



Conuma Resources Ltd.

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

### ***Introduction***

This report has been prepared by Conuma Resources Limited in response to the reporting requirements under Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act") for our financial year January 1, 2023 to December 31, 2023. This is the first non-joint report submitted by Conuma. Conuma is not subject to reporting requirements in supply chain legislation in any other jurisdictions. Conuma is a corporation operating mine sites with assets that meet the threshold required for reporting including: at least \$20 million in assets for at least one of two recent financial years, has generated at least \$40 million in revenue for at least two of the most recent financial years, and finally employs at least 250 employees for the past two financial years; with operations in North Eastern British Columbia, Canada.

Conuma produces and supplies steelmaking coal to the global steel manufacturing industry. Production and manufacturing of steelmaking coal is in Canada, and selling the steelmaking coal is outside Canada. Conuma supports its operational requirements with the importation of goods produced outside of Canada.

Conuma recognizes that the mining industry plays an important role in preventing and assessing the risk of forced labour and child labour in Canada's supply chain. We acknowledge the risks of forced labour and child labour in the mining sector and are committed to continuous improvement in our due diligence, risk assessment, remediation and training processes. Conuma is committed to respecting the human rights of people impacted by our operations and supply chain.

### **Activities**

The Act requires Conuma to report our activities in relation to the production, sale and distribution of goods, both in and outside of Canada, and the importation of goods into Canada. This information is set out as:

In British Columbia, our operations include: Willow Creek Mine, Brule Mine and Wolverine Mine.

We sell our products globally.

Conuma occasionally imports equipment into Canada in support of their Canadian activities, with imported items generally valued under CAD\$10,000.

### **Supply Chain**

Conuma procures a range of goods and services, such as mobile equipment, machinery, fuel and lubricants, explosives, and a variety of other products and services that support large-scale mining operations. Our direct suppliers are closely aligned with the location of our operations in Canada; in 2023, 21 percent of our procurement spend was with local suppliers in the Northeast British Columbia area. Conuma outsources selected operational activities to third parties from Canada and the United States, such as maintenance of heavy mining equipment, transport and logistics, and mechanical, electrical and construction.

### **Steps to prevent and reduce the risks of forced labour and child labour**

During the calendar year 2023, Conuma Resources did not take any material steps to prevent and reduce the risk of forced or child labour. Conuma began its assessment of 2023 in 2024. Recognizing the regulatory imperative, we acknowledge our responsibility to initiate the process of identifying, addressing, and monitoring risks pertaining to forced labour and child labour across our supply chain.

### **Organizational Structure**

Conuma is a leading producer and supplier of steelmaking coal to the global steel manufacturing industry. With our operations centered in Northeast British Columbia (NEBC), Canada, we excel in delivering high-quality steelmaking coal to many of the world's leading steelmakers. Conuma owns three mines and employs approximately 1,000 people, with headquarters in Tumbler Ridge, NEBC, and a corporate office in Vancouver, British Columbia.

### **Risk Assessment**

The risk assessment conducted in early 2024 by a third-party consultant identified risks and gaps but pinpointed a subset of 80% of our annual supplier expenditure and encompassed suppliers with whom we hold long-term contracts, those which are sole source, those operating outside Canada (thus are not bound by the same labour regulations), and those involved in importing mined raw materials into Canada. The consultant identified that a very small percentage of tier 2 and 3 suppliers were providing goods from countries and industries that are known for the prevalence of forced and/or child labour. The consultant, leveraging a unique data set and AI model, expanded visibility into tier 2 and tier 3 suppliers, which was then cross-referenced against lists from organizations like the US Department of Homeland Security, US Department of Labor, Business & Human Rights Resource Center, and Walk Free, to identify potential forced or child labour risks. From data taken from over 260,000 records, suppliers were identified in tier 2 and 3 combined, and based on the findings of this analysis, a very small percentage of these companies were potentially at risk (the assessment purely identifies potential risk exposure, not definitive cases). Recognizing that no percentage of forced/child labour is acceptable, Conuma will continue to monitor and manage this potential risk by engaging with internal and external resources to identify and manage vendor risks related to S-211 and identify any concerns during vendor prequalification process being implemented in the second half of 2024.

Conuma remains in the early stages of addressing forced labour and child labour issues in its supply chains. Conuma has only just conducted its first risk assessment to identify potential issues related to forced labour and child labour in early 2024 and, therefore, has not implemented specific policies or procedures for remediation or grievance mechanisms as of yet.

The development and implementation of such measures would be a natural next step for our business, based on our recent risk assessment findings.

Following the reporting period January 1, 2023 to December 31, 2023 review with an external third party, Conuma will undertake the following steps to prevent and reduce the risks of forced labour and child labour in our operations and supply chain:

- mapping supply chains;
- contracting an external assessment of risks of forced labour and/or child labour in the organization's activities and supply chains;
- carrying out a prioritization exercise to focus due diligence efforts on the most severe risks of forced and child labour;
- developing and implementing an action plan for addressing forced labour and child labour where risks are identified;
- developing and implementing due diligence procedures and processes for identifying, addressing and prohibiting the use of forced labour and child labour in our supply chain;
- requiring our direct suppliers and contractors to have in place policies and procedures for identifying and prohibiting the use of forced labour and child labour in their activities and supply chains;
- developing and implementing anti-forced labour and anti-child labour contractual clauses for our direct suppliers;
- developing and implementing anti-forced labour and anti-child labour standards and codes of conduct;
- monitoring and tracking risks of forced labour and child labour related to our direct suppliers and contractors;
- developing and implementing training and awareness materials on forced labour and child labour; and
- engaging with certain supply chain partners on the issue of addressing forced labour and child labour.

In 2023, Conuma engaged a third party to review risks related to our suppliers and contractors. This process covered nearly 80 percent of our Tier 1 suppliers and contractors. Conuma is currently working with our third-party provider to develop a method to select higher-risk suppliers for additional due diligence screening based on their risk profile within the database.

### **Forced labour and child labour risk**

Conuma's operations are located in relatively low-risk jurisdictions, based on an assessment process that applies a Conflict-Affected and High-Risk Area (CAHRA) tool that uses country-level data indicators spanning multiple topics, including forced labour and child labour. However, Conuma acknowledges that the nature of mining activities and related supply chains can create potential human rights risks. Our approach to identifying the risks of forced labour and child labour

focused on the sector we operate in will require monitoring, reporting and tracking of processes and steps taken to mitigate.

Our policies and procedures will include the following risk identification factors:

- The location of the contractor or supplier and the strength of the rule of law in those jurisdictions.
- The industry and type of goods and services provided, such as personal protective equipment (PPE) and products originating from mineral exploration or processing.
- Conuma's level of influence and relationship with the supplier.

## **Remediation**

Remediation measures and remediation of loss of income have not been identified regarding 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.

Conuma remains in the early stages of addressing forced labour and child labour issues in its supply chains. Conuma has only recently conducted its first risk assessment to identify potential issues related to forced labour and child labour in early 2024, and therefore, we haven't yet implemented specific policies or procedures for remediation or grievance mechanisms. The development and implementation of such measures would be a natural next step for our business, based on our recent risk assessment findings.

## **Employee training**

At the time of this report, there was no training for Conuma employees. Going forward, Conuma is committed to developing and implementing a Human Rights Training Plan; as part of this, we will implement a specific training module on forced labour and child labour. The training, to be developed in consultation with an external human rights advisory firm, will provide participants with a deeper understanding of forced labour and child labour, international standards, common indicators of risk, how to identify forced labour and child labour, and what to do if they suspect an issue or violation. Training is to be made available for all employees through Conuma's Learning Management System. Training for employees and contractors in procurement and supply chain roles will be mandatory. We have the ability to track completion and follow up with employees and their supervisors if the training is not completed within the allocated time frame (i.e. by year-end).

## **Assessing Effectiveness**

This year's risk assessment focused on identifying our most critical tier 1 suppliers, representing approximately 80% of our annual supplier expenditure. These suppliers additionally include those with whom we have long-term contracts, sole sources, operations outside Canada (thus not subject to the same labour regulations) and those engaged in importing mined raw materials into Canada. Subsequently, tier 2 and tier 3 of our supply chain were identified by leveraging a large dataset of several buyer-supplier relationships and AI techniques. Tier 1 through 3 were then assessed against a series of data sources, involving over 30 restricted entities lists and reputable sources that identified higher risk geographies, industries, and a combination of the two (i.e., sourcing a specific good from a specific location).

Going forward, Conuma will engage with internal and external resources to identify and manage vendor risks related to S-211 and identify any concerns during the vendor prequalification process being implemented in the fall of 2024.

Conuma's sustainability standards, procedures and reporting are aligned with industry standards. We recognize the importance of human rights legislation and strive to align our practices and initiatives with the United Nations Sustainable Development Goals vision for a better and more sustainable future for all, recognizing these goals as a guiding framework for positive global impact.

Our Sustainability Reports can be found at <https://conumaresources.com/sustainability/reports/>

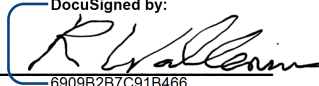
In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge and having exercised reasonable diligence, I attest that the information in the report 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 Conuma Resources Ltd."

Full name: Rowland Wallenius

Title: Chief Financial Officer

Date: May 31, 2023

Signature:   
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