



AUDIT AND RISK COMMITTEE MANDATE

Adopted by the Board of Directors on November 6, 2024

1 PURPOSE

The Audit and Risk Committee (the “**Committee**”) assists the board of directors (the “**Board**”) of Cavvy Energy Ltd. (the “**Corporation**”) in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, budgetary, auditing, risk, financial reporting, internal control and legal compliance functions, including the specific duties and responsibilities described below and shall comply with all applicable laws, regulations, rules and listing standards (the “**Applicable Laws**”).

2 COMPOSITION, QUALIFICATION AND APPOINTMENT

- 2.1 The Committee consists of such number of directors as the Board may, from time to time, by resolution determine, in no event to be less than three (3). Every Committee member must be a director of the Corporation.¹
- 2.2 Every Committee member must meet the independence test and other membership requirements (including, subject to the exemptions provided therein, the financial literacy requirements pursuant to National Instrument 52-110 – *Audit Committees*) under Applicable Laws, as determined by the Board.²
- 2.3 Committee members are appointed by the Board promptly after each annual shareholders’ meeting.
- 2.4 Any member of the Committee may be removed and replaced at any time by the Board and also automatically cease to be a member of the Committee as soon as such member ceases to be a director. If and whenever a vacancy exists, the remaining members may exercise all the powers of the Committee as long as a quorum remains in office.
- 2.5 Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board on the recommendation of the Committee and will be filled by the Board if the membership of the Committee falls below three (3) directors.
- 2.6 The Chair of the Board (the “**Board Chair**”) shall sit as an *ex-officio*, non-voting member of the Committee.

3 DUTIES AND RESPONSIBILITIES

The Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board. In furtherance of its purpose and in addition to such responsibilities as may be required by Applicable Laws, the Committee assumes the following duties and responsibilities:

¹ Section 3.1(1) and (2) of NI 52-110.

² Section 3.1(3) and (4) of NI 52-110.

3.1 Accounting Policies, Financial Reporting and Control

- (a) Review changes proposed by management to the Corporation's accounting policies to ensure completeness and acceptability with the accounting standards adopted by the Corporation as part of the approval of the financial statements.
- (b) Discuss with management and the external auditor the acceptability, appropriateness (within the range of acceptable options and alternatives), degree of aggressiveness/conservatism and quality of underlying accounting policies, disclosures and key estimates and judgments.
- (c) Review and assess the Corporation's internal controls over financial reporting, including attestations by the external auditors of the Corporation's internal controls over financial reporting.
- (d) Discuss with management and the external auditor the clarity and completeness of the Corporation's financial and non-financial disclosures.

3.2 External Auditor

- (a) Recommend to the Board the external auditor to be appointed by the shareholders of the Corporation for the purpose of preparing the external auditor's report, as well as the external auditor's compensation for doing so.³
- (b) Review and approve in advance the proposed audit scope, focus areas, timing and key decisions (including materiality and reliance on internal audit) underlying the audit plan and the appropriateness and reasonableness of the proposed audit fees.
- (c) Establish effective communication processes with management, the Board and the external auditor so that it can objectively monitor the quality and effectiveness of the external auditor's relationship with management and the Committee.
- (d) Receive and review regular reports from the external auditor on the progress against the approved audit plan, important findings, audit issues, recommendations for improvements and the auditors' final report.
- (e) Periodically meet with the external auditor without management present.
- (f) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's present and former external auditors.⁴
- (g) Pre-approve all audit and non-audit services (or delegate such pre-approval if and to the extent permitted by Applicable Laws) to be provided to the Corporation or its subsidiaries by the Corporation's external auditor where such pre-approval is required by Applicable Laws.⁵ Consider whether the auditor's provision of permissible non-audit services is compatible with the auditor's independence.

3.3 Oversight of the Corporation's Risk Management

- (a) Review, monitor, and, where appropriate, provide recommendations to the Board on the governance of the Corporation's major strategic, business, operational, and financial risk

³ Section 2.3(2) of NI 52-110.

⁴ Section 2.3(8) of NI 52-110.

⁵ Section 2.3(4) of NI 52-110.

exposures and the guidelines, policies and practices regarding risk assessment and risk management including the following:

- (i) review the Corporation's Enterprise Risk Management Program, including processes for identifying, assessing and managing risks.
 - (ii) understand the Corporation's major strategic business, financial and operational risk exposures and the steps the Corporation has taken to monitor and control such exposures.
 - (iii) review the Corporation's major security risks and security trends, including cybersecurity risks that may impact the Corporation's operations and business.
 - (iv) review the Corporation's insurance coverage.
 - (v) understand the Corporation's business continuity plans, including work stoppage and disaster recovery plans.
- (b) Review, monitor, report and, where appropriate, provide recommendations to the Board on the Corporation's compliance with internal policies and practices regarding risk assessment and risk management and the Corporation's progress in remedying any material deficiencies thereto.
 - (c) Review and recommend to the Board for financial approval all individual contracts for the supply of property or services that contemplate payment by the Corporation exceeding \$5,000,000 in aggregate over the term of the contract.

3.4 Environmental, Social and Governance

- (a) Review and recommend to the Governance and Human Resources Committee the financial data included in the Corporation's annual ESG report. Ensure the processes and procedures are in place to verify the accuracy and completeness of the Corporation's quantitative reporting of this financial data.
- (b) At least annually ensure the Committee and its members remain educated on the latest rules, regulations, industry trends and best practices regarding ESG and climate-related issues specific to the scope of the Committee.

3.5 Ethical and Legal Compliance

- (a) Review, on a quarterly basis the Corporation's compliance with respect to (i) the legal and regulatory matters which may have a material effect on the Corporation and/or its financial statements, including with respect to pending or threatened material litigations, and (ii) compliance with certain Corporate Policies listed in 3.6(a) of this mandate, as well as the Corporation's progress in remedying any material deficiencies that could have a significant impact on the Corporation.

3.6 Corporate Policies

- (a) At least annually review and if appropriate recommend to the Board changes to the Corporation's principal Audit and Risk corporate policies, which include but may not be limited to:
 - (i) Delegation of Authority

- (ii) Hedging
 - (iii) Investment
 - (iv) Credit
 - (v) Disclosure
- (b) As appropriate, investigate situations brought to the attention of the Committee through the Whistleblower Policy regarding accounting, internal controls, or auditing matters, including allegations with respect to fraud or accounting misconduct.⁶

3.7 Public Disclosure

- (a) Review and discuss with management and the external auditor and, where appropriate, provide recommendations to the Board on the following, prior to their public disclosure:
- (i) the Corporation's annual and interim financial statements and associated MD&A (including the discussion of critical accounting estimates included therein), annual information form, prospectus-type documents, earnings press releases (including financial outlook, future-oriented financial information and other forward-looking information, and any pro-forma or non-IFRS information included therein); and
 - (ii) to the extent not previously reviewed by the Committee, all financial statements included in any prospectus, business acquisition report or offering memoranda and/or other financial reporting requiring approval by the Board.⁷
- (b) To the extent deemed appropriate, review:
- (i) any financial information of the Corporation required to be filed by the Corporation with applicable securities regulators or stock exchanges and
 - (ii) press releases of the Corporation containing material financial information, earnings guidance, forward-looking statements, material change reports, information about operations or any other material information.
- (c) Take steps to satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures.⁸

3.8 Other Responsibilities

- (a) Review and monitor the Corporation's quarterly performance against the annual budget.
- (b) Perform such other functions as may, from time to time, be assigned to the Committee by the Board.

4 PROCEDURAL MATTERS

4.1 Committee Chair

⁶ Section 2.3 of NI 52-110.

⁷ Section 2.3(5).

⁸ Section 2.3(6).

The Board appoints one (1) Committee member to act as its chair (the “**Committee Chair**”), provided that if the Board does not so designate a Committee Chair, the Committee, by a majority vote, may designate a Committee Chair. The Committee Chair may be removed at any time at the discretion of the Board. The incumbent Committee Chair continues in office until (i) a successor is appointed, (ii) he or she is removed by the Board, or (iii) he or she ceases to be a director of the Corporation. If the Committee Chair is absent from a meeting, the Committee will, by majority vote, select another Committee member to preside at that meeting.

The Committee Chair has the following responsibilities and duties:

- (a) Effectively lead the Committee in discharging all duties set out in this Mandate.
- (b) Chair meetings of the Committee.
- (c) Review and provide comments on the agenda for each meeting of the Committee prepared by management and instructs management to ensure that the properly prepared agenda and other meeting materials are circulated to the Committee with sufficient time for review prior to each Committee meeting.
- (d) Ensure that all matters requiring the Committee’s review or approval are properly tabled and presented for consideration at Committee meetings and that Committee members are free to express their viewpoints.
- (e) Ensure the Committee meets as frequently as necessary to carry out its duties effectively and ensures that there is sufficient time during Committee meetings to fully discuss all business properly put before the Committee.
- (f) In consultation with management, review the Committee’s annual work plan.
- (g) Report to the Board on the matters reviewed by, and on any decisions or recommendations of, the Committee at the next meeting of the Board following any meeting of the Committee.
- (h) Ensure that the Committee works as a cohesive group, including by maintaining effective communication and working relationships between members of the Committee, the Board, management, auditors and advisors.
- (i) Ensure that the resources available to the Committee (in particular, timely and relevant information) are adequate to support its work.
- (j) If requested by the Governance and Human Resources Committee, meet with all Committee members and seeks their feedback on Committee performance and other matters.
- (k) Carry out any other or special assignments or any functions as may be requested by the Board.

4.2 Meetings

- (a) Meetings of the Committee may be called at the request of any member of the Committee, the CFO or the external auditor or otherwise as required by law. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested. The Committee shall fix its own procedure at meetings and for the calling of meetings. The Committee meets at least each quarter and otherwise as necessary.

- (b) The CFO shall have direct access to the Committee and receive notice of and attend and be heard at all meetings of the Committee.
- (c) The CEO and the Board Chair shall receive notice of and have the right to attend and be heard at all meetings of the Committee, except in each case such part of the meeting, if any, which is a private session not involving all or some of these officers as determined by the Committee.
- (d) The external auditor of the Corporation is given notice of every Committee meeting and, at the expense of the Corporation, is entitled to attend and be heard thereat, except such part of the meeting, if any, which is a private session not involving the external auditor. If requested by a Committee member, the external auditor attends every Committee meeting held during such external auditor's term of office.
- (e) Unless otherwise determined, from time to time, by resolution of the Board, a majority of the Committee constitutes a quorum. No business may be transacted by the Committee except by resolution in writing signed by all the Committee members (whether in writing or electronically) or at a Committee meeting at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communication facilities that permits all participants to communicate adequately with each other during the meeting. At Committee meetings, Committee actions shall require approval of a majority of the votes cast by Committee members, except where only two (2) members are present, in which case any question shall be decided unanimously.
- (f) The Committee meets *in-camera*, in the absence of management with the external auditor, at each regularly scheduled meeting.
- (g) The Committee meets *in-camera*, in the absence of management and the external auditor, at each regularly scheduled meeting.
- (h) The Corporation Secretary will be the secretary of all meetings. If the Corporation Secretary is not in attendance at any meeting, the Committee appoints a secretary to the Committee who need not be a director or officer of the Corporation. Minutes of Committee meetings will be recorded and maintained by the Committee's secretary and will be presented to the Committee Chair for review and approval.
- (i) The Committee may invite such officers, directors and employees of the Corporation as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee. It is expected that responsible management shall be reporting on particulars at each Committee meeting.

4.3 Reporting to the Board

- (a) The Committee will report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held.

5 DELEGATION

The Committee has the authority to delegate to subcommittees, provided however that the Committee shall not delegate any power or authority required by Applicable Laws to be exercised by the Committee as a whole.

6 INDEPENDENT ADVISORS AND RESOURCES

- (a) The Committee may communicate directly with the Corporation's external auditors and the Corporation's officers, employees or external parties and request Corporation information and documentation from these persons.⁹
- (b) The Committee may, in its sole discretion, engage independent outside counsel and such other advisors as it deems necessary to fulfil its duties and responsibilities under this Mandate. The Committee may set the compensation and oversee the work of any outside counsel and other advisors to be paid by the Corporation.¹⁰

7 LIMITATION ON THE DUTIES OF THE MEMBERS OF THE COMMITTEE

Nothing in this Mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard required by law.

8 EVALUATION OF COMMITTEE AND MANDATE REVIEW

On an annual basis, the Committee shall review and evaluate its performance. In conducting this review, the Committee shall address such matters that the Committee considers relevant to its performance and evaluate whether this Mandate appropriately addresses the matters that are or should be within its scope. The review and evaluation shall be conducted in such a manner as the Committee deems appropriate. Among other things, the Committee shall evaluate and assess the financial literacy of its members. The Committee Chair shall deliver to the Governance and Human Resources Committee Chair a report, which may be oral, setting forth the results of its review and evaluation, including any recommended changes to this Mandate and any recommended changes to the Corporation's or the Board's policies or procedures, as it deems necessary or appropriate.¹¹

This Mandate is not intended to give rise to civil liability on the part of the Corporation or its directors or officers to shareholders, other security holders, customers, suppliers, competitors, employees or other persons or to any other liability whatsoever on their part.

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⁹ Section 4.1 of NI 52-110.

¹⁰ Section 4.1 of NI 52-110.

¹¹ Section 3.18 of NP 58-201