

2023 Report on the Fighting Against Forced Labour and Child Labour in Supply Chains Act

This report is made pursuant to section 11 of Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act").

This report has been prepared by Advantage Energy Ltd. ("Advantage") (TSX: AAV) and reflects key supply chain information for the period between January 1, 2023, and December 31, 2023. All information in this report has been prepared on a consolidated basis, including Entropy Inc. ("Entropy"), a subsidiary of Advantage. The terms "Advantage", "Advantage Energy Ltd.", the "Company", the "Corporation", "we", "us", "our", and similar terms refer to Advantage Energy Ltd. and its subsidiaries, including Entropy Inc.

The steps the Company has taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the Company or of goods imported into Canada by the Company:

a) Structure, activities and supply chains

Advantage

Advantage is a growth-oriented energy corporation headquartered in Calgary, Alberta, Canada with a significant position in the Montney natural gas and liquids resource play and operating entirely in Canada at Glacier, Wembley/Pipestone, Valhalla, and Progress, Alberta and as of 2023, in the Conroy area of British Columbia.

Advantage conducts exploration, development, production, processing, marketing, abandonment, and reclamation activities, utilizing suppliers from Canada and the United States. Some examples of the services or goods required for Advantage operations include, drilling and completions, related equipment, trucking/freight, operations and maintenance, engineering and construction, information technology, consulting, engineering and construction, and others.

Entropy

Entropy, a subsidiary of Advantage, is a global leader in Modular Carbon Capture and Storage™ (MCCS™) solutions, headquartered in Calgary, Alberta, Canada. Entropy offers energy-efficient integration of multiple patented and patent-pending technologies to provide full-cycle solutions for customers. Entropy has designed, built, and operates the only natural gas post-combustion carbon capture and storage ("CCS") facility in the world at Advantage's Glacier Gas Plant located in Alberta, Canada.

Entropy's business is focused on research and development, project development and operations, and proprietary technology offerings, including Modular Carbon Capture™, Integrated Carbon Capture and Storage™, Entropy Heat Capture™, Reverse Entropy Storage™, High Performance Solvent: Entropy23™, and EntropyIQ™. Some examples of the services or goods used at Entropy include CCS equipment, consulting, engineering and design, surveys, transportation, information technology, specialized materials, and others. Entropy's supply chain is unique due to the technology being developed, and suppliers are located in Canada, the United States, Australia, and China.

Organization

In 2023, Advantage and Entropy combined employed 61 full-time permanent employees and 64 contract operators. 100% of these staff members are located in Canada and consist of oil and gas professionals in both field and office-based positions.

b) Policies and due diligence processes in relation to forced labour and child labour

Advantage's Board of Directors (the "Board") is responsible for the overall organizational strategy and appropriate policies and procedures to align with the strategy. The following policies relate to the mitigation of risk related to forced labour or child labour:

- **Code of Business Conduct and Ethics:** Outlines Advantage's requirements for the highest standards of professional and ethical conduct, where no employee is permitted to violate laws or regulations, or unscrupulous dealings.
- **Human Rights Policy:** This policy was approved in 2023 to outline the principles embedded into Advantage's business operations regarding high ethical standards, including respect for human rights. The policy is built upon the internationally recognized human rights and fundamental labour rights.
- **Whistleblower Program:** This policy summarizes the procedure for individuals to confidentially and anonymously report complaints and concerns regarding internal code and policy compliance, accounting, internal controls or auditing matters without the fear of repercussions. In 2023, Advantage updated the policy to reflect the inclusion of the new Human Rights Policy.
- **Workplace Harassment Policy:** The purpose of this policy is to demonstrate Advantage's commitment to ensuring everyone knows their right to work in an environment free from harassment, and to be treated with dignity and respect. Advantage does not tolerate conduct that is abusive, harassing, or offensive, and is committed to respecting individual rights.

Other due diligence measures Advantage has implemented include:

- **Action Plan:** With emerging focus surrounding human rights, Advantage has developed and begun to implement an action plan to identify and address potential concerns including forced labour and child labour within our supply chain, with initiatives such as the Vendor Notice for acknowledgement by vendors as a normal course of business going forward. These action items are informed by Public Safety Canada, in addition to various ESG reporting methodologies and ESG rating agencies.
- **Contractor Management System:** All contractors conducting work for or on behalf of Advantage must be prequalified through a third-party compliance management system. This process includes an assessment of WCB and insurance coverage, in addition to an evaluation on the contractor's safety performance and program, which includes a process for identifying potential hazards and a means to assess and ensure competency of their workforce.
- **External Counsel:** Advantage has engaged with external legal counsel to support in the development of our human rights program, including the Human Rights Policy, updating current policies, internal communication, and additional documentation to support due diligence with suppliers.

c) Parts of the business and supply chains that carry a risk of forced labour or child labour being used and the steps taken to assess and manage that risk

Advantage analyzed all current, direct suppliers (Tier 1) based on country of origin to determine potential risks within our immediate supply chain. The following charts summarize the supplier breakdown with Advantage utilizing 98% suppliers from Canada, and 2% from the United States, and Entropy utilizing 95% suppliers from Canada, 3% from the United States, 1% from Australia, and 1% from China.



The majority of supplier countries of origin have been identified as low-risk. Entropy has one China supplier that, upon further investigation, is not located in or near a high-risk area*, nor do they supply Entropy directly with goods identified as carrying risk for exploitation of child labour or forced labour**. Upon further conversations with this supplier, they have formally acknowledged our Vendor Notice, which outlines expectations in relation to forced labour and child labour.

*Government of Canada – Study of supply chain risks related to Xinjiang forced labour – Canada.ca

**U.S. Department of Labor – List of goods produced by child labor or forced labor – dol.gov

d) Measures taken to remediate any forced labour or child labour

Advantage did not identify any instances of forced labour or child labour within the supply chain, and therefore remediation efforts were not required.

Advantage’s Whistleblower Program provides all employees or individuals working for or on behalf of Advantage with a grievance mechanism to report matters that are in violation of the Company Code of Business Conduct and Ethics or Human Rights Policy directly to a Board representative. This allows the reporter to remain anonymous while the report is being investigated and appropriate remediation measures are applied.

e) Measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains

Advantage has not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities and supply chains.

f) Training provided to employees on forced labour and child labour

After approval of Advantage's Human Rights Policy, all employees, contract operators, and consultants were required to read and acknowledge their understanding of the Human Rights Policy at the end of 2023, and Advantage provided additional resource materials related to the Act and an opportunity to raise questions. Additionally, employees, contract operators, and consultants had to do a mandatory review and acknowledgement of other relevant policies, including Advantage's Code of Conduct and Ethics, Whistleblower Policy, and Workplace Harassment Policy. These acknowledgements are conducted on an annual basis.

g) How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains

Advantage has reviewed our existing and newly introduced policies and programs that have the purpose of addressing potential risks of forced labour or child labour. As of December 31, 2023, there were no specific mechanisms to assess effectiveness of the human rights program, and we plan to assess effectiveness in 2024.

Attestation

This report was approved by Advantage's Board of Directors on April 25, 2024 pursuant to paragraph 11(4)(b)(ii) of the Act and will be filed with the Minister of Public Safety and Emergency Preparedness.

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 or entities 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 Advantage Energy Ltd.

/s/ Stephen E. Balog
Stephen E. Balog
Chair of the Board of Directors
Advantage Energy Ltd.
May 28, 2024