

2023 Modern Slavery Report



November 5, 2024

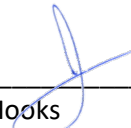
PHX Energy Services Corp. (“**PHX**” or the “**Company**”) provides horizontal and directional drilling services to the oil and gas sector. Since the company’s inception in 1995, PHX has expanded to become a multinational service provider that publicly trades on the TSX (TSX:PHX). PHX delivers progressive drilling solutions to unconventional markets around the world. Headquartered in Calgary, Alberta, we operate in Canada, US, Albania and the Middle East.

PHX is committed to maintaining integrity with all aspects of business operations, including the prevention of forced labour and child labour in our operations and supply chains. We expect that our suppliers share our commitment to ethical and responsible business practices and support our values. PHX understands this is a journey as we continually improve our program by working with all stakeholders affected in our supply chains.

This report (the “**Report**”) was prepared and is being submitted as a revised version of our original report dated May 30, 2024, as permitted by section 12 of the Modern Slavery Act. This revised version was developed following further review and consideration of relevant matters after our initial report was filed and aims to provide additional information and clarity to the government and to our stakeholders.

This Report was approved by PHX's Board of Directors on behalf of PHX and its subsidiaries on November 5, 2024 pursuant to paragraph 11(4)(b)(ii) of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”, or “**Modern Slavery Act**”) Act and will be filed with the Minister of Public Safety and Emergency Preparedness.

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.



John Hooks
Chief Executive Officer, Chairman of the Board
November 5, 2024

I have the authority to bind PHX Energy Services Corp. and its subsidiaries.



REPORT ON FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS

FOR THE YEAR ENDED DECEMBER 31, 2023

DATED: November 5, 2024

INTRODUCTION

This Report has been prepared pursuant to Section 11(b)(ii) of the Act and outlines the actions we took during the year ended December 31, 2023 (the “**Period**”) to prevent and reduce the risk of forced labour or child labour occurring in our business or its supply chains. This Report has been prepared as a joint report and applies to PHX Energy Services Corp. and its subsidiaries listed in Schedule A (the “**Reporting Entities**”). The use of the words “**we**”, “**us**” and “**our**” refers to PHX and the Reporting Entities. This Report addresses our activities during the previous financial year, being January 1, 2023 to December 1, 2023.

Forced labour and child labour (as defined in the Act and together referred to as “**modern slavery**”) are violations of fundamental human rights, which are prevalent all over the world. PHX recognizes our responsibility to operate with the utmost integrity and ethics, which includes ensuring our business activities have no evidence of modern slavery within our operations or supply chains. PHX takes modern slavery and our reporting requirements very seriously and we are committed to the effective implementation of our programs, controls, and compliance with our policies and applicable legislation.

ACTIONS TAKEN DURING 2023

The Company learned of the Modern Slavery Act in 2023 through communications from professional services firms and receiving information requests from clients. As part of their supply chain, our clients requested information relating to the risks and controls addressing the upcoming modern slavery legislation. This prompted an internal review of our risk profile regarding the new legislation (i.e. types of products and services, source of manufacturing, etc.). At this time, we are not aware of any significant risks relating to modern slavery within our operations or supply chains.

As a result of this heightened awareness, a Modern Slavery policy had been developed. This policy, and other related policies and mandates, will be presented to the Board of Directors for review and approval at our scheduled 2024 annual governance meeting.

We will continually assess our compliance and level of effectiveness in meeting legislative requirements, customer requests, and established policies relating to modern slavery.

STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

Structure

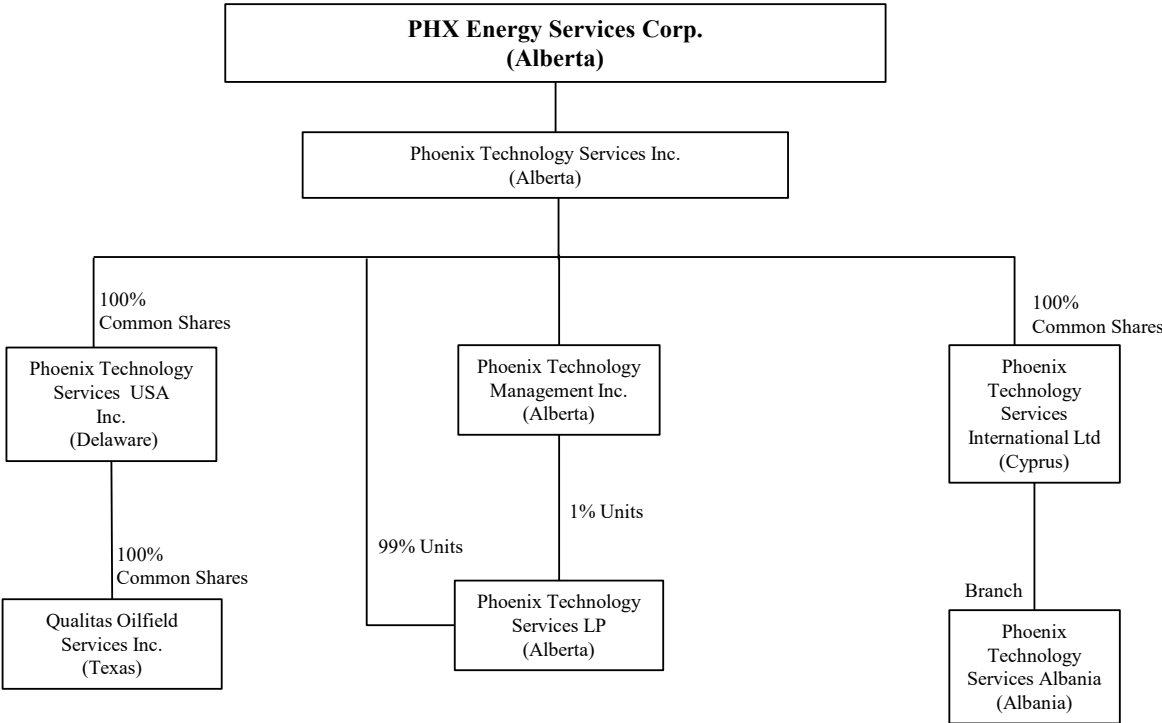
Our Chief Executive Officer along with the President, oversee operational activities and strategic direction of the Company, while oversight is managed by the elected Board of Directors.

PHX also has various subsidiaries and businesses that operate in jurisdictions which are not subject to reporting requirements under this Report. These businesses with physical operations include Phoenix Technology Services USA Inc., Qualitas Oilfield Services Inc., and Phoenix Technology Services Albania, and together and the other subsidiaries and affiliates as more fully described in Schedule “A” to this Report, the “Non-Reporting Entities”.

At the end of 2023, the employee count for the Reporting Entities include:

- Phoenix Technology Services Inc.: 3 employees;
- Phoenix Technology Management Inc.: 34 employees; and
- Phoenix Technology Services LP: 363 employees.

The following diagram sets out the current organizational structure of the Company, as well as the name, the percentage of voting securities owned, controlled or directed, directly or indirectly, by the Company and the jurisdiction of incorporation, continuance, formation or organization of the Company's material subsidiaries.



Activities

PHX provides horizontal and directional drilling services to the oil and gas sector. These activities include well planning, project coordination, drilling optimization, survey management, and provision of leading-edge equipment. Our team of qualified personnel ensure delivery of our technology including field operations, engineering, manufacturing, and servicing of our downhole tools.

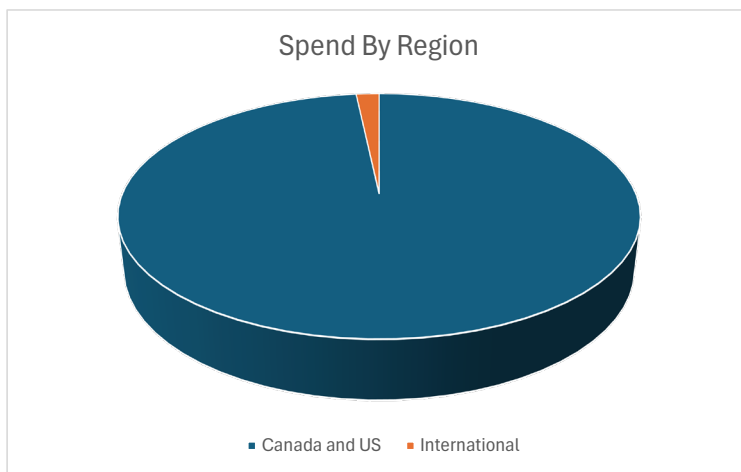
Since the Company's inception in 1995, PHX has expanded to become a multinational service provider that publicly trades on the TSX (TSX:PHX). PHX delivers progressive directional drilling solutions to unconventional markets around the world. Headquartered in Calgary, Alberta, we operate in Canada, US, Albania and the Middle East.

Supply Chains

The Reporting Entities have forged long-term relationships with many of our key suppliers and contractors, and we continue to monitor their performance and capabilities to ensure that they meet our expectation for quality, reliability, safety and compliance with our standards. PHX's Supply Chain department has also developed a vendor qualification process to assist in onboarding new suppliers and to assist in the due diligence process required of our policies.

PHX's supply chains consist of numerous organizations that support our business activities including suppliers and contractors that are involved in the manufacturing, servicing, or field deployment of our directional drilling and measurement while drilling equipment. Approximately 98% of purchases from suppliers in 2023 were from Canada or the United States.

Below is an overview of PHX's supplier spend by Country for the products and services needed for the Company's manufacturing, servicing and operational needs.



Spend By Country

Country	% Spend
Canada	46.35%
United Arab Emir.	0.04%
United Kingdom	1.66%
USA	51.96%

Additional information regarding the structure and operations of PHX and its subsidiaries can be found in the 2023 Annual Information Form found on our website (www.phxtech.com/investor) and all public filings can be found on SEDAR+ (www.sedarplus.com).

POLICIES AND DUE DILIGENCE

Policies

PHX is committed to conducting business in a legal and ethical manner. We have a number of policies, procedures and processes for reporting within the scope of PHX and its subsidiaries. These policies include:

- **Code of Conduct and Ethics** – The Code of Conduct and Ethics relies on our business activities being ethical and conducted with integrity. The policy applies to all employees, officers, directors and contractors of the Company. Breaches or violations of the Code of Conduct and Ethics, including identification of modern slavery, are reported to Compliance or through the Whistle Blowing Procedure Policy.
- **Whistle Blowing Procedure Policy** – The Whistle Blowing Procedure Policy is a mechanism that creates a culture of accountability to our standards and policies within the Company and adherence to legislative requirements. The Whistle Blowing Procedure Policy outlines the steps individuals can take to confidentially and anonymously report complaints and concerns without fear of negative repercussions. Complaints or concerns include matters that breach existing policies or violate the law.
- **Supplier Code of Conduct** – The Supplier Code of Conduct outlines expectations of professional and ethical conduct from our suppliers, contractors, agents and partners. Adherence to this Supplier Code of Conduct is necessary to ensure our commitment to prevention of modern slavery, protecting human rights, and other requirements are effectively implemented. The Supplier Code of Conduct was drafted and approved internally in 2023 but not endorsed at the Board level during that time.
- **Modern Slavery Policy** – The Modern Slavery Policy was drafted in response to upcoming legislation and a result of several customer inquiries. PHX is committed to ensuring forced labour, child labour and related activities are not part of our operations or supply chains. This policy was approved internally but was not reviewed and approved by the Board in 2023.

Company policies and mandates can be referenced on our website (www.phxtech.com/governance).

Due Diligence

PHX performs various forms of due diligence when onboarding material suppliers. Through the qualification process, information is requested about the supplier's financial position, company or product certifications, location where the goods are being manufactured or sourced, ownership information, credit risk, capacity, and security of supply, among others. PHX also conducts site visits to determine whether a key supplier meets our expectations regarding the quality of their products or services, and their ability to meet the volumes of products or services required. Currently, there is no verification of modern slavery mitigation, supplier conduct or ethics.

The Director of Supply Chain is responsible for overseeing procurement activities and conducting any due diligence deemed necessary as it relates to PHX's supply chains.

ACTIVITY AND SUPPLY CHAINS RISKS

We have initiated a preliminary assessment to identify our operations and supply chains exposure to forced labour or child labour and found there is no significant risk at this time. Approximately 98% of the products sourced by PHX are purchased from Canada or the United States, where we consider the risk to be low due to the business conduct of developed nations and respective regulatory environment. Meetings with the Supply Chain team are conducted on a regular basis and there are ongoing efforts being made to formalize this risk assessment process going forward.

REMEDIATION MEASURES

Our preliminary assessment of our supply chains does not indicate that forced labour or child labour are being used, therefore we have not taken any steps to remediate the use of forced labour or child labour. Consequently, we have not taken any steps to remediate the loss of income to the most vulnerable families as a result of the elimination of the use of forced labour or child labour.

EMPLOYEE TRAINING

At this time, we are evaluating methods for effective training relating to identification and mitigation of forced and child labour in supply chains. The Company will utilize our learning management system to ensure employees review and acknowledge the Modern Slavery Policy on an annual basis as part of our commitment to raise awareness and ensure compliance. Several meetings have been conducted with the Purchasing team at PHX to review the requirements of the Modern Slavery Act.

ASSESSMENT OF EFFECTIVENESS

PHX has not implemented processes or procedures to determine the effectiveness of our Modern Slavery Policy and related requirements. As we obtain qualitative and quantitative data to support the implementation of the Modern Slavery Policy, PHX will assess its approach to measuring effectiveness of our programs to ensure that forced labour and child labour are not employed as part of our supply chains.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Report contains certain statements that may constitute forward-looking statements and information within the meaning of applicable securities laws. Forward-looking statements may be identified by words like "intends", "may", "could", "should", "would", "plans", "will", "seek" and similar expressions. This information includes, but is not limited to, PHX's intentions to continue to evaluate and assess our processes with respect to modern slavery, including our reporting process, due diligence activities and policies. Such statements reflect the current views of management of PHX with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause results to differ materially from those expressed in the forward-looking statements. Although PHX believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because PHX can give no assurance that they will prove to be correct.

The forward-looking statements contained in this Report are made as of the date hereof and PHX undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Schedule A
PHX Energy Services Corp. Subsidiaries

100% owned direct and indirect subsidiaries include:

Name	Reporting Entity Status
Phoenix Technology Services Inc.	Reporting Entity
Phoenix Technology Management Inc.	Reporting Entity
Phoenix Technology Services LP	Reporting Entity
Phoenix Technology Services USA Inc.	Non-Reporting Entity
Qualitas Oilfield Services Inc.	Non-Reporting Entity
Phoenix Technology Services International Ltd.	Non-Reporting Entity
Phoenix Technology Services Albania	Non-Reporting Entity