained its focus on this important step throughout the second quarter of 2022. Given the impact of potash supply constraints following Russia's invasion of Ukraine in February 2022, present potash price forecasts remain favourable, further supporting this decision.

Over the past 6 months, Karnalyte has taken concrete steps in advancing the update to the NI 43-101 compliant technical report, including its 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.

Karnalyte continues making headway on this necessary step for construction of the Potash Project. Since its announcement, the update to the technical report has completed a number of key milestones, including a positive review of core samples by ERCOSPLAN, as well as discussion and confirmation by the Saskatchewan Government's Ministry of Environment that Karnalyte's 2013 environmental assessment approval remains valid (subject to the same conditions when first approved).

As Saskatchewan continues to be an attractive jurisdiction for miners, the increase in commodity prices that has resulted in significant growth in Western Canada's economic activity, along with the overall supply chain constraints impacting suppliers worldwide, have resulted in some delays to the update to the technical report. Karnalyte will look to maximize the benefits of the current market conditions in the meantime, and 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 governance advancements, the Company has engaged Karri Howlett Consulting Inc. ("Karri Howlett Consulting" or "KHCI") to prepare an Environmental, Social and Governance ("ESG") strategy report. The report will carefully analyze key focus areas per Karnalyte stakeholders, and provide practical recommendations under each of the Environmental, Social and Governance categories. Seeking to enhance Karnalyte's existing policies and practices, the resulting recommendations will help ensure the Company is up to date and in line

with current and peer ESG trends, and that it continues operating in the best interests of its business and stakeholders to further strengthen its strategic position in the potash sector.

RIGHTS OFFERING

On June 22, 2022, the Company announced the launch of a rights offering (the “Rights Offering”) as part of its capital raise strategy in order to provide a viable and attractive investment opportunity for existing shareholders. On August 3rd, the Company announced the successful completion of this Rights Offering, following the expiry on July 29, 2022, raising a total of \$3,862,000 in proceeds as additional capital for, among other things, the development of the Potash Project. Karnalyte is pleased to announce participation of Gujarat State Fertilizers and Chemicals Limited (“GSFC”) in the Rights Offering, a major agriculture sector business in India, providing additional investment in Karnalyte and further demonstrating its ongoing commitment and support for the Company and the Potash Project.

OUTLOOK FOR 2022

Karnalyte will maintain momentum for the third quarter of 2022. The Company will continue to focus on the completion of the update to the NI 43-101 compliant technical report, completion of the ESG strategy report for recommendations in developing a robust ESG strategy, and efforts to further support the raising of project financing and project development.

2022 SECOND QUARTER RESULTS

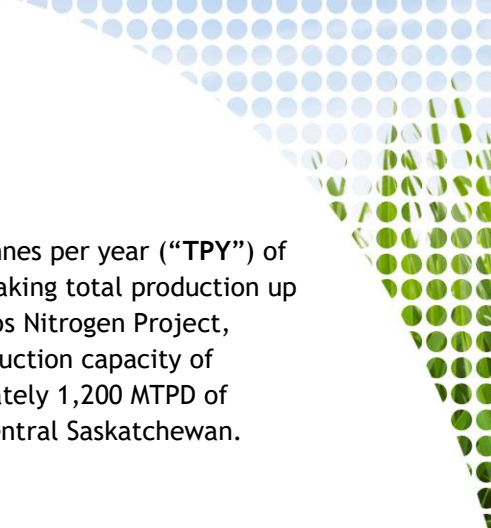
At June 30, 2022, the Company had cash of \$1 million and positive net working capital of \$.6 million and no debt. Karnalyte’s Second Quarter 2022 Financial Statements and Managements’ Discussion and Analysis are available at www.sedar.com and on Karnalyte’s website at www.karnalyte.com.

The following information has been summarised from the Company's Condensed Interim Unaudited Financial Statements.

	June 30, 2022	June 30, 2021
Total revenue	-	-
Net and comprehensive loss	(424)	(839)
Basic and diluted per share	(0.01)	(0.02)
Total current assets	1,504	3,388
Total assets	7,185	9,305
Total liabilities	2,225	2,774
Total shareholders’ equity	4,960	6,531

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.

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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.