Consolidated Financial Statements and Report of Independent Certified Public Accountants

KARNAVATI HOLDINGS, INC. AND SUBSIDIARIES

March 31, 2019 and 2018

C O N T E N T S

GRANT THORNTON LLP
1201 Walnut Street, Suite 2200
Kansas City, MO 64106

D +1 816 412 2400
F +1 816 412 2404

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Karnavati Holdings, Inc.

We have audited the accompanying consolidated financial statements of Karnavati Holdings, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

GrantThornton

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Karnavati Holdings Inc. and subsidiaries as of March 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of income are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Kansas City, Missouri
May 20, 2019

CONSOLIDATED FINANCIAL STATEMENTS

Karnavati Holdings, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

March 31, 2019

(in thousands, except per share amounts)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 30,413	$ 27,588
Certificates of deposit	80,698	80,000
Accounts receivable, net	56,661	53,815
Other receivables	387	1,715
Inventories, net	60,730	58,569
Other current assets	2,088	472
Deferred tax assets	-	1,524
Total current assets	230,977	223,683
Property, plant, and equipment, net	217,482	205,561
Investment in joint venture	297	347
Intangible assets	400	400
Total assets	$ 449,156	$ 429,991
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Short term debt	$ -	$ 33,403
Accounts payable	35,191	42,991
Accrued salaries and wages	10,114	9,832
Other accrued liabilities	2,786	4,381
Total current liabilities	48,091	90,607
Other noncurrent liabilities	8,972	9,634
Long-term debt	34,676	-
Deferred tax liability	29,970	30,812
Total liabilities	121,709	131,053
Stockholder's equity		
Common stock, $0.10 par value per share; authorized, 300 shares; issued and outstanding, 100 shares	10	10
Additional paid-in capital	124,991	124,991
Retained earnings	202,446	173,937
Total stockholder's equity	327,447	298,938
Total liabilities and stockholder's equity	$ 449,156	$ 429,991

The accompanying notes are an integral part of these statements.

Karnavati Holdings, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2019

(in thousands)

	2019	2018
Net sales	$ 389,288	$ 374,055
Cost of goods sold - products	247,996	247,001
Cost of goods sold - shipping and handling	100,396	95,000
Gross profit	40,896	32,054
Selling, general, and administrative expenses	12,413	16,605
Income from operations	28,483	15,449
Other income (expense)		
Interest income	1,771	112
Interest expense	(177)	(943)
Total other income (expense)	1,594	(831)
Income before income taxes	30,077	14,618
Income taxes expense (benefit)	1,568	(22,231)
Net income	$ 28,509	$ 36,849

The accompanying notes are an integral part of these statements.

Karnavati Holdings, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

Years ended March 31, 2019 and 2018

(in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Total stockholder's equity
Balance, March 31, 2017	$ 10	$ 124,991	$ 137,088	$ 262,089
Net income	-	-	36,849	36,849
Balance, March 31, 2018	10	124,991	173,937	298,938
Net income	-	-	28,509	28,509
Balance, March 31, 2019	$ 10	$ 124,991	$ 202,446	$ 327,447

The accompanying notes are an integral part of this statement.

Karnavati Holdings, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2019

(in thousands)

	2019	2018
Cash flows from operating activities		
Net income	$ 28,509	$ 36,849
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and depletion	24,222	26,763
Amortization	-	270
Deferred taxes	682	(25,263)
Loss on investment in joint venture	284	253
Changes in operating assets and liabilities		
Accounts receivable	(2,846)	2,613
Other receivables	1,328	(1,076)
Inventories	(2,161)	(1,973)
Other current assets	(1,616)	(9)
Accounts payable, accrued salaries and wages, and other accrued liabilities	(4,625)	(506)
Other noncurrent liabilities	(662)	(1,192)
Net cash provided by operating activities	43,115	36,729
Cash flows from investing activities		
Purchases of property, plant, and equipment	(40,631)	(36,170)
Maturities of certificants of deposit	80,000	-
Investments in certficates of deposit	(80,698)	(80,000)
Investment in joint venture	(234)	(225)
Net cash used in investing activities	(41,563)	(116,395)
Cash flows from financing activities		
Proceeds from revolving credit facility	129,681	152,158
Repayments of revolving credit facility	(128,408)	(138,860)
Net cash provided by financing activities	1,273	13,298
Change in cash and cash equivalents	2,825	(66,368)
Cash and cash equivalents, beginning of year	27,588	93,956
Cash and cash equivalents, end of year	$ 30,413	$ 27,588
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	$ 1,596	$ 1,104
Taxes	2,367	648
Noncash investing activity		
Purchases of property, plant, and equiment in accounts payable	$ 1,416	$ 5,904

The accompanying notes are an integral part of these statements.

NOTE A - BASIS OF CONSOLIDATION AND NATURE OF BUSINESS

The consolidated financial statements include the accounts of Karnavati Holdings, Inc. and its wholly owned subsidiaries and affiliates, companies that it controls and those in which it holds a majority voting interest. These companies include Searles Valley Minerals Inc. (SVM) and subsidiaries (Searles Domestic Water Company LLC, Trona Railway Company LLC, and Searles Valley Minerals Europe S.A.S.) Karnavati Holdings, Inc. (Karnavati) and its direct and indirect subsidiaries are collectively referred to as the "Company." Karnavati was incorporated on November 20, 2007 and is a wholly owned subsidiary of Nirma Ltd. (Nirma or Parent). All intercompany balances have been eliminated in consolidation.

The Company is a producer and marketer of inorganic chemicals with mining and manufacturing sites in Trona, California. The Company's headquarters is located in Overland Park, Kansas. Its principal products are soda ash, sodium sulfate, and various boron based chemicals. These products serve a variety of markets, including agriculture, the chemical process industry, and glass manufacturing.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Cash and Cash Equivalents*

Cash and cash equivalents include cash, cash investments, and any highly liquid investments with original maturities of three months or less. The Company has cash balances with financial institutions that periodically exceed the limits of coverage provided by the Federal Deposit Insurance Corporation.

2. *Certificates of Deposit*

Certificates of deposit held for investment that are not debt securities with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as long-term assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Revenue Recognition and Accounts Receivable*

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606") that requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service. The Company adopted ASC 606 effective April 1, 2018 and noted the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. As a result, the Company's adoption does not materially change the amount or timing of its revenue streams. Accordingly, the Company did not record any transition adjustment upon adoption of ASC 606. Under ASC 606, substantially all of the Company's revenue is recognized at a point in time when control of the goods transfers to the customer.

During the comparative period, the Company typically recognized revenue at the time of shipment to the customer, which coincides with the transfer of title and risk of ownership to the customer. Sales represent billings to customers net of sales tax collected on product purchased by the customer.

Accounts receivable are due 30-90 days after delivery or according to the contract terms and are stated at amounts due from customers. Any accounts outstanding longer than their contractual payment terms are considered past due. The Company writes off accounts receivable when they are deemed to be uncollectible. The Company has historically had minimal write offs of accounts receivable.

4. *Inventories*

Raw materials and supply costs are carried at the lower of cost (first-in, first-out (FIFO) at the average cost method). Raw materials and supplies primarily consist of raw materials purchased for use in the production of inorganic chemicals, spare parts, maintenance materials, and packaging materials. Finished goods costs are determined by FIFO. Finished goods comprise inorganic chemicals and salt. All costs associated with the production of inorganic chemicals and salt are included in finished goods inventory. Finished goods also include logistics costs, which represent the Company's costs incurred to ship and store inventory at warehousing locations until the product is ultimately sold to the customer.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Property, Plant, and Equipment*

Property, plant, and equipment are stated at cost less accumulated depreciation and depletion. The costs of replacements or renewals that improve or extend the life of the existing property are capitalized. Upon retirement or disposition of an asset, any resulting gain or loss is included in the results from operations. Depreciation and depletion are computed by the straight-line method over the estimated useful lives of the respective classes of assets as follows:

Buildings and improvements	10 to 30 years
Machinery and equipment	2 to 25 years
Mineral reserves	200 years

Property, plant, and equipment to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require property, plant, and equipment to be tested for possible impairment, the Company reviews undiscounted cash flows at the lowest level for which identifiable cash flows exist compared to its carrying value. Impairment occurs when the carrying value of the asset exceeds the estimated future undiscounted cash flows generated by the asset. When impairment is indicated, an impairment charge is recorded for the difference between the carrying value of the asset and its fair market value. Depending on the asset, fair market value may be determined either by use of a discounted cash flow model or by reference to estimated selling values of assets in similar condition. There was no impairment for the years ended March 31, 2019 and 2018.

6. *Major Maintenance Activities*

Costs for major maintenance activities that are expected to benefit current and future periods and that extend the useful life of the related assets are separately capitalized in property, plant and equipment and are amortized over the estimated period until the next planned major maintenance activity or in the case of a restoration project, for the updated useful life of the asset.

7. *Intangible Assets*

The $400 trademark intangible asset is deemed to have an indefinite life and is not amortized but is reviewed annually for impairment.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Income Taxes*

Income taxes are accounted for using the liability method. Such method results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of the related assets and liabilities. Deferred tax assets are reduced by a valuation allowance when management believes it is more likely than not that they will not be realized, entirely or in part.

9. *Environmental Costs*

Environmental costs, other than those of a capital nature, are accrued at the time the obligation becomes probable and costs can reasonably be estimated. Costs are accrued based upon management's estimates of all direct costs. The Company does not accrue liabilities for unasserted claims that are not probable of assertion.

10. *Asset Retirement Obligations*

The Company recognizes and measures obligations related to the retirement of tangible long-lived assets. The retirement obligation must be one that results from the acquisition, construction, or normal operation of the long-lived asset. The legal obligation associated with the retirement of a tangible long-lived asset is recognized at fair value as a liability when incurred and the cost is capitalized by increasing the carrying amount of the related long-lived asset.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. *Fair Value of Financial Instruments*

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses the following fair value hierarchy, which requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The carrying amounts of accounts receivable and accounts payable approximated fair values at March 31, 2019 and 2018 because of the short maturities of these instruments. The carrying amounts of long-term debt, including short term debt, approximated fair value as of March 31, 2019 and 2018, due to the variable nature of the debt's interest rate. .

12. *Concentration of Credit Risk*

The Company's products are sold throughout North America and internationally. No single customer or group of affiliated customers accounts for more than 10% of the Company's net sales for the years ended March 31, 2019 or 2018. No single customer accounted for more than 10% of the Company's accounts receivable as of March 31, 2019 or 2018. Net sales to customers outside North America aggregated 34% and 33% of total net sales for the years ended March 31, 2019 and 2018, respectively. Receivables from customers outside North America aggregated 31% and 38% of total receivables as of March 31, 2019 and 2018, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. *Joint Venture*

The Company and FRM Refined Fuels LLC (FRM), collectively, the "Investors", formed FRM Trona Fuels, LLC (FTF) on October 26, 2011 to lease, develop, construct, own, and operate a refined coal facility at the Company's Trona, California manufacturing site. FTF's business is to purchase raw coal, apply a treatment to the raw coal to reduce pollutant emissions, and subsequently sell the refined coal. FTF expects to generate tax credits for the Investors (See Note H Income Taxes for credits earned). To qualify for the tax credit, FTF must produce a refined coal from raw coal, and show that the refined coal, when burned to produce steam, has lower emission than raw coal. SVM is a 49% owner of FTF, and FRM is a 51% owner of FTF and manager of FTF. The Company has accounted for their interest in FRM as an equity method investment. The Investors have a contractual obligation to make annual capital contributions to FRM to keep FRM solvent until November 2021. The Company does not believe the annual contribution will exceed $500 in any year. For the years ended March 31, 2019 and 2018, the Company contributed $234 and $225, respectively.

14. *Management Estimates*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant estimates include inventory reserves for lower of cost or market, obsolete, and slow-moving supplies inventory; estimated lives used for calculation of depreciation and amortization; accruals for environmental liabilities; self-insurance reserves; legal liabilities; recoverability of deferred tax assets, port commitments and other accruals. Actual results could differ from those estimates.

15. *Recent Accounting Pronouncements*

In November 2015, FASB issued ASU-2015-17, Income Taxes (Topic 740): *Balance Sheet Classification of Deferred Taxes*. This ASU requires the presentation of all deferred tax assets and liabilities as non-current in the consolidated balance sheet. The new guidance is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management elected to adopt this guidance effective with fiscal year 2019 and will apply the changes prospectively. Adoption of this ASU did not materially impact the Company's consolidated financial position, and had no impact on the Company's net income or cash flows.

NOTE C - REVENUES

As discussed in Note B, the Company adopted ASC 606 effective April 1, 2018 using the modified retrospective method applied to contracts which were not completed as of April 1, 2018. The standard was applied prospectively and the comparative information for 2018 has not been restated and continues to be reported under the accounting standards in effect for the prior period. The Company did not identify any material differences in its existing revenue recognition methods that required modification under the new standard and, as such, a cumulative effect adjustment of applying the standard using the modified retrospective method was not recorded. Additionally, there were no contract assets or liabilities as of March 31, 2019. The adoption of the new revenue guidance resulted in expanded disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers.

1. *Nature of Products and Services*

The Company has one product segment, inorganic chemicals, which includes soda ash, sodium sulfate and various boron based chemicals.

2. *Identifying the Contract*

The Company accounts for a customer contract when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

3. *Identifying the Performance Obligations*

At contract inception, the Company assesses the goods and services it has promised to its customers and identifies a performance obligation for each promise to transfer to the customer a distinct good or service (or bundle of goods or services). Determining whether products and services are considered distinct performance obligations that should be accounted for separately or aggregated together may require significant judgment.

4. *Identifying and Allocating the Transaction Price*

The Company's revenues are measured based on consideration specified in the customer contract, net of any sales incentives and amounts collected on behalf of third parties such as sales taxes. The Company's contracts generally consist of a single performance obligation to transfer promised goods or services. As a result, the Company does not have to allocate the transaction price.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *When Performance Obligations Are Satisfied*

The vast majority of the Company's revenues are recognized at a point in time when the performance obligations are satisfied based upon transfer of control of the product or service to a customer. To determine when the control of goods is transferred, the Company typically assesses, among other things, the shipping terms of the contract, as shipping is an indicator of transfer of control. Most of the Company's products are sold when the control of the goods transfers to the customer at the time of shipment.

6. *Significant Payment Terms*

The customer contract states the final terms of the sale, including the description, quantity and price of each product or service purchased. Payment is typically due in full within 30 to 90 days of delivery. As a practical expedient, the Company does not adjust consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

7. *Refunds, Returns and Warranties*

The Company's products are generally not sold with a right of return and the Company does not generally provide material credits or incentives, which may be required to be accounted for as variable consideration when estimating the amount of revenue to be recognized. The Company uses historical experience to estimate accruals for refunds due to manufacturing or other defects.

8. *Practical Expedients and Accounting Policy Elections*

Upon adoption of the guidance, the Company elected (i) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Company recognized such revenue for all periods prior to the date of initial application of the new guidance, (ii) not to adjust the amount of consideration for the effects of a significant financing component when the Company expects, at contract inception, that the period between the Company's transfer of a product or service to a customer and when the customer pays for that product or service will be one year or less, (iii) to expense costs to obtain a contract as incurred for costs when the Company expects that the amortization period would have been one year or less, (iv) not to recast revenue for customer contracts that begin and end in the same fiscal period, and (v) not to assess whether promised goods or services are performance obligations if they are immaterial in the context of the customer contract.

See Note L for disaggregation of revenue by geographical region.

KARNAVATI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

March 31, 2019 and 2018

(in thousands)

NOTE D - INVENTORIES

Inventories consisted of the following at March 31,

	2019	2018
Finished goods	$ 35,956	$ 32,948
Raw materials	7,563	8,465
Supplies	25,101	23,751
Reserves	(7,890)	(6,595)
	$ 60,730	$ 58,569

NOTE E - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at March 31,

	2019	2018
Land and improvements	$ 2,726	$ 2,726
Buildings and improvements	3,685	3,685
Machinery and equipment	390,160	378,981
Mineral reserves	33,882	33,882
Construction in progress	55,302	30,338
	485,755	449,612
Less accumulated depreciation and depletion	(268,273)	(244,051)
	$ 217,482	$ 205,561

The Company capitalized interest of $1,278 and $200 for the years ended March 31, 2019 and 2018, respectively, related to construction in progress.

KARNAVATI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

March 31, 2019 and 2018

(in thousands)

NOTE F - INTANGIBLE ASSETS

Intangible assets and the related accumulated amortization are summarized as follows:

	March 31, 2019		
	Gross carrying amount	Accumulated amortization	Net book value
Nonamortized intangible assets			
Trademark	$ 400	$ -	$ 400
	$ 400	$ -	$ 400

	March 31, 2018		
	Gross carrying amount	Accumulated amortization	Net book value
Nonamortized intangible assets			
Trademark	$ 400	$ -	$ 400
	$ 400	$ -	$ 400

Amortization expense of $0 and $270 for the years ended March 31, 2019 and 2018, respectively. Estimated annual amortization expense for the year ending March 31, 2020 is $0.

NOTE G - DEBT

Debt consisted of the following at March 31,

	2019	2018
Former revolving credit facility, interest paid monthly, bearing an interest rate of 2.9142% at March 31, 2018	$ -	$ 33,403
New revolving credit facility, interest paid monthly, bearing a weighted average interest rate of 3.7114% at March 31, 2019	$ 34,676	$ -
Less current maturities	-	33,403
	$ 34,676	$ -

NOTE G - DEBT - Continued

On March 1, 2019 the Company terminated the former credit facility and entered into a New Revolving Credit Facility. The New Revolving Credit Facility is a $65 million revolving credit facility secured by the Company's accounts receivable, inventory, and property, plant, and equipment. The New Revolving Credit Facility expires on February 28, 2022. The Company can borrow $65 million less outstanding letters of credit subject to certain financial covenants. The Former Revolving Credit Facility, via a lender associated with both credit facilities, will continue to secure the existing letters of credit as of March 31, 2019 until expiration. The New Revolving Credit Facility will secure all new letters of credit initiated after March 31, 2019. The Company had outstanding letters of credit totaling $7,161 at both March 31, 2019 and 2018. Available borrowings as of March 31, 2019 and 2018 were $23,163 and $24,436, respectively.

Loans under the New Revolving Credit Facility bear interest at the Company's option at either:

- A Base Rate, one-month LIBOR plus 0.95%
- Commercial Bank Floating Rate less 0.05%.

The unused portion of the New Revolving Credit Facility is subject to an unused line fee of 0.20%.

The New Revolving Credit Facility also requires quarterly maintenance of a SVM consolidated fixed charge ratio (as defined in the New Revolving Credit Facility) of at least 2.00 to 1.00, an adjusted tangible net worth of at least $165,000 and an SVM consolidated total leverage ratio (as defined in the New Revolving Credit Facility) of at least 3.00 to 1.00. At March 31, 2019, the Company was in compliance with all financial covenants of the New Revolving Credit Facility.

(in thousands)

NOTE H - INCOME TAXES

Income tax expense (benefit) consisted of the following at March 31,

	2019	2018
Federal		
Current	$ (1,419)	$ 1,547
Deferred	1,588	(26,350)
	169	(24,803)
State		
Current	2,335	1,504
Deferred	(905)	1,087
	1,430	2,591
Foreign		
Current	(31)	(19)
	$ 1,568	$ (22,231)

For the years ended March 31, 2019 and 2018, the provisions for income taxes are different than expected from applying statutory rates to pretax income. The difference is predominately due to the impact resulting from the enactment of the Tax Cuts and Jobs Act (the "Tax Act") and permanent tax differences, primarily depletion and domestic production deduction. On December 22, 2017, the U.S. government enacted comprehensive tax legislation. The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent effective January 1, 2018; (2) eliminating the Section 199 deduction for tax years beginning in 2018; (3) extending bonus depreciation that will allow for full expensing of qualified property; and, (4) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized.

The Company earned tax credits for refined coal treatments related to the joint venture with FRM (See Note B (13) Joint Venture). The Company earned refined coal tax credits of $2,123 and $1,659 for the years ended March 31, 2019 and 2018, respectively.

(in thousands)

NOTE H - INCOME TAXES - Continued

Deferred federal income taxes result from temporary differences between the amounts of assets and liabilities reported for financial reporting purposes and income tax purposes. The components of the deferred tax assets and the deferred tax liabilities are as follows as of March 31,

	2019	2018
Deferred income tax assets:		
Inventories	$ 597	$ 768
Other accrued liabilities	1,366	1,205
Other noncurrent liabilities	2,891	2,856
State net operating loss carryforward	2	12
Non R&E general business credit carryforward	-	460
Alternative minimum tax credit carryforward	4,755	7,767
Total gross deferred income tax assets	9,611	13,068
Less valuation allowance	(2,359)	(1,977)
Net deferred income tax assets	7,252	11,091
Deferred income tax liabilities:		
Property, plant, and equipment	(35,914)	(40,031)
Intangible assets	(105)	(105)
Other current assets	(176)	(145)
Other noncurrent assets	(1,027)	(98)
Total gross deferred income tax liabilities	(37,222)	(40,379)
Net deferred income tax liabilities	$ (29,970)	$ (29,288)
Current deferred tax assets - net	$ -	$ 1,524
	(29,970)	(30,812)
	$ (29,970)	$ (29,288)

NOTE H - INCOME TAXES - Continued

The Securities and Exchange Commission ('SEC') issued Staff Accounting Bulletin No. 118 ('SAB 18') to address the application of accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act. While the views and interpretations of the SEC staff are not directly applicable to private companies, the Financial Accounting Standards Board ('FASB'), in its Staff Q&A Topic 740 No. 1, concluded that private companies may elect to apply SAB 118 in its entirety based on the longstanding practice of private companies electing to apply SABs. The Company's accounting for the material income tax effects of the Act was complete and appropriately reflected in the financial statements for the period ending March 31, 2019.

At March 31, 2019 and 2018, the Company had federal and California alternative minimum tax (AMT) credit carryforwards of approximately $4,755 and $7,767, respectively, which may be carried forward indefinitely. The Tax Act repealed AMT at the federal level and made any AMT credit carryforwards refundable effective for tax years beginning after December 31, 2017. As a result, for the period ending March 31, 2018, the Company removed the valuation allowance associated with the federal AMT credits. As of March 31, 2019, California has not conformed to the "Tax" Act's provision regarding the repeal of AMT. Thus, due to the nature of the items giving rise to the AMT credit carryforwards, the utilization of the California AMT credit carryforwards is uncertain. Accordingly, the Company has recorded a valuation allowance of $2,359 and $1,977 as at March 31, 2019 and 2018, respectively. The Company believes the results of future operations will generate sufficient taxable income to realize the benefit of the remaining deferred tax assets.

NOTE H - INCOME TAXES - Continued

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and one international jurisdiction. Tax years ending after fiscal 2015 remain subject to examination and assessment. However, the federal and state loss and credit carryforwards and amounts utilized in open years are also open for potential adjustment. As of the date of these financial statements, there are no ongoing examinations.

During the years ended March 31, 2019 and 2018, the Company had no uncertain tax positions. A tax position is a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more-likely-than-not” test, no tax benefit is recorded. The Company records tax interest & penalties as a pretax expense in interest expense.

NOTE I - EMPLOYEE BENEFIT PLANS

The Company has a 401(k) retirement savings and investment plan covering substantially all employees. Contributions are made to this plan by participants through voluntary salary deferral and by the Company in accordance with the terms of the plan. Expense under these benefit plans was $3,430 and $3,278 for the years ended March 31, 2019 and 2018, respectively.

The Company offers a variety of health and welfare plans to active employees. No company-sponsored health and welfare benefit plans are offered to retirees.

(in thousands)

NOTE J - COMMITMENTS AND CONTINGENCIES

1. *Litigation*

In the ordinary course of business, the Company is involved in various legal and administrative proceedings. The Company establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management currently believes that resolving claims against the Company will not have a material impact on the liquidity, results of operations, or financial condition of the Company. However, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

2. *Leases*

The Company leases certain property and equipment under noncancelable operating leases for varying periods.

The aggregate minimum annual rentals under lease arrangements are as follows:

Year ended March 31,	Amount
2020	$ 9,696
2021	5,516
2022	3,873
2023	3,848
2024	3,587
Thereafter	4,994
	$ 31,514

Rent expense for operating leases was $10,813 and $11,537 for the years ended March 31, 2019 and 2018, respectively.

A minimum of once during the life of the agreement, the Company's railcar lease agreements require the Company to maintain their leased railcars by abrasive blasting and subsequently painting the exterior. The agreements mature between 2018 and 2021, and the estimated remaining obligation as of March 31, 2019 to fulfill this requirement is $1,214.

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

3. *Self-Insurance*

The Company is self-insured for certain employee health benefits ($250 annually per employee with no annual aggregate) and workers' compensation ($750 per accident). Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The liability is included in current other accrued liabilities and other noncurrent liabilities.

At March 31, 2019 and 2018, the Company recorded a liability of $1,237 and $1,250, respectively, in other accrued liabilities for self-insured medical costs. At March 31, 2019 and 2018, the Company recorded a liability of $5,987 ($1,105 classified in other accrued liabilities and $4,882 in other noncurrent liabilities) and $6,418 ($1,193 classified in other accrued liabilities and $5,225 in other noncurrent liabilities), respectively, for self-insured worker's compensation costs.

4. *Royalties*

A substantial portion of the land used in the Company's operations in Searles Valley, California is owned by the U.S. government. The Company pays a royalty to the U.S. government of 5% on the net sales value of the minerals extracted from government land. The leases generally have a term of 10 years with preferential renewal options. Royalty expense included in cost of goods sold – products was $9,815 and $9,761 for the years ended March 31, 2019 and 2018, respectively.

5. *Purchase Commitments*

As of March 31, 2017, the Company has entered into supply contracts to purchase coal. The purchase commitments have been for amounts to be consumed within the normal production process, and thus, the Company has determined that these contracts meet normal purchases and sales exceptions as defined under U.S. Generally Accepted Accounting Principles. As such, these contracts have been excluded from recognition within these financial statements until the actual contracts are physically settled. The purchase commitments for coal are with two suppliers and require the Company to purchase a minimum usage. Future minimum purchases remaining under the coal agreement are $17,515 through December 31, 2020.

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

6. *Sales Commitments*

The Company has various agreements with customers to sell specified amounts of sodium sulfate, soda ash, salt, and boron products over a period of 1 to 3 years at fixed sales prices and minimum quantities. Management does not anticipate any significant losses from these contracts.

7. *Minimum Annual Guarantee*

The Company's shipments through the San Diego and Long Beach, California ports require a minimum annual guaranty (MAG). The Port of San Diego requires that the Company ship a minimum amount of tons at a fixed wharfage charge through the port on an annual basis through expiration of the agreement. The Port of Long Beach requires that the Company ship an annual minimum tonnage through the port at the basis rates. The San Diego port agreement expires in February 2020 and the Long Beach port agreement expires in May 2020. For the San Diego port, The Company recorded $832 and $1,662 in unfulfilled MAG commitments as of March 31, 2019 and 2018, respectively, which are included in accounts payable. Future MAG commitments on the San Diego and Long Beach ports through the respective contract expiration dates are $576 and $5,561, respectively.

8. *Environmental Matters*

At March 31, 2019 and 2018, the Company recorded accruals $2,716 ($80 classified in other accrued liabilities and $2,636 in other noncurrent liabilities) for future costs associated with environmental matters.

NOTE K - RELATED-PARTY TRANSACTIONS

The Company had sales of $40 and $95 for the years ended March 31, 2019 and 2018, respectively, and accounts payable of $0 and $4 as of March 31, 2019 and 2018, respectively, with its parent.

KARNAVATI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

March 31, 2019 and 2018

(in thousands)

NOTE L - REVENUE BY REGION

Region	2019	2018
Domestic	$ 183,330	$ 192,314
International	205,958	181,741
	$ 389,288	$ 374,055

NOTE K - SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through May 20, 2019, the date on which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.

SUPPLEMENTARY INFORMATION

Karnavati Holdings, Inc. and Subsidiaries

CONSOLIDATING BALANCE SHEET

March 31, 2019

(in thousands)

	Searles Valley Minerals Europe, S.A.S.	Trona Railway Company, LLC	Searles Domestic Water Company, LLC	Searles Valley Minerals Inc. (SVM)	SVM eliminations	SVM consolidated	Karnavati Holdings, Inc. (KHI)	KHI eliminations	KHI consolidated
Current assets									
Cash and cash equivalents	$ 394	$ -	$ 182	$ 1,782	$ -	$ 2,358	$ 28,055	$ -	$ 30,413
Certificates of deposit	-	-	-	-	-	-	80,698	-	80,698
Accounts receivable, net	12	9	43	56,597	-	56,661	-	-	56,661
Other receivables	20	-	-	242	(13)	249	138	-	387
Inventories, net	-	53	112	60,565	-	60,730	-	-	60,730
Other current assets	17	-	5	2,066	-	2,088	-	-	2,088
Total current assets	443	62	342	121,252	(13)	122,086	108,891	-	230,977
Property, plant, and equipment, net	5	4,766	427	212,284	-	217,482		-	217,482
Investment in joint venture	-	-	-	69,822	(69,525)	297	218,150	(218,150)	297
Intangible assets, net	-	-	-	400	-	400	-	-	400
Total assets	$ 448	$ 4,828	$ 769	$ 403,758	$ (69,538)	$ 340,265	$ 327,041	$ (218,150)	$ 449,156
Current liabilities									
Accounts payable	19	10,139	24	25,009	-	35,191	-	-	35,191
Accrued salaries and wages	56	325	-	9,733	-	10,114	-	-	10,114
Other accrued liabilities	(44)	-	12	3,395	(13)	3,350	(564)		2,786
Total current liabilities	31	10,464	36	38,137	(13)	48,655	(564)	-	48,091
Due to parent	(85)	(73,592)	(334)	73,853	-	(158)	158	-	-
Other noncurrent liabilities	-	-	-	8,972	-	8,972	-	-	8,972
Long Term Debt	-	-	-	34,676	-	34,676	-	-	34,676
Deferred tax liability	-	-	-	29,970	-	29,970	-	-	29,970
Total liabilities	(54)	(63,128)	(298)	185,608	(13)	122,115	(406)	-	121,709
Stockholder's equity									
Common stock	-	-	-	-	-	-	10	-	10
Additional paid-in capital	744	29,435	372	201,920	(32,959)	199,512	124,991	(199,512)	124,991
Retained earnings	(242)	38,521	695	16,230	(36,566)	18,638	202,446	(18,638)	202,446
Total stockholder's equity	502	67,956	1,067	218,150	(69,525)	218,150	327,447	(218,150)	327,447
Total liabilities and stockholder's equity	$ 448	$ 4,828	$ 769	$ 403,758	$ (69,538)	$ 340,265	$ 327,041	$ (218,150)	$ 449,156

Karnavati Holdings, Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF INCOME

March 31, 2019

(in thousands)

	Searles Valley Minerals Europe, S.A.S.	Trona Railway Company, LLC	Searles Domestic Water Company, LLC	Searles Valley Minerals Inc. (SVM)	SVM eliminations	SVM consolidated	Karnavati Holdings, Inc. (KHI)	KHI eliminations	KHI consolidated
Net sales	$ 1,970	$ 10,397	$ 595	$ 388,511	$ (12,185)	$ 389,288	$ -	$ -	$ 389,288
Cost of goods sold - products	1,866	7,496	522	250,297	(12,185)	247,996	-	-	247,996
Cost of goods sold - shipping and handling	81	-	-	100,315	-	100,396	-	-	100,396
Gross Profit	23	2,901	73	37,899	-	40,896	-	-	40,896
Selling, general and administrative expenses	169	-	-	12,244	-	12,413	-	-	12,413
Income from operations	(146)	2,901	73	25,655	-	28,483	-	-	28,483
Interest income	-	-	-	-	-	-	1,771	-	1,771
Interest expense	-	-	-	(500)	-	(500)	323	-	(177)
Income (loss) from subsidiary	-	-	-	2,859	(2,859)	-	26,958	(26,958)	-
Income (loss) before taxes	(146)	2,901	73	28,014	(2,859)	27,983	29,052	(26,958)	30,077
Income taxes (benefit)	(31)			1,056		1,025	543		1,568
Net income	$ (115)	$ 2,901	$ 73	$ 26,958	$ (2,859)	$ 26,958	$ 28,509	$ (26,958)	$ 28,509