

Condensed Interim Unaudited Financial Statements of

**KARNALYTE RESOURCES INC.**

Three months ended March 31, 2026 and 2025

# KARNALYTE RESOURCES INC.

Condensed Interim Statements of Financial Position (unaudited)

(CAD \$ thousands)

As at	March 31, 2026	December 31, 2025
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 96	\$ 351
Trade and other receivables	75	64
Prepays	475	286
	646	701
Restricted cash	375	375
Capital assets (note 4)	210	213
Exploration and evaluation and other assets (note 5)	4,629	4,629
<b>ASSETS</b>	<b>\$ 5,860</b>	<b>\$ 5,918</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Trade and other payables	\$ 1,054	\$ 551
Other payables	154	185
Decommissioning liability (note 6)	1,584	1,557
<b>Total liabilities</b>	<b>2,792</b>	<b>2,293</b>
Shareholders' equity		
Share capital (note 7)	135,962	135,962
Contributed surplus	9,825	9,817
Deficit	(142,719)	(142,154)
<b>Total shareholders' equity</b>	<b>3,068</b>	<b>3,625</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,860</b>	<b>\$ 5,918</b>

Basis of presentation (note 2)

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors on May 13, 2026

\_\_\_\_\_  
"signed"  
Dilip Pathakjee, Director

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"signed"  
Divyabhash Anjaria, Director

# KARNALYTE RESOURCES INC.

Condensed Interim Statements of Loss and Comprehensive Loss (unaudited)

For the three months ended March 31, 2026 and 2025  
(CAD \$ thousands)

	2026	2025
Expenses		
General and administrative	\$ 408	\$ 304
Depreciation (note 4)	3	3
Share-based compensation (note 7(c))	8	5
Impairment (notes 4 and 5)	138	245
	557	557
Finance income	(6)	(6)
Finance expense	14	13
Net finance expense	8	7
Loss and Comprehensive loss	\$ (565)	\$ (564)
Basic and diluted loss per share (note 7(b))	\$ (0.01)	\$ (0.01)

See accompanying notes to the financial statements.

# KARNALYTE RESOURCES INC.

Condensed Interim Statements of Cash Flows (unaudited)

For the three months ended March 31, 2026 and 2025

(CAD \$ thousands)

	2026	2025
Cash Flows (used in) from Operating Activities		
Net loss for the period	\$ (565)	\$ (564)
Add (deduct)		
Depreciation (note 4)	3	3
Share-based compensation (note 7(c))	8	5
Impairment (notes 4 and 5)	138	245
Net finance expense	8	7
Interest income received	4	5
Changes in non-cash working capital (note 8)	306	149
Other payables	(31)	-
	(129)	(150)
Cash Flows used in Investing Activities		
Additions to exploration and evaluation and other assets (note 5)	(126)	(222)
Change in cash and cash equivalents	(255)	(372)
Cash and cash equivalents, beginning of period	351	870
Cash and cash equivalents, end of period	\$ 96	\$ 498
Cash and cash equivalents are comprised of:		
Cash	96	459
Cash equivalents	-	39
Cash and cash equivalents, end of period	\$ 96	\$ 498

See accompanying notes to the financial statements.

# KARNALYTE RESOURCES INC.

Condensed Interim Statements of Changes in Equity (unaudited)

For the three months ended March 31, 2026 and 2025

(CAD \$ thousands)

	2026		2025	
	Number	Amount	Number	Amount
Share Capital	53,283	\$ 135,962	53,283	\$ 135,962
Contributed Surplus				
Balance, beginning of period		9,817		9,783
Share-based compensation (note 7(c))		8		5
Balance, end of period		9,825		9,788
Deficit				
Balance, beginning of period		(142,154)		(141,162)
Net loss for the period		(565)		(564)
Balance, end of period		(142,719)		(141,726)
Balance, end of period		\$ 3,068		\$ 4,024

See accompanying notes to the financial statements.

# KARNALYTE RESOURCES INC.

Notes to Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

(All tabular amounts are in CAD \$ thousands except per share amounts)

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## 1. Reporting entity

Karnalyte Resources Inc. (the “Company” or “Karnalyte”) is incorporated under the laws of the province of Alberta. As at the date of the financial statements, the business of Karnalyte consisted of the exploration and development of its property and planned construction of a production facility and development of a potash mine. The property is situated in Saskatchewan, south of Wynyard and contains a dominant zone of potash and magnesium minerals.

The Company’s address is PO Box 22055 RPO Wildwood, Saskatoon, SK S7H 5P1.

## 2. Basis of presentation

These financial statements are prepared on the assumption that the Company will continue as a going concern. Management is aware, in making its going concern assessment, of 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 March 31, 2026, the Company had working capital deficit (current assets less current liabilities) of \$408,000. Subsequent to the period end, the Company sold two parcels of land for net proceeds totaling \$1,090,000 (Note 10). The Company’s working capital deficit and subsequent land sales may be insufficient to fund operations in the upcoming year and beyond. 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 (note 9). The Company’s cash position may also be impacted by a requirement to fund the decommissioning liability (note 6).

The ability of the Company to continue as a going concern is dependent upon obtaining further equity issuances or other forms of financings. 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.

These financial statements do not include any adjustments to carrying values of asset amounts and liabilities or reported expenses that may be necessary if the going concern assumption were not appropriate.

# KARNALYTE RESOURCES INC.

Notes to Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

(All tabular amounts are in CAD \$ thousands except per share amounts)

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## 3. Basis of preparation

### (a) Statement of compliance

These condensed interim unaudited financial statements have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. In preparing these interim financial statements the Company applied the same accounting policies as disclosed in the year-end financial statements dated December 31, 2025. These statements do not include all information or disclosures normally provided in annual statements. These interim statements should be read in conjunction with the annual financial statements and related notes.

These financial statements were authorized for issue by the Board of Directors on May 13, 2026.

### (b) Changes in accounting policy

A number of amendments to existing standards became effective January 1, 2026 but they did not have an effect on the Company’s financial statements.

The Company has adopted the “Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)” effective January 1, 2026. The Company derecognizes financial liabilities on the settlement date, which is defined as the date on which the cash is transferred to the counterparty or cleared by the bank, rather than on the date an electronic payment is initiated.

### (c) New standards and interpretations not yet adopted

A number of amendments to existing standards are not yet effective for the period ended March 31, 2026 and have not been applied in preparing these condensed interim financial statements. The Company does not intend to early adopt any of the amendments and does not expect them to have a material impact on its financial statements. The one new standard that may have an impact on disclosures is described below.

#### (i) Financial statement presentation

In April 2024, the International Accounting Standards Board (“IASB”) issued IFRS 18, *Presentation and Disclosure of Financial Statements* (“IFRS 18”). IFRS 18 is effective for periods beginning on or after January 1, 2027, with early adoption permitted. IFRS 18 is expected to improve the quality of financial report by requiring defined subtotals in the statement of profit or loss, requiring disclosure about management-defined performance measures, and adding new principles for aggregation and disaggregation of information. The Company has not yet determined the impact of this standard on its disclosures.

# KARNALYTE RESOURCES INC.

Notes to Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

(All tabular amounts are in CAD \$ thousands except per share amounts)

## 4. Capital assets

	Land and Buildings	Processing and Other Equipment	Assets Under Construction	Total
<b>Cost</b>				
Balance at January 1, 2025	\$ 449	\$ 1,673	\$ 20,015	\$ 22,137
Balance at December 31, 2025	449	1,673	20,015	22,137
Additions to decommissioning liability	-	-	8	8
<b>Balance at March 31, 2026</b>	<b>\$ 449</b>	<b>\$ 1,673</b>	<b>\$ 20,023</b>	<b>\$ 22,145</b>
<b>Accumulated depreciation and impairment</b>				
Balance at January 1, 2025	\$ 223	\$ 1,673	\$ 20,015	\$ 21,911
Depreciation	13	-	-	13
Balance at December 31, 2025	236	1,673	20,015	21,924
Depreciation	3	-	-	3
Impairment	-	-	8	8
<b>Balance at March 31, 2026</b>	<b>\$ 239</b>	<b>\$ 1,673</b>	<b>\$ 20,023</b>	<b>\$ 21,935</b>
<b>Carrying amounts</b>				
December 31, 2025	\$ 213	\$ -	\$ -	\$ 213
March 31, 2026	\$ 210	\$ -	\$ -	\$ 210

As at March 31, 2026, cumulative impairment losses recognized for capital assets is \$20,131,000 (December 31, 2025 - \$20,123,000). The impairment indicators, as determined in 2014 by previous management, continue to exist as at March 31, 2026.

# KARNALYTE RESOURCES INC.

Notes to Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

(All tabular amounts are in CAD \$ thousands except per share amounts)

## 5. Exploration and evaluation and other assets

	Mineral Properties	Process Patents	Computer Software	Total
<b>Cost</b>				
Balance at January 1, 2025	\$ 53,859	\$ 240	\$ 240	\$ 54,339
Additions	769	10	-	779
Disposals	(420)	-	-	(420)
Balance at December 31, 2025	54,208	250	240	54,698
Additions	124	2	-	126
Additions to decommissioning liability	4	-	-	4
Balance at March 31, 2026	\$ 54,336	\$ 252	\$ 240	\$ 54,828
<b>Accumulated depreciation and impairment</b>				
Balance at January 1, 2025	\$ 48,810	\$ 240	\$ 240	\$ 49,290
Impairment	769	10	-	779
Balance at December 31, 2025	49,579	250	240	50,069
Impairment	128	2	-	130
Balance at March 31, 2026	\$ 49,707	\$ 252	\$ 240	\$ 50,199
<b>Carrying amounts</b>				
December 31, 2025	\$ 4,629	\$ -	\$ -	\$ 4,629
March 31, 2026	\$ 4,629	\$ -	\$ -	\$ 4,629

As at March 31, 2026, cumulative impairment losses recognized for exploration and evaluation assets and other assets is \$49,933,000 (December 31, 2025 - \$49,803,000).

## 6. Decommissioning liability

	March 31, 2026	December 31, 2025
Beginning balance	\$ 1,557	\$ 1,571
Change in estimate	12	(67)
Unwinding of discount	15	53
Ending balance	\$ 1,584	\$ 1,557

# KARNALYTE RESOURCES INC.

Notes to Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

(All tabular amounts are in CAD \$ thousands except per share amounts)

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## 6. Decommissioning liability (continued)

The undiscounted and uninflated amount of estimated costs required to settle the obligations at March 31, 2026 is \$1,730,000 (December 31, 2025 - \$1,730,000) which are expected to be incurred by 2038. As at March 31, 2026 the estimated costs have been inflated at an implied inflation rate of 1.85 percent (December 31, 2025 – 1.87 percent) and discounted at a risk free nominal rate of 3.73 percent (December 31, 2025 – 3.69 percent). The change in estimate is included in impairment expense.

## 7. Share capital

### (a) Authorized

As at March 31, 2026 and 2025 the Company was authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share. Since its inception, the Company has not declared a dividend. No common shares were issued throughout the three months ended March 31, 2026.

The Company is also entitled to issue an unlimited number of preferred shares. There were no preferred shares issued throughout the three months ended March 31, 2026.

### (b) Loss per share

Basic loss per share is calculated as follows:

	2026	2025
Loss for the period ending March 31,	\$ (565)	\$ (564)
Weighted average number (thousands) of common shares outstanding	53,283	53,283
Basic loss per share	\$ (0.01)	\$ (0.01)

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are equal to basic per share amounts due to the Company incurring a net loss for the period. Excluded from the diluted per share calculations were 960,000 (2025 – 960,000) options as their effect would have been anti-dilutive.

# KARNALYTE RESOURCES INC.

Notes to Condensed Interim Financial Statements (unaudited)

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## 7. Share capital (continued)

### (c) Share-based compensation expense

The Company has a stock option plan under which directors, officers and non-employees of the Company are eligible to receive stock options. The aggregate number of common shares to be issued upon the exercise of all stock options granted under the plan shall not exceed 10% of the issued common shares of the Company at the time of granting of the options. Options granted under the plan generally have a term of two to five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the Board of Directors at the time of grant but shall not be less than the price permitted by the policies of the stock exchange on which the Company's common shares are then listed.

The number (thousands) and weighted average exercise prices of share options are as follows:

	2026		2025	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1 and March 31,	960	\$ 0.17	960	\$ 0.21
Exercisable at March 31,	555	\$ 0.19	718	\$ 0.22

Number of Options Outstanding	Exercise Price	Remaining Life (years)	Exercisable Options
150,000	\$ 0.27	0.67	150,000
130,000	0.21	2.35	130,000
210,000	0.13	3.25	157,500
470,000	0.14	4.30	117,500
960,000	\$ 0.17	2.64	555,000

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Notes to Condensed Interim Financial Statements (unaudited)

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## 7. Share capital (continued)

(c) Share-based compensation expense (continued)

Share-based compensation of \$8,000 (2025 - \$5,000) was expensed during the three month period ended March 31, 2026. The forfeiture rate assumed in the calculation of all share-based compensation expenses was 11%.

## 8. Supplemental cash flow information

Operating activities included in the statements of cash flows are as follows:

March 31,	2026	2025
Changes in non-cash working capital		
Trade and other receivables	\$ (8)	\$ (12)
Prepays	(189)	(178)
Trade and other payables	503	339
	<hr/>	<hr/>
	\$ 306	\$ 149

## 9. Financial instruments and related risk management

Financial instruments included in the statements of financial position consist of cash and cash equivalents, trade and other receivables, restricted cash, and trade and other payables. The fair values of these financial instruments approximate their carrying amounts due to the short-term maturity or nature of the instruments. The Company considers its capital structure to include cash and cash equivalents and non-cash working capital. During the period January 1, 2026 to March 31, 2026, cash and cash equivalents and non-cash working capital declined by \$558,000 to \$408,000 deficit. During the three month period ended March 31, 2026, there have been no changes to the risks and related management thereof as disclosed in the annual financial statements.

# KARNALYTE RESOURCES INC.

Notes to Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

(All tabular amounts are in CAD \$ thousands except per share amounts)

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## 9. Financial instruments and related risk management (continued)

In addition to the minimum regulatory expenditure requirements, the following are the commitments of the Company as at March 31, 2026:

	Contractual cash flows	Less than one year	Two - three years	Four - five years	More than five years
Trade and other payables	\$ 1,054	\$ 1,054	\$ -	\$ -	\$ -
Other payables	154	-	154	-	-
Lease on mineral property	3,333	367	735	735	1,496
Contracts	24	24	-	-	-
	<u>\$ 4,565</u>	<u>\$ 1,445</u>	<u>\$ 889</u>	<u>\$ 735</u>	<u>\$ 1,496</u>

## 10. Subsequent Event

Subsequent to the period end, the two parcels of land sold for net proceeds totaling \$1,090,000.