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 19, 2011

3. **News Release**: January 19, 2011

4. **Summary of Material Change:**

   Karnalyte Resources Inc. announced that it has selected a subsidiary of Foster Wheeler AG's Global Engineering and Construction Group to perform a feasibility study on the Wynyard Carnallite Project. The NI 43-101 compliant feasibility study will consider the initial construction of a 500,000 tonnes per year facility and includes a ramp up to a 2 million tonnes per year facility within five to six years.

5. **Full Description of Material Change:**

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

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 20, 2011

SCHEDULE "A"

FOR IMMEDIATE RELEASE

KARNALYTE RESOURCES INC. SELECTS ENGINEERING FIRM TO CONDUCT FEASIBILITY STUDY ON THE WYNYARD CARNALLITE PROJECT

Calgary, Alberta (January 19, 2011) - Karnalyte Resources Inc. ("Karnalyte" or the "Corporation") (TSX: KRN) today announced that it has selected a subsidiary of Foster Wheeler AG's Global Engineering and Construction Group ("Foster Wheeler") to perform a feasibility study on the Wynyard Carnallite Project. The NI 43-101 compliant feasibility study will consider the initial construction of a 500,000 tonnes per year facility and includes a ramp up to a 2 million tonnes per year facility within five to six years.

The contemplated feasibility study is expected to include:

- selection of the location and drilling of additional surface drill holes in the area investigated with 3D seismic to increase the confidence level of the resource estimate;
- further geotechnical and solubility testing of drill-core samples;
- advancement of the environmental impact study;
- completion of regulatory permitting, and more detailed marketing studies;
- front-end engineering and design work on the surface facility;
- laboratory test work on deposit samples to further optimize the solution mining operation; and
- detailed design work on cavern and brine field as well as on the brine processing facilities.

"The selection of Foster Wheeler, to perform the feasibility study, is an important step forward in the advancement of our development plan for the Wynyard Carnallite Project," said Robin Phinney, President and CEO of Karnalyte Resources Inc. "The results of the feasibility study should provide us with the necessary information to make additional project development decisions. We are confident that the study results will support the compelling data we have collected to date."

Under the terms of the contract, Foster Wheeler will also coordinate preparation of the overall Environmental Impact Statement, which will advance concurrently with the feasibility study. GeoEngineers Inc. ("GeoEngineers") will perform environmental and geotechnical engineering services for the study. ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH ("ERCOSPLAN") of Erfurt Germany will perform mining engineering services for the underground mining portion of the study. Karnalyte anticipates the total cost of the feasibility study to be approximately $9 million, which includes all third party components of the study and additional owner's costs and contingencies.

Karnalyte anticipates the completion date of the feasibility study prior to December 31, 2011 and the results will support a final decision on whether to proceed to the construction of a solution mine and surface facility for subsequent production.

About Foster Wheeler

Foster Wheeler AG is a global engineering and construction contractor and power equipment supplier delivering technically advanced, reliable facilities and equipment. The company employs approximately 13,000 talented professionals with specialized expertise dedicated to serving its clients through one of its two primary business groups. The company's Global Engineering and Construction Group designs, engineers and constructs leading-edge processing facilities and related infrastructure for the upstream oil & gas, LNG and gas-to-liquids, refining, chemicals & petrochemicals, pharmaceuticals, biotechnology & healthcare, mining & metals, environmental and power industries. The company's Global Power Group is a world leader in combustion and steam generation technology that designs, manufactures and erects steam generating and auxiliary equipment for power stations and industrial facilities and also provides a wide range of aftermarket services. The company is based in Zug, Switzerland, and its operational headquarters office is in Geneva, Switzerland. For more information about Foster Wheeler, please visit http://www.fwc.com.

About ERCOSPLAN

ERCOSPLAN is a private engineering company with more than half a century of experience in the potash and mineral salt industries. The Company employs 125 engineers, scientists, technicians, economists and computer experts. ERCOSPLAN offers a wide variety of services with expertise in both conventional and solution mining; mineral salt exploration, evaluation, extraction and processing; and environmental sustainability of resource mines and processing plants.

About GeoEngineers

GeoEngineers, Inc. is an earth science and environmental engineering consulting firm offering an integrated suite of technical services to clients engaged in the sustainable use of the earth's resources, power generation and transmission, transportation, and development. Since 1980, the company has completed more than 30,000 projects worldwide for diverse public and private clients. GeoEngineers has 250 staff operating from 13 offices in the US and British Columbia, and has successfully managed projects in a wide range of international locations. Its technical experts also provide services in support of the international mining industry, including environmental and social impact assessments and mitigation planning; due diligence and environmental compliance audits; geotechnical engineering; earthworks design and construction management; hydrology and hydrogeology; water quality monitoring and management; contaminated site characterization, remediation, and closure; and development of integrated environmental, social, and occupational health and safety management systems.

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 minimal 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 statements. More particularly, this press release contains statements concerning the Corporation's future operations and the completion of its feasibility study. The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Karnalyte, including with respect to the anticipated timing for the feasibility study. Although Karnalyte believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Karnalyte can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the failure to obtain necessary regulatory approvals, risks associated with the mining industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations. The forward-looking statements contained in this document are made as of the date hereof and Karnalyte undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

For further information, please contact:

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