

KARNALYTE RESOURCES INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30, 2015	December 31, 2014
(CAD \$ thousands)		
Current assets		
Cash	\$ 32,015	\$ 40,740
Trade and other receivables	85	125
Prepaid expenses	168	161
	32,268	41,026
Restricted cash	375	375
Capital assets (note 3)	1,251	1,634
Exploration and evaluation and other assets (note 4)	2,382	2,382
ASSETS	36,276	\$ 45,417
LIABILITIES		
Current liabilities		
Trade and other payables	\$ 2,072	\$ 1,525
	2,072	1,525
Provisions	147	164
Total liabilities	2,219	1,689
SHAREHOLDERS' EQUITY		
Share capital (note 5)	129,786	129,786
Contributed surplus	8,467	8,499
Deficit	(104,196)	(94,557)
Total shareholders' equity	34,057	43,728
LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 36,276	\$ 45,417

Commitments (note 7)

See accompanying notes to the unaudited interim financial statements.

Approved on behalf of the Board:

"signed"

President

"signed"

Chairman of the Audit Committee

KARNALYTE RESOURCES INC.

STATEMENTS OF COMPREHENSIVE LOSS

For the three and six months ended June 30,

(CAD \$ thousands, except per share amounts)	Three months ended		Six months ended	
	2015	2014	2015	2014
Expenses				
General and administrative	\$ 4,319	\$ 1,459	\$ 5,985	\$ 2,403
Depreciation and amortization (note 3)	191	192	383	409
Share-based compensation expense (note 5(c))	(142)	(128)	(32)	184
Restructuring expenses (note 9)	2,553	-	3,451	-
Other income and expenses	-	(14)	(15)	(45)
	6,921	1,509	9,772	2,951
Finance income	(77)	(168)	(237)	(360)
Finance expense	(20)	6	104	10
Net finance income (note 12)	(97)	(162)	(133)	(350)
Comprehensive loss	(6,824)	(1,347)	(9,639)	(2,601)
Loss per share (note 5(b))				
Basic and diluted	(0.25)	(0.05)	\$ (0.35)	(0.09)

See accompanying notes to the financial statements.

KARNALYTE RESOURCES INC.

STATEMENTS OF CHANGES IN EQUITY

**For the six months ended June 30,
(Expressed in thousands)**

(CAD \$ thousands)	2015		2014	
	Number	Amount	Number	Amount
Share Capital				
Balance, beginning of period	27,478	\$129,786	27,477	129,774
Common shares issued	-	-	-	-
Vesting of employee share ownership plan	-	-	1	6
Share issue costs	-	-	-	-
Balance, end of period	27,478	129,786	27,478	129,780
Contributed Surplus				
Balance, beginning of period		8,499		7,778
Stock-based compensation expense (note 5(c))		(32)		371
Vesting of employee share ownership plan				(6)
Balance, end of period		8,467		8,143
Deficit				
Balance, beginning of period		(94,557)		(26,976)
Loss for the period		(9,639)		(2,601)
Balance, end of period		(104,196)		(29,577)
Total Shareholders' Equity				
Balance, end of period		\$ 34,057		\$108,346

See accompanying notes to the unaudited interim financial statements.

KARNALYTE RESOURCES INC.

STATEMENTS OF CASH FLOWS

For the six months ended June 30,

(CAD thousands, unaudited)	2015	2014
Cash Flows from (used in) Operating Activities		
Net loss for the period	\$ (9,639)	\$ (2,601)
Add/deduct:		
Depreciation and amortization	383	409
Stock-based compensation expense	(32)	184
Net finance income	(133)	(350)
Interest income received	216	360
Changes in non-cash working capital (note 6)	609	381
	<u>(8,596)</u>	<u>(1,617)</u>
Cash Flows from (used in) Investing Activities		
Additions to intangible assets	-	(145)
Proceeds on sale of intangible assets	-	1,244
Additions to capital assets	-	(1,199)
Changes in non-cash working capital (note 6)	(30)	25
	<u>(30)</u>	<u>(75)</u>
Cash Flows from (used in) Financing Activities		
Changes in non-cash working capital (note 6)	-	(66)
	<u>-</u>	<u>(66)</u>
Effect of foreign exchange on cash	(99)	6
Change in cash	(8,725)	(1,752)
Cash, beginning of period	40,740	46,161
Cash and cash equivalents, end of period	<u>\$ 32,015</u>	<u>\$ 44,409</u>

See accompanying notes to the unaudited interim financial statements.