



**REPORT UNDER THE *FIGHTING AGAINST FORCED LABOUR AND  
CHILD LABOUR IN SUPPLY CHAINS ACT***

**FINANCIAL YEAR ENDED DECEMBER 31, 2023**

## Introduction

This report (the “**Report**”), prepared pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada)(the “**Act**”), is prepared by and made on behalf of PrairieSky Royalty Ltd. and its wholly-owned subsidiaries Tenax Energy Inc., Hayden Resources Ltd.<sup>1</sup> and NV Resources Corporation Ltd. (collectively, “**PrairieSky**” or the “**Company**” or “**our**” or “**we**”).

The Report constitutes PrairieSky’s first report under the Act and will detail the steps that PrairieSky has taken to assess forced labour and child labour risks in its activities and supply chain during the previous financial year ended December 31, 2023. Where applicable, the Report will also identify the preventative measures that have been implemented by PrairieSky in order to prevent and reduce the risk that forced labour and child labour is used at any step in its business.

PrairieSky does not have any other additional reporting requirements under supply chain legislation in jurisdictions outside of Canada.

## Measures to Prevent and Reduce the Risks of Forced Labour and/or Child Labour in PrairieSky’s Supply Chain

In the previous financial year, PrairieSky took the following measures to prevent and reduce the risk of forced labour or child labour in its activities and supply chain:

- reviewed and updated the *Business Code of Conduct*, the *Human Rights Policy*, and the *Supplier Code of Conduct* to include language relating to the implementation and development of anti-forced labour and anti-child labour principles;
- expanded our employee and contractor training to include guidance with respect to PrairieSky’s expectations and obligations relating to forced labour and child labour legislation and outlined the procedures available to all employees and contractors to report concerns arising out of human rights impacts;
- conducted a preliminary initial internal assessment of the risks of forced labour and/or child labour in our supply chain generally; and
- continued process to obtain sign off from all of PrairieSky’s suppliers on the Supplier Code of Conduct.

## Structure, Activities and Supply Chain

### *Structure*

PrairieSky is incorporated under the *Alberta Business Corporations Act* (the “**ABCA**”). The Company was incorporated under the ABCA under the name “1786071 Alberta Ltd.” on November 27, 2013. In December 2013 and January 2014, the Company undertook a reorganization. On April 11, 2014, the Company changed its name to “PrairieSky Royalty Ltd.” Prior to the Company’s initial public offering on May 29, 2014, the Company was a wholly-owned subsidiary of Encana

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<sup>1</sup> Effective January 1, 2024, Tenax Energy Inc. amalgamated with its wholly-owned subsidiary, Hayden Resources Ltd., and continued under the name Tenax Energy Inc.

Corporation, PrairieSky's common shares are listed and trade on the Toronto Stock Exchange under the symbol "PSK."

### *Activities*

PrairieSky's headquarters, and only business location, are in Calgary, Alberta. The Company carries on business exclusively in Canada and owns assets in Western Canada specifically. PrairieSky currently has one of the largest independently owned portfolios of fee simple mineral title and oil and gas royalty interests in Canada. PrairieSky is focused on encouraging third parties to actively develop royalty properties while strategically seeking additional crude oil and natural gas royalty assets that provide the Company with medium-term to long-term value enhancement potential, including the acquisition of Crown interest lands for purposes of complementing the Company's fee title land base and pursuing prospective farmout strategies.

The Company does not conduct any drilling activity and is not responsible for making any capital expenditures with respect to its royalty properties. The Company does not have an operator's license and does not own any oil and natural gas well bores or other related infrastructure. The Company receives royalty revenue based on the production performance of wells, with the calculation of such royalty revenues payable based, in part, on the market price of oil and/or natural gas and allowances, if any, for certain deductions.

### *Supply Chain*

#### 1) Sale of Goods Within Canada

Because PrairieSky is a pure-play royalty company with all of its operations in Canada, and given the nature of PrairieSky's business generally, its supply chain is limited. PrairieSky does not directly conduct operations to explore for, develop or produce petroleum or natural gas. It does not own or operate any oil and gas wells and as a result has no capital expenditures or operating costs related to oil and gas development.

Through certain contractual arrangements with third parties, the Company may, at its election, choose to receive its royalty percentage share of production from its royalty properties as a physical or "in-kind" delivery of hydrocarbons. Currently, the Company takes a limited amount of crude oil royalty volumes "in-kind." It is through this limited activity that PrairieSky sells goods exclusively in Canada to third party commodity marketing firms under spot contracts. These sales constituted approximately 10% of PrairieSky's total revenue for 2023. In 2023, PrairieSky sold certain select volumes of hydrocarbons to thirteen separate marketing entities, twelve of which are incorporated in Canada (one marketing organization was American and incorporated under Minnesota law with a Canadian subsidiary headquartered in Calgary, Alberta).

#### 2) Purchase of Services Within Canada

PrairieSky directly engages a number of professional services provided almost exclusively by Canadian entities. These services include the provision of IT support, audit, tax and reserve engineering services, legal services, and other administrative and office services. These services are provided exclusively within Canada. These professional service providers are governed by PrairieSky's *Supplier Code of Conduct* (discussed below).

These “in-kind” sales transactions as well as office rent and the professional services described above constitute the vast majority of PrairieSky’s activities as contemplated under the Act.

## **Policies, Governance and Due Diligence Processes**

### *Environmental, Social and Governance Processes and Initiatives*

PrairieSky is committed to the protection of the environment, good governance and human rights. The Company supports the Ten Principles of the United Nations Global Compact with respect to human rights, labour, environment and anti-corruption and is a signatory thereto. The Company summarizes the sustainability of its business model, reports annually on its corporate social responsibility performance, and discloses its environment, social and governance (“ESG”) practices through the publication of its 2024 Sustainability Report for the year ended December 31, 2023, which is available on its website at [Our Approach | PrairieSky Royalty Ltd.](#)

PrairieSky’s Board of Directors has oversight of ESG issues as the Company is committed to the highest standards of corporate governance. Human rights considerations play a prominent role in PrairieSky’s ESG reporting, and the Company and its Board are dedicated to continuous improvement efforts in the areas of ESG generally and human rights specifically.

### *Business Code of Conduct*

PrairieSky’s *Business Code of Conduct* (found on our website here: [Governance | PrairieSky Royalty Ltd.](#)) was developed in alignment with the principles from the United Nations Global Compact, the Universal Declaration of Human Rights, the United Nation’s Guiding Principles on Business and Human Rights, and the International Labor Organization’s Declaration of Fundamental Principles and Rights at Work. The *Business Code of Conduct* expressly states that PrairieSky “will comply with all applicable employment, labour and human rights law and regulations.” It further states: “PrairieSky will endeavor to conduct business with...third parties who share our values and business principles.” It refers to PrairieSky’s *Supplier Code of Conduct* and the *Human Rights Policy* specifically and the roles these policies play in PrairieSky’s implementation and development of anti-forced labour and/or anti-child labour principles.

### *Human Rights Policy*

PrairieSky’s *Human Rights Policy* (found on our website here: [Governance | PrairieSky Royalty Ltd.](#)) articulates PrairieSky’s commitment to ensuring that it is not complicit in human rights abuses and that the avoidance of infringing on the rights of others and engaging in activities that directly or indirectly violate human rights will not be tolerated. Specifically, the *Human Rights Policy* addresses child labour as well as forced labour, modern slavery, and human trafficking. The *Human Rights Policy* governs the scope of PrairieSky’s human rights due diligence and recognizes the need to focus on PrairieSky’s own business operations as well as its material third party business relationships.

### *Supplier Code of Conduct*

PrairieSky’s *Supplier Code of Conduct* (found on our website here: [Governance | PrairieSky Royalty Ltd.](#)) aligns with the principles from the United Nations Global Compact, the *Universal Declaration of Human Rights*, the United Nations’ *Guiding Principles on Business and Human Rights*, and the International Labor Organization’s *Declaration of Fundamental Principles and Rights at Work*.

The *Supplier Code of Conduct* mandates that all suppliers to PrairieSky must not, directly or indirectly, use child labour, forced labour or enslaved labour under any circumstances, whether in the form of compulsory or trafficked labour, indentured labour, bonded labour or other forms. The *Supplier Code of Conduct* defines child labour and forced labour as follows, based on the language of the Act:

**“child labour”** means labour or services provided or offered to be provided by persons under the age of 18 years and that

- (a) are provided or offered to be provided in Canada under circumstances that are contrary to the laws applicable in Canada;
- (b) are provided or offered to be provided under circumstances that are mentally, physically, socially or morally dangerous to them;
- (c) interfere with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work; or
- (d) constitute the worst forms of child labour as defined in article 3 of the Worst Forms of Child Labour Convention, 1999, adopted at Geneva on June 17, 1999.

**“forced labour”** means labour or service provided or offered to be provided by a person under circumstances that

- (a) could reasonably be expected to cause the person to believe their safety or the safety of a person known to them would be threatened if they failed to provide or offer to provide the labour or service; or
- (b) constitute forced or compulsory labour as defined in article 2 of the Forced Labour Convention, 1930, adopted in Geneva on June 28, 1930.

The *Supplier Code of Conduct* prohibits mental and physical coercion, human trafficking, and all other forms of modern slavery. Suppliers are obligated to employ personnel who meet the applicable minimum legal age requirement to work in the country or countries in which they operate. Suppliers must also cooperate with PrairieSky in the Company’s preparation of regulatory disclosures in respect of forced labour in supply chains.

The *Supplier Code of Conduct* outlines the process for reporting violations under the Code and requires suppliers of PrairieSky to cooperate in PrairieSky investigations regarding potential violations thereunder.

PrairieSky also reserves the right to assess and monitor a supplier’s practices with respect to the *Supplier Code of Conduct*, including through self-assessment questionnaires. Suppliers must also be able to demonstrate compliance under the Code upon request.

Commencing in 2021, PrairieSky began to implement a process whereby it provided all of its existing suppliers with the *Supplier Code of Conduct* and requested that each supplier review the policy and acknowledge that they agreed with its terms and conditions. PrairieSky intends to

continue this proactive step with any new suppliers that it engages with as a means of mitigating risks relating to the existence of forced labour or child labour practices within its supply chain.

#### *Training of Employees and Contractors*

Employee and contractor mandatory training occurs annually in relation to PrairieSky's *Business Code of Conduct*. As a part of the mandatory training, PrairieSky includes guidance to its employees and contractors with respect to PrairieSky's expectations and obligations relating to forced labour and child labour legislation and outlines the procedures available to all employees and contractors to report concerns arising out of human rights impacts.

### **Identifying, Assessing and Remediating Risks**

PrairieSky has started the process of identifying risks through the process of filing this Report under the Act. As gaps are identified through the assessment process, PrairieSky intends to address those gaps by implementing processes and checklists in an effort to improve the monitoring of its supply chain to eliminate elements of forced and child labour in its supply chain if identified, nor any heightened risks of the potential for such elements to exist. To date, PrairieSky has not identified any part of its activities and supply chain that carries a risk of forced labour or child labour being used.

### **Approval and Attestation**

This Report was approved by the Board of Directors of PrairieSky pursuant to subparagraph 11(4)(b)(ii) 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 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.

**PRAIRIESKY ROYALTY LTD.**



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Andrew Phillips

Director, President and Chief Executive Officer

I have authority to bind PrairieSky Royalty Ltd., Tenax Energy Inc., and NV Resources Corporation Ltd.

Date: May 22, 2024