



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
AND
INFORMATION CIRCULAR**

April 5, 2017

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KARNALYTE RESOURCES INC.

**NOTICE OF ANNUAL MEETING
to be held May 5, 2017**

NOTICE IS HEREBY GIVEN that, an annual meeting (the **Meeting**) of the holders (**Shareholders**) of common shares (**Common Shares**) of Karnalyte Resources Inc. (**Karnalyte**) will be held at the Hampton Inn and Suites by Hilton Saskatoon Airport, at 110 Gateway Boulevard, Saskatoon, Saskatchewan, S7L 1S4, on May 5, 2017, at 1:00 p.m. (Saskatoon time) for the following purposes:

1. to receive and consider the financial statements of Karnalyte, together with the report of the auditors thereon, for the year ended December 31, 2016;
2. to elect directors to hold office until the next annual meeting of Shareholders;
3. to appoint auditors to hold office until the next annual meeting of Shareholders and to authorize the board of directors of Karnalyte to fix their remuneration; and
4. to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders should refer to the accompanying information circular for more information with respect the matters to be considered at the Meeting.

The record date for the the determination of Shareholders entitled to receive notice of and to vote at the Meeting is April 5, 2017. Only Shareholders whose names have been entered in the register of the Shareholders on the close of business on that date will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent a holder of Common Shares transfers the ownership of any Common Shares after such date and the transferee of those Common Shares establishes that it owns the Common Shares and demands, not later than 10 days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Common Shares at the Meeting.

A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting, or any adjournment thereof, in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, completed proxy forms must be received by CST Trust Company at the Registrar and Transfer Agent of the Company, at P.O. Box 721, Agincourt, Ontario, M1S 0A1, Attention: Proxy Department, by 1:00 p.m. (Saskatoon time) on May 3, 2017 or, if the Meeting is adjourned, by 1:00 p.m. (Saskatoon time) on the second business day prior to the date on which the Meeting is reconvened.

DATED as of April 5, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

(signed "*Robin Phinney*")

Robin Phinney
President and Director
Karnalyte Resources Inc.

INFORMATION CIRCULAR

INTRODUCTION

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Karnalyte for use at the Meeting to be held on May 5, 2017 and any adjournments thereof. No Person has been authorized to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under “*Glossary of Terms and Abbreviations*”. The information contained in this Information Circular is given as of April 5, 2017 unless otherwise specifically stated.

CURRENCY

All dollar references in the Information Circular are in Canadian dollars, unless otherwise indicated.

GLOSSARY OF TERMS AND ABBREVIATIONS

The following is a glossary of certain terms and abbreviations used in this Information Circular.

ABCA means the *Business Corporations Act* (Alberta), RSA 2000, c B-9, as amended.

Annual Information Form means the annual information form of the Company dated March 14, 2017 for the year ended December 31, 2016.

Audit Committee means the Audit Committee of Karnalyte.

Beneficial Shareholder is a Shareholder whose Common Shares are registered in the name of an intermediary, as described under the heading “*General Proxy Matters – Advice to Beneficial Shareholders*” in this Information Circular.

Board of Directors or **Board** means the board of directors of Karnalyte, unless otherwise indicated.

Broadridge means Broadridge Financial Solutions, Inc.

Business Day means any day on which commercial banks are generally open for business in Calgary, Alberta and Toronto, Ontario, other than a Saturday, Sunday or statutory public holiday.

Code of Conduct means the code of conduct of the Company.

Common Shares means common shares in the capital of Karnalyte.

Company means Karnalyte Resources Inc.

Compensation and Corporate Governance Committee means the Compensation and Corporate Governance Committee of the Company (the responsibilities of which have been performed by the Board of Directors as whole since August 26, 2016).

CST means CST Trust Company, a trust company existing under the laws of Canada.

Executives has the meaning ascribed thereto under the heading “*Statement of Executive Compensation – Termination and Change of Control Benefits*” in this Information Circular.

Finance Committee means the special committee of directors of Karnalyte who are Independent of GSFC, formed for the purpose of considering the financing arrangements for the Wynyard Carnallite Project.

GSFC means Gujarat State Fertilizer & Chemical Ltd.

Independent means a person who is “independent” within the meaning of sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees*.

Independent Director means a member of the Board of Directors who is Independent in respect of Karnalyte.

Information Circular means this information circular dated April 5, 2017, together with all appendices hereto, distributed by Karnalyte in connection with the Meeting.

Karnalyte means Karnalyte Resources Inc.

Karnalyte Lease Lands means, collectively, the land subject to subsurface mineral leases KLSA 010, KL 246, and KL 247A.

Karnalyte Option Plan means the stock option plan of Karnalyte.

Management Nominees means Robin Phinney, Vishvesh D. Nanavaty, and Sanjeev V. Varma.

Meeting means the annual meeting of Shareholders to be held on May 5, 2017 and any adjournment(s) thereof to consider and to vote on the matters as further described in the Information Circular.

Named Executive Officer or NEO has the meaning ascribed thereto under the heading "*Statement of Executive Compensation*" in this Information Circular.

NOBO has the meaning ascribed thereto under the heading "*General Proxy Matters – Advice to Beneficial Shareholders*" under this Information Circular.

Notice of Meeting means the Notice of Annual Meeting which accompanies this Information Circular.

OBO has the meaning ascribed thereto under the heading "*General Proxy Matters – Advice to Beneficial Shareholders*" under this Information Circular.

Option means an option to acquire a Common Share granted pursuant to the Karnalyte Option Plan.

Participant means a person eligible to receive Options under the Karnalyte Option Plan, being directors, officers, employees and consultants of the Company or any subsidiaries of the Company (or corporations controlled by such persons).

Person means any individual, partnership, corporation, group, syndicate, trust, executor, administrator, personal representative, government or agency thereof, or any other association or entity.

Settlement Agreement means the settlement agreement between the Company, GSFC, Robin Phinney, Vishvesh Nanavaty, Henry Kerkhoven, Sokuen Sue Ng, Sanjeev Varma, Mukund Purohit, Stephen Goodman, Bruce Townsend, Jay Sujir, Gerald Offet and Thomas Pressello dated May 21, 2015 related to the settlement of (a) the legal action taken by the Company against Robin Phinney, Jean Phinney, and associated entities, alleging improper proxy solicitation and breach by Robin Phinney of his past employment and termination contracts with the Company and (b) the legal action taken by Robin Phinney against the Company and certain of its directors alleging the Board's continuing disregard for the interests of the Company's shareholders.

Shareholders means the holders of Common Shares and **Shareholder** means any one of them.

Shareholder Nominees means the individuals nominated for election as directors at the Meeting other than the Management Nominees, as listed under the heading "*Annual Business - Election of Directors - Shareholder Nominees*".

TSX means the Toronto Stock Exchange.

Wynyard Carnallite Project means the potash exploration and development project of Karnalyte on the Karnalyte Lease Lands.

ANNUAL BUSINESS

Election of Directors

The Board presently consists of five (5) directors, all of whom were elected at the last annual meeting of shareholders. There is one vacant director position on the Board. Two (2) current directors have indicated that they do not wish to stand for election at the Meeting. The term of office for each of the present directors shall expire at the termination of the Meeting unless such director is re-elected. It is proposed that the persons named below will be nominated at the Meeting. Each director elected will hold office until the next annual meeting of Shareholders or until his or her successor is duly elected or appointed pursuant to the by-laws of the Company unless his or her office is earlier vacated in accordance with the provisions of the ABCA or the Company's by-laws.

It is the intention of the management designees, if named as a proxy, to vote proxies in favour of the election of the Management Nominees to the Board of Directors. Management does not contemplate that any of such nominees will be unable to serve as directors; however, if, for any reason any of the Management Nominees do not stand for election or are unable to serve as directors, proxies in favour of the management designees will not be voted for another nominee, unless the Shareholder has specified in his or her proxy that his or her shares are to be voted for another nominee.

It is the intention of the management designees, if named as proxy, to vote proxies in respect of the election of the Shareholder Nominees only in accordance with the specific direction of the Shareholder appointing them. In the absence of such direction, such Common Shares will not be voted either in favour of or withheld from voting in respect of such Shareholder Nominees.

The following information relating to the nominees as directors is based on information received by the Company from such nominees.

Management Nominees

Management has nominated the following three individuals for election as directors at the Meeting:

| Name and Municipality of Residence | Office held and Date became a director | Present and Principal Occupation for the Past Five Years | Number of Common Shares Beneficially Owned Directly or Indirectly |
|---|---|---|---|
| Robin Phinney Okotoks, Alberta Canada | President and director of the Company since May 21, 2015. | President of the Company since May 21, 2015. Prior thereto, President and Chief Executive Officer, Director of the Company from November 2007 to May 2014. Co-founder and Vice-President of Engineering of Whitemud Resources Inc. from 2003 to 2007. | 1,763,155 |
| Vishvesh D. Nanavaty ⁽¹⁾ Vadodara, Gujarat State India | Director since March 7, 2013. | Senior Vice-President, Finance and Chief Financial Officer of GSFC and has held various executive positions with GSFC since 2002. | Nil ⁽²⁾ |
| Sanjeev V. Varma ⁽¹⁾ Vadodara, Gujarat State India | Director since May 21, 2015. | Vice President (Finance) of GSFC since 2014. Employed by GSFC since 1990. | Nil ⁽²⁾ |

Notes:

- (1) Member of the Audit Committee.
- (2) This amount does not include the 6,045,861 Common Shares held by GSFC.

Shareholder Nominees

Management has received from certain shareholders, and approved, the nomination of the following Shareholder Nominees for election as directors at the Meeting:

| Name and Municipality of Residence | Office held and Date became a director | Present and Principal Occupation for the Past Five Years | Number of Common Shares Beneficially Owned Directly or Indirectly |
|---|---|---|--|
| Donald A. Parfitt Kenora, Ontario, Canada | - | Until his retirement on January 1, 2016, Mr. Parfitt was a partner at BDO Canada LLP practising as a chartered professional accountant. | 53,420 ⁽¹⁾ |
| Robert D. Banman Steinbach, Manitoba, Canada | - | Mr. Banman is the president of Prairie Pacific Inc., a real estate holding company. He is also a part owner of Robert Willian Company LLC, a land planning and construction company, Ryan Taylor Properties LLC, a real estate holding company, and Minaki on the River, a real estate development company. Mr. Banman is the principal and founder of the non-profit Robert D Banman and Joanne S. Banman Heritage Foundation. | 150,000 |
| Mark Zachanowich Winnipeg, Manitoba, Canada | - | Mr. Zachanowich is the Vice-president of Operations of Peak of the Market, a not-for-profit root crop and vegetable sales organization. | 181,300 ⁽²⁾ |
| W. Todd Rowan Saskatoon, Saskatchewan, Canada | - | Mr. Rowan is a consultant with IXL Innovation, and the director of procurement at Alliance Grain Traders, both operating in the agriculture sector. | 133,000 |
| Peter Matson Thunder Bay, Ontario, Canada | - | Until his retirement in September 2016, Mr. Matson was a communications technician at Bell Canada. | 509,900 |
| Gregory Szabo Niagara Falls, Ontario, Canada | - | Since 1999, Mr. Szabo has been a consultant, educator, and now president of GGS Services Ltd. Also since 1999, Mr. Szabo has been the CEO of Expanded Systems Services Ltd. Since 2003, Mr. Szabo has been the President of HG197 Inc. Each of these companies is in the computer education, computer consulting, software development, or software sales services. | 260,062 ⁽³⁾ |

(1) This number includes Common Shares held by Mr. Parfitt's spouse.

(2) This number includes Common Shares held by Mr. Zachanowich's immediate family members.

(3) This number of Common Shares includes those held by Mr. Szabo's spouse and a corporation wholly owned by Mr. Szabo.

Cease Trade Orders

To the knowledge of the Company, no proposed director is, as of the date of this Information Circular, or was within 10 years prior to the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that: (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation and which order was in effect for a period of more than 30 consecutive days while he or she was acting in the capacity as director, chief

executive officer or chief financial officer of such company; or (ii) was subject to any of the foregoing orders for a period of more than 30 consecutive days after he or she ceased to be a director, chief executive officer or chief financial officer of such company and which resulted from an event that occurred while he was acting in such capacity.

Bankruptcies

To the knowledge of the Company, no proposed director is, as of the date of this Information Circular, or was within 10 years prior to the date of this Information Circular, a director or executive officer of a company (including the Company) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets, other than as disclosed herein.

To the knowledge of the Company, no proposed director of the Company has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties and Sanctions

To the knowledge of the Company, no proposed director has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditors

It is the intention of the management designees, if named as proxy, to vote proxies in favour of a resolution to re-appoint KPMG LLP, Chartered Accountants, as auditors of the Company to hold office until the next annual meeting of Shareholders and to authorize the directors to fix their remuneration, unless the Shareholder has specified in his or her proxy that his or her Common Shares are to be withheld from voting in the appointment of auditors. If elected, KPMG LLP, Chartered Accountants will hold office as auditors of the Company until the next annual meeting of Shareholders or until their successor is duly elected or appointed pursuant to the by-laws of the Company, unless their position is earlier vacated in accordance with the provisions of the ABCA or the Company's by-laws.

Receipt of Financial Statements

At the Meeting, Shareholders will receive the annual financial statements of the Company for the most recently completed financial year ended December 31, 2016, together with the auditor's report thereon.

STATEMENT OF EXECUTIVE COMPENSATION

The Form 51-102F6 - *Statement of Executive Compensation*, defines "Named Executive Officers" as the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity other than the CEO and CFO, whose total compensation was, individually, more than \$150,000 for that financial year and each individual who would meet the criteria outlined above but for the fact that the individual was neither an executive officer of the Company nor acting in a similar capacity at the end of the financial year.

The following discussion describes the significant elements of the Company's current executive compensation program, with emphasis on the process of determining compensation payable to the President, the CFO, and each of

the three most highly compensated executive officers other than the President and the CFO (collectively, the **Named Executive Officers** or **NEOs** and **Named Executive Officer** or **NEO** means any one of them).

Compensation Discussion and Analysis

The main objectives of the executive compensation program are to attract, recruit and retain individuals of high caliber to serve as officers of Karnalyte, to motivate their performance in order to achieve Karnalyte's strategic objectives and to align their interests with the long-term interests of Shareholders. To achieve these objectives, the Company believes it is critical to create and maintain an executive compensation program that attracts and retains committed, highly qualified personnel by providing appropriate rewards and incentives.

The Company's compensation program is designed to reward performance that contributes to the achievement of the Company's business strategy and performance goals on both a short-term and long-term basis. In addition, the Company strives to reward qualities that it believes help achieve its strategy such as teamwork; individual performance in light of general economic and industry conditions; integrity and resourcefulness; the ability to manage the Company's existing assets; the ability to identify and pursue new business opportunities; and responsibility and accountability.

The Company's executive compensation program has three principal components: base salary, bonuses and stock options. The base salary provides a fixed level of regularly paid cash compensation for performing day-to-day responsibilities. The cash bonuses are intended to motivate NEOs to achieve key corporate objectives by rewarding the achievement of those objectives. The stock options reward long-term performance by allowing NEOs to participate in the long-term market appreciation of the Common Shares. The Company has also established benefit plans to assist employees in the areas of health care, dental care, disability and life insurance. In assessing the compensation of its executive officers, the Company does not have in place formal objectives, criteria or analysis; instead, it relies mainly on discussions among the Board of Directors.

Responsibilities of the Compensation and Corporate Governance Committee

The Compensation and Corporate Governance Committee was not re-established after the annual and special meeting of shareholders held on August 26, 2016, as there were no changes to the compensation arrangements of the NEOs, no stock options issued to any employee, and no cash bonuses paid to any employee. Since that time, the entire Board has been responsible for fulfilling the mandate of the Compensation and Corporate Governance Committee. Following the Meeting, it is expected that the newly constituted Board of Directors will determine whether to re-establish the Compensation and Corporate Governance Committee.

The Compensation and Corporate Governance Committee, among other things, is responsible for establishing policies regarding the remuneration of the NEO's and supervises and implements such policies. The responsibilities of the Compensation and Corporate Governance Committee include:

- Establishing an overall compensation policy for the Company and monitoring its implementation, with special attention devoted to the senior officers;
- Periodically reviewing and making recommendations to the Board regarding the Company's remuneration and compensation policies, including short and long-term incentive compensation plans and equity-based plans, bonus plans, pension plans, executive stock option plans and grants and benefit plans (including the group life and health program); and
- Periodically reviewing and approving all compensation arrangements with the CEO and the CFO.

Performance goals for the Company are based on subjective measures typical for a developing company in similar circumstances. Compensation plans for the year are based on achievement of these performance measures that consider, in addition to the share price performance, the financial performance of the Company, balance sheet strength, business and personal objectives achieved and other qualitative factors.

The performance goals described above are based on non-GAAP financial measures and are not necessarily derived from the Company's financial statements. The performance goals are purely subjective and are analyzed based on the parameters described until such time the Company is able to tie performance directly to its financial performance as presented in its financial statements.

The Company's Board considers all risks associated with the development of the Company's project including any risks associated with compensation policies and practices. The Company has not identified any risks related to its compensation policies and practices that could have a material adverse impact on the Company.

The Company monitors the corporate and personal objectives for employees to mitigate any circumstances that could provide the opportunity for an individual to take inappropriate or excessive risks. Through regular reporting to the Board, the President and CFO summarize all progress toward company goals and through this review any inappropriate activities would likely be highlighted.

The Company does not permit any Named Executive Officer or director to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities in the Company granted as compensation or held, directly or indirectly, by the Named Executive Officer or director.

Salary

In establishing base salaries, the Compensation and Corporate Governance Committee is responsible for periodically reviewing comparable market salary levels for individuals in positions with similar responsibilities and experience.

Option Based Awards

The Karnalyte Option Plan is designed to provide an incentive to the directors, officers and employees to achieve the longer-term objectives of the Company and is the responsibility of the Compensation and Corporate Governance Committee. The purpose of the Karnalyte Option Plan is to give suitable recognition to the ability and performance of such persons who contribute materially to the success of the Company and to attract and retain persons of experience and ability by providing them with the opportunity to acquire an increased ownership interest in the Company. Generally, the number of Options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution that has been made by the optionee to the business and affairs of the Company, the number of Options that have already been granted to the optionee and such other factors as the Compensation and Corporate Governance Committee may consider relevant.

Equity Compensation Plan Information

The following table sets forth the number of Common Shares to be issued upon exercise of outstanding Options, the weighted-average exercise price of such outstanding Options and the number of Common Shares remaining available for future issuance under equity compensation plans as at December 31, 2016.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights⁽¹⁾ | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|---|--|--|---|
| Equity Compensation plans approved by securityholders | 2,018,000 | \$0.87 | 793,600 |
| Equity Compensation plans not approved by securityholders | Nil | Nil | Nil |
| Total | 2,018,000 | \$0.87 | 793,600 |

(1) Pursuant to the Karnalyte Option Plan the number of Common Shares reserved for issuance upon the exercise of Options shall not exceed ten percent (10%) of the issued and outstanding Common Shares on a non-diluted basis from time to time.

Summary of the Karnalyte Option Plan

Pursuant to the Karnalyte Option Plan, the number of Common Shares reserved for issuance upon the exercise of Options shall not exceed ten percent (10%) of the issued and outstanding Common Shares on a non-diluted basis from time to time. The Board may amend the terms of the Karnalyte Option Plan except in those circumstances set forth in the Karnalyte Option Plan as requiring Shareholder approval and as required by the TSX. All amendments shall, if required, be subject to the prior approval of, or acceptance by the TSX. No Option shall be exercisable for a period exceeding ten (10) years from the date the Option is granted.

Option grants are also subject to the following limitations: (i) the number of Common Shares that may be reserved for issuance to any one person under the Karnalyte Option Plan shall not exceed five percent (5%) of the Common Shares issued and outstanding from time to time (calculated on a non-diluted basis); (ii) the issuance of Common Shares to any one person under the Karnalyte Option Plan in any twelve (12) month period shall not exceed five percent (5%) of the issued and outstanding Common Shares determined at the date of grant (or two percent (2%) of the issued and outstanding Common Shares in the case of a person who is a consultant or an employee conducting investor relations activities) unless the Company receives the permission of the stock exchange or exchanges on which the Common Shares are listed to exceed such threshold; and (iii) the number of Common Shares issued to insiders (as defined in the Securities Act) shall not exceed ten percent (10%) of the issued and outstanding Common Shares within any twelve (12) month period, and the number of Common Shares issuable to insiders, at any time, shall not exceed ten percent (10%) of the issued and outstanding Common Shares, unless the Company obtains Shareholder approval.

The Board will determine the exercise price and the number of Common Shares which may be issued to each Participant and the vesting provisions of the Options, together with all other terms and conditions of the Options, provided that the expiry date of an Option shall be no later than ten (10) years from the date of grant of such Option, and subject to the provisions of the Karnalyte Option Plan and the rules of applicable securities regulatory authorities. The exercise price per Common Share as set by the Board shall not be less than the closing trading price of the Common Shares on the applicable stock exchange on the grant date.

Options must be exercised within ninety (90) days following termination of employment or cessation of position with the Company (with or without cause), provided that if the cessation of position was by reason of death, the subject Options must be exercised within twelve (12) months after such death, subject to the expiry date, and if by reason of disability, the subject Options must be exercised within one hundred and eighty (180) days after the Participant becomes entitled to long-term disability payments, subject to the expiry date. If prior to the exercise of an Option the Participant retires, the subject Options must be exercised within ninety (90) days after the Participant retired, subject to the expiry date. If prior to the exercise of an Option the holder ceases to be a director, officer, employee or consultant of the Company, other than by death, disability or retirement approved by the Board, the Options of the holder shall be limited to that number of Common Shares purchasable by the Participant immediately prior to the time of the Participant's cessation of position and such Participant will have no right to purchase any other Common Shares. Upon a change of control, the option holder will have the right, for such period as the directors may specify, to exercise all such unexercised Options. Options granted under the Karnalyte Option Plan shall not be assignable or transferable except as specifically provided in the event of the death of an option holder.

Options granted under the Karnalyte Option Plan may be exercised on the basis and schedule to be determined by the Board at the time of grant. If permitted by the Board at the relevant time, a person may elect to exercise a vested Option on a "cashless exercise" basis and to receive, without the payment of any cash consideration, a number of Common Shares equal to the number of vested Options exercised multiplied by the quotient obtained by dividing: (i) the difference between the five (5) day weighted average trading price of the Common Shares on the applicable stock exchange preceding the exercise and the exercise price of the vested Options, by (ii) the five (5) day weighted average trading price of the Common Shares on the applicable stock exchange preceding the exercise. A vested Option may be surrendered from time to time by delivery to the Company at its principal office, of a written notice of surrender specifying that the optionee has elected a cashless exercise of such vested Option and the number of vested Options to be exercised and accompanied by the payment of an amount equal to the applicable withholdings and deductions required (or by entering into some other arrangement with respect thereto acceptable to the Company in its sole discretion).

The expiration date of an Option that is set to expire during a period (a **Blackout Period**) when an optionee is prohibited from exercising an Option or from trading in Common Shares pursuant to the Company's applicable policies in respect of insider trading, or within ten (10) Business Days of the expiry of such Blackout Period, shall be extended for a period of ten (10) Business Days immediately following the end of such Blackout Period. The extension of the Blackout Period applies to all Options outstanding under the Karnalyte Option Plan including all Options granted as of the date of this Information Circular.

TSX policies allow the expiration term of an Option to be the later of a fixed expiration date or a date shortly after the expiration date if the original expiry falls within or immediately after a blackout period, provided that:

- (a) the blackout period is self-imposed by the listed issuer;
- (b) the period of time provided to exercise the option after the lifting of the blackout period is no more than ten (10) Business Days; and
- (c) all participants under the security-based compensation arrangement are eligible for extension under the same terms and conditions.

The Board may at any time or from time to time, in its sole discretion, amend, suspend or terminate the Karnalyte Option Plan or any option agreement or any portion thereof, and may do so without Shareholder approval, subject to those provisions of applicable law, if any, that require the approval of Shareholders or any governmental regulatory body. Without limiting the generality of the foregoing, the Board may make the following types of amendments to the Karnalyte Option Plan or any option agreement without seeking Shareholder approval:

- (a) amendments of a "housekeeping" nature, including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the Karnalyte Option Plan or option agreement or to correct or supplement any provision of the Karnalyte Option Plan that is inconsistent with any provision of the Karnalyte Option Plan or option agreement;
- (b) amendments necessary to comply with the provisions of applicable law (including, without limitation, the applicable rules, regulations and policies of the TSX);
- (c) amendments necessary in order for awards to qualify for favourable treatment under applicable taxation laws;
- (d) amendments respecting administration of the Karnalyte Option Plan;
- (e) any amendment regarding the terms and conditions in which vesting occurs in respect of Options granted pursuant to the Karnalyte Option Plan, including the acceleration of vesting in any option agreement;
- (f) any amendment regarding the terms and conditions in respect of the exercise price in respect of Options held by Participants that are not insiders;
- (g) amendments necessary to suspend or terminate Options, option agreements or the Karnalyte Option Plan in accordance with applicable law; and
- (h) any other amendment, whether fundamental or otherwise, not requiring Shareholder approval under applicable law.

Shareholder approval will be required for the following types of amendments:

- (a) amendments to the number of Common Shares issuable under the Karnalyte Option Plan;

- (b) amendments regarding a reduction in the exercise price or purchase price of the options granted to insiders;
- (c) amendments to the term of Options benefiting an insider of the Company;
- (d) amendments that remove or increase the percentage of Common Shares reserved for issuance and issuable to insiders of the Company;
- (e) amendments to an amending provision under the Karnalyte Option Plan; and
- (f) amendments required to be approved by Shareholders under applicable law (including, without limitation, the applicable rules, regulations and policies of the TSX).

Bonuses

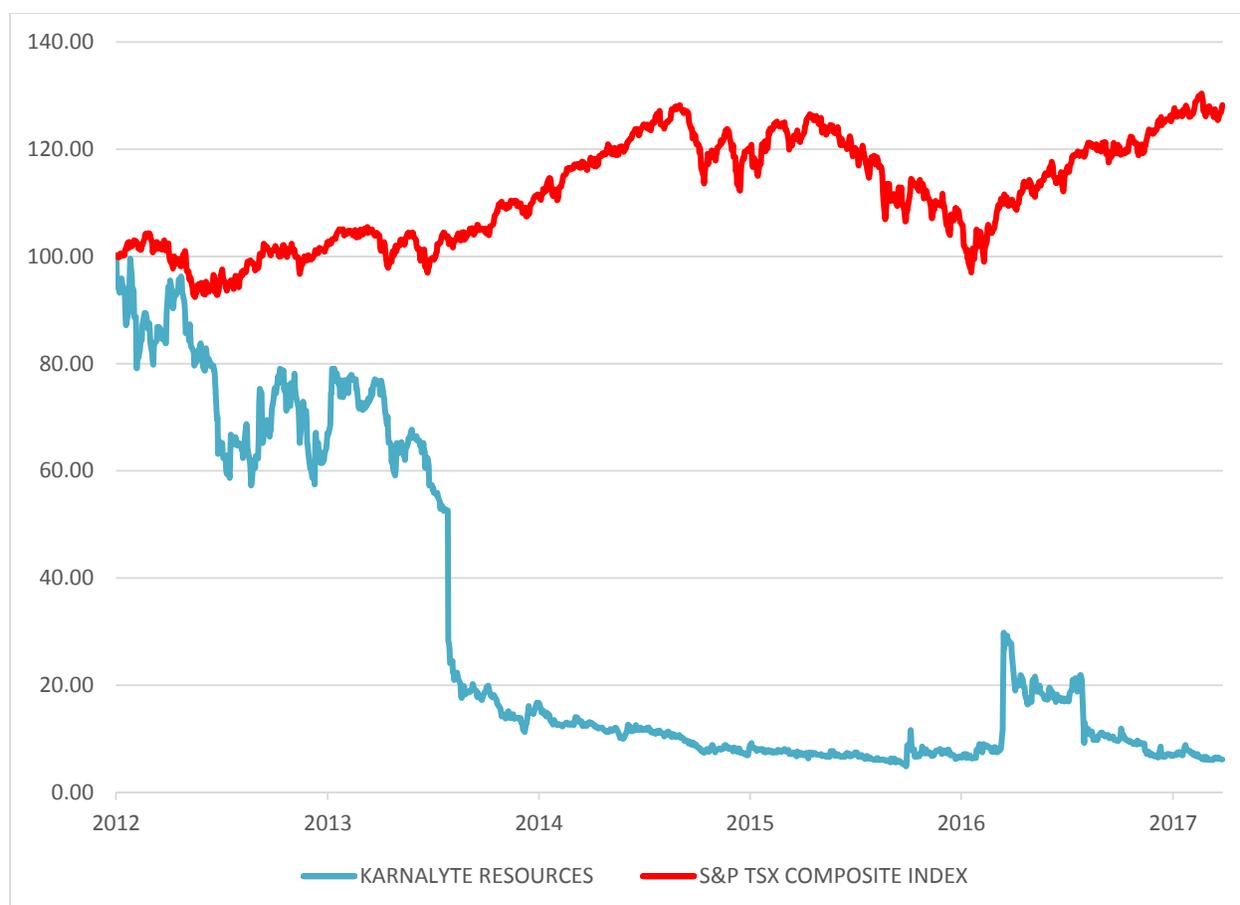
The Company has in place an incentive bonus plan in the form of cash payments to add a variable component of compensation. Pursuant to the bonus plan, once the Company is in production and earning revenue, bonuses shall be based on overall corporate performance and the achievement of set milestones, along with individual performance. At the present stage of the Company's development and growth, the Company may award bonuses at the discretion of the Board, based on corporate and individual goals and performance. The bonus plan is designed to provide an incentive for Executives and employees to achieve and exceed goals relating to overall corporate and individual performance. The Compensation and Corporate Governance Committee is responsible for the review, approval and establishment of the Company's bonus plan.

RRSP Benefits

The Company does not operate its own pension plan; however the Company may contribute up to 2.5% of the Named Executive Officer's, or employee's, gross base salary into their own personal RRSP. The plan allows Named Executive Officers and employees to voluntarily contribute up to 5% of their gross base salary into the RRSP. The Company additionally matches 50% of the Named Executive Officer or employee's voluntary contribution (to a maximum total of 5% of the Named Executive Officer or employee's gross base salary) into the RRSP or, at the option of the Named Executive Officer or employee, the whole or a portion of the Company's additional contribution can be contributed to a health spending account.

Performance Graph

The following graph compares the yearly percentage change in the cumulative Shareholder total return (assuming reinvestment of dividends/distributions, if any) over the last five (5) financial years on the Common Shares assuming a \$100 investment was made on December 31, 2011, with the cumulative total returns of the S&P/TSX Composite Index.



While a portion of the compensation of the Company's officers is performance based, it is difficult to correlate compensation to the trends shown in the above performance graph. As previously described under "Compensation Discussion and Analysis", base salaries are not determined by benchmarks or a specific formula but are set to be competitive with industry levels. The annual bonus plan is based on the achievement of certain performance goals for the fiscal year, which consider, in addition to share price performance, the financial performance of the Company, balance sheet strength, business milestones achieved and other qualitative factors, which are not necessarily reflected in the trading prices of shares. The value of stock options granted pursuant to the Karnalyte Option Plan are partially affected by changes in share prices and also based on the same criteria above for establishing bonuses.

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by the Named Executive Officers for the Company's three most recent financial years.

| Name and Principal Position | Year Ended Dec. 31 | Salary (\$) | Option-Based Awards ⁽¹⁾ (\$) | Non-Equity Incentive Plan Compensation (\$) | | All Other Compensation ^{(2),(3)} (\$) | Total Compensation (\$) |
|---|--------------------|-------------|---|---|---------------------------|--|-------------------------|
| | | | | Annual Incentive Plans | Long-Term Incentive Plans | | |
| | | | | | | | |
| Robin Phinney ⁽⁴⁾ President | 2016 | 300,000 | Nil | Nil | 40,108 | 340,108 | |
| | 2015 | 100,000 | 227,460 | Nil | Nil | 124,900 | 452,360 |
| | 2014 | 82,688 | Nil | Nil | Nil | 416,935 ⁽⁵⁾ | 499,623 |
| Siu Ma ⁽⁶⁾ Executive Vice-President and Chief Operating Officer | 2016 | 265,000 | Nil | Nil | Nil | 24,516 | 289,516 |
| | 2015 | 152,879 | 151,640 | Nil | Nil | 474,594 ⁽⁷⁾ | 779,113 |
| | 2014 | 209,475 | 17,631 | Nil | Nil | 26,557 | 253,663 |

| Name and Principal Position | Year Ended Dec. 31 | Salary (\$) | Option-Based Awards ⁽¹⁾ (\$) | Non-Equity Incentive Plan Compensation (\$) | | All Other Compensation ^{(2),(3)} (\$) | Total Compensation (\$) |
|---|-----------------------|----------------|---|---|------------------------------|--|-------------------------------|
| | | | | Annual Incentive Plans | Long-Term Incentive Plans | | |
| | | | | Christopher Morris ⁽⁸⁾ Former Interim Chief Financial Officer | 2015 | | |
| Quentin Plester ⁽⁹⁾ Executive VP, Corporate Counsel | 2016 | 240,000 | Nil | Nil | Nil | 27,083 | 267,083 |
| Danielle Favreau ⁽¹⁰⁾ | 2015 | 80,000 | 75,820 | Nil | Nil | 101,272 | 257,092 |
| | 2016 | 147,000 | 18,471 | Nil | Nil | 14,037 | 161,037 |
| | 2015 | 16,586 | Nil | Nil | Nil | 2,150 | 18,737 |
| Stephen Goodman ^{(11),(19)} Former President and Chief Executive Officer | 2015 | Nil | Nil | Nil | Nil | 1,372,298 ⁽¹²⁾ | 1,372,298 |
| | 2014 | 85,758 | Nil | Nil | Nil | 8,233 | 93,990 |
| Thomas Pressello Former Executive Vice-President and Chief Financial Officer ⁽¹³⁾ | 2015 | Nil | Nil | Nil | Nil | 321,885 ⁽¹⁴⁾ | 321,885 |
| Ronald Love ⁽¹⁵⁾ Former Executive | 2015 | 61,690 | Nil | Nil | Nil | 911,748 ⁽¹⁶⁾ | 973,438 |
| Vice-President and Chief Financial Officer | 2014 | 220,500 | 99,909 | Nil | Nil | 28,240 | 348,649 |
| Robert T. Macgillivray ⁽¹⁷⁾ Former Vice-President, Marketing | 2015 | 43,152 | Nil | Nil | Nil | 298,640 ⁽¹⁸⁾ | 341,792 |
| | 2014 | 164,000 | 11,754 | Nil | Nil | 24,283 | 200,037 |

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of Options granted are estimated as at the date of grant using a Black-Scholes Option Pricing Model with the following weighted average assumptions:
 - 2016: risk-free interest rates of 0.58%; dividend yield of 0%; volatility factor of the market price of the Common Shares of 68.37%; and remaining contractual life of the Options of 5 years.
 - 2015: risk-free interest rates of 0.80%; dividend yield of 0%; volatility factor of the market price of the Common Shares of 59%; and remaining contractual life of the Options of 5 years.
 - 2014: risk-free interest rates of 1.47%; dividend yield of 0%; volatility factor of the market price of the Common Shares of 59%; and remaining contractual life of the Options of 5 years.
- (2) Unless otherwise set forth above, the aggregate amount of all perquisites and other personal benefits, securities or property was less than the lesser of \$50,000 and 10% of the total annual salary and, if any, of the Named Executive Officer for each financial period.
- (3) These amounts include all compensation other than amounts already set out in the table for the year ended December 31, 2016 and include directors' fees, as applicable, and any amounts paid upon resignation, retirement or other termination of employment or change in control, including severance and termination benefits paid to Robin Phinney, Siu Ma, Stephen Goodman, Thomas Pressello, Ronald Love and Robert T. Macgillivray. During the year, some officers were paid as consultants and that compensation is also included in this column.
- (4) Robin Phinney was terminated by the Company on May 13, 2014. Mr. Phinney was appointed as President and a director of the Company on May 21, 2015 pursuant to the terms of the Settlement Agreement.
- (5) Included in this amount is severance and termination paid to Mr. Phinney in the amount of \$403,381.
- (6) Mr. Ma was terminated by the Company on April 13, 2015. Mr. Ma was subsequently appointed as the Executive Vice-President and Chief Operating Officer of the Company on October 6, 2015.
- (7) Included in this amount is severance and termination paid to Mr. Ma in the amount of \$358,375.
- (8) Christopher Morris was appointed Interim Chief Financial Officer on August 12, 2015 until December 31, 2015.
- (9) Quentin Plester was appointed Executive Vice-President and Corporate Counsel on May 27, 2015 until March 31, 2017.
- (10) Danielle Favreau was appointed as Interim Chief Financial Officer of the Company on December 31, 2015.
- (11) Stephen Goodman was appointed President and Chief Executive Officer on November 12, 2014 and was appointed a director on November 13, 2014. Mr. Goodman resigned as President, Chief Executive Officer and a director of the Company on May 21, 2015 pursuant to the terms of the Settlement Agreement.
- (12) The amount noted above includes the aggregate benefits paid to Mr. Goodman in connection with his resignation and prior to the reconstitution of the Board on May 21, 2015.
- (13) Thomas Pressello was appointed as Vice-President, Finance and Chief Financial Officer of the Company effective April 14, 2015 in replacement of Ronald Love who resigned from his position as Executive Vice-President and Chief Financial Officer of the Company effective April 9, 2015. Thomas Pressello resigned on May 21, 2015 as Vice-President, Finance and Chief Financial Officer pursuant to the terms of the Settlement Agreement.
- (14) An aggregate of \$188,274 in benefits was paid to Active Hedge Capital Inc., a corporation controlled by Mr. Pressello in connection with Thomas Pressello's resignation as Chief Financial Officer and Executive Vice President of the Company pursuant to the Settlement Agreement. Mr. Pressello's compensation as Chief Financial Officer and Executive Vice President was also paid to Active Hedge Capital Inc. and is included in this amount.
- (15) Mr. Love resigned from his position as Executive Vice-President and Chief Financial Officer of the Company on April 9, 2015.
- (16) The amount noted above represents the aggregate benefits paid to Mr. Love in connection with his resignation and prior to the reconstitution of the Board on May 21, 2015.
- (17) Mr. Macgillivray's employment was terminated by the Company on April 13, 2015.
- (18) The amount noted above represents the aggregate termination benefits paid to Mr. Macgillivray in connection with his termination and prior to the reconstitution of the Board on May 21, 2015 and benefits paid to Mr. Macgillivray over and above his regular salary.
- (19) Certain of the amounts for these individuals were paid in US dollars and the applicable amounts have been converted to Canadian dollars as of the date of payment or month ending conversion rates as per the Bank of Canada noon rates.

Unless otherwise noted, all monetary amounts disclosed under the heading "*Statement of Executive Compensation*" are in Canadian dollars, which is the same currency that is used by the Company in its financial statements.

Incentive Plan Awards

The Company adopted the Karnalyte Option Plan on May 10, 2013, which was approved by Shareholders on June 20, 2013. Since the Karnalyte Option Plan does not fix a specific aggregate maximum number of Common Shares that may be issued pursuant to Options, but instead fixes the maximum number of Common Shares reserved for issuance based on 10% of the outstanding Common Shares from time to time, the rules of the TSX require that all unallocated Options be approved every three (3) years. At the Shareholders meeting held on August 26, 2016, the Shareholders approved all unallocated Options.

The Compensation and Corporate Governance Committee may, from time to time, grant to Participants non-transferable Options to purchase Common Shares. Generally, the number of Options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution that has been made by the optionee to the business and affairs of the Company, the number of Options that have already been granted to the optionee and such other factors as the Compensation and Corporate Governance Committee may consider relevant. The purpose of the Karnalyte Option Plan is to (i) provide Participants with additional incentive by way of non-cash compensation; (ii) preserve the Company's working capital; (iii) provide Participants with an opportunity to participate in the success of the Company; and (iv) align the interests of the Participants with those of the Company's Shareholders.

For a description of the Karnalyte Option Plan, see "*Option Based Awards*" and "*Summary of the Karnalyte Option Plan*", above.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information with respect to all share-based awards and option-based awards granted to Named Executive Officers outstanding at the end of the financial year ended December 31, 2016. The closing market price of the Common Shares on December 30, 2016 was \$0.73.

| Name | Option Based Awards | | | |
|------------------|---|----------------------------|-------------------------------------|---|
| | Number of securities underlying unexercised Options (#) | Option Exercise Price (\$) | Option expiration date (YYYY-MM-DD) | Value of unexercised in-the-money Options ⁽¹⁾ (\$) |
| Robin Phinney | 600,000 | \$0.75 | 2020-07-14 | Nil |
| Siu Ma | 400,000 | \$0.75 | 2020-07-14 | Nil |
| Quentin Plester | 200,000 | \$0.75 | 2020-07-14 | Nil |
| Danielle Favreau | 60,000 | \$0.75 | 2021-01-12 | Nil |

Notes:

(1) This amount has been calculated based on the difference between the closing market price of the Common Shares as at December 30, 2016 being \$0.73 and the exercise price of the Options.

Value Vested or Earned During the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to Named Executive Officers during the most recently completed financial year.

| Name | Option-Based Awards - Value vested during the year (\$) ⁽¹⁾ | Non-equity incentive plan compensation - Value earned during the year (\$) |
|------------------|---|--|
| Robin Phinney | Nil | Nil |
| Siu Ma | Nil | Nil |
| Quentin Plester | Nil | Nil |
| Danielle Favreau | Nil | Nil |

Notes:

(1) The aggregate dollar value that would have been realized if the Options under the option-based award had been exercised on the vesting date. Calculated by determining the difference between the market price of the underlying securities at exercise and the exercise or base price of the Options under the option-based award on the vesting date.

Termination and Change of Control Benefits

Robin Phinney, Siu Ma, and Quentin Plester (the **Executives**) entered into employment agreements with the Company in October 2015. The employment agreements for the Executives provide that if the agreement is terminated:

- (a) by the Company for reasons other than "just cause", "total incapacity" (as such terms are defined in his employment agreement) or death, the Company shall pay to the Executive an amount equal to the aggregate of: (i) twelve months of the Executive's base salary; (ii) the best bonus in any calendar year paid or payable to the Executive for the previous three calendar years that the Executive has been employed by the Company, or such lesser number of calendar years that the Executive has been employed by the Company, or an amount equal to 25% of the Executive's base salary, whichever is greater; (iii) 25% of the Executive's annual salary in lieu of vacation and benefits; and (iv) any expenses incurred by the Executive in accordance with the terms of his employment agreement; or
- (b) due to a "change of control" (as such term is defined in his employment agreement) by either the Executive or the Company giving notice of termination in accordance with the terms of his agreement, the Company shall pay to the Executive an amount equal to the aggregate of: (i) twenty-four months of the Executive's base salary; (ii) the best bonus in any calendar year paid or payable to the Executive for the previous three calendar years that the Executive has been employed by the Company, or such lesser number of calendar years that the Executive has been employed by the Company, or an amount equal to 50% of the Executive's base salary, whichever is greater; (iii) 25% of the Executive's annual salary in lieu of vacation and benefits; and (iv) any expenses incurred by the Executive in accordance with the terms of his employment agreement.

The following table provides the estimated payments payable to NEOs for termination without cause following a change of control (pursuant to the terms of the respective employment agreements) assuming such change of control occurred on December 31, 2016.

| Named Executive | Total Incremental Obligation (\$) |
|-----------------|---|
| Robin Phinney | 825,000 |
| Siu Ma | 728,750 |
| Quentin Plester | 660,000 |

During 2016, Karnalyte made no payments in connection with the termination of employment of an NEO. Subsequent to December 31, 2016, Karnalyte made a payment of \$360,000 in connection with the termination on March 31, 2017 of Mr. Plester's employment.

Compensation of Directors

In 2016, each non-management director was entitled to receive an annual retainer of \$25,000 per year and \$1,000 per meeting attended, plus an additional annual retainer of \$15,000 that was payable to the Chairman of the Board, and an additional annual retainer of \$10,000 per year that was payable to each of the Chairman of the Audit Committee, and the Chair of the Finance Committee. In addition, the Company pays a fee of \$5,000 per year to each member of a committee of the Board who is not a Chairman. The Company paid a fee of \$2,000 per month to the members of the Finance Committee, which committee was disbanded on September 30, 2016. The Board may award additional remuneration to any director undertaking extraordinary services on behalf of the Company other than services ordinarily required of a director. For the compensation received by directors who are executive officers, see "Summary Compensation Table".

As of January 1, 2017, each non-management director will be entitled to receive an annual retainer of \$12,000 per year and \$500 per meeting attended, plus an additional annual retainer of \$15,000 is payable to the Chairman of the Board, and an additional annual retainer of \$10,000 per year is payable to the Chairman of the Audit Committee. In addition, the Company pays a fee of \$5,000 per year to each member of a committee of the Board who is not a Chairman.

Director Compensation Table

The following table sets forth the value of all compensation provided to the directors, not including those directors who are also Named Executive Officers, for the Company's financial year ended December 31, 2016.

| Name ⁽¹⁾ | Year Ended Dec. 31 | Fees Earned (\$) | Option-Based Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | | All Other Compensation (\$) | Total Compensation (\$) |
|----------------------------------|--------------------|------------------|--------------------------|---|---------------------------|-----------------------------|-------------------------|
| | | | | Annual Incentive Plans | Long-Term Incentive Plans | | |
| Henry Kerkhoven | 2016 | \$86,025 | Nil | Nil | Nil | Nil | \$86,025 |
| Sokuen Sue Ng | 2016 | \$65,951 | Nil | Nil | Nil | Nil | \$65,951 |
| Mukund B. Purohit ⁽²⁾ | 2016 | \$24,750 | Nil | Nil | Nil | \$77,000 ⁽³⁾ | \$101,750 |
| Sanjeev V. Varma | 2016 | \$47,512 | Nil | Nil | Nil | Nil | \$47,512 |
| Vishvesh D. Nanavaty | 2016 | \$48,512 | Nil | Nil | Nil | Nil | \$48,512 |

Notes:

- (1) Information regarding the compensation, including Options, received from the Company by Robin Phinney as a director and executive officer of the Company during the financial year ended December 31, 2016, may be found under the heading "Summary Compensation Table". Such compensation includes any amounts payable in his capacity as a director of the Company.
- (2) Mr. Purohit resigned from the Board on September 30, 2016 pursuant to the terms of the Framework Agreement dated March 14, 2016 among the Company, GSFC, and Mr. Phinney.
- (3) Represents compensation paid to Mukund Purohit in his role as a business development consultant to India in connection with the financing of the Wynyard Carnallite Project.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information with respect to all option-based awards granted to the directors of the Company, not including those directors who are also Named Executive Officers, to purchase or acquire securities of the Company outstanding at the end of the financial year ended December 31, 2016. No share-based awards were outstanding at the end of the financial year ended December 31, 2016.

Option-Based Awards

| Name | Number of securities underlying unexercised Options (#) | Option exercise price (\$) | Option expiration date (YYYY-MM-DD) | Value of unexercised in-the-money Options (\$) |
|----------------------|--|----------------------------------|---|---|
| Henry Kerkhoven | 33,000 | \$0.75 | 2020-07-14 | Nil |
| Sokuen Sue Ng | 75,000 | \$0.75 | 2020-07-14 | Nil |
| Sanjeev V. Varma | 75,000 | \$0.75 | 2020-07-14 | Nil |
| Vishvesh D. Nanavaty | 30,000 | \$7.95 | 2018-03-21 | Nil |
| | 45,000 | \$1.27 | 2018-07-04 | Nil |
| | 75,000 | \$0.75 | 2020-07-14 | Nil |

Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors, not including those directors who are also Named Executive Officers, during the most recently completed financial year.

| Name | Option-based awards - Value vested during the year (\$) ⁽¹⁾ | Non-equity incentive plan compensation - Value earned during the year (\$) |
|----------------------|---|---|
| Henry Kerkhoven | Nil | Nil |
| Sokuen Sue Ng | Nil | Nil |
| Sanjeev V. Varma | Nil | Nil |
| Vishvesh D. Nanavaty | Nil | Nil |

Note:

(1) The aggregate dollar value that would have been realized if the Options under the option-based award had been exercised on the vesting date. Calculated by determining the difference between the market price of the Common Shares and the exercise of the Options under the Option on the vesting date.

CORPORATE GOVERNANCE

General

A summary of the Company's governance practices in relation to the guidelines for effective corporate governance established pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices (NI 58-101)* and *National Policy 58-201 - Corporate Governance Guidelines* is set out below.

Board Mandate

The Board has responsibility for the stewardship of the Company, which is detailed in its Board of Directors Charter, attached as Appendix A hereto. In carrying out this mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include selecting senior management, reviewing compensation, establishing standards of business conduct and ethical behaviour, evaluating senior management performance, succession planning, overseeing strategic management and planning, overseeing risk management, affirming a control environment and overseeing capital management.

The Board strives to ensure that actions taken by the Company are in the best interest of the Company's Shareholders. The Board plans to meet at least once annually to review the Company's strategic plan and budget, and it reviews the Company's resources which are required to carry out the Company's growth strategy and to achieve its objectives.

Board of Directors

Composition of the Board

The Board has determined that three (3) out of the five (5) current directors are Independent for the purpose of NI 58-101. The Independent Directors are Henry Kerkhoven, Vishvesh Nanavaty, and Sanjeev V. Varma. Robin Phinney, and Sokuen Sue Ng are not Independent. Mr. Phinney is an executive officer of the Company. Ms. Ng is considered an immediate family member of Siu Ma, an executive officer of the Company. To facilitate the exercise of independent judgment in carrying out its responsibilities, the Board ensures that directors who are not Independent with respect to particular matters do not vote on such matters. Independent Directors meet regularly in the form of the Audit Committee.

There is currently no Chairman of the Board. As the Board does not have an Independent chair or a lead director, the Board relies on the advice of external legal and financial advisors to provide leadership for its Independent Directors.

Board and Committee Meeting Attendance

There were eight (8) meetings of the Board during the financial year ended December 31, 2016 and four (4) meetings of the Board during the current financial year.

The Independent Directors of the Company may meet for a portion of each Board meeting without management participants being present. The Independent Directors exercise their responsibilities for the independent oversight of management through the Audit Committee whose members are all Independent Directors. The Independent Directors also have regular and full access to management.

There were nine (9) meetings of the Audit Committee, zero (0) meetings of the Compensation and Governance Committee and nine (9) meetings of the Finance Committee during the financial year ended December 31, 2016. There was one (1) meeting of the Audit Committee since that time.

The following table sets out the attendance of members at meetings of the Board and committees of the Board during 2016.

| Director | Meetings Attended | | |
|-------------------------------------|-------------------|-----------------|----------------------------------|
| | Board | Audit Committee | Finance Committee ⁽²⁾ |
| Robin Phinney | 9 | - | 9 |
| Henry Kerkhoven | 9 | 9 | 9 |
| Sokuen Sue Ng ⁽¹⁾ | 9 | 3 | 9 |
| Mukund B. Purohit ⁽³⁾ | 6 | - | - |
| Sanjeev V. Varma | 8 | 8 | - |
| Vishvesh D. Nanavaty ⁽¹⁾ | 9 | 6 | - |

Notes:

- (1) Mr. Nanavaty replaced Ms. Ng as a member of the Audit Committee as of March 11, 2016.
- (2) The Finance Committee was disbanded on September 30, 2016.
- (3) Mr. Purohit ceased to be a director of Karnalyte on September 30, 2016.

Position Descriptions

The Board has developed written position descriptions for the Chief Executive Officer, the Chairman of the Board and the chair of each committee of the Board, which are contained in the Board of Directors Charter adopted by the Board attached hereto as Appendix A.

Other Directorships

None of the directors are also directors of other reporting issuers.

Orientation and Continuing Education of Board Members

The Board is responsible for the orientation and education of new members of the Board and all new directors are provided with access to copies of the Company's policies, although a formal process has not been adopted. Prior to joining the Board, each new director will meet with the President of the Company. The President is responsible for outlining the role of the Board, its committees and its directors, and the nature and operation of the Company's business, both positive and negative, with a view to ensuring that the new director is properly informed to commence his or her duties as a director. Each new director is also given the opportunity to meet with the auditors and counsel to the Company. The Board is expected to determine whether any additional education and training are required for Board members on an as needed basis.

Measures to Encourage Ethical Business Conduct

The directors encourage and promote a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility. In addition, the Company has adopted the Code of Conduct, which addresses the Company's continuing commitment to integrity and ethical behaviour. The Code of Conduct establishes procedures that allow directors, officers and employees of the Company to confidentially submit their concerns to the Chairman of the Audit Committee regarding questionable ethical, moral, accounting or auditing matters, without fear of retaliation. A copy of the Code of Conduct is available to review at the head office of the Company during regular business hours and on the SEDAR website at www.sedar.com. Compliance with the Code of Conduct is monitored primarily through the reporting process within the Company's organizational structure. A whistleblower program is in place for employees to report violations of ethical conduct. To date, no issues have been reported through the Company's whistleblower program.

Nomination of Directors

Normally, the Board determines new nominees to the Board although a formal process has not been adopted. The identification of nominees is generally the result of recruitment efforts by existing members of the Board, including both formal and informal discussions among directors and the President. The Board does not have a nominating committee composed entirely of Independent Directors, but instead the entire Board takes responsibility for nominating new directors and assessing current directors to ensure an objective nomination process. Proposed directors' credentials are reviewed with one or more members of the Board prior to the proposed director's nomination.

In connection with the Meeting, Karnalyte received three separate Shareholder requests to nominate the Shareholder Nominees for election as directors at the Meeting. The Board reviewed such requests, including *curricula vitae* and declarations made by the nominees, and in accordance with the Company's Advance Notice By-laws approved such nominations for election at the Meeting. The Board determined that, for the purposes of the Meeting, further recruitment of directors, whether through a formal or informal process, was unnecessary given the number of interested Shareholder Nominees. Further, based on the information provided by the Shareholder Nominees, the Board believes that they are Independent.

Determination of Compensation of Directors and Officers

The Board's mandate includes reviewing and approving appropriate practices for determining and establishing compensation for the directors and officers of the Company.

The Compensation and Corporate Governance Committee was not re-established after the annual and special meeting of shareholders held on August 26, 2016. Since that time, the entire Board has been responsible for fulfilling the mandate of the Compensation and Corporate Governance Committee. In order to encourage an

objective process for making decisions related to compensation, the Board ensures that directors who are not Independent with respect to particular matters do not vote on such matters.

The Compensation and Corporate Governance Committee's mandate includes establishing an overall compensation policy for the Company and monitoring its implementation, with special attention devoted to the executive group. In particular, the committee is responsible for reviewing and making recommendations to the Board periodically regarding the Company's remuneration and compensation policies, including short and long-term incentive compensation plans and equity-based plans, bonus plans, pension plans, executive stock option plans and grants and benefit plans (including the group life and health program). Typically, the Compensation and Corporate Governance Committee recommends and approves the salaries of all of the Named Executive Officers of the Company. In this regard, the Compensation and Corporate Governance Committee has the authority to retain such independent advisors as it may deem necessary or advisable for its purposes. The level of compensation for the Board and its committees is typically reviewed by the Compensation and Corporate Governance Committee, which makes recommendations to the Board with respect thereto.

Board Committees

As of the date hereof, the Board has a governance structure which contemplates two committees: the Audit Committee and the Compensation and Corporate Governance Committee. The Board has developed the mandate of each committee and plans to review such mandates regularly. The Board reviews the recommendations of all of its committees, and decides on whether and how to implement such recommendations.

Compensation and Corporate Governance Committee

The Compensation and Corporate Governance Committee is responsible for the development of the overall governance of the Company; the continuing assessment of corporate governance matters; and making recommendations to the Board regarding the Company's approach to corporate governance. As at the date hereof, a Compensation and Corporate Governance Committee is not constituted.

The Compensation and Corporate Governance Committee's mandate includes, among other duties and responsibilities: assisting the Board in its oversight role with respect to: the development of the Company's corporate governance policies, practices and processes, the effectiveness of the Board and its committees, and the contributions of individual directors, reviewing on a periodic basis the composition of the Board, ensuring that an appropriate number of directors sit on the Board, analyzing what competencies and skills the Board, as a whole, should possess, and assessing what competencies and skills each existing director possesses. See "*Statement of Executive Compensation*" above for further information regarding the role of Compensation and Corporate Governance Committee in the Company compensation practices.

Audit Committee

The Audit Committee meets with the Company's auditors regularly, independent of management, and has direct communication channels with the Company's external auditors to discuss and review specified issues as appropriate.

As at the year-ended December 31, 2016, the members of the Audit Committee included Sanjeev Varma, Vishvesh Nanavaty, and Henry Kerkhoven (Chair).

For additional information, including the mandate and responsibilities regarding the Audit Committee, please refer to the Audit Committee section in the Annual Information Form available on the SEDAR website at www.sedar.com.

Finance Committee

The Finance Committee was responsible for independently reviewing and negotiating the financing proposal from GSFC and SBI Capital Markets Ltd. made to the Company with respect to the Wynyard Carnallite Project. The mandate of the Finance Committee provided that while the full Board of Directors would participate and deliberate

on the financing proposal made by GSFC and SBI Capital Markets Ltd., the directors nominated by GSFC would not vote on such financing proposal. Until it was disbanded on September 30, 2016, the members of the Finance Committee were Henry Kerkhoven, Robin Phinney, and Sokuen Sue Ng.

Assessments

The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company's size, its stage of development and the limited number of individuals on the Board, the Board considers a formal assessment process to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness on an ad hoc basis.

Director Term Limits

The Company does not have term limits for directors. The Board believes there are benefits to be achieved by continuity and directors having in depth knowledge of each aspect of the Company's business, which necessarily takes time to develop. Fixed term limits would have the effect of forcing directors off the Board who have developed increased insight into the Company and who, therefore, can be expected to provide an increased contribution to the Board. However, the Board recognizes that there is a benefit to adding new perspectives to the Board, and that there is value in turnover and to adding additional members to a board in order to provide fresh ideas and views. The Board believes that it is critical to have an appropriate balance between long-term directors with extensive knowledge who understand the business of the Company and industries in which the Company operates and new directors that add new experience and perspectives to the Board. The Board's focus is on maintaining the proper mix of skills, experience and diversity.

Policies Regarding the Representation of Women on the Board

Although the Company has not specifically adopted a written policy relating to the identification and nomination of certain interest groups, including women directors, the Board believes that the key to effective board membership is to source individuals that, having regard to an extensive group of factors, possess the range of necessary skills, experience, commitment and qualifications that are best suited to fostering effective leadership and decision-making at the Company.

The Board is confident that its recruitment practices result in the appointments of the most suitable candidates without discriminating unfairly against any potential director on the basis of race, age or gender. The Board believes the Company adopts an open and inclusive attitude in decisions on the appointment of new directors. The Company wishes to ensure that it seeks and retains the best people for the roles assigned regardless of race, age or gender.

Consideration of the Representation of Certain Candidates

The Board considers the representation of women in identifying and nominating board candidates and when making executive officer appointments. While paramount importance is given to identifying the right candidate for each role, the Board is mindful of the benefit of not only gender diversity but also of race and age diversity in the Company's leadership positions and the need to maximize the effectiveness of the Board and its decision making abilities. The Board acknowledges the importance of diversity in enriching the discussion and its corporate governance.

Targets

The Company has not adopted targets for women on the board or in executive officer positions. The Board does not believe that quotas or strict rules necessarily result in the identification or selection of the best candidates. The Board will continue to fill roles based on the skills, experience, character and behavioural qualities that are most important to determine the value which an individual could bring to the Company.

Number of Women on the Board and in Executive Officer Positions

For the year ended December 31, 2016 and as at the date of this Circular, there was one (1) female director of the Company and one (1) female officer of the Company.

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Karnalyte to be used at the Meeting. Solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers, employees or agents of Karnalyte who will be specifically remunerated therefor. All costs of the solicitation will be borne by Karnalyte at an estimated cost of \$15,000.

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by directors or officers of the Company. Pursuant to National Instrument 54-101 - *Communication With Beneficial Owners of a Reporting Issuer (NI 54-101)*, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the Common Shares.

Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for use at the Meeting.

The persons named in the enclosed form of proxy are directors or officers of Karnalyte. **A Shareholder desiring to appoint a Person (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the Persons designated in the accompanying form of proxy may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another form of proxy and, in either case, sending or delivering the completed proxy to the offices of CST Trust Company, P.O. Box 721, Agincourt, Ontario M1S 0A1 (Facsimile (416) 368-2502) or by e-mail to proxy@canstockta.com**. To be effective, the completed proxy must be received by CST by 1:00 p.m. (Saskatoon time) on May 3, 2017 or, if the meeting is adjourned, by 1:00 p.m. (Saskatoon time) on the second Business Day prior to the date on which the Meeting is reconvened. Failure to so submit a proxy shall result in its invalidation. Late proxies may be accepted or rejected by the chairman of the Meeting in his discretion and the chairman is under no obligation to accept or reject any particular late proxy.

A Shareholder who has given a proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Shareholder or by his attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited at: (i) the above mentioned office of CST on or before the last Business Day preceding the day of the Meeting, (ii) at the registered office of Karnalyte at 1600 Centennial Place 520 – 3rd Avenue SW, Calgary, Alberta T2P 0R3, or (iii) any adjournment thereof or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

The Board has fixed the record date for the Meeting as at the close of business on April 5, 2017. Shareholders of record as at the record date are entitled to receive notice of, attend and vote at the Meeting, except to the extent a holder of Common Shares transfers any of his Common Shares after the record date and the transferee of those Common Shares establishes that he owns the Common Shares and demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of holders of Common Shares entitled to vote, in which case such transferee shall be entitled to vote such Common Shares at the Meeting.

Signature of Proxy

The form of proxy must be executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, the form of proxy should be signed in its corporate name under its corporate seal by an authorized

officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such Person's capacity following his signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with Karnalyte).

Voting of Proxies

The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing them. **In the absence of such direction, such Common Shares:**

- **will be voted FOR the election of the Management Nominees;**
- **will not be voted either FOR or WITHOLD in respect of the election of any of the Shareholder Nominees; and**
- **the approval of the other resolutions to be considered at the Meeting.**

Exercise of Discretion of Proxy

The enclosed form of proxy confers discretionary authority upon the Persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and this Information Circular and with respect to other matters that may properly come before the Meeting. At the date of this Information Circular, management of Karnalyte knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not own Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as **Beneficial Shareholders**) should note that only proxies deposited by Shareholders whose names appear on the records of Karnalyte as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of Karnalyte. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depositary Services Inc. (formerly The Canadian Depositary for Securities Limited), which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of that broker) is similar to the form of proxy provided to registered shareholders by Karnalyte. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically provides a scannable voting instruction form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting instruction forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or a website address where shares can

be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form or a proxy with a Broadridge sticker on it cannot use that voting instruction form or proxy to vote Common Shares directly at the Meeting. The voting instruction form or proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted at the Meeting.**

Beneficial Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Company are referred to as non-objecting beneficial owners or **NOBOs**. Those Beneficial Shareholders who have objected to their intermediary disclosing ownership information about themselves to the Company are referred to as objecting beneficial owners or **OBOs**.

The Company will not send proxy-related materials directly to NOBOs. Such materials will be delivered to NOBOs by Broadridge or through the NOBO's intermediary. The Company will pay for the costs of an intermediary to deliver the proxy-related materials to OBOs (who have not otherwise waived their right to receive proxy-related materials).

The Company is not relying on the notice-and-access delivery procedures outlined in NI 54-101 to distribute copies of the proxy related materials in connection with the Meeting.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of a broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

Voting Securities and Principal Holders Thereof

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series. As at the date of this Information Circular, 28,116,565 Common Shares and nil preferred shares are issued and outstanding. Each holder of Common Shares is entitled to vote at the Meeting on the basis of one (1) vote for each Common Share held. The Company does not have any other class of voting securities.

The by-laws of the Company provide that one (1) person present and representing in person or by proxy not less than ten percent (10%) of the issued Common Shares entitled to vote at the Meeting constitute a quorum for the Meeting.

To the knowledge of the directors and executive officers of the Company as at the date hereof, the only person or company who beneficially own, directly or indirectly, Common Shares carrying more than ten percent (10%) of the voting rights of the outstanding Common Shares are as follows:

| Name and Municipality Of Residence | Designation of Class | Type of Ownership | Number | % of Common Shares |
|---|---------------------------------|------------------------------|---------------|-----------------------------------|
| Gujarat State Fertilizers and Chemicals Limited Gujarat, India | Common Shares | Direct | 6,045,861 | 21.50% |

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No current or former executive officer, director, proposed director or any associate or affiliate of any of the foregoing persons is, or at any time since the beginning of the most recently completed financial year has been, indebted: (i) to the Company or any of its subsidiaries; or (ii) to another entity, where the indebtedness is the subject

of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular, the management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director, executive officer, proposed director, or any associate or affiliate of any of the foregoing persons who has been a director or executive officer at any time since the beginning of the financial year ended December 31, 2016, in any matter to be acted upon other than the election of directors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth in this Information Circular, and as disclosed in the Annual Information Form, the management of the Company is not aware of any material interest, direct or indirect, of any informed person of the Company, any proposed director of the Company or any associate or affiliate of any such informed person or proposed director in any transaction during the financial year ended December 31, 2016, or in any proposed transaction, that has materially affected or would materially affect the Company or any of its subsidiaries. The Annual Information Form is available on the Company's profile on SEDAR at www.sedar.com.

EXPERTS

KPMG LLP, Chartered Accountants, is the auditor of Karnalyte and has advised that it is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to Karnalyte is available on SEDAR at www.sedar.com. Copies of Karnalyte's financial statements and management's discussion and analysis of financial condition and results of operations may be obtained on request without charge from the Corporate Secretary of Karnalyte, 3150B Faithfull Avenue Saskatoon, Saskatchewan S7K 8H3 (Telephone (306) 986-1486). Financial information is provided in Karnalyte's annual comparative financial statements and management's discussion and analysis of financial condition and results of operations for Karnalyte's most recently completed financial year.

APPENDIX A

KARNALYTE RESOURCES INC.

BOARD OF DIRECTORS CHARTER

MAJOR GOALS

The major goals and responsibilities of the board of directors (the "**Board**") of Karnalyte Resources Inc. (the "**Corporation**") are to:

- oversee the management of the business and affairs of the Corporation;
- establish policy direction and the fundamental objectives of the Corporation;
- protect and enhance the assets of the owners of the Corporation and to look after their interests in general; and
- ensure continuity in the governance of the Corporation.

MAJOR DUTIES

- 1 Determine and control in broad terms the purposes, goals, activities, and general characteristics of the Corporation. These duties range from establishing objectives, scope of operations, fundamental strategies and policies and key strategic initiatives down to approving annual budgets, long-range plans, major capital investments, mergers and acquisitions, issuance of stock options and stock, and other specific actions that are likely to have a substantial effect on the Corporation or that the Board is legally required to take. Day-to-day operation of the Corporation's business is, generally speaking, the responsibility of management.
- 2 Appoint a chief executive officer, chief financial officer and the other officers, define their respective duties, monitor and evaluate their performance, provide for adequate succession, and replace the chief executive officer or other officers when appropriate.
- 3 Identify the principal risks of the Corporation's business and ensure the implementation of appropriate systems to manage these risks.
- 4 Oversee corporate financial operations, including:
 - debt and equity financings;
 - selection of outside auditors for approval by the shareholders; and
 - appoint an audit committee, oversee the activities of the audit committee and receive and consider the recommendations of the audit committee with respect to the financial statements of the Corporation and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies and integrity of accounting systems and internal controls.
- 2 Set policies related to, and assist management in its relations and sensitive communications with:
 - shareholders;
 - the investing public;

- governments and regulatory agencies;
 - employees;
 - the financial community;
 - communities in which the Corporation operates; and
 - appoint a compensation and corporate governance committee, oversee the activities of the compensation and corporate governance committee and receive and consider the recommendations of the compensation and corporate governance committee.
- 3 Require the Corporation to comply with appropriate laws and regulations.
- 4 Manage Board operations, which includes to:
- fix the size of the Board and, subject to the approval of the shareholders, determine its membership;
 - appoint a chairman and if desirable a lead director, appropriate committees including an audit committee, compensation and corporate governance committee, and committee chairmen;
 - define the duties of the chairman and the committees;
 - be responsible, through the compensation and corporate governance committee, for developing the Corporation's approach to governance issues generally, including its response to any applicable governance guidelines;
 - formulate, through the compensation and corporate governance committee, rules and guidelines governing and regulating the affairs of the Board such as tenure, retirement and compensation of directors;
 - ensure that the information needs of the members of the Board are being met; and
 - assess any actual, apparent or perceived conflicts arising as a result of any individual business interests of directors.

ROLE AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER, CHAIRMAN OF THE BOARD AND COMMITTEE CHAIRS

Chairman of the Board

The chairman of the Board, and if appointed, the lead director in conjunction with the chairman of the Board, shall have, among others, the following responsibilities:

- in conjunction with the chief executive officer, planning the meetings of the Board, establishing the agenda of these meetings, and coordinating the activities of the corporate secretary as regards the affairs of the Board and its committees;
- chairing all of the meetings of the Board, ensuring the proper and efficient conduct thereof, ensuring that all members are able to express their opinions on the topics being discussed and making sure that the decisions made by the Board are clear;

- ensuring that all strategically important issues are communicated to the Board for approval and that the Board receives the information, reports, documents it needs to allow its members to assume their role fully;
- following up on the implementation of decisions made by the Board;
- ensuring that all policies of the Board relating to compliance with regulations as well as ethics and conduct standards are communicated to all interested parties;
- receiving any complaint respecting breaches of the code of conduct on the part of the independent directors and bringing these to the attention of the Board in order that the matter may be dealt with appropriately; and
- in collaboration with the chairs of the committees, ensuring that the Board and each of its committees respect their respective mandates (or charters).

Chief Executive Officer

The chief executive officer shall have, among others, the following responsibilities:

- in conjunction with the chairman, planning the meetings of the Board and establishing the agenda of the meetings;
- supervising the management team and employees of the Corporation;
- in collaboration with the management team, preparing strategic plans and budgets, financial statements and any other information respecting the affairs of the Corporation that must periodically be submitted to the Board for approval or verification;
- ensuring the daily management and execution of the strategic plan of the Corporation as well as implementing the decisions, guidelines and policies of the Board;
- ensuring the efficient use of resources available to the Corporation to reach its strategic objectives, including its objectives in terms of growth and short- and long-term profitability;
- representing the Corporation before the principal interested parties: employees, shareholders, financial world, governments and general public; and
- receiving any complaint respecting breaches of the code of conduct on the part of the officers and employees and bringing these to the attention of the Board in order that the matter may be dealt with appropriately.

Committee Chairs

Every chair of a Board committee shall have, among others, the following responsibilities:

- planning committee meetings, establishing the agenda of these meetings and coordinating the activities of the corporate secretary as regards the affairs of the committee; and
- chairing all of the meetings of the committee, ensuring the proper and efficient conduct hereof, ensuring that all members are able to express their opinions on the topics being discussed and making sure that the decisions or recommendations made by the committee are clear.

The chair of a committee shall report to the Board in matters relating to his mandate and to the work of his committee.

MATTERS WHICH REQUIRE BOARD APPROVAL

The following matters require the review and approval of the Board or a Board committee (for the purposes of the following, unless the context otherwise requires, the Corporation shall include all subsidiaries of the Corporation):

- the issuance by the Corporation of any securities, including all equity or debt financings;
- the Corporation's annual budget (including a capital budget) and business plan;
- any expenditures in the approved annual budget that exceed the budget for that expenditure by the greater of 20% or \$500,000, and all unbudgeted expenditures exceeding \$100,000 unless an offset budgeted expenditure is found in the approved annual budget;
- any acquisitions or divestitures of businesses, assets or companies outside the ordinary course of business;
- any contracts or transactions with directors or officers of the Corporation or entities in which the director or officer of the Corporation has a direct or indirect beneficial interest, excepting employment or consulting contracts with the Corporation;
- any amendments to the Corporation's articles or by-laws;
- any material change to the Corporation's business;
- any lease, loan or similar transaction where the Corporation's obligations during the term of the lease, loan or similar transaction exceed \$100,000;
- any hedge, swap or futures transaction;
- any change to the Corporation's charters or policies where those charters or policies were previously approved by the Board or a Board committee; and
- any matter that is required to be approved by the Board, a Board committee or the shareholders of the Corporation pursuant to the *Business Corporations Act* (Alberta), securities legislation applicable to the Corporation or the rules of any exchange on which the securities of the Corporation are listed.