

2023 Annual Report

May 24, 2024



Period: January 1, 2023, to December 31, 2023

About this Report

As a responsible member of the global business community, Impulse Downhole Tools Ltd. is committed to upholding the highest standards of ethical conduct and compliance within all areas of our operations. The enactment of S-211, *Fighting Against Forced Child Labour in Supply Chains Act* (the “Act”), which came into effect on January 1, 2024, marks a critical step forward in the collective effort to eradicate forced labor and child labor from supply chains worldwide. We recognize the importance of this legislation, not only as a legal compliance requirement, but as an integral part of our corporate social responsibility.

Our dedication lies in continuously improving our practices and fostering an environment that integrates ethical compliance into our business strategy.

Attestation

We have prepared this report in accordance with Canada’s Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”). It is prepared on behalf of and approved by the Board of Directors of Impulse Downhole Tools Ltd. (“IDT Canada”).

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. 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 2023.

I have the authority to bind ‘IDT.’

May 24, 2024

A handwritten signature in black ink, appearing to read 'Doug Kinsella', with some scribbles and a long horizontal stroke extending to the right.

Doug Kinsella
President & CEO

Organization Structure, Activities & Supply Chain

Who We Are

Impulse Downhole Tools Ltd. (“IDT Canada”) is a privately held company headquartered in Edmonton, Alberta.

At Impulse Downhole Tools Ltd., we specialize in the design, manufacture, and supply of advanced downhole tools for the oil and gas industry. Through our unique approach to friction reduction, we engineer our products to enhance the efficiency of horizontal drilling.

Our product portfolio includes drilling tools and motors, completion tools, and fishing applications. Beyond just supplying equipment, we provide comprehensive support throughout the lifecycle of our products.

IDT Canada does not currently report under supply chain legislation in any other jurisdictions.

Supply Chain Management

Impulse Downhole Tools Ltd. conducts a large portion of its business in Canada, where there is a low risk of modern slavery. Our supply chain consists primarily of vendors located within Canada and the United States.

IDT Canada maintains a comprehensive and continually updated list of all suppliers, along with detailed information regarding their geographical locations. This supplier mapping process is part of our proactive supply chain management strategy, enabling us to monitor and manage supplier relationships effectively. It is integral to our commitment to transparency and responsibility in our sourcing practices.



Our Policies & Due Diligence Process

Supplier Screening and Ongoing Diligence Procedures

We have implemented supplier screening and due diligence procedures to help identify and mitigate the risks of forced and child labor within our supply chain. We design these procedures to evaluate potential suppliers before they join our supply chain and to guarantee ongoing compliance, as follows:

- **Initial Due Diligence:** Potential suppliers undergo a vendor qualification process via a qualification survey/questionnaire, followed by site visits and interviews as required. Our in-house procurement team carries out this process. Any vendors that are deemed unqualified are clearly labelled as such and removed from our database to maintain accuracy. Our supplier qualification survey, among other things, was recently updated to inquire about the following:
 - Environmental Policy
 - Health & Safety Policy
 - Diverse and Inclusion Workforce Policy
 - Forced & Child Labour Policy
 - Ethical & Sustainable Sourcing Policy
- **Ongoing Monitoring:** We mandate a yearly supplier review for vendors whose combined total spending exceeds CAD \$500,000. This review aims to ensure ongoing compliance, quality assurance, and strategic alignment with organizational objectives.
 - We aim to assess any changes to the qualification survey items to ensure alignment with evolving organizational needs and industry standards.
 - We aim to assess non-conformance items reported throughout the year as well as the effectiveness of corrective actions implemented. This ensures continuous improvement and adherence to quality standards.

By incorporating the above review elements into the supplier management and evaluation process, we enhance vendor performance, foster transparency, and mitigate risks, thereby fortifying our commitment to operational excellence, compliance, and strategic growth.

Inclusion of Risk-Mitigation Provisions in Supplier Purchase Orders

Our purchase orders (“PO’s”) serve as communication of our terms and conditions to our suppliers and were recently updated to include specific provisions related to the mitigation of risks associated with forced and child labor. By accepting the purchase order or supplying products and services, the supplier acknowledges that they have read, understood, and agreed to all terms and conditions outlined within the document.

These provisions integrate our ethical standards into our contractual relationships, establishing a foundation for enforcing compliance. IDT Canada expects its suppliers to adhere to the terms and conditions of their purchase orders and is willing to take the necessary action to ensure compliance with these contractual obligations.

Engagement of Third Parties to Assess Risks

Due to the uncomplicated and localized geographical spread of our supply chain, we currently do not engage any third-party experts to assist in assessing and mitigating the risks of forced and child labor. We believe that there is a low risk of modern slavery, forced labour and child labour in our business and supply chains. Our industry necessitates the use of skilled workers and technical specialists by most of our suppliers.

Governance

Impulse Downhole Tools Ltd. has an effective governance structure in place, supported by appropriate policies, procedures, and guidelines at various levels.

- **Board of Directors:** Our Board of Directors is ultimately responsible for overseeing IDT Canada policies and practices. We regularly review and approve our policies to allocate sufficient resources for compliance. These specifically include, among other items, policies related to health & safety, employee conduct, training, and harassment.
- **Executive Leadership:** The Executive Leadership promotes and integrates ethical labour practices into our overall strategy, leads by example, and ensures that all departments understand and prioritize compliance.
- **Supplier Management and Procurement Team:** The procurement team integrates labour compliance into the supplier selection and management processes. As outlined in the section above, this team conducts due diligence, monitors supplier performance, and ensures suppliers understand and accept all of IDT Canada's terms and conditions, including those on forced and child labor risk mitigation.
- **Whistleblower Protection:** We have established secure and confidential channels that allow IDT Canada employees to disclose concerns and report violations without fear of victimization or detriment.

In summary, we have designed our governance structures not only to comply with mandatory disclosure and reporting requirements, but also to actively identify and mitigate any risks of forced labour and child labour within our business operations and supply chain. This demonstrates our deep commitment to upholding human rights and ethical business practices.

Training

IDT Canada employees are required to adhere to our Code of Conduct and ensure it is properly applied to their daily activities. This information, including our Whistleblower Policy, is readily available to all employees via our employee handbook.

To ensure a high level of understanding of the risks of forced labour and child labour in our supply chains, we are committed to providing regular training at all levels, as required. This solidifies our

commitment to fostering a culture of ethical compliance and transparency as we strive towards a culture of continuous improvement and best practices in all areas of our business.

Risk Assessment & Remediation

IDT Canada has limited its approach to identifying risks associated with forced labour and child labour to a review of our business and the industry we operate in. We believe that because our operations are in relatively low-risk jurisdictions, there is a low risk of modern slavery, forced labour and child labour in our business and supply chains.

Our risk assessment procedures currently include the following:

- Supply chain mapping
- Vendor qualification surveys and ongoing monitoring
- Adherence to our terms and conditions, including those on forced labour and child labour
- Education and awareness

We acknowledge that the nature of oil and gas drilling activities can carry potential human rights risks. For example, the raw materials used in some of our products by tier two, tier three, or suppliers further down the supply chain may carry the risk of production in third world countries. However, IDT Canada will not knowingly work with suppliers who operate unethically, violate the law, or implement unfair business practices.

Assessing Effectiveness

To date, IDT Canada has not received any complaints about forced labour or child labour in our operations or supply chain, and as a result, we have not implemented any remediation measures or addressed any income loss experienced by families due to forced labour or child labour.

In future years, IDT Canada will continue to risk-assess its supply chains and perform the necessary due diligence on our suppliers to ensure compliance with the Act. We will also persist in evaluating the efficacy of our policies and procedures, making sure to adapt them to any changes in the business, the industry in general, and labour practices. Finally, we are committed to exploring training opportunities to ensure that all our employees have the necessary knowledge related to forced labour and child labour.