

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS (to be held on May 14, 2019) **AND MANAGEMENT INFORMATION CIRCULAR**

April 10, 2019

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MANAGEMENT INFORMATION CIRCULAR SUMMARY

Meeting Information

Date: Tuesday May 14, 2019 **Time:** 9:30 am (Saskatoon time) **Place:** Saskatoon Club, 417 21st Street E, Saskatoon, Saskatchewan

This summary highlights information contained elsewhere in this management information circular. It does not contain all of the information that you should consider. Please read the entire management information circular carefully before voting.

Voting Recommendations

Proposal	Board Recommendation
Fix the number of directors of the Company to be elected by Shareholders at three	FOR
Elect directors of the Company	FOR
Appoint KPMG LLP as auditor of the Company and authorize the directors to fix their remuneration	FOR
Approve unallocated options under the Stock Option Plan	FOR
Change the name of the Company to "Alere Chemicals & Fertilizers Inc."	FOR

Record Date

You are entitled to vote at the meeting if you were a holder of common shares at the close of business on April 10, 2019.

Vote Deadline

To ensure that your vote is counted, please vote by 9:30 am (Saskatoon time) on May 10, 2019.

How You Can Vote

Your vote is important. To ensure that your shares will be represented and voted at the meeting, please submit your vote as soon as possible by one of the following methods:

-
-  **Internet**
You will need to have your proxy form or voting instruction form in hand. Go to the web-site listed on the form that you received and follow the instructions on the screen.
 -  **Email**
You will need to have your proxy form or voting instruction form in hand. Complete, scan and email the form that you received.
 -  **Mail**
Complete your proxy form or voting instruction form and return using the enclosed postage-paid envelope.
 -  **Vote in Person**
Follow the instructions on your proxy form or voting instruction form in hand.
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KARNALYTE RESOURCES INC. **NOTICE OF ANNUAL AND SPECIAL MEETING** (to be held May 14, 2019)

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) of Karnalyte Resources Inc. (“**Karnalyte**” or the “**Company**”) will be held at the Saskatoon Club, 417 21st ST E, Saskatoon, Saskatchewan, on Tuesday, May 14, 2019, at 9:30 a.m. (Saskatoon time) for the following purposes:

1. To receive the audited financial statements of the Company for the financial year ended December 31, 2018, together with the report of the auditors thereon;
2. to fix the number of directors of the Company to be elected at three (3);
3. to elect the board of directors of the Company;
4. to appoint the auditors of the Company and to authorize the board of directors of the Company to fix their remuneration;
5. to consider and, if deemed appropriate, to pass an ordinary resolution to approve unallocated options under the incentive stock option plan of the Company;
6. to consider and, if deemed appropriate, to pass a special resolution approving an amendment to the Company’s articles to change the Company’s name from “Karnalyte Resources Inc.” to “Alere Chemicals & Fertilizers Inc.”; and
7. to transact such further or other business as may properly be brought before the Meeting or any adjournment thereof.

OTHER IMPORTANT INFORMATION

The board of directors of the Company (the “**Board**”) has fixed April 10, 2019 as the record date (the “**Record Date**”) for determining Shareholders who are entitled to receive notice of and to vote at the Meeting. Only Shareholders of record of the Company on the Record Date are entitled to receive notice of the Meeting and to attend and vote at the Meeting. This notice of Meeting (the “**Notice**”) is accompanied by a management information circular (the “**Circular**”). The specific details of the matters to be put before the Meeting as identified above are set forth in the Circular accompanying and forming part of this Notice. This Notice and the Circular have been sent to each director of the Company, to each Shareholder entitled to notice of the Meeting and to the auditors of the Company.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and should be reviewed carefully by Shareholders. Any adjourned or postponed meeting resulting from an adjournment or postponement of the Meeting will be held at a time and place to be specified either by the Company before the Meeting or by the Chair at the Meeting to be adjourned or postponed.

DATED as of April 10, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

(signed "Frank D. Wheatley")

Frank D. Wheatley

President

Karnalyte Resources Inc.

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 AST Trust Company (Canada), the Registrar and Transfer Agent of the Company, at P.O. Box 721, Agincourt, Ontario, M1S 0A1, Attention: Proxy Department, by 9:30 a.m. (Saskatoon time) on May 10, 2019 or, if the Meeting is adjourned, by 9:30 a.m. (Saskatoon time) on the second business day prior to the date on which the Meeting is reconvened.

1 THE MEETING

Date, Time and Place of the Annual and Special Meeting

The annual and special meeting (the “**Meeting**”) of the common shareholders (the “**Shareholders**”) of Karnalyte Resources Inc. (“**Karnalyte**” or the “**Company**”) will be held at 9:30 a.m. (Saskatoon time) on Tuesday, May 14, 2019 at the Saskatoon Club, 417 21st ST E, Saskatoon, Saskatchewan.

Information contained in this management information circular (the “**Circular**”) is given as at April 10, 2019, unless otherwise indicated.

No person is authorized to give any information or to make any representation not contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Company.

Record Date

The record date for determining Shareholders entitled to receive notice of and vote at the Meeting is April 10, 2019 (the “**Record Date**”). Shareholders of record as at the close of business on such date will be entitled to attend and vote at the Meeting, or any adjournment or postponement thereof, in the manner and subject to the procedures described in this Circular.

Currency

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

2 SOLICITATION OF PROXIES

This Circular is furnished in connection with the solicitation of proxies by the management of the Company to be used at the Meeting to be held at the time and place and for the purposes set forth in the attached notice of meeting (the “Notice”). The solicitation of proxies in connection with the Meeting will be primarily by mail, but proxies may also be solicited in person or by telephone, email or personal contact by directors, officers, or employees of the Company. All costs of the solicitation will be borne by the Company at an estimated cost of approximately \$15,000.

GENERAL VOTING INFORMATION

The following questions and answers provide guidance on how to vote your common shares (“**Common Shares**”) of the Company.

Who can vote?

Each holder of Common Shares (a “**Shareholder**”) is entitled at the Meeting or any adjournment thereof to one (1) vote for each one (1) Common Share registered in the holder’s name as at the close of business on the Record Date of April 10, 2019.

2 SOLICITATION OF PROXIES continued...

What will I be voting on?

Shareholders will be voting to: (i) to fix the number of directors to be elected at three, (ii) elect directors; (iii) appoint the external auditors, (iv) approve unallocated options under the Company's incentive stock option plan; and (v) change the Company's name, as outlined below.

How will these matters be decided at the Meeting?

A simple majority of the votes cast, in person or by proxy, will constitute approval of the fixing of the number of directors, the election of directors, the appointment of the external auditors, and the approval of unallocated options under the stock option plan. Two thirds of the votes cast, in person or by proxy, will constitute approval of the change of the Company's name.

How do I vote?

You have several options in how to exercise your right to vote and those options are determined by how you hold your Common Shares. Most shareholders are beneficial shareholders. You hold a beneficial interest in shares of a company if your share certificate was deposited with a bank, trust company, stock broker, trustee or some other institution. If you have in your possession a physical share certificate with your name on it, then you are a registered shareholder. For further details on how you can vote as either a beneficial or registered shareholder please see sections 3 and 4 below.

When do I have to submit by vote?

The deadline for receiving duly completed forms of proxy or a vote using email or the online system is 9:30 a.m. (Saskatoon time) on May 10, 2019, or if the Meeting is adjourned, by 9:30 a.m. (Saskatoon time) on the second business day prior to the date on which the Meeting is reconvened.

Who can I call with questions?

If you have questions about the information contained in this Circular or require assistance in completing your form of proxy or voting instruction form, please contact the Company's registrar and transfer agent AST Trust Company (Canada) ("AST") at **1-800-387-0825** (toll free in North America) or **416-682-3860** (outside Canada and the U.S.) or via email at inquiries@astfinancial.com.

3 VOTING BY BENEFICIAL SHAREHOLDERS

If your Common Shares are not registered in your name and are held in the name of a third-party nominee such as your broker or financial institution (for the purposes herein, a "Nominee"), then you are a "Beneficial Shareholder" also referred to as a "Non-Registered Shareholder". If your Common Shares are listed in an account statement provided to you by your broker, those Common Shares will, in all likelihood, not be registered in your name. Such Common Shares will more likely be registered in the name of a Nominee which may be your broker or an agent of that broker, or in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. ("CDS")) of which the intermediary broker or financial institution is a participant. Without specific instructions, Nominees are prohibited from voting shares beneficially held by their clients. Beneficial Shareholders are either "objecting beneficial owners" or "OBOs", who object to intermediaries disclosing information about their identity and ownership in the Company to the issuer, or "non-objecting beneficial owners" or "NOBOs", who do not object to such disclosure.

3 VOTING BY BENEFICIAL SHAREHOLDERS continued...

VOTING OPTIONS FOR BENEFICIAL SHAREHOLDERS



In Writing – by submitting a voting instruction form (referred to as a “**VIF**” see below) to your Nominee as further discussed below.



Online – Go to the website indicated on the VIF and follow the instructions on the screen. If you choose this method of voting, you can appoint a person other than the directors or officers of the Company named in the VIF as your proxy holder. The person does not have to be a Shareholder. If applicable, make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting.



By Telephone – Call the phone number indicated on the VIF and follow the instructions. If you choose to vote by telephone, you cannot appoint any person other than the directors or officers of the Company named in the VIF as your proxy holder.



In Person at the meeting – see instructions below.



In Writing by Voting Instruction Form

Applicable securities laws require your Nominee to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive or have already received from your Nominee a request for voting instructions for the number of Common Shares you hold. Every Nominee has its own mailing procedures and provides its own signature and return instructions, which should be carefully followed by Beneficial Shareholders to ensure that their Common Shares are voted at the Meeting.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators (“**NI 54-101**”), the Company has distributed copies of this Circular and the accompanying Notice together with a form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and intermediaries for onward distribution to Beneficial Shareholders. Very often, intermediaries will use service companies to forward the Meeting Materials. Generally, such intermediaries will provide to Beneficial Shareholders what is often called a “**Voting Instruction Form**” or “**VIF**” in one of the following forms:

- a) a form of proxy is provided to you which has already been signed by the intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the Beneficial Shareholder but which is not otherwise completed. Because the intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Beneficial Shareholder when submitting the proxy. In this case, the Beneficial Shareholder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified; or
- b) a form of proxy is provided to you which is not signed by the intermediary and which, when properly completed and signed by the non-registered holder and returned to the intermediary or its service company, will constitute voting instructions which the intermediary must follow.

In either case, the purpose of this VIF is to permit non-registered beneficial shareholders to direct the voting of the shares they beneficially own.

3 VOTING BY BENEFICIAL SHAREHOLDERS continued...



In Person

If you wish to vote in person at the Meeting, insert your own name in the space provided on the VIF provided by your Nominee to appoint yourself as proxy holder and follow the instructions provided to you by your Nominee. Beneficial Shareholders who appoint themselves as proxy holders should present themselves at the Meeting to a representative of AST. ***Do not otherwise complete the request for voting instructions sent to you as you will be voting at the Meeting.***

The enclosed VIF confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the Notice and with respect to other matters which may properly come before the Meeting. At the date of this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. If any such amendments, variations or other matters do properly come before the Meeting, it is intended that the person appointed as proxy shall vote on such other business in such manner as that person then considers proper.

Note that all votes not duly given in person at the Meeting must be validly submitted by the Proxy Deadline set out in Section 2 above.

4 VOTING BY REGISTERED SHAREHOLDERS

If your Common Shares are registered in your name and you have in your possession a physical share certificate with your name on it, then you are a “**Registered Shareholder**” and you have the following options to vote your Common Shares.

VOTING OPTIONS FOR REGISTERED SHAREHOLDERS



In Writing – by submitting a paper proxy form as discussed below.



Online – go to AST’s internet voting system at www.astvotemyproxy.com and follow the instructions provided.



Email – Complete, scan and email the enclosed form of proxy and email it to **proxyvote@astfinancial.com**.



In Person at the meeting – If you wish to vote in person, you may present yourself at the Meeting to a representative of AST. Your vote will be taken at the Meeting. If you wish to vote in person at the Meeting, do not complete or return the form of proxy.

In Writing by Proxy - You are a Registered Shareholder if your name appears on a share certificate or on the list of Registered Shareholders maintained by AST. If this is the case, you may appoint someone else to vote for you as your proxy holder by using the enclosed form of proxy. The persons named in the enclosed form of proxy are directors or officers of the Company.

4 VOTING BY REGISTERED SHAREHOLDERS continued...

A Shareholder has the right to appoint as proxy holder, a person or entity other than those whose names are printed as proxy holders in the accompanying form of proxy, by striking out said printed names and inserting the name of his/her chosen proxy holder in the blank space provided for that purpose in the form of proxy. In either case, the completed form of proxy must be delivered to AST, in the envelope provided for that purpose, prior to the Meeting at which it is to be used. A person acting as proxy holder need not be a Shareholder of the Company. If applicable, make sure that the person you appoint is aware that he or she is appointed and attends the Meeting.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the Notice and with respect to other matters which may properly come before the Meeting. At the date of this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. If any such amendments, variations or other matters do properly come before the Meeting, it is intended that the person appointed as proxy shall vote on such other business in such manner as that person then considers being proper.

Complete your form of proxy and return it in the envelope provided. If you return your proxy by mail, you can appoint a person other than the directors or officers of the Company named in the form of proxy as your proxy holder. This person does not have to be a Shareholder. Fill in the name of the person you are appointing in the blank space provided on the form of proxy. Complete your voting instructions on the form of proxy, and date and sign the form. If applicable, make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting.

HOW WILL MY COMMON SHARES BE VOTED IF I GIVE MY PROXY?

Common Shares represented by proxies in the accompanying form of proxy will be voted in accordance with your instructions indicated thereon. If no contrary instruction is indicated, the Common Shares represented by such form of proxy will be voted in favour of: (1) fixing the number of directors to be elected at three (3); (2) the election as directors of the persons named under the heading "*Election of Directors*"; (3) the appointment of the external auditors of the Company and authorizing the Board to fix their remuneration, as described under the heading "*Appointment of External Auditors*"; (4) the approval of unallocated options under the stock option plan, as described under the heading "*Approval of the Unallocated Options under the Stock Option Plan*"; and (5) the change of name of the Company, as described under the heading "*Approval of Name Change*".

The form of proxy also confers discretionary voting authority on those persons designated therein with respect to amendments or variations to the proposals identified in the Notice and with respect to other matters which may properly come before the Meeting. At the time of printing this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting. If such amendments, variations or other matters properly come before the Meeting, the management nominees designated in such form of proxy shall vote the Common Shares represented thereby in accordance with their best judgment.

4 VOTING BY REGISTERED SHAREHOLDERS continued...

IF I CHANGE MY MIND, HOW CAN I REVOKE MY PROXY?

A Registered Shareholder who has given a proxy may revoke the proxy by completing and signing a form of proxy bearing a later date and depositing it with AST Trust Company (Canada), P.O. Box 721, Agincourt, Ontario M1S 0A1, by facsimile to (416) 368-2502, or by e-mail to proxyvote@astfinancial.com, or online using AST's Internet voting system at www.astvotemyproxy.com by no later than 9:30 a.m. (Saskatoon time) on May 10, 2019, or, if the Meeting is adjourned, by 9:30 p.m. (Saskatoon time) on the second business day prior to the date on which the Meeting is reconvened.

If a Beneficial Shareholder has submitted a VIF and wants to revoke the vote, then the Beneficial Shareholder should contact his or her Nominee to obtain information on the procedure to follow.

NOTICE AND ACCESS

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.

5 VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

SHARE CAPITAL

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 Circular, 42,174,847 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 one (1) Common Share held.

QUORUM

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 and outstanding Common Shares entitled to vote at the Meeting constitutes a quorum for the Meeting.

PRINCIPAL SHAREHOLDERS

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

Name and Municipality of Residence	Designation of Class	Type of Ownership	Number of Common Shares	% of Common Shares
Gujarat State Fertilizers and Chemicals Limited Vadodara, Gujarat State, India	Common Shares	Direct	16,334,558	38.73%

6 PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

1. **Presentation of Audited Financial Statements**
2. **Fixing the Number of Directors**
3. **Elect the Directors**
4. **Appoint the Auditors**
5. **Approval of Unallocated Options under the Stock Option Plan**
6. **Approval of Name Change**

AUDITED FINANCIAL STATEMENTS

The audited comparative consolidated financial statements of the Company for the fiscal period ended December 31, 2018, and the report of the auditors thereon will be placed before the Meeting. Receipt at the Meeting of the audited comparative consolidated financial statements of the Company for the fiscal year ended December 31, 2018 will not constitute approval or disapproval of any matters referred to therein. No vote will be taken on the financial statements. These financial statements can be accessed on the Company's website at www.karnalyte.com and are also available at www.sedar.com.

Pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators (“**NI 51-102**”) and NI 54-101, a person or corporation who in the future wishes to receive annual and interim financial statements from the Company must deliver a written request for such material to the Company. Shareholders who wish to receive annual and interim financial statements are encouraged to complete the 2019 Mailing List Request Form and send it to AST at P.O Box 700, Station B, Montreal, QC H3B 3K3.

NUMBER OF DIRECTORS

The resolution fixing the number of directors to be elected by the Shareholders at three (3) must be passed by a simple majority of the votes cast by Shareholders present in person or by proxy at the meeting.

ELECTION OF DIRECTORS

The Board is authorized to set the number of directors to be elected at a meeting of Shareholders and passed a resolution on April 10, 2019 to the effect that three (3) directors are to be elected. Under the provisions of the Alberta Business Corporations Act (the “**ABCA**”), 25% of the directors must be resident Canadians. At the Meeting, Shareholders will be asked to elect the three (3) directors proposed by management (the “**Director Nominees**”), all of whom currently serve on the Board and one (1) of whom is a resident Canadian.

The following table provides the names of the Director Nominees and information concerning them. Disclosure on “Securities Held” is as of December 31, 2018. The persons named in the enclosed form of proxy intend to vote for the election of the Director Nominees. Management does not contemplate that any of the Director Nominees will be unable to serve as a director. Each director elected will hold office until his or her successor is elected at the next annual meeting of the Company, or any adjournment or postponement thereof, or until his or her successor is otherwise elected or appointed.

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

Director Nominee Biographies



Vishvesh Nanavaty, 55
Chairman

Vadodara, Gujarat State,
India

Director since March 2013

Independent

Vishvesh D. Nanavaty is the Executive Director (Finance, MSD & MS) and Chief Finance Officer at GSFC. Prior to these roles, Mr. Nanavaty has acted as both General Manager of Finance and Corporate Secretary. Before joining GSFC, Mr. Nanavaty was Senior Finance Manager and Company Secretary at Johnson Pump (India) Ltd.

Mr. Nanavaty is a Chartered Accountant, and received a First Class Commerce degree from The Gujarat University, The Institute of Cost & Works Accountants of India and The Institute of Company Secretaries of India.

Areas of Expertise: Financial and Accounting, Project Financing, Manufacturing, Fertilizer Industry and Government Relations

Securities Held

Common Shares			Nil ^(a)
	Granted	Vested	Exercise Price
Stock Options	100,000	25,000	\$0.51
	100,000	25,000	\$0.75
Member Attendance (2018)		Other Public Boards During Past Five Years	
Board of directors	6 of 6	Nil	
Committees:			
Audit	4 of 4		
Corporate Governance	0 of 1		



Todd Rowan, 50
(Interim CEO of
Karnalyte from July
2017 to April 2019)

Saskatoon,
Saskatchewan, Canada

Director since May 2017

Non-Independent

Todd Rowan is a consulting firm owner partnered with TrendMax Agribusiness Group. TrendMax is a farm management consulting firm providing crop marketing and business planning services to agricultural producers in western Canada. Prior to partnering with TrendMax, Todd was the Director of Procurement at AGT Food and Ingredients Inc. (formerly, Alliance Grain Traders Inc.) and Procurement Manager at Prairie Pulse Inc. Todd also has many years of grain and chemical marketing and operations experience with United Grain Growers. Todd has a Bachelor of Science in Agriculture – Agricultural Economics degree from the College of Agriculture at the University of Saskatchewan.

Areas of Expertise: Agriculture and Fertilizer Industry

Securities Held

Common Shares			333,250
	Granted	Vested	Exercise Price
Stock Options	100,000	25,000	\$0.51
	150,000	75,000	\$0.75
Member Attendance (2018)		Other Public Boards During Past Five Years	
Board of Directors	6 of 6	Nil	

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

Director Nominee Biographies



Sanjeev Varma, 51
Chairman

Vadodara, Gujarat State,
India

Director since May 2015

Independent

Sanjeev V. Varma has served as GSFC's Senior Vice President (Finance & Projects) since January 2016. Previous to this role, Mr. Varma was Vice President (Finance) at GSFC.

Mr. Varma obtained his Bachelor of Engineering from Sardar Patel University, Gujarat, India in 1990 and joined GSFC as a Trainee Engineer. While serving at GSFC, he obtained his Master of Business Administration (Finance) in 2002 from MS University Baroda securing Gold Medals for his academic achievements and subsequently has served in the Finance Department of GSFC. He leads the Budget & Project Financing Sections of the Company. He has rich experience of about 25 years as a techno-commercial executive in a big Petrochemical & Fertilizer Complex which includes Project Implementation right from the stage of conceiving till commissioning, Maintenance, Budgeting, Project Financing and Strategic Decision making.

Areas of Expertise: Project Development, Project Finance, Manufacturing, Chemicals and Fertilizer, Government Relations

Securities Held

Common Shares	Nil ⁽¹⁾		
	Granted	Vested	Exercise Price
Stock Options	100,000	25,000	\$0.51
	100,000	25,000	\$0.75
Member Attendance (2018)	Other Public Boards During Past Five Years		
Board of directors	6 of 6	Nil	
Committees:			
Audit	4 of 4		
Corporate Governance	1 of 1		

Note: ⁽¹⁾ This amount does not include the 16,334,558 Common Shares held by GSFC.

Board of Directors Skills Matrix

The Board must determine, in light of the opportunities and risks facing the Company, the competencies, skills and personal qualities it requires in directors in order to provide it with the best opportunity to advance the Company's projects in a timely manner to the next stage of their development. The Board has developed a skills matrix that sets out the desired complement of competencies, skills and experience to qualify nominees for election to the Board. The specific make-up of the matrix includes such items as experience in the agriculture industry, development, construction and operation of major capital projects, mining and manufacturing industry experience, raising equity and project debt financing, corporate governance expertise, financial literacy, and meeting all legal and regulatory requirements applicable to Canadian public companies. The skills matrix set out below reflects the skill sets represented among the Director Nominees.

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

Skills and Experience	W. Todd Rowan	Sanjeev Varma	Vishvesh Nanavaty
Senior Executive	✓	✓	✓
Public Company Experience	✓	✓	✓
Agriculture Experience	✓		
Fertilizer Experience	✓	✓	✓
Mining Experience			
Manufacturing Experience		✓	✓
Project Development Experience		✓	
Project Finance Experience		✓	✓
Capital Markets Experience			✓
Financial/Accounting Expertise		✓	✓
Government Relations/Political Experience		✓	✓
Environmental Permitting Experience			

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.

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.

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

COMPENSATION OF DIRECTORS

In the Company's financial year ended December 31, 2018, 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 Compensation and Corporate Governance 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 SUMMARY

The following table sets forth the value of all compensation provided to the current directors, not including the one (1) director who is also a Named Executive Officer, for the Company's financial year ended December 31, 2018.

Name	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		
Sanjeev V. Varma	2018	49,283	39,432	Nil	Nil	Nil	88,715
Vishvesh D. Nanavaty	2018	48,283	39,432	Nil	Nil	Nil	87,715

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 the one (1) director who is also a Named Executive Officer, to purchase or acquire securities of the Company outstanding at the end of the financial year ended December 31, 2018.

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 (\$)
Sanjeev V. Varma	100,000	0.51	2023-06-08	Nil
	100,000	0.75	2024-12-15	Nil
Vishvesh D. Nanavaty	100,000	0.51	2023-06-08	Nil
	100,000	0.75	2024-12-15	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 the one (1) director who is also a Named Executive Officer, during the most recently completed financial year.

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year (\$)
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.

Advanced Notice By-Law

The Company adopted an advance notice by-law in 2013. This by-law sets forth procedures for any Shareholder who intends to nominate any person for election as director of the Company other than pursuant to shareholder rights instilled within the Company's governing statute or via Shareholder proposal. The requirement stipulates a deadline by which Shareholders must notify the Company of their intention to nominate directors and also sets out the information that Shareholders must provide regarding each director nominee and the nominating Shareholder in order for the advance notice requirement to be met. These requirements are intended to provide all Shareholders with the opportunity to evaluate and review the proposed candidates and vote in an informed and timely manner regarding said nominees. As of the date of this Circular, the Company has not received any nominations via the advance notice mechanism.

Majority Voting Policy

The Board has adopted a majority voting policy relating to the election of directors. Pursuant to this policy, any nominee for director of the Company who, in an uncontested election, receives a greater number of votes withheld than number of votes in favour will promptly submit his or her resignation to the Board for consideration following the meeting. Such proposed resignations will be accepted by the Board unless there are exceptional circumstances that should delay the acceptance of the resignation or justify rejecting it. In any event, it is expected that the resignation will be considered and a decision taken in respect thereof within ninety (90) days of the meeting. The resignation will be effective when accepted by the Board. The Company will issue a press release within ninety (90) days following the date of the meeting disclosing if the directors accepted or rejected the resignation. The Board should accept the resignation absent exceptional circumstances. If the proposed resignation was rejected, the reasons therefor will also be included in the press release.

Vote Required and Recommendation of Board

The resolution electing directors must be passed by a simple majority of the votes cast by Shareholders present in person or by proxy at the Meeting.

The Board unanimously recommends that Shareholders vote FOR the election of the Director Nominees.

UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE DIRECTOR NOMINEES.

APPOINTMENT OF EXTERNAL AUDITORS

The Board, on recommendation from the Audit Committee, recommends the re-appointment of the Company's existing auditors, KPMG LLP, Chartered Accountants ("KPMG") as the Company's independent auditors until the next annual meeting of Shareholders at the remuneration to be determined by the Board. KPMG was first appointed as the Company's auditor in 2008.

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

Vote Required and Recommendation of Board

The resolution appointing the auditors must be passed by a simple majority of the votes cast by Shareholders present in person or by proxy at the Meeting.

The Board unanimously recommends that Shareholders vote FOR the appointment of the external auditors.

UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE RE-APPOINTMENT OF KPMG AS THE COMPANY'S EXTERNAL AUDITORS AND TO AUTHORIZE THE BOARD TO FIX THEIR REMUNERATION.

APPROVAL OF UNALLOCATED OPTIONS UNDER THE STOCK OPTION PLAN

Background of the Stock Option Plan

To provide a long-term component to the executive compensation program of the Company, directors, officers, employees and consultants of the Company participate in the Company's incentive stock option plan (the "**Stock Option Plan**") dated as of May 10, 2013. Capitalized terms not otherwise defined in the following disclosure in respect of the Stock Option Plan shall have the meaning ascribed to such terms in the Stock Option Plan.

The Company's Compensation Committee is responsible for making recommendations to the Board regarding the granting of Options to participants under the Stock Option Plan. The duties, responsibilities and contributions of participants to the success of the Company, together with market compensation data, are taken into account when the Compensation Committee and the Board determines whether, and how many, new Options grants should be made. The granting of Options is subject to the terms and conditions contained in the Stock Option Plan and any additional terms and conditions fixed by the Board at the time of the grant. The Board sets the exercise price of the Options, but under no circumstances can such exercise price be less than the weighted average trading price per Common Share on the TSX for the five trading days preceding the date of the grant. The Company does not provide any financial assistance to participants under the Stock Option Plan to purchase Options under the Stock Option Plan.

The Compensation Committee believes that long-term incentives in the form of Options, with vesting provisions, play an important part in aligning the interests of directors, officers, employees and consultants with those of Shareholders and in preserving cash for project development and attracting and motivating new directors, officers, employees and consultants in a competitive market environment.

Summary of Stock Option Plan

A summary of the Stock Option Plan is set forth under the heading "*Statement of Executive Compensation – Summary of Stock Option Plan*".

Common Shares Available for Issuance upon Exercise of Stock Options

As of the date hereof, the Stock Option Plan is a "rolling 10%" plan, which means that at any point in time the Company is authorized to issue that number of Options which is equal to 10% of its then currently issued and outstanding number of Common Shares. Under the terms of the Stock Option Plan, any Common Shares underlying Options (the "**Underlying Shares**") which are cancelled or terminated for any reason without having been exercised, as well as Underlying Shares which have been exercised, will be available for future grant under the Stock Option Plan.

As of the date hereof, an aggregate of 42,174,847 Common Shares are issued and outstanding, therefore the maximum number of Options issuable by the Company is 4,217,484 Options. As of the date hereof an aggregate

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

of 1,575,000 Options (representing approximately 3.73% of currently issued and outstanding Common Shares) are outstanding. For the period from August 26, 2016 (being the date of the annual and special meeting of Shareholders at which the Stock Option Plan was last approved by Shareholders) to the date hereof, no Options have been exercised. A total of 2,642,484 Options (representing approximately 6.27% of currently issued and outstanding Common Shares) are currently available for issuance under the Stock Option Plan.

Approval of Unallocated Options

Pursuant to the policies of the Toronto Stock Exchange (“TSX”), unallocated options, rights or other entitlements granted under security based compensation arrangements that do not have a fixed maximum number of securities issuable, must be approved by the issuer’s securityholders every three years. The Stock Option Plan, which was approved by Shareholders on May 10, 2013, requires the foregoing approval as the number of authorized but unissued Common Shares that may be subject to the Stock Option Plan is 10% of the aggregate number of issued and outstanding Common Shares. All unallocated options were last approved by Shareholders on August 26, 2016. Accordingly, at the Meeting, Shareholders will be asked to consider and, if thought fit, approve an ordinary resolution approving the unallocated options under the Stock Option Plan. There have not been any amendments to the Stock Option Plan since it was implemented in 2013.

If approval is obtained at the Meeting, the Company will not be required to seek further approval of the grant of unallocated options under the Stock Option Plan until 2022. If approval is not obtained at the Meeting, options which have been allocated will continue and will not be affected, however in such circumstances, additional options will not be available for grant, including any options that may become available for grant upon expiry or cancellation of currently outstanding options.

Vote Required and Recommendation of the Board

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, to pass an ordinary resolution (the “**Stock Option Resolution**”) to approve all unallocated options under the Stock Option Plan. The Stock Option Plan Resolution must be passed by a simple majority of the votes cast by Shareholders present in person or by proxy at the Meeting.

Accordingly, the Board unanimously recommends that the Shareholders vote FOR the Stock Option Plan Resolution.

Stock Option Plan Resolution

“**BE IT RESOLVED** as an ordinary resolution that:

1. All unallocated options under the Stock Option Plan of the Company be and are hereby approved;
2. The Company is hereby authorized to continue granting options under the Option Plan until May 14, 2022, being the date that is three years from the date of this shareholder approval of unallocated option entitlements under the Stock Option Plan and the Stock Option Plan is hereby renewed in its entirety; and
3. Any one or more of the directors or officers of the Company is hereby authorized to sign all such documents and to do all such acts and things as such director or officer determines, in his or her discretion, to be necessary or advisable in order to properly implement and give effect to the foregoing.”

UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE APPROVAL OF UNALLOCATED OPTIONS UNDER THE STOCK OPTION PLAN

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

APPROVAL OF NAME CHANGE

The Board believes, as the Company continues to execute on its strategy to diversify its business into two plant nutrient products, potash and nitrogen fertilizer, that changing the Company's name to one that more properly reflects its strategic plan is appropriate and would assist the Company in the execution of its strategic plan. The Company's current name is very specific to the particular style of potash mineralization contained in the Wynyard Potash Project, whereas the proposed name is more amenable to a more diversified fertilizer business.

Vote Required and Recommendation of Board

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, to pass a special resolution (the "Name Change Resolution") to change the Company's name from "Karnalyte Resources Inc." to "Alere Chemicals & Fertilizers Inc." and to amend the Company's articles accordingly. The Name Change Resolution must be passed by not less than two thirds of the votes cast by Shareholders present in person or by proxy at the Meeting.

Accordingly, the Board unanimously recommends that shareholders vote FOR the Name Change Resolution.

Name Change Resolution

"BE IT RESOLVED as a special resolution that:

1. The Company be and is hereby authorized, subject to any necessary regulatory approvals, to amend the Company's articles to change the Company's name from "Karnalyte Resources Inc." to "Alere Chemicals & Fertilizers Inc.", or such other name that the Board deems appropriate and as may be approved by applicable regulatory authorities, as more particularly described in the Company's management information circular dated April 10, 2019 under the heading "Approval of Name Change";
2. Notwithstanding that this resolution has been duly passed by the Shareholders, the Board of the Company be, and they hereby are, authorized and empowered to revoke this resolution at any time prior to the amendment of the Company's articles and to determine not to proceed with changing the name of the Company; and
3. Any director or officer of the Company be, and he or she is hereby authorized and directed, on behalf of the Company, to execute and deliver all such documents and to do all such other acts or things as he or she may determine to be necessary or advisable to give effect to this resolution."

UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE CHANGE OF NAME

Although shareholder approval of the Name Change Resolution is being sought at the Meeting, such name change would become effective at a date in the future to be determined by the Board when it considers it to be in the best interests of the Company to implement such a change of name. The proposed change of name is also subject to certain regulatory approvals, including the approval of the Toronto Stock Exchange (the "TSX") and the approval of the Director under the ABCA. The Board may, in its sole discretion, determine not to implement the Name Change Resolution at any time after the Meeting and after receipt of necessary regulatory approvals, but prior to the issuance of a certificate of amendment, without further notice to or action on the part of the Shareholders. Subject to the exercise of such direction by the Board, the Company will file articles of amendment in the prescribed form

6 PARTICULARS TO BE ACTED UPON AT THE MEETING continued...

with the Director under the ABCA. The change of name will become effective on the date shown on the certificate issued by the Director under the ABCA. Under the ABCA, shareholders of the Company do not have dissent and appraisal rights with respect to the Name Change Resolution.

7 STATEMENT OF CORPORATE GOVERNANCE PRACTICES

GENERAL

The Board is committed to sound corporate governance practices which are both in the interest of Shareholders and contribute to effective and efficient decision-making. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) and National Policy 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators together establish corporate governance practices and guidelines which apply to all public companies. In light of these regulatory requirements, the Company has instituted its own corporate governance practices and provides disclosure around those practices consistent with these regulatory requirements.

BOARD OF DIRECTORS

Composition of the Board

At present the Board is comprised of three (3) directors, two (2) of whom are considered to be independent for the purpose of NI 58-101. The Independent Directors are Vishvesh Nanavaty and Sanjeev V. Varma. W. Todd Rowan is not Independent as he is 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. The Independent Directors may meet on an *ad hoc* basis as necessary or appropriate.

The Chairman is responsible for providing direction to the Board in overseeing operations and strategic planning. To that end, he is responsible for calling meetings of the Board as required between the regularly scheduled quarterly meetings and for chairing meetings of the Board. He is readily available for consultation with the Company’s executive officers. In addition to the Chairperson, who is Independent, 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 six (6) meetings of the Board during the financial year ended December 31, 2018.

The Independent Directors of the Company may meet for a portion of each Board meeting without management participants being present. The Independent Directors may exercise their responsibilities for the independent oversight of management through ad hoc meetings of the Board. The Independent Directors also have regular and full access to management.

There were four (4) meetings of the Audit Committee and one (1) meeting of the Compensation and Governance Committee during the financial year ended December 31, 2018. The following table sets out the attendance of members at meetings of the Board and committees of the Board during 2018.

7 STATEMENT OF CORPORATE GOVERNANCE PRACTICES continued...

Director	Meetings Attended		
	Board	Audit Committee	Compensation and Corporate Governance Committee
W. Todd Rowan ⁽¹⁾	6	0	N/A
Sanjeev V. Varma	6	4	1
Vishvesh D. Nanavaty	6	4	0

Notes ⁽¹⁾ W. Todd Rowan became an interim member of the Audit Committee on March 22, 2019. Although Mr. Rowan is not an Independent Director, he was appointed as an interim member of the Audit Committee effective as of March 22, 2019 in accordance with the exemption under section 3.5 of NI 52-110. Mr. Rowan will be replaced on the Audit Committee with an individual that is both financially literate and independent as soon as a qualified candidate is identified. See the Audit Committee section in the Company's Annual Information Form dated March 28, 2019 available on the SEDAR website at www.sedar.com.

⁽²⁾ Vishvesh Nanavaty was appointed to the Compensation and Corporate Governance Committee on June 7, 2018.

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.

BOARD CHARTER

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.

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.

7 STATEMENT OF CORPORATE GOVERNANCE PRACTICES continued...

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 on the SEDAR website at www.sedar.com, and on the Company's website at www.karnalyte.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.

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 Board has re-established the Compensation and Corporate Governance Committee. See "*Statement of Executive Compensation – Compensation Discussion and Analysis*".

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 Compensation and Corporate Governance Committee meets at least annually to fulfill its mandate. 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.

7 STATEMENT OF CORPORATE GOVERNANCE PRACTICES continued...

Board Committees

As of the date hereof, the Board has a governance structure which contemplates two (2) committees: the Audit Committee and the Compensation and Corporate Governance Committee. The Board has developed the mandate of the Audit Committee and the Compensation and Corporate Governance 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.

Audit Committee

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

The current members of the Audit Committee include Sanjeev Varma, Vishvesh Nanavaty, and, W. Todd Rowan. Although Mr. Rowan is not an Independent Director, he was appointed as an interim member of the Audit Committee on March 22, 2019 in accordance with the exemption under section 3.5 of NI 52-110. Mr. Rowan will be replaced on the Audit Committee with an individual that is both financially literate and Independent as soon as the Company identifies a suitably qualified candidate.

For additional information, including the mandate and responsibilities regarding the Audit Committee, please refer to the Audit Committee section in the Company's annual information form dated March 28, 2019 available on the SEDAR website at www.sedar.com.

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.

The current members of the Compensation and Corporate Governance Committee are Sanjeev Varma and Vishvesh Nanavaty, both of whom are independent. Vishvesh Nanavaty was appointed to the Compensation and Governance Committee on June 7, 2018.

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 "8 – *Statement of Executive Compensation*" below for further information regarding the role of Compensation and Corporate Governance Committee in the Company compensation practices.

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.

7 STATEMENT OF CORPORATE GOVERNANCE PRACTICES continued...

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, 2018 and as at the date of this Circular, there was no female director of the Company and one (1) female officer of the Company.

8 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 Interim CEO, and the CFO, and each of the three most highly compensated executive officers other than the President, the Interim CEO, 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.

¹ A contested meeting is defined as a meeting at which the number of directors nominated for election is greater than the number of seats available on the board.

8 STATEMENT OF EXECUTIVE COMPENSATION continued...

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 between the Compensation and Corporate Governance Committee and the Board of Directors. In making compensation recommendations, the Compensation and Corporate Governance Committee considers each executive's performance and other relevant factors, including the scope of each executive's position and responsibilities, the achievement of corporate goals, the current business environment and anticipated changes, and executive retention and recruitment considerations. The Compensation and Corporate Governance Committee does not rely on benchmarks or a specific formula, but instead relies upon comparisons to peer company executives in making compensation decisions.

Composition of the Compensation and Corporate Governance Committee

The current members of the Compensation and Corporate Governance Committee are Sanjeev Varma and Vishvesh Nanavaty, each of whom is an Independent Director. Meetings of the Compensation and Corporate Governance Committee are held periodically to review compensation policies and to consider the overall compensation to be paid by the Company to its employees, executive officers and directors. Typically, following review of data and discussion by members of the Compensation and Corporate Governance Committee, recommendations are made to the Board.

Mr. Sanjeev Varma is the Sr. Vice President (Finance and Projects) of GSFC, an organization which has in excess of 4,000 employees. Mr. Varma is involved in dealing with a variety of executive compensation matters in respect of GSFC and such experience and skills enable him to advise on the suitability of Karnalyte's policies and other compensation matters.

Responsibilities of 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.

8 STATEMENT OF EXECUTIVE COMPENSATION continued...

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 and Compensation and Corporate Governance Committee consider 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. In discharging this responsibility the Company has established a Compensation and Corporate Governance Committee that oversees the development of policies, procedures and setting of corporate goals and objectives. The committee reviews progress towards all corporate goals in regular meetings through management reports, which allows for altering any objectives as required. This committee then reviews and approves any resulting recommended compensation impacts.

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 (and when appropriate, to the Compensation and Corporate Governance Committee), 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.

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.

Option Based Awards

The Stock Option Plan is designed to provide an incentive to the directors, officers and employees to achieve the longer-term objectives of the Company to maximize shareholder value and is the responsibility of the Compensation and Corporate Governance Committee. The purpose of the Stock Option Plan is to give suitable recognition to the ability and performance of such persons who contribute materially to the success of the

8 STATEMENT OF EXECUTIVE COMPENSATION continued...

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.

Summary of Stock Option Plan

An Option may be exercised at a price that is fixed by the Board at the time that the Option is granted, but in no event shall it be less than the Current Market Price and permissible under the rules of TSX. Stock options are generally granted for a term of 5 years and vest over a period of 3 years, although the Stock Option Plan permits a maximum term of 10 years. The Board may also affix other vesting conditions to any Option at the date of grant.

Subject to certain limited exceptions, including by will or the laws of descent and distribution, Options granted under the Stock Option Plan are not transferable or assignable. As a general matter and subject to Board discretion and certain specified exceptions, if the Board service, employment or consulting relationship of a participant terminates either by way of resignation or termination, then vested Options held by the participant will cease to be exercisable on the earlier of the original expiry date of the Option and ninety (90) days after the applicable termination date and all unvested options will terminate. In the event of the death of a participant, all unvested Options will automatically vest and the participant's estate will have the right to exercise all unexercised Options for a period of 12 months. In the case of retirement of a participant pursuant to a retirement policy approved by the Board, all of the unvested Options will vest on the day immediately preceding the date of retirement and the participant will have 90 days thereafter to exercise such Options. In the case of disability where the participant is entitled to receive long-term disability payments, all of such participant's unvested Options shall vest and the participant shall have 180 days (commencing on the date preceding the participant's entitlement to receive disability payments) to exercise unexercised Options. Such expiry dates of Options set out above in this paragraph are subject to earlier expiry in accordance with the rules and regulations of the TSX.

The maximum number of Options issuable to insiders and their associates under the Stock Option Plan, or any other share compensation arrangement, shall not exceed a number of Common Shares equal to 10% of the Company's then currently issued and outstanding number of Common Shares (calculated on a non-diluted basis). Similarly, the maximum number of Common Shares that may be issued to insiders and their associates within any one year period pursuant to the exercise of Options granted under the Stock Option Plan, or any other share compensation arrangement, shall not exceed 10% of the Common Shares outstanding (calculated on a non-diluted basis). However, any Option granted prior to the grantee becoming an insider is excluded for the purposes of the 10% limits set out in the immediately foregoing two sentences.

The maximum number of Common Shares reserved for any one person under all security based compensation arrangements (which includes the Stock Option Plan) cannot exceed 5% of the Company's then currently issued and outstanding number of Common Shares (calculated on a non-diluted basis). Similarly, the number of Common Shares issuable to any participant in any 12-month period shall not exceed 5% of the Company's then currently issued and outstanding number of Common Shares (calculated on a non-diluted basis). In both the aforementioned cases, the 5% maximum is currently equal to approximately 2,108,742 Common Shares.

8 STATEMENT OF EXECUTIVE COMPENSATION continued...

Notwithstanding any other provision of the Stock Option Plan, if the expiry date of any vested Option falls on a date upon which the participant is prohibited from exercising the Option due to a black-out period or other trading restriction imposed by the Company, then the expiry date of the Option shall be automatically extended to the tenth business day following the end of the relevant black-out period.

Subject to any applicable stock exchange rules, the Board may from time to time, in its absolute discretion and without the approval of Shareholders, amend, suspend or terminate the Stock Option Plan or any underlying Option Agreement, or any portion thereof. Without limiting the generality of the foregoing, the Board may make the following amendments to the Stock Option Plan or any Option without seeking shareholder approval:

(i) amend the vesting provisions of the Stock Option Plan and any Options, including acceleration of vesting; (ii) amend the Stock Option Plan or an Option as necessary to comply with applicable law or the requirements of any stock exchange or any other regulatory body having authority over the Corporation, the Stock Option Plan or the Shareholders; (iii) any amendment of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of the Stock Option Plan, correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan, correct any grammatical or typographical errors or amend the definitions in the Stock Option Plan regarding administration of the Stock Option Plan; (iv) any amendment respecting the administration of the Stock Option Plan, (v) amendments necessary in order for awards to qualify for favourable treatment under applicable taxation laws, (vi) any amendment regarding terms and conditions of Option exercise price for participants that are not insiders, and (vii) any other amendment, whether fundamental or otherwise, not requiring shareholder approval.

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

(i) amendments to the number of Common Shares issuable under the Stock Option Plan, (ii) amendments regarding a reduction in the exercise price or purchase price of the Options granted to insiders, (iii) amendments to the term of Options benefiting an insider, (iv) amendments that remove or increase the percentage of Common shares reserved for issuance and issuable to insiders, (v) amendments to an amending provision under the Stock Option Plan, and (vi) amendments required to be approved by Shareholders under applicable law (including the rules, regulations and policies of the TSX).

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, 2018.

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	1,575,000	\$0.65	2,642,484
Equity Compensation plans not approved by securityholders	Nil	Nil	Nil
Total	1,575,000	\$0.65	2,642,484

Note: ⁽¹⁾ Pursuant to the Stock 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.

8 STATEMENT OF EXECUTIVE COMPENSATION continued...

Option Burn Rate

The following table sets forth the annual burn rate, calculated in accordance with the rules of the TSX, in respect of the Company's equity based compensation plans for each of the three most recently completed financial years:

Year	Option Plan		
	Number of Options	Gross Burn Rate	Net Burn Rate
2016	90,000	0.33%	(0.22)%
2017	530,000	1.89%	(3.46)%
2018	850,000	2.98%	2.12%

Notes: ⁽¹⁾ Gross burn rate is calculated in accordance with TSX policies.

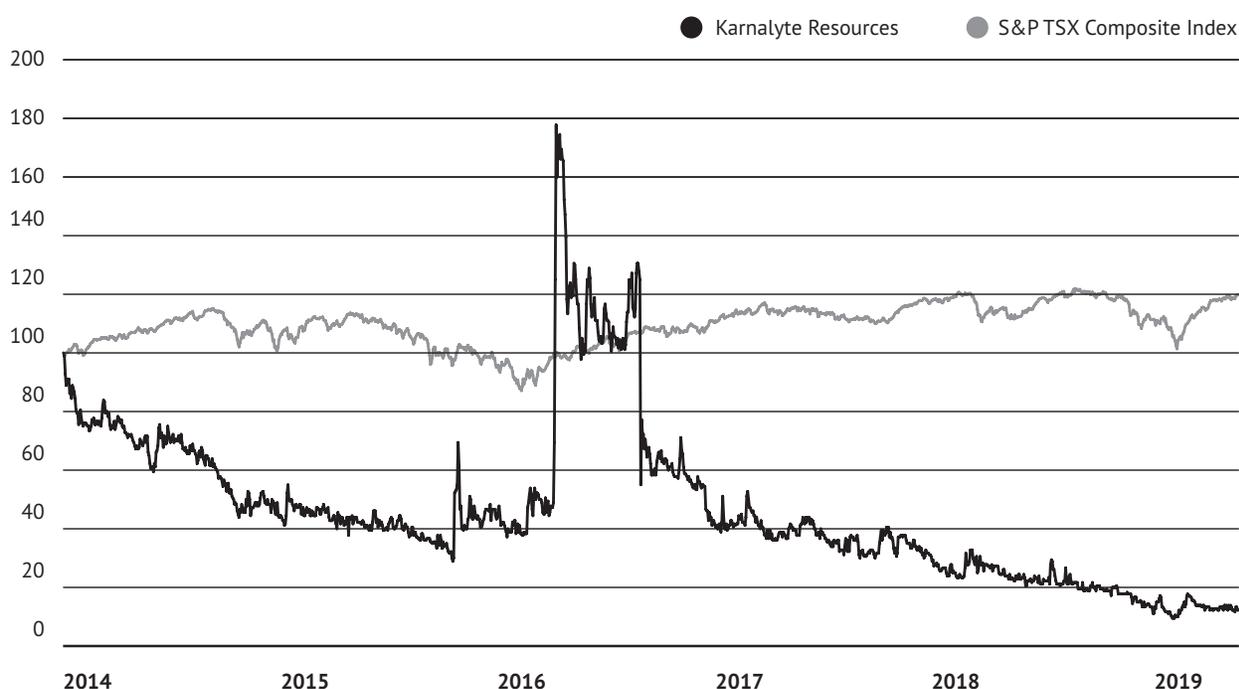
⁽²⁾ Net burn rate represents actual dilution to shareholders, versus gross burn rate which does not consider forfeitures or expiries of awards during the year.

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 over the last five (5) financial years on the Common Shares, assuming a \$100 investment was made on December 31, 2013, with the cumulative total returns of the S&P/TSX Composite Index.



8 STATEMENT OF EXECUTIVE COMPENSATION continued...

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⁾ (\$)	Total Compensation (\$)
				Annual Incentive Plans	Long-Term Incentive Plans		
Frank D. Wheatley ⁽³⁾ President	2018	250,144	31,159	Nil	Nil	12,617	293,920
	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
W. Todd Rowan ⁽⁴⁾⁽⁵⁾ Interim Chief Executive Officer	2018	120,000	46,635	Nil	Nil	35,368	202,000
	2017	53,071	1,899	Nil	Nil	40,988	Nil ³
	2016	Nil	Nil	Nil	Nil	Nil	95,959
Danielle Favreau ⁽⁶⁾ Chief Financial Officer	2018	174,769	19,738	Nil	Nil	8,926	203,433
	2017	148,167	5,554	Nil	Nil	7,518	161,239
	2016	147,000	18,471	Nil	Nil	14,037	161,037

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:

- 2018: risk-free interest rates of 2.15%; dividend yield of 0%; volatility factor of the market price of the Common Shares of 96.53%; and remaining contractual life of the Options of 5 years.
- 2017: risk-free interest rates of 1.66%; dividend yield of 0%; volatility factor of the market price of the Common Shares of 91.93%; and remaining contractual life of the Options of 5 years.
- 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.

⁽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⁾ Mr. Frank Wheatley was appointed as President on February 5, 2018.

⁽⁴⁾ Mr. W. Todd Rowan was appointed as Interim Chief Executive Officer on July 20, 2017.

⁽⁵⁾ The amounts under "All Other Compensation" include all director's retainers and meeting fees paid to Mr. W. Todd Rowan.

⁽⁶⁾ Danielle Favreau was appointed as Interim Chief Financial Officer of the Company on December 31, 2015. On December 15, 2017, she was appointed Chief Financial Officer of the Company.

INCENTIVE PLAN AWARDS

The Company adopted the Stock Option Plan on May 10, 2013, which was approved by Shareholders on June 20, 2013 and re-approved by the Shareholders on August 26, 2016. Since the Stock 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

8 STATEMENT OF EXECUTIVE COMPENSATION continued...

relevant. The purpose of the Stock 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 Stock Option Plan, see "Approval of Unallocated Options Under the Stock Option Plan".

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, 2018. The closing market price of the Common Shares on December 31, 2018 was \$0.20.

Option Based Awards				
Name	Number of securities underlying unexercised	Option Exercise Price (\$)	Option expiration date (YYYY-MM-DD)	Value of unexercised in-the-money Options ⁽¹⁾ (\$)
	Options (#)			
Frank D. Wheatley	100,000	0.51	2023-06-08	Nil
	100,000	0.75	2025-06-08	Nil
W. Todd Rowan	100,000	0.51	2023-06-08	Nil
	150,000	0.75	2022-12-15	Nil
Danielle Favreau	75,000	0.51	2023-06-08	Nil
	60,000	0.75	2021-01-12	Nil
	40,000	0.75	2022-12-15	Nil

Note: ⁽¹⁾ This amount has been calculated based on the difference between the closing market price of the Common Shares as at December 31, 2018 being \$0.20 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 (\$)
Frank D. Wheatley	Nil	Nil
W. Todd Rowan	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 was 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

Frank D. Wheatley entered into an employment agreement with the Company on February 5, 2018, which expired on February 4, 2019 but which is currently being extended.

Todd Rowan's employment agreement does not provide for any termination or change of control benefits.

Danielle Favreau entered into an employment agreement with the Company on December 15, 2017, which provides that:

- (a) if the agreement is terminated by the Company “without cause”, the Company shall provide working notice of termination equal to six (6) months, plus one (1) additional month per year of service, to a maximum of twelve (12) months or at the sole discretion of the Company, payment in lieu of such notice. That amount would be inclusive of and not in addition to any and all statutory notice and severance; and
- (b) if the Company elects to provide all or part of the notice period by way of a payment or payments in lieu of notice instead of working notice: (i) the payments in lieu of notice shall be based solely on the base salary; any such payments will be subject to deduction for any successful mitigation attempts on the part of the employee during the notice period, such that upon the employee commencing alternate employment or consulting that pays at least 75% of the annual base salary, all further payments shall end and the employee shall receive a lump sum payment equal to 50% of the base salary that would otherwise have been paid out over the remainder of the notice period; (ii) any entitlement to vacation pay will accrue only over the minimum statutory notice period; (iii) benefits coverage will continue until the earlier of the end of the notice period or such time as the employee finds other employment; (iv) the employee shall not accrue any further eligibility for the discretionary portion of the annual bonus during any period of payment in lieu of notice and any such bonuses will be prorated and calculated as of the employee’s last day of active employment, which does not include any portion of the notice period that is provided by way of pay in lieu.

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 April 10, 2019.

Named Executive	Total Incremental Obligation (\$)
Frank D. Wheatley	Nil
W. Todd Rowan	Nil
Danielle Favreau	131,250

9 INDEBTEDNESS OF DIRECTORS AND OFFICERS

No current or former director, executive officer, 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 (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.

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

Other than as set forth in this 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, 2018, in any matter to be acted upon other than the election of directors.

11 INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth in this Circular, 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, 2018, or in any proposed transaction, that has materially affected or would materially affect the Company.

12 ADDITIONAL INFORMATION

Additional information relating to Karnalyte is available on SEDAR at www.sedar.com. Copies of Karnalyte's financial statements and accompanying management's discussion and analysis 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 accompanying management's discussion and analysis for the fiscal year ended December 31, 2017.

APPROVAL

The contents and sending of this Circular have been approved by all of the directors of the Company.

DATED April 10, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

(signed "Frank D. Wheatley")

Frank D. Wheatley

President

Karnalyte Resources Inc.

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.
5. 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.
6. Require the Corporation to comply with appropriate laws and regulations.

APPENDIX A continued...

7. 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;

APPENDIX A continued...

- 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.



