



ANNUAL INFORMATION FORM

For the year ended December 31, 2025

Dated March 31, 2026

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GLOSSARY OF TERMS

The following are defined terms used in this Annual Information Form:

"\$" and "dollars" means Canadian dollars.

"ABCA" means the *Business Corporations Act* (Alberta) together with any amendments thereto and where applicable, includes all regulations promulgated thereunder.

"AIF" means this annual information form dated March 31, 2026.

"Board of Directors" or "Board" means the board of directors of the Company.

"CAPEX" means capital expenditures.

"carnallite" means a highly deliquescent evaporite mineral, being hydrated potassium magnesium chloride, with the chemical formula of $KCl \cdot MgCl_2 \cdot 6(H_2O)$.

"carnallitite" means rock material consisting primarily of carnallite, along with sylvite, halite and insoluble materials such as clays, anhydrite, and dolomite.

"CIM Definition Standards" means the CIM Definition Standards for Mineral Resources and Mineral Reserves, dated May 10, 2014, approved on May 10, 2014 by Council of the Canadian Institute of Mining, Metallurgy and Petroleum.

"Common Shares" means common shares in the share capital of the Company.

"Company" or "Karnalyte" means Karnalyte Resources Inc., a corporation incorporated under the ABCA.

"ERCOSPLAN" means ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH, an independent engineering company based in Erfurt, Germany that provides consulting services for potash exploration, mining, and processing.

"Framework Agreement" means the agreement dated March 14, 2016 and made effective February 24, 2016 by and among the Company, GSFC, and Mr. Robin Phinney, as further described in the material change report filed by the Company on March 18, 2016, and which agreement expired on September 30, 2016.

"GSFC" means Gujarat State Fertilizers & Chemicals Limited, a publicly-traded Indian agribusiness company focused on the production and sale of fertilizers and industrial products.

"halite" means the natural mineral form of sodium chloride, or NaCl.

"**high quality**" means, when used in relation to potash and fertilizer, low sodium content, and when used in relation to magnesium products, minimal impurities.

"**hydromagnesite**" means a hydrated magnesium carbonate mineral, with the chemical formula of $Mg_5(CO_3)_4(OH)_2 \cdot 4H_2O$.

"**Indicated Mineral Resource**" has the meaning ascribed to it under the heading "Technical Information".

"**Inferred Mineral Resource**" has the meaning ascribed to it under the heading "Technical Information".

"**Initial Facility**" means the planned solution mining facility of the Company which is intended to initially produce 675,000 tonnes of potash per year.

"**K₂O**" is a chemical term used in the analysis and marketing of fertilizers that contain different potassium compounds, as a comparison of their relative potassium content when compared to equivalent potassium oxide (K₂O). Pure KCl is equivalent to 63.178% K₂O.

"**Karnalyte Property**" means the approximately 90,766 acres (36,733 hectares) of land located in south central Saskatchewan that is included in the Leases.

"**KCl**" is the chemical formula for potassium chloride, or potash.

"**Leases**" means Subsurface Mineral Lease KLSA 010, Subsurface Mineral Lease KL 246, and Subsurface Mineral Lease KL 247A, and "**Lease**" means any one of them.

"**MARCH**" means March Consulting Associates Inc., an independent engineering and project management company.

"**MD&A**" means management discussion and analysis.

"**Measured Mineral Resource**" has the meaning ascribed to it under the heading "Technical Information".

"**MgCl₂**" is the chemical formula for magnesium chloride.

"**Mineral Reserve**" has the meaning ascribed to it under the heading "Technical Information".

"**Mineral Resource**" has the meaning ascribed to it under the heading "Technical Information".

"**Modifying Factor**" has the meaning ascribed to it under the heading "Technical Information".

"**MTPD**" means metric tonnes per day.

"NaCl" is the chemical formula for sodium chloride.

"NI 43-101" means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

"NI 52-110" means National Instrument 52-110 - *Audit Committees*.

"**Offtake Agreement**" means the offtake agreement dated January 10, 2013 and entered into between the Company and GSFC.

"OPEX" means operational expenditures.

"**Patience Lake Member**" means the uppermost potash and carnallite bearing bed within the Prairie Evaporite Formation.

"**Permit Area**" means the area covered by the historical Permit KP 360 or Permit KP 360A, as the case may be.

"**Permit KP 360**" means the subsurface mineral permit issued on March 13, 2008 by the Saskatchewan Ministry that was held by the Company for rights to explore and prospect for subsurface minerals on portions of Karnalyte Property, which permit was replaced with Permit KP 360A and Subsurface Mineral Lease KLSA 010.

"**Permit KP 360A**" means the subsurface mineral permit issued by the Saskatchewan Ministry on February 14, 2011 to the Company that, along with Subsurface Mineral Lease KLSA 010, replaced Permit KP 360 and provided the Company with exclusive rights to explore and prospect for subsurface minerals located within the Permit Area, which Permit KP 360A subsequently expired on March 12, 2016 and was replaced by Subsurface Mineral Lease KL 246 and Subsurface Mineral Lease KL 247.

"**Phase I**" means the Company's proposed development of the Wynyard Potash Project with an expected production capacity of 675,000 TPY of potash.

"**Phase II**" means the proposed development of the Wynyard Potash Project with an expected production capacity of 750,000 TPY, bringing the total capacity with Phase I to 1,425,000 TPY of potash.

"**Phase III**" means the proposed development of the Wynyard Potash Project with an expected production capacity of 750,000 TPY of potash, bringing the total capacity with Phase I and Phase II to 2,175,000 TPY of potash.

"**potash**" means the commercial name for potassium chloride, used as a fertilizer and as an industrial feedstock.

"**potassium chloride**" is the chemical compound that is a metal halide composed of potassium and chloride.

"Prairie Evaporite Formation" means an underground sedimentary formation containing many layers of salts and insoluble material, formed by evaporation of water from ancient seas.

"Preferred Shares" means preferred shares in the share capital of the Company.

"preliminary feasibility study" or **"pre-feasibility study"** means a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social and environmental factors and the evaluation of other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or a part of the mineral resource may be classified as a mineral reserve.

"Probable Mineral Reserve" has the meaning ascribed to it under the heading "Technical Information".

"Proteos Nitrogen Project" means the nitrogen fertilizer project the development of which the Company had been actively exploring, which project was intended to be a small-scale, ammonia and urea plant to be located in central Saskatchewan with a nameplate production capacity of approximately 700 MTPD ammonia and approximately 1,200 MTPD urea, and would have been designed to produce anhydrous ammonia (82-0-0) and granular urea (46-0-0), and which, in March 2025, the Company paused to focus on the Wynyard Potash Project and the review of its development strategy.

"Proven Mineral Reserve" has the meaning ascribed to it under the heading "Technical Information".

"Qualified Person" has the meaning ascribed to it in NI 43-101.

"RESPEC" means RESPEC Consulting Inc., an independent geoscience and engineering consulting company.

"Saskatchewan Ministry" means the Saskatchewan Ministry of Energy and Resources (and its predecessors and successors, as applicable).

"SEDAR+" means the System for Electronic Document Analysis and Retrieval Plus, which is the electronic filing system for the disclosure documents of reporting issuers across Canada, available at www.sedarplus.ca.

"SRC" means the Saskatchewan Research Council, a Saskatchewan treasury board crown corporation that provides services related to technology commercialization and applied research, development, and demonstration.

"Subscription Agreement" means the subscription agreement dated January 10, 2013 and entered into between the Company and GSFC.

"**Subsurface Mineral Lease KL 246**" means the Subsurface Mineral Lease KL 246 issued on June 23, 2016 by the Saskatchewan Ministry to the Company which has an initial term that commenced on March 13, 2016 and expires on April 24, 2037, as such lease may be amended or replaced from time to time.

"**Subsurface Mineral Lease KL 247**" means the Subsurface Mineral Lease KL 247 issued on June 23, 2016 and replaced on November 23, 2016 by Subsurface Mineral Lease KL 247A.

"**Subsurface Mineral Lease KL 247A**" means the Subsurface Mineral Lease KL 247A issued on November 23, 2016 by the Saskatchewan Ministry to the Company which has an initial term that commenced on March 13, 2016 and expires on April 24, 2037, as such lease may be amended or replaced from time to time.

"**Subsurface Mineral Lease KLSA 010**" means the Subsurface Mineral Lease KLSA 010 issued on February 14, 2011 by the Saskatchewan Ministry to the Company which has an initial term that commenced on September 8, 2010 and expires on September 7, 2031, as such lease may be amended or replaced from time to time.

"**sylvinite**" means a rock containing sylvite, in varying mixtures with halite and insoluble material.

"**sylvite**" means a natural mineral form of potassium chloride.

"**Technical Report**" means the Company's technical report entitled "NI 43-101 Technical Report on the Feasibility Study of the Wynyard Project, Saskatchewan, Canada" dated as of November 26, 2025 and filed on SEDAR+ on January 7, 2026.

"**tonne**" means a metric ton, equal to 1,000 kilograms.

"**TPY**" means tonnes per year.

"**TSX**" or "**Exchange**" means the Toronto Stock Exchange.

"**Updated Feasibility Study**" means the updated feasibility study for the Wynyard Potash Project, the results of which are described in the Technical Report.

"**US**" or "**United States**" means the United States of America, its territories or possessions, any state of the United States and the District of Columbia.

"**Wood**" means Wood Canada Limited (formerly Amec Foster Wheeler Americas Limited), a leading global consulting and engineering company.

"**Wynyard Project**" or the "**Wynyard Potash Project**" means the potash and magnesium exploration and development project of the Company on the Karnalyte Property.

FORWARD LOOKING INFORMATION

Certain statements in this AIF constitute "forward-looking information" or "forward-looking statements" (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities legislation. Forward-looking statements relate to future events or future performance and reflect the Company's current expectations, beliefs, and assumptions regarding future events. Forward-looking statements are often, but not always, identified by the use of words or phrases such as "accelerate", "advance", "anticipate", "believe", "budget", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "plan", "potential", "project", "pursue", "schedule", "seek", "should", "strategy", "target", "will", "would", or similar words or phrases suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

Forward-looking statements in this AIF include, but are not limited to, statements with respect to: the anticipated development, construction, and operation of the Wynyard Potash Project; the results of the Updated Feasibility Study, including projected mine life, production capacity, capital and operating costs, net present value, internal rate of return, and other economic metrics; estimated Mineral Resources and Mineral Reserves; planned production of potash and hydromagnesite; the Company's ability to obtain financing for the development of the Wynyard Potash Project; the Company's expectations regarding the potash and hydromagnesite markets, including demand, pricing, and competition; the Company's ability to obtain and maintain required permits, licences, and approvals; the Company's relationship with GSFC and the performance of the Offtake Agreement; the review of the Company's development strategy, including the assessment of magnesium chloride co-production; the status and potential resumption of the Proteos Nitrogen Project; and the Company's expectations regarding its business strategy, plans, and objectives.

Forward-looking statements are based on a number of material factors and assumptions which management believes to be reasonable at the time, including but not limited to:

- potash and hydromagnesite prices will be consistent with the assumptions set out in the Technical Report;
- the Company obtains the additional financing required to develop the Wynyard Potash Project;
- the Company executes its project development plans in a manner consistent with the Technical Report, including estimated total initial capital expenditures of approximately \$4.19 billion;
- estimates of Mineral Resources and Mineral Reserves as set out in the Technical Report are accurate;
- the three-phase production ramp-up from 675,000 TPY to 1,425,000 TPY to 2,175,000 TPY of potash is achieved in accordance with the projected timeline;

- the hydromagnesite market can absorb annual production of 104,000 TPY without material adverse impact on pricing;
- the Company continues to hold title to the Karnalyte Property and such title is not challenged or impacted in any material manner;
- the Company is able to obtain and maintain required approvals, licences, and permits, including any extensions to the Environmental Impact Statement, in a timely manner;
- the GSFC Offtake Agreement remains in effect and is performed as anticipated;
- the Company's key senior management continue in their respective roles;
- environmental and other applicable laws and regulations are not amended, repealed, or applied in a manner that materially impacts the development and operation of the Wynyard Potash Project;
- the future mining and processing facilities operate as anticipated in the Technical Report; and
- the Company is able to develop and maintain the infrastructure required to produce, store, and transport its products.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements to be materially different from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, those set out under the heading "Risk Factors" in this AIF and in the Company's annual MD&A for the year ended December 31, 2025, which is available on SEDAR+ at www.sedarplus.ca.

Although the Company believes the expectations and assumptions upon which the forward-looking statements are based are reasonable, no assurance can be given that these expectations and assumptions will prove to be correct. Accordingly, readers should not place undue reliance on forward-looking statements. 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.

The forward-looking statements in this AIF are made as of the date of this AIF and the Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable securities laws. All forward-looking statements contained in this AIF are expressly qualified by this cautionary statement.

Further information about the factors affecting forward-looking statements is available in the Company's annual MD&A and audited annual financial statements for the year ended December

31, 2025 which have been filed with Canadian provincial securities commissions and are available on SEDAR+ at www.sedarplus.ca.

TECHNICAL INFORMATION

The disclosure included in this AIF uses Mineral Reserves and Mineral Resources classification terms that comply with reporting standards in Canada and the Mineral Reserve and Mineral Resources estimates are made in accordance with the CIM Definition Standards, which were adopted by NI 43-101. NI 43-101 is a rule that establishes strict requirements for how mining companies publicly disclose scientific and technical information about mineral projects, ensuring the disclosure is accurate, transparent, and verified by Qualified Persons. The following definitions are reproduced from the CIM Definition Standards:

A "**Modifying Factor**" or "**Modifying Factors**" are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social, and governmental factors.

A "**Mineral Resource**" is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated, and Measured categories.

An "**Inferred Mineral Resource**" is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

An "**Indicated Mineral Resource**" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

A "**Measured Mineral Resource**" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final

evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Mineral Reserve or to a Probable Mineral Reserve.

A "**Mineral Reserve**" is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a pre-feasibility study or feasibility study.

A "**Probable Mineral Reserve**" is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.

A "**Proven Mineral Reserve**" is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

The scientific and technical disclosure in this AIF is based on the Technical Report, a summary of which is attached as Appendix "A". The Technical Report was reviewed and approved by the following Qualified Persons, each of whom is independent of the Company:

- Tabetha Stirrett, P.Geo., 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; and
- Kyle Krushelniski, P.Eng., Senior Project Manager, MARCH.

The Technical Report, which has an effective date of November 26, 2025, was filed on SEDAR+ on January 7, 2026 and is available under the Company's profile at www.sedarplus.ca. The full Technical Report is incorporated by reference into this AIF.

Unless otherwise indicated, all of the Company's Mineral Reserves and Mineral Resources included in this AIF have been prepared in accordance with NI 43-101.

CORPORATE STRUCTURE

The Company was incorporated pursuant to the ABCA on November 16, 2007. Effective April 9, 2008, Karnalyte's articles were amended by a Certificate of Amendment to increase the minimum number of directors from one to three, and to remove the restrictions on share transfers.

The Company's head office is located at 1201 - 409 3rd Avenue S, Saskatoon, S7K 5R5. The Company's registered office is located at 2100 Livingston Place, 222 3rd Avenue SW, Calgary, AB T2P 0B4.

The Company has no subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

2023

Karnalyte worked with Wood on additional evaluation of cost savings related to the compaction, drilling and insulation areas of the Wynyard Project.

2024

Karnalyte continued to work on completing the Technical Report. This included pursuing strategic cost-saving measures, including overseas equipment sourcing, with support from GSFC and leadership from Wood PLC. The Company also optimized operations by selling non-essential assets.

The Company also initiated a review of its development strategy to explore the economic potential of increasing magnesium chloride production alongside its potash project.

2025

In March 2025, the Company paused the Proteos Nitrogen Project to focus on the Wynyard Potash Project and the review of its development strategy.

In the second quarter of 2025, the Company sold three parcels of farmland that were not core to the Wynyard Potash Project for net proceeds of approximately \$1,408,000, with a net gain on sale of \$988,000. The proceeds were directed towards supporting the Company's development activities, advancing its project plan and funding working capital requirements.

During the year, the Company restated its financial statements for the year ended December 31, 2024 and comparative periods to correct a calculation error in the decommissioning liability, which increased from \$1,289,000 to \$1,571,000.

On November 26, 2025, the Company announced the results of the Updated Feasibility Study for the Wynyard Potash Project. Key highlights include a projected 70-year mine life with positive project economics, an after-tax net present value of \$2.04 billion at an 8% discount rate and an internal rate of return of 12.5%, annual production of 2.175 million tonnes of potash and 104,000 tonnes of hydromagnesite, and a secured offtake agreement supporting reliable cash flow.

Subsequent to December 31, 2025

On January 7, 2026, the Company filed the NI 43-101 compliant Technical Report on the Updated Feasibility Study of the Wynyard Potash Project on SEDAR+.

DESCRIPTION OF THE BUSINESS

General

The Company is engaged in the business of exploration and development of high quality agricultural and industrial potash. The Company intends to develop the Wynyard Potash Project and extract carnallite-sylvite mineral deposits through a solution mining process, at competitive cost and with minimal environmental impact. Using a staged approach to potash plant construction, the Company plans to operate the Initial Facility to produce 675,000 TPY of potash, increasing to 1,425,000 and 2,175,000 TPY of potash by the completion of Phase II and Phase III respectively.

The Company's potash exploration and development project on the Wynyard Potash Project is within a dominant zone of carnallite and sylvite mineralization. In 2011, the Company drilled two geotechnical drill holes and seven new exploration drill holes on the Wynyard Potash Project. These are in addition to the two previous exploration drill holes drilled by the Company in 2009 and the two historical drill holes located on the Karnalyte Property. To date, the Company has conducted advanced exploration on approximately 17,544 acres, or approximately 20% of the Karnalyte Property.

In addition to the Wynyard Potash Project, the Company had announced the Proteos Nitrogen Project, which was paused in March 2025. See "Proteos Nitrogen Project".

Offtake Agreement with GSFC

Karnalyte and GSFC have entered into an Offtake Agreement for GSFC's purchase of approximately 350,000 TPY of potash from Phase I. The Company and GSFC intend to commence the offtake with commercial production from Phase I with the result that the Company will secure sales for approximately 52% of its intended potash production from Phase I for approximately 20 years. The Offtake Agreement also provides GSFC with the option to increase its offtake up to 600,000 TPY from Phase I and Phase II, and up to 1,000,000 TPY from Phase I, Phase II, and Phase III.

Proteos Nitrogen Project

The Proteos Nitrogen Project was a proposed small-scale nitrogen fertilizer plant to be located in central Saskatchewan, having a nameplate production capacity of approximately 700 MTPD (metric tonnes per day) 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 was independent local Saskatchewan fertilizer wholesalers within a 400-kilometer radius of Saskatoon, Saskatchewan. A secondary target market was the US Midwest fertilizer wholesalers near to the Canadian-United States border. The proposed plant would have been the first greenfield nitrogen fertilizer plant built in Canada in the last 26 years.

In 2019, progress on investigating the viability of the Proteos Nitrogen Project included examination of potential project sites and the preparation of a pre-feasibility study for the Proteos Nitrogen Project. At the end of 2019, the Company received the first draft of the study. The study included investigation and analysis of project location and site selection, an evaluation of the production process and technology options, a project description, analysis of process selection for both the ammonia and urea plants, an analysis of raw material, utility and product specifications, an analysis of environmental implications, a financial analysis, and identification and analysis of the risks inherent in the project. The study also contemplated a project implementation plan and time schedule.

The Company completed the study in July of 2020. The study's key conclusions included:

- the preliminary economic viability of the Proteos Nitrogen Project, with an internal rate of return and equity rate of return that approaches Company benchmarks, based on the average pricing over the past four years for bulk urea and ammonia;
- potential market growth of urea in Saskatchewan to approximately 2.64 million tonnes, up from current demand estimates of approximately 1.2 million tonnes, based on Government of Saskatchewan information; and
- the project's implementation is expected to require three years following the preparation of a detailed project report and assuming a positive investment decision and commencement of construction by the Company.

In March 2025, the Company paused the Proteos Nitrogen Project to focus on the Wynyard Potash Project and the review of its development strategy. The Proteos Nitrogen Project remains under consideration as a potential future initiative, subject to prevailing market conditions and the Company's strategic priorities, but the Company is not currently committing resources to its advancement.

Summary from the Technical Report

The following is a summary of the key highlights from the Technical Report. The complete summary from the Technical Report is attached to this AIF as Appendix "A" and forms part of

this AIF. The Technical Report is available in its entirety under the Company's profile on SEDAR+ at www.sedarplus.ca and is incorporated by reference into this AIF.

The Technical Report was prepared by Wood, RESPEC, ERCOSPLAN, and MARCH and has an effective date of November 26, 2025. The Technical Report was filed on SEDAR+ on January 7, 2026.

Key Highlights:

Metric	Value
Mine Life	70 years
After-Tax NPV (8% discount rate)	\$2.04 billion
After-Tax IRR	12.5%
After-Tax Payback	8.8 years
Total Initial Capital Cost	\$4.19 billion
Annual Potash Production (at full capacity)	2.175 million tonnes
Annual Hydromagnesite Production	up to 104,000 tonnes
Proven and Probable Mineral Reserves	777.1 Mt

The Mineral Reserve estimate includes Proven Mineral Reserves and Probable Mineral Reserves for KCl and hydromagnesite. For full details of the Mineral Reserve and Mineral Resource estimates, including quantity, grade, key assumptions, and methods, see Appendix "A" and the Technical Report.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The results of the Updated Feasibility Study constitute forward-looking information and are based on the assumptions described under "Forward Looking Information" and in the Technical Report, including assumptions regarding commodity prices, capital and operating costs, and other factors. Actual results may differ materially.

Proprietary Protection

The Company relies upon intellectual property rights to maintain proprietary control over its improvements to the industry standard solution mining process and the formulation of the Company's anticipated products. The Company also maintains proprietary concepts, inventions, and technology as confidential information and generally only discloses them to third parties under the protection of confidentiality agreements.

The Company was granted three trademark registrations with the Canadian Intellectual Property Office on September 21, 2015. The Company was granted three trademark registrations with the United States Patent and Trademark Office which issued in March 2017. In March 2023, the Company decided to abandon its trademark registrations with the United States Patent and Trademark Office as it is not yet in a position to sell its products in the United States.

The Company also relies on common law trademark rights to protect its corporate identity. The Company uses the name Karnalyte for its business in the jurisdictions where it operates. The Company has also registered the following domain name which it uses in connection with its business: www.karnalyte.com.

Patent applications have been filed by the Company in Canada and the United States for improvements on various portions of the industry standard solution mining process and for the formulation of anticipated products. See "Forward Looking Information". The following table summarizes the patent applications that have been filed by the Company.

The Company has been granted the following patents for the following inventions:

Jurisdiction	Patent Application Number	Patent Number	Filing Date/ Issue Date	Title	Description
USA	12/539,688	8,323,371	August 12, 2009/ December 4, 2012	Process for synthesizing a compacted product	A method forming a potassium chloride particle from potassium chloride powder having resistance to moisture absorption and shrinkage is set forth. The original feedstock comprises potassium chloride in a size distribution of 30 mesh to 100 mesh as well as a gluten based binder. The technology incorporates granulation processing.
USA	13/692,470	8,685,135	December 3, 2012/ April 1, 2014	Process for synthesizing a compacted product	A method forming a potassium chloride particle from potassium chloride powder having resistance to moisture absorption and shrinkage. The original feedstock comprises potassium chloride in a size distribution of 30 mesh to 100 mesh as well as a gluten based binder.

USA	12/623,636	8,282,898	November 23, 2009/ October 9, 2012	Process for the formulation of potassium chloride from a carnallite source	A process for formulating high purity potassium chloride from a carnallite source. The process takes advantage of solubility differences and saturation levels in a multiple salt system generated upon dissolution of carnallite. In the system, the sodium chloride is kept in solution and the MgCl ₂ present in the system is controlled to be in a concentration range of between 12% and 25% by weight. This avoids co-precipitation of sodium chloride with the potassium chloride during crystallization and therefore prevents the sodium chloride from contaminating the potassium chloride. The result is high grade potassium chloride.
Canada	2,638,521	2,638,521	August 1, 2008/ June 18, 2013	Method of selectively dissolving minerals from a carnallite or sylvinitic source	A method for producing high grade potassium chloride from a source of carnallite. The method solubilizes and purifies the carnallite to produce potassium chloride having low levels of contaminants and resistance to hygroscopic behaviour.
Canada	2,638,704	2,638,704	August 13, 2008/ April 8, 2014	Process for Producing Potassium Chloride Granulars	A method forming a potassium chloride particle form potassium chloride powder having resistance to moisture absorption and shrinkage. The original feedstock comprises potassium chloride in a size distribution of 30 mesh to 100 mesh as well as a gluten based binder.
Canada	2,703,276	2,703,276	May 5, 2010/ November 17, 2015	Method for improving ore extraction	The patent application teaches a method of augmenting ore extraction from a solution mine having caverns. The method provides at least a pair of opposed caverns containing ore to be extracted. Ore is extracted from one cavern of the cavern pair to exhaust the one cavern. The tailings from the ore exhausted cavern are deposited in the exhausted cavern. This allows for more efficient solution mining

Canada	2,720,371	2,720,371	November 8, 2010/ October 11, 2016	Process for the formulation of potassium chloride from a carnallite source	A process for formulating high purity potassium chloride from a carnallite source. The process takes advantage of solubility differences and saturation levels in a multiple salt system generated upon dissolution of carnallite. In the system, the sodium chloride is kept in solution and the MgCl ₂ present in the system is controlled to be in a concentration range of between 12% and 25% by weight. This avoids co-precipitation of sodium chloride with the potassium chloride during crystallization and therefore prevents the sodium chloride from contaminating the potassium chloride. The result is high grade potassium chloride.
USA	15/126,180	10,364,156	April 10, 2015/ July 30, 2019 (National Entry Date: September 14, 2016)	Process for producing high grade hydromagnesite and magnesium oxide	The present invention provides a process for producing high purity hydromagnesite from a source of magnesium chloride. The process involves preparation of a magnesium chloride brine of a specific concentration, which is ammoniated at a specific temperature range, followed by carbonation, while maintaining the reaction at a specific temperature range to form a hydromagnesite precipitate. The product can be calcined to generate high purity magnesium oxide compounds.
USA	15/126,188	10,364,157	April 10, 2015/ July 30, 2019 (National Entry Date: September 14, 2016)	Process for producing high grade hydromagnesite and magnesium oxide	The present invention provides a process for producing high purity hydromagnesite from a source of magnesium chloride. The process involves preparation of a magnesium chloride brine of a specific concentration and reacting with sodium carbonate, while maintaining the reaction at a specific temperature range to form a hydromagnesite precipitate. The product can be calcined to generate high purity magnesium oxide compounds.
Canada	2,939,418 (based on PCT/CA2015/050301)	2,939,418	April 10, 2015 / June 23, 2020 (National Entry Date: August 11, 2016)	Process for producing high grade hydromagnesite and magnesium oxide	The present invention provides a process for producing high purity hydromagnesite from a source of magnesium chloride. The process involves preparation of a magnesium chloride brine of a specific concentration, which is ammoniated at a specific temperature range, followed by carbonation, while maintaining the reaction at a specific temperature range to form a hydromagnesite precipitate. The product can be calcined to generate high purity magnesium oxide compounds.

Canada	2,939,417 (based on PCT/CA2015/050298)	2,939,417	April 10, 2015 / April 28, 2020 (National Entry Date: August 11, 2016)	Process for producing high grade hydromagnesite and magnesium oxide	The present invention provides a process for producing high purity hydromagnesite from a source of magnesium chloride. The process involves preparation of a magnesium chloride brine of a specific concentration and reacting with sodium carbonate, while maintaining the reaction at a specific temperature range to form a hydromagnesite precipitate. The product can be calcined to generate high purity magnesium oxide compounds.
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Competitive Conditions

The Potash Industry

Potash is the common name given to a group of potassium-bearing minerals such as potassium carbonate and various mined and manufactured salts that contain the element potassium. While there are a number of such minerals, only those that are water-soluble are of significant commercial interest. The most common commercial product is potassium chloride (KCl), also known as muriate of potash or sylvite, a naturally occurring salty mineral of which Canada is the leading producer and exporter. Since the amount of potassium contained in potash varies, the industry has established a common standard of measurement by defining a product's potassium content in terms of equivalent percentages of potassium oxide (K₂O). For example, carnallite typically contains approximately 17% K₂O equivalent and sylvite contains approximately 63% K₂O equivalent.

Potash demand depends on the demand for fertilizer, which is based on the total planted acreage, crop mix, fertilizer application rates and farming economics. Each of these factors is affected by current and projected grain stocks and prices, governmental agricultural policies, improvements in efficiency and fertilizer application and weather.

There are a number of factors that have led to the increase in fertilizer consumption over the past 50 years and that some industry observers expect to continue, and possibly accelerate, this trend. The root of these factors is the need to produce increasing amounts of food from shrinking amounts of arable land per capita due to development. These factors include (i) world population growth, (ii) shrinking arable land per capita, (iii) changes in diet worldwide (such as increased protein consumption resulting in increased demand for grain and other animal feed), and (iv) the growth in alternative fuels that use crops as feedstock.

The Magnesium Industry

Magnesium is the eighth most abundant element in the Earth's crust and the third most plentiful element dissolved in seawater. Magnesium and magnesium compounds are recovered from seawater, wells and lake brines, and bitterns, as well as from minerals such as magnesite, dolomite, and olivine.

In contrast to potash, the uses for magnesium products are varied and the sources for magnesium compounds range from Mg bearing salts such as carnallite, bischofite and magnesium sulfates, natural occurring magnesite ($MgCO_3$), serpentinite, sea water and lake and well brines.

Magnesium Chloride Brine

Standard trade statistics provide limited information on the market for $MgCl_2$ brine. Market studies combine statistics on different grades, and across a diverse range of $MgCl_2$ products. Statistics on the import and export volumes, and regional sales or consumption figures, are not readily available for specific products.

Potential customers for magnesium chloride brine include road service contractors, municipalities and counties, mining industry participants, mineral supplement producers for salt blocks, and drilling contractors.

Uses for magnesium chloride brine include, dust control for gravel roads (summer), de-icing agent for roads (winter), sewage treatment, textiles and paper, components in cements, and drilling mud / completion fluid.

Magnesium Carbonate

Magnesite ($MgCO_3$) is a naturally occurring mineral used in a wide range of applications, the most significant of which is as feedstock for magnesia production. Synthetic magnesium carbonate is used to produce high purity magnesium compounds for the paint and printing industries as well as in fireproofing, fire-extinguishing, flooring, polishing compounds, and as fillers and smoke suppressants in the paper, plastics and rubber industries. High purity magnesium carbonate is also used as an anti-caking agent in salt, as a bulking compound in powder formulations and as an antacid. According to the Technical Report, the magnesium carbonate that could be produced at the proposed magnesium products plant could be a precipitated synthetic basic magnesium carbonate (hydromagnesite).

The market for synthetic or precipitated magnesium carbonate is a specialized market which is very closely correlated to product quality, and is not included in general market reports. According to the Technical Report, the long-term price assumption for synthetic hydromagnesite is US\$1,409 per tonne and for natural hydromagnesite is US\$740 per tonne.

Industry Outlook

The Company's management believes that the long-term prospects for the potash industry are promising. Historically, potash markets have been supported by a growing global economy. In the short term, the Company's management believes that both demand and pricing may continue to trade in a narrow, but stable, range. The fourth quarter of 2021 and the first quarter of 2022 saw potash prices increase due to sanctions placed on Belarus impacting potash exports in the fall of 2021 and the subsequent cancellation of Lithuania's rail contract with Belarus in January of 2022 impacting the ability of Belarus potash to be shipped to market. Higher prices

remained firm throughout 2022 and then softened in 2023 as capacity in Russia and Belarus returned to more normal volumes with much of Belarus potash being shipped through Russia due to sanctions resulting from the Russian invasion of Ukraine resulting in Belarus not being able to ship potash through its traditional transport routes through EU ports. Market conditions for potash strengthened slightly in 2024. Selling prices remained relatively low but strong affordability among agricultural producers resulted in strong demand for potash resulting in record sales volumes for major producers. While some marginal regional differences were noted, global potash prices continued to increase in 2025 due to robust global demand as a result of good affordability and low inventories which pushed consumption rates up. In the long term, the Company expects that demand will stay strong, especially for Canadian potash as continued geopolitical uncertainty makes Canada and specifically the Saskatchewan region an attractive supply jurisdiction. The Company will continue to closely monitor the situation.

Global fertilizer markets have been experiencing volatility in 2026 due to geopolitical developments and supply chain disruptions. Escalating conflict in the Middle East has affected global fertilizer trade and contributed to increases in natural gas prices, an important input in fertilizer production. While these developments primarily affect nitrogen and phosphate fertilizer supply chains, they underscore the importance of stable potash supply from jurisdictions such as Saskatchewan. In February 2026, the Governments of Canada and India announced a renewed commitment to strengthen collaboration in the fertilizer sector to support long-term agricultural and food security objectives. The Company believes this collaboration highlights the strategic importance of Canadian potash in global markets and reinforces the long-term demand outlook for potash, including supply to key markets such as India. The Company believes its strategic relationship with GSFC positions the Wynyard Project to participate in this growing demand.

Of particular importance to Karnalyte is the distinction between standard-grade potash and high-grade granular potash. Prices for high-grade granular potash have historically traded at a premium to standard-grade potash, and management believes that demand for high-grade granular potash will grow at a faster rate than will standard-grade potash. The Company believes that the industry outlook for its project, which is expected to have significantly lower capital expenditures compared to a conventional underground mine and to produce a premium high-grade granular product, will be favoured over standard-grade conventional underground potash mining projects.

Capital Market Outlook

Access to the capital markets is crucial for all developing companies and many junior resource companies in the exploration phase continue to face challenges in accessing the capital markets. The Company continues to seek financing for the construction of Phase I. While recently there has been renewed interest in the potash sector given the current geopolitical issues and increased potash prices, there can be no assurance that the Company will be able to secure such financing. See "Risk Factors".

Company Outlook

Wynyard Potash Project

With the completion of its optimization program in 2016 and follow-up measurement of cavern parameters in 2017, the Company achieved many of the material milestones necessary to technically de-risk the Wynyard Potash Project. In 2017, the Company measured the brine concentration, temperature, and blanket oil level in the Belle Plaine Pilot Test cavern to further match actual operating conditions to the ERCOSPLAN laboratory work and verify their modeling. In addition, the Company had a sonar map of the test cavern prepared, for comparison with the initial mapping done before the test cavern was created, to compare final results to observations and measurements taken during the test program. These activities will assist in improving the future detailed engineering design and optimizing Karnalyte's capital and operating economics. Further testing in the Patience Lake Member and the development of a dual-well cavern were determined not to be necessary and were not undertaken.

As noted above under the heading "Description of the Business - Summary from the Technical Report", the Technical Report includes updated estimates for CAPEX and OPEX for the processing of the potash plant end brine to 104,000 TPY of 99% pure hydromagnesite product. In relation thereto, in 2017 the Company extracted brine containing $MgCl_2$ from the Pilot Test Cavern and contracted SRC to conduct a lab scale testing program to further verify Karnalyte's process to produce high purity Basic Magnesium Carbonate in a specified variety of formulations to meet various industrial specifications. SRC also completed testing to convert the BMC to high grade Magnesium Oxide under various calcination conditions. The Company also had a marketing consultant prepare an evaluation of the potential markets for $MgCl_2$ brine, Basic Magnesium Carbonate (BMC) and MgO , and SRC incorporated this evaluation into their overall report.

In 2026, the Company's key priorities include advancing project development planning and operational readiness activities; progressing its development strategy review for magnesium-related opportunities; pursuing strategic partnerships, financing initiatives and business development opportunities to support project advancement; and continuing to optimize operations and capital allocation. Recent announcements regarding enhanced fertilizer sector collaboration between Canada and India further highlight the strategic importance of potash in supporting global food security and agricultural productivity. The Company believes that these developments, together with its strategic partnership and Offtake Agreement with GSFC, reinforce the long-term market opportunity for the Wynyard Project. The Company will continue to build on the completion of the Technical Report by advancing commercial, technical and strategic initiatives intended to move the Wynyard Project toward development and deliver long-term value to stakeholders.

Proteos Nitrogen Project

As noted above under the heading "Proteos Nitrogen Project", the Company had proposed to build a small-scale nitrogen fertilizer plant to be located in central Saskatchewan, which would be the first greenfield nitrogen fertilizer plant built in Canada in the last 26 years. See "Proteos

Nitrogen Project". In March of 2025, the Company paused this project to focus on the Wynyard Potash Project and the review of its development strategy.

Employees

As at December 31, 2025, Karnalyte had a total of one full-time employee and no part-time employees.

RISK FACTORS

The Company's business in mineral exploration and development is inherently risky in nature due to its formative stage of development, its current financial position, and its lack of an earnings record. As a result, the securities of the Company must be considered speculative. A prospective investor in Karnalyte should carefully consider the following risk factors.

The Company cannot guarantee that the Wynyard Potash Project will become a commercially viable mine, or that it will discover any commercially viable potash deposits.

Potash exploration, development, and operations are highly speculative and are characterized by a number of significant inherent risks, which even a combination of careful evaluation, experience and knowledge may not eliminate and may result in the inability to develop a project. These risks include, among other things, unprofitable efforts resulting from the failure to discover profitable or commercial quantities or grades of potash. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, flooding, fires, power outages, labour disruptions, and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in mining operations and the conduct of exploration and development programs, as well as the inability to obtain required capital. The process design for the hydromagnesite production facility is based on bench-scale test work and not on piloting. While the Qualified Persons have recommended a larger-scale pilot plant test to confirm the process design and capital cost, this work has not yet been completed. There is a risk that the hydromagnesite processing plant will not perform as designed. This risk has been partially mitigated by the inclusion of a higher contingency percentage for the hydromagnesite portion of the project capital cost. Additionally, the brine sent from the potash facility to feed the magnesium facility may have higher than designed impurities (sulphates, calcium), which could require additional water and reagent usage and increase operating costs. There is no assurance that the foregoing risks will not occur and inhibit, delay or cease the development of the Wynyard Potash Project or other exploration or development activities, all of which could have an adverse impact on the Company's business, results of operations and financial condition.

The Updated Feasibility Study estimates total initial capital expenditures of approximately \$4.19 billion across three phases. There can be no assurance that the Company will be able to complete the development of the Wynyard Potash Project on time, on budget, or at all. The Updated Feasibility Study is based on estimates that are subject to significant uncertainty, particularly with respect to capital costs, operating costs, production rates, recovery rates, and mineral grades. Actual costs and economic returns may differ materially from those

estimated in the Updated Feasibility Study. Construction of a greenfield solution mining facility of this scale involves inherent risks, including cost escalation, engineering and construction delays, equipment procurement challenges, labour shortages, and commissioning difficulties.

Substantial expenditures are required to establish a viable mine, to develop processes to extract potash and to investigate the economic feasibility of construction of extraction and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that the Company's potash will be of sufficient quantities or grades or in appropriate geological structures, to justify commercial operations or that the funds required for exploration and development can be obtained on a timely basis.

There can be no assurance that the Company will be able to complete development of the Wynyard Potash Project on time, on budget, or at all due to, among other things, and in addition to those factors described above, a decline in potash prices; changes in the economics of the Wynyard Potash Project; delays in receiving required consents, permits and licences; the delivery and installation of plant and equipment; changes in magnesium co-product prices, cost overruns; governmental and bank regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of commodities and environmental protection; or that the Company's personnel, systems, procedures and controls will be adequate to support operations. Should any of these events occur, it would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company may not successfully execute its project plans

Project delays may postpone the expected commencement of commercial production and expected revenues from operations. Significant project cost overruns could make the Wynyard Potash Project uneconomic. The Company's ability to execute projects and market its products will depend upon numerous factors beyond the Company's control, including the availability of processing capacity, the availability of storage capacity, the supply of and demand for its products, the availability of alternative fertilizer products, the effects of inclement weather, the availability of drilling and related equipment, unexpected cost increases, accidental events, currency fluctuations, changes in regulations, the availability and productivity of skilled labour, and the regulation of industry by various levels of government and governmental agencies.

As a result of the foregoing factors, the Company may be unable to develop the Wynyard Potash Project on time, on budget, or at all, and may not be able to effectively market its products.

Estimates of Mineral Resources and Mineral Reserves are uncertain

The figures for Mineral Resources and Mineral Reserves contained in this AIF are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized, or that Mineral Reserves will be mined or processed profitably. Such estimation is a subjective process, and the accuracy of any Mineral Resource or Mineral Reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

However, such figures are estimates, and no assurance can be given that the indicated level of Mineral Reserves will be produced. There are numerous uncertainties inherent in estimating Mineral Resources or Mineral Reserves, including many factors beyond the Company's control. Fluctuations in the price of potash, magnesium, or co-products may render Mineral Resources or Mineral Reserves containing lower grades of mineralization uneconomic. Market price fluctuations of potash, magnesium may render the present Mineral Resources or Mineral Reserves unprofitable for periods of time. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Fluctuations in potash prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of Mineral Resources or Mineral Reserves, or of the Company's ability to extract these Mineral Resources or Mineral Reserves, could have a material adverse effect on the Company's operations and financial condition.

The Company currently has no production revenues and future revenues may be uncertain

To date, the Company has not recorded any revenues from operations nor has the Company commenced commercial production at the Wynyard Potash Project or the Proteos Nitrogen Project. The Company does not expect to generate revenues from operations in the foreseeable future. The Company expects to continue to incur losses until such time as the Wynyard Potash Project enters into commercial production and generates sufficient revenues to fund its continuing operations. The exploration and development of the Karnalyte Property will require the commitment of substantial resources to conduct time-consuming development programs. There can be no assurance that the Company will generate any revenues or achieve profitability. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners and other factors, many of which are beyond the Company's control.

There are material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company is in its pre-development phase and therefore there is material uncertainty that the Company will be able to raise additional funds to maintain sufficient financial resources to fund ongoing operating and required exploration expenditures and to move forward to the production stage. As at December 31, 2025, the Company had working capital of \$150,000. In addition to ongoing operating expenses, the Company is committed to expenditures in 2026 and subsequent years on its regulatory spending requirements and mineral properties to keep the Company in good standing. The Company's cash position may also be impacted by a requirement to fund the decommissioning liability. The ability of the Company to continue as a going concern is dependent upon obtaining further equity issuances or other forms of financing. There is no assurance that the Company will be successful in obtaining required funding at an acceptable cost as and when needed or at all. Failure to obtain additional funding on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or reduce or terminate its operations.

The Company will need additional financing in the future, and cannot assure that such financing will be available

The Company does not currently have a source of funding for the capital requirements of the Wynyard Potash Project, which the Updated Feasibility Study estimates at approximately \$4.19 billion in total initial capital expenditures. The Company will need to obtain significant project financing through equity issuances, debt financing, strategic partnerships, royalty financing, or other arrangements. There can be no assurance that the Company will be able to obtain such financing on terms acceptable to the Company, or at all. Failure to obtain financing could result in the delay or indefinite postponement of the development of the Wynyard Potash Project.

Any future funding that is obtained by issuing Common Shares from treasury may result in a change of control of the Company and owners of Common Shares may suffer dilution. The failure of the Company to raise additional funds and complete the construction of the Initial Facility would have material adverse consequences on the business, financial condition and results of operations of the Company.

The Company has limited financial resources, has not earned any revenue since commencing operations, has no source of operating cash flow and there is no assurance that additional funding will be available to it for further exploration and development of the Karnalyte Property and the Wynyard Potash Project, or to fulfil its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Karnalyte Property and the Wynyard Potash Project.

To the extent financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a delay or indefinite postponement of development or production on the Karnalyte Property and the Wynyard Potash Project, or in a loss of property ownership or earning opportunities by the Company.

The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. The Company currently has no source of funding for the financing of the capital needs of its business and future activities, other than by the issuance of additional securities of the Company. If the Company is unable to generate revenues or obtain additional financing, any investment in the Company may be lost.

Adverse changes in commodity prices would adversely affect the future revenues of the Company and its ability to develop and operate the Wynyard Potash Project

The potential economic viability of the Company's operations, and the value of the Common Shares, may be significantly affected by changes in commodity prices. The economics of Phase I of the Wynyard Potash Project are highly sensitive to a change in potash prices. Potash prices can fluctuate widely and are affected by numerous factors beyond the Company's control. The market prices for potash are affected by global rates of production of potash and fluctuating

consumer demands, and may be affected by a variety of unpredictable international economic, monetary, and political considerations. Macroeconomic considerations include: expectations of future rates of inflation; the strength of, and confidence in, the US dollar, the currency in which the price of potash is generally quoted, and other currencies; interest rates; global or regional economic events; and competition from other types of fertilizers.

The Updated Feasibility Study assumes long-term potash prices of US\$516/tonne for white 61.3% K₂O granular MOP (US Corn Belt), US\$507/tonne (India) for the same, and US\$438/tonne (Vancouver) for red 60% K₂O granular. The Wynyard Potash Project's economics are most sensitive to fluctuations in the potash selling price. A sustained decline in potash prices below the levels assumed in the Updated Feasibility Study could render the Wynyard Potash Project uneconomic or materially reduce its projected returns.

The cyclical nature of the potash markets may adversely affect the Company's financial position

The market for potash tends to move in cycles. Periods of high demand, increasing profits, and high capacity utilization lead to additional capacity through expansion of existing mines and investment in new mines which results in increased production. This growth increases supply until the market is oversaturated, leading to declining prices and declining capacity utilization until a decrease in production as a result of low profitability results in production supply shortages, and a resurgence in demand for potash. This cyclical nature in prices can result in supply/demand imbalances and pressures on potash prices and profit margins which may impact Karnalyte's business, financial condition, and results of operations and price for the Common Shares. The potash industry is dependent on conditions in the global economy generally and the agriculture sector, both in North America and worldwide. The agricultural sector can be affected by adverse weather conditions, cost of inputs, commodity prices, animal diseases, the availability of government support programs and other uncertainties that may affect sales of fertilizer products. The Company is not currently producing and selling any products; however, a decrease in the interest of investors in potash (which may be caused by decreased commodity prices) could have a material adverse effect on the Company's ability to obtain financing and secure sales for its products.

The Company has a limited operating history on which to base future performance

The Company has a very limited history of operations and the Wynyard Potash Project is still in the exploration and development stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company's business will be successful or profitable and the likelihood of success must be considered in light of its early stage of operations.

The Company currently has no developed markets for its magnesium products

Karnalyte would need to develop new markets for its magnesium co-products. The diversity of potential markets offers a reasonable expectation that such markets can be developed.

However, a more comprehensive analysis will be required to better delineate products quality, demand, potential sales regions, transportation costs, and pricing variables.

The Updated Feasibility Study contemplates annual production of up to 104,000 tonnes of hydromagnesite. The current global hydromagnesite market is relatively small and Karnalyte's entry at this scale could affect pricing due to the scale of production relative to current market size. While the hydromagnesite market is forecast to grow rapidly, with a global compound annual growth rate of 22% from 2025 to 2035, there can be no assurance that the market will develop as anticipated or that the Company will be able to sell its hydromagnesite production at the prices assumed in the Updated Feasibility Study. Notwithstanding these risks, the Updated Feasibility Study demonstrates that the Wynyard Potash Project remains economically viable without hydromagnesite production, with an after-tax NPV of \$1.5 billion at an 8% discount rate in a potash-only scenario.

Solution mining of carnallite deposits has not been proven in Saskatchewan

Although the process of solution mining of carnallite deposits has been undertaken outside North America, the scale of those projects is not as large as the solution mining process planned for the Wynyard Potash Project. Solution mining of carnallite deposits in Saskatchewan has not been previously undertaken at a commercial scale and there can be no assurance that the Company's process will be economically viable. The failure of the Company's process of solution mining of carnallite deposits to be economically viable will have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will require approvals, licences and permits, that it currently does not have, in order to commence operations, and for its current exploration and development activities

The future mining operations of the Company will require approvals, licences, and permits from various governmental authorities that the Company does not currently have. There can be no assurance that the Company will be able to obtain all necessary licences and permits that may be required to carry out future mining operations, as well as exploration and development at the Wynyard Potash Project or otherwise on the Karnalyte Property.

To the extent such approvals, licences, and permits are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration, development or operation of the Karnalyte Property and the Wynyard Potash Project. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, and parties that were engaged in operations in the past, may be required to compensate those suffering loss or damage by reason of such mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or the more stringent implementation thereof, could have a material adverse effect on the Company's business, financial condition, and results of operations.

No Assurance of Titles

Title to, and the area of, mineral rights, under the Leases may be disputed and additional amounts may have to be paid to surface rights owners in connection with any development of mining activity. The properties may also be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to its properties will not be challenged or impaired.

Under Saskatchewan law, the Company is required to make certain payments, take certain actions, and meet certain required expenditures in order to keep subsurface mineral leases in good standing. If the Company defaults with respect to making payments or completing assessment and expenditure work as required, the Company may lose its rights to such leases, or the Wynyard Potash Project could be lost and its operations terminated.

The Company has purchased land to build a production facility and intends to expand development of its properties beyond what it has already purchased. The Company would have to make arrangements with all freehold property owners if it were to explore further within some parts of the Leases area.

The mineral reserve estimate assumes that the 600 m buffer zone applied to the outer lease boundary is not applicable to the boundaries between Karnalyte's three contiguous mining leases (KL 246, KL 247A, and KLSA 010). If the Government of Saskatchewan requires this buffer zone to be applied between Karnalyte's leases, the mineral reserve estimate could be significantly impacted, as several hundred caverns could be affected in later years of the Wynyard Potash Project.

India's regulatory regime may affect the Company's risks and expenses in doing business

The Company has entered into the Offtake Agreement with GSFC, which is an Indian state-controlled company. Therefore, certain matters relating to the implementation and conduct of operations under the Offtake Agreement may be subject, under certain circumstances, to Government of India consent. Shifts in political conditions in India could adversely affect the Company's business in India and the ability to obtain requisite government approvals in a timely fashion or at all. Karnalyte must maintain satisfactory working relationships with the Indian government. There is no guarantee that Karnalyte will be able to satisfy its obligation under the Offtake Agreement, nor that it will be able to successfully enforce its rights under the Offtake Agreement to negotiate additional offtake contracts on economically viable terms, all of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company relies on key personnel

The development of the Karnalyte Property and the Wynyard Potash Project will require specialized skills with respect to the exploration and project management. There is no assurance that the Company will be able to retain the required specialized skills and knowledge to meet its business objectives relating to the Karnalyte Property.

The Company's success will depend in large measure on the performance of its management and other key personnel. The loss of the services of any of such persons could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not have key person insurance in effect for management, and has no current plans to do so. The contributions of these individuals to the immediate operations of the Company may be of central importance. In addition, the competition for qualified personnel in the mining industry is intense and there can be no assurance that the Company will be able to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

The Company relies on technical experts

Exploration and development involve securing the services of and reliance on technical experts particularly in areas of drilling, assay testing and analysis, metallurgy, geology, resource analysis and reporting. The Company's inability to obtain or maintain the services of such technical experts may have a material adverse effect on the Company's ability to proceed with its exploration and development plans.

The Company may rely on a limited number of suppliers

The Company may only be able to purchase the required mining and production equipment from a limited number of contractors and/or suppliers. Any interruption in the operations of its suppliers and/or the inability to obtain timely delivery of key equipment of acceptable quality or any significant increases in the prices of such equipment could result in material production delays, increased costs and reductions in shipments of the Company's products, any of which could increase the Company's operating costs or could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company depends on adequate infrastructure

The Company's activities will depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, government, or other interference in the maintenance or provision of such infrastructure, or sabotage could adversely affect the Company's operations, financial condition, and results of operations. Adequate infrastructure development will also be required in any country in which the Company operates or transacts. The limited infrastructure available, the need for future development of infrastructure and the cost associated with such development may affect the Company's ability

to explore and develop its property and to export, store and transport its products. There can be no assurance that future instability in one or more of the countries in which Karnalyte operates or intends to operate in the future, actions by government or by companies doing business there, or actions taken by the international community will not have a material adverse effect on the countries in question and in turn on the Company's business, financial condition and results of operations.

The future trading price of the Common Shares will be subject to the price volatility associated with publicly traded securities

Securities of mining companies have experienced, and continue to experience, substantial volatility often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. As a result of any of these factors, the market price of the securities of the Company at any given point in time may be subject to market trends and macroeconomic conditions generally, notwithstanding any potential success of the Company in developing the Karnalyte Property and the Wynyard Potash Project, creating revenues, cash flows or earnings and may not accurately reflect the long-term value of the Company. There can be no assurance that the continual fluctuations in the trading price of the Common Shares will not occur. This may have a material adverse effect on the market price or value of the Common Shares.

The Company has significant shareholders

As of the date hereof, GSFC owns and controls an aggregate of 25,434,558 Common Shares, representing approximately 47.73% of the current issued and outstanding Common Shares. Accordingly, GSFC may be able to exercise influence over matters requiring shareholder approval. Market reaction to the foregoing may affect the demand for Common Shares and adversely affect the liquidity and market value of the Common Shares.

The Company has no intention to pay dividends in the near future

The Company has not paid dividends in the past and has no plans to pay dividends for the foreseeable future. The future dividend policy of the Company will be determined by the Board.

Protection of intellectual property may be necessary for maintaining the Company's competitive advantage, but cannot be assured

The Company relies on various intellectual property rights to maintain proprietary control over its improvements to the industry standard solution mining process and the formulation of the Company's anticipated products.

The success of Karnalyte may depend, in part, on its ability to maintain trade secret protection and operate without infringing the proprietary rights of third parties. In certain cases, where management considers that a patent will be an effective means of maintaining the Company's competitive advantage, Karnalyte has made or may make application for patents in the

appropriate jurisdictions. Karnalyte has also made applications to Canadian and United States trademark offices for the protection of its logos and branding.

There can be no assurance that the Company's patent applications will be valid, or that patents will issue from the patent applications that Karnalyte has filed or may file. Additionally, there can be no assurance that the scope of any claims granted in any patent will provide the Company with adequate protection for its improvements to the industry standard solution mining process and the formulation of the Company's anticipated products currently or in the future. Karnalyte cannot be certain that the creators of its technology were the first inventors of the improvements covered by patent applications or that they were the first to file. Accordingly, there can be no assurance that the patent applications will be valid or will afford Karnalyte with protection against competitors with similar improvements.

The products developed by Karnalyte may also incorporate technology and processes that will not be protected by any patent and are capable of being duplicated or improved upon by competitors. Accordingly, the Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary information of Karnalyte and trade secrets. In addition, effective patent and trademark protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. Policing unauthorized use of Karnalyte's improvements could prove to be difficult, and there can be no assurance that the steps taken by the Company will prevent misappropriation of its improvements. In addition, litigation may be necessary in the future to enforce Karnalyte's intellectual property rights, to protect its patents or trademarks, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, operating results and financial condition.

Although the Company does not believe that its improvements or trademarks infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against Karnalyte or that any such assertions or prosecutions will not materially adversely affect Karnalyte's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, Karnalyte could incur significant costs and diversion of resources with respect to the defence thereof which could have a material adverse effect on Karnalyte's business, financial condition, and results of operations.

The Company may become subject to litigation, the results of which may have a material and adverse impact on the Company's business, financial position and prospects

The Company may become involved in, named as a party to, or the subject of, various legal proceedings, as well as contract disputes, regulatory proceedings, tax proceedings and legal actions relating to intellectual property, product liability, property damage, property taxes, land rights, and the environment. The outcome with respect to outstanding, pending, or future proceedings cannot be predicted with certainty and may be determined adversely to Karnalyte and as a result, could have a material adverse effect on Karnalyte's business, financial

condition, and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from Karnalyte's business operations, which could have a material adverse effect on Karnalyte's business, financial condition, and results of operations.

The Company does not insure against all possible risks

Although the Company may obtain liability insurance in an amount which management considers adequate, the nature of the risks for mining companies is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against certain liabilities due to high premium costs or other reasons. Should such liabilities occur, the Company could incur significant costs that could have a material adverse effect on Karnalyte's business, financial condition, and results of operations.

The Company has negative operating cash flow

For the year ended December 31, 2025, the Company had negative operating cash flow. The Company's ability to generate positive operating cash flow will depend upon a number of factors, including, among others, its ability to successfully construct and operate the Wynyard Potash Project, the quantity of potash and magnesium products that will be produced and the price at which the Company can sell the potash and magnesium products produced from the Wynyard Potash Project. If positive operating cash flow is not achieved in a timely fashion, the Company may be required to raise additional funds through the issuance of additional equity or debt securities. There is no assurance such financing will be available or, if available, that it will be on terms favourable to the Company.

Future operational and marketing risks may affect the Company

There is a risk that the Initial Facility, when constructed, may not be or continue to be profitable or successful. There can be no assurance that the Initial Facility will commence commercial operation on schedule or at all, or that the Initial Facility will operate at planned production capacity. The delay or cancellation of any of the planned expansion may affect the Company's ability to satisfy customer orders.

There are also many risks associated with the operating facilities, including the ability to secure materials and components, utility prices, the failure or substandard performance of equipment, hiring and maintaining a productive and reliable workforce, labour disputes, natural disasters, suspension of operations and compliance with existing and new governmental statutes, regulations, and policies. The occurrence of material operational problems, including but not limited to any of the events described above, could have a material adverse effect on the Company's business, financial condition and results of operations.

Achieving market success will require substantial marketing efforts and the expenditure of significant funds to inform potential customers and third party distributors of the distinctive characteristics and benefits of Karnalyte's products. The Company's long-term success may also depend, to a significant extent, on its ability to develop its marketing function. The Company

will, among other things, have to attract and retain experienced marketing and sales personnel. No assurance can be given that the Company will be able to attract and retain qualified or experienced marketing and sales personnel or that any efforts undertaken by such personnel will be successful.

Other than the Offtake Agreement with GSFC, the Company does not currently have any contracts in place for the sale of any future production. To the extent that future customers or third parties delay, reduce or cancel orders or are unable or refuse to pay for products and services purchased in a timely fashion or at all, the Company's business, financial condition, and results of operations may be adversely affected.

Environmental regulations may adversely impact the Company

All phases of the Company's operations are subject to environmental regulation. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that environmental regulation will not adversely affect the Company's business, financial condition and results of operations. Environmental hazards may exist on the Karnalyte Property that are unknown to the Company at present, which may be naturally occurring or could have been caused by previous or existing owners or operators of the property. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business, financial condition, and results of operations.

Phase I of the mine plan is covered by the Company's current environmental impact statement approved in 2013. Beyond this period, parts of the planned brine field extend outside the environmental impact statement boundaries. The Company will be required to obtain approval for an updated environmental impact statement for the remaining parts of the planned brine field in order to continue mining. While the Qualified Persons are of the opinion that there is no reason to assume that Karnalyte will not receive approval for the extension, there can be no assurance that such approval will be obtained on a timely basis or at all. If approval is not granted, the mineral reserve estimate would be significantly reduced, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Regulatory risks include the potential for new or enhanced greenhouse gas emission regulations, carbon pricing mechanisms, or energy efficiency requirements that could increase costs. Changes in investor sentiment regarding climate-related risks may also affect the Company's ability to raise capital. While the solution mining process employed by the Wynyard Potash Project has certain environmental advantages, including the absence of tailings piles or ponds and limited use of fresh water, the Company cannot predict the full extent to which climate-related factors may affect its business.

Governmental and regulatory requirements could adversely impact the Company

The current exploration and development activities, and future operations of the Company, are and will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, water use, environmental protection, aboriginal land claims, mine safety, and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations, and permits. Permits are subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining all required permits. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition, and results of operations. Further, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions thereunder, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration and development activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse effect on Karnalyte's business, financial condition, and results of operations. Changes to tax laws may also have an adverse effect on the Company's future earning potential.

The Company's future mining operations are subject to the normal risks associated with mine operations

The Company's future mining operations are subject to the risks normally related to the extraction of minerals, incidents including explosions, fires, flooding, discharge of toxic chemicals and other hazards, all of which could result in personal injuries, loss of life, damage to the property of the Company and others, environmental damage, delayed production,

increased production costs, unexpected capital costs, and possible legal liability for any and all damages. The occurrence of any such risks or such liabilities may have a material adverse effect on Karnalyte's business, financial condition and results of operations.

Competition in the mining industry may adversely affect the Company

The potash mining industry is highly competitive. The Company competes with other mining companies, many of which have greater resources and experience and are currently in advanced stages of development or production.

There is a risk that the Company's ability to capture a share of the existing potash market could be impacted by local emerging competitors. New planned production, including outputs from projects such as BHP's Jansen mine, was taken into consideration in the establishment of long-term pricing in the Updated Feasibility Study. However, there can be no assurance that the competitive dynamics of the potash market will not change materially from those assumed.

Competition in the potash and magnesium product industry is primarily for properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; the capital for the purpose of funding such properties; and the marketing of potash to foreign and domestic markets. Many competitors not only explore for and mine potash but conduct refining and marketing operations on a worldwide basis. Such competition may result in the Company being unable to acquire desired properties, to develop and integrate new technologies, to recruit or retain qualified employees, to acquire the capital necessary to fund its operations and develop its properties or to successfully market its products. The Company's inability to compete with other mining companies would have a material adverse effect on the Company's business, financial condition and results of operations.

The introduction of a magnesium royalty may adversely affect the Company.

The Updated Feasibility Study does not include a magnesium royalty in the base case economic analysis, as no such royalty framework currently exists in Saskatchewan. However, the Technical Report identifies a risk that the likely introduction of a royalty framework for magnesium could reduce the economic returns of the hydromagnesite component of the Wynyard Potash Project.

The Company may be subject to risks associated with foreign operations

International operations are subject to political, economic and other uncertainties including, among others, risk of war, risk of terrorist activities, border disputes, expropriation, renegotiations or modification of existing contracts, restrictions on repatriation of funds, import, export and transportation regulations and tariffs, taxation policies including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes, sudden changes in laws, government control over potash, nitrogen fertilizer, and magnesium pricing and other uncertainties arising out of foreign government impact over the Company's future international operations. The governments and other regulatory agencies in the foreign jurisdictions in which Karnalyte

intends to operate in the future may make sudden changes in laws relating to taxation or impose higher tax rates which may affect Karnalyte's operations in a significant manner. In the event of a dispute arising from international operations, the Company may be subject to the jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. There can be no assurances that Karnalyte will be successful in protecting itself from the impact of such risks.

Currency fluctuations may adversely impact the financial position of the Company

Karnalyte has entered into the Offtake Agreement with GSFC for the sale of certain of its potash production. Sales under the Offtake Agreement are denominated in US dollars. Karnalyte may sell additional potash to the US or other foreign markets in the future. Net income from sales into the US and other foreign markets may be denominated in US dollars, and resulting fluctuations in the currency exchange rate between the Canadian dollar and the US dollar may have an impact on the Canadian dollar amount of net income realized from future potential sales to foreign markets.

Global financial conditions may adversely affect the Company's financial position

Current financial conditions globally continue to be subject to increased volatility with increasing global market uncertainty. Access to financing on satisfactory terms continues to be negatively impacted by economic uncertainties resulting from the ability of certain governments to meet their debt payment obligations. These factors may impact the ability of the Company to obtain equity and/or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and/or the Company may not be able to secure appropriate debt or equity financing, any of which could affect the trading price of the Company's securities in an adverse manner.

Weather patterns may affect future demand

Anomalies in regional weather patterns can have a significant and unpredictable impact on the demand for the Company's products and services, and may also have an impact on prices, and, as a result, may impact future revenue. The Company's future customers have limited windows of opportunity to complete required tasks at each stage of crop cultivation. Should adverse weather occur during these seasonal windows, the Company could face the possibility of reduced revenue in the season without the opportunity to recover until the following season.

Climate change may have both direct and indirect effects on the Company's future operations. Physical risks include extreme weather events that could disrupt construction, operations, or supply chains.

The Company's internal controls over financial reporting and disclosure controls may prove ineffective

Inadequate disclosure controls or ineffective internal controls over financial reporting could result in an increased risk of material misstatements in the financial reporting and public disclosure record of the Company. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance to management and the Board regarding achievement of intended results. The Company's current system of internal and disclosure controls places reliance on a limited number of personnel to perform a variety of control functions including reviews, analysis, reconciliations and monitoring. The failure of individuals to perform such functions or properly implement the controls as designed could have a material adverse effect on the Company's business, results of operations and financial condition. The Company has previously disclosed material weaknesses in the Company's internal controls over financial reporting, as described in the restated MD&A for the three and nine months ended September 30, 2015 and subsequent MD&As. These material weaknesses may increase the risk of material misstatements in the financial statements.

Forward-looking information may prove inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions and known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Cyber attacks may adversely impact the Company

The Company relies on information technology systems to manage its business and operations. These systems are subject to disruption, damage, or failure from a number of sources, including cybersecurity threats, computer viruses, unauthorized access, natural disasters, and power outages. A significant cybersecurity breach could result in the loss of confidential information, disruption to operations, or reputational damage.

The Proteos Nitrogen Project is currently paused and may not become commercially viable if resumed.

In March 2025, the Company paused the Proteos Nitrogen Project to focus on the Wynyard Potash Project and the review of its development strategy. There can be no assurance that the Company will resume development of the Proteos Nitrogen Project or, if resumed, that the project will become commercially viable. Substantial expenditures would be required to advance a viable nitrogen fertilizer project, and there can be no assurance that the Company would be able to complete development of the Proteos Nitrogen Project on time, on budget, or at all.

DIVIDEND POLICY

The Company has not declared or paid a dividend. Other than pursuant to the TSX's policies and the requirements of the ABCA, there are currently no restrictions on the Company that would prevent it from paying a dividend. However, the Board of Directors intends to retain future earnings for reinvestment in the Company's business, and therefore, has no current intention to declare or pay dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time in the context of its earnings, financial condition, and other relevant factors.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series. The following is a summary of the rights, privileges, restrictions, and conditions attaching to each class of shares of Karnalyte.

Common Shares

The holders of Common Shares are entitled to receive notice of, and to vote at every meeting of the Karnalyte shareholders and have one vote for each Common Share held. Subject to the rights, privileges, restrictions, and conditions attaching to any Preferred Shares of the Company, the holders of Common Shares are entitled to receive such dividends as the directors of Karnalyte from time to time, by resolution, declare. Subject to the rights, privileges, restrictions and conditions attached to any Preferred Shares of the Company, in the event of the liquidation, dissolution or winding-up of the Company or upon any distribution of the assets of Karnalyte among Karnalyte shareholders being made (other than by way of dividend out of monies properly applicable to the payment of dividends), the holders of Common Shares are entitled to share in the proceeds pro rata.

Preferred Shares

The Company is also authorized to issue an unlimited number of Preferred Shares without nominal or par value, of which, as at the date hereof, none have been issued. The Preferred Shares of Karnalyte may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. The Preferred Shares of Karnalyte rank on a parity with the Preferred Shares of every other series and are entitled to a priority over the Common Shares, and any other class of shares ranking junior to the Preferred Shares of the Company with respect to the payment of dividends and the distribution of assets upon the liquidation of the Company.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the trading symbol "KRN". The following table sets forth certain trading information in respect of the Common Shares on the TSX for the periods indicated.

Common Shares

2025	Trading Price (\$) Close (Average)	Price Range (\$)		Trading Volume
		High	Low	
January	0.12	0.16	0.10	344,100
February	0.10	0.11	0.09	191,500
March	0.15	0.20	0.08	641,300
April	0.16	0.28	0.14	208,600
May	0.17	0.24	0.14	354,200
June	0.16	0.18	0.13	225,200
July	0.13	0.17	0.11	560,200
August	0.11	0.14	0.09	512,900
September	0.11	0.12	0.09	310,800
October	0.12	0.14	0.10	496,500
November	0.13	0.24	0.11	676,800
December	0.23	0.30	0.15	1,012,300

DIRECTORS AND OFFICERS

The term of office of the directors expires annually at the time of the Company's annual shareholder meeting or when or until their successor is duly appointed or elected. The term of office of the Company's executive officers expires at the discretion of the Company's directors.

As at December 31, 2025, the Company's current directors and executive officers as a group beneficially owned, directly or indirectly, or exercise control or direction over 30,000 of the issued and outstanding Common Shares representing 0.05% of the Common Shares outstanding at December 31, 2025.

As of the date of this AIF, the Company's directors and executive officers as a group beneficially own, directly or indirectly, or exercise control or direction over 30,000 of the issued and outstanding Common Shares representing 0.05% of the Common Shares outstanding. This amount does not include Common Shares held by GSFC.

Including the 25,434,558 Common Shares held by GSFC, the Company's directors and executive officers as a group beneficially own, directly or indirectly, or exercise control or direction over 25,464,558 Common Shares or 47.79% of the issued and outstanding Common Shares.

The following table sets out the names and municipalities of residence of the directors and executive officers of the Company, their present position(s) and offices with the Company, their principal occupations during the last five years and their holdings of Common Shares as at the date hereof.

Name and Municipality of Residence	Office held and Date became a Director (as applicable)	Present and Principal Occupation for the Past Five Years	Number of Common Shares Beneficially Owned Directly or Indirectly
Sanjeev V. Varma Vadodara, Gujarat State, India	Chair and Director since June 25, 2024	Mr. Varma is the Executive Director (Agri Business, Human Resources and Industrial Relationship) at GSFC. Before this role, Mr. Varma held various roles during his 34 years at GSFC. He served in the Finance Department for more than 10 years heading the Project Financing, Budgeting, Financial Control and Corporate Debt Restructuring sections. Mr. Varma has served on the Boards of many Indian companies and two foreign joint ventures for several years.	nil ⁽³⁾
D.C. Anjaria⁽¹⁾⁽²⁾ Ahmedabad, Gujarat State, India	Director since August 9, 2019.	Mr. Anjaria owns the consulting firm International Financial Solutions Pvt. Ltd., which he founded after having served for 20 years as a Vice President with Citibank. Mr. Anjaria previously served as an independent director at Ratnamani Metal and Tubes Ltd.	nil
Dilip V. Pathakjee⁽²⁾ Vadodara, Gujarat State, India	Director since June 29, 2021	Senior Vice President of IT & ITeS, Safety & Fire Services of GSFC. Mr. Pathakjee is also serving as a Director with GSFC Agrotech Limited.	nil ⁽³⁾
Jennifer Haskey⁽¹⁾ Calgary, Alberta, Canada	Director since June 30, 2025	Ms. Haskey has over 25 years of domestic and international experience in the energy sector. She currently serves as the Director of the Fuel Innovation Fund and previously held advisory roles at Deloitte LLP and BMO Capital Markets. Ms. Haskey holds a Bachelor of Science in Mechanical Engineering from the University of Saskatchewan. She currently serves on the Board of Kelt Exploration Ltd.	nil

Larry Long ⁽¹⁾⁽²⁾ Saskatoon, Saskatchewan, Canada	Director since June 30, 2025	Mr. Long is the former Senior Vice President, Operations, Potash, at Nutrien. He has over 35 years of experience in the mining industry starting as a senior field geologist with Noranda in Bathurst, New Brunswick in 1988. Some of his experience includes leadership roles as Chief Geologist and Production Coordinator for Breakwater Resources in Nunavut and Project Geologist and Superintendent of Operations at BHP Billiton's Ekati Diamond Mine in the Northwest Territories; and a General Manager for the Allan And Rocanville, Saskatchewan mines with Potash Corp. Mr. Long has been involved in a variety of volunteer organizations supporting health care, recently serving as Vice Chair on the board of the St. Paul's Hospital Foundation. He has also sat on several industry-related boards including serving as Chair of the Board of the Saskatchewan Mining Association. He is currently serving as a director on the Board of Sask Polytech, a primary public institution for applied learning and technical education in Saskatchewan, Canada.	nil
Danielle Favreau Saskatoon, Saskatchewan, Canada	Officer since December 31, 2015.	Chief Executive Officer since August 13, 2024. Prior thereto, Interim Chief Executive Officer from July 27, 2020 to August 13, 2024. Prior thereto, Chief Financial Officer and Interim Chief Executive Officer from September 11, 2019 to July 26, 2020. Prior thereto, Chief Financial Officer from December 15, 2017 to July 26, 2020. Prior thereto, Interim Chief Financial Officer from December 31, 2015 to December 14, 2017.	30,000
Christie Gradin Saskatoon, Saskatchewan, Canada	Officer since July 27, 2020	Chief Financial Officer since August 1, 2024. Prior thereto, Interim Chief Financial Officer from July 27, 2020 to July 31, 2024. Ms. Gradin is currently the Chief Executive Officer of Christie Gradin, CPA P.C. Inc., providing CFO services to multiple organizations and industries.	nil

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation, Corporate Governance and Nominating Committee.
- (3) This amount does not include the 25,434,558 Common Shares held by GSFC.

Cease Trade Orders

To the knowledge of Karnalyte, no director or executive officer of Karnalyte is, as of the date of this AIF, or was within 10 years prior to the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Karnalyte) that: (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation and which order was in effect for a period of more than 30 consecutive days while such person was acting in the capacity as director, chief executive officer or chief financial officer of such company; or (ii) was subject to any of the foregoing orders for a period of more than 30 consecutive days after such person

ceased to be a director, chief executive officer or chief financial officer of such company and which resulted from an event that occurred while such person was acting in such capacity.

Bankruptcies

To the knowledge of Karnalyte, no director or executive officer of Karnalyte, or shareholder holding a sufficient number of securities to materially affect the control of Karnalyte, is, as of the date of this AIF, or was within 10 years prior to the date of this AIF, a director or executive officer of any company (including Karnalyte) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets.

To the knowledge of Karnalyte, no director or executive officer of Karnalyte, or shareholder holding a sufficient number of securities to materially affect the control of Karnalyte has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of Karnalyte, no director or executive officer of Karnalyte, or shareholder holding a sufficient number of securities to materially affect the control of Karnalyte has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Company will be subject in connection with the operations of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

PROMOTER

To the knowledge of Karnalyte, no person or company has been a promoter of Karnalyte within the two most recently completed financial years or during the current financial year.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

During the fourth quarter of 2025, the Company settled the remaining active legal proceeding, being the claim brought by Mr. Siu Ma in the Court of King's Bench of Alberta in November 2017 alleging breach of a consulting agreement. The terms of the settlement are confidential. Other than the foregoing, the Company is not aware of any legal proceedings to which the Company is or was a party, or of which any of its property is or was the subject, during the financial year ended December 31, 2025. The Company is not aware of any contemplated proceedings.

Regulatory Actions

During the financial year ended December 31, 2025, management is not aware of any penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor any other penalties or sanctions imposed by a court or regulatory body against the Company. During the financial year ended December 31, 2025, the Company did not enter into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the Offtake Agreement, the Subscription Agreement, and the Framework Agreement, each as disclosed herein, there were no material interests, direct or indirect, of any director or executive officer of the Company, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares of the Company, or any associate or affiliate of any of such persons or companies, in any transaction within the three most recently completed financial years that has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are KPMG LLP, Chartered Professional Accountants, at their principal office in Saskatoon, Saskatchewan.

The transfer agent and registrar for the Common Shares is Olympia Trust Company at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

The following is a list of the material contracts, other than those contracts entered into in the ordinary course of business, of the Company required to be filed on SEDAR+ under National Instrument 51-102 - *Continuous Disclosure Obligations*, and that were entered into within the

most recently completed financial year or prior to the most recently completed financial year and that are still in effect:

1. The Offtake Agreement;
2. The Subscription Agreement; and
3. The Framework Agreement.

Pursuant to the terms of the Subscription Agreement and the Offtake Agreement, the Company must not divest, sell, assign, transfer, or otherwise dispose of any part of its interests in the Wynyard Potash Project without the prior written consent of GSFC until the third anniversary of the date on which the first shipment for delivery of products is dispatched by the Company in accordance with the terms of the Offtake Agreement (in this section, the "**Project Lock In Period**"). After the expiry of the Project Lock-In Period, a person may acquire an interest in the Wynyard Potash Project subject to GSFC's right to terminate the Offtake Agreement at that time. The Subscription Agreement provides that, subject to certain conditions, the above-described restrictions on disposition do not apply to a creation or grant of a security interest to a lender providing financing for the Wynyard Potash Project (including for an expansion thereof). The Offtake Agreement provides that following the expiry of the Project Lock In Period, the Company may dispose of any part of the Wynyard Potash Project that is not part of Subsurface Mineral Lease KLSA 010 or that is not intended or reasonably required for the three phases of the Wynyard Potash Project.

While the Framework Agreement terminated on September 30, 2016, certain obligations under the Framework Agreement survived such termination. Those surviving obligations provide that as long as the Investor Rights Adjusted Ownership Percentage (as defined in the Subscription Agreement) are not less than 10% then (which Investor Rights Adjusted Ownership Percentage is not less than 10% as of the date hereof):

- the Company and GSFC will use commercially reasonable efforts to cause the Board of Directors to consist of not more than seven members;
- GSFC will be entitled to require that the Company nominate at any annual or special meeting of the shareholders of the Company held for the purpose of electing the directors of the Company (i) three duly qualified nominees of GSFC for election to the Board of Directors if there are seven members of the Board of Directors; (ii) two duly qualified nominees of GSFC for election to the Board of Directors if there are five or six members of the Board of Directors; and (iii) one duly qualified nominee of GSFC for election to the Board of Directors if there are fewer than five members of the Board of Directors; and
- the Company will use commercially reasonable efforts to cause GSFC's nominees to be elected by the shareholders of the Company at any annual or special meeting of the shareholders of the Company held for the purpose of electing the directors of the Company;

provided that if at any such meeting none of the individuals nominated by GSFC are elected by the shareholders of the Company, the nomination rights of GSFC set forth under the Framework Agreement will terminate and GSFC and the Company will then be subject to the terms and conditions set forth in the Subscription Agreement that had been previously entered into by such parties, which (i) based on GSFC's ownership interest entitles GSFC to designate one nominee for election or appointment to the Board of Directors as long as GSFC holds 10% or more of the outstanding Common Shares; and (ii) entitles GSFC the right to nominate an observer to attend all meetings and committee meetings of the Board of Directors if GSFC owns less than 10% of the outstanding Common Shares.

Further particulars of each of the Subscription Agreement and the Offtake Agreement can be found under the heading "General Development of the Business". Copies of the Subscription Agreement, the Offtake Agreement, and the Framework Agreement are available on SEDAR+ at www.sedarplus.ca.

AUDIT COMMITTEE

Pursuant to the provisions of NI 52-110, the Company is required to disclose certain information concerning its audit committee including the audit committee's charter, the composition of the audit committee and its relationship with its independent auditors. Such information is set forth below. The charter of the Company's audit committee is attached as Appendix "B" to this AIF.

Composition of Audit Committee

The Audit Committee consists of Mr. D.C. Anjaria (Chairperson), Ms. Jennifer Haskey, and Mr. Larry Long. Each of Mr. Anjaria, Ms. Haskey, and Mr. Long is independent, and financially literate, within the meaning of NI 52-110.

The relevant education and experience of each audit committee member is outlined below.

D.C. Anjaria

Mr. Anjaria is a management graduate from the Indian Institute of Management in Ahmedabad, India. He has extensive international banking experience in India, Africa, the Middle East and Europe. Since returning to India, his focus has been on the financial markets industry where he works closely with investment banks, brokerage houses and mutual funds. As a financial markets professional, he has significant experience as a government policy advisor including advisor to the Securities and Exchange Board of India and the Securities Markets Regulator (BAPEPAM) in Indonesia. Mr. Anjaria has a wide-range of experience serving as an independent director with many companies in India and currently serves as an independent director of Ravi Technoforge Pvt. Ltd.

Jennifer Haskey

Ms. Haskey has over 25 years of domestic and international experience in the energy sector, including advisory roles with Deloitte LLP and BMO Capital Markets, and investment and business

development roles at Fuel Innovation Fund, Passport Capital LLC, St Peter Port Capital, and Repsol Oil & Gas Canada. She holds a Bachelor of Science in Mechanical Engineering from the University of Saskatchewan. Ms. Haskey currently serves on the Board of Kelt Exploration Ltd. Ms. Haskey's investment and financial experience, including her advisory work with investment funds and leading financial institutions and her experience in corporate finance and business development, qualifies her as financially literate within the meaning of NI 52-110.

Larry Long

Mr. Long is the former Senior Vice President, Operations, Potash, at Nutrien. He has over 35 years of experience in the mining industry starting as a senior field geologist with Noranda in Bathurst, New Brunswick in 1988. Some of his experience includes leadership roles as Chief Geologist and Production Coordinator for Breakwater Resources in Nunavut and Project Geologist and Superintendent of Operations at BHP Billiton's Ekati Diamond Mine in the Northwest Territories; and a General Manager for the Allan and Rocanville, Saskatchewan mines with Potash Corp. Mr. Long has been involved in a variety of volunteer organizations supporting health care, recently serving as Vice Chair on the board of the St. Paul's Hospital Foundation. He has also sat on several industry-related boards including serving as Chair of the Board of the Saskatchewan Mining Association. He is currently serving as a director on the Board of Sask Polytech, a primary public institution for applied learning and technical education in Saskatchewan, Canada. Mr. Long's extensive experience in mining operations, including in the Saskatchewan potash sector, qualifies him as financially literate within the meaning of NI 52-110.

Audit Committee Oversight

At no time since incorporation was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board of Directors of the Company.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in section 2.4 of NI 52-110 (*De Minimis* Non-audit Services), the exemption in section 3.2 of NI 52-110 (Initial Public Offerings), the exemption in subsection 3.3(2) of NI 52-110 (Controlled Companies), the exemption in section 3.4 of NI 52-110 (Events Outside Control of Member), the exemption in section 3.5 of NI 52-110 (Death, Disability or Resignation of Audit Committee Member), the exemption in section 3.6 of NI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (Exemptions).

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy in relation to the engagement of non-audit services whereby the Audit Committee pre-approved certain services from its auditors of up to \$50,000 in aggregate. Any services by the auditor above these thresholds must be brought to the Audit Committee for approval.

External Auditor Service Fees

The following table provides information about the fees billed to the Company, respectively, for professional services rendered by KPMG LLP, Chartered Professional Accountants, during the years ended 2024 and 2025.

	2025	2024
Audit Fees ⁽¹⁾	\$95,650	\$69,550
Audit-Related Fees ⁽²⁾	\$34,508	\$33,795
Tax Fees ⁽³⁾	\$4,620	\$4,280
Total ⁽⁴⁾	\$134,778	\$107,625

Notes:

- (1) Audit fees were for professional services rendered by the auditors for the audit of the Company's annual financial statements.
- (2) Audit-related fees are for services performed by the Company's auditors related to and in connection with regulatory filings including review of the interim financial statements.
- (3) Tax fees are for tax compliance, tax advice, and tax planning.
- (4) These fees represent professional services rendered as well as technology and support charges. These fees do not include any out-of-pocket disbursements or sales taxes.

INTERESTS OF EXPERTS

The Company's auditors are KPMG LLP, Chartered Professional Accountants, who have prepared an independent audit report dated March 27, 2026 in respect of Karnalyte's audited annual financial statements with accompanying notes thereto for the year ended December 31, 2025. KPMG LLP advises that they are independent of Karnalyte within the meaning of the relevant rules and related interpretations prescribed by the professional bodies in Canada and any applicable legislation or regulations.

The Technical Report was prepared by Wood, ERCOSPLAN, RESPEC, and MARCH. To the knowledge of the Company, none of the Qualified Persons responsible for the Technical Report held any securities of the Company or had any other interest in the Company or its property at the time of preparation of the Technical Report.

ADDITIONAL INFORMATION

Additional information relating to Karnalyte may be found on SEDAR+ at www.sedarplus.ca. Additional information regarding directors' and officers' remuneration and indebtedness, principal holders of Karnalyte's securities and securities authorized for issuance under equity compensation plans is contained in Karnalyte's management information circular prepared in respect of its most recent annual general meeting. The Technical Report is available under the Company's profile on SEDAR+ at www.sedarplus.ca. Additional financial information is provided in Karnalyte's audited annual financial statements, together with the accompanying report of the auditor and MD&A for the year ended December 31, 2025.

EFFECTIVE DATE

Unless otherwise specifically herein provided, the information contained in this AIF is stated as at March 31, 2026.

APPENDIX "A": SUMMARY OF THE TECHNICAL REPORT

The following is reproduced from pages 1-1 to 1-18 (being the summary) of the Technical Report entitled "NI 43-101 Technical Report on the Feasibility Study of the Wynyard Project, Saskatchewan, Canada" dated as of November 26, 2025, prepared by Wood Canada Limited, RESPEC Consulting Inc., ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH, and March Consulting Associates Inc. and filed on SEDAR+ on January 7, 2026.

This summary is subject to the assumptions, qualifications, and procedures set out in the Technical Report, which is available in its entirety under the Company's profile on SEDAR+ at www.sedarplus.ca and is incorporated by reference into this AIF. Terms not defined in this Appendix have the meanings ascribed to them in the Technical Report.

1.0 SUMMARY

1.1 Introduction

Karnalyte Resources Inc. (Karnalyte) retained Wood Canada Limited (Wood), RESPEC Consulting Inc. (RESPEC), ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH (ERCOSPLAN) and March Consulting Associates Inc. (MARCH) to update the existing feasibility study for the Wynyard deposit in central Saskatchewan (Project) and prepare a technical report under National Instrument 43-101 Standards of Disclosure for Mineral Project (NI 43-101) (Report).

The property is located approximately 175 km east of Saskatoon and some 65 km east of Nutrien Ltd.'s (Nutrien) Lanigan potash mine.

1.2 Terms of Reference

The Report supports the disclosure in the news release dated November 26, 2025 entitled "Karnalyte Resources Inc. Unveils Results of Updated Feasibility Study for Flagship Wynyard Project, Showcasing 70-year Potash Mine Life, Positive Economics, and Market Growth".

The potash project is based on the 2011 feasibility study (FS) design with the capital cost estimate updated in second quarter (Q2) 2025 based on revised vendor quotations which included pricing sourced from existing vendors, new vendors and select suppliers based in India. The magnesium processing facility is based on the 2012 prefeasibility study (PFS) design with the capital cost estimate escalated to Q2 2025 using Federal Reserve Economic Database (FRED) factors for direct and indirect costs based on equipment, material and labour of the PFS.

The potash product from the Project is white granular muriate of potash (MOP) with a 61.3% K₂O or 97% KCl grade (also referred throughout the report as MOP) which is considered a premium grade that attracts a premium price from fertilizer purchasers.

The mineral resource and mineral reserve estimates were prepared in accordance with the 2019 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines (2019 CIM Best Practice Guidelines) and reported in accordance with the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves (2014 CIM Definition Standards).

All units of measure in this Report are metric unless otherwise stated. All amounts are in Canadian dollars unless otherwise stated.

1.3 Location, Mineral Tenure, Surface Rights and Royalties

The Project is located in central Saskatchewan on a property that consists of three mineral leases (KLSA 010, KL 246 and KL 247A) issued by the Crown to Karnalyte covering an aggregate area of 36,731.56 hectares (the Property). Karnalyte is recorded as the sole holder of these mineral leases. Within the Property boundary there are freehold lands, or lands under private landholders' mineral ownership as well as lands owned by First Nations. Karnalyte owns 3,782 acres of surface rights in the area of the Project.

The Property is subject to a Crown Royalty of 3% on potash produced on Crown land. There is also a Resource Surcharge of 3% on all potash sales.

1.4 History

Prior to Karnalyte's exploration programs (2009 and 2011) potash and magnesium exploration on the Property was limited to four wells drilled between 1953 and 1967 by four different oil and gas companies with only two wells penetrating the Prairie Evaporite. Only one of these four wells is used along with more recent wells, for mineral resource estimation.

1.5 Geology and Mineralization

Potash resources of Saskatchewan are located within generally flat-lying and laterally extensive shallow marine sequences of the Middle Devonian Elk Point Group that was deposited within a wide intracratonic depositional corridor that extends from Montana and North Dakota through central Saskatchewan into northeastern Alberta.

The Elk Point Group of Saskatchewan is subdivided into three formations known as the Ashern, Winnipegosis and Prairie Evaporite. Potash mineralization exists within the uppermost salts of the Prairie Evaporite Formation containing an Upper Salt unit that comprises three potash-bearing members and several regional "marker beds". These units, listed in decreasing geological age, include the Esterhazy Member, the White Bear Marker Beds, the Belle Plaine Member, and the Patience Lake Member. These mineralized beds are generally flat lying interbeds of sylvite, halite, carnallite, clay, and minor amounts of anhydrite.

The Property is situated on the northern edge of the basin (Elk Point Seaway) where the potash-bearing beds range between 902–1,092 m below surface.

Wells drilled on the Property have identified the Patience Lake Member to be dominantly carnallite with local sylvite mineralization in the upper parts. The Belle Plaine Member consists

of a carnallite rich Upper Belle Plaine Member (UBPM) with minor halite rich beds and Lower Belle Plaine Member (LBPM) consisting of interlayering of halite rich beds with some carnallite and subordinate carnallite rich beds. The Esterhazy Member is generally sylvinitic with carnallite present as intercrystalline disseminations. Mineralization occurs within distinct higher grade sylvite zones separated by sylvite bearing rock salt.

1.6 Exploration, Drilling and Sampling

Exploration within the Project area has benefited from extensive two-dimensional (2D) and three-dimensional (3D) seismic surveys, which have successfully identified anomaly structures and provided qualitative insights into the presence of carnallite.

A total of 18 wells have been drilled on the Property including the four historical wells, two water source wells and a waste disposal well. The 12 wells used for mineral resource estimation have been drilled on mineral leases KLSA 010 and KL 247A, predominately by Karnalyte.

RESPEC conducted a re-sampling program of historical well DH-11 in 2008 collecting 117 new assay samples for geochemical analysis at the Saskatchewan Research Council's (SRC) Geoanalytical Laboratory in Saskatoon (SRC Geoanalytical). For the 2009 and 2011 drill programs, RESPEC prepared the samples at their facility, RESPEC Core Laboratory in Saskatoon, Saskatchewan (RESPEC laboratory) and photographed and logged the core before shipping them to SRC Geoanalytical for analysis through soluble inductively coupled plasma to determine geochemistry, % insoluble and % moisture. RESPEC relied on the internal quality assurance (QA)/quality control (QC) processes implemented by SRC Geoanalytical and after reviewing the results, QP Stirrett is of the opinion that the QC procedures employed and the QA actions taken provide adequate confidence in the processing of the data to be used in mineral resource estimation.

Rock mechanics and dissolution testing was conducted on two wells after samples were prepared at the RESPEC laboratory and shipped to ERCOSPLAN's office in Germany. Samples were then sent to the Institute for Rock Mechanics in Leipzig, Germany (IfG) where the dissolution samples were prepared and sent to NG Consulting laboratory Sondershausen, Germany while IfG performed the rock mechanical test work.

1.7 Data Verification

Data verification included site visits by the geology, mining and infrastructure QPs that incorporated an inspection of drill sites and solution mining tests as well as drill core and more recently an inspection of existing infrastructure and site access. Additional data verification included:

- an assay-to-gamma correlation study showing a satisfactory comparison of mineralogy from assaying and from geophysical logging
- duplicate analysis of samples at an independent laboratory showing good agreement of KCl and MgCl₂ assay values
- comparison of the determination of assay mineralogy with the core description providing confidence in the mineralogical composition of the samples
- review of metallurgical test work reports and analytical procedures undertaken
- visit to rock mechanical and dissolution test work laboratories.

1.8 Metallurgical Test Work

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 basic magnesium carbonate (BMC). 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 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 SRC completed laboratory work that produced two samples of BMC from Karnalyte brine. During the testing process, it was confirmed that the proposed processing steps created the hydromagnesite form of BMC. The hydromagnesite product is comparable to products in the high purity synthetic market.

A brine disposal test that was completed in 2013 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 of 2016. Planned disposal to meet Phase 1 and 2 should be obtained with two disposal wells and a third as standby. Subsequently Phase 3 would require one additional active disposal well.

1.9 Mineral Resource Estimate

The mineral resource estimate presented in Table 1-1 assumes the solution mining of carnallite and sylvite and is reported in accordance with 2014 CIM Definition 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 total amount of magnesium by-product produced from $MgCl_2$ -rich end brine of MOP production is significantly less to reflect the capacity constraint of the market.

1.10 Mineral Reserve Estimate

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. Table 1-2 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 part of the $MgCl_2$ -rich end brine resulting from this process can be processed to a magnesium bearing product. The amount of magnesium bearing brine that can be processed is limited to the market capacity for the hydromagnesite product.

Technical, legal, metallurgical and environmental factors that could affect the mineral reserve estimates have been identified in Section 15.

Table 1-1: Karnalyte Mineral Resource Statement

Classification Category	Tonnes (Mt)	Carnallite Grade (%)	Sylvite Grade (%)	Avg. K₂O (%)	Avg. MgO (%)
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/Avg. 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/Avg. Indicated	1,789.9	50.0	5.1	11.7	7.2
Inferred					
Patience Lake	1,160.1	57.4	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/Avg. Inferred	3,902.1	45.2	7.2	12.2	6.6

- Note: (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 for sylvinitic, depending on the relative amount of carnallite in the rock).
- (6) 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 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 products 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 have a 10% deduction applied to the tonnage to account for anomalies that might not have been detected by the 3D seismic investigations.
- (10) Figures may not sum due to rounding.

Table 1-2: Karnalyte Mineral Reserve Statement

Confidence Category	Tonnes (Mt)	Carnallite Grade (%)	Sylvite Grade (%)	Avg. K₂O (%)	Avg. MgO (%)
<i>Proven Mineral Reserves</i>					
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
<i>Probable Mineral Reserves</i>					
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

- Note: (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 ROI 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 using for each well a standardized cavern, 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 sylvite. 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 its own cavern solution recoveries that range from 84% to 91% for the Patience Lake Member, from 89% to 91% for the Upper Belle Plain Member, from 30% to 33% for the Lower Belle Plain Member, from 88% to 92% for the Upper Horizon of the Esterhazy Member and from 88% to 91% for the Lower Horizon of the Esterhazy Member (see Section 16.5.1). 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 might not have been detected by the 3D seismic investigations.
- (9) Figures may not sum due to rounding.

1.11 Mining Methods

Solution mining of carnallite will occur from the Belle Plaine and Patience Lake Members and of sylvinite from the Esterhazy Member. Cavern configuration and potential for subsidence are based on rock modelling using parameters derived from test work on these rocks.

Up to seven caverns will be accessed by directional drilling from a central drilling/production pad. Wells will be vertical from 900 m depth downward to the end of the hole below the deepest part of the planned cavern. All casing is cemented from just below the deepest part of the planned cavern to the surface. The hole is extended a few metres to below the cemented casing and the leach string hangs unsupported from the well head at the surface down to about 5 m above the bottom of the open hole.

The overall leaching procedure is divided into separate procedures for solution mining of sylvite dominated horizons of the Esterhazy Member and carnallite dominated horizons of the Belle Plaine and Patience Lake Members. All horizons will be mined using double well caverns with 70 m distance between the cavern wells and with cavern development reaching a 50 m radius of the cavern away from the wells. A maximum of two mineable horizons (upper and lower) with grade >20% KCl and mineable thickness >2m are considered suitable for mining sylvite of the Esterhazy Member. Each of these horizons will be mined separately with a preparation leaching phase followed by a single phase of production leaching. The mining method for sylvinite uses cold (15°C) non-selective leaching. The mining method for carnallite uses hot (~95°C) non-selective leaching to obtain a hot (50-60°C) production brine. The mining of the high grade carnallite of the Upper Belle Plaine Member and the Patience Lake Member takes place in five (high grade Patience Lake Member <8 m thickness) or six phases (high grade Patience Lake Member >8 m). The first phase is cavern preparation leaching in the Lower Belle Plaine Member with low carnallite and sylvite grade. The low grade brine produced during this phase will be used as part of the hot solvent for the production leaching phases of the Upper Belle Plaine Member and Patience Lake Member. The preparation leaching phase is followed by two production leaching phases for the UBPM Upper Belle Plaine Member. The intermediate rock salt between the Upper Belle Plaine Member and Patience Lake Member will be leached to develop the cavern towards the bottom of the Patience Lake Member. All brine produced during this phase will have a high NaCl content and low KCl content and is disposed of in the Deadwood Formation. This is followed by one or two production leaching phases in the high grade carnallite of the Patience Lake Member.

The composition of the production brines has been designed for the Project based on temperature modelling and dissolution test work on samples from the Property. The brine from carnallite caverns and the brine from sylvinite caverns are routed through separate pipelines to the feed tank for the plant where they are mixed and provide the plant feed brine. Plant brine

feed is not expected to have a constant composition due to the inconsistent composition of carnallite and sylvinite brines and the variability in the relative proportions of each. To ensure optimal plant operation, the mine plan is designed to maintain a sylvinite:carnallite brine ratio between 25:75 and 10:90.

Phase 1 requires a production brine volume of approximately 790 m³/h. Dissolution test work suggests an average flow rate of 45 m³/h over the lifetime of a single cavern, therefore 18 caverns must be operating in parallel with two caverns on stand-by. It is anticipated that a mature brine field will require five to six caverns producing NaCl waste brine from the halite interbed between the Patience Lake and Belle Plaine Member, four to five caverns in the preparation phase for the Belle Plaine Member, and about nine caverns in the preparation phase for one of the two mineable horizons of the Esterhazy Member.

Increased production in Phase 2 and 3 each requires a production brine volume of approximately 890 m³/h which equates to 20 active caverns with eight to nine new caverns prepared annually on a mature brine field.

The brine field over the life of the mine (LOM) has been defined by the cavern size and cavern pillar configuration, the mineral resources that were classified as Measured and Indicated and the requirement to maintain a certain ratio between the amount of carnallite and sylvinite brine. To account for the potential of unidentified anomalous zones the amount of brine produced from a cavern has been reduced by 10% for caverns within the area covered by 3D seismic and 25% for cavern outside the 3D seismic zone in line with the deductions used for the mineral resource estimate. The mine plan shows cavern preparation beginning in Year -1 with the last caverns to be prepared in Year 66. The last year of full production is in Year 65 with five years of ramping down production as the last caverns are exhausted.

1.12 Recovery Methods

The design of the potash plant was developed from the test work completed since 2011. The basis of design is 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.

The potash processing facilities follow 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 a 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 hydromagnesite in a separate facility. The process involves treating the brine with Epsom salt to remove any calcium from the brine through the precipitation of gypsum. This pre-treated brine is diluted with process water and ammoniated in an absorption tower. Carbonation of the brine results in the precipitation of hydromagnesite which is filtered from the spent brine, washed to dilute the remaining ammonia, dewatered and dried in a Holo-Flite dryer to produce dry hydromagnesite. In parallel, a limestone calcination process is operated to produce the CO_2 required for carbonation. The lime produced is slaked by adding process water and feeding the slaked lime to an ammonia stripping column which drives the ammonia back to a gaseous anhydrous form which can be recycled in the process. This part of the operation is similar to the well-known Solvay process for producing soda ash from sodium chloride brine.

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

1.13 Project Infrastructure

The Project is accessible via an existing provincial road just south of the Trans-Canada Highway. A truck and rail loadout is located just south of the Phase 1 potash plant and storage building which stores potash produced from the three process facilities. A 3-km train rail connects to the Canadian Pacific (CP) Rail main line north of the site. Tank farms, utility buildings and cooling towers service each of the potash process plants.

The magnesium processing facility is located adjacent to the truck loadout to facilitate the transportation of the hydromagnesite product.

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 Formation along with the $MgCl_2$ and $CaCl_2$ waste brines eliminating the need for surface waste piles.

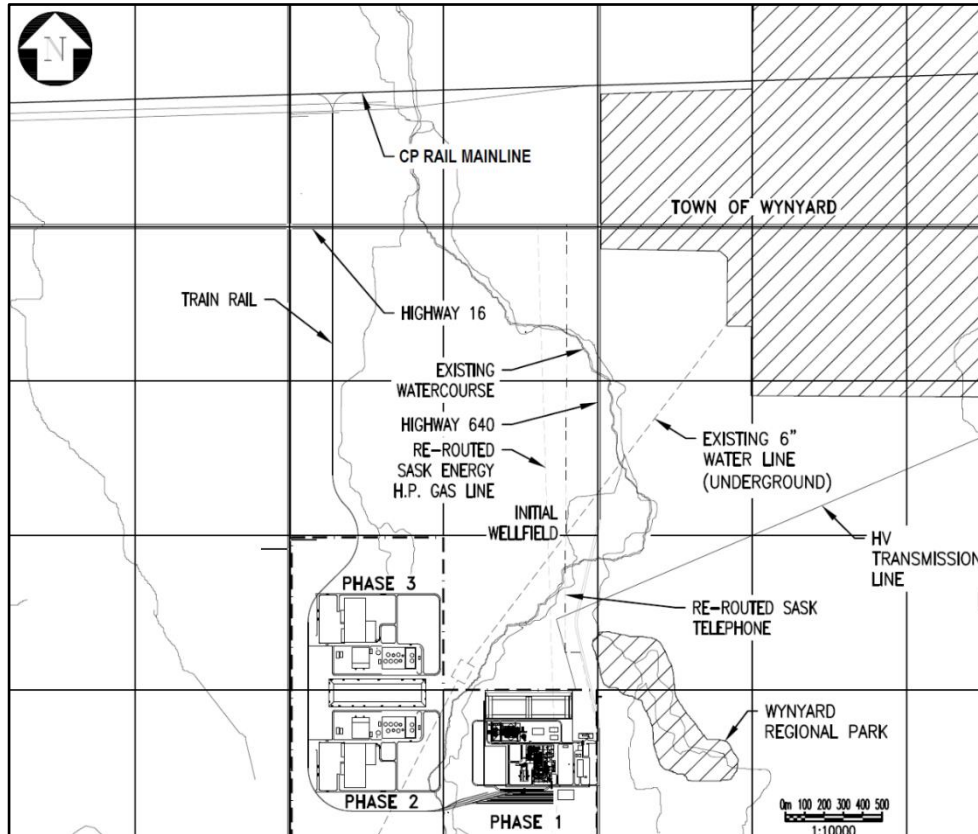
Storm water ponds will collect surface run-off, roof run-off and non-segregated drainage and will be used in the process with excess storm water injected into the Deadwood Formation.

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 the gas transportation will be funded by Karnalyte and offset by a rebate. SaskPower will 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.

The site layout is shown Figure 1-1.

Figure 1-1: Site Plan



Source: Wood, 2025

1.14 Market Studies and Contracts

Saskatchewan has the largest potash industry in the world, accounting for 45% of known global mineral reserves. The province is home to all of Canada's operating potash mines. By conservative estimates, Saskatchewan could supply world potash demand at current levels for several hundred years.

Karnalyte plans to produce 2.175 Mt/a of a compacted granular KCl 97 or 61.3% K₂O product. As a solution mine, the product produced by Karnalyte is a higher grade than traditional underground mines.

Karnalyte obtained a market study for KCl from an independent marketing analyst. The global MOP market is a stable market with a forecast compound annual growth rate (CAGR) of 1.2% from 2024 to 2040. Long-term prices for the Karnalyte products are as follows:

- Real US\$516/t for white 61.3% K₂O granular MOP free-on-truck (fot) US Corn Belt
- Real US\$507/t for white 61.3% K₂O granular MOP cost-of-freight (cfr) India
- Real US\$438/t for red 60% K₂O granular MOP free-on-board (fob) Vancouver.

In January 2013, Karnalyte entered into an offtake agreement for the purchase of potash for a period of 20 years. Potash sales for the offtake agreement account for between 42–52% (350,000–600,000 t/a) of the Phase 1 and Phase 2 production. Karnalyte will sell the balance of production into the US Corn Belt market. The US Corn Belt relies heavily on its supply of potash from Canada (80%).

Karnalyte plans to produce 104,000 tonnes of synthetic hydromagnesite starting in Year 3 with the start of production of the Phase 2 potash plant. Hydromagnesite is a naturally occurring mineral and can also be synthetically produced as is the case with this Project. Synthetic hydromagnesite is characterized by a higher purity and more uniform physical traits. Natural hydromagnesite has a purity in the range of 90–97% while synthetic is in the range of 99–99.8% pure.

Karnalyte obtained a market study for hydromagnesite from an independent marketing analyst. The current market is characterized by multiple small producers (<15,000 t/a) in a total market of 117,000 t/a. The majority of production is centred around the European and Asian continents with very little North American production.

Hydromagnesite demand, forecast for the period from 2025–2035 has a global CAGR of 22%. This can be compared to the CAGR of 11% for the period from 2019–2024. This demonstrates a rapidly growing market. The primary market for hydromagnesite is in the fire retardant materials sector. This is driven by environmental regulations to find alternatives for halogen based fire retardants.

Long-term pricing for hydromagnesite is:

- Real US\$740/t for natural hydromagnesite (90–97% purity)
- Real US\$1,409/t for synthetic hydromagnesite (99–99.8% purity).

Karnalyte will sell 104,000 tonnes of synthetic hydromagnesite into the North American synthetic and natural products markets. The North American market is primarily an import market and is currently paying a premium to account for the costs of shipping from existing suppliers in

Europe and Asia. As a North American producer, the cost for shipping product across North America is significantly lower than other producers.

Karnalyte also has the ability to produce and sell 100,000 t/a of $MgCl_2$ brine. $MgCl_2$ brine is typically used for road applications for de-icing or as a dust suppressant for gravel roads. $MgCl_2$ brine has not been included in the project economics due to insufficient market data within the target area to determine a reasonable expectation of attainable revenue. Once in operations, Karnalyte can market $MgCl_2$ brine in the target area to determine the market demand and make a determination of whether or not to include $MgCl_2$ brine in the product offerings.

1.15 Environmental Studies, Permitting and Social or Community Impact

Karnalyte received approval for a comprehensive Environmental Impact Statement (EIS) in February 2013. 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. Since then, the Project has further increased its capacity to 2.175 Mt/a MOP with the introduction of Phase 2 and Phase 3 and has introduced a magnesium processing facility to produce hydromagnesite. 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 would 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.

1.16 Capital Costs

The capital cost for the Project has been determined for the facilities required for the processing of potash and hydromagnesite totalling \$4.19 billion. The estimate was prepared with an expected accuracy to be within $\pm 15\%$ including contingency and is expressed in Q2 2025 Canadian dollars.

The total capital cost associated with the potash processing facility was developed to a feasibility level and is \$3.96 billion over three phases (Table 1-3).

The capital cost estimate associated with the magnesium processing facility was developed to a prefeasibility level in 2012 and escalated to Q2 2025 with an accuracy within $\pm 25\%$ including contingency. The total capital cost is \$231 million as shown in Table 1-4.

Sustaining capital costs associated with the drilling of new wells, and maintenance and replacement of equipment and materials in the processing plants over the LOM totals \$7.62 billion.

Table 1-3: Potash Capital Cost Estimate Summary

Area Description	Phase 1 675,000 t/a (\$M)	Phase 2 750,000 t/a (\$M)	Phase 3 750,000 t/a (\$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

Note: EPCM = engineering procurement construction management. Figures may not sum due to rounding.

Table 1-4: Magnesium Process Facility Capital Cost Estimate Summary

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

Note: EPCM = engineering procurement construction management. Figures may not sum due to rounding.

1.17 Operating Costs

The total LOM operating cost for the potash project is \$134.01/t with representative costs for each phase presented in Table 1-5. The total LOM operating costs for the magnesium process facility is \$318.04/t (Table 1-6).

Table 1-5: Potash Project Operating Costs

Category	Phase 1 – 675,000 t/a		Phase 1, 2 – 750,000 t/a		Phase 1, 2, 3 – 750,000 t/a	
	(\$M/a)	(\$/t)	(\$M/a)	(\$/t)	(\$M/a)	(\$/t)
Labour	10.51	15.81	19.16	13.88	24.92	11.46
Natural Gas	39.43	59.29	81.81	59.28	128.91	59.27
Power	18.54	27.88	38.37	27.80	60.41	27.77
Water	0.03	0.04	0.06	0.04	0.09	0.04
Reagents	2.43	3.66	4.79	3.47	7.36	3.39
Maintenance Materials	6.03	9.07	14.79	10.72	35.86	16.49
Blanket Oil	3.71	5.59	8.17	5.92	12.63	5.81
Wellfield	1.80	2.71	3.48	2.52	4.91	2.26
Contingency and Others	5.00	7.44	10.24	7.42	16.51	7.59
Total	87.44	131.49	180.87	131.06	291.60	134.07

Note: Figures may not sum due to rounding. Total costs are representative of costs incurred in Year 2, Year 4 and Year 10 for Phase 1, Phase 2 and Phase 3, respectively.

Table 1-6: LOM Magnesium Process Facility Operating Costs

Category	104,000 t/a	
	Annual (\$000s)	(\$/t)
Power	1,007	9.79
Maintenance	3,001	29.16
Natural Gas	3,573	34.71
Reagents	12,414	120.59
Process Water	6	0.05
Labour	9,762	94.83
Contingency	2,976	28.91
Total	32,739	318.04

Note: Figures may not sum due to rounding.

1.18 Economic Analysis

Certain information and statements contained in this section are forward-looking in nature and are subject to known and unknown risks, uncertainties, and other factors, many of which cannot be controlled or predicted and may cause actual results to differ materially from those presented here. Forward-looking statements include, but are not limited to, statements with respect to the economic and study parameters of the Project; mineral reserves; the cost and timing of any development of the Project; the proposed mine plan and mining strategy; processing method and rates and production rates; projected metallurgical recovery rates; infrastructure requirements; capital, operating and sustaining cost estimates; potash and hydromagnesite marketability and commercial terms; the projected LOM and other expected attributes of the project; the net present value (NPV), internal rate of return (IRR) and payback period of capital; future potash and hydromagnesite prices and currency exchange rates; government regulations and permitting timelines; estimates of reclamation obligations; requirements for additional capital; environmental risks; and general business and economic conditions.

The Project has been evaluated using a discounted cash flow (DCF) analysis. Cash inflows consist of annual revenue projections for the mine. Cash outflows such as capital, pre-production mining costs, operating costs, taxes, and royalties, are subtracted from the inflows to arrive at the annual cash flow projections. Cash flows are taken to occur at the end of each period.

The evaluation of the Project under the assumptions used in this Report generated a positive before and after-tax result. The results show an after-tax NPV of \$2.04 billion at an 8% discount rate, an IRR of 12.5% and a payback period of 8.8 years.

The Project is most sensitive to fluctuations in the potash selling price and less sensitive to changes to the hydromagnesite selling price. The sensitivity that the production of hydromagnesite has on the Project was assessed showing an after-tax NPV of \$1.50 billion at an 8% discount rate, an IRR of 11.6% and a payback of 9.3 years for a Project producing potash only.

1.19 Conclusions

Based on the assumptions of the feasibility study the Project is economically viable and has sufficient mineral reserves to support a mine life of 70 years producing potash suitable for sale in the US Corn Belt and to meet the offtake agreement with GFSC.

1.20 Opportunities

1.20.1 Geology

The following exploration potential has been identified:

- Exploration potential on disposition KL 246 exists to the east of the Project area. Additional seismic and drilling in this area would further delineate the potassium-bearing members. Positive results could support an increase in the current mineral resource and reserve estimates, which in turn may contribute to an extension of the projected mine life.

1.20.2 Mineral Resources and Mineral Reserves

Opportunities for mineral resources were identified in Section 14.7 and for mineral reserves in Section 15.4.

1.20.3 Market Studies

The following opportunities relating to the marketing of products 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 potash producers to access the US Corn Belt market, which imports a portion of its 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 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.

1.21 Risks

1.21.1 Mineral Resources and Mineral Reserves

Risks for mineral resources were identified in Section 14.7 and for mineral reserves in Section 15.4.

1.21.2 Metallurgical Test Work and Recovery Methods

- 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.

1.21.3 Market Studies

- There is a risk that Karnalyte'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.

1.21.4 Financial

- There is a risk that the likely introduction of a royalty framework for magnesium will directly impact the Project NPV.

1.22 Recommendations

Recommendations to advance the Project to a pre-execution stage include density testing of existing samples, a magnesium study and metallurgical test work. The cost of this recommended work is estimated to be \$1.05 million.

APPENDIX "B": KARNALYTE RESOURCES INC. AUDIT COMMITTEE CHARTER

Overall Role and Responsibility

The primary role and responsibilities of the Audit Committee shall be to:

- (a) assist the Board of Directors in its oversight role with respect to:
 - (i) the quality and integrity of financial reporting and information;
 - (ii) the independent auditor's performance, qualifications and independence;
 - (iii) the performance of the Corporation's internal audit function, if applicable;
and
 - (iv) the Corporation's compliance with legal and regulatory requirements and
- (b) prepare such reports of the Audit Committee required to be included in any documents in accordance with applicable laws or the rules of applicable securities regulatory authorities;
- (c) assess the processes related to the determination and mitigation of risks and the maintenance of an effective control environment; and
- (d) strengthen the role of the outside directors by facilitating in depth discussions between the directors on the Audit Committee, management and independent auditors.

Membership and Meetings

The Audit Committee shall consist of three or more Directors of the Corporation appointed by the Board of Directors, all of whom in the opinion of the Board shall be independent to the Corporation and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Corporation) or employees of or have a meaningful business relationship with the Corporation or any of the Corporation's affiliates or be an immediate family member of any of the foregoing, to the extent required by applicable laws governing the Corporation. Each of the members of the Audit Committee shall satisfy the applicable independence and financial literacy of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

Any members of the Audit Committee may be removed or replaced at any time by the Board of Directors and will cease to be a member of the Audit Committee as soon as such member ceases

to be a director. The Board may fill vacancies on the Audit Committee by appointment from among its members. If and whenever a vacancy exists on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following the appointment as a member of the Audit Committee, each member will hold such office until the Audit Committee is reconstituted.

Structure and Operations

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution. In case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.

The Chair will preside at all meetings of the Audit Committee, unless the Chair is not present, in which case the members of the Audit Committee that are present will designate from among such members the Chair for the purposes of the meeting.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. A quorum for meetings of the Audit Committee will be a majority of its members and the rules for calling, holding, conducting and adjourning meetings of the Audit Committee will be the same as those governing the Board of Directors unless otherwise determined by the Audit Committee or the Board of Directors.

The Chief Financial Officer will attend meetings of the Audit Committee where matters relating to the functions of the Audit Committee are dealt with, unless otherwise excused from all or part of any such meeting by the Chairman. The Audit Committee may invite such officers, directors and employees of the Corporation as it sees fit from time to time to attend at meetings of the Audit Committee and assist in the discussion and consideration of the matters being considered by the Audit Committee.

The Audit Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Audit Committee consider appropriate. The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

Agendas, approved by the Chairman, will be circulated to the Audit Committee members along with background information on a timely basis prior to the Audit Committee meetings. Minutes of all meetings of the Audit Committee will be taken. The minutes of the Audit Committee will be recorded and maintained and the Audit Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Audit Committee meeting shall be tabled for the Board.

Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Audit Committee Chair.

Specific Duties

Oversight of the Independent Auditor

- Make recommendations to the Board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Corporation to be included in any documents as required by the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every 5 years).
- When there is to be a change in the auditor, review all issues relating to the change, including any reportable events, and all information to be included in the required notice to securities regulators of such change.

Financial Reporting

- Review and discuss with management and the independent auditor, as applicable:
 - prior to the annual audit the scope, planning and staffing of the annual audit,
 - the annual audited financial statements,
 - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,

- approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation,
 - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
 - significant accruals, reserves or other estimates such as the ceiling test calculation,
 - accounting treatment of unusual or non-recurring transactions,
 - compliance with covenants under loan agreements,
 - disclosure requirements for commitments and contingencies,
 - adjustments raised by the external auditors, whether or not included in the financial statements,
 - significant variances with comparative reporting periods.
 - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, any significant changes in the Corporation's selection or application of accounting principles,
 - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and
 - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.
 - Review the financial statements, prospectuses, management's discussion and analysis, annual information form and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of all other financial information and will periodically access the accuracy of those procedures.
 - Conduct an investigation sufficient to provide reasonable grounds for believing that the financial statements, management's discussion and analysis and any public disclosure documents containing financial information are complete in all material respects and

consistent with the information known to Audit Committee members, and assess whether the financial statements reflect appropriate accounting principles.

Risk Assessment and Risk Management

- Discuss with Corporation management guidelines and policies governing the risk assessment and risk management processes.
- Review with Corporation's management and the independent auditors, significant risks and exposures, including management's plans and processes to minimize these risks such as insurance coverage.
- Evaluate whether Corporation's management is adequately communicating the importance of internal control to all relevant personnel.
- Periodically privately consult with the independent auditor about internal controls and the completeness and accuracy of the Corporation's financial statements.
- Review whether the internal control recommendations made by the independent auditor are being implemented by the Corporation's management and, if not, why not.

Other Responsibilities

- Periodically, as the Audit Committee deems appropriate, review the President, Chief Executive Officer and Chief Financial Officers' expenses and perquisites.
- Review all consulting fees paid by the Corporation to any organization where such fees exceed \$25,000 annually.
- Institute special investigations, if necessary, and hire special counsel or experts to assist, if appropriate.
- Establish, and review annually, a procedure for:
 - the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
 - and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters and resolution of such concerns, if any.
- To comply with the procedure above, the Audit Committee shall ensure that the Corporation advises all employees, by way of a written code of business conduct and ethics (the "Code"), or if such Code has not yet been adopted by the Board of Directors, by way of written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Corporation or their external auditors is strongly encouraged to report such concerns by

way of communication directly to the Chair of the Corporation Governance Committee of the Corporation.

- Review with the Board, any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements and the performance and independence of the Corporation's independent auditors.
- Perform other oversight functions as requested by the Board.

Audit Committee's Role

The Audit Committee has the oversight role set out in this Charter. The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

Management, the Board of Directors, the independent auditor and the internal auditor (if any) all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfils its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

Funding for the Independent Auditor and Retention of Other

Independent Advisors

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefore shall also be funded by the Corporation.

Approval of Audit and Remitted Non-audit Services

External Auditors

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by an external auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol. The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from an external auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

Procedure Governing Errors or Misstatements in Financial Statements

In the event a director or an officer of the Corporation has reason to believe, after discussion with management, that a material error or misstatement exists in financial statements of the Corporation, that director or officer shall forthwith notify the Audit Committee and the auditor of the error or misstatement of which the director or officer becomes aware in a financial statement that the auditor or a former auditor has reported on.

If the auditor or a former auditor of the Corporation is notified or becomes aware of an error or misstatement in a financial statement on which the auditor or former auditor has reported, and if in the auditor's or former auditor's opinion the error or misstatement is material, the auditor or former auditor shall inform each director accordingly.

When the Audit Committee or the Board is made aware of an error or misstatement in a financial statement the Board shall prepare and issue revised financial statements or otherwise inform the shareholders of the Corporation and file such revised financial statements as required.

Limitation on Audit Committee Members' Duties

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard required by law.