



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

(Promoted by Govt. of Gujarat)

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A M Tiwari, IAS

Managing Director

MD/2018/115

29th May, 2018

Dear Mr. Wheatley,

I write on behalf of Gujarat State Fertilizers and Chemicals Limited ("GSFC"), a long-time strategic partner, and the single largest shareholder, of Karnalyte. We are a publicly traded Indian fertilizer & petrochemical company focused on the production and sale of fertilizers and industrial products. We have more than 4000 employees, with sales of more than US\$1.1 billion in fiscal 2017.

As you will be aware, GSFC has delivered its proxy to vote its 6,045,861 shares, representing approximately 21.5% of Karnalyte's shares outstanding, in favour of all items of business, including the election of all management nominees for election to Karnalyte's Board of Directors at the upcoming AGM on June 7, 2018:

I write in follow-up to the voting of our shares to underscore GSFC's support for Karnalyte's Board of Directors and management team, and for the strategic plan Karnalyte released on May 14, 2018. GSFC has always been supportive to various initiatives taken by the management and board of Karnalyte to enhance shareholder value and we firmly believe that the successful implementation of this plan will benefit all the stakeholders of Karnalyte.

GSFC remains committed to Wynyard

GSFC remains committed to the eventual development of Karnalyte's flagship Wynyard Potash Project. We are eager to bring it into production as soon as it is economically viable and hence have extended support to discover the right project cost of critical packages by inviting international bids. Doing so will also support the value of our significant equity investment in Karnalyte. While we are eager to see Wynyard proceed, we agree with the determination of Karnalyte's current management that along with project cost optimization, the potash prices need to recover before the project can be finance and profitably constructed.

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Nitrogen Fertilizer offers significant potential for Karnalyte

GSFC has more than five decades' experience in nitrogen fertilizer production, and we currently operate one ammonia plant and two urea plants in Vadodara, Gujarat State, India. That experience gives us confidence in the opportunity that Karnalyte has in Saskatchewan through the company's proposed "Proteos Nitrogen Project". I am excited to learn from you about Saskatchewan's number of unique advantages and a favourable market environment that supports this opportunity, most particularly a robust local wholesale customer base. We are happy to note that the market fundamentals support the value proposition and the strategic vision that Karnalyte's management team is pursuing which also provide us confidence in the business case, and we reiterate our offer of any technical or analytical support that Karnalyte may require.

Karnalyte needs discipline and stability

Despite a number of challenging years, GSFC is optimistic about Karnalyte's potential, particularly through the new strategic plan that management has put in place. The success of this plan will require discipline, and from our recent meetings with you and interim Chief Executive Officer Todd Rowan we are confident that management is focused on the responsible enhancement of shareholder value.

Beyond management discipline, Karnalyte's future success will also require stable, capable governance by a committed group of directors. We have confidence that Karnalyte's current Board of Directors is committed to acting in the shareholders' best interest, and in the best interests of the company.

With warm regards,

Mines Sincerely,

29/05

(A.M.Tiwari)

Frank D. Wheatley,
President
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