

**KARNALYTE RESOURCES INC. RELEASES UPDATED TECHNICAL REPORT FOR
POTASH AND MAGNESIUM MINE AT WYNYARD, SASKATCHEWAN**

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SASKATOON, SK (CNW–July 14, 2016) - Karnalyte Resources Inc. ("Karnalyte" or the "Company") (TSX: KRN) today released an updated NI 43-101 compliant technical report (the "Technical Report") for the Company's planned potash and magnesium mine at Wynyard, Saskatchewan (the "Project"). The Technical Report was prepared for Karnalyte by industry leading solution mining and engineering firms, ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH ("ERCOSPLAN"), Amec Foster Wheeler Canada Ltd. ("AFW"), and North Rim Exploration Ltd. ("North Rim"). The Technical Report independently confirms the size and unique composition of Karnalyte's deposit which support the Project's economic viability.

Since 2007, Karnalyte has worked diligently to independently confirm the size and grade of Karnalyte's potash deposit and complete the required engineering for development of the Project. As a result, Karnalyte attracted India's Gujarat State Fertilizers and Chemicals Limited ("GSFC") as a strategic partner and secured an offtake agreement for sales of approximately 56% of the Company's potash production from the first phase of Karnalyte's 625,000 tonnes per year (tpy) potash mine at Wynyard, Saskatchewan ("Phase 1").

With the release of the Technical Report, the Company will now focus on securing sales for the remainder of the production from Phase 1. Karnalyte has commissioned extensive market research and retained top-tier expertise to develop a value optimizing sales strategy which is driven by Karnalyte's unique potash deposit. The Company has considered how to best align itself with the two primary drivers of demand in the potash market: 1. Price, and 2. Grade.

"We have developed a strategy to leverage the Company's unique high-grade, low-sodium products to successfully compete in the North American potash marketplace by placing more emphasis on grade," said Mr. Phinney, Karnalyte's President. "We are confident that the end users of fertilizer, the farmers, will choose the highest grade product with the lowest sodium content."

The Company is targeting market demand for high-purity potash by producing a superior grade (99% purity) compacted agricultural granular product, KCl 99TM, at a competitive price compared to typical compacted granular potash which averages 95.5% purity and 4 - 4.5% sodium. "We believe providing agricultural producers with a superior grade product – at or near the same price point as the industry's granular products – will ensure the Company can secure sales for the remaining 44% of production from Phase 1," said Mr. Phinney.

High Grade Potash

The unique composition of the Wynyard carnallite deposit allows the Company to produce high-purity potash products with low sodium content. In addition to serving the 97% purity granular agricultural potash market through GSFC in India, Karnalyte has identified an opportunity for a new market entrant that can produce high-grade potash products at a competitive cost in North America. These are the:

- 99% purity compacted agricultural granular potash market; and the
- 99% purity industrial grade KCl market.

The Company intends to produce KCl 97TM to serve the 97% purity granular agricultural market through GSFC in India, and KCl 99TM to serve the North American high-grade markets. Karnalyte plans to employ a known solution mining method and has secured several patents for the extraction and formulation of these high-grade products. The Company has been in contact with potential buyers who have expressed interest and confirmed these new products are well suited to their requirements.

In addition, the Company is exploring multiple options for the sale of its potash products including entering into a strategic partnership with an existing potash producer in Saskatchewan. This includes the sale and distribution of Karnalyte's proprietary KCl 99TM granular product to the North American market and the application of Karnalyte's 99% purity crystals as a 'grade sweetener' to other producers' lower grade (95.5% purity) potash products. Mr. Phinney stated:

"The unique purity of Karnalyte's product line could provide an existing Saskatchewan potash producer with a competitive edge in sales by blending its current production with Karnalyte's high-purity crystals. By upgrading their existing production, a high-grade blended product could become the fertilizer of choice for farmers," said Mr. Phinney. "This value added strategy could provide an existing potash producer in Saskatchewan with a significant advantage by providing their customers with a superior, higher-grade fertilizer product in an otherwise undifferentiated, price driven global market."

The Company believes that by focusing its available production on a mix of high-grade products it will not need to compete on the basis of price alone, but can leverage grade to secure sales.

Technical Report Highlights

The Technical Report contains a comprehensive overview of Karnalyte's property, geology, mining and recovery methods, required infrastructure, mineral resource and mineral reserves estimates, and all other aspects of the Project, with an effective date of June 23, 2016. The Technical Report includes separate analyses of both the potash and magnesium development opportunities (all figures in Canadian \$):

Potash Project

- *for the production of 97% purity KCl granular potash prills*
 - NPV (8% discount) \$3.39 billion for 3 Phases, 2.125 million tpy project
 - CAPEX for Phase 1 \$789 million
 - Cost per installed tonne of Capacity \$1,262 for Phase 1
 - OPEX for Phase 1 \$136.99 per tonne
 - IRR (after tax) 19.1% for 3 Phases, 2.125 million tpy project
 - Estimated Mine Life over 70 years for 3 Phases, 2.125 million tpy project
 - Proven Reserves for KCl of:
 - Carnallitite 269 million tonnes at 18.7% KCl, equivalent to 47 million tonnes of product
 - Sylvinitite 53 million tonnes at 26.2% KCl, equivalent to 13 million tonnes of product

- Probable Reserves for KCl of:
 - Carnallite 425 million tonnes at 18.6% KCl, equivalent to 73 million tonnes of product
 - Sylvinite 62 million tonnes at 25.6% KCl, equivalent to 15 million tonnes of product

The discounted cash flow model to determine Net Present Value (NPV) and Internal Rate of Return (IRR) for the 2,125 million tpy Potash Project assume a commencement date for production in 2019 and a potash price of \$466 (Canadian) per tonne based on a consensus price of potash market analysts with a 3% annual price increase.

Magnesium Project

- *for the production of 100,000 tpy of $MgCl_2$ brine and 104,000 tpy of Hydromagnesite*

- NPV (10% discount) \$512 million
- CAPEX (additional to Phase 1) \$171 million
- OPEX for $MgCl_2$ Brine \$7.01 per tonne
- OPEX for Hydromagnesite \$302.01 per tonne
- IRR (after tax) 26.1%
- Probable Reserves for $MgCl_2$ 695 million tonnes of carnallite at 22.1% $MgCl_2$, equivalent to 8 million tonnes of product

The discounted cash flow model to determine Net Present Value (NPV) and Internal Rate of Return (IRR) for the Magnesium Project was determined based on prices of: \$40 per tonne for $MgCl_2$ brine, \$600 per tonne for 50% of the Hydromagnesite as replacement for Precipitated Calcium Carbonate, and the remaining Hydromagnesite at \$1800 per tonne as replacement for TiO_2 in paint pigments.

In assessing the value of the project the following key figures were determined using a discounted cash flow model:

- net present value (NPV): The NPV compares the present value of all cash inflows with the present value of all cash outflows. A positive NPV indicates that a project is expected to give a return in excess of the cost of capital; and
- internal rate of return (IRR): The IRR is the cost of capital or required rate of return which when used to discount the cash flows of a project produces a zero NPV.

The discounted cash flow model, including the metrics and methodology thereof (the "Model") may not be directly comparable to Models used by other issuers. For further detail please refer to the Technical Report entitled *KCl and $MgCl_2$ Reserve and Resource Estimate for the Wynyard Carnallite Project, Subsurface Mineral Leases KL 246, KL 247 and KLSA 010, Saskatchewan, Canada* with an effective date June 23, 2016 filed on the Company's profile at www.sedar.com.

Key Milestones to Date

Karnalyte has achieved an impressive list of milestones by following a disciplined and pragmatic approach to its business plan. To date, the Company has:

- Acquired a 100% interest in subsurface mineral leases KLSA 010, KL 246 and KL 247, comprising a total of 91,152 acres (36,965 hectares, or 368.89km²);
- Conducted 3D seismic and drilling programs to confirm resource continuity;
- Received a positive Feasibility Study (2011) for the planned 2.125 million tpy potash production facility (updated in 2016);
- Received a positive Pre-Feasibility study (2012) for the production of magnesium compounds (updated in 2016);
- Secured extraction process and production patents which enhance efficiency for the processing of both potash and magnesium compounds;
- Entered into a strategic 20 year off-take agreement with GSFC for the purchase of approximately 350,000 tpy of potash from Phase 1 of the Project, increasing to 600,000 tpy with the commencement of Phase 2, with a potential total of 1,000,000 tpy with the commencement of Phase 3 (the "Offtake"). The Offtake with GSFC minimizes the risks of the Project by securing sales for approximately 56% of production from Phase 1 and provides Karnalyte with access to an established fertilizer distribution network in India;
- Received approval for the Environmental Impact Statement from the Saskatchewan Ministry of Environment;
- Drilled and successfully tested two commercial production capacity source water wells for non-potable, non-agricultural use source water;
- Received water rights licence from the Saskatchewan Water Security Agency;
- Drilled and successfully tested a disposal well at commercial production volumes;
- Received disposal well permit from the Ministry of Economy;
- Received the development permit clear of all conditions from the Saskatchewan Ministry of Economy;
- Prepared the Wynyard plant site for construction of Phase 1; and
- The Company is currently in the process of conducting an optimization test program which is designed to increase concentration of potash in the brine solution and reduce the number of required caverns, which the Company expects will further improve projected economics.

Having met these milestones Karnalyte's Wynyard Potash Project is now at the construction-ready stage. The Company has been able to achieve these milestones while maintaining a strong balance sheet. Karnalyte has no debt, approximately \$22 million in the treasury and has incurred minimal dilution to equity with only 27,561,010 common shares outstanding.

The Company believes that by securing sales for the remainder of the production from Phase 1 it will further de-risk the financing for Phase 1 and position itself to ensure the long term sustainability of the Project. "As a result of Karnalyte's unique high-grade, low-sodium resource, the Company is now well positioned to become a leading producer of superior grade potash," said Mr. Phinney "We believe that farmers will choose Karnalyte's KCl 99TM over other competitors' products, and when farmers succeed, Karnalyte succeeds."

Technical Report and Qualified Persons

The principal author of the Technical Report is Dr. Henry Rauche EurGeol, of ERCOSPLAN. Further authors are Dr. Sebastiaan N.G.C. van der Klauw, EurGeol of ERCOSPLAN, Mr. Ellis Buckner P. Eng. of Amec Foster Wheeler and Ms. Lola Piché P. Geo. of North Rim Exploration Ltd. The authors are Qualified Persons under NI 43-101 and have reviewed the scientific and technical information contained in this news release relating to the Technical Report.

Dr. van der Klauw and Mr. Buckner have reviewed and are responsible for the technical information contained in this news release and have verified all the data disclosed in this news release relating to the Technical Report. Dr. van der Klauw and Mr. Buckner are Qualified Persons under NI 43-101 and are independent of Karnalyte. Please refer to the Technical Report, section 12, *Data Verification*, for a description as to how the data in the Technical Report was verified.

About ERCOSPLAN

ERCOSPLAN is a private engineering company with more than 60 years 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. For more information about ERCOSPLAN, please visit www.ercosplan.com.

About AMEC Foster Wheeler

Amec Foster Wheeler (www.amecfw.com) designs, delivers and maintains strategic and complex assets for its customers across the global energy and related sectors.

Employing around 40,000 people in more than 55 countries and with 2015 revenues of £5.5 billion, the company operates across the oil and gas industry – from production through to refining, processing and distribution of derivative products – and in the mining, clean energy, power generation, pharma, environment and infrastructure markets.

Amec Foster Wheeler offers full life-cycle services to offshore and onshore oil and gas projects (conventional and unconventional, upstream, midstream and downstream) for greenfield, brownfield and asset support projects, plus leading refining technology.

Amec Foster Wheeler shares are publicly traded on the London Stock Exchange and its American Depositary Shares are traded on the New York Stock Exchange. Both trade under the ticker AMFW.

About North Rim

North Rim provides Mineral Resource, NI 43-101 and JORC Code compliant reports, mining engineering, mining integrity studies and due diligence reviews to the evaporite (including salt and potash) and storage industries with projects ranging from grassroots ("greenfield") exploration assessments to operating mining settings. In April of 2016 North Rim was acquired by RESPEC, a multi-disciplinary engineering consulting firm headquartered in Rapid City, South Dakota, USA. The North Rim/RESPEC team has over 45 years of combined experience in serving the mining and oil-and-gas markets in globally. Specifically, the North Rim/RESPEC team has unequalled experience in the geology and mining of potash around the globe.

About Karnalyte Resources Inc.

Karnalyte is engaged in the business of exploration and development of high quality potash and magnesium products. Karnalyte intends to develop and extract a carnallite - sylvinite mineral deposit through a known solution mining process at competitive costs and with minimal environmental impact.

Using a staged approach to construction, the Company plans to operate a solution mining facility that will initially produce 625,000 tpy, increasing to 2.125 million tpy. Karnalyte owns a 100% interest in subsurface mineral leases KLSA 010, KL 246 and KL 247, comprising a total of 91,152 acres (36,965 hectares, or 368.89km²) located near Wynyard, Saskatchewan, Canada.

Karnalyte's Common Shares are traded on the TSX under the symbol KRN.

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. More particularly and without limitation, this press release contains forward-looking information concerning: the results of the Technical Report, including estimates of mineral reserves and the net present values related thereto; future production estimates; estimates with respect to the Potash Project and the Magnesium Project, including in estimating CAPEX, OPEX, NPV, IRR and estimated mine life; mine and processing development plans; business and marketing objectives, plans and strategies; and the Company's ability to secure sales for the Company's production.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Karnalyte, including assumptions as to: the Company's ability to finance and construct Phase 1; environmental and other applicable law and other regulations are not amended, repealed or applied in a manner that impacts the development and operation of the Project as currently anticipated; there are no adverse changes to price of potash or magnesium products that would adversely affect the prospects for developing and operating the Project, or making it inadvisable or uneconomic to proceed with development; the future mining operations operate in the normal course; the Company's ability to maintain and develop positive relationships with foreign governments and future business partners; the Company is able to maintain and develop the infrastructure required to export, store and transport its potash production; results from operations; business prospects and opportunities; the Company's intellectual property is not challenged. 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.

Actual results may vary from the forward-looking information presented in this press release, and such variations could be material and could cause actual results to vary from the forward-looking information in this press release. Risks applicable to Karnalyte's business include 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, exchange rate fluctuations and ability to finance the Company's capital and operating costs with respect to the Project. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these 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 SEDAR website (www.sedar.com).



"Helping Farmers Succeed"

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.

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