



Report Under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada)

For the Financial Year Ended December 31, 2023

May 28, 2024

1. INTRODUCTION

This report (the “**Report**”) is made by Birchcliff pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the “**Act**”). This Report constitutes our forced labour and child labour report for the financial year ended December 31, 2023 and outlines the steps Birchcliff took during the year to prevent and reduce the risk that forced labour or child labour is being used in our business and supply chains.

At Birchcliff, we are committed to ensuring that we adhere to modern slavery reporting requirements. We will continue to evaluate and assess our processes with respect to forced and child labour in our business over time to ensure we are meeting all applicable reporting requirements and other legislation relating to modern slavery.

References to “**Birchcliff**”, the “**Corporation**”, “**we**”, “**us**” and “**our**” mean Birchcliff Energy Ltd. Unless otherwise indicated, all information contained herein is given at or for the financial year ended December 31, 2023. Certain terms used in this Report have the meanings ascribed to such terms in the Act.

2. STEPS TAKEN TO PREVENT AND REDUCE THE RISKS OF FORCED LABOUR OR CHILD LABOUR IN 2023

During 2023, Birchcliff took the following steps to prevent and reduce the risk of forced labour or child labour in our business and supply chains:

- engaged internal and external legal counsel to assess the legislative framework and advise Birchcliff on its requirements and effects on the Corporation;
- established an internal working group (the “**Working Group**”) composed of representatives from our Corporate Responsibility and Legal teams to review the impact of the Act on Birchcliff and to review our current policies and procedures as they relate to forced and child labour;
- conducted a review of the Corporation’s current policies and procedures, including Birchcliff’s contractor management system (the “**CMS**”), as they relate to risks and responsibilities associated with forced and child labour;
- completed a preliminary examination of our supply chain in order to identify goods, activities and suppliers of goods and/or services (“**Suppliers**”) that may have a heightened risk of forced or child labour; and
- provided a formal training session for our employees to ensure that employees are aware of the Act and its requirements and to heighten awareness regarding forced and child labour.

3. ABOUT BIRCHCLIFF

Structure and Activities

Birchcliff is an intermediate oil and natural gas company based in Calgary, Alberta that is engaged in the business of exploring for, developing and producing natural gas and light oil, condensate and other natural gas liquids (collectively, “**liquids**”). All of our assets and operations are located in the Province of Alberta, where we are focused on the Montney/Doig Resource Play. Within the Montney/Doig Resource Play, Birchcliff is focused on two key operating areas: Pouce Coupe and Gordondale.

Birchcliff is amalgamated under the *Business Corporations Act* (Alberta) and our registered and head office is located at Suite 1000, 600 – 3rd Avenue S.W., Calgary, Alberta T2P 0G5. Birchcliff’s common shares are listed on the Toronto Stock Exchange under the trading symbol “**BIR**”. Birchcliff does not have any subsidiaries.

At December 31, 2023, Birchcliff had 218 employees (137 head office employees and 81 field employees). Our employee base largely consists of oil and gas professionals, including engineers, geologists, information technology specialists, corporate and administrative professionals, as well as field technical staff and facility operators. In addition, the Corporation hires skilled contractors to perform drilling operations, well completions and other field service operations.

Additional information regarding our structure and operations is contained in our Annual Information Form for the financial year ended December 31, 2023, which can be found on SEDAR+ at www.sedarplus.ca and on the Corporation's website at www.birchcliffenergy.com.

Supply Chains

Birchcliff procures goods and services related to the exploration and production of natural gas and liquids in Alberta, Canada. The services include, among other things, those relating to the drilling, completion and tying-in of wells, construction activities and the maintenance of our facilities, as well as engineering and professional services. Birchcliff procures manufactured goods, including pipes, pumps, valves, compressors, motors, electronic components and other engineered components, as well as corporate office supplies and various minor consumer goods for promotional and general corporate purposes.

Birchcliff works with a wide range of Suppliers in the procurement of its goods and services, the vast majority of whom are located in Canada. In the event that the goods or services required by Birchcliff are unavailable from Canadian manufacturers, Birchcliff may source such required goods or services internationally, though international procurement has historically been conducted primarily through distributors located in Canada.

4. POLICIES AND DUE DILIGENCE

Ethics Policy

Birchcliff's Ethics Policy requires that each of our employees, contractors and consultants are to act lawfully, honestly and in good faith in all dealings with Birchcliff, its employees, contractors and consultants and third parties with whom we have business relationships. As a corporation incorporated in and operating exclusively in Alberta, Canada, the requirements of our Ethics Policy mean that all employees, contractors and consultants working for or with us are required to follow all laws in force in Alberta, Canada, including those relating to modern slavery.

Birchcliff is in the process of developing a more comprehensive Code of Business Conduct and Ethics, which will replace the Ethics Policy and contain specific provisions regarding forced and child labour.

Master Supply Agreements and Contractual Arrangements

Birchcliff endeavours to utilize, where reasonable, standard forms of supply chain contracts for the procurement of goods and services from its Suppliers. These agreements include our master supply agreement ("**MSA**"), which is typically used for the procurement of goods and services in excess of certain financial thresholds and/or higher risk profiles, and our standard purchase order terms and conditions ("**T&Cs**"), which is typically used for the procurement of goods and services with lower financial thresholds and/or risk profiles. Our MSA and T&Cs both contain the following provisions that are relevant to Birchcliff's processes for countering modern slavery in our business and supply chains:

- they require that the Supplier comply at all times with applicable laws in the performance of its obligations under the agreement, which would include laws prohibiting the procurement of goods or provision of services that utilize forced or child labour;
- they require that the Supplier comply with Birchcliff policies; and

- they require that the Supplier ensure that its personnel (including subcontractors) comply with the terms and conditions of the agreement, which includes compliance with all applicable laws and Birchcliff policies.

Each of our MSA and T&Cs provide that the agreement may be terminated by Birchcliff immediately should the Supplier be in breach of the agreement. Accordingly, in the event that we become aware of the use of forced or child labour in the supply chain of one of our Suppliers pursuant to a MSA or our T&Cs, Birchcliff has the ability to terminate our agreement with that Supplier with immediate effect.

Contractor Management System (CMS)

Birchcliff utilizes a CMS to assist us in reviewing and monitoring contractor compliance with Birchcliff's requirements. During 2023, Birchcliff conducted a review of its CMS to assess how such system could be used to manage the risk that forced and child labour were being used in Birchcliff's supply chains. Birchcliff's CMS includes a contractor assessment questionnaire relating to our Suppliers' policies, procedures and training. This questionnaire includes questions with respect to environmental, social and governance performance, including with respect to human rights and modern slavery.

Subsequent to December 31, 2023, Birchcliff conducted a review of how many Suppliers required to utilize the CMS had completed the questionnaire. As of the date of this Report, approximately 97% of our existing Suppliers required to utilize the CMS have completed the questionnaire, with approximately 33% of Suppliers in our CMS confirming they have a policy in place to condemn forced labour. Additionally, new Suppliers who are required to participate in the CMS are required to complete this questionnaire.

In certain situations where the Supplier is under Birchcliff's financial thresholds and/or there will be limited interaction between Birchcliff and the Supplier, for example the purchase of office supplies and general corporate and promotional items, Birchcliff does not require that the Supplier participate in its CMS. In such circumstances, Birchcliff generally utilizes large, reputable distributors located in Canada and, where possible, purchases products from well-known manufacturers.

5. ASSESSING AND MANAGING RISK

All of Birchcliff's business operations are located in Alberta, Canada and our employee base largely consists of oil and gas professionals and field technical staff and facility operators. All of our business operations are carried out in compliance with applicable labour, employment and occupational health and safety laws, including those governing minimum working age and working conditions. Accordingly, we believe that there is no appreciable risk of forced labour or child labour in our direct operations. Therefore, we have not adopted any specific due diligence processes aimed at identifying instances of forced labour or child labour in our direct operations over and above our general processes and procedures for monitoring compliance with the laws and regulations applicable to our business.

We believe that our greatest risk exposure to forced labour and child labour is through Suppliers and the primary sources of these risks come from Suppliers procuring goods that are sourced or manufactured in high-risk countries and sectors. During 2023, Birchcliff's Working Group conducted a preliminary examination of our supply chain and Suppliers in order to identify any heightened risks of forced or child labour. This examination included the following:

- The identification of countries and regions where there is a comparatively high prevalence of forced labour and child labour and a list of goods that have a higher risk of being produced by child labour or forced labour in high-risk jurisdictions.⁽¹⁾

(1) High-risk countries are based on data from the Global Slavery Index at walkfree.org. High-risk goods are based on the 2022 List of Goods Produced by Child Labor or Forced Labor, U.S. Department of Labor, Bureau of International Affairs.

- The creation and review of a detailed list of all of the Corporation’s direct Suppliers to determine whether any of Birchcliff’s direct Suppliers of goods were domiciled in a country or region that was identified as being high-risk.
- The initiation of a review of the goods that have been and are expected to be procured by the Corporation in order to determine which, if any, products procured by Birchcliff carry a high risk of exposure to forced labour or child labour.

Given that greater than 99% of our total Supplier spend is to Suppliers located in Canada, we consider the overall risk of modern slavery being present with our direct Suppliers to be very low. At December 31, 2023, Birchcliff did not identify any goods that were directly procured by Birchcliff which have been identified as being produced through the use of forced or child labour.

6. REMEDIATION MEASURES

In 2023, Birchcliff did not identify any instances of forced labour or child labour in its operations or supply chain and therefore remediation measures were not required. If a situation of non-compliance is identified in the future, Birchcliff will work to implement corrective actions to remedy the situation.

7. EMPLOYEE TRAINING

In 2023, we provided a formal training session for our employees to ensure that employees are aware of the Act and to heighten awareness regarding forced and child labour. The training was developed and conducted by external legal counsel and all of Birchcliff’s head office and field employees were invited to attend. The objectives of the training were as follows:

- to make employees aware of the requirements of the Act;
- to provide employees with an understanding of forced and child labour, including how to recognize signs of forced and child labour; and
- to make employees aware of their obligations and the implications of forced and child labour for Birchcliff.

In addition to the foregoing, we provide training regarding our safety commitments and the Ethics Policy when onboarding new staff.

8. EFFECTIVENESS

Other than the actions described in this Report, no actions were taken by Birchcliff in 2023 to assess our effectiveness in ensuring that forced labour and child labour are not being used in our business and supply chains.

9. APPROVAL AND ATTESTATION

This Report was approved by the Board of Directors of Birchcliff Energy Ltd. pursuant to Section 11(4)(a) of the Act.

In accordance with the requirements of the Act, and in particular Section 11 thereof, I attest that I have reviewed the information contained in the Report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind Birchcliff Energy Ltd.

(Signed) *"A. Jeffery Tonken"*

A. Jeffery Tonken
Chairman of the Board of Directors

Calgary, Alberta
May 28, 2024