KARNALYTE RESOURCES ANNOUNCES SUCCESSFUL COMPLETION OF RIGHTS OFFERING, RAISING $3.9 MILLION IN CAPITAL FOR FLAGSHIP POTASH PROJECT

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SASKATOON, SK (CNW- August 3, 2022) – Karnalyte Resources Inc. ("**Karnalyte**" or the "**Company**") (TSX: KRN), is pleased to announce today the successful closing of its previously announced rights offering (the "**Rights Offering**"), raising approximately $3.9 million in proceeds that will be used for, among other things, development of the Company's flagship Wynyard Potash Project.

Of note, strategic partner and significant shareholder Gujarat State Fertilizers and Chemicals Limited ("**GSFC**"), a major agriculture sector player in India, participated in the Rights Offering, further demonstrating GSFC's ongoing commitment and support for Karnalyte and the Wynyard Potash Project, and a show of confidence in Karnalyte's vision and strategic planning.

"We are very pleased with the outcome of the Rights Offering and would like to thank all shareholders who participated and gave their vote of confidence in unlocking the high potential of the Wynyard Potash Project," said Danielle Favreau, interim CEO of Karnalyte. "This is great progress for our Company as we continue taking the necessary steps to maximize value for all stakeholders through construction of what will become Karnalyte's flagship project."

Karnalyte is currently in the process of completing the update to the NI 43-101 compliant technical report for the Wynyard Potash Project and will be diligently pursuing project financing for its development.

Rights Offering

Upon closing of the Rights Offering, the Company issued 11,034,135 common shares at a price of $0.35 per share for gross proceeds of approximately $3.9 million. The total number of issued and outstanding common shares of the Company upon completion of the Rights Offering is 53,283,982 common shares.

A total of 6,306,291 common shares were issued under the basic subscription privilege and a total of 4,727,844 common shares were issued under the additional subscription privilege. Of the 6,306,291 common shares issued under the basic subscription privilege, approximately 5,499,852 common shares were issued to persons who were known to be insiders of the Company before the Rights Offering, and 806,439 common shares were issued to all other persons. Of the total 4,727,844 common shares issued under the additional subscription privilege, 3,655,148 common shares were issued to persons known to be insiders before the Rights Offering, and 1,072,696 common shares were issued to all other persons.

No fees or commissions were paid in connection with the issuance of the common shares under the Rights Offering.

GSFC acquired 5,444,852 common shares under the basic subscription privilege and 3,655,148 common shares under the additional subscription privilege for a total of 9,100,000 common shares. GSFC now holds 25,434,558 common shares of the company representing approximately 47.73% of the issued and outstanding common shares of the Company. GSFC acquired the additional common shares for investment purposes. It may, in the future, acquire or dispose of its common shares of the Company, but currently has no plans or intentions to do so.

GSFC is a major fertilizer and industrial chemicals manufacturing company in India. The strategic partnership between Karnalyte and GSFC, established in 2013, provides a significant competitive advantage to Karnalyte in the marketplace. GSFC’s participation in the Rights Offering attests to Karnalyte’s efforts over the years, as Karnalyte aims to provide GSFC with a secure supply of potash for the years to come.

Use of Proceeds

The net proceeds of the Rights Offering will be used as set out in the Company’s Rights Offering Circular, including but not limited to development of the Wynyard Potash Project.

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 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 Company’s 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.

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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 Project, the confirmation in an independent feasibility study of Karnalyte's assumptions regarding the technical and economic viability of the 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 Board, 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 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 website (www.sedar.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.