



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
GUJARAT STATE FERTILIZERS AND CHEMICALS LIMITED 109305
SANJEEV VARMA
VISHVESH NANA VATY
DC ANJARIA
GERALD SCHERMAN
DANIELLE FAVREAU

DOCUMENT **ORIGINATING APPLICATION**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Cindy L. Bratt Law Corporation
2642 Fulford-Ganges Road
Salt Spring Island,
British Columbia, V8K 1Z4
Attention: Cindy L. Bratt
Phone: 250-653-2401
Fax: 855-427-1534

AFFIDAVIT OF WILLIAM TODD ROWAN

Sworn on January 24, 2021

I, William Todd Rowan, of the City of Saskatoon, in the Province of Saskatchewan, SWEAR AND SAY THAT:

1. I am a shareholder, former director, former Interim Chief Executive Officer ("CEO"), and former independent consultant, of Karnalyte Resources Inc. ("Karnalyte"), and I am familiar with the business operations and governance of Karnalyte. 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.

2. I was born in Saskatchewan, grew up on a farm, obtained my Bachelor in Agricultural Economics from the University of Saskatchewan, and have spent my entire working life in the Saskatchewan agriculture industry.

Reasonable Expectations

3. 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

4. Karnalyte was incorporated in Alberta on November 16, 2007 and is a Saskatchewan-headquartered company that is focused on the development of potash operations in Saskatchewan. Karnalyte has a potash project in Wynyard, Saskatchewan (the "**Potash Project**"). Attached and marked as **Exhibit "A"** to Affidavit No 1 of Frank Wheatley (the "**FDW Affidavit**"), sworn on January 23, 2021, which I have reviewed, is a copy of a corporate registry search for Karnalyte.
5. Karnalyte 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.
6. Karnalyte's largest shareholder is Gujarat State Fertilizers & Chemicals Limited ("**GSFC**"), holding shares representing approximately 38.73% of Karnalyte'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.
7. 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 a report confirming the Gujarat Government's ownership of GSFC.
8. I am advised by Varma and Nanavaty, and verily believe, that the Gujarat Government appoints the managing director (the "**GSFC MD**") of GSFC, typically for a two (2) year term.
9. I was first elected as a director of Karnalyte at its annual general meeting (the "**2017 AGM**") on May 5, 2017, and then subsequently re-elected as a director of Karnalyte at its annual general meetings of shareholders on June 7, 2018 (the "**2018 AGM**"), and on May 14, 2019 (the "**2019 AGM**"). 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. Attached and marked as **Exhibit "G"** to the FDW Affidavit is a copy of of the voting results for the 2019 AGM.
10. I was appointed Interim CEO ("**Interim CEO**") of Karnalyte on July 20, 2017. I stepped down as Interim CEO on April 5, 2019 when Frank D. Wheatley ("**Wheatley**") was appointed the permanent Chief Executive Officer (the "**CEO**") of Karnalyte. Attached and marked as **Exhibit "H"** to the FDW Affidavit is a copy of the press release of Karnalyte dated July 20, 2017. Attached and marked as **Exhibit "I"** to the FDW Affidavit is a copy of the press release of Karnalyte dated May 15, 2019.



11. I was an independent consultant to Karnalyte from April 5, 2019 until July 8, 2020. Attached and marked as **Exhibit “WW”** to the FDW Affidavit is a copy of the letter terminating my consulting contract.

Director Education

12. After the 2017 AGM, when I joined the KRN Board, I attended a seminar (the “**MLT Seminar**”) presented by MLT Aikins, corporate counsel to KRN, to the new board of directors (the “**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 “K”** to the FDW Affidavit is a copy of page 12 of the presentation materials for the MLT Seminar.
13. The MLT Seminar reviewed:
- the legal and fiduciary duties of a directors and the KRN code of conduct (the “**KRN Code**”);
 - 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.
14. I verily believe that Nanavaty and Varma 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

15. KRN and GSFC entered into a subscription agreement dated January 13, 2013 (the “**Subscription Agreement**”), pursuant to which GSFC became a 19.98% shareholder of KRN. Attached and marked as **Exhibit “L”** to the FDW Affidavit is a copy of GSFC’s press release of March 7, 2013.
16. Section 4.1 of the Subscription Agreement provides GSFC with the right (the “**GSFC Nomination Right**”) to nominate candidate(s) (a “**GSFC Nominee**”) to the KRN Board in proportion to its shareholdings.



17. 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;
 - to nominate one (1) GSFC Nominee to a KRN Board comprised of six (6) directors.

Independence of GSFC Nominees on the KRN Board

18. I verily believe that:
- each of Nanavaty, Varma and Anjaria:
 - are nominees of GSFC; and
 - have a material relationship with GSFC;
 - none of Nanavaty, Varma, or Anjaria are independent, either by definition, or by their actions;
 - each of Nanavaty, Varma and Anjaria are acting in bad faith and lying to the Canadian capital markets when they state that they are independent; and
 - their actions do not support a determination of independence.

a) Independent by Definition

19. I verily believe that being an employee of a major shareholder is a material relationship. Varma and Nanavaty are employees of GSFC.
20. I 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, over acting in the best interests of his employer.
21. I verily believe that Nanavaty's, and Varma's loyalty is to GSFC, and not to KRN.
22. I verily believe that Anjaria's loyalty is to GSFC, and not to KRN. Anjaria was a director of GSFC for 10 years before he retired in September 2020. Anjaria was one of the directors of GSFC responsible for approving the original \$45 million investment by GSFC in KRN in 2013.

A handwritten signature in blue ink, appearing to be 'Y.R.', located in the bottom right corner of the page.

23. I verily believe that Anjaria's loyalty is to GSFC, and not to KRN.
24. I verily believe that the TSX Rules are clear that a nominee of a shareholder holding more than 10% of the shares is not independent.
25. I verily believe that the Canadian capital markets, and in particular influential providers of capital such as Blackrock, expect as a minimum, a majority of independent directors, and that directors of a shareholder owning more than 20% of the shares of a company are not considered to be independent.

b) Independent by Action

i) Varma's Actions

26. Varma and Nanavaty said in a KRN Board meeting that that they could not vote on a particular matter, because they had to seek instructions from their boss, the GSFC MD. 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 for approval, then they are not exercising "*independent judgement*", and cannot be considered to be independent. Attached and marked as **Exhibit "XX** to the FDW Affidavit is a copy of of the minutes of the KRN Board meeting of May 14, 2019.
27. I verily believe that the following actions of Varma, as a director of KRN, prove he is not exercising independent judgement, is acting in the best interests of GSFC, and is not acting in the best interest of all shareholders:
- rejecting out of hand four (4) qualified candidates to act as independent directors of KRN, when there were three (3) vacancies on the KRN Board;
 - proposing Anjaria be appointed as the third GSFC Nominee on the KRN Board, when GSFC Nominees already held two (2) of three (3) seats on the KRN Board;
 - telling the KRN Board that he would have to seek instructions from the GSFC MD on whether he could vote to approve the granting of stock options by the KRN Board, a routine matter;
 - inviting his boss, the GSFC MD, to sit in on, and be an active participant in, the meeting where the terms and condition of hiring Wheatley as the CEO of KRN were negotiated;
 - having the GSFC MD ask to sign the term sheet/offer letter setting out the final terms and conditions of hiring Wheatley as the CEO of KRN;



- terminating Wheatley, the CEO of KRN, before the matter was even brought to the KRN Board for consideration; and
- appointing an Interim CEO of KRN that did not have the skills, background or experience for the job.

ii) **Nanavaty's Actions**

28. I verily believe Nanavaty is not exercising independent judgement, and is not acting in the best interest of all shareholders, because he always follows Varma and always does whatever Varma says and does.

iii) **Anjaria's Actions**

29. I verily believe that the following actions of Anjaria, as a director of KRN, prove he is not exercising independent judgement, is acting in the best interests of GSFC, and is not acting in the best interest of all shareholders:

- insisting that he is a nominee of KRN, rather than a nominee of GSFC, when he was a director of GSFC, and when the GSFC MD and Varma insist that he be appointed to the KRN Board;
- fully supporting KRN's corporate strategy prior to becoming a director of KRN, and then immediately after becoming a director of KRN; making a complete about face and supporting whatever Varma said;
- agreeing with Varma that it perfectly proper, and is not conflict of interest, for KRN to hire and pay GSFC to prepare an in-house technical study on the Nitrogen Project, rather than engaging an independent engineering firm;
- not asking a single question, but simply agreeing with Varma, on Varma's motion to terminate Wheatley, the CEO of KRN, without cause; and
- telling me that I "must" vote to terminate Wheatley, the CEO of KRN, and that I "must" agree with the three (3) GSFC Nominees, Varma, Nanavaty and Anjaria, to terminate Wheatley without cause.

30. I verily believe that Favreau said to me in May of 2020, after I had retired from the KRN Board, that I “*would have been proud of Anjaria, because for the first time since he was appointed, he acted independently.*” I verily believe that Favreau’s comments confirmed to me that she was fully aware that Anjaria was not, and was not acting as, an independent director of KRN.

c) OSC Questions Independence of GSFC Nominees

31. After the 2019 AGM, on the instructions of Varma, counsel applied to the Ontario Securities Commission (the “OSC”) for an exemption from the provisions of National Instrument 52-110 – Audit Committees, requiring 100% of the members of the audit committees to be independent. The OSC questioned KRN as to why it had not appointed independent directors, and when Karnalyte was planning on appointing independent directors.

d) TSX Questions Independence of GSFC Nominees

32. I verily believe that Section 311 of the TSX Rules states that a director who is nominated by someone who is a 10% shareholder, is not independent. Attached and marked as **Exhibit “N”** to the FDW Affidavit is a copy of Section 311 of the TSX Company Manual.

33. In August 2019, after Anjaria was nominated by GSFC, appointed to the KRN Board, and become the third GSFC Nominee on a KRN Board comprised of four (4) directors, 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.

34. Varma directed legal counsel’s response to the TSX, and I was not provided a copy of the response.

History of GSFC Nominees on the KRN Board

a) 2017 - GSFC Nominees on the KRN Board

35. When I was elected to the KRN Board at the 2017 AGM, GSFC was a 21.5% shareholder of KRN, the KRN Board comprised six (6) directors, four (4) of whom were independent, and two (2) of whom were GSFC Nominees. I verily believe that the KRN Board had a majority of independent directors, and was in compliance with Securities Laws and the TSX Rules.

36. When I was appointed the Interim CEO on July 7, 2017, I ceased to be an independent director under Securities Laws, and I verily believe that the KRN Board was still comprised of 50% independent directors, and was in compliance with Securities Laws and the TSX Rules.



37. 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 independent, two (2) of whom were GSFC Nominees, and me. I verily believe that the KRN Board was comprised of 50% independent directors, and was in compliance with Securities Laws and the TSX Rules.

b) 2018 - Increase in GSFC Shareholding in KRN

38. 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 "O"** to the FDW Affidavit is a copy of the rights offering circular.

39. On December 23, 2018, the Rights Offering closed 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 "P"** to the FDW Affidavit is a copy of the KRN press release of December 24, 2018.

40. As a 38.73% shareholder of KRN, I verily believe that 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.

c) 2019 - GSFC Gains Control of KRN Board

41. On January 16, 2019, three (3) independent directors resigned from the KRN Board, and created three (3) vacancies. After the resignations, the KRN Board was comprised of three (3) directors: Varma, Nanavaty and me. Attached and marked as **Exhibit "Q"** to the FDW Affidavit is a copy of the Karnalyte press release dated January 16, 2019.

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

- GSFC controlled the KRN Board;
- GSFC and the GSFC Nominees realized that they had control of the KRN Board;
- the KRN Board had a majority of GSFC Nominees;

A handwritten signature in black ink, appearing to be 'Y.R.', located in the bottom right corner of the page.

- the KRN Board was not comprised of a majority of independent directors;
- GSFC and the GSFC Nominees decided that, now that they had control, they would not relinquish control of the KRN Board under any circumstances; and
- GSFC and the GSFC Nominees determined that they could retain control of the KRN Board by:
 - misrepresenting the independence of the GSFC Nominees; and
 - not appointing any independent directors to the KRN Board.

d) 2019 - My Vote on the KRN Board Ceased to Matter

43. I verily believe, that as of January 16, 2019, my vote ceased to matter because the two (2) GSFC Nominees, Varma and Nanavaty, held two (2) of the three (3) seats on the KRN Board, and could cause the KRN Board to pass any motion they wanted with a majority of the votes, irrespective of my views, or my vote.

e) 2019 - My Efforts to Attempts to Have Independent Directors Appointed

44. After January 16, 2019, as the only resident Canadian director on the KRN Board, I knew that the KRN Board had to be brought back into compliance with Securities Laws and TSX Rules by appointing three (3) new, independent directors to the KRN Board to fill the three (3) vacancies. As a result, I advised Varma that I was going to identify and interview appropriate candidates.
45. From February 2019 until May 2019, I identified, interviewed, and presented three (3) qualified, independent candidates to fill the three (3) vacancies. Present at these interviews were some combination of Wheatley, the CEO at the time, and Favreau, the CFO at the time.
46. After the interviews confirmed each of the three (3) candidates were qualified and independent, I presented them to Varma for consideration.
47. Varma rejected and dismissed all three (3) candidates out of hand, and told me that no new directors would be appointed to the KRN Board. Accordingly, none of the three (3) vacancies on the KRN Board were filled and the KRN Board continued to have a majority of GSFC Nominees.
48. The three (3) vacancies on the KRN Board were never filled. I verily believe that Varma had no intention of ever filling any of the three (3) vacancies and was using his new found power from being in control of the KRN Board to keep the status quo.

49. Favreau told me, on more than one occasion, after January 16, 2019, that “GSFC *just doesn’t want to give up control of the board*”. This statement was consistent with Varma’s actions and I verily believe that Varma made similar statements to Favreau.

50. I am advised by Peter Matson, and verily believe that, Favreau told Peter Matson that GSFC and Varma “*do not want to give up control of the KRN Board*”.

51. I verily believe that Favreau did not seem at all concerned by Varma’s statements.

f) 2019 Annual General Meeting – GSFC Maintains Control of KRN Board

52. At the annual general meeting of shareholders of KRN held on May 14, 2019 (the “**2019 AGM**”), GSFC maintained the status quo, and control of the KRN Board.

53. The three (3) incumbent directors, Varma, Nanavaty and me, were re-elected. Notwithstanding me presenting three (3) qualified independent candidates, Varma and Nanavaty refused to nominate anyone other than the three (3) incumbent directors.

54. I verily believe that the KRN Board elected at the 2019 AGM was not comprised of a majority of independent directors, and was not in compliance with Securities Laws and the TSX Rules.

55. I verily believe that GSFC and the GSFC Nominees intentionally:

- kept the status quo on the KRN Board;
- kept control of the KRN Board; and
- did not nominate any independent directors for election at the 2019 AGM;

56. I verily believe that if GSFC and the GSFC Nominees thought that they could:

- sidestep Securities laws and TSX Rules by pretending, and misrepresenting, that the GSFC Nominees were independent; and
- fool the Canadian capital markets and the KRN Shareholders that they were in compliance with Securities Laws and TSX Rules.

A handwritten signature in blue ink, appearing to be 'Y.R.', located in the bottom right corner of the page.

g) 2019 - Application to OSC for Exemption Order

57. On May 14, 2019, after the 2019 AGM, the KRN Board, led by Varma, instructed counsel to apply to the Ontario Securities Commission (the “OSC”) for an exemption from the provisions of National Instrument 52-110 Audit Committees, requiring 100% of the members of the audit committees to be independent.
58. I verily believe the only reason Varma asked counsel to apply to the OSC was to ensure GSFC and the GSFC Nominees could keep the status quo and control of the KRN Board, and not have to appoint any independent directors.
59. The OSC did not grant the exemption order. The OSC told KRN that the OSC had never granted such an exemption order. The OSC questioned Karnalyte as to why it had not appointed independent directors, and when Karnalyte was planning on appointing independent directors.
60. Varma suggested that counsel respond to the OSC that the KRN Board was considering hiring an executive search firm to conduct a search for independent directors. The OSC responded with an inquiry as to why it was taking so long.
61. Varma directed legal counsel’s response to the OSC, and I was not provided a copy of the response.
62. I verily believe that Varma was purposely lying to and misleading the OSC in order to buy time and to retain control of the KRN Board. I verily believe that Varma had no intention of hiring an executive search firm, or identifying any independent candidates for the KRN Board. The KRN Board never hired an executive search firm to identify independent director candidates, and no independent directors were appointed to the KRN Board.

h) 2019 - GSFC Increases its Control of the KRN Board and Tightens Its Grip on KRN

63. After the OSC denied the application for an exemption order, I once again presented my three (3) candidates to Varma. Varma rejected them out of hand once again. Varma advised me that the GSFC MD wanted to appoint a new GSFC Nominee to the KRN Board.
64. I then had internal discussions with Wheatley and Favreau about the situation, and I suggested that perhaps we should consider Anjaria, in the hopes that he might be able to “*knock some sense*” into Varma and Nanavaty, and help bring KRN back into compliance with Securities Laws and TSX Rules by appointing some independent directors. Wheatley and I had met Anjaria in Ahmedabad, India, two (2) years previously.



65. The next day, Wheatley received an email from Varma stating that the GSFC MD wanted to appoint Anjaria to the KRN Board. I advised Varma that GSFC already had two nominees on the KRN Board and rejected his request.
66. I verily believe that Favreau had informed Varma of our confidential, internal management conversations, which prompted Varma to precipitate the GSFC MD's request to appoint Anjaria to the KRN Board.
67. Notwithstanding the OSC was questioning Karnalyte as to when it was going to appoint additional independent directors, Varma insisted that Anjaria be appointed to the KRN Board. Varma insisted Anjaria was a nominee of management, and not GSFC, notwithstanding that the GSFC MD and Varma requested his appointment to the KRN Board. Varma also insisted that Anjaria was independent, notwithstanding he was a long-standing director of GSFC
68. Given it was a fait accompli that Anjaria was going to be appointed to the KRN Board, regardless of any objections I had, and regardless of whether I voted against it, Wheatley insisted that, from a good governance perspective, Wheatley and I should at a minimum interview Anjaria before his appointment. Wheatley and I travelled to Paris to meet with Anjaria.
69. Favreau was a party to my discussions with Wheatley as to the nature and the content of the interview with Anjaria, and I verily believe that Favreau passed on our conversation to Varma, in order that Anjaria would be prepared for the interview.
70. Wheatley and I met with Anjaria for approximately eight (8) hours in Paris, provided him with a full briefing on KRN, the status of the Potash Project, the strategy for the Nitrogen Project, and the status of the discussions with the private agricultural company (the "**Agco**") that had expressed interest in investing in the Nitrogen Project. Anjaria was very appreciative of the briefing, as it was clear to Wheatley and me, that he had not received such a comprehensive briefing from Varma or Nanavaty. A significant portion of the meeting was devoted to discussions on the Nitrogen Project.
71. Anjaria stated to Wheatley and me, that in his view, "*spending KRN's cash resources on investigating the Nitrogen Project was a responsible use of cash.*" Wheatley and I were pleased that Anjaria was in full alignment with KRN's strategy. Wheatley and I were optimistic that Anjaria could, notwithstanding he was a director of GSFC, help to bring KRN back into compliance with Securities Laws and TSX Rules.
72. On August 8, 2019, Anjaria was appointed to the KRN Board, giving GSFC three (3) of the four (4) seats on the KRN Board. Attached and marked as **Exhibit "R"** to the FDW Affidavit is a copy of the Karnalyte press release dated August 9, 2019.



73. I verily believe that Varma was intentionally lying about Anjaria's nomination and independence in an attempt to mislead the Canadian capital markets, and the OSC and the TSX, in order to disguise the expanding control of the KRN Board by GSFC.

i) 2019 - TSX Inquiry as to the Independence of the GSFC Nominees

74. In August 2019, shortly after Anjaria was appointed to the KRN Board, the TSX inquired as to the independence of the KRN Board. The TSX stated in correspondence to Karnalyte that, in their view, neither Varma nor Nanavaty were independent according to TSX Rules, as they were employees of GSFC, a 38.73% shareholder of KRN. The TSX also questioned how Karnalyte could consider Anjaria to be independent, given he was a director of GSFC.

75. I have no idea what response was given to the TSX by counsel, since I was not provided a copy of the response, notwithstanding I was a director of Karnalyte. Varma was instructing counsel as to how to respond to the TSX. I verily believe that Varma was singlehandedly making decisions on behalf of the KRN Board regarding responses to the TSX without my involvement as a director.

76. After the TSX inquiries, I suggested in a series of communications with Varma that, given GSFC had three (3) nominees on the KRN Board, one of Varma or Nanavaty, should resign to make room for the appointment of an independent director. Alternatively, I suggested that a shareholders meeting could be called to expand the size of the KRN Board to ensure it had a majority of independent directors. Varma dismissed all of my suggestions out of hand, and then indicated he wanted someone with engineering experience.

77. Varma indicated that he might consider a Canadian mining engineer as a candidate.

78. I identified, interviewed, and presented an experienced Canadian mining engineer to Varma as a potential candidate, but Varma also rejected this candidate out of hand.

79. I verily believe that Varma:

- had no intention of considering any of my suggestions, as to do so would mean giving up control of the KRN Board;
- was being disingenuous and was merely paying lip service to the need to appoint independent directors to the KRN Board by rejecting a fourth, qualified, independent candidate that met Varma's purported requirements;
- was acting in bad faith and only in the interests of GSFC to maintain control of the KRN Board.

A handwritten signature in the bottom right corner of the page, appearing to be 'J.R.' with a flourish.

80. Shortly thereafter, Varma demanded that I resign so that one of the independent candidates I interviewed and recommended, could be appointed to the KRN Board. I refused to resign.

81. I verily believe that Varma, supported by Nanavaty and Anjaria, did everything in his power, from misleading the OSC and the TSX, to refusing to add a single independent director, for the sole purpose of maintaining control of the KRN Board.

j) Discussions with Anjaria

82. In August 2019, shortly after Anjaria was appointed to the KRN Board, Wheatley and I had a conversation with him to discuss the composition of the KRN Board, the need to increase the size of the KRN Board to six (6) directors, and the need to appoint four (4) independent directors in order for the KRN Board to have a majority of independent directors, and to have a fully independent audit committee and nominating committee.

83. Anjaria insisted that he was independent, insisted that he was not a nominee of GSFC, stated that no changes were required to the KRN Board, and stated words to the effect "*we need to keep a small board at this stage of development, and the current board size and composition is just fine.*"

84. I verily believe that Anjaria had a conversation with counsel to KRN, but I was not advised as to the nature of the conversation. Given no changes were made in the KRN Board, I verily believe that counsel to KRN must have advised Anjaria that the KRN Board was in compliance with Securities Laws and TSX Rules.

85. I verily believe that Anjaria, once he was appointed to the KRN Board, actively worked with both Varma and Nanavaty to keep control of KRN and the KRN Board.

86. I verily believe that Anjaria was also lying to the Canadian capital markets, and to the TSX, that he was independent.

k) 2019 - My Resignation as a Director

87. After all of the frustration during 2019 with GSFC, the GSFC nominees, the termination of Wheatley and the hiring of Favreau, when it was proposed that I resign from the KRN board in December 2019, I accepted.

88. The KRN Board appointed Gerald Scherman ("**Scherman**"), a personal friend of Favreau, and a retired accountant.

89. I verily believe that Scherman, while technically independent, was a personal friend of Favreau, and was selected as he would be unlikely to “rock the boat” like a truly independent director would.

l) Varma’s Resignation

90. In May 2020, a month before the annual general meeting of shareholders of KRN held on June 26, 2020 (the “**2020 AGM**”), Varma was reassigned within GSFC, and was told by the GSFC MD to resign from the KRN Board. Varma resigned on May 13, 2020. Attached as **Exhibit “S”** to the FDW Affidavit is a copy of KRN’s press release of May 14, 2020.

91. I verily believe that both Varma and Favreau were extremely upset by this action, and in particular Varma’s removal from the KRN Board, and Favreau attributed some very unkind, and obscene, references to the GSFC MD.

m) 2020 Annual General Meeting – GSFC Maintains control of KRN Board

92. At the 2020 AGM, the status quo on the KRN Board was maintained and GSFC retained control of the KRN Board. Attached and marked as **Exhibit “T”** to the FDW Affidavit is a copy of the voting results for the 2020 AGM.

93. I verily believe that GSFC and the GSFC Nominees intentionally:

- kept the status quo on the KRN Board;
- kept control of the KRN Board; and
- did not nominate any additional independent directors for election at the 2020 AGM.

n) 2020 Special Meeting – GSFC Maintains control of KRN Board

94. At the special meeting of shareholders of KRN held on December 15, 2020 (the “**Special Meeting**”), the proposal to reconstitute the KRN Board with six (6) directors was defeated.

95. I verily believe that GSFC and the GSFC Nominees intentionally voted against the reconstitution of the KRN Board in order to:

- keet the status quo on the KRN Board;
- keet control of the KRN Board.

o) **GSFC Nomination Right**

96. I verily believe that there is no legal, contractual or other basis for GSFC to have a number of GSFC Nominees in excess of the number permitted under the GSFC Nomination Right.

97. I verily believe that GSFC:

- is fully aware of the provisions of the GSFC Nomination Right;
- is intentionally breaching the GSFC Nomination Right, and has made a conscious decision not to comply with the GSFC Nomination Right; and
- has appointed a number of GSFC Nominees in excess of its contractual entitlement, for the sole purpose of maintaining control of the KRN Board.

98. I verily believe that if GSFC had intended to comply with the GSFC Nomination Right, then it would have:

- filled the three (3) vacancies created on the KRN Board in January 2019;
- not rejected all four (4) of the qualified, independent candidates I identified and proposed to Varma;
- put a slate of at least six (6) directors up for election at the 2019 AGM;
- put a slate of at least six (6) directors up for election at the 2020 AGM; and
- both recommended, and voted, to reconstitute the KRN Board with six (6) directors at the Special Meeting.

o) **Missed Opportunities to Comply with Securities Laws and TSX Rules**

99. I verily believe that Varma and the other GSFC Nominees 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 me; and



- in July 2019 when, instead of appointing any independent directors, the GSFC MD and Varma appointed Anjaria to the KRN Board;
- in May 2020 when Varma resigned and created a vacancy on the KRN Board;
- at the 2020 AGM, Varma and Nanavaty could have put a slate of six (6) directors up for election, but consciously chose not to, and instead, put up the three (3) incumbent directors: Varma, Nanavaty and Scherman; and
- at the Special Meeting.

100. I verily believe that none of GSFC, the GSFC Nominees, nor Favreau, 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 was to further the agenda of GSFC, and not what was in the best interests of all shareholders of KRN.

p) Summary

101. I verily believe that the actions taken by Varma, Nanavaty and Anjaria clearly demonstrate that once the GSFC Nominees found themselves in control of the KRN Board in January 2019, they did everything in their power to maintain control of the KRN Board.

102. I verily believe that Varma, Nanavaty, and Anjaria, thought they could get away with it, so they could pursue the agenda of GSFC, and conduct the business of Karnalyte according to Indian business practices, rather than Canadian business practices.

103. I verily believe that the actions of Varma, Nanavaty, and Anjaria clearly demonstrate their intention to maintain control of the KRN Board, and include:

- not filling any vacancies on the KRN Board;
- rejecting all attempts by me, as a director of KRN, to add independent directors to the KRN Board;
- rejecting four (4) qualified, independent candidates for election to the KRN Board;
- ensuring GSFC Nominees continued to comprise the majority of the members of the KRN Board;
- not using either of the 2019 AGM, the 2020 AGM, or the Special Meeting, to elect a KRN Board with a majority of independent directors;

- applying to the OSC for an exemption from the requirement to have a fully independent audit committee;
- increasing the number of GSFC Nominees on the KRN Board from two (2) to three (3);
- appointing and/or maintaining a number of GSFC Nominees in excess of the GSFC Nomination Right; and
- misrepresenting to the TSX, and the Canadian capital markets, the independence of the GSFC Nominees in an attempt to disguise their control of the KRN Board.

Management of KRN

a) 2017 - My Appointment as the Interim CEO

104. After I joined the KRN Board in May 2017, the KRN Board decided that the CEO at the time, Robin Phinney, should be terminated. The KRN Board then asked me if I would act as Interim CEO, until a permanent CEO could be hired. I agreed and was appointed the Interim CEO on July 20, 2017.

b) 2017 - Executive Search for a Permanent CEO

105. 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.

106. 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 “U”** to the FDW Affidavit is a copy of the August 2017 advertisement for search for a CEO.

c) 2018 - Wheatley Hired

107. In February 2018, after an exhaustive search, 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 “V”** to the FDW Affidavit is a copy of the Karnalyte press release of February 5, 2018.

108. 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 had a majority of independent directors.

d) 2018 - Nitrogen Strategy

109. Wheatley and I had a very close working relationship. We discussed on a daily basis every aspect of KRN’s business, including the Potash Project and the Nitrogen Project.

110. The Nitrogen Project was my idea. Wheatley took my idea, fleshed out a corporate strategy to pursue the Nitrogen Project, which was unanimously approved by the KRN Board, and presented it to the Canadian capital markets. Attached and marked as **Exhibit “W”** to the FDW Affidavit is a copy of the Karnalyte press release of May 14, 2018.

111. After Wheatley and I met Mr. Tiwari, the GSFC MD at the time, he wrote a letter dated May 29, 2018 (the “**Tiwari Letter**”) to KRN outlining his full support of the Nitrogen Project. KRN released the Tiwari Letter to the Canadian capital markets to demonstrate the support of GSFC to KRN’s corporate strategy. Attached and marked as **Exhibit “X”** to the FDW Affidavit is a copy of the Tiwari Letter.

112. Within six (6) weeks of presenting Karnalyte’s strategy for the Nitrogen Project to the Canadian capital markets, Wheatley received an unsolicited inquiry from a large, private Canadian agriculture company (the “**AgCo**”) expressing a serious interest in participating in the Nitrogen Project.

113. During Wheatley’s first six months on the job, he:

- defended successfully a proxy fight from the recently fired CEO Robin Phinney;
- created a new corporate strategy for KRN that included the Nitrogen Project;
- travelled to India to get the support of GSFC MD on the new strategy;
- obtained the unanimous approval of the KRN Board for the new corporate strategy
- released the new corporate strategy to the Canadian capital markets; and
- received, within six (6) weeks of releasing the strategy to the Canadian capital markets, unsolicited interest from the AgCo.



114. I verily believe that the strategy for the Nitrogen Project created by Wheatley was the right strategy for KRN at the time because:

- Wheatley had the skills, background and experience to execute the strategy;
- the Potash Project was uneconomic;
- the Nitrogen Project was a potentially profitable business for KRN;
- the KRN Board unanimously approved the strategy;
- GSFC endorsed the strategy and provided the Tiwari Letter; and
- the Agco confirmed the thesis of the strategy, and wanted to invest in the Nitrogen Project, as it complemented their business.

115. I verily believe that KRN, GSFC and the Agco were all 100% in alignment on the strategy for the Nitrogen Project.

e) 2018 - Rights Offering

116. 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.

117. The Rights Offering was approved by the KRN Board on November 14, 2018, 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%.

f) 2019 - Wheatley Appointed CEO

i) GSFC Negotiated Hiring of CEO

118. On February 5, 2019, Wheatley's one-year contract as President was up and the KRN Board wished to hire him as the permanent CEO

ii) Delay in Documenting CEO Agreement

119. On February 15, 2019, after a several- hour in person meeting attended by the GSFC MD (who was not a member of the KRN Board), Varma, Nanavaty, Favreau, and me, the terms and conditions of Wheatley's appointment as CEO were agreed to with Wheatley. Of the 12 items (the "Notes") Wheatley asked for, 10 were accepted, one was not approved, and a negotiation on the



final point regarding severance resulted in an agreement on severance being one (1) year salary for termination without cause or on a change of control.

120. As all terms and conditions of Wheatley's appointment as CEO were agreed, the GSFC MD asked for a term sheet/offer letter (the "**CEO Offer Letter**") to be prepared so he could sign it before he left the next day to return to India.
121. I offered to write it up, but Favreau insisted she would prepare it. She did not prepare the CEO Offer Letter until early April 2019, almost two (2) months after the agreement was made with Wheatley.

iii) GSFC Reneges on Agreement

122. In April 2019, when Favreau had finally finished preparing the CEO Offer Letter and presented to Wheatley, it did not match what was agreed to in February 2019. Wheatley was extremely upset and stated that "*GSFC had reneged on the deal we agreed to in February*".
123. Favreau came to me and asked me what to do. She acknowledged to me that her recollection of what was agreed to was the same as I remembered. Then she showed me the Notes, with Varma's comments on it. I verily believe that Varma's comments were not on the Notes back in February 2019, and were added by Varma after February 2019. Favreau also acknowledged to me that it was her fault that the CEO Offer Letter was not prepared before the GSFC MD left in February 2019.
124. Favreau told me that Wheatley was very upset and Favreau asked for my help to smooth things over. I gave her a few suggestions, and left it in her hands. I advised Favreau that Varma's comments on the Notes did not match my recollection of what was agreed to in February 2019, and that they made no sense and completely changed what had been agreed to. I suggested that she tell Varma that he should honor what was agreed to with Wheatley, given Favreau's recollections were the same as mine.
125. Wheatley told me that he signed the Offer Letter "*under protest*" and made it very clear to the entire KRN office that GSFC had reneged on its agreement. Wheatley was extremely upset, as he had re-located from Vancouver to Saskatoon, moved his family to Saskatoon, and purchased a property in Saskatoon, on the basis of what had been agreed to in February 2019.

g) 2019 - The First Shakedown of the AgCo

126. In February 2019, Wheatley arranged an in-person meeting between the GSFC MD, Varma, Nanavaty, Wheatley, Favreau and myself, with the CEO of the AgCo.

127. The purpose of the meeting was for Wheatley to introduce GSFC to the AgCo and for the GSFC Nominees to meet the CEO and management of the AgCo, given that both parties might be working together on the Nitrogen Project. The CEO of the AgCo had left an internal AgCo meeting and travelled to the airport in a snowstorm to attend the meeting.
128. When it was Varma's turn to speak, he essentially told the CEO of the AgCo that GSFC was in Canada only for potash, wasn't really interested in nitrogen fertilizer, however, Varma asked the CEO of the AgCo "*how much money are you going to invest and when are you signing your commitment*".
129. I verily believe it was a shakedown. I verily believe that Varma tried to shake down the CEO of the AgCo for \$50 million. It was very crude and unsophisticated, but it was no doubt a shakedown.
130. I verily believe that it was the most embarrassing meeting I have ever attended and damaged my personal reputation and credibility with a number of the members of the AgCo that I had known for many years.
131. The CEO of the AgCo ended the meeting, and it took Wheatley and me many months to try and repair the relationship with the AgCo.
132. I verily believe that Varma's attempted shakedown of the CEO of the AgCo severely damaged the relationship with the AgCo, and severely dampened their enthusiasm for the Nitrogen Project.
133. From February through early September 2019, Wheatley continued to engage in a series of ongoing discussions with the AgCo regarding their views, suggestions and recommendations, and their potential involvement, participation and investment in, the Nitrogen Project.
134. I verily believe that:
- it is not standard Canadian business practice to shakedown potential investors and/or partners;
 - it is not standard Saskatchewan agriculture business practice to shakedown potential investors or partners;
 - it is not in the best interests of the KRN Shareholders to shakedown potential investors;
 - KRN had just raised \$2.3 million under the rights offering and did not need any money from the AgCo to pursue the Nitrogen Project;



- none of Wheatley's discussions, and none of my discussions, with the AgCo ever contemplated the AgCo making a commitment to fund the Nitrogen Project; and
- Varma's shakedown severely damaged KRN's relationship with the AgCo.

GSFC Handcuffs on Management

a) Varma Begins to Exert Control

135. I verily believe that after:

- GSFC obtained control of the KRN Board in January 2019;
- Varma tried to shakedown the CEO of the Agco in February 2019; and
- Varma reneged on a critical terms and conditions of the CEO Offer Letter;

Varma was clearly starting to exert his influence to control and direct all activities of KRN and its management.

b) May 2019 KRN Board Meeting

136. A KRN Board meeting was scheduled to be held immediately after the 2019 AGM. Wheatley prepared a full suite of briefing materials on corporate matters, together with detailed work programs and budgets for both the Potash Project and the Nitrogen Project.

137. When Varma arrived in Saskatoon for the 2019 AGM and the KRN Board meeting, the first thing he said to Wheatley and me, in reference to the board material, was "*everything you are suggesting is 125% impossible*".

138. Varma refused to even review or discuss any of the board materials prepared by Wheatley. Varma had no suggestions of his own. Varma only trashed everything Wheatley had prepared. The KRN Board never reviewed any of the materials prepared by Wheatley at the May KRN Board meeting.

139. I verily believe that Varma's actions and comments vividly illustrated Varma's increasing arrogance, stemming from Varma feeling in total control of KRN, the KRN Board, and management.

c) August 2019 Board Meeting

140. In August 2019, Varma had his staff in India prepare a presentation outlining why Wynyard, the location of the Potash Project, was the perfect, and ideal, location for the Nitrogen Project.
141. I verily believe that neither Varma, nor his staff in India, have any background or experience in how agricultural products are actually bought, sold, traded and transported in Saskatchewan.
142. I verily believe that Varma's selection of Wynyard as the "*perfect*" location for the Nitrogen Plant is the clearest evidence of his bias, and singular focus on what is in the best interest of GSFC, and not what is in the best interests of all KRN Shareholders.
143. I verily believe that Varma's refusal to let Wheatley acquire a project site for the Nitrogen Project near Saskatoon, was done to justify his selection of Wynyard as the site of the Nitrogen Project.

d) The Odds of Wynyard being the Perfect Location for the Nitrogen Project

144. I verily believe that the odds of the perfect, and ideal location, for the Nitrogen Project being exactly and precisely where the geologic deposit of potash for the Potash Project is physically located, as opposed to:
- the location in Saskatoon jointly selected by the AgCo, the AgCo's landman, and Wheatley;
 - any of the myriad locations in Saskatchewan where grain terminals, fertilizer depots, and other hubs and centres of agricultural product distribution are situated; and
 - any other location in Saskatchewan;
- are simply astronomical and clearly demonstrate Varma's obvious bias towards Wynyard.

Canadian Business Practices and the Nitrogen Project

a) My Background in the Saskatchewan Agricultural industry

145. I was born in Saskatchewan, grew up on a farm, obtained my Bachelor in Agricultural Economics from the University of Saskatchewan, and have spent my entire working life in the Saskatchewan agriculture industry. I verily believe I have a good understanding of how the Saskatchewan agricultural industry works.



146. I know that the profitability of any fertilizer operation, as a bulk commodity, is entirely dependent on transportation and logistics costs. According, determining the location of a fertilizer plant is the first consideration, and is absolutely critical in order to achieve the most favorable transportation and logistics costs.

b) Project Site for the Nitrogen Project

147. Wheatley and I had daily discussions regarding project site selection criteria for the Nitrogen Project, visited numerous potential sites, and discussed potential sites with the AgCo, and the AgCo's landman. By February 2019, Wheatley had identified a suitable project site near Saskatoon and proposed its acquisition to the KRN Board. The KRN Board, lead by Varma, refused. By September 2019, Wheatley had, with the help of the landman from the AgCo, identified and negotiated an agreement to acquire a second project site (the "**Nitrogen Site**"), located near Saskatoon, which the AgCo fully supported.

148. Wheatley discussed with me the reasons why the acquisition of a suitable project site was among the first critical steps in project development, including:

- all necessary environmental baseline data could be collected on the proposed project site to support the preparation of an environmental impact assessment of the Nitrogen Project in accordance with Canadian and Saskatchewan environmental laws, rules and regulations;
- a minimum of one (1) year of environmental baseline data must be collected on the actual project site before any application can be prepared for an environmental approval; and
- a bankable feasibility study could be prepared with estimates of capital and operating costs for the actual project site, rather than using standard costs and applying factors.

149. Wheatley presented the proposed agreement to acquire the Nitrogen Site to the KRN Board, and Varma refused to consider the matter. Varma indicated that, in India, they choose their project sites differently, so the site selected by Wheatley and the AgCo, was not appropriate for the Nitrogen Project in Varma's view, because it was not how he would select a project site in India.

150. I verily believe that from my own perspective, as well as my discussions with the AgCo and with Wheatley, Saskatoon was the ideal location for the Nitrogen Project, and the Wynyard was not even on the list of potential sites.

A handwritten signature in blue ink, appearing to be 'Y.R.', is located in the bottom right corner of the page.

c) **Independent Feasibility Study**

151. Wheatley discussed with me numerous times the need for Karnalyte to obtain an independent, bankable feasibility study, prepared by an international engineering firm, on the Nitrogen Project. Wheatley advised that in order for such a study to be credible, and acceptable to the Canadian and/or international capital and debt markets for purpose of project financing, the study must be independent. I was advised by Wheatley, and verily believe, that this is standard Canadian, and international, business practice with respect to project financing of major capital projects.
152. I was advised by Wheatley, and verily believe, that the AgCo required an independent feasibility study before it would consider investing in the Nitrogen Project.
153. Wheatley advised the KRN Board that that the AgCo required an independent feasibility study before it would consider investing in the Nitrogen Project.
154. Wheatley had requested a proposal (the "**Wood Proposal**") from Wood, an independent engineering firm with vast experience in designing and constructing nitrogen chemical plants, including nitrogen fertilizer plants in Saskatchewan. Wheatley told me that the Wood Proposal contemplated completion of the bankable feasibility study in a period of approximately six months, at a cost of approximately \$2.5 million.
155. Wheatley advised the KRN Board of his request for the Wood Proposal, as well as the time frame for completion, and the estimated cost of the Wood Proposal. Wheatley advised me, and I verily believe, that Wheatley was promised the Wood Proposal during the week of September 9, 2019.
156. Once Anjaria had been appointed to the KRN Board, Anjaria told Wheatley and me that, based on his experience in undertaking projects in India:
- standard business practice for project development in India project, was that project site selection only comes after the project is engineered and financed, and is ready for construction;
 - accordingly, site selection by KRN for the Nitrogen Project was not important or necessary at the early stages of project development; and
 - there is no issue in GSFC undertaking an in-house feasibility study on the Nitrogen Project, as that is normal practice in India.

d) **Doing Business in Canada According to Indian Practices**

157. I verily believe that, based on the comments of Varma and Anjaria regarding how business is done in India, they are trying to do business in Canada the way they do business in India, and are trying to develop the Nitrogen Project the way it is done in India.

158. I verily believe that none of Varma, Nanavaty, or Anjaria have:

- any experience with public companies in Canada, or the Canadian capital markets;
- any experience in undertaking project development in Canada, whether for mining projects, chemical manufacturing plants, or other major capital projects;
- any background or experience in environmental permitting in Canada;
- any background or experience in the agriculture or fertilizer industry in Canada; and
- any background or experience in the transportation and logistics related to agricultural products in Canada.

e) **Varma's Frustration with KRN Management**

159. I verily believe that Varma was getting angry and frustrated with Wheatley, because Wheatley wanted to develop the Nitrogen Project according to Canadian and/or internationally accepted practices, based on his 35 years of experience, whereas Varma and Anjaria wanted to do everything in-house at GSFC and according to Indian business practices.

160. Varma suggested at a KRN Board meeting on August 8, 2019 that GSFC could prepare a feasibility study on the Nitrogen Project, to which Wheatley objected, but Anjaria thought was entirely proper and appropriate.

Concerned Shareholders' Letter to KRN Board

161. On September 7, 2019, Peter Matson, Greg Szabo and Mark Zachanowich (the "**Concerned Shareholders**") wrote a letter (the "**September Letter**") to the KRN Board complaining about a number of matters, including 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 "Y"** to the FDW Affidavit is a copy of the September Letter.

162. I am advised by Peter Matson and Greg Szabo, and verily believe, that Varma telephoned both Peter Matson and Greg Szabo and told them that none of their concerns were legitimate or correct, and that GSFC and the GSFC Nominees were doing everything in accordance with Canadian laws, including governance and having a KRN Board with a majority of independent directors. Based on their conversations with Varma, Peter Matson and Greg Szabo did not pursue their complaints with the TSX.
163. I verily believe that Varma was lying to Peter Matson and Greg Szabo for the sole purpose of ensuring that GSFC maintained control of the KRN Board.
164. I am advised by Peter Matson and Greg Szabo, and verily believe, that Varma thought Wheatley was the author of the September Letter. I am advised by Peter Matson and Greg Szabo, and verily believe that, Greg Szabo was the author of the September Letter and sent it to the KRN Board without the knowledge of Wheatley.

Wheatley Terminated by GSFC

165. On September 11, 2019, only four (4) days after the September Letter, Wheatley was terminated without cause. A KRN Board meeting was scheduled for September 11, 2019. When the KRN Board meeting started, Wheatley and Favreau were asked to leave the meeting so the directors could go in camera.
166. I am advised by Wheatley, and verily believe, that Favreau asked Wheatley to go to the boardroom in KRN's offices, where she handed him a letter from the KRN Board terminating him without cause, effective immediately.
167. Varma stated to the other members of the KRN Board, that Wheatley was going to be terminated without cause. This was the first I had heard of this matter, as it was not on the agenda for the KRN Board meeting. Nanavaty supported Varma. Anjaria appeared to be unaware of the matter, but simply agreed with Varma. The vote was three (3) to one (1) to terminate Wheatley. I voted against terminating Wheatley without cause.
168. Anjaria became very aggressive and insisted that I "must" vote to terminate Wheatley, and I "must" agree with the three (3) GSFC Directors. I told Anjaria to "back off" and that I was entitled to my own vote and I did not under any circumstances have to agree with Anjaria, Varma and Nanavaty.
169. Varma then appointed Favreau as the Interim CEO, with the support of Nanavaty and Anjaria. Favreau was the controller at Karnalyte before joining the KRN Board in 2017, and it was the view of the KRN Board at the time that controller was the appropriate position for Favreau. I verily

believe that Favreau does not have the skills, background or experience required to be considered to be a qualified and competent CEO of a Canadian publicly listed company.

170. I am advised by Wheatley, and verily believe, that Favreau took Wheatley's phone, laptop and keys to a Karnalyte vehicle Wheatley was driving, gave him a box to pack his personal items, and walked him out the door. As Wheatley had no vehicle, I gave him a ride home.
171. I verily believe that Varma and Favreau had been planning on terminating Wheatley, and appointing Favreau as interim CEO, for some time, because Varma was frustrated that Wheatley was trying to conduct Karnalyte's business according to Canadian practices for a public company, rather than conducting Karnalyte's business the way Varma conducted business in India.

The Second Shakedown of the Potential Nitrogen Partner

a) Wheatley's Work

172. The week after Wheatley was terminated without cause, Varma and Nanavaty travelled to Saskatoon. During his visit, Varma and Favreau:
- met with the vendors of the Nitrogen Site to advise that Karnalyte would not be entering into an agreement to acquire the Nitrogen Site;
 - instructed Wood not to send the Wood Proposal to Karnalyte; and
 - unsuccessfully reached out to the AgCo for a meeting.
173. I found it very suspicious that Varma and Favreau were so intent on eliminating as quickly as possible any trace of the work Wheatley had undertaken on the Nitrogen Project.
174. I verily believe that Varma and Favreau told Wood not to send the Wood Proposal so that Karnalyte would not have a copy in its files. I believe that Varma and Favreau had other plans regarding the Nitrogen Project that I was not aware of and the existence of the Wood Proposal would only hamper those plans.

b) Meeting with AgCo

175. Varma asked if Favreau or I could arrange a meeting with the Agco. Favreau claimed that she, as the new Interim CEO, would arrange the meeting. After a couple days, I asked Favreau how she was making out arranging the meeting. Favreau admitted to me that had been unsuccessful, and that no one from the AgCo would return her call.

176. I offered to call the Agco and Favreau accepted my offer. Within 10 minutes, I had arranged a meeting with the AgCo.

c) Memorandum of Understanding

177. When I informed Varma that a meeting had been arranged, he quickly requested we send a memorandum of understanding ("**MOU**"), that Varma had already prepared, to the AgCo in advance of the meeting. The MOU required the AgCo to commit to some or all of the costs of investigating the Nitrogen Project.

178. I suggested to Varma that this was not a wise move, but he confidently assured me that he knew best and more than I did. After Varma left the KRN offices, I confronted Favreau with my concerns regarding sending an MOU. She stood up from behind her desk and put her hands on her hips and proclaimed that "*she knew something about business too, she could get AgCo to sign the MOU, she wasn't scared to attempt what she viewed as Wheatley's failure*".

d) Silence from the AgCo

179. Favreau sent the MOU to the AgCo. KRN never heard back from the AgCo.

180. I was extremely angry with Varma and Favreau because I had used my reputation and my personal relationship with the AgCo to arrange the meeting, and Varma and Favreau had embarrassed me by sending the MOU to the AgCo.

181. I verily believe the MOU was an attempt at a second shakedown of the AgCo by Varma and Favreau, because the first shakedown didn't work. I also verily believe that Varma and Favreau thought they could get up front money out of the AgCo, because Wheatley couldn't.

182. I verily believe that, from discussions I had with Wheatley, that Wheatley had many months previously, discussed the concept of a MOU with the AgCo and, given that the AgCo was not interested in entering into such a MOU, or funding any of the up-front investigation and preparation costs of the Nitrogen Project, Wheatley never pursued the concept of a MOU.

Canadian Immigration Laws

183. I verily believe that Varma and Favreau arranged for two (2) GSFC engineers to work in KRN's office in Saskatoon without valid work permits.



184. On or about September 16, 2019, when the two (2) Indian engineers from GSFC arrived in Saskatoon to work on a pre-feasibility study (the "**Nitrogen Study**") being prepared in-house by GSFC on the Nitrogen Project, the week after Wheatley was terminated as CEO, I asked Favreau whether they had work permits. Favreau did not give me a direct answer, and mumbled something to the effect "*it is not as difficult as you think*".
185. I verily believe that the Indian engineers did not have work permits given Favreau refused to answer my question. I verily believe the Indian engineers were working in Canada without the necessary work permits in violation of Canadian immigration laws.
186. I verily believe that, if the Indian engineers had work permits, then Favreau could have given me a copy of the permits. Favreau did not give me a copy of any work permits. I verily believe that, if they did have work permits, then Favreau worked with Varma to apply for such permits without my knowledge, and without Wheatley's knowledge.
187. I verily believe that Favreau was complicit in Varma's disregard for Canadian laws, did nothing to stop Varma from breaking Canadian laws, and turned a blind eye to such breaches. I verily believe that as Interim CEO, Favreau should have insisted that the engineers get work permits, but I verily believe she did not do so.

Canadian Lobbying Laws

188. I verily believe that both Varma, on behalf of GSFC, and Favreau, on behalf of KRN, were lobbying the Federal Government to obtain infrastructure funding for the Potash Project without being registered under the Lobbying Act.
189. During mid 2019 KRN was, at Varma's request, investigating Canadian federal government programs to provide funding for infrastructure projects, such as the 50-kilometre natural gas pipeline (the "**Pipeline**") that would have to be built from Jansen, Saskatchewan to the Potash Project at a cost of between \$50 to \$75 million.
190. A potential program was identified, and management prepared the formal application (the "**Grant Application**"). Prior to submitting the Grant Application, Wheatley requested confirmation from GSFC and Varma that GSFC was registered as a lobbyist under the Lobbying Act, in order for Wheatley to sign the certification on the Grant Application that all persons required to be registered under the Lobbying Act had done so.

191. The Grant Application provided the following certification:

“Any person who is required to be registered pursuant to the Lobbying Act including consultant and in-house lobbyists, is registered pursuant to that Act. The failure of such person to register under the Act, or the failure of the applicant to disclose this fact to the Minister, either prior to or during the term of the proposed Agreement could result in the following:

a) prior to the execution of an Agreement, precludes the offering or signing of an Agreement with Innovation, Science and Economic Development Canada and the Applicant's file will be closed;

b) during the term of an approved Agreement, constitutes a material breach. it is registered under the Lobbying Act.” Attached and marked as **Exhibit “YY”** to the FDW Affidavit is a copy of the form of Grant Application.

192. At the August 8, 2019 KRN Board meeting, Wheatley asked Varma if GSFC was registered under the Lobbying Act, and if Varma could provide confirmation in order that Wheatley may certify the Grant Application. Varma stated at the KRN Board meeting that *“GSFC has a corporate policy not to register as a lobbyist under the Lobbying Act.”* Nanavaty and Anjaria didn't dispute Varma's statement.

193. I verily believe Varma was lying, as I verily believe that an Indian public company listed on the BSE Exchange in India, as GSFC is, would not have a corporate policy that provides that it will not comply with the laws of a foreign country such as Canada.

194. Wheatley did not sign the application. I do not know if, at any time after Wheatley was terminated, whether Karnalyte made a formal application to the Federal Government under any of its programs to provide infrastructure funding for the Wynyard Project.

195. During 2019, Varma would tell me on numerous occasions about his conversations with various officials in the Federal Government regarding obtaining funding for the Pipeline. During 2019 and 2020, after Wheatley was terminated, Favreau would tell me about her numerous conversations with the Federal Government, as well as the conversations Varma was having with the Federal Government.

196. I verily believe that based on a search of the website (the **“Lobbying Website”**) of the Office of the Commissioner of Lobbying of Canada, neither GSFC nor Karnalyte are registered under the Lobbying Act. Attached and marked as **Exhibit “ZZ”** to the FDW Affidavit is a copy of the search of GSFC and KRN on the Lobbying Website.

Conflict of Interest & Self-Dealing - GSFC Study on Nitrogen Project

197. Varma and Favreau insist that there is no conflict of interest in GSFC preparing the Study.

198. I verily believe that:

- it is a conflict of interest, and a case of self dealing, for GSFC to prepare the Nitrogen Study, rather than engaging an independent engineering firm to prepare it;
- Varma and Favreau are lying about the conflict of interest, the self-dealing, and about the true author of the Nitrogen Study;
- there are independent engineering firms in Saskatchewan with actual experience in the design, engineering and construction of nitrogen fertilizer plants in Canada, and in Saskatchewan;
- GSFC is not an independent engineering firm, is not a qualified person, and has not designed, engineered, or built any nitrogen manufacturing plants in Canada, or elsewhere;
- GSFC is using the Nitrogen Project as a stalking horse to facilitate the development of the Potash Project, which is why Varma is insisting that Wynyard is the perfect location for the Nitrogen Project; and
- it stretches the bounds of credibility that the "*perfect*" location for the Nitrogen Project just happens to be where a geological deposit of potash is located.

199. I verily believe that GSFC began work in India on the Nitrogen Study before Wheatley was terminated.

200. I do not recall, as a member of the KRN Board, approving GSFC to prepare the Nitrogen Study, or approving Karnalyte to pay GSFC to prepare the Nitrogen Study.

201. I also do not recall attending a KRN Board meeting where the GSFC Nominees disclosed their conflict of interest with respect to the Nitrogen Study, nor do I recall attending a KRN Board meeting where the GSFC Nominees recused themselves from the decision-making process on approving GSFC to undertake the Nitrogen Study.

202. On November 5, 2019, Karnalyte issued a press release (the “**November Press Release**”) stating that it had “*begun preparation of the Study*”, but it did not identify the author of the Nitrogen Study. Attached and marked as **Exhibit “CC”** to the FDW Affidavit is a copy of the Karnalyte press release dated November 5, 2019.
203. In late November 2019, Favreau gave me a draft (the “**Draft**”) of the Nitrogen Study to review. The Draft indicated on the cover page that the Nitrogen Study was “*Prepared and Issued by Gujarat State Fertilizers and Chemical Limited, Vadodara, 30th November 2019*”. Attached and marked as **Exhibit “A”** to my affidavit is a copy of the cover page of the Draft.

Misrepresentation of the Author of Nitrogen Study

204. I verily believe that Favreau, Varma and KRN are misrepresenting the author of the Nitrogen Study.
205. On July 21, 2020, Karnalyte issued a press release (the “**July Press Release**”) stating that the Nitrogen Study had been completed, that GSFC had initiated the Nitrogen Study, however, Karnalyte had completed the Nitrogen Study. Attached and marked as **Exhibit “EE”** to the FDW Affidavit is a copy of the Karnalyte press release dated July 21, 2020.
206. I verily believe that Favreau and Varma are being dishonest when they say GSFC initiated the Nitrogen Study and that Karnalyte finished it. I verily believe from my time as a director, Interim CEO, and an independent consultant, that KRN does not have anyone on staff that has any experience in doing technical studies for chemical manufacturing plants.
207. I verily believe that KRN is not a qualified person.
208. I verily believe that KRN is misrepresenting to the Canadian capital markets that Karnalyte completed the Nitrogen Study and is the actual author of the Nitrogen Study.
209. I verily believe that the reasons GSFC undertook the Nitrogen Study were because:
- Varma was cheap and didn't want to spend the money to have an independent, feasibility study prepared by qualified persons;
 - Varma was arrogant and felt that he knew how to do business in Canada better than management of KRN, and the AgCo;



- Varma felt that GSFC preparing the Nitrogen Study was standard Canadian business practice;
- Varma felt he could get funding out of the Canadian Federal Government for the Pipeline;
- Varma felt he could get funding out of the Canadian capital markets with a GSFC in-house study, rather than an independent study prepared by qualified persons;
- his sole interest in the Nitrogen Project was to use it as a stalking horse to facilitate the development of the Potash Project;
- it allowed him to include Wynyard, Saskatchewan, the site of the Potash Project, as a potential site for the Nitrogen Project; and
- it allowed him to exercise his bias in trying to locate the Nitrogen Project at Wynyard, SK.

210. I verily believe that, other than Varma, there is no one in the Saskatchewan agriculture industry, including the AgCo, that would ever consider locating a nitrogen plant at Wynyard, SK.

My Resignation as a Director

211. On December 23, 2019, I resigned as a member of the KRN Board and was replaced by Scherman, an independent director. I verily believe that Scherman is a personal friend of Favreau. Attached and marked as **Exhibit "FF"** to the FDW Affidavit is a copy of the Karnalyte press release dated December 23, 2019.

212. I decided to resign because I was frustrated and exhausted.

213. I remained an independent consultant to Karnalyte until July 8, 2020. My consulting contract was terminated by Favreau on July 8, 2020, the day after the Concerned Shareholders sent the Requisition for the Special Meeting to Karnalyte.

214. I verily believe that Favreau terminated my consulting contract immediately upon seeing that the Requisition named me as one of the Concerned Shareholders' nominees for election as a director at the Special Meeting.

215. As of the date of the Originating Application, more than six (6) months after my contract was terminated, Favreau has not paid my last invoice.

216. I verily believe that it is no coincidence that Favreau:

- terminated my contract the day after the Requisitions;
- has intentionally refused to pay my last invoice for more than six (6) months; and
- is exhibiting personal animosity towards me.

Concerned Shareholders' Efforts to Change the KRN Board

a) Frustration

217. I verily believe that, after one and a half (1½) years of frustration with the KRN Board and management, and with:

- the ongoing entrenchment of the KRN Board and management, with no action or steps taken to properly constitute the KRN Board with a majority of independent directors;
- no progress on the Nitrogen Project; and
- no creation of shareholder value

the Concerned Shareholder had had enough.

b) Options

218. Peter Matson, Greg Szabo and I had many conversations regarding the options available to KRN Shareholders to try and rectify the situation with KRN and the KRN Board. One of the options was to requisition a special meeting of shareholders.

c) Identification of Qualified Dissident Nominees

219. The Concerned Shareholders asked me if I would stand as a dissident nominee for election to the KRN Board. I agreed.

220. They also asked my advice as to who the three (3) other dissident candidates should be. I recommended three individuals: Joe Vidal, Neill Yelland and Joe Clavelle (collectively, and together with me, the "**Dissident Nominees**") to stand as dissident nominees. Joe Vidal and Neil Yelland were two (2) of the four (4) candidates I had proposed to Varma, that Varma rejected. The other candidates I had recommended to Varma were no longer available, so I recommended Joe Clavelle to the Concerned Shareholders.



221. After a meeting between the Concerned Shareholders, Joe Vidal, Neil Yelland, Joe Clavelle and me, the Concerned Shareholders agreed to put them forward as the Dissident Nominees for election to the KRN Board as the Special Meeting, and all of the Dissident Nominees agreed to have their names included in the Requisition.

d) Requisition of Special Meeting

222. On July 7, 2019, the Concerned Shareholders requisitioned the Special Meeting. Attached and marked as **Exhibit “GG”** to the FDW Affidavit is a copy of the notice of the Requisition.

223. On July 27, 2020, Karnalyte called the Special Meeting for December 15, 2020, almost five and one-half (5 ½) months after the date of the Requisitions. Attached and marked as **Exhibit “HH”** to the FDW Affidavit is a copy of the notice of Special Meeting.

224. I verily believe that the only reason Varma and Favreau delayed the Special Meeting for 5 ½ months was:

- to ensure the new GSFC MD was appointed as scheduled in November 2020;
- to ensure that the new GSFC MD would put Varma back on the KRN Board; and
- so Varma and Favreau could continue conducting business as they had for the past year.

e) Sole Purpose of the Requisition

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

f) Press Releases

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

g) Demand for an Independent Investigation

227. 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.

228. KRN hired Ariel Breitman from its law firm, MLT Aikins, to undertake the investigation. The Concerned Shareholders provided MLT Aikins with a written submission (the “**Submission**”) outlining their concerns. Attached and marked as **Exhibit “JJ”** to the FDW Affidavit is a copy of the Submission.
229. I was interviewed by Mr. Breitman for almost two (2) hours. I found it very odd that in my interview that he only asked questions on matters that did not seem relevant to the concerns set out in the Submission.
230. I verily believe that the only reason Mr. Breitman was asking me such questions was because Favreau and Varma had provided Mr. Breitman with a narrative they wanted him to prove, rather than investigating the concerns of the Concerned Shareholders. I verily believe there is no other explanation for Mr. Breitman not asking questions on the matters raised in the Submission, unless he had been instructed by Favreau and Varma to do otherwise.
231. I verily believe the investigation, and its conclusion, have no credibility whatsoever, and are a complete whitewash, given my involvement with KRN as a director and the Interim CEO, and my understanding of the events that occurred during 2019 and 2020.

h) Dissident Proxy Circular

232. 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 the Concerned Shareholders concerns with the KRN Board's and management's actions and conduct, as well as their concerns with the KRN Circular. Attached and marked as **Exhibit “KK”** to the FDW Affidavit is a copy of the Dissident Circular.

Delay in Holding Special Meeting for an Improper Purpose

233. In May 2020, when Favreau told me that Varma had been reassigned within GSFC, and had been removed as a director from the KRN Board by the GSFC MD, Favreau also told me that Varma was extremely upset by this action, and both Favreau and Varma attributed some profane references to the GSFC MD.
234. I verily believe that, based on comments from Favreau, relayed to her by Varma, a new GSFC MD was scheduled to be appointed in mid-November 2020.



235. I verily believe that the sole purpose for which Favreau delayed the Special Meeting until December 15, 2020, was to ensure that the new GSFC MD was appointed prior to the Special Meeting. I verily believe that there is no other purpose for the five and one half (5½) month delay.
236. I verily believe the 5½ month delay would give Varma and Favreau one 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.
237. I verily believe that the five and one half (5½) month delay in holding 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 and Management

238. 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's control of the KRN Board.
239. 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 maintain control of the KRN Board, and 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

240. I verily believe that:
- the KRN Circular sets out a series of falsehoods and misrepresentations regarding the activities of Karnalyte over the past two (2) years;

- 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; and
- given the KRN Circular states that the KRN Board approved the contents of the KRN Circular, and Favreau signed the KRN Circular in order to solicit proxies for the Special Meeting, both the KRN Board and Favreau are directly, and personally responsible for making the misrepresentations contained in the KRN Circular.

i) Favreau's Falsified Resume

241. I verily believe that Favreau falsified, and lied on, her resume in the KRN Circular, where she claims to have *"has significant experience in the mining and agricultural sectors, including the potash industry"* and that she has *"extensive experience with Canadian publicly listed companies"*. Her profile on LinkedIn and her filings on SEDI, do not match that statement. Attached and marked as **Exhibit "LL"** to the FDW Affidavit is a copy of the Favreau's LinkedIn profile. Attached and marked as **Exhibit "MM"** to the FDW Affidavit is a copy of the Favreau's SEDI report.
242. I verily believe by falsifying her resume, Favreau is not discharging her legal and fiduciary duties to act honestly and with integrity, and has flagrantly breached the KRN Code.

ii) Favreau's Employment Contract

243. I was the Interim CEO for almost two (2) years, during which time Favreau was the Interim CFO and then the Chief Financial Officer ("**CFO**"). When the KRN Board appointed Favreau as the CFO in November 2017, a clause, section 3.4 (a), 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 "NN"** to the FDW Affidavit is a copy of Section 3.4 (a) of Favreau's employment agreement dated December 15, 2017.

iii) Scherman's Falsified Resume

244. I verily believe that in the KRN Circular, the KRN Board and Favreau are intentionally misrepresenting the experience of Scherman by neglecting to mention he was only a director of a private company, not a public company.

iv) Inflated Costs of Special Meeting

245. I verily believe that Favreau's comments 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. Based on my experience as a

director of KRN and the Interim CEO of KRN, I verily believe that the typical cost of shareholders meeting is approximately \$50,000.

246. 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 in order to create a false narrative, cast aspersions, and to try and blame the Concerned Shareholders for wasting Karnalyte's money on a shareholders meeting.

v) Cash Resources of KRN

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

vi) Use of Proceeds of Rights Offering

248. I was director of KRN, and the Interim CEO, when the Rights Offering was approved. I also personally invested in the Rights Offering.

249. I know what the purpose of the Rights Offering was. The sole purpose of the Rights Offering was to raise additional funds to investigate the Nitrogen Project so that KRN did not have to use its existing \$9 million in cash.

250. I verily believe that Favreau and the KRN Board are shamelessly 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 was not the purpose of the Rights Offering, and is not what was approved by the KRN Board.

251. I simply would not have personally invested in the Rights Offering if the purpose was to fund the annual cost of the Potash Project.

vii) Inflated Cost of Feasibility Study

252. Wheatley advised the KRN Board in September 2019, that he was expecting the Wood Proposal and that the cost of the feasibility study was approximately \$2.5 million and would take approximately six months to complete. Favreau attended the September 2019 KRN Board meeting and had a copy of the materials for that KRN Board meeting.

253. I verily believe that Favreau knows exactly what Wheatley presented to the KRN Board in September 2019, and is intentionally lying, and misrepresenting to the KRN Shareholders and the Canadian capital markets, the cost of a feasibility study on the Nitrogen Project.

Favreau's Purchase of Expired Rights

254. Favreau told me on the closing day of the Rights Offering, that she had purchased rights on the TSX. Favreau told me that when she tried to exercise the rights, her broker wouldn't allow her to exercise them. I told Favreau that she needed to exercise them the day before they expired, and that we had discussed the timing many times. Favreau became confused, embarrassed, and angry and wondered how she would tell her husband of this mistake. I expected the CFO of a Canadian public company undertaking a public offering of securities to understand the mechanics of the Rights Offering. Attached as **Exhibit "OO"** to the FDW Affidavit is a copy of Favreau's SEDI filing with respect to her purchase of rights.

Favreau's False Affidavit

255. I have reviewed the affidavit of Favreau sworn on October 26, 2020 (the "**Favreau Affidavit**"), and in particular, I have reviewed paragraph 3 of the Favreau Affidavit which states: "*On the expiration of his fixed-term employment, Karnalyte and the Applicant negotiated continuously between February 2019 and April 2019 to reduce to writing the terms under which Mr. Wheatley would be appointed to the position of Chief Executive Officer ("CEO").*" Attached and marked as **Exhibit "BBB"** to the FDW Affidavit is a copy of Favreau's affidavit dated October 26, 2020.

256. I verily believe that paragraph 3 of the Favreau Affidavit is false.

257. I was the Interim CEO in February 2019 when I, together with Varma, Nanavaty, the GSFC MD at the time, and Favreau (collectively the "**Group**"), negotiated the terms and conditions of Wheatley's appointment as CEO.

258. Wheatley had previously given me a list of 12 bullet points he wanted in connection with his appointment as CEO. I reviewed the points with the Group, the Group discussed the points, and I discussed the decision of the Group with Wheatley. The Group agreed to 10 of the points, did not agree to 1 point, and had a negotiation on the final point regarding severance.

259. The Group and Wheatley agreed on the final point regarding severance of one (1) year salary for termination without cause and change of control.

260. I verily believe that all material terms and conditions were agreed, and there were no material terms and conditions that were left to be negotiated between the Group and Wheatley.

261. The GSFC MD requested that a term sheet/offer letter (the “**CEO Offer Letter**”) to be drawn up so he could sign it before he was scheduled to leave for India the next day.
262. I verily believe that, because Favreau took two (2) months to prepare the CEO Offer Letter, it does not change the fact that all material terms and conditions were agreed to between Karnalyte and Wheatley on February 15, 2019.
263. I verily believe that, while the words of paragraph 4 of the Favreau Affidavit are true, Favreau’s omission of relevant facts gives a false impression of the true story.
264. Paragraph 4 of the Favreau Affidavit states: “*On or about September 11, 2019, before a written employment agreement could be formally executed, Karnalyte terminated the employment of the Applicant, without cause, with statutory pay in lieu of notice.*”
265. I verily believe the relevant facts that Favreau intentionally omits from paragraph 4 of the Favreau Affidavit is that did Favreau did not prepare and present a first draft of an employment agreement to Wheatley until the first week of September 2019, almost five (5) months after the CEO Offer Letter had been signed by Karnalyte and Wheatley, and only a few days before he was terminated.
266. I am advised by Wheatley, and verily believe, that Favreau was also not paying Wheatley the increase in his salary as CEO, agreed upon on February 14, 2020, and effective on or about April 5, 2019, until Wheatley demanded payment in the first week of September 2019, only a few days before he was terminated.
267. When I was the Interim CEO and KRN was hiring Wheatley as the President in 2018, I negotiated both the offer letter, and the formal employment agreement with Wheatley, and both documents were completed and executed within one (1) month of starting the negotiations.
268. I verily believe that Favreau was negligent and/or incompetent in taking two (2) months to prepare the CEO Offer Letter, and was also negligent and/or incompetent in taking almost five (5) months to prepare a draft CEO employment agreement for Wheatley.
269. Favreau admitted to me that it was her fault it took two (2) months to prepare the CEO Offer Letter.

Settlement Discussions

a) Good Faith Discussions

270. 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 their proposal to reconstitute the KRN Board with six (6) directors.

271. 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.
272. 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.
273. Notwithstanding these good faith suggestions, GSFC, the GSFC Nominees, the KRN Board and management held the Special Meeting.

b) Bad Faith

274. I verily believe that, in January 2021, the new GSFC MD 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.
275. 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:
 - bad faith on the part of GSFC and the GSFC Nominees;
 - 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 Shareholders' Frustration

276. I verily believe that the voting results of the Special Meeting reveal that a vast majority of the 62% of shareholders of KRN that aren't GSFC, support the position of the Concerned Shareholders.
277. I verily believe that GSFC, and the GSFC Nominees, continue to use their 38.73% ownership of KRN, and their control of the KRN Board, to pursue what is in the best interest of GSFC, and not what is in the best interest of all shareholders of KRN.
278. I verily believe that Favreau is complicit in the activities of GSFC and the GSFC Nominees as it allows her to keep her job.

No Choice but To Initiate Oppression Action

279. 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, and since Favreau was appointed Interim CEO in September 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.
280. 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.
281. I verily believe that the Concerned Shareholders had no choice but to initiate this action for oppression.


My Reasonable Expectations Not Met

282. 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 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 a long-standing, significant shareholder of KRN.

283. 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 24 day of January 2021.)



A Notary Public in and for
the Province of British Columbia)



WILLIAM TODD ROWAN)



Cindy L. Bratt
Barrister & Solicitor
2642 Fulford-Ganges Road
Salt Spring Island, B.C. V8K 1Z4

This is **Exhibit "A"** referred to in the Affidavit of William Todd Rowan sworn before me at Salt Spring Island, in the Province of British Columbia, this 24th day of January, 2021.

A handwritten signature in black ink, appearing to be 'A. B. H.', written in a cursive style.

A Notary Public in and for the
Province of British Columbia



Karnalyte Resources Inc.



PRE-FEASIBILITY REPORT

FOR

**SETTING UP OF 800 METRIC TONNE PER DAY
(MTPD) AMMONIA PLANT & 1200 MTPD
UREA PLANT ON LUMP SUM TURN KEY (LSTK)
BASIS AT SASKATOON, CANADA**

Prepared & Issued by



**GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED,
VADODARA**

30th November 2019

