

KARNALYTE RESOURCES INC. ANNOUNCES FIRST QUARTER 2016 RESULTS

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SASKATOON, SK (CNW–MAY 12, 2016) - Karnalyte Resources Inc. ("**Karnalyte**" or the "**Company**") (TSX: KRN) today announced the filing of unaudited interim financial statements and Management's Discussion and Analysis for the three months ended March 31, 2016 (the "**First Quarter**").

The financial results of the First Quarter are as follows:

- An increase in general and administrative expenses of \$287,000 from Q1 2015 to Q1 2016.
- A decrease in cash of \$2,089,000 as at March 31, 2016; and
- An increase in trade and other payables of \$348,000 as at March 31, 2016.

As at March 31, 2016, the Company had net working capital of \$24,115,000 compared to \$37,003,000 at March 31, 2015, including \$25,644,000 and \$38,503,000 respectively, in cash. Karnalyte's First Quarter 2016 Financial Statements and Management's Discussion and Analysis are available at www.sedar.com.

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 - sylvite 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 of potash.

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 completion of the Transaction and the anticipated benefits to be derived therefrom, and the terms of the Transaction.

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 ability of Karnalyte and GSFC to successfully negotiate definitive documentation with respect to the Transaction; the ability of the parties to receive, in a timely manner, the necessary regulatory approvals (including from the TSX), Board of Directors approval, shareholder approval and other third party approvals; the ability of Karnalyte to obtain the financing on terms favourable to it; and the ability of Karnalyte to successfully spin-out its secondary mineral rights and unexplored lands. 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. Risks and uncertainties inherent in the nature of the Transaction that could cause actual results to vary from the forward-looking information in this press release include the failure of Karnalyte and GSFC to successfully negotiate definitive documentation and the failure of Karnalyte to obtain the necessary regulatory approvals (including from the TSX), board of directors approval, shareholder approval and other third party approvals or otherwise satisfy the conditions to the Transaction in a timely manner, or at all. As a result, there can be no assurance that Karnalyte will be able to complete the Transaction on the terms presented in this press release or at all. 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 and exchange rate fluctuations. 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).

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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