

June 12, 2018

***Via Courier***

Alberta Securities Commission  
Suite 600, 250–5th St. SW  
Calgary, Alberta, T2P 0R4

Dear Sirs/Mesdames:

**Voting Irregularities at Annual General and Special Meeting of Karnalyte Resources Inc. held on June 7, 2018 in Saskatoon, Saskatchewan**

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We are local counsel to Robin Phinney, an individual resident in the Town of Okotoks, in the Province of Alberta ("**Phinney**") in connection with the solicitation of proxies in connection with an annual general and special meeting of the shareholders of Karnalyte Resources Inc. ("**Karnalyte**"), which occurred on June 7, 2018 (the "**Meeting**") in Saskatoon, Saskatchewan.

We are writing in order to draw your attention to certain voting irregularities that we witnessed at the Meeting. We are concerned with both the number of shares that voted at the Meeting in favour of management's proposed items of business, as well as a number of votes for dissident shareholders which appear not to have been counted. We are also concerned with the conduct of management of Karnalyte and their attempts to intimidate possible dissident shareholders.

Firstly, voter turnout has historically been relatively high for annual meetings of Karnalyte, falling between 12.17 million and 16.04 million shares voted since 2014, with an average of 14.42 million shares during the years 2014 to 2017 inclusive, representing slightly more than half of the shareholders of Karnalyte. However, the number of shares voted at the Meeting were an unusually large aberration from historical norms. At the Meeting, the shares voted were 18.25 million, representing almost 2/3 of the shares of Karnalyte and an increase of almost 4 million shares voted as compared to the historical average, or close to a 30% increase from the historical average. This was especially surprising given that many of the shareholders that Phinney spoke with had not received their proxy materials prior to the Meeting and the mailing of the Meeting materials appears to not have happened until the 21<sup>st</sup> day prior to the Meeting (based on the certificate of dissemination filed on SEDAR by the transfer agent for Karnalyte), being the very last day when materials could have been sent out in compliance with applicable securities laws, allowing for the minimum amount of time possible for shareholders to receive their proxy materials and vote their shares.

In addition to this, Phinney had been in contact with various individuals regarding voting their shares against the matters put forth by management and was also independently contacted by various shareholders that he knew personally and who provided him with evidence that they had voted their shares against management's proposed items of business. When Phinney attended the Meeting and asked the scrutineer for the numbers represented by these shareholders, the numbers provided to him did not match those that he was expecting based on the evidence presented to him ahead of the Meeting. The shares represented by dissident shareholders that Phinney knew or had been in contact with appear not to have been counted in many instances. In addition, most or all of the additional shares that voted

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at the Meeting appear to have voted in favour of management's proposals. It is also noteworthy that management hired a proxy solicitation firm, D.F. King, despite the fact that there was no active proxy battle and that Phinney did not even obtain an order from the Alberta Securities Commission to solicit proxies until less than a week prior to the Meeting. It is noteworthy that D.F. King is a company affiliated with AST Trust Company, Karnalyte's transfer agent, and therefore had access to the control numbers on shareholders proxies and was also able to reach out to shareholders who had previously voted and try to convince them to change their vote.

Lastly, management created an environment at the Meeting meant to stifle active discussion and debate and intimidate possible dissidents. Management hired a total of four (4) uniformed Saskatoon police officers who were present in the room during the Meeting and all of whom were carrying sidearms. Management could have easily hired a private security company if it had concerns about security at the Meeting, but instead chose to hire armed police officers in full uniform, which created a chilling effect on possible discussion and debate by the dissident shareholders about their concerns with how the company was being run and the actions of the management team. We can provide photographic and video evidence of the environment at the Meeting upon request.

It is also worth noting that my client, as well as another shareholder, David Van Dam, an individual resident in the Town of Kenora, in the Province of Ontario, both proposed certain nominees to be elected at the Meeting as far back as January, 2018, such nominees to be put forth as a shareholder proposal, and were rebuffed by management of Karnalyte as well as their counsel in such attempts. Often, management and their counsel would take a considerable amount of time to respond to these proposals and come up with various administrative or procedural reasons to refuse to include these proposals in any future annual meeting of shareholders of Karnalyte. These appear to be clear attempts to cause the proposals to fall outside of the applicable time limits for same and provide further reasons to deny the proposals being considered by the shareholders at an annual meeting of shareholders. As such, the actions of management and the board of directors of Karnalyte have been part of an orchestrated effort to entrench themselves and refuse to give the shareholders of Karnalyte the opportunity to have input on anything other than the status quo.

We would ask that the Alberta Securities Commission conduct an investigation into these allegations of voting irregularities and also be prepared to oversee any possible special shareholders meeting which may be requisitioned by Phinney in the near future.



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If you have any questions or concerns in respect of the foregoing, please do not hesitate to contact the undersigned. Thank you.

Yours truly,  
**EnerNEXT Counsel**

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