

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company:

Karnalyte Resources Inc.
104 - 26 Crystalridge Drive
Okotoks, Alberta
T1S 2C3

2. Date of Material Change: January 13, 2011

3. News Release: January 13, 2011

4. Summary of Material Change:

Karnalyte Resources Inc. announced the completion of the over-allotment option granted in connection with its initial public offering ("IPO"). Through the partial exercise of the over-allotment option, the underwriters purchased an additional 470,000 common shares in the capital of Karnalyte ("Common Shares") at a price of \$8.60 per Common Share. The gross proceeds from the exercise of the over-allotment option were \$4,042,000. The proceeds from the exercise of the over-allotment option plus the IPO resulted in total gross proceeds of \$64,027,000 to the Corporation (\$60,185,380 net of commissions).

5. 5.1 Full Description of Material Change:

Please see the press release attached as Schedule "A" hereto.

5.2 Disclosure for Restructuring Transactions

N/A

6. Reliance on Subsection 7.1(2) of National Instrument 51-102 *Continuous Disclosure Obligations*:

N/A

7. Omitted Information:

None

8. Executive Officer Knowledgeable of Material Change:

Robin Phinney, President & Chief Executive Officer

9. Date of Report:

January 17, 2011

SCHEDULE "A"**FOR IMMEDIATE RELEASE**

NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES.

**KARNALYTE RESOURCES INC. ANNOUNCES
THE CLOSING OF THE OVER-ALLOTMENT OPTION**

Calgary, Alberta (January 13, 2011) - Karnalyte Resources Inc. ("Karnalyte" or the "Corporation") (TSX: KRN) announced today the completion of the over-allotment option granted in connection with its initial public offering ("IPO"). Through the partial exercise of the over-allotment option, the underwriters purchased an additional 470,000 common shares in the capital of Karnalyte ("Common Shares") at a price of \$8.60 per Common Share. The gross proceeds from the exercise of the over-allotment option were \$4,042,000. The proceeds from the exercise of the over-allotment option plus the IPO resulted in total gross proceeds of \$64,027,000 to the Corporation (\$60,185,380 net of commissions).

The Corporation intends to use the net proceeds for further development of its Wynyard Carnallite Project (the "project"), including: a feasibility study; completion of work for the project's environmental impact assessment; further geological analysis; additional exploration seismic and drilling; infrastructure preparation and equipment deposits; and for general corporate purposes.

BMO Capital Markets acted as sole bookrunner and Dundee Securities Corporation acted as co-lead underwriter on the Offering for a syndicate of underwriters, including CIBC World Markets Inc., Scotia Capital Inc., Canaccord Genuity Corp. and Wellington West Capital Markets Inc.

About Karnalyte Resources Inc.

Karnalyte is engaged in the business of exploration and development of high quality agricultural and industrial potash and magnesium products. Karnalyte intends to develop and extract a carnallite - sylvite mineral deposit through a known solution mining process at competitive costs and with minor environmental impact. Karnalyte owns a 100% interest in Permit KP 360 located near Wynyard, Saskatchewan which is comprised of 83,981 acres.

Forward-Looking Statements

This press release contains forward-looking information that involves substantial known and unknown risks and uncertainties, most of which are beyond the control of Karnalyte, including, without limitation, those listed under the headings "Forward-Looking Statements" and "Risk Factors" in Karnalyte's final prospectus for the IPO. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements. These forward-looking statements are made as of the date of this release and, other than as required by applicable securities laws, Karnalyte does not assume any obligation to update or revise them to reflect new events or circumstances.

The securities offered have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any applicable U.S. state securities laws and may not be offered or sold in the United States, absent registration or any applicable exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

For further information, please contact:

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