Karnalyte RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is intended to provide a summary of the operational and financial results of Karnalyte Resources Inc. ("Karnalyte" or the "Company") for the year ended December 31, 2013 and 2012. This MD&A should be read in conjunction with the audited financial statements of the Company and the related notes thereto for the year ended December 31, 2013. This commentary is dated March 17, 2014. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents, including the Annual Information Form and additional information about the Company are available on SEDAR at www.sedar.com. Some of the statements made herein contain "forward-looking information" and accordingly please refer to the "Forward-Looking Statements" section at the end of the MD&A.

OVERVIEW

The year ended December 31, 2013 and up to the date of this MD&A was successful in relation to the Company progressing its Wynyard Carnallite Project (the "Project). The Company accomplished the following key milestones geared towards preparation for construction;

- secured a strategic partnership with Gujarat State Chemical and Fertilizer ("GSFC") who obtained a 19.98% interest in the Company for $45 million and a 20 year take-or-pay off take agreement;
- received Environmental Impact Study ("EIS") approval from Saskatchewan Ministry of Environment;
- entered into an engagement letter with senior debt lead arrangers, BNP Paribas and Natixis ("The Banks") where The Banks agreed to work towards committing to a fully underwritten debt facility up to $300 million;
- drilled and successfully tested a full production capacity disposal well ("Well 1");
- drilled and successfully tested our second production size source water well ("Well 2");
- received the permit "Construct a Pollutant Control Facility" based on meeting all EIS conditions, for the Project from the Saskatchewan Ministry of Environment (the "MOE").
- continued work on detailed specifications for the evaporator and crystallizer equipment with our main equipment supplier, Whiting Equipment Canada Inc. (Whiting);
- continued detailed engineering on the plant with Foster Wheeler Canada Ltd. (Foster Wheeler) and underground development with Ercosplan Ingenieurgesellschaft Geotechnik und Berbau mbH (Ercosplan);
- continued preparing the plant site for construction upon further financing; and
- established an operational office in Saskatoon and hired key professional staff to drive the construction phase.

While the Company achieved strong performance towards its corporate objectives, the general potash market has been in a state of serious decline since July 30, 2013 when Uralkali announced that they were breaking their marketing arrangement with JSC Belarusian Potash Company ("BPC"). Through the second half of 2013 very few potash contracts were entered into as buyers awaited price deterioration. This effectively resulted in an environment of spot pricing over the period and a serious decline in potash prices from prior periods.

With the dawning of 2014 however, more certainty has been slowly creeping into the market led by Uralkali signing the first Chinese contract on January 20, 2014. This contract for the first half of 2014 included a price of US$305 per tonne, compared to $400 in January 2013. Subsequently, others have also been agreed to including Canpotex Limited signing an agreement with Sinofert Holdings Limited at market prices that are believed to be similar to the Uralkali prices. In addition to the Chinese contracts, other agreements have been reported into Brazil and other regions of the world.

With these announcements, the Company feels that a bottom has been established for potash prices but at the same time relatively minor pricing movements will be made over the next 12 months. Due to this scenario, management is committed to protecting its strong cash position by minimizing spending. Karnalyte had a working capital balance at the end of the year of $47.0 million which will allow the Company to sustain itself until adequate financing becomes available to move forward with construction of the Project. With the work done on detailed engineering and site preparation to date, the Company believes it is in a good position to minimize additional capital expenditures. The Company believes this strategy will allow it to maintain a significant cash balance and be in a position to capitalize on opportunities when the potash market rebounds.

In an effort to reduce corporate costs, the Company plans to consolidate its two existing offices by moving its Okotoks, Alberta operations to Saskatoon, Saskatchewan.

In addition to focussing on cost control, the Company will continue to advance discussions with potential strategic partners and work with newly identified potential companies who view the current market conditions as an opportunity. Given the weakness in capital markets, the Company feels that a focus on securing additional strategic partners provides the best likelihood of financing success at this time.

The Company has identified other potentially economical product lines and is determining how to pursue these potential product lines to enhance shareholder value. The Company continues to investigate the possibility of magnesium production from its property, including product development, independent testing of product and discussions with key industry players. Internal resources are available to pursue these plans while world potash prices continue to negatively impact potash developments. This initiative builds off the findings published in the KCl and $MgCl_2$ Reserve and Resource Estimate for the Wynyard Carnallite Project, Subsurface Mineral Permit KP 360A and Subsurface Mineral Lease KLSA 010, Saskatchewan, Canada ("Technical Report") dated July 19, 2012 and filed at the Company's profile on SEDAR.

BACKGROUND

Karnalyte was incorporated under the Business Corporations Act (Alberta) on November 16, 2007 and is an Alberta headquartered company focused on exploration and development of potash in Saskatchewan. The Company holds subsurface mineral Permit KP 360A comprising 68,301 acres as well as lease KSLA 010 comprising 16,825 acres near Wynyard, Saskatchewan. The Company has completed seismic testing as well as drilling programs bringing the total acres explored to 17,544 or 20% of the total permit area.

The Technical Report combines the Amended and Restated Reserve and Resource Estimate dated March 30, 2012 for the Wynyard Carnallite Project which focussed on potash with the Magnesium Preliminary Feasibility Study. The Technical Report includes reserve calculations of 62.9 million tonnes of proven and 92 million tonnes of probable KCl reserves. The Technical Report indicates that the first phase of potash manufacturing will be a plant capable of annual production capacity of 625,000 tonnes per year of potash with two additional phases of 750,000 tonnes of annual production each for total production of

Karnalyte RESOURCES

2,125,000 tonnes per year from all three phases. The projected production life of the potash mine is estimated at 68 years. The Technical Report also includes 147.1 million tonnes of probable $MgCl_2$ reserves with annual production estimated at 100,000 tonnes of $MgCl_2$ brine and 104,000 tonnes of hydromagnesite.

Karnalyte plans to use solution mining to extract a brine rich in potash (KCl), magnesium chloride ($MgCl_2$) and sodium chloride (NaCl) which can then be processed into marketable products. The first phase of the Project will concentrate on the production of high quality potash products with a brine rich in magnesium chloride and sodium chloride treated as waste and disposed underground into the spent caverns. In a subsequent phase of the Project these waste streams are anticipated to produce marketable sodium chloride and magnesium-products. The products in the current phase are expected to be a granulated potash pellets for the agricultural market and industrial grade for the industrial market.

Plant construction is expected to take approximately 18 - 24 months following the completion of additional financing and regulatory approvals. Preparation of the brine field is expected to be completed concurrently with plant construction. Within a 10 month period following the completion of the plant the Company expects production to be up to a full run rate of 625,000 tonnes per year. Plant construction, mine opening, natural gas and power infrastructure upgrades, initial rail transport infrastructure and other construction activities represent the total expected project cost. The first phase of operations is expected to amount to approximately $593 million with a further $33 million representing additional rail capacity and other bridging activities. The Technical Report included the initial rail transport infrastructure costs in subsequent phases of the Project but the Company has determined the most efficient course would be to combine the initial rail transport costs with the first phase of the Project for a total anticipated CAPEX of $626 million.

SELECTED ANNUAL INFORMATION

The information has been summarised from the Company's audited financial statements.

Selected Annual Results			
	Year ended December 31		
	2013	2012	2011
Total revenue	$ -	$ -	$ -
Interest and other income	1,011,499	625,595	963,726
Net and comprehensive loss	(6,741,547)	(7,205,846)	(5,353,836)
Basic and diluted per share	(0.25)	(0.33)	(0.26)
Total current assets	47,779,751	25,469,249	35,063,110
Total assets	111,457,309	76,290,254	75,847,125
Total current liabilities	745,870	3,996,019	2,372,799
Total liabilities	881,189	4,145,975	2,558,416
Total shareholders' equity	110,576,120	72,144,279	73,288,709

During the year ended December 31, 2013, the Company secured a strategic partner, Gujarat State Fertilizer Company ("GSFC"). As a result of the share issuance related to the partnership transaction, the cash on hand increased significantly which resulted in higher current assets, total assets and the corresponding interest income. The addition of GSFC also resulted in a significant increase to shareholders equity in the current period. Throughout the third and fourth quarter and carrying into 2014, the Company has continued to engage with several other potential investors who continue to analyze the project. On February 11, 2013 the Environmental Impact Statement was approved. This allows the

Company to move forward with permitting required for future construction. On June 14th, the Company announced it had engaged BNP Paribas and Natixis, on an exclusive basis, to act as lead arrangers for a senior secured project finance facility. Also in June the Company selected the supplier for the main equipment components required for the processing facility including the evaporator and crystallizer. In December the Company successfully tested a full production-capacity disposal well and a production-size source water well. The test confirmed the Company had obtained sufficient source water deliverability for the first-phase production facility.

During the year ended December 31, 2012, the Company completed the March 2012 Technical Report for its potash reserves as well as a Technical Report for the production of magnesium compounds. Throughout the year, significant efforts were expended in attempting to secure a strategic partner for the project in various regions worldwide. In September the Company signed a contract with Foster Wheeler for the detailed engineering and site preparation for the Project. In October a final short form base prospectus was filed with securities commissions throughout Canada.

During the year ended December 31, 2011, the Company completed a Technical Report, feasibility study and submitted an environmental impact study to the Government of Saskatchewan. Throughout the year the Company also completed a drilling program and continued to develop product lines and marketing strategies. The Company has explored various equity and debt strategies to continue moving the Project forward including formalizing an engagement with Bank of Montreal to act as lead debt advisor. This also included engaging Hatch Limited as an independent engineering firm to perform due diligence on the feasibility study on behalf of the debt financing group.

RESULTS OF OPERATIONS

General and administrative expenses (G&A)

G&A costs for the year ended December 31, 2013 amounted to $4,756,775 which is an increase of $600,328 from the comparative 2012 amount.

The key components of the G&A costs are as follows:

G&A Expenditures		
	Year ended December 31,	
	2013	2012
Salary, wages and benefits	$ 1,594,731	$ 1,825,780
Accounting and legal	541,477	467,953
Business development and investor relations	397,906	499,873
Consulting	352,202	257,987
Regulatory	54,391	69,011
Rent	327,104	249,264
Directors Fees	319,219	250,000
Other	1,169,745	536,579
Total general and administrative	$ 4,756,775	$ 4,156,447

Salaries, wages and benefits for the year ended December 31, 2013 was $1,594,731 compared to $1,825,780 in 2012 which is a decrease of $231,049. The decrease was primarily related to no bonuses granted in the current period as opposed to the 2012 comparative period where there were bonuses of $463,342 expensed. This was slightly offset with costs associated with new employees hired in 2013 and corporate restructuring in May 2012. The Company capitalized employee remuneration of $1,334,414

(2012 – $1,247,195) and share-based payments of $815,157 (2012 – $748,210) during the year ended December 31, 2013 for employees who were working directly on the environmental impact study, engineering, construction and product development.

Accounting and legal expenses for the year ended December 31, 2013 was $541,477 compared to $467,953 in the comparative period. The increase is associated to the legal fees incurred pertaining to the off-take with GSFC, executed in January 2013 along with legal costs associated with work done on the stock option plan, equipment leasing and purchasing terms and conditions. The remaining expenditures were related to accounting service fees related to taxation and audit services.

Business development and investor relations expenses for the year ended December 31, 2013 amounted to $397,906 compared to $499,873 in the 2012 comparative period. The decrease is mainly due to an amount of $300,457 incurred in the 2012 comparative period that was related to pursuing potential investors. The amount was slightly offset by the Company increasing exposure to the retail markets by entering a contract with Stockhouse Publishing in the current year.

Consulting expenses for the year ended December 31, 2013 amounted to $352,202 and compared to $257,987 in the comparative 2012 period. The increase in the 2013 period is related to the addition of consultants retained to assist with marketing, financing and permitting requirements. These expenditures have been slightly offset by savings recognized with minimizing information technology consulting hours.

Regulatory expense for the year ended December 31, 2013 amounted to $54,391 compared to $69,011 for the comparative period. The regulatory expenses are related to the annual TSX listing fees as well as fees incurred for public filing requirements on SEDAR.

Rent expense for the year ended December 31, 2013 amounted to $327,104 compared to $249,264 for the comparative period. The rent has increased due to the addition of the Saskatoon office in August 2012. On June 1, 2013 the head office moved to a new location in Okotoks that covers less square feet and is better suited for head office operations.

Director fees for the year ended December 31, 2013 amounted to $319,219 compared to $250,000 for the 2012 comparative period. The increase is due to additional meetings being held annually as well as restructuring the board committees and an increase to the number of directors over the comparative periods.

Other expenses for the year ended December 31, 2013 amounted to $1,169,745 compared to $536,579 for the comparative period representing an increase of $633,166. The primary factor for the increased spending was penalties paid for termination of a drilling contract. The termination payment was $391,727 and represents the final commitment the Company had to pay to end the contract. In addition there have been costs incurred relating to maintaining a second office in Saskatoon such as insurance, utilities and maintenance as well as the additional employee related costs such as motor vehicle, telephone and travel expenditures.

Other P&L costs

Depreciation and amortization for the year ended December 31, 2013 was $843,574 compared to $747,590 in the 2012 comparative period. These non-cash expenses were related to the purchase and subsequent depreciation of machinery and equipment and are proportionate to the capital assets the Company owned at the years ending December 31, 2013 and 2012.

Share-based payments for the year ended December 31, 2013 was $2,057,052 compared to $1,919,477 in the 2012 comparative periods. Share based payments are all non-cash in nature. Options were granted to directors, officers and management on March 21, 2013 and June 24, 2013. The options are expensed over a two year vesting period. On June 1, 2013, the Company implemented an employee share purchase plan whereby the shares purchased by the Company are restricted for one year from the date of acquisition and the cost of the shares is recognized over a one year period as share based payment expense. Effective August 1, 2013 the plan was put on hold.

Restructuring costs for the year ended December 31, 2013 of $67,628 compared to the comparative 2012 period of $895,645. As the Company continues to evolve and management continues to evaluate current needs, restructuring will continue in order to align resources with the strategic plan.

Other income and expenses for the year ended December 31, 2013 was income of $21,317 compared to $178,458 in the 2012 comparative period. The other income is mainly related to rental of drilling mats that are owned by the Company. When the mats are not required for drilling the Company rents mats out as a source of revenue until the mats are needed. Due to weather and demand there were a larger number of mats rented out in the comparative period.

Net finance income for the year ended December 31, 2013 was $962,168 compared to $443,839 in the 2012 comparative period. The funds related to finance income are a direct result of the amount of cash the Company is holding at a given time and the corresponding interest income the cash generates. The closing of the GSFC financing deal early in 2013 represented a large cash injection which resulting in higher interest income generating in the year ended December 31, 2013 as compared to the comparative year.

PREVIOUSLY DISCLOSED USE OF PROCEEDS

Analysis of Prospectus Use of Proceeds				
	Current Expectation	Prospectus	Variance	Notes
Geological Analysis	$ 1,100,000	$ 3,000,000	$ (1,900,000)	a
Feasibility Study Costs	10,900,000	17,000,000	(6,100,000)	b
Additional Exploration Seismic and Drilling	16,000,000	10,000,000	6,000,000	c
Environmental Impact Assessment	2,000,000	2,000,000	-	
Infrastructure Preparation and Equipment Deposits	5,000,000	9,400,000	(4,400,000)	d
Magnesium Pre-Feasibility Study	350,000	-	350,000	e
Contingencies	12,000,000	9,000,000	3,000,000	f
General, Administrative and Corporate Purposes	8,096,300	5,046,300	3,050,000	g
Total	$ 55,446,300	$ 55,446,300	$ -	

Notes

a) Further geological analysis of the Company's property has been postponed at the current time due to the status of the Company and the strategic plan formed by management. Further geological analysis of the property will continue to be assessed as the Company moves to a more advanced stage.

b) Feasibility Study Costs estimated in the Prospectus, dated December 6, 2010 (the "Prospectus"), were based on expectations of at least four additional drill cores being required to fully understand the rock mechanical properties and geological structure related to constructing the processing facility and preparing the solution mine area. Upon further review of existing information and considering the results of the two drill hole geological analysis drilling program conducted, the co-authors of the feasibility study determined the additional drill holes would not be required. The Company included an estimate of approximately $6 million for these holes in the $17 million feasibility study costs. In addition, the Company had included $2 million in additional contingencies for the surface facility and other portions of the feasibility study that are not required based on the proposals received and accepted.

c) The Company decided subsequent to the Prospectus to increase the drilling and exploration program. No additional 3D seismic activity was planned in the Prospectus but has since been determined to be important to gaining a better understanding of up to one-half of the total permit area under control, estimated at $2.5 million. As a result of the EIS, the Company is drilling a disposal well and a water well to test the injectivity of the disposal well and the productivity of the water wells. This drilling and testing program cost approximately $3.5 million.

d) Given the results of the Technical Report and the recommendations contained therein, the expenditures allocated to infrastructure preparation and equipment deposits have been decreased. Significant expenditures on equipment deposits cannot be made until detailed engineering is progressed further. The funds have now been allocated to contingencies until such time that decisions are made on where the funds are required.

e) A contract has been completed with Lyntek Incorporated which resulted in the Technical Report which includes a pre-feasibility study for magnesium compounds in the amount of $350,000.

f) The Company incurred some unanticipated expenditures including a failed financing that resulted in recognition of significant offering expenses together with expenditures made to support the October 2011 Technical Report. In addition the Company believes other sensitivities could arise in 2013 related to the key initiatives highlighted in the Prospectus and has therefore increased the expected contingencies by $6 million to arrive at the same total as projected in the Prospectus. Expenditures against this contingency will be considered provided they allow for the Company to protect its ultimate timeline as much as possible.

g) At the time the prospectus was generated in December of 2010, management estimated that the use of proceeds funds generated from the IPO would be used over a two year period at which time the plant would be fully constructed and production would have begun. As a result only two years of G&A costs were included in the use of proceeds estimates. Due largely to circumstances outside of managements control, construction has been delayed and therefore more of the funds than originally anticipated has been used for general, administrative and corporate expenditures.

The amounts above exclude gross proceeds of $4,042,000 ($3,799,480 net of commissions) related to the closing of the over-allotment option on January 13, 2011. These proceeds will be allocated to general, administrative and corporate purposes.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected financial information of the Company for each of the last eight quarters ended at December 31, 2013:

Selected Quarterly Results								
	2013				2012			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Total revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Comprehensive loss	(1,409,565)	(2,005,781)	(1,675,963)	(1,650,238)	(2,029,669)	(1,988,605)	(2,096,839)	(1,090,733)
Basic and diluted loss per share	(0.05)	(0.07)	(0.06)	(0.07)	(0.10)	(0.08)	(0.10)	(0.05)
Total current assets	47,779,751	51,771,842	57,671,813	63,162,528	26,313,146	29,703,131	32,271,738	32,644,537
Total assets	111,457,309	114,099,583	114,865,286	117,184,814	76,290,254	75,358,574	76,411,927	74,462,061
Total liabilities	881,189	2,621,638	2,182,854	3,783,272	4,145,975	1,844,825	1,961,900	1,435,257
Total shareholders' equity	110,576,120	111,477,945	112,682,432	113,401,542	72,144,279	73,513,749	74,450,027	73,026,804

Comprehensive loss was driven primarily by G&A expenses incurred to fund the continued growth of the Company. A main component of the quarterly losses relates to non-cash share based payment expenses for amortizing stock option costs. Stock based compensation expenditures range from a high of $751,671 in September 2012 to a low of $130,521 in March 2012. The other quarters are all fairly consistent averaging approximately $500,000 per quarter. In the quarter ended June 2012, the Company experienced a significant step up in comprehensive loss primarily due to a major corporate restructuring in May 2012. Restructuring expenses amounting to $895,644 were incurred throughout 2012, primarily in the second quarter, relating to third party consulting fees combined with severance costs. In the quarter ended September 2012, the comprehensive loss was consistent with the prior quarter but the severance costs were replaced with costs related to the pursuit of strategic partner along with increased stock based payments from option issuances. The loss for the quarter ended December 2012 also contains costs related to legal, consulting, accounting and travel costs related to strategic partner initiatives that would not be considered recurring costs moving forward. The loss for the quarter ended September 2013 is inflated due the inclusion of $391,727 for costs associated with a termination payment of a contract with a drilling company.

Current assets trends principally reflect activity in the cash account combined with relatively minor movement in prepaid expenses and miscellaneous receivables. The quarter ended June 30, 2012, 309,053 broker warrants were exercised by various companies who belonged to the IPO syndicate for gross proceeds of $2,657,856 which offset expenditures for that period. The quarter ended March 2013 indicates a substantial increase due to the receipt of funds related the Company obtaining a strategic partner and related issuance of common shares. In the quarters ended June 2013, September 2013 and a

small amount in December 2013 expenditures were incurred as the Company completed source water and disposal well testing.

Total assets on a quarterly basis reflect two main components, cash from financings still available to the Company and capitalized expenditures on capital assets and mineral properties for moving the Project forward. Total assets remained relatively constant for the majority of the periods above. The quarterly fluctuations generally reflect cash expended on G&A expenses.

Total liabilities for the periods illustrated relate primarily to trade and other payables. These balances vary in the analysis due to timing of payments that are required on the various work performed on bringing the Project to the current level. The increase in the quarter ended December 31, 2012 and March 2013 are a result of drilling projects and site preparation activities which were in process over the quarter ends and a large amount of payables and accruals were generated as a result.

FINANCING

2012

On April 18, 2012 the Company granted 945,000 options to employees, directors and officers. The options have an exercise price of $10.05 per option and will expire on April 18, 2017.

During the year ended December 31, 2012 there were 617,325 stock options exercised by employees, directors or consultants for gross proceeds to the Company of $735,874 and 309,053 broker warrants exercised by various companies who belonged to the IPO syndicate for gross proceeds of $2,657,856.

During the year the Company filed a short form base shelf prospectus (the "Shelf Prospectus"), which subject to securities regulatory requirements, will allow the Company to make offerings of up to $350 million common shares, units, preferred shares and notes or other types of unsecured debt securities during the 25 month period the Shelf Prospectus remains effective. The Company may determine the price and terms of any securities offered under the Shelf Prospectus at the time of sale to be set forth in a prospectus supplement.

During the year ended December 31, 2012 there were 253,875 options expired or forfeited and 59,475 broker warrants expired.

2013

On March 7, 2013, the Company closed a non-brokered private placement financing with GSFC with 5,490,306 common shares being issued at a price of $8.15 per share for total gross proceeds of $44,745,994 representing a 19.98% ownership stake in the Company. Share issue costs related to this financing amounted to $2,432,492 for net proceeds of $42,313,502. The Company is obligated to issue an additional 555,555 common shares to GSFC if commercial production has not commenced on or before October 1, 2016.

On March 21, 2013 the Company granted 1,014,000 stock options to employees, directors and officers. The options have an exercise price of $7.95 per options and will expire on March 21, 2018.

On June 14, 2013, the Company announced that it has entered into an engagement letter pursuant to which it has engaged BNP Paribas and Natixis, New York Branch, on an exclusive basis, to act as lead

arrangers (the "Lead Arrangers") for a senior secured project finance facility (the "Facility") of up to US$300 million. The purpose of the Facility is to fund the construction and commissioning of the Project.

The Facility is expected to be structured on an underwritten basis whereby each Lead Arranger will underwrite 50% of the Facility subject to credit approval, due diligence and satisfactory legal documentation. Progress towards formal commitment and ultimately to closing will be carefully monitored and managed to ensure timing matches that of other financing initiatives and opportunities.

On June 24, 2013, the Company granted 15,000 options to a new employee as a component of the compensation package for that employee. The options have an exercise price of $6.73 and will expire on June 24, 2018.

INVESTING

The Company capitalizes costs incurred on projects that are determined to provide future benefit and charges other costs to operations including administrative salaries, support and office costs, community relations programs and other administrative related expenditures. Costs directly related to capital assets are capitalized to appropriate categories and depreciated over their useful lives. Costs of personnel related entirely to preparation of mineral properties on the Company's permit areas and for the future construction of facilities or product development are capitalized as part of the mineral properties or of the processing facilities.

Expenditures to date were focused on the completion of the Company's resource reports, including the Technical Report and EIS, confirming the resources and reserves through drilling wells on the initial focus area and preparing the Company for construction by advancing detailed engineering and completing initial site preparation.

Karnalyte RESOURCES

Intangible assets

During the period ended December 31, 2013, there was a decrease in intangible assets of $246,693. The decrease is a result of capitalizing $935,040 in net additions and depreciation which was offset by a sale of drilling fluid for $1,181,733. The net balances classified as intangible assets are as follows:

Intangible Assets		
	Year ended December 31, 2013	2012
Mineral property		
Drilling	$ 19,373,566	$ 19,998,422
Feasibility study	10,827,683	10,827,683
Geophysics	4,268,440	4,262,672
Environmental Study	3,438,109	3,240,208
Surface land	2,017,352	2,017,352
Engineering	2,008,905	1,994,300
Product Development	537,504	373,064
Permits	317,397	269,697
Process patent	115,825	104,144
Computer software	46,077	110,009
Balance, end of period	$ 42,950,858	$ 43,197,551

Drilling expenditures of $556,877 incurred throughout the year ended December 31, 2013 mainly related to storage tank rentals containing distillate fluid which was intended to be used for future drilling. These expenditures were offset by the sale of the drilling fluid $1,181,733 in December 2013. Drilling has been postponed and therefore the Company has chosen to sell the fluid and discontinue the tank rentals until such time as it is needed.

Environmental expenditures of $197,901 incurred throughout the year ended December 31, 2013 relate to ongoing environmental monitoring and testing that is required to conform to regulatory requirements. Throughout the year the Company continued to work on attaining permits for construction as well as preparing a permitting and reporting plan that will comply with government regulations moving forward.

Engineering expenditures in the amount of $14,605 incurred in the year ended December 31, 2013 were minimal compared to prior years due to the Company hiring engineers on staff thereby minimizing the amount of consulting required.

Product development expenditures in the amount of $164,440 relate mainly to the capitalization of salaries, benefits and stock based compensation for employees who are analysing specific characteristics of the brine and products to facilitate construction and development of the cavern design and processing facility.

Permit expenditures of $47,700 for the year ended December 31, 2013 are the annual fees payable in order for the Company to maintain their current permit and lease areas.

Patent expenditures in the amount of $21,587 were incurred in the year ended December 31, 2013 as the Company continues to revise and update existing patents while applying for new patents in Canada and the United States where applicable. These costs were slightly offset by accumulated amortization incurred throughout the year of $9,906.

Computer software expenditures of $26,910 were incurred throughout the year ended December 31, 2013 however the costs were more than offset by depreciation of $90,842 recognized during the year.

Decommissioning obligations

The Company's decommissioning obligations are based on the Company's ownership in wells and facilities. Management estimates the costs to abandon and reclaim the wells and the facilities and the estimated time period during which these costs will be incurred in the future. The majority of these costs are expected to be incurred over the next 30 years. The undiscounted amount of estimated costs required to settle the obligations at December 31, 2013 is $212,000 (2012 – $212,000). The estimated costs have been inflated at 2.0 percent and discounted at a risk free rate of 3.02 percent (2012 – 2.18 percent) for the year ending December 31, 2013.

Deferred financing

Deferred financing costs were incurred as the Company continued to pursue debt financing. These costs will be deferred until the debt has been issued. Such financing costs will be recognized in profit or loss if the financing is no longer probable.

Capital assets

During the year ended December 31, 2013, the Company capitalized $12,340,609 to assets under construction, machinery and equipment, vehicles, land improvements, leasehold improvements and equipment and furniture. The net balances classified as capital assets are as follows:

Capital Assets		
	Year ended December 31,	
	2013	2012
Assets under construction	$ 16,087,642	$ 3,466,078
Machinery and equipment	1,968,696	2,291,533
Buildings	205,487	216,086
Vehicles	85,443	130,073
Land	124,656	124,656
Furniture and equipment	79,023	88,367
Land improvements	46,247	60,297
Leasehold improvements	147,972	27,467
Balance, end of period	$ 18,745,166	$ 6,404,557

Assets under construction increased by $12,621,564 during the year ended December 31, 2013. This increase resulted from expenditures of $1,130,973 to continue site preparation on the proposed location of the production facility. An additional $5,667,552 was spent to continue detailed engineering required for plant construction. Expenditures of $5,513,101 were incurred for drilling a disposal and water wells to test the permeability and porosity of the future disposal site. Finally costs of $246,007 were incurred to advance detailed engineering on the crystallizer and evaporator purchase and $63,931 to secure temporary utilities to the construction site. There has been no depreciation charges recorded for assets under construction.

Leasehold improvements increased by $120,505 related to the construction of a new office space for the Okotoks office. The existing lease for the Okotoks office expired at the previous location and since the

lab has been moved to the Saskatoon office space, the Company secured a smaller more suitable space for the head office.

All other capital assets decreased throughout the year ended December 31, 2013 as a result of limited expenditures and the offsetting depreciation.

Impairment

The Company considers both qualitative and quantitative factors when determining whether an asset may be impaired. At the year ending December 31, 2013 management noted a review of exploration and evaluation assets held under permit KP360 and KLA010 needed to be completed in light of the following conditions:

- Uralkali's announcement of breaking away from BPC that effectively led to a massive downward spiral for the sector and market paralysis;
- rumours of lower prices were being reported for small volumes. Most analysts were waiting to see what price China or India signs with the major potash suppliers. Predictions at this time were in the low $300/tonne range, and;
- the Company's market capitalization on December 31, 2013 was $49M while the net asset value for the exploration and evaluation assets was $43M.

As a result of these factors management reviewed and revised key assumptions used in calculating the net asset value using the discounted cash flow method. Using prices reflective of the latest signed contracts with China and expectations of Indian and North American pricing, the expected cash flow continues to be positive and is substantially higher than the net book value of $43M for exploration and evaluation assets reflected on the balance sheet.

The review determined that no impairment indicators were triggered and therefore no formal impairment review was required at this time.

In early 2014, there have been other factors arise to support an improved outlook in the potash sector such as:

- potash markets turned more optimistic, as producers (Uralkali and Potash Corporation) settled H1/14 contracts with China. Potash prices continue climbing up as Canpotex has secured business in Brazil at $360/mt CFR for granular deliver in March, up from $310-$320/mt in February;
- Uralkali saw a change in its major stakeholder and a new CEO, which leads many to believe a reformation of BPC is not too far behind;
- global potash demand forecasts from main suppliers are in a fairly wide 55 – 60 mm tonne range compared to 2013 estimates of 53 – 56 mm tonnes. The majority of the increase is driven by China, Brazil and SE Asia, and;

Multiple financing deals in the potash industry have been closed in the first quarter of 2014.

Segmentation Reporting

The Company's operating segments have been identified as the Company's individual mineral reserve streams. The Company has currently identified two operating segments, potash and magnesium, however

due to materiality they are currently grouped as one segment for financial reporting purposes. As magnesium reserves are advanced to a material stage, costs will be allocated to separate reporting segments.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, the Company had net working capital of $47,033,881 compared to $21,473,230 at December 31, 2012 including $46,160,972 and $25,114,959, respectively, in cash. As at December 31, 2013 and 2012, the Company also had $375,000 in restricted cash that was set up as a requirement from the Government of Saskatchewan in order to operate the test plant in Saskatchewan. The Company maintains cash in bank accounts for day to day operations and invests the excess in overnight financial instruments in high interest saving accounts that are highly liquid. No investments are made in commercial paper instruments.

The Company has sufficient cash to meet its short-term corporate costs and existing capital plans and has sufficient funds to finance exploration and ongoing corporate functions. There is no certainty, however, that the Company will be able to raise additional funds to obtain the necessary capital to move the Project forward to the production stage.

CONTRACTUAL OBLIGATIONS

The following table summarizes the commitments of the Company as at December 31, 2013:

Contractual Obligations					
	Payments due by period				
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Trade and other payables	$ 745,870	$ 745,870	$ -	$ -	$ -
Office lease	$ 811,792	$ 265,238	$ 461,154	$ 85,400	$ -
Mineral lease and permit	$ 2,705,165	$ 51,983	$ 156,167	$ 340,502	$ 2,156,513
Project contracts	$ 1,658,981	$ 1,658,981	$ -	$ -	$ -
Total	$ 5,921,808	$ 2,722,072	$ 617,321	$ 425,902	$ 2,156,513

Trade and other payables relate to operating, investing and financing expenditures that were payable at the year ended December 31, 2013.

Office leases are in place for both the Okotoks and Saskatoon office locations. The Okotoks space is under a lease containing a monthly fee of $9,903 and will expire on June 1, 2016. The Saskatoon office is under a lease containing a monthly fee of $12,200 and will expire on August 31, 2017.

Mineral lease and permit obligations refer to the annual fees which are required to maintain the permit and lease areas the Company currently owns. The period between March 2013 to February 2014 represented the Company's first extension period of the permit which cost $10,000 to maintain. There are two more extension periods available to the Company at a cost of $20,000 and $40,000 respectively. At the end of the extension periods the Company will need to convert the area to a lease in order to maintain the mineral rights for the property. All the required exploration on the property has been completed and no further spending will be required until such time as the property is converted to a lease. The Company has applied for and received confirmation the second extension period has been granted which will extend

the permit from March 12, 2014 to March 11, 2015 at which time management will decide if the third extension will be applied for or the property will be converted to a lease.

The Company is required to pay an annual lease of $2.00 per acre on any area held under lease for a term of twenty-one years for a total cost of $33,650 per year. The Company is required to expend not less than $3,000,000 for work during the first three years of the term of the lease. The Company has met all expenditures as required under the subsurface mineral regulations.

Project contracts are in place for various engineering, consulting and administrative services.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and expenses. The Company evaluates the estimates periodically. In making judgments about the carrying values, the Company uses estimates based on historical experience and various assumptions that are considered reasonable in the circumstances. Actual results may differ from those reported. The Company reviews significant areas subject to estimation with the Audit Committee and its independent auditors. Significant areas requiring estimate include the assessment of impairment indicators and any subsequent determination of impairment over mineral properties and capital assets, the related depletion and depreciation including the estimates of total depleted reserves and useful lives and the calculation of share-based payments. See note 2 to the December 31, 2013 financial statements.

Stage of development

The Company is in the development stage of its history and at this stage of the Company's growth, it is subject to the risks associated with early stage companies, including uncertainty of future revenues, developing acceptable markets and growth into established markets, profitability and the need to raise additional financing to continue to progress its Project.

Continued exploration and development of the property is dependent on Karnalyte's ability to obtain necessary financing. As the Company is not currently producing from its property, it will be necessary for the Company to seek additional equity or debt to finance its programs.

Intangible assets

The Company's expenditures relating to the acquisition of mineral properties, leases, permits and the exploration and development thereon are recorded at cost and include direct and indirect acquisition and exploration costs associated with specific mineral properties. These costs are capitalized on the basis of the potential realization from the underlying asset. Amortization of these amounts will be recognized using the unit-of-production method over shorter of estimates of reserves or service life following the commencement of production or written off, if the properties are sold or abandoned.

Upon indication that impairment may exist, carrying values of assets would be adjusted. Impairment conditions may result from any of the following items, but not limited to: cessation of exploration activities; exploration results are not promising such that exploration will not be planned for the foreseeable future; permit or lease ownership rights expire; sufficient funding is not expected to be available to complete the exploration program; an exploration property is deemed to have no material

economic value to the Company's business plan or future development of the property becomes uneconomical

The Company reviews capitalized amounts for impairment whenever events or changes in circumstances indicate its carrying amount may not be recoverable. The carrying value of assets is assessed for indications that the carrying amounts recorded may not be recoverable from estimated current and future cash flows. Estimating future cash flows requires assumptions about future business conditions and other developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Capital assets

Assets under construction, machinery and equipment, buildings, vehicles, furniture, land improvements and leasehold improvements are recorded at cost, less accumulated depreciation. Capital assets are depreciated using the straight-line method over three to seven years. Leasehold improvements are amortized on a straight line basis over the terms of the respective leases. Assets under construction will start being depreciated when the assets are available for use for their intended purpose and will be calculated on a unit of production basis.

Share-based payments

The Company has share-based payments expenses for stock option awards to employee, directors, officers and consultants, as explained in the Company's financial statements. IFRS requires that all share-based awards be accounted for using the fair value method. Under this method, the Black-Scholes option pricing model requires estimates of the expected life of the option, forfeiture rates, stock volatility and the risk-free interest rate expected over the life of the option. A change in these assumptions could materially change the amount of share-based payments expenses recorded.

Income taxes

The Company accounts for income taxes in accordance with the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of substantive enactment. A deferred income tax asset is recognized only when it is more likely than not that the income tax asset will be realized.

FINANCIAL RISK FACTORS

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its commercial obligations. The Company has no significant concentration of credit risk arising from operations. The Company's cash and restricted cash is held with large Canadian financial institutions and management believes the risk of loss to be remote. As at December 31, 2013 and 2012, the Company had a receivable with the purchaser of the distillate fluid, GST receivables from the Canadian Government

and a limited number of customers who rent mats on a short-term basis such that management believes that the credit risk with respect to receivables is low.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due. As at December 31, 2013 the Company had cash totalling $46,160,972 (2012 – 25,114,959) to settle current liabilities of $745,870 (2012 - $3,996,019). As at December 31, 2013 and December 31, 2012 the Company's trade and other receivables were all considered current and are subject to normal trade terms.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company will be exposed to price risk with respect to North American and international potash prices. A significant decrease in the price of potash could cause the continued exploration and future development of the Company's properties to be uneconomical. On July 30, 2013 an announcement was made by Uralkali to exit the BPC marketing agency and to significantly increase its operating rate in the future, which has added an unexpected and high level of uncertainty to the outlook for potash markets.

Currency risk

The Company's functional currency is the Canadian dollar with the majority of transactions denominated in Canadian dollars. The Company has engaged third party experts to perform various reports on the future potential of its mineral properties where such contracts are denominated in United States dollars and Euros. At this time management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk. At December 31, 2013 the Company held the majority of its cash in CAD.

Interest rate risk

The Company's trade and other payables are non-interest bearing and have contractual maturities of less than 45 days. As at December 31, 2013, the Company's only interest bearing asset is cash in high interest saving accounts and a small amount of cash held in Guaranteed Investment Certificates. Cash earns interest at prevailing short-term interest rates. During the year ended December 31, 2013 the Company earned interest income of $536,333 (2012 - $448,237) from its cash. Had the interest rate been 100 basis point higher (or lower) throughout the year ended December 31, 2013, comprehensive loss would have been lower (or higher) by approximately $420,000 (2012 - $280,000).

RECENT ACCOUNTING PRONOUNCEMENTS

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 32 "*Financial Instruments: Presentation"* - The amendments to IAS 32 pertain to the application guidance on the offsetting of financial assets and financial liabilities. The changes focus on four main areas: The meaning of "currently has a legally enforceable right of set-off", the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for

applying the offsetting requirements. The Company is currently assessing the impact that the adoption of this standard may have on its financial statements.

IFRS 9 "*Financial Instruments"* – The standard is the first step in the process to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39. Financial instruments: recognition and measurement derecognition of financial assets and financial liabilities. The extent of the impact of adoption of these standards has not yet been determined.

INTERNAL CONTROLS

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures for the timely and accurate preparation of financial and other reports. Such disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed is recorded, processed, summarized and reported within the periods specified by applicable securities regulations. In addition, the disclosure controls ensure that information required to be disclosed is accumulated and communicated to the appropriate members of management and properly reflected in the Company's continuous disclosure filings. As with most small or developing Company's and consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these disclosure controls and procedures should not exceed their expected benefits. As a result, the Company's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met. The Chief Executive Officer and Chief Financial Officer are responsible to evaluate the disclosure controls and procedures. They have concluded that the design and operation of these disclosure controls and procedures were not effective due to the existence of material weaknesses in the internal controls over financial reporting noted in the following section.

The Company mitigates these weaknesses through using external consultants as appropriate; however, such mitigating procedures do not constitute compensating controls for the purposes of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

Internal Controls over Financial Reporting (ICFR)

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing and ensuring the operating effectiveness of internal controls over financial reporting. They are also responsible for causing them to be designed and operated effectively under their supervision. They are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management has assessed the design and operating effectiveness of internal controls over financial reporting. They have concluded that the design and operation of these disclosure controls and procedures were not effective due to the existence of material weaknesses in the internal controls over financial reporting noted below. An internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the design and operating effectiveness assessment a material weaknesses in internal controls over financial reporting was identified. The weakness related to the company not having full-time in-house personnel to address all complex financial and non-routine tax issues that may arise. It is not deemed as

economically feasible at this time to have such personnel. When faced with unusual or non-routine issues, the Company relies on external experts for review and advice. Such circumstances may involve complicated financial issues and for tax planning, tax provision and compilation of corporate tax returns.

The Company mitigates these weaknesses through using external consultants as appropriate; however, such mitigating procedures do not constitute compensating controls for the purposes of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements at the time of this MD&A.

OUTSTANDING SHARES

As of the date of this MD&A, the Company has 27,476,961 common shares and 2,094,500 stock options issued and outstanding.

OUTLOOK

Industry Outlook

The general potash market has been in a state of serious decline since July 30, 2013 when Uralkali announced that they were breaking their marketing arrangement with Belaruskali. Through the second half of 2013 very few contracts were entered into as buyers awaited price deterioration. This effectively resulted in an environment of spot pricing over the period and a serious decline in potash prices from prior periods. This situation appears to be abating, albeit slowly, from the events over the past six months. With the signing of new supply contracts to China and other regions in the world, many feel that a bottom for potash prices has been set and prices will begin to stage a slow recovery. The issue remains as to how long any significant recovery will take and the extent of price appreciation, particularly over the shorter term.

Uralkali signed the first Chinese contract on January 20, 2014 for $US305 per tonne and this was followed by Canpotex and others signing Chinese contracts at roughly the same rates. News of contracts and sales into Brazil and North America are showing signs of some recovery but again there is no consensus at this time as to the level of recovery or the timeline. In these circumstances it is critical for developing companies to ensure they carefully manage cash resources to ride out the uncertainty and capitalize on opportunities when the situation improves.

Capital Market Outlook

Access to the capital markets is crucial for all developing companies. The current weakness in the capital markets for resource companies presents challenges to all developing companies. Management believes that the heightened uncertainty facing the potash industry resulting from the recent Uralkali announcement will have a significant adverse impact on the ability of junior exploration and development companies such as Karnalyte to access the capital markets in the near term. The Company has a strong working capital position at the end of the quarter of $47.0 million and has implemented a plan to carefully manage expenditures through the next year. This working capital and associated strategy is expected to provide some protection for a period of time, however the Company will need to access the capital

markets further to enter into the full construction phase of the Project. The Company will continue to monitor the capital markets for opportunities to access capital. With its current strong working capital position, the Company intends to continue to assess strategies and opportunities as they arise.

Company Outlook

This significant downturn in share prices of potash companies in general has created a challenging environment in the capital markets to raise capital for the project. The potential for potash prices to remain low for a long term has forced management to formulate a strategy to maintain a strong cash position moving forward. Expenditures targeted at allowing us to maintain schedules or to achieve cost advantages are being approved while expenditures which can be deferred with minimal effects are being put on hold. Management believes that the potash market will recover in due course, and that continued progress in detailed engineering will provide the Company with an advantage when the market turns. This detailed engineering is being carefully monitored to ensure cash resources are being allocated wisely.

The Company achieved a number of key milestones throughout the year ending December 31, 2013. However the Company is in the pre-development stage and therefore access to capital markets is critical to continue to progress. The recently introduced uncertainty facing the potash industry, as described above, will likely have an adverse impact on our ability to access the capital requirements in the near term. The Company is continuing to advance existing discussions with potential strategic partners and working with newly identified potential companies who may determine that the current weakness in the market reflects opportunities to invest.

The Company has identified product lines that could prove to be economical and is deciding how to pursue these products. Internal resources are available to move the plans forward while world potash prices continue to negatively impact potash developments. This initiative builds off the Technical Report completed in June 2012.

Management will continue to assess these and other potential strategies and alternatives in response to the recent developments. Management believes that our relatively strong financial position, with $47.0 million of working capital, will provide the Company with alternatives in the face of the existing market uncertainty

FORWARD-LOOKING INFORMATION

Statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements may include, but are not limited to, statements regarding:

- expectations regarding the state of the global potash and magnesium industry;
- expectations regarding the Company’s ability to finance the project;
- future extraction and exploitation of mineral deposits;
- capital expenditure requirements;
- expectations regarding prices and costs;
- development of mineral reserves and mineral extraction processes;

- the Company spending the funds available to it as stated in this MD&A;
- expectations regarding the Company's ability to subsequently raise capital;
- expenditures to be made by the Company to meet certain work commitments;
- discussions with potential strategic partners;
- work plans to be conducted by the Company, and
- reclamation and rehabilitation obligations and liabilities.

In certain cases, forward-looking statements can be identified by the use of such words as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate" and other similar terminology. These statements reflect the Company's current expectations regarding future events and operating performance and speak only as of the date of this MD&A.

Forward-looking statements in this MD&A include statements regarding:

- the future stability of potash prices and the cyclical nature of potash prices;
- the potential renewed partnerships in global potash marketing;
- the Company's ability to maintain a strong working capital position in the near term;
- the Company's ability to commence production at 625,000 tonnes per year, and ramp up to production of 2.125 million tonnes per year;
- further seismic exploration and drilling;
- time to completion of plant construction of 18 to 24 months following receipt of satisfactory financing and regulatory approvals;
- brine field preparation taking between 24 and 30 months;
- production run rates achieving 625,000 tonnes per year within 10 months following the completion of the processing plant;
- total capital expenditure for a 625,000 tonne mine of $593 million;
- anticipated results of development and extraction activities and estimated future development, and
- the Company's ability to obtain additional financing on satisfactory terms.

Such forward-looking statements are based on a number of material factors and assumptions, including, that:

- the global potash market stabilizes and the stock prices of potash companies rebound above the current depressed market;
- the Company is able to manage its working capital position and is able to act on appropriate strategies and opportunities to access the capital markets as they arise;
- the Company executes its project development plans in a manner consistent with its budgets, planning and its Technical Report;
- there is no adverse change to the price of potash that would adversely affect the prospects for developing the Project, or make it uneconomic to proceed;
- estimates of the Company's mineral resources and mineral reserves are accurate, and
- the Company obtains additional financing in the future.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the

results discussed in the forward-looking statements, including, but not limited to, the factors discussed under “Financial Risk Factors” elsewhere in this MD&A and under "Risk Factors" in the Company’s Annual Information Form. Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A 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.