

## RIGHTS OFFERING NOTICE

*The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the “United States” (as defined in Regulation S under the U.S. Securities Act). This rights offering notice does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States, and the securities offered herein may not be offered or sold in or into the United States or to U.S. persons unless registered under the 1933 Act and applicable state securities laws, or pursuant to an exemption from such registration requirements as described herein. “United States” and “U.S. persons” are as defined in Regulation S under the 1933 Act.*



### KARNALYTE RESOURCES INC.

Notice to security holders - June 21, 2022

The purpose of this notice (the “**Notice**”) is to advise holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of Karnalyte Resources Inc. (the “**Company**”) of a proposed offering of rights (“**Rights**”) of the Company (the “**Rights Offering**”).

References in this Notice to we, our, us and similar terms mean to the Company. References in this notice to you, your and similar terms mean to the Shareholders.

#### 1. Who can participate in the Rights Offering?

Each registered and beneficial Shareholder of Common Shares of record resident in a province or territory of Canada or in another jurisdiction whose resident holders of Common Shares the Company has satisfied itself are entitled to receive and exercise the Rights in accordance with the laws of such jurisdiction without obliging the Company to register the Rights and the underlying Common Shares or file a prospectus or other disclosure document or to make any other filings or become subject to any reporting or disclosure obligations that the Company is not already obligated to make (the “**Eligible Jurisdictions**”) as at the close of business (5:00 p.m. Eastern time) on June 28, 2022 (the “**Record Date**”) may participate in the Rights Offering on the terms and conditions set forth in the Rights Offering Circular.

#### 2. Who is eligible to receive Rights?

Rights will be issued and forwarded to each registered and beneficial Shareholder of Common Shares of record resident in an Eligible Jurisdiction (an “**Eligible Shareholder**”). You will be presumed to be resident in the place shown in our records as your registered address, unless the contrary is shown to our satisfaction.

This Notice is not to be construed as an offering of the Rights, nor are the Common Shares issuable upon exercise of the Rights offered for sale in any jurisdiction outside the Eligible Jurisdictions, or to Shareholders who are residents of any jurisdiction other than the Eligible Jurisdictions (the “**Ineligible Shareholders**”).

Ineligible Shareholders will not receive a Rights Certificate (as described in No. 6 below), but will be

sent a letter advising them that their Rights will be held by Olympia Trust Company (the “**Rights Agent**”), who will hold such Rights as agent for the benefit of all such Ineligible Shareholders. The letter will also describe how certain Ineligible Shareholders may participate in the Rights Offering.

If an Ineligible Shareholder does not satisfy the Company as to their eligibility to participate in the Rights Offering on or before the 10<sup>th</sup> day prior to the Expiry Date (as hereinafter defined), then the Rights Agent will, prior to the Expiry Time (as hereinafter defined), attempt to sell such Rights on the Toronto Stock Exchange, on a best efforts basis. The proceeds received by the Rights Agent, if any, from the sale of the Rights delivered to it, net of any applicable costs, expenses and taxes will be divided among the Ineligible Shareholders who do not satisfy the Company as to their eligibility to participate in the Offering on or before the 10<sup>th</sup> day prior to the Expiry Date on a *pro rata* basis according to the total number of Common Shares held by them.

### **3. How many Rights are we offering?**

We are offering a total of 42,174,847 Rights to Eligible Shareholders to purchase up to an aggregate of 14,058,282 Common Shares.

### **4. How many Rights will you receive?**

Each Eligible Shareholder will receive one (1) Right for every one (1) Common Share of the Company held as at the Record Date.

### **5. What does one Right entitle you to receive?**

Each three (3) Rights will entitle an Eligible Shareholder to subscribe for one (1) Common Share at a subscription price of \$0.35 (the “**Subscription Price**”) per Common Share (the “**Basic Subscription Privilege**”) until 5:00 p.m. (Eastern time) (the “**Expiry Time**”) on July 29, 2022 (the “**Expiry Date**”). No fractional Common Shares will be issued.

Any Eligible Shareholder who exercises all of their Rights under the Basic Subscription Privilege will also have the additional privilege of subscribing, *pro rata*, for additional Common Shares at the Subscription Price (the “**Additional Subscription Privilege**”). The Common Shares available under the Additional Subscription Privilege will be those Common Shares issuable under the Rights Offering that have not been subscribed and paid for under the Basic Subscription Privilege by the Expiry Time.

Any Eligible Shareholder who exercises their Rights must enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of Olympia Trust Company on or before the Expiry Time on the Expiry Date.

### **6. How will you receive your Rights?**

**Registered Eligible Shareholders** - If you are a registered Eligible Shareholder of Common Shares, a certificate (the “**Rights Certificate**”) representing the total number of Rights which you are entitled to as at the Record Date is enclosed with this Notice.

**Beneficial Eligible Shareholders** - You are a beneficial Eligible Shareholder of Common Shares if you hold your Common Shares through a securities broker or dealer, bank or trust company, or other participant (a “**Participant**”) in the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”). The total number of Rights to which all beneficial Eligible Shareholders as at the

Record Date are entitled will be issued to and deposited with CDS following the Record Date. If you are a beneficial Eligible Shareholder, we expect you will receive a confirmation of the number of Rights issued to you from the applicable Participant in accordance with the practices and procedures of that Participant. CDS will be responsible for establishing and maintaining book-entry accounts for Participants holding Rights.

## **7. When and how can you exercise your Rights?**

The period to exercise the Rights expires at the Expiry Time on the Expiry Date.

If you are a registered Eligible Shareholder who receives a Rights Certificate, then you must complete and deliver your Rights Certificate together with payment of the Subscription Price for each Common Share subscribed for on or before the Expiry Time on the Expiry Date.

If you are a beneficial Eligible Shareholder, then you must arrange exercises, transfers or purchases of Rights through your Participant on or before the Expiry Time on the Expiry Date, or such earlier time as required by your Participant. We expect that each beneficial Eligible Shareholder will receive a customer confirmation of issuance or purchase, as applicable, from their Participant through which the Rights are issued in accordance with the practices and policies of such Participant.

## **8. What are the next steps?**

This document contains key information that you should know about the Company. You can find more details in our Rights Offering Circular, a copy of which can be obtained on the Company's profile at [www.SEDAR.com](http://www.SEDAR.com) or at [www.karnalyte.com](http://www.karnalyte.com) or you can ask your dealer representative for a copy or contact the Company at +1-639-398-6478. You should read the Rights Offering Circular, along with the Company's continuous disclosure record, to make an informed decision.

DATED June 21, 2022

(Signed "Danielle Favreau")

Danielle Favreau  
Interim Chief Executive Officer  
Karnalyte Resources Inc.