

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. Name and Address of Company

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

2. Date of Material Change: December 13, 2011

3. News Release: December 13, 2011

4. Summary of Material Change

Karnalyte Resources Inc. announced that it will not be proceeding at this time with the \$115 million bought deal financing previously announced on November 29, 2011. As part of the prospectus review process, Karnalyte received comments from the securities regulators in respect of its Technical Report titled "Reserve and Resource Estimate for the Wynyard Carnallite Project, Subsurface Mineral Permit KP 360A and Subsurface Mineral Lease KLSA 010, Saskatchewan, Canada" effective October 21, 2011. Karnalyte held discussions with the securities regulators to review these comments however, as a result of the delay, a final short form prospectus could not be filed in the required timeframe. Karnalyte remains 100% dedicated to moving the project forward.

5. Full Description of Material Change

5.1 Full Description of Material Change

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

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

Ronald Love
Vice- President Finance and Chief Financial Officer
Karnalyte Resources Inc.
Tel: (403) 995-6560

9. Date of Report

December 14, 2011

SCHEDULE "A"



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FOR IMMEDIATE RELEASE

KARNALYTE RESOURCES INC. ANNOUNCES WITHDRAWAL OF SHORT FORM PROSPECTUS

(all dollar figures expressed in Canadian Dollars)

Calgary, Alberta (December 13, 2011) - Karnalyte Resources Inc. ("Karnalyte" or the "Corporation") (TSX:KRN) today announced that it will not be proceeding at this time with the \$115 million bought deal financing previously announced on November 29, 2011. As part of the prospectus review process, Karnalyte received comments from the securities regulators in respect of its Technical Report titled "Reserve and Resource Estimate for the Wynyard Carnallite Project, Subsurface Mineral Permit KP 360A and Subsurface Mineral Lease KLSA 010, Saskatchewan, Canada" effective October 21, 2011. Karnalyte held discussions with the securities regulators to review these comments however, as a result of the delay, a final short form prospectus could not be filed in the required timeframe. Karnalyte remains 100% dedicated to moving the project forward.

Robin Phinney CEO of Karnalyte commented "Karnalyte is in a strong financial position with cash resources of approximately \$30 million, and will continue to advance the Wynyard Carnallite Project. We will also continue to pursue financing strategies, including progressing debt financing and equity financing from either the capital markets or strategic partners and cornerstone investors."

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. Using a staged approach to potash plant construction, the Corporation plans to operate a solution mining facility that will initially produce 625,000 tonnes of potash per year, increasing to 2.125 million tonnes of potash per year. Karnalyte owns a 100% interest in Subsurface Permit KP 360A and Subsurface Mineral Lease KLSA-010 located near Wynyard, Saskatchewan, comprising a total of 85,126 acres.

Forward-Looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning the Corporation's future financing activities. Karnalyte advises investors that undue reliance should not be placed on the forward-looking statements because Karnalyte can give no assurance that Karnalyte will secure additional financing. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. 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:

Robin Phinney, President & Chief Executive Officer
Ron Love, Chief Financial Officer & Vice-President Finance
Julius Brinkman, Vice-President Corporate Development
Telephone: (403) 995-6560
E-mail: info@karnalyte.com
Website: www.karnalyte.com