

Modern Slavery Report 2023

Surge Energy Inc.

This Modern Slavery Report (the “**Report**”) addresses the period from January 1, 2023 to December 31, 2023 and has been prepared in compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the “**Act**”). This Report is made on behalf of Surge Energy Inc. (“**Surge**” or the “**Company**”).

1. Introduction

Forced labour and child labour are crimes and serious violations of human rights. As a Canadian energy company, Surge recognizes the important role the Company has in ensuring that its operations adhere to the highest ethical standards, including the identification and prevention of forced labour and child labour. This Report outlines the Company’s actions to date and future commitments to reduce and prevent forced labour and child labour in any part of Surge’s supply chain.

2. Structure, Activities, and Supply Chains¹

Surge is an energy company listed on the Toronto Stock Exchange and headquartered in Calgary, Alberta, Canada. The Company is engaged in the exploration and development of oil and gas properties located in Alberta, Saskatchewan, and Manitoba. Surge is primarily focused on the development of light and medium gravity crude oil properties in two core areas located in southeast Alberta and southeast Saskatchewan.

To operate effectively and safely, Surge maintains a complex supply chain. This supply chain includes vendors that supply goods and services to various parts of the business, including oil and gas exploration and development. These goods and services are generally contracted or subcontracted and apply to all geographic areas in which the Company operates.

3. Policies

Through corporate policies, the Company communicates its values and expectations on how to conduct business. Surge believes that ethical behaviour leaves no room for any form of forced labour or child labour. Surge is committed to ensuring that none of the Company’s direct operational activities or activities from suppliers have a negative impact on human rights. Surge is committed to continually

¹ Additional information regarding the corporate structure, operations, and the industry conditions relating to Surge is available in the Company’s Annual Information Form for the year ended December 31, 2023, which can be accessed on the Company’s website at www.surgeenergy.ca or on SEDAR+ at www.sedarplus.ca. For further details on Surge’s commitment to the environment and the communities in which it operates, please see the 2023 Sustainability Report on the Company’s website at www.surgeenergy.ca.

improving its policies to better identify and mitigate any risk of forced labour and child labour throughout its operations or supply chains. Relevant corporate policies are discussed in further detail below:

Code of Business Conduct

Surge strives to conduct its operations to the highest ethical and legal standards. This code and various related policies, practices, and any guidelines approved and implemented by the Board of Directors or management of the Company, will be used in identifying and managing ethical situations and in making ethical business decisions, including the identification and elimination of any forced labour or child labour.

All staff and directors of the Company will strive to comply with all applicable laws, rules, and regulations of the areas in which the Company operates and must comply with the requirements of applicable securities, regulatory authorities, and stock exchanges. Business partners and suppliers are expected to conduct their business up to Surge's ethical and legal standards, in addition to all applicable human rights laws, rules, and regulations.

Whistleblower Policy

This policy establishes procedures that allow employees and stakeholders to confidentially and anonymously submit concerns regarding any activity that may be considered ethically, morally, or legally questionable without fear of reprisal. Whistleblower policies are intended to encourage reporting of wrongdoing, ensure accountability, and foster transparency within the Company's operations. Surge did not receive any whistleblower complaints relating to forced labour or child labour in 2023.

4. Assessing Business and Supply Chain Risks

Surge understands the following areas of its business carry the highest risk of potential forced labour and/or child labour:

- Raw materials or commodities used in the Company's supply chains;
- Tier two and three suppliers and suppliers further down the supply chain than tier three;
- Production and sourcing of materials; and
- Long, complex, or non-transparent supply chains.

These risks are complex and, although Surge exercises reasonable efforts to identify potential issues, these risks are outside of the Company's current capability to monitor and enforce. For this reason, Surge is committed to expanding the risks it can control, such as better identification, assessment, and management of tier one supplier risk.

In particular, Surge is working on expanding its current risk assessment process to include consultation with peers in order to understand and implement best practices, consultation with external experts on education and training, and performing risk assessments during procurement and due diligence processes when engaging with new suppliers.

All of the Company's employees are located in Canada and follow an internal control process that helps reduce the risk of forced labour and child labour within Surge's employment. As a result, Surge believes that the risk of forced labour or child labour within its workforce is extremely low.

Commitments

Surge is committed to upholding appropriate standards of ethical conduct, including the prevention of modern slavery in all aspects of its operations. As a Canadian energy company, Surge recognizes its responsibility to ensure that forced labour or child labour are not used at any step of the production of goods, whether within Canada or abroad, by the Company or within its supply chains. Below outlines the steps taken or committed to in order to mitigate these risks:

- Apply enhanced due diligence processes to tier one suppliers; and
- Maintain internal controls to ensure that all workers are recruited voluntarily.

Due Diligence

Surge expects all third parties with which the Company works with, to adhere to similar business principles and to comply with all applicable laws and regulations. The Company acknowledges that employees working within its supply chain generally fall outside of this scope and are at an increased risk of being exposed or subjugated to either forced labour or child labour.

To mitigate this risk, Surge is committed to growing its current approach to supplier due diligence to include the following steps:

- Explicitly adding a Human Rights Notice for all new and current suppliers;
- Identifying and assessing adverse impacts in the Company's operations, supply chains, and business relationships; and
- Using best efforts to remediate, mitigate, or eliminate forced labour or child labour if discovered within the Company's supply chains.

Remediation Measures

In accordance with the Act, Surge has not identified any instances of forced labour or child labour in its operations and/or supply chains. Therefore, the Company did not require any measures to remediate any incidents of forced labour or child labour during the period.

In the event Surge were to discover any incidents of forced labour or child labour in its business or supply chains, one or more of the following measures would be taken to remediate the situation, including:

- Actions to prevent further forced labour or child labour from continuing within the identified supplier; and/or
- Grievance mechanisms.

Training

Surge has engaged with an external expert to conduct training for employees that make contracting and/or purchasing decisions to ensure there is a foundational understanding of the Act and how to identify, mitigate, and report modern slavery risks.

5. Assessing Effectiveness

As a part of Surge's corporate governance process, the Company monitors compliance with its policies on an annual basis. The Code of Business Conduct Policy and Whistleblower Policy are reviewed and signed by all current and new staff annually to ensure that the Company's ethics are at the top of mind and to encourage reporting of any wrongdoing by the Company's employees. To date, no concerns or complaints have been identified.

Surge continues to assess the effectiveness of its policies by:

- Setting up a quarterly review or audit of the Company's policies and procedures;
- Looking into methods to track relevant performance indicators, such as levels of employee awareness, number of cases reported and solved through grievance mechanisms, and number of contracts with anti-forced labour and child labour clauses; and
- Looking into establishing a Human Rights Notice for suppliers to measure the effectiveness of their actions to address forced labour and child labour.

6. Approval & Signature

This Report was approved by Surge Energy's Board of Directors on May 29, 2024, and has been submitted to the Minister of Public Safety and Emergency Preparedness in Canada. This Report is also available on the Company's website at www.surgeenergy.ca.

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 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.

A handwritten signature in black ink, appearing to read "P. Colborne", is written over a light blue rectangular background.

Paul Colborne
President and CEO

May 30, 2024

I have the authority to bind Surge Energy Inc.