

KARNALYTE RESOURCES INC. ANNOUNCES 2025 FIRST QUARTER RESULTS AND RESTATEMENT OF 2024 YEAR END FINANCIAL STATEMENTS AND MD&A

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SASKATOON, SK (CNW- May 15, 2025) - Karnalyte Resources Inc. ("Karnalyte" or the "Company") (TSX: KRN) today announced its financial results and corporate highlights for the first quarter ended March 31, 2025. The Company also announced the filing of restated financial statements and restated management discussion and analysis for the year ended December 31, 2024 (the "Restatement").

Q1 2025 HIGHLIGHTS

During the quarter, Karnalyte continued to advance its NI 43-101 compliant technical report—a critical milestone toward demonstrating the value of the Company's assets and progressing toward mine development. While no major new developments occurred, work continued steadily with the review and refinement of key technical sections. The Company engaged qualified professionals to perform final reviews, ensuring the accuracy and robustness of the report.

Additionally, efforts were made to update key inputs such as price forecasts and market entry strategies, aligning the project with current market conditions and strategic priorities.

The report remains on track for completion in 2025, setting the stage for new corporate development opportunities. Karnalyte remains committed to the advancement of its potash project, driven by strong global demand and supported by a robust offtake agreement. Potash's role as a critical agricultural input continues to reinforce the Company's long-term strategy.

Review of Development Strategy

In 2024, Karnalyte announced a review of its development strategy to evaluate the economic potential of increasing magnesium chloride production at the Company's Wynyard Project by developing magnesium assets alongside the Potash Project. This work included an assessment of the potential for co-production of magnesium chloride and potassium chloride using advanced solution mining technologies.

Carnallite, also known as hydrated potassium magnesium chloride, is abundant within the Company's mineral deposit. As part of its review, the Company has been studying and evaluating the economic opportunity of developing carnallite for the co-production of magnesium chloride and potassium chloride. The aim is to significantly increase magnesium chloride production, compared to previous studies, through the use of advanced solution mining technologies.

Magnesium is listed as one of Canada's 34 critical minerals and is a key mineral in the clean technologies and advanced manufacturing value chains. Additionally, Magnesium chloride serves as a key raw material in the production of various chemicals, including magnesium metal, magnesium hydroxide, magnesium oxide, and magnesium carbonate. These chemicals are used in high-tech applications such as semiconductor

manufacturing, lithium-ion battery production, and in industries including metallurgy, pharmaceuticals, agriculture and wastewater treatment, driving the demand for magnesium chloride

The study has been progressing as scheduled and the Company anticipates the review to be completed in 2025.

Asset Sales

On March 13, 2025, Karnalyte listed three parcels of farmland for sale that are not core to the focus on advancing the Potash Project. In April 2025, the Company closed on the sale of these three parcels for net proceeds totally \$1,409,000. The proceeds from the sale will be directed towards supporting the company's development activities, advancing its project plan and to fund working capital requirements.

OUTLOOK FOR 2025

In 2025, Karnalyte Resources Inc. plans to complete the update to its NI 43-101 technical report, optimize construction and operation plans, and enhance project sustainability. The Company also plans to complete the review of its development strategy. The Company will continue to optimize its asset portfolio, ensuring efficient resource allocation to support project development. Karnalyte is committed to delivering value to its stakeholders through strategic initiatives, disciplined financial management, and sustainable growth. Additionally, the Company will intensify its business development activities, seeking strategic partnerships and investment opportunities to advance its projects and move them forward to development.

2025 FIRST QUARTER RESULTS

At March 31, 2025, the Company had cash of \$498,000 to settle trade and other payables of \$1,060,000. Subsequent to the period end, three parcels of land were sold for net proceeds totaling \$1,409,000. The Company has no debt. Karnalyte's First Quarter 2025 Financial Statements and Managements' Discussion and Analysis are available at www.sedarplus.com and on Karnalyte's website at www.karnalyte.com.

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

	March 31, 2025	March 31, 2024 (restated)
Total revenue	-	-
Net and comprehensive loss	(564)	(522)
Basic and diluted per share	(0.01)	(0.01)
Total current assets	1,464	2,589
Total assets	6,691	8,248
Total liabilities	2,667	2,492
Total shareholders' equity	4,024	5,756

RESTATEMENT

The Company has restated its financial statements as at and for the year ended December 31, 2024 to increase the previously reported amount of decommissioning liability from \$1,289,000 to \$1,571,000, which then impacted other financial statement items. The provision discrepancy arose from a calculation error when determining the required adjustment to the decommissioning liability in each reporting period. In addition, the provision discrepancy also resulted in adjustments to the expected income tax amount and the change in unrecognized deferred tax assets. The Company has determined this error to be material to the previously issued financial statements and, as such, has restated its financial statements, as applicable. Since the material error also related to prior periods, IFRS requires the correction of the comparative information presented in the financial statements. As such, the comparative periods have also been restated. There is no impact on the previously reported total cash flows used in operating activities or the loss per share, basic and diluted for the years ended December 31, 2024 and 2023.

The Company does not expect any adverse affect on the Company's day to day operations as a result of the restatement.

The decommissioning liability reports the discounted amount of estimated costs required to settle the Company's obligations to dismantle, decommission and to complete activities to remediate site disturbance which are expected to be incurred in 2038. Provisions are made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligations at the reporting date. Subsequent to the initial measurement, the provisions are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas changes in the estimated future cash flows are either capitalized or recognized immediately in other income.

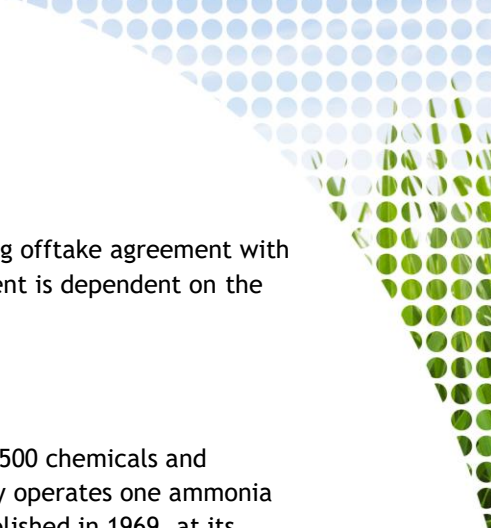
Karnalyte's restated December 31, 2024 Financial Statements and restated Management Discussion and Analysis are available at www.sedarplus.com

ABOUT KARNALYTE RESOURCES INC.

Karnalyte Resources Inc. is a development stage company focused on two fertilizer products, potash and nitrogen, to be produced and manufactured in Saskatchewan. Karnalyte owns the construction ready Wynyard Potash Project, with planned phase 1 production of 625,000 tonnes per year ("TPY") of high grade granular potash, and two subsequent phases of 750,000 TPY each, taking total production up to 2.125 million TPY. Karnalyte is also exploring the development of the Proteos Nitrogen Project, which is a proposed small-scale nitrogen fertilizer plant with a nameplate production capacity of approximately 700 metric tonnes per day ("MTPD") of ammonia and approximately 1,200 MTPD of urea, and a target customer market of independent fertilizer wholesalers in Central Saskatchewan.

ABOUT THE WYNYARD POTASH PROJECT

The Wynyard Potash Project is a construction ready solution mining potash project located in Wynyard, Saskatchewan, with planned phase 1 production of 625,000 TPY of high grade granular potash, and two subsequent phases of 750,000 TPY each, taking total production up to 2.125 million TPY. All environmental



permits remain valid, preliminary detailed engineering is complete, and the existing offtake agreement with Gujarat State Fertilizers & Chemicals Limited remains in effect. Further development is dependent on the continued strength of potash prices and obtaining financing.

ABOUT GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

Gujarat State Fertilizers & Chemicals Limited (“GSFC”) is a leading Indian Fortune 500 chemicals and fertilizer company that has been in business for more than 50 years. GSFC currently operates one ammonia plant that was commissioned in the year 2000, and two urea plants that were established in 1969, at its fertilizer production complex in Vadodara, Gujarat State, India.

As the Company’s strategic partner and single largest shareholder, GSFC remains committed to the Company and the Wynyard Potash Project, and is fully supportive of the Company pursuing the development of the Proteos Nitrogen Project. GSFC has also confirmed to the Company that it will continue to support the structuring of the most cost-effective financing package for the development of the Wynyard Potash Project, as GSFC has consistently offered to the Company since becoming a shareholder in 2013.

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FORWARD-LOOKING STATEMENTS

Certain information included in this press release is forward-looking, within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “plan”, “intend”, “forecast”, “future”, “guidance”, “may”, “predict”, “project”, “should”, “strategy”, “target”, “will” or similar words or phrases suggesting future outcomes or language suggesting an outlook.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Karnalyte, including, without limitation, assumptions as to: projected economics for the Company’s planned potash production facility, the confirmation in an independent feasibility study of Karnalyte’s assumptions regarding the technical and economic viability of the Proteos Nitrogen project, the ability of Karnalyte to obtain financing on terms favourable to the Company, and the ability of Karnalyte to receive, in a timely manner, the necessary approvals from the Company’s board of directors, shareholders, regulatory authorities, and other third parties.

Karnalyte believes the expectations and assumptions upon which the forward-looking information is based are reasonable. However, no assurance can be given that these assumptions and expectations will prove to be correct. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release. Without limiting the generality of the foregoing, readers are cautioned that the Company has not received a feasibility study prepared by a third party with respect to the Proteos Nitrogen project.



Actual results may vary from the forward-looking information presented in this press release, and such variations could be material. Risk factors and uncertainties could cause actual results to vary from the forward-looking information in this press release. Additional information on forward-looking statements and other factors that could affect Karnalyte's operations and financial results are included in documents on file with Canadian securities regulatory authorities and may be accessed through the Company's profile on the SEDAR Plus website (www.sedarplus.com).

These forward-looking statements are made as of the date hereof and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.