

Modern Slavery Report

for the year ended December 31, 2024

Introduction

Modern slavery, also described as forced labour and child labour, is the exploitation of people for personal or commercial gain. The following report (the “Report”) has been prepared by Cygnets Energy Ltd. (“Cygnets”, the “Corporation”, “we”, “our”, or “us”) for its fiscal 2024 year to highlight how we are identifying and addressing modern slavery risks throughout our business and supply chains, in compliance with Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”).

The Act came into effect on January 1, 2024 and aims to prevent and reduce the risk of forced labour and child labour in supply chains. The Act requires that certain entities submit a report to the Minister of Public Safety by May 31 of each year, detailing the steps taken during the previous financial year to prevent and reduce the risk that forced labour or child labour is used by them or in their supply chains.

Steps to Prevent and Reduce the Risk of Modern Slavery

During fiscal 2024, Cygnets took the following steps to prevent and reduce the risk of forced labour and child labour:

- implemented the Code of Business Conduct and Ethics, providing a framework for ethical behaviour;
- implemented a Whistleblower Policy to provide a process for disclosing complaints or concerns;
- engaged in conversations with our Board of Directors about the Act;
- received presentations concerning the implementation of the Act and the scope of its requirements from external advisors; and
- began assessing the inherent risk of our supply chain.

Details of the above actions are set out in this Report.

Our Company

Headquartered in Calgary, Alberta and founded by the former Black Swan Energy Ltd. management team, Cygnets is a privately-held oil and gas exploration and production company focused on capturing scalable resource opportunities in the Western Canadian Sedimentary Basin. The Corporation has more than 140,000 net acres of Montney and Duvernay assets in the Province of Alberta, and owns and operates multi-well batteries in the Saxon and Placid areas near Fox Creek, Alberta.

Integrity is a core ideal of Cygnets’s business strategy, which extends to conducting our operations ethically, with a high standard of safety and environmental performance. We expect our stakeholders to share the Corporation’s commitment to responsible business practices.

Cygnets is incorporated under the *Business Corporations Act* (Alberta). As at December 31, 2024, Cygnets had no subsidiaries. Additional information regarding the Corporation is available on our website at www.cygnetsenergy.ca.

Activities and Supply Chains

Cygnet's operations are conducted within Western Canada. We have a small team consisting of 14 employees in our head office and 2 field employees along with various contract personnel. Our staff largely consists of professional geologists and engineers and corporate and administrative services providers.

Our tier one suppliers consist primarily of local third-party providers of goods and services. Cygnet predominantly sources its goods and services within Canada and does not directly source any goods or services outside of North America.

Cygnet's supply chain includes skilled and trained contractors utilized to execute drilling and completing of our wells, construction and installation of our equipment and facilities, operation and maintenance of our assets and transportation of our production, among other activities common to the oil and gas sector. Cygnet procures materials and equipment from suppliers such as chemicals, pipe, casing, pumps, compressors, etc. to facilitate our operations and development of our oil and gas properties.

While all of our goods are procured from suppliers located in North America, we appreciate that many of our suppliers supply us with products that may originate, in whole or in part, from other jurisdictions and have their own respective global supply chains. To date, we have not conducted an audit or inquiry of our suppliers and have not mapped our supply chains beyond the first tier.

Criteria Used and Risk Assessment Made

The potential risk of modern slavery in our business and supply chains is dependent on the type and level of activity being carried out. Risks of modern slavery were assessed having regard to the following key criteria:

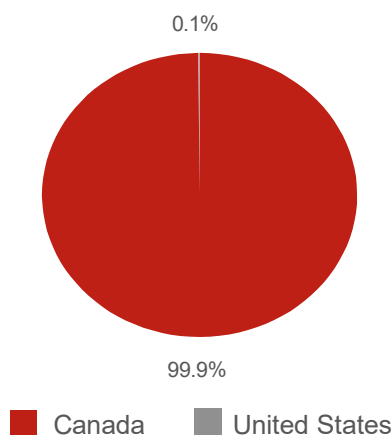
- Country of location: Canada
- Industry sector: Energy
- Product/commodity: Crude oil, natural gas and natural gas liquids

The oil and gas industry, and the commodities produced therefrom, are not considered to be high risk areas within the jurisdiction where Cygnet operates.

Our workforce is mainly comprised of office workers and skilled oil and gas field workers, all of whom are located in the Province of Alberta and are employed on a permanent basis. None of our workers are under the age of 18. Therefore, we consider that there is a low risk of modern slavery risks in our direct operations. In addition, all staff are hired in accordance with standard company human resource policies and all employees have in place a written contract.

In terms of the risks in our supply chain, in 2024 we reviewed all of our tier one suppliers based on the jurisdiction of their operations, determining that nearly 99% are located in Canada and are subject to Canadian laws and regulations, and over 99.9% of our supplier spending was payable to these Canadian suppliers.

Geographic Source of Supplier Spend



While the overall level of risk is low in the jurisdictions of Cygnet’s direct, or first tier, suppliers, a risk of modern slavery may exist in the Corporation’s second or third tier suppliers related to materials potentially imported from developing countries to fabricate goods purchased locally by Cygnet.

Policies and Due Diligence Process

Code of Business Conduct and Ethics (the “Code”)

Cygnet’s Code has been adopted and approved by the Corporation’s management to ensure the Corporation adheres to ethical standards and obeys all applicable laws. The Code applies to all directors, officers, employees and contract personnel¹ of Cygnet (“Company Representatives”). The Code identifies our commitment to the protection of human rights that apply within our areas of operation. We also maintain the integrity of our business processes through transparency and implementation of appropriate internal controls. Company Representatives are required to review and sign off on the Code annually, which requires not only compliance with the Code, but also encourages Company Representatives to report any concerns regarding non-compliance with the Code.

Whistleblower Policy (the “Whistleblower Policy”)

Cygnet’s Whistleblower Policy provides a process for our staff and stakeholders to share their concerns about how we conduct our operations, including any concerns regarding financial matters or other matters, such as violations of the Code or any other policies. The Whistleblower Policy allows for confidential and anonymous reporting and prohibits retaliatory action against reports made in good faith. Whistleblower complaints can be made anonymously to an independent third party and will be forwarded to the Chair of Cygnet’s Audit Committee. The Corporation responds to whistleblower complaints, if any, with due care and full investigation, involving appropriate individuals at senior levels of the Corporation.

In addition to the above, Cygnet intends to regularly evaluate our approach with respect to modern slavery risk mitigation measures to ensure the effectiveness of our methodology, including amending existing policies and implementing new policies, as necessary, to mitigate the risks of modern slavery from occurring in our business or operations.

¹ For the purpose of the Code, this Report and in all other corporate policies of the Corporation, “Company Representatives” includes those individuals retained directly by the Corporation, either in their individual capacity or through their personal corporation, as independent contractors or consultants.

Remediation

In 2024, Cygnet did not identify any instances of forced labour or child labour in our activities or supply chains. Therefore, we have not had to undertake any measures to remediate any forced or child labour, or to remediate any loss of income for vulnerable families.

Cygnet will continue to monitor for potential instances of modern slavery by investigating any complaints received.

For Company Representatives seeking advice on ethical or unlawful behaviour, human rights matters, or for those who have questions in relation to the Code or are aware of any irregularities, Cygnet encourages open dialogue through a variety of pathways, including our Human Resources group, supervisors, and members of the management team, and reporting via our Whistleblower Policy.

Our Whistleblower Policy is an anonymous way for our staff and stakeholders to share their concerns about how we conduct our operations, including any concerns that Cygnet or its Company Representatives are not complying with applicable law or policies.

Education and Training

Currently, Cygnet has not implemented any formal training for its Company Representatives specifically in respect of forced labour or child labour. Given the small size of our team, our stated corporate ideals and culture of ethical conduct are strongly reinforced throughout our day-to-day operations, with training primarily taking the form of awareness and regular discussions of our ongoing success in accomplishing our stated corporate ideals.

The Corporation has ensured that all Company Representatives are aware of the Code, Whistleblower Policy and ethical behavior requirements. Meetings have been held internally to raise awareness of the Act, the potential areas of risk in our supply chains and to reiterate our commitment to act in an ethical manner. The Corporation may in the future consider implementing additional training designed to mitigate any actual or perceived modern slavery risks occurring in relation to its business or operations.

By periodically reviewing our modern slavery risk management practices, we aim to reinforce our commitment to responsible business operations.

Assessing our Effectiveness

After conducting a review of our supply chains, management has determined that the risk of modern slavery is low given our jurisdiction of operations and the industry in which we operate. The commodities we produce are not considered high-risk within the jurisdictions where Cygnet operates. Our workforce primarily consists of oil and gas professionals and administrative staff based in Canada. Our recruitment and compensation practices align with applicable Canadian employment law. Additionally, nearly 99% of our suppliers are based in Canada and are required to uphold Canadian laws and regulations, with the remainder located in the United States.

While the overall risk level is low, we understand the importance of implementing robust management systems to prevent modern slavery in our business and supply chains. As Cygnet is in the early stages of implementing these systems, it has not yet begun to formally assess their effectiveness.

Approval and Attestation

This report was approved by the Corporation's Board of Directors on April 28, 2025, pursuant to paragraph 11(4)(a) 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 this Report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest, on behalf of the Corporation, and with no personal liability, that the information in this 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 'DM', with a stylized flourish at the end.

David Maddison, P.Eng.
CEO and Director
April 28, 2025

I have the authority to bind the Corporation.