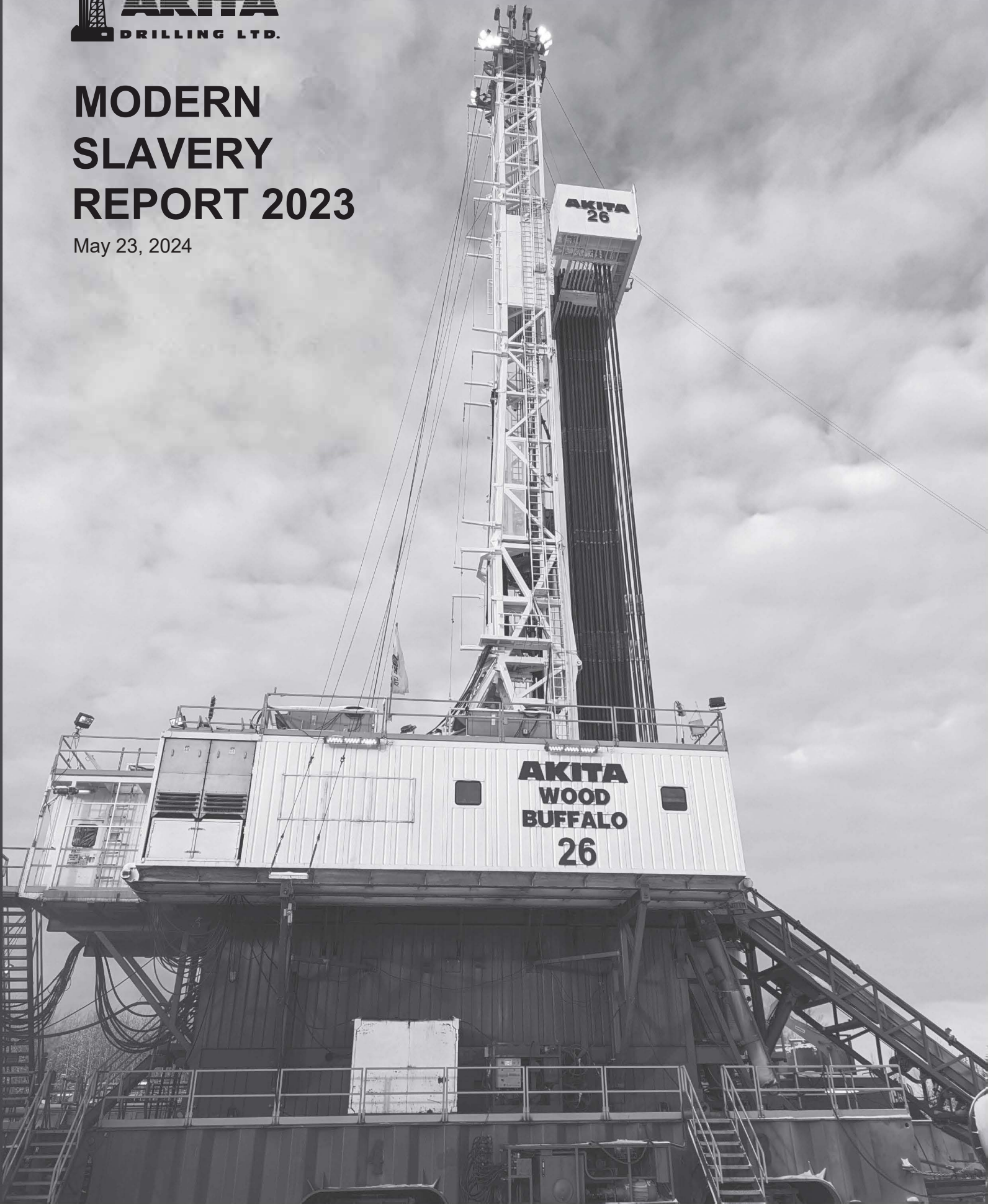




MODERN SLAVERY REPORT 2023

May 23, 2024



This Modern Slavery Report (the "**Report**") is made jointly by AKITA Drilling Ltd. ("**Akita**", the "**Company**", "**we**", "**us**" or "**our**") and its wholly-owned subsidiaries listed below (collectively, the "**Reporting Entities**") pursuant to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Canadian Act**"). This Report constitutes our forced labour and child labour reporting statement for the financial year ended December 31, 2023.

Structure, Activities and Supply Chains

Akita is committed to acting ethically, with integrity and transparency, in all business dealings including having effective systems and controls in place to safeguard against any form of modern slavery within Akita's business or supply chains. Our directors, officers, employees, service providers, suppliers, and contractors are required to comply with all applicable laws, including Canada and its provinces' prohibitions on child labour, forced labour, human trafficking, and slavery, as well as respecting laws pertaining to human rights, labour rights, freedom of association, collective bargaining, and working hours.

Structure

Akita has three wholly-owned subsidiaries listed below, which are included as Reporting Entities pursuant to the Canadian Act. The Reporting Entities are not subject to reporting requirements under supply chain legislation in any other jurisdictions. Each Reporting Entity operates in the mining, quarrying and oil and gas extraction sector, specifically in contract drilling.

Legal Name of Reporting Entity	Business Number	Country Headquartered	Province/State Headquartered
AKITA Drilling Ltd.	Registry ID: 205446842	Canada	Alberta
AKITA Equipment Corp.	Tax ID: 20-5633281	United States	Delaware
AKITA USA Drilling Corp.	Tax ID: 71-1007478	United States	Texas

Categorization of Entities					
Legal Name of Reporting Entity	Listed on Stock Exchange in Canada	Canadian Business Presence	More than \$20 million in assets in the two most recent financial years	Greater than \$40 million in annual revenue in the two most recent financial years	Employs over 250 people in the two most recent financial years
AKITA Drilling Ltd.	TSX AKT.A, AKT.B	✓	✓	✓	✓
AKITA Equipment Corp.	X	X	✓	✓	X
AKITA USA Drilling Corp.	X	X	✓	✓	✓

Activities

Akita is a premier oil and gas drilling contractor with drilling operations throughout North America. Akita operates a fleet of high-performance drilling rigs equipped with advanced technologies, facilitating

efficient operations. The fleet comprises 32 drilling rigs, including 23 triple rigs. The Company strives to be the industry leader in safety, equipment quality, drilling performance, employee and customer relations, and First Nations, Métis and Inuit partnerships. In addition to conventional drilling, the Company specializes in pad and other purpose-built drilling rigs and is active in directional, horizontal and underbalanced drilling, providing specialized drilling services to a broad range of independent and multinational oil and gas companies. Akita currently employs, at full operations, approximately 1,000 people.

Akita is incorporated in the province of Alberta with its registered office and principal place of business located at 1000, 333 7th Avenue S.W., Calgary, Alberta, Canada, T2P 2Z1. Akita is publicly traded on the Toronto Stock Exchange (TSX: AKT). To find out more on the Company, visit Akita's website at akita-drilling.com, or contact us at akitainfo@akita-drilling.com.

Supply Chains

Our supply chains are complex, primarily consisting of local and national third-party goods and services providers who support our operations, with some international exposure from the United States. Within our supply chain, we work with approximately 1,030 third-party goods and services providers (our "**Suppliers**") who support our business, along with government entities, First Nations, joint venture business partners and landowners. 99% of our Suppliers are domiciled in North America, with over 52% in Canada and 47% in the United States. Our Suppliers include manufacturers and distributors of oil field goods and services, operational and technical services, engineering and construction, logistics, IT, communications, emergency response, and professional services including human resources, legal, and financial services. In 2023, we reviewed supplier spend and categorized those suppliers where we primarily purchase goods rather than receive services.

To ensure alignment with business and regulatory requirements, we actively monitor and evaluate the performance and compliance of our Suppliers. All contractors employed by us must complete a prequalification assessment that includes safety and insurance requirements to address our exposure to safety, legal and reputational risks.

Strategies for Mitigating Forced Labour and Child Labour in 2023

In 2023, Akita proactively implemented a series of measures to address the risks of forced labour and child labour across our operations and supply chains, in line with our responsibilities under the Canadian Act. These initiatives included:

- formation of an internal working group comprised of management representatives from our Environment, Social, and Governance (ESG) team, which was tasked with assessing the implications of the Canadian Act on our organization;
- participating in external training sessions to deepen our understanding of the Canadian Act's objectives and compliance requirements. Additionally, we sought guidance from external advisors to tailor our approach to the legislative framework;
- conducting a comparative analysis of similar frameworks in other jurisdictions to inform our strategy and ensure comprehensive compliance;
- evaluating and completing a gap analysis of existing policies and mandates to identify areas for improvement and alignment with the Canadian Act; and
- completing a comprehensive risk assessment of all suppliers, considering factors such as materiality, nature of goods and services provided, and geographical locations of operations.

These proactive and collaborative measures demonstrate Akita's commitment to implementing robust systems and controls to eradicate modern slavery from our business and supply chain, in accordance with relevant laws and regulations.

Policies and Mandates

Akita is committed to upholding compliance with all relevant laws, regulations, and industry standards. We mandate that our employees and service providers carry out their responsibilities with the utmost integrity, honesty, and adherence to the highest ethical norms prevalent in the business realm.

All directors, officers, employees, service providers, suppliers, and contractors associated with Akita are required to strictly adhere to applicable laws, including those of Canada (and its provinces), which prohibit child labour, forced labour, human trafficking, and slavery. They are also expected to uphold laws pertaining to human rights, labour rights, freedom of association, collective bargaining, and working hours.

These expectations are outlined in our Business Code of Conduct ("**Code**"), which is readily accessible on [our website](#). Furthermore, all directors, officers, employees, and contractors annually acknowledge their understanding and commitment to these principles as outlined in our Code.

Due Diligence

Akita is committed to ensuring that our supply chain aligns with our corporate values and complies with all relevant laws and regulations, including forced labour and child labour laws. Our due diligence practices are comprehensive and robust to maintain the highest standards of ethical conduct and legal compliance throughout our procurement processes.

To uphold these standards, all directors, officers, employees, and contractors are required to annually acknowledge and adhere to our Code. This foundational document sets out clear guidelines for ethical behavior and business practices within Akita.

In addition, our supplier onboarding procedures include thorough reviews of suppliers and their respective jurisdictions of business. This approach helps to ensure that potential suppliers meet our standards for compliance and align with our organizational values.

Given that over 52% of our Suppliers are based in Canada, we rely on the stringent regulatory framework governing the Canadian mining, quarrying and oil and gas extraction industry. In order to conduct oil and natural gas operations in Canada and the United States and maintain compliance with regulatory requirements, companies with upstream operations must adhere to a complex network of laws, regulations, orders, directives, and governmental oversight mechanisms. Non-compliance with these regulations can result in significant financial penalties or other sanctions. Therefore, Akita places a premium on regulatory compliance to mitigate risks and uphold our commitment to ethical business conduct.

Risk Assessment

We believe that effective risk management is integral to our operational success. Akita implements an enterprise risk management process overseen by our board of directors ("**Board**"). Recognizing that the

risk of forced labour or child labour in our supply chains varies based on activity levels and types, we conducted a comprehensive assessment of potential risks in 2023.

Key criteria considered in our risk assessment included:

- location of our Suppliers;
- nature of the goods purchased; and
- origin of the goods purchased.

Our Supplier review emphasized operational jurisdictions, with over 52% operating under Canadian laws, including the *Canadian Human Rights Act*. Categorizing suppliers by goods or services provided, we evaluated the potential risks of forced labour or child labour in their supply chains. Although no immediate risks were identified within our supply chain, potential risks exist with tier two suppliers and beyond, with whom we have no direct interactions. Furthermore, our workforce, comprising of our head office and field employees, as well as contractors, is subject to Canadian employment laws, mitigating risks of forced labour or child labour. Therefore, no measures were required to remediate any forced labour or child labour or to remediate the loss of income to vulnerable families resulting from these measures.

To sustain our risk management efforts, the Board will remain vigilant in addressing modern slavery and human trafficking risks, particularly within our supply chains. We are committed to ongoing assessment, monitoring, and process enhancement to safeguard against these risks.

Education and Training

During the onboarding process for new staff, we prioritize comprehensive training on our policies, including our Code and corporate values, reflecting Akita's unwavering commitment to honesty, integrity, and accountability. The Code emphasizes the essential role of each employee's cooperation and dedication in ensuring our sustained success and upholding our reputation as a responsible corporate citizen.

Compliance with the Code is overseen by the Board through regular reports from management to the responsible Board committees. To uphold the Code's principles, all directors, officers, employees, and consultants are required to annually confirm their understanding and commitment, including the prohibition of all forms of slavery, forced labour, child labour, and human trafficking within our business. Employees who are uncertain about whether an act or working condition contravenes our policies are encouraged to seek guidance from leadership or our Human Resources department.

At Akita, fostering an environment of open and transparent communication is paramount. We actively encourage all stakeholders to report any instances of policy violations or breaches of standards, without fear of retaliation. Reports of policy violations or breaches of standards are facilitated by our Confidential Whistle Blower Reporting System, which is administered by an independent third party to ensure anonymity and confidentiality. All reports submitted are received and addressed by the Chair of our Audit Committee, ensuring thorough follow-up and that appropriate action is taken. Additional information about our Confidential Whistle Blower Reporting System can be found on [our website](#).

Assessing Effectiveness

After conducting a comprehensive review of our supply chain, we have concluded that the risk of modern slavery arising from the commodities we produce, in the jurisdictions we operate in, are categorized as low-risk. Our workforce primarily consists of oil and gas professionals and administrative staff based in Canada, and our recruitment and compensation practices adhere to applicable Canadian employment laws. In addition, over 52% of our Suppliers are located in Canada and are required to comply with applicable Canadian laws and regulations. The balance of our Suppliers are located in the United States and are required to comply with applicable United States laws and regulations.

While Akita's overall modern slavery risk level is deemed low, Akita recognizes the importance of implementing robust management systems to proactively prevent modern slavery in our supply chain. As of the date of this Report, Akita is not aware of any current or recent incidents of modern slavery associated with our supply chains or business operations.

Next Steps

Continuously preventing and addressing modern slavery risks within our operations and supply chains remains an ongoing priority for Akita, necessitating sustained vigilance and evaluation. To further enhance our efforts in the coming year, Akita plans to implement the following measures:

1. developing a more robust due diligence process for our supply chain, encompassing policy alignment, employee education and training, supplier compliance, and ongoing monitoring;
2. reviewing and refining our policies and mandates pertaining to forced labour and child labour to identify opportunities for improvement and enhancement;
3. strengthening our supplier prequalification and onboarding processes to bolster controls and procedures;
4. engaging with our Suppliers to emphasize Akita's unwavering commitment to ensuring modern slavery is eradicated from our supply chains, fostering a shared understanding of our collective responsibility; and
5. developing and delivering regular, comprehensive employee training sessions to raise awareness and understanding of all facets of slavery, compulsory labour, forced labour, child labour, and human trafficking.

Through meticulous monitoring of the effectiveness of our modern slavery risk management practices, we aim to reaffirm our dedication to ethical business operations and risk mitigation throughout our supply chain.

Approval and Attestation

In accordance with the requirements of the Canadian Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report for the 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 Canadian Act, for the reporting year listed above.

May 23, 2024



Linda A. Southern-Heathcott
Executive Chair, Akita Drilling Ltd.
I have the authority to bind Akita Drilling Ltd.



Colin A. Dease
President and Chief Executive Officer
I have the authority to bind Akita Drilling Ltd.