



COURT FILE NUMBER 2101-00313

COURT COURT OF QUEEN'S BENCH FOR ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT(S) PETER MATSON
GREGORY GEORGE SZABO

RESPONDENT(S) KARNALYTE RESOURCES INC. PM
109305
GUJARAT STATE FERTILIZERS AND CHEMICALS LIMITED
SANJEEV VARMA
VISHVESH NANAVATY
DC ANJARIA
GERALD SCHERMAN
DANIELLE FAVREAU

DOCUMENT **ORIGINATING APPLICATION**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
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AFFIDAVIT OF GREGORY SZABO

Sworn on January 23, 2021

I, Gregory Szabo, of the City of Niagara Falls, in the Province of Ontario, SWEAR AND SAY THAT:

1. I am a large shareholder and a former director of Karnalyte Resources Inc. ("**KRN**"), and I am familiar with the business, operations and governance of KRN. I have personal knowledge of the matters herein deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

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Reasonable Expectations

2. As a shareholder of KRN, a Canadian publicly listed company, I have a reasonable expectation that all directors and officers of KRN will:

- fully discharge their legal and fiduciary duties to act honestly, with integrity, and in the best interests of all shareholders;
- fully comply with KRN's code of conduct;
- fully comply with Canadian securities laws and TSX rules and regulations;
- maintain the confidentiality of material, non-public information;
- not make misrepresentations in its public disclosure to the Canadian capital markets;
- fully comply with all other laws, rules and regulations applicable to KRN and its business;
- avoid conflicts of interest and self-dealing;
- fully comply with all contractual agreements;
- hire competent management, with the requisite skills, qualifications, background and experience relevant to the company's business;
- spend the proceeds of a public offering of securities that I invest in, in accordance with the stated use of proceeds;
- hold meetings of shareholders, and in particular special meetings requisitioned by shareholders, within a reasonable time frame after being called;
- when shareholder disputes arise, and settlement discussions are ongoing, not intentionally sabotage such discussions before they reach their natural conclusion; and
- conduct a Canadian business in accordance with standard Canadian business practices, rather than in accordance with the business practices of a foreign country.



Background

3. KRN was incorporated in Alberta on November 16, 2007 and is a Saskatchewan-headquartered company that is focused on the development of a conventional solution potash mine in Wynyard, Saskatchewan (the "**Potash Project**"). KRN is also investigating the potential for a regional-scale nitrogen fertilizer plant (the "**Nitrogen Project**") in Saskatchewan. Attached and marked as **Exhibit "A"** to Affidavit No. 1 of Frank Whealtes (the "**FDW Affidavit**"), January 23, 2021, which I have reviewed, is a copy of a corporate registry search for KRN.
4. KRN is a publicly traded corporation on the Toronto Stock Exchange (the "**TSX**") , and is listed under the trading symbol "**KRN**". Attached and marked as **Exhibit "B"** to the FDW Affidavit is a copy of a screenshot of the TSX website showing Karnalyte as a TSX listed company.
5. KRN's largest shareholder is Gujarat State Fertilizers & Chemicals Limited ("**GSFC**"), holding shares representing approximately 38.73% of KRN's issued and outstanding common shares. Attached and marked as **Exhibit "C"** to the FDW Affidavit is a copy of the management information circular (the "**KRN Circular**") dated November 15, 2020 of Karnalyte confirming the ownership of GSFC.
6. Gujarat State Investments Limited, the investment arm of the Government of Gujarat, India (the "**Gujarat Government**"), owns 37.84% of GSFC. Attached and marked as **Exhibit "D"** to the FDW Affidavit is a copy of the statement confirming ownership of GSFC.
7. I am advised by Varma and Favreau, and verily believe, that the Gujarat Government appoints the managing director (the "**GSFC MD**") of GSFC, typically for a two (2) year term.
8. I was first elected as a director of KRN at its annual general meeting (the "**2017 AGM**") of shareholders on May 5, 2017, and then subsequently re-elected as a director of KRN at its annual general meeting of shareholders (the "**2018 AGM**") on June 7, 2018. I had never been a director of a Canadian publicly listed company before becoming a director of KRN. Attached and marked as **Exhibit "E"** to the FDW Affidavit is a copy of the voting results for the 2017 AGM. Attached and marked as **Exhibit "F"** to the FDW Affidavit is a copy of of the voting results for the 2018 AGM.
9. I resigned as a director on January 16, 2019. Attached and marked as **Exhibit "G"** to the FDW Affidavit is a copy of the press release of Karnalyte dated January 16, 2019.



Director Education

10. After the 2017 AGM, when I joined the board of directors of KRN (the "**KRN Board**"), I attended a seminar (the "**MLT Seminar**") presented by MLT Aikins, corporate counsel to KRN, to the new KRN Board, regarding the duties and obligations of directors and officers of a Canadian public company, including an overview of applicable corporate law, securities law ("**Securities Laws**") and TSX rules and regulations ("**TSX Rules**"). Attached and marked as **Exhibit "H"** to the FDW Affidavit is a copy of page 12 of the presentation materials for the MLT Seminar.

11. The MLT Seminar reviewed:

- the legal and fiduciary duties of a directors and the KRN code of conduct (the "**KRN Code**"), a copy of which is filed on SEDAR;
- the requirements of Securities Laws and TSX Rules;
- the requirement for a Canadian public company's board of directors to have a majority of independent directors, and an audit committee and nominating committee to be comprised of 100% independent directors; and
- the criteria to determine independence under securities laws and TSX rules and regulations.

Attached and marked as **Exhibit "I"** to the FDW Affidavit is a copy of KRN Code.

Corporate Governance in Canada

12. I recall the Enron and WorldCom accounting and corporate scandals of the early 2000's. I recall when the United States Congress enacting the Sarbanes-Oxley Act ("**SOX**") in 2002, and created the modern era of corporate governance, including the requirement to have a board of directors of a public company with a majority of independent directors.

13. I recall when the Canadian securities administrators and the TSX adopted similar rules in Canada. I verily believe these rules have been around for almost 20 years.

14. I verily believe that having a majority of independent directors on a board of directors of a Canadian public company is standard Canadian business practice, as well the law in Canada. I verily believe that the MLT Seminar confirmed my beliefs.



15. I verily believe that GSFC, and its nominees on the KRN Board, are fully aware of the rules in Canada regarding the requirement for a board of directors of a Canadian publicly listed company to have a majority of independent directors, and for an audit committee and a nominating committee to be comprised of 100% of independent directors.

GSFC Subscription Agreement – Contractual Right to Appoint Directors

16. I have reviewed the subscription agreement dated January 13, 2013 (the “**Subscription Agreement**”) between KRN and GSFC, pursuant to which GSFC became a 19.98% shareholder of KRN, a copy of which is filed on System for Electronic Document Analysis and Retrieval (“**SEDAR**”). Attached and marked as **Exhibit “J”** to the FDW Affidavit is a copy of Section 4.1 of the Subscription Agreement. Attached and marked as **Exhibit “K”** to the FDW Affidavit is a copy of GSFC’s press release of March 7, 2013.
17. I have reviewed Section 4.1 of the Subscription Agreement, which reads as follows:

“4.1 - Investor Nominee to the Board of Directors

Subject to Section 4.2, from and after the Escrow Release Date, the Investor will be entitled to designate that number of nominees for election or appointment to the Board of Directors from time to time (the "Investor Nominees") that is equal to the Investor Rights Adjusted Ownership Percentage multiplied by the number of directors of the Company (including the Investor Nominees), rounded down to a whole number, but provided that there is at least one Investor Nominee.”

18. I verily believe that Section 4.1 of the Subscription Agreement gives GSFC the right (the “**GSFC Nomination Right**”) to nominate candidate(s) (a “**GSFC Nominee**”) to the KRN Board in proportion to its shareholdings, rounded down to the nearest whole number.
19. I verily believe that, as a 19.98% shareholder of KRN, the GSFC Nomination Right gave GSFC the right to:
- nominate 19.98% of the members of the KRN Board, rounded down the nearest whole number; and
 - one (1) director to a KRN Board consisting of six (6) directors.

Independence of GSFC Nominees on the KRN Board

20. I verily believe that none of the GSFC Nominees are independent.
21. Nanavaty and Varma are employees of GSFC, and Anjaria was a director of GSFC for at least 10 years before he resigned in September 2020. Attached and marked as **Exhibit “L”** to the FDW Affidavit is a copy of GSFC’s notice of October 1, 2020.



22. I verily believe that being an employee of a major shareholder is a material relationship. I also verily believe that an employee is going to do what is in the best interests of his employer, as his primary responsibility and duty is to his employer. I verily believe that it impossible for an employee of a major shareholder to choose to act in the best interests of all shareholders, rather than in the best interests of his employer.
23. I verily believe that Section 311 of the TSX Rules state that a director who is nominated by someone who is a 10% shareholder, is not independent. Attached and marked as **Exhibit "M"** to the FDW Affidavit is a copy of Section 311 of the TSX Company Manual.
24. I verily believe that Nanavaty, Varma and Anjaria are all nominated by GSFC. GSFC owns more than 10% of the shares of KRN, so I verily believe that Nanavaty, Varma and Anjaria are not independent according to the TSX Rules.
25. I am informed by Todd Rowan ("**Rowan**"), a former director, Interim CEO and consultant to KRN, and by Frank Wheatley ("**Wheatley**"), the former President and CEO of KRN, and verily believe, that on more than one occasion, Varma and Nanavaty had to consult with and seek instructions from their boss, the GSFC MD, on matters in front of the KRN Board for consideration. I verily believe that if the GSFC Nominees have to seek instructions from their boss as how to vote on a matter in front of the KRN Board, they are not exercising "*independent judgement*".
26. I am informed by Rowan that the GSFC MD was an active participant in the meeting in February 2019 where the terms and conditions of hiring Wheatley as CEO were discussed, and that the GSFC MD specifically asked for a term sheet to be prepared for his signature, before he left to return to India.
27. I find it outrageous and very disturbing that the GSFC MD, who was not even a member of the KRN Board, was actively involved in negotiating the terms and conditions of hiring the CEO of KRN. I verily believe that:
- the GSFC MD had no right, and no business, sitting in on that meeting;
 - his presence in that meeting illustrates the arrogance of GSFC, and the GSFC Nominees, in thinking that KRN is their private subsidiary and they can do whatever they want with it;
 - is incredibly insulting to all other KRN shareholders;
 - is a dereliction of duty by Varma and Nanavaty;
 - absolutely confirms that, in my view, Varma and Nanavaty cannot under any circumstances be considered to be independent; and



- is further evidence that they are being totally dishonest and disingenuous in even suggesting that they are independent.
28. I am advised by Rowan and Wheatley, and verily believe, that in August 2019, after Anjaria was nominated by GSFC and appointed to the KRN Board, the TSX wrote to KRN stating that, in their view, neither Nanavaty, nor Varma, were independent because they were employees of GSFC. The TSX also questioned how Anjaria could be independent, given he was a director of GSFC.
29. I verily believe that the actions of Nanavaty, Varma and Anjaria, detailed below, demonstrate that they were not exercising independent judgement and were not acting in the best interests of all shareholders, but rather, were acting in the best interests of GSFC.

History of GSFC Nominees on the KRN Board

30. When I was elected to the KRN Board at the 2017 AGM, the KRN Board comprised six (6) directors, four (4) of whom were fully independent, and two (2) of whom were GSFC Nominees. I verily believe that the KRN Board was comprised of a majority of independent directors and was in compliance with Securities Laws and TSX Rules.
31. When I re-was elected to the KRN Board at the 2018 AGM, the KRN Board comprised six (6) directors, three (3) of whom were fully independent, two (2) of whom were GSFC Nominees, and the other director being Rowan, the Interim CEO, who was not independent. I verily believe that the KRN Board was comprised of 50% independent directors and was in compliance with Securities Laws and TSX Rules.

a) Increase in GSFC Shareholding in KRN

32. On November 14, 2018, the KRN Board authorized KRN to undertake a public offering of securities by way of rights offering (the "**Rights Offering**") to all KRN shareholders (the "**KRN Shareholders**"). Attached and marked as **Exhibit "N"** to the FDW Affidavit is a copy of the rights offering circular.
33. The Rights Offering closed on December 23, 2018 and raised approximately \$2.3 million. GSFC participated in the Rights Offering and increased its shareholdings in KRN from 21.5% to 38.73%. Attached and marked as **Exhibit "O"** to the FDW Affidavit is a copy of the KRN press release of December 24, 2018.
34. I verily believe that, as a 38.73% shareholder of KRN, the GSFC Nomination Right gives GSFC the right to nominate:
- 38.73% of the members of the KRN Board, rounded down the nearest whole number;



- two (2) directors to a KRN Board consisting of six (6) directors; and
- one (1) director to a KRN Board consisting of three (3) directors.

b) GSFC Gains Control of KRN Board

35. On January 16, 2019, my resignation from the KRN Board, together with the resignation of two (2) other independent directors, created three (3) vacancies on the KRN Board. After our resignations, the KRN Board was comprised of the following three (3) directors: Varma, Nanavaty and Rowan.

36. I verily believe that as of January 16, 2019:

- the KRN Board was not comprised of a majority of independent directors, as none of Nanavaty, Varma, or Rowan were independent;
- the GSFC Nominees comprised the majority of the members of the KRN Board, and GSFC and the GSFC Nominees, realized that they had total and complete control of the KRN Board and KRN; and
- GSFC and the GSFC Nominees decided that they would not relinquish control of the KRN Board.

c) GSFC Exercises its Control of the KRN Board

37. I verily believe that, based on KRN's public disclosure, GSFC had total control of the KRN Board, and that all activity and progress on the Nitrogen Project that occurred during 2018, had completely stalled during the first half of 2019.

38. I am advised by Rowan, and verily believe, that Rowan had presented four (4) qualified, independent candidates to fill the three (3) vacancies, but that Varma had rejected all of them out of hand. The three (3) vacancies on the KRN Board were never filed.

39. I verily believe that KRN was not spending the monies I had personally invested in the Rights Offering to advance the Nitrogen Project. I would not have invested in the Rights Offering if I knew that the KRN Board and management would not use my investment for the purposes for which it was made.

40. At the annual general meeting of shareholders of KRN held on May 14, 2019 (the "2019 AGM"), the three (3) incumbent directors were re-elected, and no independent directors were nominated for election, or elected to, the KRN Board. Attached and marked as **Exhibit "P"** to the FDW Affidavit is a copy of the voting results for the 2019 AGM.



41. I verily believe that GSFC and the GSFC Nominees intentionally did not nominate any independent directors for election at the 2019 AGM, in an effort to keep total control of the KRN Board, and I verily believe that the fact they did not nominate even one (1) independent candidate for election as a director, confirms my belief.

d) GSFC Increases its Control of the KRN Board and Tightens Its Grip on KRN

42. On August 8, 2019, Anjaria, a director of GSFC, was appointed to the KRN Board, giving GSFC three (3) of the four (4) seats on the KRN Board. Attached and marked as **Exhibit "Q"** to the FDW Affidavit is a copy of the Karnalyte press release dated August 9, 2019.

43. I verily believe that by August 2019, GSFC was intentionally, and blatantly, expanding its total control over KRN and the KRN Board by appointing Anjaria to the KRN Board. I also verily believe that GSFC and Anjaria were lying when they stated that Anjaria was independent, and that it was done intentionally to try and hide the fact that GSFC had taken a stranglehold on the KRN Board.

44. I am advised by Rowan and Wheatley, and verily believe that, GSFC and Varma nominated Anjaria for election to the KRN Board, and Varma and Nanavaty, having a majority of seats on the KRN Board, voted for the appointment of Anjaria.

45. I am advised by Rowan and Wheatley, and verily believe that, Varma insisted that Anjaria was a nominee of KRN, and not a nominee of GSFC, and that Anjaria was independent, even though he was a director of GSFC.

46. I verily believe that Varma was intentionally lying about Anjaria being a nominee of KRN, and being independent, as the lie was in the best interests of GSFC in order to maintain control of the KRN Board, and not in the best interest of all shareholders to have an independent KRN Board.

47. I verily believe that none of GSFC, nor the GSFC Nominees, had any intention to follow, or tried to follow, either the letter and spirit of Securities Laws, TSX Rules, and the GSFC Nomination Right. I verily believe that all actions of the GSFC Nominees were to further the agenda of GSFC, and not what was in the best interests of all shareholders of KRN.

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48. I verily believe that GSFC was in clear breach of the GSFC Nomination Right and that there was no legal, contractual or other basis for GSFC to nominate a number of GSFC Nominees in excess of its entitlement under the GSFC Nomination Right.
49. I verily believe that the conduct of the GSFC Nominees lying about the independence of the GSFC Nominees was intentional and was designed to make it appear that they were in compliance with Securities Laws and TSX Rules.

My Reasonable Expectations – Corporate Governance

a) Legal and Fiduciary Duties

50. My reasonable expectations that the KRN Board and management will discharge their legal and fiduciary duties to act honestly, with integrity, and in the best interests of all shareholders, have not been met, because I verily believe that:
- the GSFC Nominees intentionally lied to me, and lied to the Canadian capital markets, that all GSFC Nominees are 100% independent, for the sole purpose of GSFC keeping control of the KRN Board; and
 - the GSFC Nominees are not acting in the best interests of all KRN Shareholders, but are acting in the best interests of GSFC, by maintaining total and absolute control of the KRN Board for more than two (2) years, without any legal, contractual or other basis to do so.

b) Governance – Independent KRN Board and Compliance with Laws

51. My reasonable expectations that the KRN Board and management will comply with both the spirit and the letter of all laws, rules and regulations applicable to KRN, including Securities Laws and the TSX Rules, and standard Canadian business practice, regarding the requirement to have a board of directors comprised of a majority of independent directors, have not been met because I verily believe that:
- the KRN Board has not been comprised of a majority of independent directors since January 2019, and as a result, is not in compliance with Securities Laws and TSX Rules;
 - the GSFC Nominees are fully aware of the requirements of Securities Laws and TSX Rules, and have consciously chosen to disregard such laws and rules;
 - GSFC and the GSFC Nominees have had a majority of the directors on, and total control of, the KRN Board since January 2019;



- the GSFC Nominees are not independent, according to the TSX Rules, and according to correspondence from the TSX; and
- the GSFC Nominees have had many opportunities to appoint independent directors to the KRN Board, but have consciously chosen not to.

c) KRN Code of Conduct

52. My reasonable expectations that the KRN Board and management will comply with the KRN Code, have not been met, because I verily believe that:

- they are not acting honestly and with integrity in determining the independence of the GSFC Nominees;
- they are not acting honestly and with integrity by pretending that all GSFC Nominees are 100% independent in order to keep control of the KRN Board; and
- they are not complying with both the spirit and the letter of all laws, including Securities Laws and TSX Rules.

Contractual Agreements

53. My reasonable expectations that the KRN Board and management will comply with the provisions of the Subscription Agreement, have not been met because I verily believe that:

- GSFC has a number of nominees on the KRN Board in excess of its entitlement under the Subscription Agreement; and
- the GSFC Nominees are intentionally breaching the provision of the Subscription Agreement, because it is in the best interests of GSFC to keep control of the KRN Board.

d) Multiple Opportunities to Fix

54. I verily believe that Varma and the other GSFC Nominees have had multiple opportunities to appoint independent directors to the KRN Board, but consciously chose not to take advantage of any such opportunity. These opportunities included:

- in January 2019, when three (3) vacancies were created on the KRN Board;
- at the 2019 AGM, when Varma and Nanavaty could have put a slate of six (6) directors for election, but consciously chose not to, and instead, put up the three (3) incumbent directors: Varma, Nanavaty and Rowan; and

- in July 2019, when instead of appointing any independent directors, the GSFC MD and Varma recommended appointing Anjaria to the KRN Board;
- in May 2020, when Varma resigned from the KRN Board and created a vacancy on the KRN Board; Attached and marked as **Exhibit “R”** to the FDW Affidavit is a copy of the Karnalyte press release of May 14, 2020.
- at the 2020 AGM, when instead of appointing a majority of independent directors, only one (1) independent director, Scherman, was appointed to the KRN Board, with Nanavaty and Anjaria still holding a majority of the seats on the KRN Board; Attached and marked as **Exhibit “S”** to the FDW Affidavit is a copy of the voting results for the 2020 AGM; and
- at the 2020 Special Meeting when, instead of recommending the slate of four (4) dissident nominees, GSFC voted to keep the status quo on the KRN Board. Attached and marked as **Exhibit “T”** to the FDW Affidavit is a copy of the voting results for the Special Meeting.

Management of KRN

55. After I was elected to the KRN Board at the May 2017 AGM, the KRN Board decided that the chief executive officer at the time should be terminated. Rowan was appointed the interim chief executive officer. Attached and marked as **Exhibit “U”** to the FDW Affidavit is a copy of the Karnalyte press release of July 20, 2017.
56. In August 2017, the State Bank of India (“SBI”) made a presentation to the KRN Board regarding steps the KRN Board should take in order to position itself to undertake project financing of the Potash Project. The presentation indicated that a critical step was the appointment of “*a competent and trustworthy CEO*”. Competence also included experience with all aspects of project finance for mining projects with capital costs of between \$500 million to \$1 billion. The Potash Project has an initial capital cost of approximately \$800 million. Attached and marked as **Exhibit “V”** to the FDW Affidavit is a copy of page 25 of the SBI presentation.
57. In late summer of 2017, the KRN Board decided to hire an executive search firm to identify a competent, qualified and experienced CEO. Attached and marked as **Exhibit “W”** to the FDW Affidavit is a copy of the August 2017 advertisement for search for a CEO.

58. In February 2018, Wheatley was hired as President on a one-year contract, with a view to him becoming the permanent CEO after one year. Wheatley is a corporate, securities and mining lawyer, and has more than 35 years experience working as lawyer, general counsel, member of executive management, President and CEO of many Canadian public mining companies, and also had extensive experience as an independent director of Canadian public companies. The KRN Board felt Wheatley had the skills, background and experience, including extensive project finance experience for mining projects, necessary to advance the business of KRN. Attached and marked as **Exhibit "X"** to the FDW Affidavit is a copy of the Karnalyte press release of February 5, 2018.

59. I approved the hiring of Wheatley as a member of the KRN Board. The hiring of Wheatley was approved unanimously by the KRN Board, which included Varma and Nanavaty.

a) Corporate Strategy

60. During Wheatley's first six (6) months on the job, he successfully defended a proxy fight from the original founder of KRN, created a new corporate strategy for KRN that included the Nitrogen Project, travelled to India to get the support of GSFC on the new strategy, released the strategy to the Canadian capital markets, and received interest from a large, private agriculture firm (the "**AgCo**") to participate in the Nitrogen Project.

61. The managing director of GSFC, Mr. Tiwari, wrote a letter dated May 29, 2018 (the "**Tiwari Letter**") to KRN in support of the Nitrogen Project. The Tiwari Letter was released to the Canadian capital markets. Attached and marked as **Exhibit "Y"** to the FDW Affidavit is a copy of the Tiwari Letter.

62. As part of the new corporate strategy, Wheatley proposed undertaking the Rights Offering to provide funds to advance the development of the Nitrogen Project, without the need to access the existing cash resources of KRN.

b) Public Offering of Securities by way of Rights Offering

63. In September 2018, KRN had approximately \$9 million in cash. That cash was to be used to pay the annual costs of the Potash Project and general and administrative expenses. Attached and marked as **Exhibit "Z"** to the FDW Affidavit is a copy of page 1 of the Karnalyte 2018 third quarter financial statements.

64. Based upon the recommendation of Wheatley, the KRN Board agreed that it should raise additional monies by way of the Rights Offering, specifically dedicated to advancing the development of the Nitrogen Project.

65. I approved the Rights Offering as a member of the KRN Board. The Rights Offering was approved unanimously by the KRN Board, which included Varma and Nanavaty.



65. I know the purpose and the intent of the Rights Offering. I also participated in the Rights Offering as an investor in order to maintain my pro-rata ownership interest in KRN. Attached and marked as **Exhibit “AA”** to the FDW Affidavit is a copy of the Karnalyte press release dated November 14, 2018.
66. The Rights Offering raised approximately \$2.3 million. The intent and purpose of the Rights Offering was to provide funding for the Nitrogen Project, not to provide additional funds for the Potash Project or general and administrative expenses. KRN did not need the proceeds from the Rights Offering to fund its annual costs. Attached and marked as **Exhibit “BB”** to the FDW Affidavit is a copy of the Karnalyte press release dated December 24, 2018.

c) Shareholder Letter to KRN Board

67. On September 7, 2019, I, together with Peter Matson and Mark Zachanowich (collectively the **“Concerned Shareholders”**) wrote a letter (the **“September Letter”**) to the KRN Board complaining about a number of matters, including corporate governance, and lack of progress on the development of the Nitrogen Project. A copy of the letter was provided to the TSX. Attached and marked as **Exhibit “CC”** to the FDW Affidavit is a copy of the September Letter.
68. Varma telephoned me and told me that none of my concerns were legitimate or correct, and that GSFC and the GSFC Nominees were doing everything 100% in accordance with Canadian laws, including governance and having a KRN Board with a majority of independent directors, and an audit committee with all independent members. Based on Varma’s conversations with me, and with Peter Matson, we mistakenly decided not to pursue our complaints with the TSX.
69. I verily believe that Varma was lying to me for the sole purpose of ensuring that GSFC maintained control of the KRN Board and to make sure the TSX did not investigate our concerns.
70. I verily believe that Varma thought Wheatley was the author of the September Letter, which is not true. I, on behalf of the Concerned Shareholders, was the author of the September Letter, and I sent it to the KRN Board without the knowledge of Wheatley.

d) Termination of Wheatley

71. On September 11, 2019, only four (4) days after the September Letter, the KRN Board terminated Wheatley without cause, and appointed Favreau as the Interim CEO. Varma gave me no reason for terminating Wheatley. Attached and marked as **Exhibit “DD”** to the FDW Affidavit is a copy of the Karnalyte press release dated September 11, 2019.
72. I verily believe that the September Letter was the final straw for Varma, and precipitated the termination of Wheatley.

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73. I verily believe that Varma and Favreau had been planning on terminating Wheatley for some time, and appointing Favreau as interim CEO, because it was apparent that Wheatley was trying to conduct KRN's business according to standard Canadian business practices for a public company, including in accordance with Securities Laws and TSX Rules, rather than the way Varma and the other GSFC Nominees conduct business in India.

e) **GSFC Stopped Progress on Nitrogen Project**

74. I verily believe that all of the progress Wheatley made on the Nitrogen Project during 2018, occurred while the KRN Board had a majority of independent directors. I verily believe that all progress on the Nitrogen Project stopped in 2019, after the GSFC Nominees found themselves in control of the KRN Board. I verily believe KRN's public disclosure on the Nitrogen Project during 2019 confirms this total lack of progress.

f) **Favreau's Lack of Experience**

75. I verily believe that from my almost two (2) years serving as a member of the KRN Board, Favreau did not have any of the skills, qualifications, background or experience to be the CEO of a Canadian public company. She was the Interim CFO of KRN when I joined the KRN Board.

76. When the KRN Board appointed Favreau as the Chief Financial Officer (the "CFO") of KRN in November 2017, a clause was added into her employment agreement that the KRN Board would be able to move her back to her original position of Controller of KRN, without it being considered constructive dismissal, if the KRN Board felt that the CFO position was becoming too onerous for Favreau. Attached as **Exhibit "EE"** to the FDW Affidavit is a copy of Section 3.4 (a) of Favreau's employment agreement dated December 15, 2017.

77. I verily believe that Favreau, the Interim CEO of a Canadian publicly listed company, falsified, and lied about, her resume as set out in the KRN Circular, where she claims to have "*significant experience in the mining and agricultural sectors, including the potash industry*" and that she has "*extensive experience with Canadian publicly listed companies*". I verily believe that her profile on LinkedIn, and her filings on SEDI, and my understanding of her background and experience, do not match that statement. Attached and marked as **Exhibit "FF"** to the FDW Affidavit is a copy of Favreau's LinkedIn profile. Attached and marked as **Exhibit "GG"** to the FDW Affidavit is a copy of Favreau's filings on SEDI.



78. I verily believe that when the Interim CEO of a Canadian public company falsifies and lies on her resume, and claims she has skills, background and experience that is not supported by her own LinkedIn profile and SEDI filings, as I verily believe Favreau did, she is not discharging her legal and fiduciary duties to act honestly and with integrity, and is a clear violation of the KRN Code.
79. I verily believe that if the Interim CEO of a Canadian public company will falsify and lie on their resume, as I verily believe Favreau did, then they also lack any credibility in the Canadian capital markets, which I verily believe, is not in the best interests of all shareholders.

My Reasonable Expectations – Competent Management

80. My reasonable expectations that the KRN Board would hire competent management with the skills, background and experience to advance the business and affairs of KRN, in accordance with standard Canadian business practices for Canadian publicly listed companies:
- were met when the KRN Board hired Wheatley;
 - were not met when the KRN Board terminated Wheatley, and hired Favreau; and
 - were not met when Favreau falsified, and lied, on her resume in the KRN Circular.

Confidentiality - Selective Disclosure of Material, Confidential Information

a) Selective Disclosure

81. In the fall of 2019, after Wheatley was terminated, and in early 2020, Varma told me in a phone call that:
- GSFC was preparing an in-house pre-feasibility study (the “**Nitrogen Study**”) on the Nitrogen Project; and
 - the Nitrogen Study would be completed in the October/November time frame.
82. The Nitrogen Project was the only active project of KRN in 2019, as the Potash Project was on care and maintenance, because it was uneconomic due to prevailing potash prices. I verily believe that a technical study on the Nitrogen Project was material, as it was the only activity KRN was undertaking at the time.
83. On November 5, 2019, KRN issued a press release (the “**November Press Release**”) stating that it had “*begun preparation of the Nitrogen Study*”, but it did not identify the author of the Nitrogen Study. Attached and marked as **Exhibit “HH”** to the FDW Affidavit is a copy of the Karnalyte press release dated November 5, 2019.



84. In March 2020, Favreau told me the Nitrogen Study was delayed due to COVID, because the GSFC engineers couldn't get to their office. In June 2020, Favreau confirmed again to me that GSFC was preparing the Nitrogen Study.

85. I am unable to find any public disclosure by KRN that GSFC was preparing the Nitrogen Study. Therefore, I verily believe that what Varma and Favreau were telling me was material, non-public information.

b) Varma's Involvement after leaving the KRN Board

86. Favreau also confirmed to me that Varma was still actively involved in KRN, even after the GSFC MD had removed him from the KRN Board. Similar to my views regarding the GSFC MD sitting in on negotiations for hiring the CEO of KRN, I verily believe that Varma's ongoing active involvement with KRN, after he was removed from the KRN Board, is:

- incredibly insulting to all KRN shareholders;
- further evidence of the absolute arrogance of Varma, GSFC, and the GSFC Nominees, in thinking that KRN is their private company to with as they see fit;
- clearly in the best interests of GSFC, and not in the best interest of KRN;
- confirmation of the inappropriate relationship between Varma and Favreau;
- a dereliction of duty of management, and in particular Favreau, to allow this sort of activity to continue; and
- evidence of exactly the sort of conduct that is oppressive and unduly prejudicial to KRN Shareholders, and exactly the sort of conduct the Concerned Shareholders are complaining about and trying to stop.

87. I verily believe that none of the KRN Shareholders know the extent of Varma's involvement with KRN after being removed from the KRN Board, and that KRN, the KRN Board, and Favreau are actively concealing that fact from the KRN Shareholders and the Canadian capital markets.

c) Misrepresentation of Author of Nitrogen Study

88. On July 21, 2020, more than six (6) months after Varma told me the Nitrogen Study was essentially complete, KRN issued a press release (the "**Study Press Release**") stating that the Nitrogen Study had been completed, that GSFC had initiated the Nitrogen Study, however, KRN had completed



the Nitrogen Study. Attached and marked as **Exhibit “II”** to the FDW Affidavit is a copy of the Karnalyte press release dated July 21, 2020.

89. I verily believe that KRN, Varma and Favreau are intentionally misleading and lying to the Canadian capital markets and the KRN Shareholders regarding the true author of the Nitrogen Study. Both Varma and Favreau told me that GSFC was the author of the Nitrogen Study, yet the Study Press Release states that KRN is the author of the Nitrogen Study.
90. I am advised by Rowan, and verily believe, that he received a draft version of the Nitrogen Study in November 2019, and that it indicated on the front page that it was “*Prepared and Issued by Gjuarat State Fertilizers and Chemical Limited, Vadodara, 30th November 2019*”.
91. I verily believe that from my time as a director of KRN, that KRN does not have anyone on staff that has any experience in undertaking technical studies for chemical manufacturing plants. I verily believe that neither KRN, nor its staff, are “qualified persons”.

d) Accounting Firm Hired to Review Technical Report

92. On July 27, 2020, KRN issued a press release (the “**MNP Press Release**”) stating that it had engaged MNP, an accounting and tax consulting firm, to undertake a review of the Nitrogen Study, and to develop a corporate strategy for KRN. Attached and marked as **Exhibit “JJ”** to the FDW Affidavit is a copy of the Karnalyte press release dated July 27, 2020.
93. I verily believe KRN’s reasons for engaging MNP was to “*cleanse*” the Nitrogen Study and somehow make it “*independent*” through the review of MNP. I am not aware of MNP’s qualifications, as an accounting and tax firm, to review the technical aspects of a chemical manufacturing plant contained in the Nitrogen Study.

My Reasonable Expectations – Confidentiality

94. My reasonable expectations that the KRN Board and management of a Canadian publicly listed company would maintain the confidentiality material information were not met when both Varma and Favreau disclosed details of the Nitrogen Study to me, and not to the Canadian capital markets.

Conflicts of Interest

95. I verily believe that GSFC preparing, and being paid by KRN to prepare, the Nitrogen Study is an obvious conflict of interest and a case of self-dealing. I verily believe the conflict of interest is obvious because:

- GSFC owns 38.73% of KRN;



- the GSFC Nominees comprised three (3) of four (4) seats on the KRN Board when the Nitrogen Study was initiated; and
- KRN was paying GSFC to prepare the Nitrogen Study.

96. The KRN Code provides that [**emphasis added**]:

- *“Directors, officers, employees and consultants have an obligation to promote the best interests of the Corporation at all times. They should **avoid any action which may involve a conflict of interest with the Corporation.**”*
- *“**Where conflicts of interest arise**, directors, officers, employees and consultants must provide full disclosure of the circumstances and **not be involved in any related decision-making process**”.*

97. I am advised by Rowan, and verily believe, that Rowan does not recall authorizing GSFC to prepare, and KRN to pay GSFC to prepare, the Nitrogen Study.

98. Varma and Favreau insist that there is no conflict of interest. I verily believe that Varma and Favreau are both either being wilfully blind to the obvious conflict of interest and self-dealing, and/or are intentionally lying to me, and to the Canadian capital markets, about the conflict of interest.

99. I verily believe that the GSFC Nominees on the KRN Board, Varma, Nanavaty and Anjaria, made no attempt to avoid the conflict of interest, made no attempt to recuse themselves from the decision-making process, and embraced self-dealing by authorizing, as members of the KRN Board, KRN to pay GSFC to prepare the Nitrogen Study.

100. I verily believe that GSFC preparing the Nitrogen Study is an example of the arrogance of the GSFC Nominees in conducting the business of KRN in accordance with Indian business practices, rather than Canadian business practices. If the GSFC Nominees had wanted to conduct the business of KRN in accordance with standard Canadian business practices, then I verily believe they would have hired an independent, qualified, engineering firm with experience in nitrogen fertilizer plants in Canada, to undertake technical studies on the Nitrogen Project, rather than hiring GSFC.

My Reasonable Expectations – Conflicts of Interest

101. My reasonable expectations that the KRN Board and management would comply with the KRN Code to avoid conflicts of interest, and where they arise, not be involved in any related decision-making process, were not met when the GSFC Nominees both recommended and authorized GSFC to prepare the Nitrogen Study at KRN's cost.

Actions by Me as a Concerned Shareholder

a) Frustration as a Shareholder

102. By June 2020, after the 2020 AGM, I was extremely frustrated by the actions of the GSFC Nominees and Favreau, which I verily believe are oppressive and prejudicial to my interests as a shareholder of KRN, including:

- the GSFC Nominee's control of the KRN Board since January 2019;
- the GSFC Nominee's failure to properly constitute the KRN Board with a majority of independent directors;
- the total lack of progress on the Nitrogen Project since the GSFC Nominees terminated Wheatley;
- KRN not spending virtually any of the monies raised under the Rights Offering to advance the Nitrogen Project;
- the GSFC Nominees conducting the business of KRN in accordance with Indian business practices, rather than Canadian business practices, with the Nitrogen Study as an example; and
- hiring Favreau as the Interim CEO.

103. I verily believe that the GSFC Nominees and Favreau are entrenched, do not have a business strategy for KRN, do not appear to be trying to move the business forward, and are not creating any value for me, or any other shareholders, of KRN.

104. I discussed my frustration with Peter Matson and Rowan, and we discussed the opportunities and alternatives available to us as shareholders to somehow change the status quo. Given we were large shareholders of KRN, we had the right to requisition a meeting of shareholders of KRN.



b) Requisition of Special Meeting

105. On July 7, 2020, I, together with Peter Matson and Mark Zachanowich (the "**Concerned Shareholders**"), owning more than 5% of the shares of KRN, requisitioned (the "**Requisition**") the KRN Board to call a special meeting (the "**Special Meeting**") of shareholders to elect a board of six (6) directors. The Concerned Shareholders nominated four (4) independent candidates for election, being Joe Vidal, Joe Clavelle, Neil Yelland, and Rowan. The other two (2) candidates would be GSFC Nominees in accordance with the GSFC Nomination Right for a board size of six (6). Attached and marked as **Exhibit "KK"** to the FDW Affidavit is a copy of the Requisition.
106. On July 27, 2020, KRN called the Special Meeting for December 15, 2020, almost five and one-half (5½) months after the date of the Requisition. Attached and marked as **Exhibit "LL"** is a copy of the notice (the "**Notice**") of Special Meeting.

c) Sole Purpose of the Requisition

107. The sole purpose and objective of the Requisition was to constitute the KRN Board with a majority of independent directors, in accordance with Securities Laws and TSX Rules.

d) Press Releases

108. From July 2020 to December 2020, the Concerned Shareholders issued a series of press releases outlining their concerns. Attached and marked as **Exhibit "MM"** to the FDW Affidavit is a copy of the Concerned Shareholders' press releases from July to December 2020.

e) Demand for an Independent Investigation

109. On July 22, 2020, the Concerned Shareholders wrote to the KRN Board requesting an independent investigation into the conduct of the KRN Board and management.
110. KRN hired Ariel Breitman from its law firm, MLT Aikins, to undertake an investigation into our concerns. The Concerned Shareholders provided MLT Aikins with a written submission (the "**Submission**") outlining our concerns. I was interviewed by RM. Breitman for almost five (5) hours. Attached and marked as **Exhibit "NN"** to the FDW Affidavit is a copy of the Submission.
111. In my interview, Ariel Breitman hardly asked me any questions on the concerns raised. Rather, he spent the five (5) hour interview asking questions on matters that I verily believe were totally irrelevant to our concerns, and dealt primarily with matters that occurred well in advance of the time period during which our concerns arose.
112. On October 26, 2020, KRN issued a press release stating that, after its investigation, MLT Aikin concluded that there was not one (1) single breach of any of the Securities Laws, TSX Rules, any



laws of Canada, the KRN Code or the board and management's legal and fiduciary duties. KRN did not release a copy of the MLT report on the investigation. Attached and marked as **Exhibit "OO"** to the FDW Affidavit is a copy of the Karnalyte press release of October 26, 2020.

113. I verily believe that based on any objective review of the facts, and the conduct of the KRN Board and management, as outlined in our series of press releases, and in the Submission, it stretches the bounds of credibility for Mr. Breitman to suggest that there was not one single contravention or breach of any law, any contract, and not one single breach of any aspect of a director's or officer's legal and fiduciary duty, or a single breach of the KRN Code.

114. I verily believe that MLT Aikins had been instructed by the KRN Board and Favreau to try and impugn my credibility, rather than to investigate my legitimate concerns as a significant shareholder, and that the conclusions of MLT Aikins are an intentional, and a total, whitewash of our concerns.

f) Letters to TSX and OSC

115. The Concerned Shareholders also wrote to the TSX, and copied the OSC, on multiple occasions. Attached and marked as **Exhibit "PP"** to the FDW Affidavit is a copy of our letters of July 15, 2020, August 4, 2020, September 23, 2020, and November 26, 2020, to the TSX.

f) Letters to GSFC

116. The Concerned Shareholders also wrote to the GSFC MD on two occasions. GSFC did not respond to either letters. Attached and marked as **Exhibit "QQ"** to the FDW Affidavit is a copy of our letters of July 28, 2020 and October 15, 2020 to the GSFC MD.

g) Dissident Proxy Circular

117. On December 4, 2020, the Concerned Shareholders issued a dissident information circular (the "**Dissident Circular**") recommending that KRN Shareholders vote in favor of electing a KRN Board consisting of six (6) directors as set out in the Requisition. The Dissident Circular also summarized our concerns with the KRN Board's and management's actions and conduct, as well as our concerns with the KRN Circular. Attached and marked as **Exhibit "RR"** to the FDW Affidavit is a copy of the Dissident Circular.



Delay in Holding Special Meeting for an Improper Purpose

118. On July 27, 2020, when KRN issued the Notice for the Special Meeting to be held on December 15, 2020 (the "**Special Meeting Date**"), the Special Meeting Date was almost five and one-half (5½) months after the date of the Requisition.
119. I verily believe that meetings of shareholders of Canadian public companies are typically held within 30 to 60 days of being called.
120. I am advised by Rowan, and verily believe that, in May 2020, only a month prior to the 2020 AGM, Varma was reassigned within GSFC, and was removed as a director of KRN, by the GSFC MD. I am advised by Rowan, and verily believe that, both Varma and Favreau were extremely upset by this action and attributed very unkind references to the GSFC MD.
121. I am advised by Rowan, and verily believe, that as a Gujarat Government controlled company, the Gujarat Government appoints a new GSFC MD every two (2) years, typically in mid-November, and that a new GSFC MD was scheduled to be appointed in mid-November 2020.
122. I verily believe that the only purpose for which the Special Meeting was delayed until December 15, 2020, was to ensure that a new GSFC MD was appointed prior to the Special Meeting being held. I verily believe that Varma and Favreau thought that they would have one (1) month to convince the new GSFC MD to bring Varma back onto the KRN Board, and to ensure that the new GSFC MD voted the shares of GSFC at the Special Meeting to ensure GSFC maintained control of the KRN Board.
123. I verily believe that the 5½ month delay in holding the Special Meeting, in order to allow a new GSFC MD to be appointed prior to the Special Meeting, was:
- motivated by an improper purpose and constituted improper conduct by the KRN Board and Favreau; and
 - designed to continue the entrenchment of the KRN Board and management.

KRN Proxy Circular for Special Meeting

a) Recommendations of KRN Board

124. In the KRN Circular for the Special Meeting, the KRN Board recommended that KRN Shareholders vote against the reconstitution of the KRN Board with six (6) directors, which would maintain the status quo of GSFC control of the KRN Board.
125. I verily believe that the conduct of the KRN Board and Favreau in making such a recommendation:



- is clear evidence of the intention of GSFC and the GSFC Nominees to keep control of the KRN Board;
- is specifically designed to continue the entrenchment of the KRN Board and management; and
- continues and perpetuates the very activity the Concerned Shareholders feel is oppressive and unfairly prejudicial to all KRN Shareholders, and are trying to stop.

b) Misrepresentations in the KRN Circular

126. The Concerned Shareholders detailed the misrepresentations contained in the KRN Circular in our press releases of November 26, 2020 and December 10, 2020. Attached and marked as **Exhibit “SS”** to the FDW Affidavit is a copy of the Concerned Shareholders’ press release dated November 26, 2020. Attached and marked as **Exhibit “TT”** to the FDW Affidavit is a copy of the Concerned Shareholders’ press release dated December 4, 2020.
127. I verily believe that the misrepresentations in the KRN Circular were a desperate attempt by the GSFC Nominees to hold onto control of the KRN Board, and for Favreau to keep her job.

i) Favreau’s Falsified Resume

128. As I stated in paragraphs 77 to 79 above, I verily believe that Favreau falsified her resume in the KRN Circular, as her profile on LinkedIn, and her filings on SEDI, do not match that statement, and I verily believe that such conduct constitutes a flagrant violation of the KRN Code.

ii) Scherman’s Falsified Resume

129. I verily believe that in the KRN Circular, the KRN Board and Favreau are intentionally misrepresenting the experience of Scherman, a member of the KRN Board. The KRN Circular states that Scherman was a director of AREVA Resources Canada Inc. (“AREVA”). What the KRN Circular fails to disclose is that AREVA is a private company, not a publicly listed company. I verily believe that neglecting to mention this fact constitutes a misrepresentation by omission and is intended to give the impression to the reader that Scherman has experience as a director of a publicly listed company, in order to inflate his purported qualifications to be a member of the KRN Board. I verily believe that Scherman has never been a director a Canadian public company before joining the KRN Board. Attached and marked as **Exhibit “UU”** to the FDW Affidavit is a copy of Scherman’s filings on SEDI.



iii) Inflated Costs of Special Meeting

130. I verily believe that Favreau's statements in the KRN Circular that the Special Meeting will cost a minimum of \$350,000 is an intentional, and a gross, misrepresentation of the costs of holding a meeting of shareholders of a Canadian publicly listed company. I am advised by Wheatley, and verily believe, that the typical cost of shareholders meeting is approximately \$50,000.
131. I verily believe that Favreau and the KRN Board are intentionally inflating the typical cost of the Special Meeting by more than seven (7) fold for the sole purpose of creating a false narrative and casting aspersions on the shareholders of KRN to make it look like we are responsible for KRN spending an exorbitant amount of money to hold the Special Meeting.

iv) Cash Resources of KRN

132. I verily believe that Favreau and the KRN Board are lying, and are intentionally misrepresenting the facts, when they falsely state that the Concerned Shareholders left KRN with depleted cash resources when we resigned in January 2019, when the facts are that we increased the cash resources of KRN by \$2.3 million to approximately \$11.3 million after closing of the Rights Offering, and only a couple of weeks before we resigned.

v) Use of Proceeds of Rights Offering

133. As noted above in paragraph 65, I was director of KRN when the Rights Offering was approved. As noted above in paragraph 66, I personally invested in the Rights Offering for the specific purpose of investigating the Nitrogen Project. KRN had \$9 million in cash when the Rights Offering was undertaken, and the Rights Offering added \$2.3 in cash to KRN.
134. The sole purpose of the Rights Offering was to raise additional funds in order that KRN did not have to use its existing \$9 million in cash to fund the Nitrogen Project.
135. I verily believe that Favreau and the KRN Board are lying, and are intentionally misrepresenting the facts, when they state that the first \$1 million raised under the Rights Offering was to pay the annual costs of the Potash Project, in priority to using such proceeds to investigate the Nitrogen Project. I verily believe that Favreau knows this is simply false, and that Favreau is fully aware that this is not what was approved by the KRN Board.
136. There is no way I would have invested a single dollar in the Rights Offering if the proceeds were to be used for the Potash Project. I verily believe that Favreau made this misrepresentation to justify her inaction on the Nitrogen Project.



vi) **Inflated Cost of Feasibility Study**

137. I am advised by Rowan and Wheatley, and verily believe, that the Wood Proposal indicated that the cost of a feasibility study for the Nitrogen Project was approximately \$2.5 million, and that Favreau and the KRN Board were fully aware of the what the Wood Proposal indicated. I verily believe that Favreau and the KRN Board are purposely lying, and misrepresenting the cost of a feasibility study on the Nitrogen Project, to cast aspersions on Rowan and Wheatley, and to justify their hiring GSFC to prepare the Nitrogen Study.

Settlement Discussions

a) **Good Faith Discussions**

138. I am advised by Rowan, and verily believe that, in early November 2020, the Concerned Shareholders began discussions (the “**Settlement Discussions**”), through a number of intermediaries (the “**Intermediaries**”), with senior members of the Gujarat Government, in good faith regarding reaching a settlement agreement regarding our proposal to reconstitute the KRN Board with six (6) directors.

139. I am advised by Rowan, and verily believe that, given a new GSFC MD was appointed on December 8, 2020, direct discussions with the new GSFC MD were not possible prior to the Special Meeting.

140. I am advised by Rowan, and verily believe that, the Intermediaries suggested to the Gujarat Government, and the KRN Board, as a good faith gesture with respect to the Settlement Discussions, that in order to give the new GSFC MD time to familiarize himself with this matter, that:

- the Special Meeting be postponed, or adjourned, for a period of thirty (30) days for the Settlement Discussions to continue; and
- GSFC withdraw its proxy for the Special Meeting for a period of thirty (30) days, in order to facilitate the continuation of the Settlement Discussions.

141. I am advised by Rowan, and verily believe that, notwithstanding these good faith suggestions, GSFC, the KRN Board and management held the Special Meeting.



b) Bad Faith

142. I am advised by Rowan, and verily believe, that the new GSFC MD has admitted that GSFC has control of the KRN Board, with two (2) of the three(3) seats, and is in no hurry to do anything to change the status quo.

143. I verily believe that the conduct of GSFC, the GSFC Nominees, and the KRN Board in proceeding with the Special Meeting:

- is further evidence of:
 - the continuation of a shameless power grab by GSFC and the GSFC Nominees;
 - GSFC's absolute control of KRN and the KRN Board for the past two (2) years;
 - GSFC's and the GSFC Nominees' desire to hold on to control of KRN and the KRN Board by any means, and at any cost;
 - GSFC's and the GSFC Nominees' arrogance, bad faith and total disregard for Canadian business practice, Securities Laws and TSX; and
 - their continuing entrenchment on the KRN Board; and
- constitutes a clear breach of their legal and fiduciary duties to act honestly, with integrity, and in the best interests of all KRN Shareholders, rather than in the best interests of GSFC.

Special Meeting Results Illustrate Karnalyte Shareholders' Frustration

144. I verily believe that the voting results of the Special Meeting show that a vast majority of the 62% of shareholders of KRN that aren't GSFC, support the position of the Concerned Shareholders.

145. The votes on Resolution 1 were 7,347,209 in favor, and 19,475,723 against. I verily believe that it is very telling that if GSFC's votes are removed from the total:

- then the votes would have been 7,347,209 in favor, and 3,141,165 against; and
- the KRN Shareholders would have voted against Resolution 1 by a margin of more than two and a half (2½) times to one.



146. I verily believe that it is also very telling that if the Concerned Shareholders' votes were also removed from the votes on Resolution 1:

- then the votes would have been 5,019,947 in favor, and 3,141,165 against; and
- the KRN Shareholders would have voted against Resolution 1 by a margin of more than one and a half (1½) times to one.

No Choice but To Initiate Oppression Action

147. As an investor in KRN, my sole objective is to make money on my investment. I verily believe that since GSFC and the GSFC Nominees took control of the KRN Board in January 2019, the KRN Board and management have had no plan, and have done absolutely nothing, to advance the business of KRN to create value for all shareholders of KRN.

148. I verily believe that the KRN Board and management's actions, and in particular GSFC's and the GSFC Nominees' actions to ignore Canadian business practice and Canadian laws, have destroyed shareholder value.

149. After all of the actions taken by the Concerned Shareholders described above, to ensure the KRN Board was properly constituted with a majority of independent directors, and after the KRN Board and management recommended, in the KRN Circular for the Special Meeting, that all KRN Shareholders vote against the Concerned Shareholders' proposal, the Concerned Shareholders felt that we had no choice but to initiate this action for oppression.

My Reasonable Expectations Not Met

150. By reason of the foregoing:

- my reasonable expectations of the conduct of KRN, the KRN Board, and management, have not been met; and
- I have concluded that GSFC, the GSFC Nominees, KRN, the KRN Board, and management, and in particular Varma and Favreau, may have conducted the business and affairs of KRN in violation of Securities Laws, TSX Rules, the KRN Code, and other laws of Canada, and not in accordance with standard Canadian business practices, and in a manner that is oppressive and unfairly prejudicial to all KRN Shareholders, and in particular, to me as one of the Concerned Shareholders who is a long-standing, significant shareholder of KRN.



151. I was not physically present in front of the Notary Public, but I was linked with the Notary Public utilizing video technology and the process described in the COURT OF QUEEN'S BENCH OF ALBERTA, NOTICE TO THE PROFESSION AND PUBLIC REMOTE COMMISSIONING OF AFFIDAVITS FOR USE IN CIVIL AND FAMILY PROCEEDINGS DURING THE COVID-19 PANDEMIC dated March 25, 2020, was utilized.

SWORN BEFORE ME at Salt Spring Island,
British Columbia, this 23 day of January, 2021.


A Notary Public in and for the Province of British
Columbia


GREGORY GEORGE SZABO



Cindy L. Bratt
Barrister & Solicitor
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