

2020-2021

ESG SUSTAINABILITY REPORT



Blackstone is committed to become a leader in environmental innovation, indigenous empowerment, and unparalleled safety providing more than simply drilling fluid services.

ESG Vision

Blackstone is committed to incorporating Environmental, Social, and Governance (ESG) considerations into all aspects of the company's Western Canadian Sedimentary Basin Operations.

Blackstone is dedicated to placing heightened attention on our indigenous relations and community betterment. As a proud Canadian Oil and Gas Service company with manufacturing in Clive, Sundre, and De Winton, Alberta, Blackstone is committed to connecting and growing relationships with local suppliers in support of our local community.

Blackstone is passionate about our role in Environmental Sustainability. With the pledge of continuous improvement to incorporate the latest industry leading environmental practices and technology, Blackstone will be at the forefront of environmental advancement within the Oil and Gas Service Industry.

Blackstone integrates ESG considerations into all business activities with a goal of better managing scarce natural resources, prioritizing the health, safety and wellbeing of our employees and stakeholders, and ensuring effective corporate governance while striving to provide unprecedented service.

ESG Values

Honesty

Preparedness

Continuous Learning

Teamwork

Excellence



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Sustainability Accounting Standards Board (“SASB”) Review

Rights of Indigenous Peoples

EM-CO-210a.2.

Discussion of engagement processes and due diligence practices with respect to the management of Indigenous rights

Blackstone has made a commitment to ensure that the rights of Indigenous Peoples are not just a concern of the company, but at the core of our guiding values. Blackstone does not own nor lease any production assets, and therefore proximity of reserves locations to Indigenous land is not an immediate concern of the Company.

Though Blackstone does not own or operate assets near Indigenous Land, this does not preclude the company from assuming a duty of leaving all communities in which Blackstone operates better off following the conclusion of the work. This is directly evidenced by the commitment Blackstone has made to Indigenous communities during the COVID-19 pandemic. Blackstone commissioned the manufacturing of 3,000 30ml bottles of hand sanitizer which were sent to the Doig River First Nation located North East of Fort St. John where Blackstone has significant operations.

In addition to providing hand sanitizer to aid in pandemic relief, Blackstone has also pledged to make a monetary commitment to the Doig River Band. Blackstone has partnered with Úújo Developments Limited Partnership which is established by the Doig River First Nation for long term wealth creation. Úújo Developments owns equity in Fraction Energy Services which provides Water Management Services, Production Services, Environmental Services, and Oilfield Rentals. Via Fraction, in support of Úújo Developments, Blackstone has made a commitment to utilize Fraction for a significant portion of the company’s fluid hauling services in the Fort St. John area. On average during drilling months, Blackstone utilizes approximately 175 hours per month of fluid hauling services through Fraction Energy Services to directly support the Doig River First Nation.

Since the inception of the partnership, Blackstone has directly contributed more than \$5,000 directly to the Doig River First Nation including greater than \$100,000 in support of Fraction Energy Services.

Emissions Reduction Services and Fuels Management

EM-SV-110a.1

Total fuel consumed, percentage renewable, percentage used in: (1) on-road equipment and vehicles and (2) off-road equipment.

Blackstone operates a leased fleet of <20 ½ Ton Trucks (On-road vehicles) for the purpose of transportation of both Field and Head Office Operations Personnel to customer well sites. Blackstone does not own nor lease any heavy machinery or off-road equipment, including stationary rigs, generators, or mounted equipment.

The leased fleet of vehicles was calculated as having consumed approx. 1,824 gigajoules (GJ) worth of energy primarily via 87 Octane Gasoline and 1D(#1) Diesel Fuel. 0% of fuel consumed from the Company's fleet was deemed renewable.



EM-SV-110a.2.

Discussion of strategy or plans to address air emissions-related risks, opportunities, and impacts.

Blackstone currently boasts industry leadership in both CO² and Greenhouse Gas (GHG) emission reductions. Due to the nature of the Drilling Fluids Business, Blackstone is posed with a significant opportunity as an Oil and Gas Service Company to greatly reduce carbon emissions with the goal of achieving Zero Emissions.

It is our duty to be a leader in the environmental space, and that is why Blackstone is committed to the further reduction of our air emissions via the transformation of the company's vehicle fleet to both Eco-Diesel and Electric. With a goal of transforming 50% of our fleet to low emission vehicles by 2026.

Blackstone reaffirms our commitment to explore new technologies and solutions to further enhance our energy efficiency and reduce air emissions including greenhouse gas. This will allow us as a company to position ourselves to not only as a Service provider to our operators, but a resource from which they will be able to leverage our position as an environmental pacesetter.

As an Oil and Gas Services Company, we understand that there are limitations to the extent that we can entirely eliminate our air emissions. Therefore, as part of the Blackstone's unparalleled commitment to environmental protection, through the purchase of Carbon Offsets, Blackstone is committed to our Goal of Achieving Carbon Neutrality by 2025.

EM-SV-110a.3.

Percentage of engines in service that meet Tier 4 compliance for non-road diesel engine emissions.

Blackstone does not own nor operate non-road diesel engine vehicles. This SASB standard is not applicable.

Water Management Services

EM-SV-140a.1.

EM-SV-140a.2.

(1) Total volume of fresh water handled in operations, (2) percentage recycled. (3) Discussion of strategy or plans to address water consumption and disposal-related risks, opportunities, and impacts.

Fresh water is considered to be water that has less than 1000 parts per million of dissolved solids per the U.S. Geological Survey, the use of fresh water in Drilling Fluids Operations is extremely limited: <100m³ / year. The products sold by the company are broadly classified into 2 categories; Oil Based Mud (OBM), and Brine Fluid Systems.

When drilling with Brine Fluid Systems 100% the fluid will be recycled from one well to the next, and as fluid is lost to the formation, the system will be replenished. Therefore, there is no use of freshwater, rather Brine utilized in the drilling operation until it is eventually lost downhole. It is understood that the downhole loss of fluid is one of the most environmentally sensitive consequences of the drilling process. Therefore Blackstone (when seen as advantageous or equitable to an Oil Based System), will ensure that a Brine is recommended to the Customer. This not only benefits our Customer's eventual production from the drilled well, but also ensures that significantly less Oil Based Mud is lost in the various formations during the drill.

During the drilling process, water is also produced in addition to the desired hydrocarbon. Produced Water is defined according to the U.S. Environmental Protection Agency (EPA) U.S. 40 CFR 435.41 as water (brine) brought up from the hydrocarbon bearing formation strata during the extraction of oil and gas and can include formation water, injection water, and any chemicals added downhole or during the oil/water separation process. This fluid is often contaminated with heavy metals, and traces of naturally occurring radioactive material (NORM), and various other solids.

In these instances, Blackstone will work in conjunction with the operator to ensure that this by-product fluid is disposed of properly. Most often via the use of a disposal well (Or as otherwise dictated in accordance with Alberta Energy Regulator's - Directive 50⁽¹⁾). In certain circumstances, depending on the formation in which our customer is drilling, an opportunity may arise where the produced water can be used instead of new/recycled brine for the drilling process. This poses significant environmental benefits, as the produced water will be returned to the formations from which it was obtained, and no additional brine fluid is required to further the drilling process.

Throughout the entire drilling process Blackstone is committed to the safe and environmentally conscience disposal of all utilized/produced fluids. In pursuit of constant environmental innovation, Blackstone is constantly analyzing our procurement and usage process of these scarce resources. In addition, we are consistently looking for areas of improvement, potential process re-designs or technological innovations that will lower usage of fresh water in constrained regions, reduce excess water production from wells, or provide new water treatment.

⁽¹⁾ <https://static.aer.ca/prd/documents/directives/Directive050.pdf>

Chemicals Management

EM-SV-150a.1.

Volume of hydraulic fracturing fluid used, percentage hazardous.

Blackstone operates as a Drilling Fluids Service Company, and therefore is not associated with the supply of hydraulic fracturing fluids or proppant.

EM-SV-150a.2.

Discussion of strategy or plans to address chemical-related risks, opportunities, and impacts.

Blackstone is committed to the health and safety of all our employees and all others involved in or impacted by our operations, which is directly attributed to the company's management of chemical related dangers.

To ensure that Blackstone operates at the highest level of safety, all our relevant personnel who manage the company's chemicals on a daily basis are required to possess current chemical handling training. This includes but is not limited to WHMIS (Workplace Hazardous Materials Information System) Training and TDG (Transportation of Dangerous Goods) Training. In addition to the training completed by all required personnel within the company, all well sites are required to possess copies of the SDS for all chemicals managed by the company, as well as chemical information posters which are to be clearly presented in the areas where Blackstone's products are present. It is understood that in the event of an emergency, the hard copy SDS may not be readily available, and that is why on the Blackstone Company Website (<https://blackstonefluids.com/products/sds/>) all of the chemicals used by the company have their SDS present and available for immediate consultation.

In addition to the chemicals at each well location, Blackstone stores chemicals in up to 9 various locations across Western Canada. To ensure the integrity of the chemicals located in storage, inventory inspections are completed at each chemical storage location every 3 months by a senior member of Blackstone's Inventory Management Group.



In conjunction with Blackstone's dedicated pursuit of Environmental Leadership among Canadian Oil and Gas Service Companies, we are constantly looking for ways to reduce the environmental impact of our chemical usage. This includes industry identified best practices of utilizing backhauling for the transport of product, as well as the consolidation of products for sale in bulk form (ie. use of totes vs. multiple drums). Where 1 re-usable tote eliminates the need to use 5 drums, this best practice both reduces waste at the well site and allows for the reduction in emissions production via its ease of transport. In instances where the use of totes is not available Blackstone has made a commitment to ensure that every drum utilized at the well site is recycled regardless of the required cost.

Blackstone re-affirms our commitment to environmental leadership including chemical management. Through our dedicated long-term strategy of environmental process redesign in pursuit of technological innovation, Blackstone commits to reduce or eliminate the needs for certain chemicals, replace certain chemicals with benign alternatives, and implement green chemistry principles in the development of our new products and services.



Ecological Impact Management

EM-SV-160a.1.

Average disturbed acreage per (1) oil and (2) gas well site.

As the provider of Drilling Fluids to established customer well sites, the delivery of Blackstone's Drilling Fluids (including additional chemical requirements) does not create any disturbed acreage. Blackstone is dedicated to the preservation of the lands in which we operate. As a service company on customer's leases, we possess very little ability to dictate how the well site is maintained. However, that does not mean that Blackstone cannot be a role model for all other companies on the lease regarding environmental stewardship. That is why Blackstone is proudly striving to reduce our impact on all well sites that we operate. This includes but is not limited to recycling all able materials used at the well site and Industry leading supply chain management limiting emissions produced accessing the lease.



EM-SV-160a.2.

Discussion of strategy or plan to address risks and opportunities related to ecological impacts from core activities.

Blackstone is dedicated to the constant reduction of ecological impact from the company's operations. As discussed in further detail in the aforementioned Sustainability Disclosure Topics & Accounting Metrics, Blackstone is performing the following in pursuit of our Environmental Leadership.

- Blackstone is committed to the further reduction of our air emissions via the transformation of the company's vehicle fleet to both Eco-Diesel and Electric. With A goal of transforming 50% of our fleet to low emission vehicles by 2026.
- Explore new technologies and solutions to further enhance our energy efficiency and reduce air emissions including greenhouse gas.
- Promote the use of Brine fluid as an ecologically superior alternative to Oil Based Mud when appropriate.
- Utilize company's produced water to further the drilling process when appropriate.
- Consolidate chemicals into bulk to reduce waste when appropriate.
- Continue to leverage our industry leading supply chain operations to ensure quick, cheap, and efficient transport.
- Exercise extensive wellsite recycling with the continuous goal of reducing wellsite waste.

In addition to the stated initiatives, Blackstone re-affirms its commitment to environmental leadership, including the relentless strategy of research and application of technological industry innovations in effort of consistently reducing the company's environmental impact.

Workforce Health & Safety

EM-SV-320a.1

(1) Total recordable incident rate (TRIR), (2) fatality rate, (3) near miss frequency rate (NMFR), (4) total vehicle incident rate (TVIR), and (5) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees.

Workplace Health & Safety statistics.

- (1) Total Recordable Incident Rate (TRIR): 0.00
- (2) Fatality Rate (TFR): 0.00
- (3) Near Miss Frequency Rate (NMFR): 0.00 ^(a)
- (4) Total Vehicle Incident Rate (TVIR): 0.00
- (5) Average Hours of Health, Safety, and Emergency Response Training
 - a. All Operations Team Members & Field Personnel regardless of employment vs. contract are required to have the following training completed;
 - i. H2S Alive Training – 8 Hours
 - ii. Standard First Aid & CPR level “C” + AED – 8 Hours
 - iii. WHMIS Training – 1.5 Hours
 - iv. Transportation of Dangerous Goods (TDG) – 3 Hours
 - b. In addition, Blackstone possesses a Safety Committee which meets quarterly to review pertinent and upcoming Safety Issues affecting both the company and the Industry. All safety committee members are required to have completed:
 - i. Module 03: Joint Work Site HS Committee / HS Representative – 8 Hours

The listed courses are required of all applicable employees; however, this is not a complete list of all trainings completed. As an Oil and Gas Service Company it is common for our field personnel to take additional courses to meet the individualized safety demands of an operator.

In addition, to comply with COR (Workplace Safety Certificate of Recognition) and building safety requirements, additional ad hoc trainings are completed for both office and field personnel. These trainings include but are not limited to: Emergency Response Drills, Fire Warden/ Fire Drill Training, Workplace Hazard Assessment Inspections.

(A) The U.S. National Safety Council (NSC) provides guidance on implementing near miss reporting, including in, “Near Miss Reporting Systems.” Which is not in accordance with how Blackstone has historically tracked this metric. Blackstone will refer to NSC guidance on a prospective basis when tracking these metrics.

EM-SV-320a.2.

Description of management systems used to integrate a culture of safety throughout the value chain and project lifecycle.

As an Oil and Gas Service Company in Canada, the health and safety of our employees and all others involved in, or impacted by our operations is of utmost importance. As defined explicitly in our Health and Safety policy ⁽²⁾, the above statement is a commitment by management to ensure a culture of safety is fostered throughout the company.

The management of Blackstone is responsible for seeking every reasonable means to provide a safe work environment for all workers. This is completed by employing competent personnel who are properly equipped to complete their jobs in a safe manner and by using those practices and procedures that meet or exceed regulatory and recognized industry standards.

We believe It is everyone's responsibility to identify, correct, and immediately report to their supervisor or manager unsafe working conditions or personnel who are inadequately trained or equipped to perform their job safely. However, this responsibility begins with management, and at Blackstone we are proud of the exemplification of this, and our other core values through all levels of the Company starting with Ownership.

Working in the Western Canadian Sedimentary Basin, we have a unique opportunity whereby we have exceptional support from the Petroleum Services Association of Canada (PSAC) to frequently provide legislation and best practices safety updates to ensure that we are always managing possible safety issues/concerns on a proactive basis. Monthly Safety Meetings, Communication by the Company's Health and Safety Committee, and regular distribution of Health and Safety bulletins by our Health and Safety Manager are more examples of the frequent role safety plays within Blackstone.

Due to the lean operating size of Blackstone, with the immense management support and the culture of safety that has been created, we are posed to be leaders in not only Drilling Fluids, but in Safety among Oil and Gas Service Providers.

⁽²⁾ [Blackstone Drilling Fluids - Health and Safety Policy](#)



Business Ethics & Payments Transparency

EM-SV-510a.1.

Amount of net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index.

Blackstone does not operate in any of the 20 lowest ranked countries as per Transparency International's Corruption Perception Index.

EM-SV-510a.2.

Description of the management system for prevention of corruption and bribery throughout the value chain.

Blackstone is committed to managing corruption and bribery risks while conducting all business no matter the customer, supplier, or geographical location. While Blackstone does not operate in any of lower ranked countries as defined by the Transparency International's Corruption Perception Index, this does not mean that there is no risk to the Company.

When determining whether to accept a new business partner (Including, but not limited to customers, suppliers, contractors, subcontractors, and joint venture (JV) partners) Blackstone must evaluate the prospective partner. A formal review is made by management whereby inspection of recent press releases, analysis of publicly available financial information, and discussion with references of the partner. After the completion of the process, further management discussion takes place as to whether there exists comfort regarding the integrity and standing of the proposed partner. If uncertainty still exists, further consultation and investigation will take place, and similar determination meetings will be held until unanimous agreement can be reached.

The process is not completed once a contract has been signed with a partner. On a continues prospective basis, all employees engaged in actions with the partner are appointed with exercising professional skepticism, to remain vigilant as to whether there appears to exist any actions which do not conform with the Policies and Values of Blackstone.

Blackstone is in the development of a formal Business Ethics and Conduct policy in accordance with best practices outlined in the U.S. Department of Justice's Evaluation of Corporate Compliance Programs and the Resource Guide to the U.S. Foreign Corrupt Practices Act.

Management of the Legal & Regulatory Environment

EM-SV-530a.1.

Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry.

There are no significant risks related to legislation, regulation, and/or rulemaking, related to environmental and social factors relevant to the Drilling Fluids Services Industry. As identified in EM-SV-140a.2. Blackstone operates in an industry where compliance with the Alberta Energy Regulator is mandatory, in addition to compliance with the strict environmental guidance of both the Federal and Provincial governments.

To ensure continued compliance with any new or amended regulations, Blackstone has also initiated the creation of the Environmental, Social and Governance (ESG) Program. Blackstone is aware of the rapidly occurring changes in the Energy Industry within Canada, which also means a duty to ensure compliance no matter how quick the changes. The creation of this committee allows Blackstone to identify, and effectively implement new strategies to address any and all new changes to the industry.

Critical Incident Risk Management

EM-SV-540a.1.

Description of management systems used to identify and mitigate catastrophic and tail-end risks.

There are not any significant identified catastrophic and/or tail end risks. Due Blackstone's operations occurring on third party company's leases, we are required to abide but the rules and regulations set out by the customer. This does not preclude Blackstone from operating in a prudent fashion and ensuring conformity to all required environmental regulations, but it does provide restrictions as to the additional procedures that can be preformed.

As discussed in EM-SV-320a.2. we have tasked all employees to represent Blackstone in the highest regard ensuring that all aspects of the business are completed to the company's high standards. This includes following all the company's strict safety rules and guidelines to avoid catastrophic consequences at the wellsite.

Blackstone is proud of the reputation the company has garnered over the last 15 years of business, becoming synonymous with Honesty, Preparedness, Continuous Learning, Teamwork, and Excellence. We are committed to the guarantee that all members of our organization from Ownership to Field Personnel represent these values and will continue to be seen as pacesetters in the Drilling Fluid Industry.

SASB Activity Metrics

EM-SV-000.A

Number of active rig sites.

Blackstone does not lease, own, or operate any rig sites.

EM-SV-000.B

Number of active well sites.

Blackstone does not lease, own, or operate any well sites.

EM-SV-000.C

Total amount of drilling performed.

Blackstone does not perform drilling operations.

EM-SV-000.D

Total number of hours worked by all employees.

Total estimated hours worked – 48,750.

