



# NOTICE OF ANNUAL MEETING OF SHAREHOLDERS (to be held on June 29, 2021)

# AND MANAGEMENT INFORMATION CIRCULAR Dated May 31, 2021

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## TABLE OF CONTENTS

Notice of Annual Meeting of Shareholders .....	i
Management Information Circular.....	1
Introduction .....	1
Glossary of Terms and Abbreviations.....	2
General Proxy Matters .....	4
Business of the Meeting.....	9
Corporate Governance .....	13
Statement of Executive Compensation .....	19
Indebtedness of Directors and Officers.....	33
Interest of Certain Persons or Companies in Matters to be Acted Upon .....	33
Interest of Informed Persons in Material Transactions .....	33
Experts .....	34
Additional Information .....	34
Approval.....	34
Appendix “A”: Karnalyte Resources Inc. Board Of Directors Charter .....	A-1

KARNALYTE RESOURCES INC.

# NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual 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 Street East, Saskatoon, Saskatchewan, on Tuesday, June 29, 2021, at 9:30 a.m. (Saskatoon time) for the following purposes:

1. to elect the board of directors of the Company;
2. to receive the annual audited financial statements of the Company for the financial year ended December 31, 2020, together with the report of the auditors thereon;
3. to appoint the auditors of the Company and to authorize the board of directors of the Company to fix their remuneration; and
4. 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 May 25, 2021 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 is accompanied by a management information circular (the “**Information Circular**”). The specific details of the matters to be put before the Meeting as identified above are set forth in the Information Circular accompanying and forming part of this notice. This notice and the Information 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 Information 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 Chairperson at the Meeting to be adjourned or postponed.

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. Completed proxy forms must be received

by AST Trust Company (Canada), P.O. Box 721, Agincourt, Ontario M1S 0A1, by e-mail to proxyvote@astfinancial.com, or by Internet voting at www.astvotemyproxy.com. **To be effective, the completed proxy must be received by AST Trust Company (Canada) by 9:30 a.m. (Saskatoon time) on June 25, 2021 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.**

## COVID-19

**In light of ongoing concerns related to the COVID-19 pandemic, and the current guidance of the Province of Saskatchewan regarding social distancing and restricting public gatherings, the Company is strongly encouraging all Shareholders not to attend the Meeting in person.** To further mitigate the risk of the spread of the virus, the Meeting will be made available by webcast and conference call. All Shareholders are strongly encouraged to vote on the business of the Meeting in advance or by proxy, to appoint a management proxyholder (who is legally obligated to vote according to the Shareholder's instructions) and listen to the webcast or join via conference call.

Only Registered Shareholders (as defined in the Information Circular), non-Registered Shareholders who have followed the procedures described in the Information Circular, and proxy holders will normally be entitled to attend the Meeting; however, **the Company intends to comply with the health directives and restrictions on public gatherings in force in the Province of Saskatchewan at the time of the Meeting, which may prohibit individuals from entering the building and attending the meeting in person.** To avoid disappointment and unnecessary travel, the Company reiterates its strong recommendation to each of its Shareholders to vote in advance or by proxy and to appoint a management proxyholder to carry out the Shareholder's voting instructions at the Meeting.

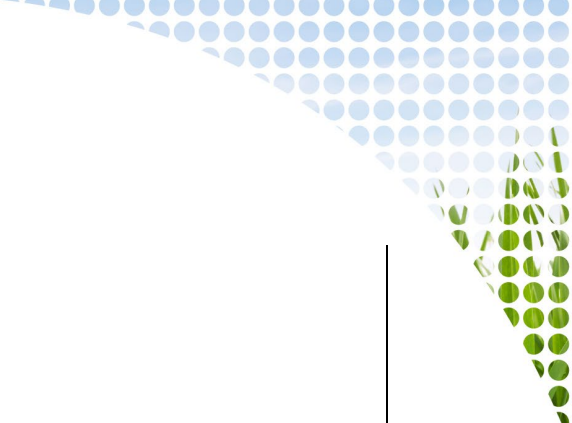
Shareholders joining the Meeting by webcast or conference call will not be able to vote, speak, or otherwise participate in the Meeting via webcast or conference call. A Shareholder who does not attend the Meeting in person may submit questions to the Company in advance of the Meeting by sending an email identifying the Shareholder to info@karnalyte.com by 9:30 a.m. on June 25, 2021. Shareholders' questions will be addressed at the Meeting (subject to Shareholder verification by the Company and confirmation of the relevance of the subject matter).

The webcast and conference call details are as follows:

**Webcast:**

[https://produceredition.webcasts.com/starthere.jsp?ei=1468996&tp\\_key=143fe99f40](https://produceredition.webcasts.com/starthere.jsp?ei=1468996&tp_key=143fe99f40)

or



<https://j.mp/3g22Q40> (case sensitive)

**Conference Call:**

Toll free: 1-(888)-664-6392

Confirmation number: 20907553

**We may take additional precautionary measures in relation to the Meeting in response to developments with the COVID-19 pandemic. In the event it is not possible or advisable to hold the Meeting in person, we will announce alternative arrangements for the Meeting as promptly as practicable, which may include postponing the Meeting. Please monitor our website at [www.karnalyte.com](http://www.karnalyte.com) for updated information.**

**DATED** as of May 31, 2021.

BY ORDER OF THE BOARD OF DIRECTORS

*(signed "Danielle Favreau")*

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Danielle Favreau

Interim Chief Executive Officer

Karnalyte Resources Inc.



# MANAGEMENT INFORMATION CIRCULAR

## INTRODUCTION

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Karnalyte for use at the Meeting to be held on June 29, 2021 and any adjournments thereof. No person has been authorized by the Company to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under “Glossary of Terms and Abbreviations”.

The information contained in this Information Circular is given as of May 31, 2021 unless otherwise specifically stated.

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

## GLOSSARY OF TERMS AND ABBREVIATIONS

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

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

“**Annual Information Form**” means the annual information form of the Company dated March 19, 2021 for the year ended December 31, 2020 available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

“**Audit Committee**” means the audit committee of Karnalyte.

“**Beneficial Shareholder**” is a Shareholder whose Common Shares are registered in the name of an intermediary, as described under the heading “*Voting by Beneficial Shareholders*” in this Information Circular.

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

“**Broadridge**” means Broadridge Financial Solutions, Inc.

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

“**Code of Conduct**” means the code of conduct of the Company.

“**Common Shares**” means common shares in the capital of Karnalyte.

“**Company**” means Karnalyte Resources Inc.

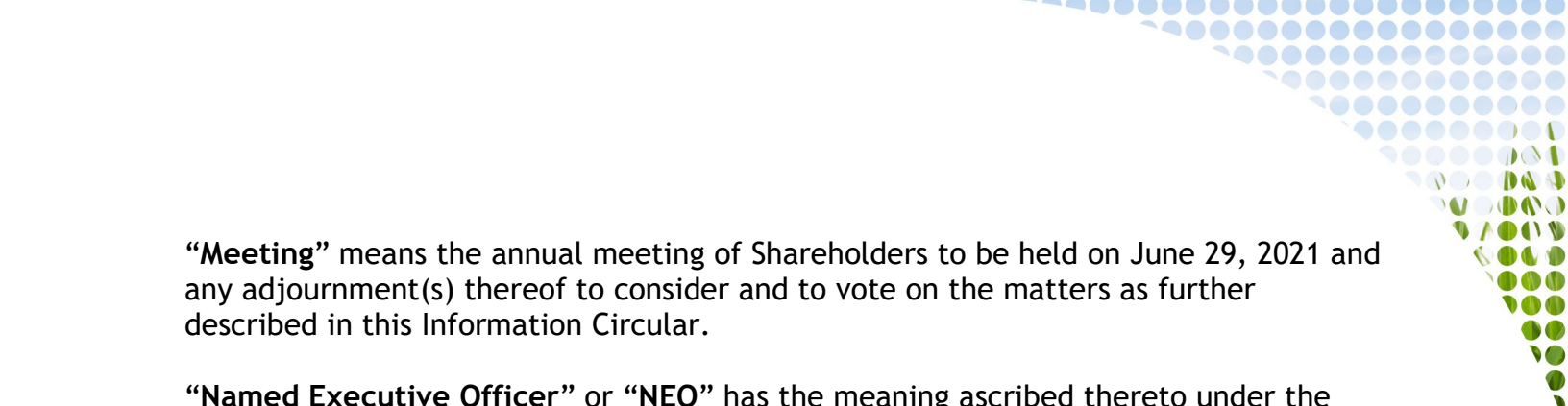
“**Compensation and Corporate Governance Committee**” means the compensation and corporate governance committee of the Company.

“**GSFC**” means Gujarat State Fertilizers & Chemicals Ltd.

“**Information Circular**” means this management information circular dated May 31, 2021, together with all appendices hereto, distributed by Karnalyte in connection with the Meeting.

“**Karnalyte**” means Karnalyte Resources Inc.

“**Management Nominees**” means Vishvesh Nanavaty, D.C. Anjaria, Gerald Scherman, Derek Hoffman and Dilip Pathakjee.



“**Meeting**” means the annual meeting of Shareholders to be held on June 29, 2021 and any adjournment(s) thereof to consider and to vote on the matters as further described in this Information Circular.

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

“**NOBO**” has the meaning ascribed thereto under the heading “*Voting by Beneficial Shareholders*”.

“**Notice of Meeting**” means the Notice of Annual and Special Meeting which accompanies this Information Circular.

“**OBO**” has the meaning ascribed thereto under the heading “*Voting by Beneficial Shareholders*”.

“**Option**” means an option to acquire a Common Share granted pursuant to the Stock Option Plan.

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

“**Record Date**” means May 25, 2021, being the date for the determination of Shareholders entitled to receive notice of, and to vote at, the Meeting.

“**Registered Shareholder**” means a Shareholder whose Common Shares are registered in his, her, or its name in the central securities register of Karnalyte maintained by, or on behalf of, Karnalyte.

“**Shareholders**” means the Beneficial Shareholders and the Registered Shareholders, and “**Shareholder**” means any one of them.

“**Stock Option Plan**” means the stock option plan of Karnalyte.

“**TSX**” means the Toronto Stock Exchange.



## GENERAL PROXY MATTERS

### Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Karnalyte to be used at the Meeting. Solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers, employees or agents of Karnalyte who will be specifically remunerated therefor. All costs of the solicitation will be borne by Karnalyte at an estimated cost of \$20,000.

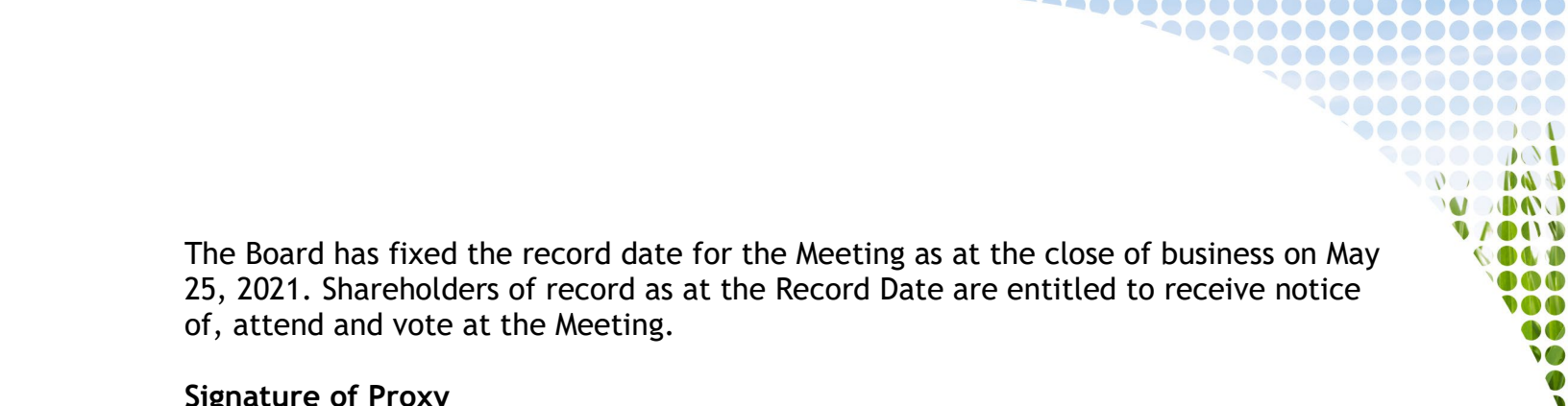
Pursuant to National Instrument 54-101 *Communication With Beneficial Owners of a Reporting Issuer* (“NI 54-101”), arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the Common Shares.

### Appointment and Revocation of Proxies

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

The persons named in the enclosed form of proxy are directors or officers of Karnalyte. A Shareholder desiring to appoint a person (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the accompanying form of proxy may do so either by inserting such person’s name in the blank space provided in the form of proxy or by completing another form of proxy and, in either case, sending or delivering the completed proxy to the offices of AST Trust Company (Canada), P.O. Box 721, Agincourt, Ontario M1S 0A1, by e-mail to proxyvote@astfinancial.com, or by Internet voting at [www.astvotemyproxy.com](http://www.astvotemyproxy.com). **To be effective, the proxy must be executed as described under “Signature of Proxy” and the completed proxy must be received by AST by 9:30 a.m. (Saskatoon time) on June 25, 2021 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.** Failure to so submit a proxy shall result in its invalidation. Late proxies may be accepted or rejected by the chairperson of the Meeting in his or her discretion and the chairman is under no obligation to accept or reject any particular late proxy.

A Shareholder who has given a proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Shareholder as described under “Signature of Proxy” and deposited: (i) with AST as described above on or before the last Business Day preceding the day of the Meeting or any adjournment thereof; or (ii) with the chairperson of the Meeting on the day of the Meeting or any adjournment thereof.



The Board has fixed the record date for the Meeting as at the close of business on May 25, 2021. Shareholders of record as at the Record Date are entitled to receive notice of, attend and vote at the Meeting.

### **Signature of Proxy**

The form of proxy must be executed by the Shareholder or his or her attorney authorized in writing, or if the Shareholder is a corporation, the form of proxy should be signed in its corporate name by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with Karnalyte).

### **Voting of Proxies**

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

- will be voted FOR the election of the Management Nominees; and
- the approval of all of the other resolutions to be considered at the Meeting.

### **Exercise of Discretion of Proxy**

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

### **Voting by Registered Shareholders**

A Registered Shareholder may vote his or her Common Shares personally at the Meeting or by the person to whom such Registered Shareholder has given a proxy. In light of ongoing concerns related to the COVID-19 pandemic, and the current guidance of the Province of Saskatchewan regarding social distancing and restricting public gatherings, the Company is strongly encouraging all Shareholders not to attend the Meeting in person. See "*COVID-19*".

## Voting by Beneficial Shareholders

Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of Karnalyte as the Registered Holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of Karnalyte. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers' clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

### *Giving Your Voting Instructions*

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of that broker) is similar to the form of proxy provided to Registered Shareholders by Karnalyte. However, its purpose is limited to instructing the broker (or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically provides a scannable voting instruction form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders, and asks Beneficial Shareholders to return the voting instruction forms to Broadridge. Often, Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or a website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form or a proxy with a Broadridge sticker on it cannot use that voting instruction form or proxy to vote Common Shares directly at the Meeting. The voting instruction form or proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted at the Meeting.**

Beneficial Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Company are referred to as

non-objecting beneficial owners (“NOBOs”). Those Beneficial Shareholders who have objected to their intermediary disclosing ownership information about themselves to the Company are referred to as objecting beneficial owners (“OBOs”).

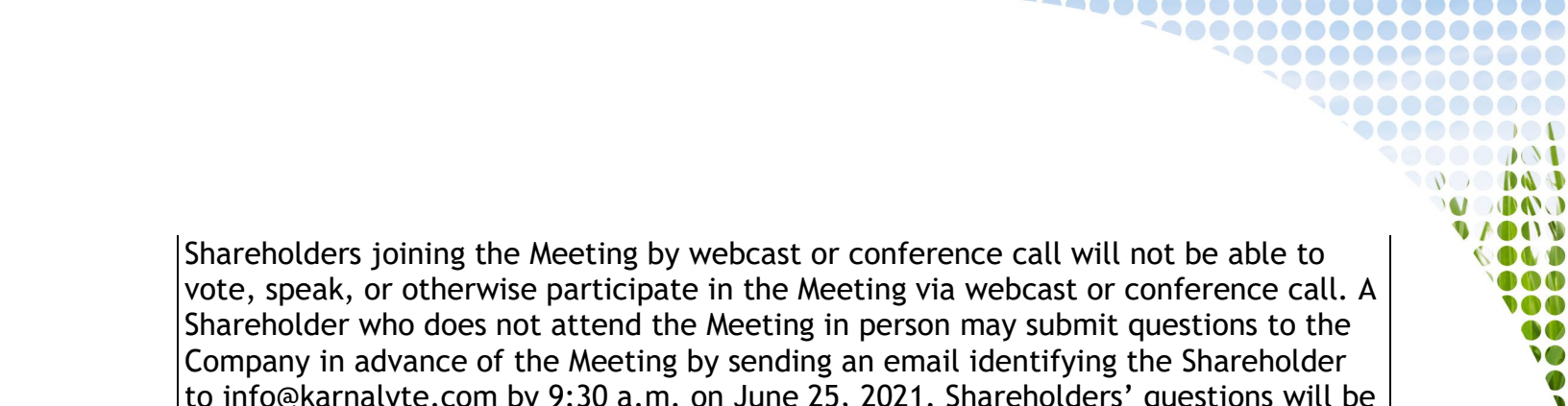
The Company will not send proxy-related materials directly to NOBOs. Such materials will be delivered to NOBOs by Broadridge or through the NOBOs’ intermediaries. The Company will pay for the costs of an intermediary to deliver the proxy-related materials to OBOs (who have not otherwise waived their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

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

#### COVID-19

**In light of ongoing concerns related to the COVID-19 pandemic, and the current guidance of the Province of Saskatchewan regarding social distancing and restricting public gatherings, the Company is strongly encouraging all Shareholders not to attend the Meeting in person.** To further mitigate the risk of the spread of the virus, the Meeting will be made available by webcast and conference call. All Shareholders are strongly encouraged to vote on the business of the Meeting in advance or by proxy, to appoint a management proxyholder (who is legally obligated to vote according to the Shareholder’s instructions) and listen to the webcast or join via conference call. This will allow the Company to limit the number of attendees.

Only Registered Shareholders, non-Registered Shareholders who have followed the procedures described in the Information Circular, and proxy holders will normally be entitled to attend the Meeting; however, **the Company intends to comply with the health directives and restrictions on public gatherings in force in the Province of Saskatchewan at the time of the Meeting, which may prohibit individuals from entering the building and attending the meeting in person.** To avoid disappointment and unnecessary travel, the Company reiterates its strong recommendation to each of its Shareholders to vote in advance or by proxy and to appoint a management proxyholder to carry out the Shareholder’s voting instructions at the Meeting.



Shareholders joining the Meeting by webcast or conference call will not be able to vote, speak, or otherwise participate in the Meeting via webcast or conference call. A Shareholder who does not attend the Meeting in person may submit questions to the Company in advance of the Meeting by sending an email identifying the Shareholder to [info@karnalyte.com](mailto:info@karnalyte.com) by 9:30 a.m. on June 25, 2021. Shareholders' questions will be addressed at the Meeting (subject to Shareholder verification by the Company and confirmation of the relevance of the subject matter).

The webcast and conference call details are as follows:

**Webcast:**

[https://produceredition.webcasts.com/starthere.jsp?ei=1468996&tp\\_key=143fe99f40](https://produceredition.webcasts.com/starthere.jsp?ei=1468996&tp_key=143fe99f40)

or

<https://j.mp/3g22Q40> (case sensitive)

**Conference Call:**

Toll free: 1-(888)-664-6392

Confirmation number: 20907553

**We may take additional precautionary measures in relation to the Meeting in response to developments with the COVID-19 pandemic. In the event it is not possible or advisable to hold the Meeting in person, we will announce alternative arrangements for the Meeting as promptly as practicable, which may include postponing the Meeting. Please monitor our website at [www.karnalyte.com](http://www.karnalyte.com) for updated information.**

**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.

**Voting Securities and Principal Holders Thereof**

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series. As at the date of this Information Circular, 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. The Company does not have any other class of voting securities.

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

To the knowledge of the directors and executive officers of the Company as at the date of this Information 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%

## **BUSINESS OF THE MEETING**

### **Matters to be Voted on**

Shareholders will be asked to vote on the following items of business:

1. the election of directors of the Company;
2. the re-appointment of the auditors of the Company and to authorize the Board of Directors of the Company to fix their remuneration; and
3. the transaction of such further or other business as may be properly brought before the Meeting or any adjournment thereof.

### **Election of Directors**

The Board is authorized to set the number of directors to be elected at the Meeting. The Board passed a resolution on May 31, 2021 to the effect that five (5) directors are to be elected.

### ***Management Nominees***

Management has nominated the following five (5) individuals for election as directors at the Meeting for a one-year term ending at the next annual meeting of Shareholders. Shareholders can vote “for”, or “withhold” their vote from, each individual nominee.

In uncontested meetings, if a nominee does not receive a majority of “for” votes, the Company’s majority voting policy applies. In contested meetings, the Company’s majority voting policy does not apply. The Company’s majority voting policy is available on the Company’s website at [www.karnalyte.com](http://www.karnalyte.com).

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

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

Name, Municipality of Residence, Office held and Date became a Director	Present and Principal Occupation for the Past Five Years	Number of Common Shares Beneficially Owned Directly or Indirectly
<p>Vishvesh D. Nanavaty<sup>(1)(2)(3)</sup></p> <p>Vadodara, Gujarat State India</p> <p>Director since March, 2013</p>	<p>Vishvesh D. Nanavaty is the Executive Director of Finance and Chief Finance Officer at Gujarat State Fertilizers and Chemicals Ltd. (GSFC), a large joint-sector company with more than US\$1 billion turnover, and Karnalyte's strategic partner. Prior to his role as Executive Director of Finance, Mr. Nanavaty was GSFC's Company Secretary, and before joining GSFC, 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 &amp; Works Accountants of India and The Institute of Company Secretaries of India.</p> <p>Areas of Expertise: Financial and Accounting, Project Financing, Manufacturing, Fertilizer Industry and Government Relations</p>	<p>Nil<sup>(4)</sup></p>

<p>Gerald Scherman<sup>(1)(2)</sup></p> <p>Saskatoon, Saskatchewan, Canada</p> <p>Director since December, 2019</p>	<p>Gerald Scherman is retired, after more than 15 years with AREVA Resources Canada Inc. (now Orano Canada Inc.), as its Senior Vice President &amp; Chief Financial Officer and a member of its Board of Directors. Orano Canada Inc., a private, wholly-owned subsidiary of the Orano Group, has been exploring for uranium, developing uranium mines and producing uranium concentrate in Canada for over 50 years. Headquartered in Saskatoon, Saskatchewan, Orano Canada Inc. is a leading uranium producer in Canada. Prior to joining AREVA Resources Canada Inc., Gerald was a partner with Coopers &amp; Lybrand (now Pricewaterhouse Coopers LLP), a national partnership of professional accountants and consultants. Over the years, and in retirement, Gerald has remained active on various boards and committees of local not-for-profit long-term care and low-income housing entities, foundations and fundraising efforts; while sustaining his interest in agriculture, as the manager of an extended family farm land holding. Gerald obtained a Bachelor of Commerce degree from the University of Saskatchewan and qualified as a Chartered Accountant in Edmonton, Alberta. He is currently a member of the Canadian and Saskatchewan Institutes of Chartered Professional Accountants.</p> <p>Areas of Expertise: Financial and Accounting, Financial Reporting, Mining and Agriculture Industry.</p>	<p>Nil</p>
<p>D.C. Anjaria<sup>(1)(2)</sup></p> <p>Ahmedabad, Gujarat State, India</p> <p>Director since August, 2019</p>	<p>D.C. Anjaria is retired. Prior to that, he was Vice President with Citibank for over 20 years. Later he was an independent advisor for financial markets and related government policies in India and Indonesia. Mr. Anjaria currently serves as an independent director of Ratnamani Metals and Tubes Ltd.</p> <p>Areas of Expertise: Project Finance, Capital Markets, Government Relations and Government Policy.</p>	<p>Nil</p>
<p>Derek Hoffman</p> <p>Saskatoon, Saskatchewan, Canada</p>	<p>Derek Hoffman is a corporate/commercial lawyer with the Hoffman Group advising public and private entities in a range of industries including mining, energy, agriculture and technology. Derek also brings significant mining experience having previously served as a Partner and Leader of the Mining Group at Miller Thomson LLP, a leading Canadian law firm, and also as in-house counsel for the global mining company BHP where he advised on a broad range of matters involving mineral exploration, strategic transactions and mine and associated infrastructure development and construction. Derek obtained a Bachelor of Commerce (with Distinction) and Juris Doctor from the University of Saskatchewan.</p> <p>Areas of Expertise: Corporate Law, Securities Law and Regulation, Mergers and Acquisitions, Corporate Governance, Corporate Finance, Mining and Agriculture Industry.</p>	<p>Nil</p>



<p>Dilip V. Pathakjee</p> <p>Vadodara, Gujarat State India</p>	<p>Dilip V. Pathakjee is the Senior Vice President of Materials Management at Gujarat State Fertilizers and Chemicals Ltd. (GSFC), a large joint sector company with more than US \$1 billion turnover, and Karnalyte's strategic partner. Mr. Pathakjee has over 30 years of experience in operations, research and development, finance, marketing, materials management, and management of foreign projects. During the past 5 years Mr. Pathakjee has held other senior roles at GSFC including Vice President (Finance) and Senior Vice President (Finance). Mr. Pathakjee holds a Masters in Chemical Engineering, a Masters in Business Administration, a Post Graduate Diploma in Treasury and Risk Management and a Diploma in Industrial Psychology.</p> <p>Areas of Expertise: Project Management, Project Finance, Materials Management, Chemicals and Fertilizer, Government Relations.</p>	<p>Nil<sup>(4)</sup></p>
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**Notes:**

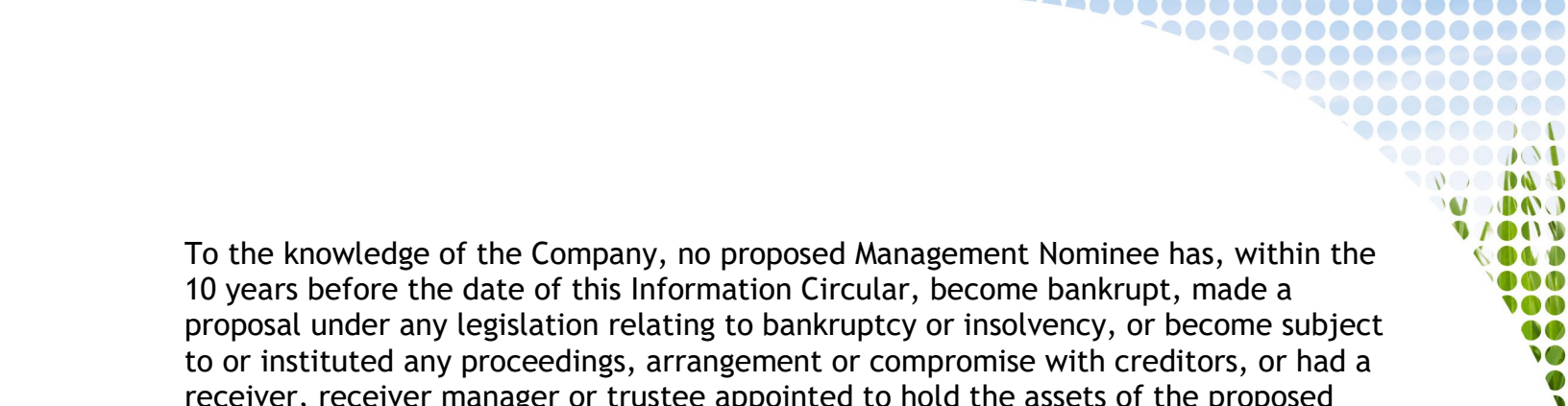
- (1) Member of the Audit Committee.
- (2) Member of the Compensation and Corporate Governance Committee.
- (3) Chair of the Board.
- (4) This amount does not include the 16,334,558 Common Shares held by GSFC.

***Cease Trade Orders***

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



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

### *Penalties and Sanctions*

To the knowledge of the Company, no proposed Management Nominee 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.

### **Receipt of Financial Statements**

At the Meeting, Shareholders will receive the annual audited financial statements of the Company for the most recently completed financial year ended December 31, 2020, together with the auditor's report thereon.

### **Appointment of External Auditors**

It is the intention of the management designees, if named as proxy, to vote proxies in favour of a resolution to re-appoint KPMG as auditors of the Company to hold office until the next annual meeting of Shareholders and to authorize the directors to fix their remuneration, unless the Shareholder has specified in his or her proxy that his or her Common Shares are to be withheld from voting in the appointment of external auditors.

If elected, KPMG LLP, Chartered Accountants will hold office as auditors of the Company until the next annual meeting of Shareholders or until their successor is duly elected or appointed pursuant to the by-laws of the Company, unless their position is earlier vacated in accordance with the provisions of the ABCA or the Company's by-laws.

## **CORPORATE GOVERNANCE**

### **General**

A summary of the Company's governance practices in relation to the guidelines for effective corporate governance established pursuant to National Instrument 58-101

*Disclosure of Corporate Governance Practices* and National Policy 58-201 *Corporate Governance Guidelines* is set out below.

## **Board Mandate**

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

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

## **Board of Directors**

### ***Composition of the Board***

The Board has determined that all three (3) out of the three (3) current directors are independent for the purpose of National Instrument 58-101 *Disclosure of Corporate Governance Practices*. 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.

Vishvesh Nanavaty is the Chairperson of the Board. The Chairperson is responsible for providing direction to the Board in overseeing operations and strategic planning. To that end, the Chairperson is responsible for calling meetings of the Board as required between the regularly scheduled quarterly meetings and for chairing meetings of the Board. The Chairperson is readily available for consultation with the Company’s executive officers. In addition to the Chairperson, the Board relies on the advice of external legal and financial advisors.

### ***Board and Committee Meeting Attendance***

There were fourteen (14) meetings of the Board during the financial year ended December 31, 2020 and eight (8) meetings of the Board during the current financial year. The directors of the Company may meet for a portion of each Board meeting without management participants being present. The directors also have regular and full access to management.

There were four (4) meetings of the Audit Committee, and no meeting of the Compensation and Corporate Governance Committee during the financial year ended December 31, 2020. Since that time, there were two (2) meetings of the Audit Committee.

The following table sets out the attendance of members at meetings of the Board and committees of the Board during 2020.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Compensation and Corporate Governance Committee Meetings Attended
Vishvesh D. Nanavaty	14 of 14	4 of 4	N/A
D.C. Anjaria	14 of 14	4 of 4	N/A
Gerald Scherman	14 of 14	4 of 4	N/A

### ***Position Descriptions***

The Board has developed written position descriptions for the Chief Executive Officer, the Chairperson 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***

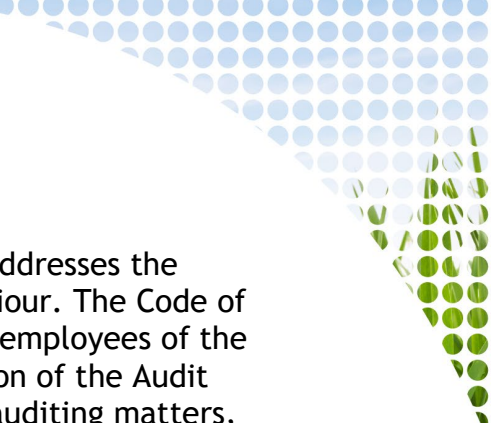
None of the directors is also a director of other reporting issuers.

### ***Orientation and Continuing Education of Board Members***

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

### ***Measures to Encourage Ethical Business Conduct***

The directors encourage and promote a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility. In



addition, the Company has adopted the Code of Conduct, which addresses the Company's continuing commitment to integrity and ethical behaviour. The Code of Conduct establishes procedures that allow directors, officers and employees of the Company to confidentially submit their concerns to the Chairperson 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](http://www.sedar.com) and on the Company's website at [www.karnalyte.com](http://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 officers of the Company. 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 established the Compensation and Corporate Governance Committee. See "*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.

## **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.

As at the year ended December 31, 2020, the members of the Audit Committee were Vishvesh Nanavaty, D.C. Anjaria, and Gerald Scherman. The current members of the Audit Committee are Vishvesh Nanavaty, D.C. Anjaria, and Gerald Scherman.

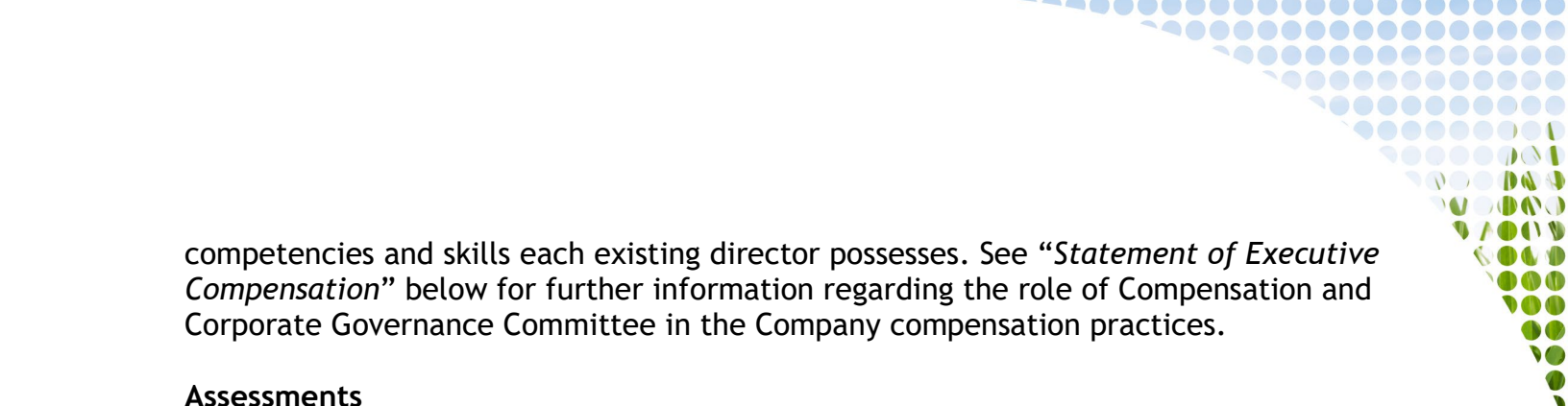
For additional information, including the mandate and responsibilities regarding the Audit Committee, please refer to the Audit Committee section in the Annual Information Form.

### ***Compensation and Corporate Governance Committee***

The Compensation and Corporate Governance Committee is responsible for the development of the overall governance of the Company, the continuing assessment of corporate governance matters, and making recommendations to the Board regarding the Company's approach to corporate governance.

As at the year ended December 31, 2020, the members of the Compensation and Corporate Governance Committee were Vishvesh Nanavaty, D.C. Anjaria, and Gerald Scherman. The current members of the Compensation and Corporate Governance Committee are Vishvesh Nanavaty, D.C. Anjaria, and Gerald Scherman.

The Compensation and Corporate Governance Committee's mandate includes, among other duties and responsibilities: assisting the Board in its oversight role with respect to: the development of the Company's corporate governance policies, practices and processes, the effectiveness of the Board and its committees, and the contributions of individual directors, reviewing on a periodic basis the composition of the Board, ensuring that an appropriate number of directors sit on the Board, analyzing what competencies and skills the Board, as a whole, should possess, and assessing what



competencies and skills each existing director possesses. See “*Statement of Executive Compensation*” 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.

### **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 female 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, 2020 and as at the date of this Information Circular, there were no female directors of the Company and 2 female officers of the Company.

## STATEMENT OF EXECUTIVE COMPENSATION

The Form 51-102F6 - *Statement of Executive Compensation*, defines "Named Executive Officers" as the CEO, 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 Interim CEO and the Interim CFO, and each of the three most highly compensated executive officers other than the Interim CEO, and the Interim CFO (collectively, the "Named Executive Officers" or "NEOs" and "Named Executive Officer").



## Compensation Discussion and Analysis

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

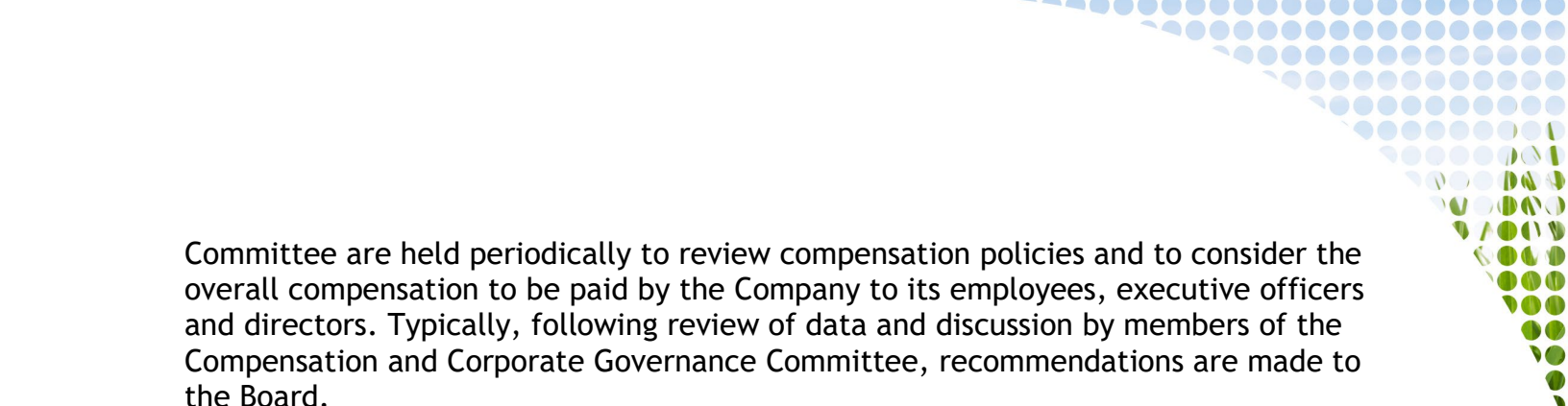
The Company's compensation program is designed to reward performance that contributes to the achievement of the Company's business strategy and performance goals on both a short-term and long-term basis. In addition, the Company strives to reward qualities that it believes help achieve its strategy such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

The Company's executive compensation program has three principal components: base salary, bonuses and stock options. The base salary provides a fixed level of regularly paid cash compensation for performing day-to-day responsibilities. The cash bonuses are intended to motivate NEOs to achieve key corporate objectives by rewarding the achievement of those objectives. The stock options reward long-term performance by allowing NEOs to participate in the long-term market appreciation of the Common Shares. The Company has also established benefit plans to assist employees in the areas of health care, dental care, disability and life insurance.

In assessing the compensation of its executive officers, the Company does not have in place formal objectives, criteria or analysis; instead, it relies mainly on discussions 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 Vishvesh Nanavaty, D.C. Anjaria, and Gerald Scherman, 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. D.C. Anjaria is retired and prior to that was a Vice President with Citibank for over 20 years and as such has experience in dealing with a variety of executive compensation matters 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***

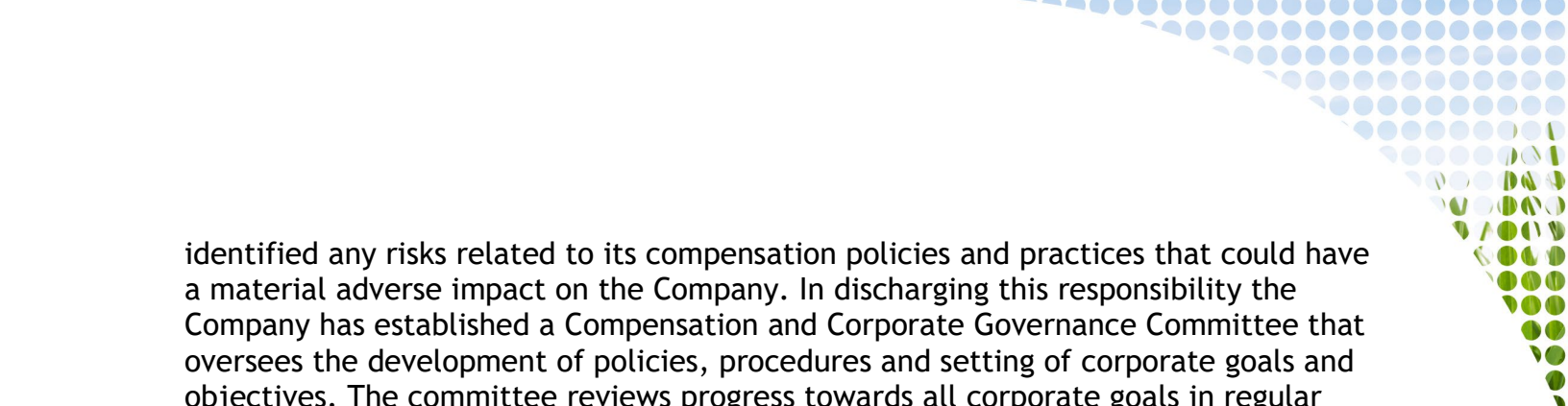
The Compensation and Corporate Governance Committee, among other things, is responsible for establishing policies regarding the remuneration of the NEO's, and supervises and implements such policies. The responsibilities of the Compensation and Corporate Governance Committee include:

- 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.

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 Interim CEO and Interim 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 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 Company and to attract and retain persons of experience and ability by providing them with the opportunity to acquire an increased ownership interest in the Company. Generally, the number of Options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution that has been made by the optionee to the business and affairs of the Company, the number of Options that have already been granted to the optionee and such other factors as the Compensation and Corporate Governance Committee may consider relevant.

## ***Equity Compensation Plan Information***

The following table sets forth the number of Common Shares to be issued upon exercise of outstanding Options, the weighted-average exercise price of such outstanding Options and the number of Common Shares remaining available for future issuance under equity compensation plans as at December 31, 2020.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights<sup>(1)</sup></b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity Compensation plans approved by securityholders	950,000	\$0.42	3,267,484
Equity Compensation plans not approved by securityholders	Nil	Nil	Nil
<b>Total</b>	<b>950,000</b>	<b>\$0.42</b>	<b>3,267,484</b>

### **Notes:**

- (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.

## ***Summary of the Stock Option Plan***

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. The Board may amend the terms of the Stock Option Plan except in those circumstances set forth in the Stock Option Plan as requiring Shareholder approval and as required by the TSX. All amendments shall, if required, be subject to the prior approval of, or

acceptance by the TSX. No Option shall be exercisable for a period exceeding ten (10) years from the date the Option is granted.

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

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

Options must be exercised within ninety (90) days following termination of employment or cessation of position with the Company (with or without cause), provided that if the cessation of position was by reason of death, the subject Options must be exercised within twelve (12) months after such death, subject to the expiry date, and if by reason of disability, the subject Options must be exercised within one hundred and eighty (180) days after the Participant becomes entitled to long-term disability payments, subject to the expiry date. If prior to the exercise of an Option the Participant retires, the subject Options must be exercised within ninety (90) days after the Participant retired, subject to the expiry date. If prior to the exercise of an Option the holder ceases to be a director, officer, employee or consultant of the Company, other than by death, disability or retirement approved by the Board, the Options of the holder shall be limited to that number of Common Shares purchasable by the Participant immediately prior to the time of the Participant's cessation of position and such Participant will have no right to purchase any other Common Shares. Upon a change of control, the option holder will have the right, for such period as the directors may specify, to exercise all such unexercised Options. Options

granted under the Stock Option Plan shall not be assignable or transferable except as specifically provided in the event of the death of an option holder.

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

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

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

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

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

make the following types of amendments to the Stock Option Plan or any option agreement without seeking Shareholder approval:

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

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

- (a) amendments to the number of Common Shares issuable under the Stock Option Plan;
- (b) amendments regarding a reduction in the exercise price or purchase price of the options granted to insiders;
- (c) amendments to the term of Options benefiting an insider of the Company;
- (d) amendments that remove or increase the percentage of Common Shares reserved for issuance and issuable to insiders of the Company;
- (e) amendments to an amending provision under the Stock Option Plan; and

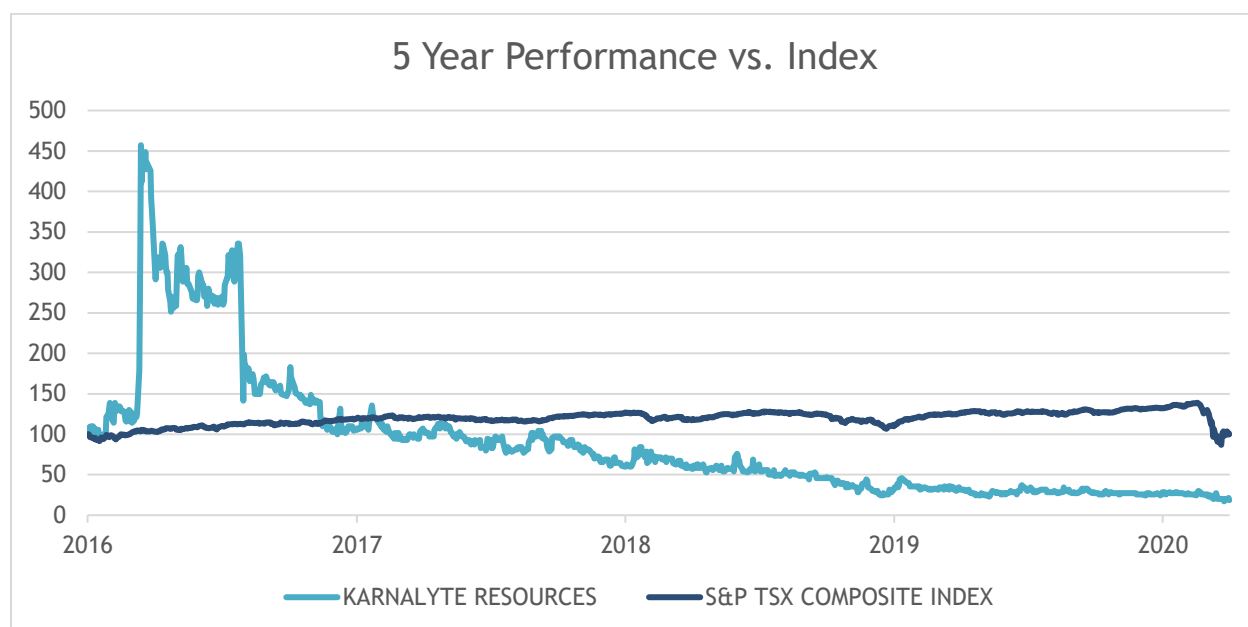
- (f) amendments required to be approved by Shareholders under applicable law (including, without limitation, the applicable rules, regulations and policies of the TSX).

### **RRSP Benefits**

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

### **Performance Graph**

The following graph compares the yearly percentage change in the cumulative Shareholder total return (assuming reinvestment of dividends/distributions, if any) over the last five (5) financial years on the Common Shares assuming a \$100 investment was made on December 31, 2016, with the cumulative total returns of the S&P/TSX Composite Index.





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

### Summary Compensation Table

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

Name and Principal Position	Year Ended Dec. 31	Salary (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		All Other Compensation <sup>(2)</sup> (\$)	Total Compensation (\$)
				Annual Incentive Plans	Long-Term Incentive Plans		
Danielle Favreau <sup>(3)(4)</sup> Interim Chief Executive Officer	2020	235,000	1,110	Nil	Nil	11,870	247,980
	2019	184,333	10,116	Nil	Nil	9,336	203,785
	2018	174,769	19,738	Nil	Nil	8,926	203,433
Christie Gradin <sup>(4)</sup> Interim Chief Financial Officer	2020	Nil	Nil	Nil	Nil	58,335	58,335
Frank Wheatley <sup>(5)</sup> Former President then Former Chief Executive Officer <sup>(3)</sup>	2019	215,160	17,484	Nil	Nil	73,008	305,652
	2018	250,144	31,159	Nil	Nil	12,617	293,920
W. Todd Rowan, Former Interim Chief Executive Officer <sup>(6)</sup>	2019	65,481	Nil	Nil	Nil	Nil	65,481
	2018	120,000	46,635	Nil	Nil	35,368	202,000

**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:

- 2020: risk-free interest rates of 0.36%; dividend yield of 0%; volatility factor of the market price of the Common Shares of 105.16%; and remaining contractual life of the Options of 5 years.
  - 2019: 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.
  - 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.
- (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) 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. On September 11, 2019, she was appointed Interim Chief Executive Officer of the Company.
  - (4) On July 27, 2020, Christie Gradin was appointed as Interim Chief Financial Officer of the Company. Ms. Danielle Favreau will continue in her role as Interim Chief Executive Officer.
  - (5) Mr. Wheatley ceased to be an executive of the Company on September 11, 2019.
  - (6) W. Todd Rowan served as Interim Chief Executive Officer of the Company until April 5, 2019. He was granted stock options in his role as Interim Chief Executive Officer, Director and Consultant of the Company. See “*Director Compensation Summary*”.

## Incentive Plan Awards

The Company adopted the Stock Option Plan on May 10, 2013, which was approved by Shareholders on June 20, 2013. 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 May 14, 2019, the Shareholders approved all unallocated Options.

The Compensation and Corporate Governance Committee may, from time to time, grant to Participants non-transferable Options to purchase Common Shares. Generally, the number of Options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution that has been made by the optionee to the business and affairs of the Company, the number of Options that have already been granted to the optionee and such other factors as the Compensation and Corporate Governance Committee may consider relevant. The purpose of the 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.

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, 2020. The closing market price of the Common Shares on December 31, 2020 was \$0.25.

Name	Option Based Awards			
	Number of securities underlying unexercised Options (#)	Option Exercise Price (\$)	Option expiration date (YYYY-MM-DD)	Value of unexercised in-the-money Options <sup>(1)</sup> (\$)
Danielle Favreau	75,000	0.51	2023-06-08	Nil
	15,000	0.75	2021-06-12	Nil
	15,000	0.75	2021-12-12	Nil
	15,000	0.75	2022-06-12	Nil
	15,000	0.75	2022-12-12	Nil
	10,000	0.75	2023-06-15	Nil
	10,000	0.75	2023-12-15	Nil
	10,000	0.75	2024-06-15	Nil
	10,000	0.75	2024-12-15	Nil
Christie Gradin	Nil	N/A	N/A	N/A

**Notes:**

- (1) This amount has been calculated based on the difference between the closing market price of the Common Shares as at December 31, 2020 being \$0.25 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 (\$) <sup>(1)</sup>	Non-equity incentive plan compensation - Value earned during the year (\$)
Danielle Favreau	Nil	Nil
Christie Gradin	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**

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 May 31, 2021.

Named Executive	Total Incremental Obligation (\$)
Danielle Favreau	215,417

### Compensation of Directors

In the Company's financial year ended December 31, 2020, 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 Chairperson of the Board, and an additional annual retainer of \$10,000 per year that was payable to each of the Chairperson of the Audit Committee and the Chairperson 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 Chairperson.

## Director Compensation Summary

The following table sets forth the value of all compensation provided to the directors for the Company's financial year ended December 31, 2020.

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		
Vishvesh D. Nanavaty	2020	70,622	1,481	Nil	Nil	Nil	72,103
D.C. Anjaria	2020	55,378	8,847	Nil	Nil	Nil	64,225
Gerald Scherman	2020	50,037	8,847	Nil	Nil	Nil	58,884
Sanjeev Varma <sup>(1)</sup>	2020	20,940	1,128	Nil	Nil	Nil	22,067

### Notes:

(1) Sanjeev Varma ceased to be a director of the Company on May 11, 2020.

## 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 to purchase or acquire securities of the Company outstanding at the end of the financial year ended December 31, 2020.

Name	Option-Based Awards			
	Number of securities underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date (YYYY-MM-DD)	Value of unexercised in-the-money Options (\$)
Vishvesh D. Nanavaty	100,000	0.51	2023-06-08	Nil
	25,000	0.75	2023-06-15	Nil
	25,000	0.75	2023-12-15	Nil
	25,000	0.75	2024-06-15	Nil
	25,000	0.75	2024-12-15	Nil
Gerald Scherman	150,000	0.19	2025-07-13	Nil
D. C. Anjaria	150,000	0.19	2025-07-13	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 the directors of the Company during the most recently completed financial year.

Name	Option-based awards - Value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation - Value earned during the year (\$)
Vishvesh D. Nanavaty	Nil	Nil
Gerald Scherman	Nil	Nil
D. C. Anjaria	Nil	Nil
Sanjeev Varma <sup>(2)</sup>	Nil	Nil

**Notes:**

- (1) The aggregate dollar value that would have been realized if the Options under the option-based award had been exercised on the vesting date, calculated by determining the difference between the market price of the Common Shares and the exercise of the Options under the Option on the vesting date.
- (2) Sanjeev Varma ceased to be a director of the Company on May 11, 2020.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No current or former executive officer, director, proposed director or any associate or affiliate of any of the foregoing persons is, or at any time since the beginning of the most recently completed financial year has been, indebted: (i) to the Company or any of its subsidiaries; or (ii) to another entity, where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

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

Other than as set forth in this Information Circular, the management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director, executive officer, proposed director, or any associate or affiliate of any of the foregoing persons who has been a director or executive officer at any time since the beginning of the financial year ended December 31, 2020, in any matter to be acted upon other than the election of directors.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth in this Information Circular, and as disclosed in the Annual Information Form, the management of the Company is not aware of any material interest, direct or indirect, of any informed person of the Company, any proposed director of the Company or any associate or affiliate of any such informed person or proposed director in any transaction during the financial year ended December 31, 2020, or in any proposed transaction, that has materially affected or would materially affect the Company or any of its subsidiaries. The Annual Information Form is available on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## EXPERTS

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

## ADDITIONAL INFORMATION

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

## APPROVAL

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

DATED May 31, 2021.

**BY ORDER OF THE BOARD OF  
DIRECTORS**

*(signed: "Danielle Favreau")*

Danielle Favreau

Interim Chief Executive Officer

# APPENDIX “A”: KARNALYTE RESOURCES INC. BOARD OF DIRECTORS CHARTER

## Major Goals

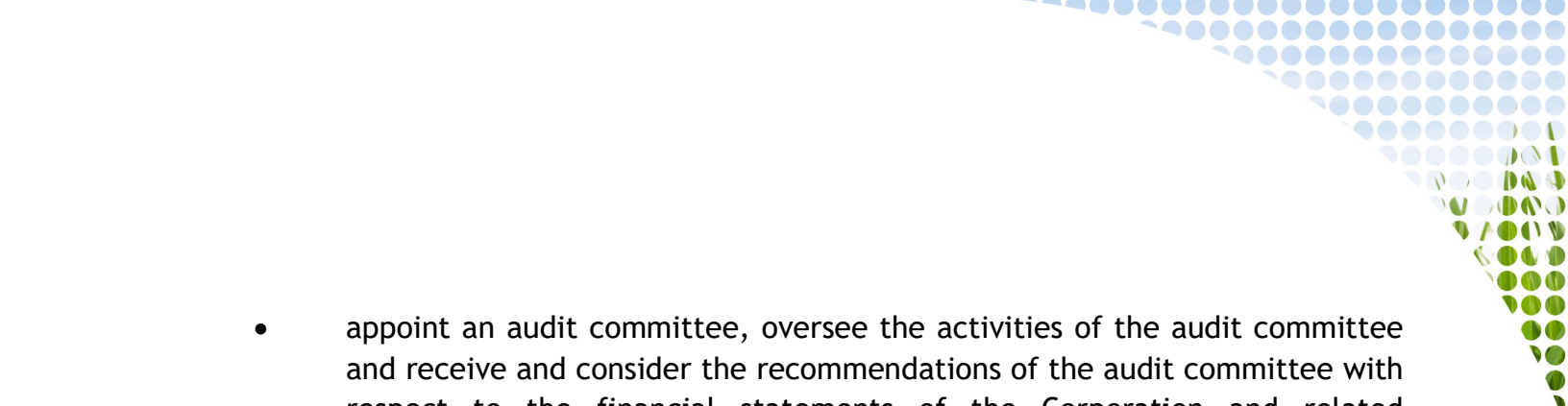
The major goals and responsibilities of the board of directors (the “**Board**”) of Karnalyte Resources Inc. (the “**Corporation**”) are to:

- 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.
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***

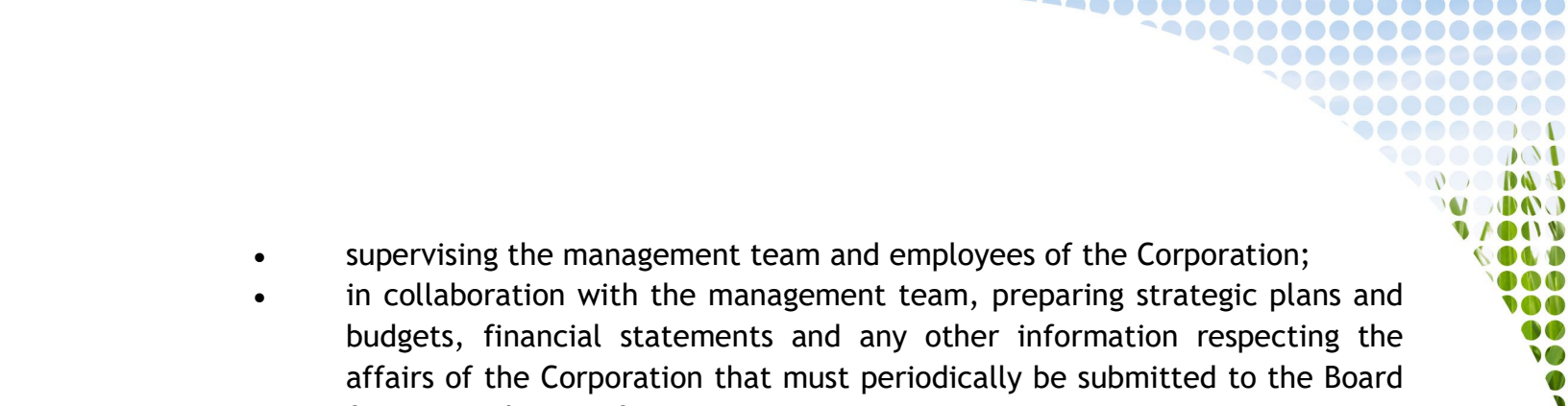
The chairman of the Board, and if appointed, the lead director in conjunction with the chairman of the Board, shall have, among others, the following responsibilities:

- 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;
  - 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***

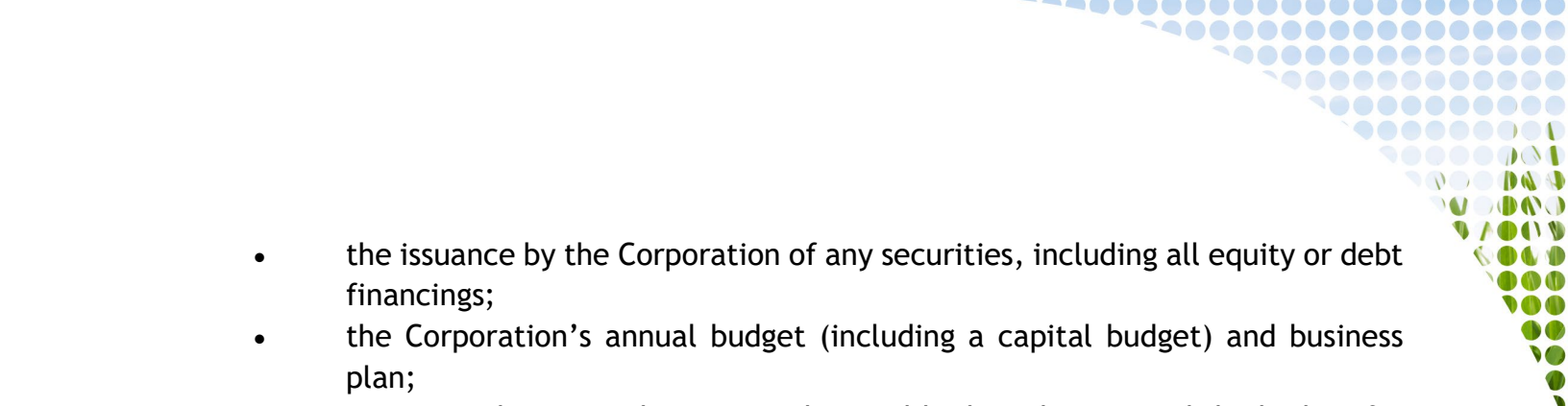
Every chair of a Board committee shall have, among others, the following responsibilities:

- 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.