

**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE****I. PURPOSE**

The primary function of the Audit Committee (the "**Committee**") is to assist the board of directors (the "**Board**") of Valeura Energy Inc. (the "**Corporation**") in fulfilling its oversight responsibilities by reviewing:

- A. the financial information that will be provided to the shareholders and others;
- B. the systems of internal controls, management and the Board have established;
- C. all audit processes; and
- D. the effectiveness of the Corporation's financial risk management and compliance practices, including commodity price risks, credit risks and information technology, cybersecurity and data security risks.

Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board.

**II. COMPOSITION AND OPERATIONS**

- A. The Committee shall be composed of not fewer than three directors and not more than five directors, all of whom are independent<sup>1</sup> directors of the Corporation.
- B. All Committee members shall be "financially literate"<sup>2</sup> and at least one member shall have "accounting or related financial expertise". The Committee may include a member who is not financially literate, provided he or she attains this status within a reasonable period of time following his or her appointment and providing the Board has determined that including such member will not materially adversely affect the ability of the Committee to act independently.
- C. The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in the Board Manual.
- D. The Corporation's external auditor shall be advised of the names of the committee members and will receive notice of and be invited to attend meetings of the

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<sup>1</sup> Independence requirements are described in the Appendix to the Board Operating Guidelines.

<sup>2</sup> The Board has adopted the NI 52-110 definition of "financial literacy", which is an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Committee, and to be heard at those meetings on matters relating to the external auditor's duties.

- E. The Committee has the authority to communicate with the external auditor as it deems appropriate to consider any matter that the Committee or external auditor determine should be brought to the attention of the Board or shareholders.
- F. The Committee shall meet as often as necessary to fulfill its mandate and responsibilities described herein and, in any event, shall meet at least four times each year. The Chair may call additional meetings as required.

### III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

#### A. **Financial Statements and Other Financial Information**

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:

- i) review and recommend approval of the Corporation's annual financial statements and management's discussion and analysis and report to the Board before the statements are approved by the Board;
- ii) review and approve for release the Corporation's quarterly financial statements, management's discussion and analysis and press release;
- iii) satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in items (i) and (ii) above, and periodically assess the adequacy of those procedures;
- iv) review the annual information form and any prospectus/private placement memorandums;
- v) review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation's financial statements; and
- vi) review other financial information included in any public disclosure to ensure that it is consistent with the Board's knowledge of the affairs of the Corporation and is unbiased and non-selective.

Review and discuss:

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

- vii) the appropriateness of accounting policies and financial reporting practices used by the Corporation;
- viii) the use of any “pro forma” or “adjusted” information not in accordance with IFRS;
- ix) issues regarding accounting principles and financial statement presentations, including any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
- x) any new or pending developments in accounting and reporting standards that may affect the Corporation;
- xi) any problems, difficulties or differences encountered in the course of the audit work including any disagreements with management or restrictions on the scope of the external auditor’s activities or on access to requested information and management’s response thereto;
- xii) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures on the financial statements of the Corporation and other financial disclosures;
- xiii) any reserves, accruals, provisions or estimates that may have a material effect upon the financial statements of the Corporation;
- xiv) the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of the Corporation;
- xv) review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements; and
- xvi) review accounting, tax and financial aspects of the operations of the Corporation as the Committee considers appropriate.

### **B. Risk Management, Insurance and Disclosure**

The Committee will, in collaboration with the other committees of the Board, review and assist the Board in ensuring that the risk management and information systems of the Corporation are operating effectively. The Committee will have responsibility for advising the Board on the principal financial, audit and certain other designated risks to the Corporation and making recommendations to the

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Board regarding its oversight and management of such risks, including under the Corporation's insurance program.

The Committee will:

- i) review and evaluate commodity price risks, credit and counterparty risks, financial risks, tax and fiscal regime risks, market risks, repatriation and central banking risks, information technology, cybersecurity and data security risks, and ensure such risks are being properly identified and addressed under the Corporation's Enterprise Risk Management Policy, Enterprise Risk Management Framework and Risk Register;
- ii) review and evaluate the Corporation's insurable risks in collaboration with the other committees of the Board to ensure such insurable risks are being properly identified and addressed under the Corporation's Enterprise Risk Management Policy, Enterprise Risk Management Framework and Risk Register and evaluate the cost/insurance benefits associated with such risks;
- iii) review and evaluate the Corporation's annual insurance program, including the risk retention philosophy, potential exposure and corporate liability protection programs; and
- iv) in collaboration with the other committees of the Board, review and evaluate the Corporation's disclosure of principal risks and whether such risks are being properly described.

The Committee will make recommendations to the Board regarding such matters.

### C. **Internal Controls**

The Committee will oversee, review and approve, as required:

- i) processes adopted by management for establishing effective internal control over financial reporting ("**ICFR**") and disclosure controls and procedures ("**DC&P**");
- ii) the adequacy and effectiveness of the Corporation's accounting, ICFR and DC&P policies and procedures;
- iii) changes to the Corporation's ICFR and DC&P policies and procedures;
- iv) management's certification of ICFR and DC&P; and
- v) spending authority and approval limits.

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

### D. Information Systems

The Committee will obtain reasonable assurance that the Corporation's information systems are reliable and are properly designed and effectively implemented through discussions with and reports from management, the internal auditor and external auditor.

### E. Cyber Security

The Committee will review, on a regular basis:

- i) a system status update with respect to the Corporation's IT systems;
- ii) the Corporation's cyber security programs and their effectiveness; and
- iii) updates on the Corporation's compliance program for cyber threats and security,

and the Committee shall ensure that any breaches of cyber security or potential cyber threats will be reported to the Board in accordance with best governance practices.

### F. External Audit

The external auditor is required to report directly to the Committee, which will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- i) review and recommend to the Board, for shareholder approval, engagement of the external auditor;
- ii) review and approve compensation for the external auditor;
- iii) review and approve the annual external audit plan, including but not limited to the following:
  - a) engagement letter;
  - b) objectives and scope of the external audit work;
  - c) procedures for quarterly review of financial statements;
  - d) materiality limit;
  - e) areas of audit risk;
  - f) staffing;
  - g) timetable; and

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

- h) approve fees;
- iv) meet with the external auditor, without management being present, to discuss (A) the external auditor's judgment about the quality, integrity and appropriateness of the Corporation's accounting principles and financial disclosure practices as applied in its financial reporting; (B) the Corporation's quarterly and annual financial statements; and (C) the external auditor's report including the appropriateness of accounting policies and underlying estimates;
- v) maintain oversight of the external auditor's work and advise the Board, including but not limited to:
  - a) the resolution of any disagreements between management and the external auditor regarding financial reporting;
  - b) any significant accounting or financial reporting issue;
  - c) any material issues or potentially material issues, either specific to the Corporation or to the financial reporting environment in general, identified by the external auditor;
  - d) the external auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;
  - e) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
  - f) any other matters the external auditor brings to the Committee's attention; and
  - g) assess the performance and consider the annual appointment or re-appointment of the external auditor for recommendation to the Board ensuring that such external auditor is a participant in good standing pursuant to applicable regulatory laws;
- vi) review the external auditor's report on all material subsidiaries;
- vii) annually request and review a report from the external auditor regarding (A) the external auditor's internal quality control procedures; (B) any material issues raised by the most recent internal quality control review, Canadian Public Accountability Board or Public Company Accounting Oversight Board or other available peer review of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

- viii) review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to determine the external auditor's independence, including, without limitation:
  - a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to the Corporation;
  - b) discussing with the external auditor any disclosed relationships or services that the external auditor believes may affect the objectivity and independence of the external auditor; and
  - c) recommending that the Board take appropriate action in response to the external auditor's report to satisfy itself of the external auditor's independence;
- ix) review and pre-approve any non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit;
- x) review and discuss with management and the external auditor any accounting adjustments that were not adopted (as immaterial or otherwise) and management or internal control letters issued or proposed to be issued by the external auditor and management's response to such letters;
- xi) review with management and the external auditor any significant complaints received related to disclosure, financial controls, fraud or other matters; and
- xii) meet *in-camera* at each meeting of the Committee with the external auditor without management present.

### G. Compliance

The Committee shall:

- i) ensure that the external auditor's fees are disclosed by category in the annual information form in compliance with regulatory requirements;
- ii) disclose any specific policies or procedures the Corporation has adopted for pre-approving non-audit services by the external auditor including affirmation that they meet regulatory requirements;

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

- iii) assist the Governance, Compensation and Nominating Committee with preparing the Corporation's governance disclosure by ensuring it has current and accurate information on:
  - a) the independence of each Committee member relative to regulatory requirements for audit committees;
  - b) the state of financial literacy of each Committee member, including the name of any member(s) currently in the process of acquiring financial literacy and when they are expected to attain this status; and
  - c) the education and experience of each Committee member relevant to his or her responsibilities as Committee member;
- iv) disclose if the Corporation has relied upon any exemptions to the requirements for Audit Committees under regulatory requirements.

### H. Other

The Committee shall:

- i) establish and periodically review implementation of procedures for:
  - a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, fraud, corruption, or financial, audit or accounting matters that could negatively impact the Corporation, including violations of the Corporation's Code of Business Conduct and Ethics that relate to such matters;
- ii) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor;
- iii) review insurance coverage of significant business risks and uncertainties;
- iv) review material litigation and its impact on financial reporting;
- v) review policies and procedures for the review and approval of officers' expenses and perquisites;
- vi) review policies and practices concerning the expenses and perquisites of the Chairman, including the use of the assets of the Corporation;



## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

- vii) review with external auditor any corporate transactions in which directors or officers of the Corporation have a personal interest;
- viii) review the terms of reference for the Committee annually and make recommendations to the Board as required;
- ix) oversee and monitor compliance with the Anti-Corruption Policy, and periodically review and recommend revisions to the Board related thereto, including reporting to the Board on the adequacy of the policy and the implementation of matters thereunder;
- x) review and approve the list of gifts and entertainment expenses and other matters contemplated under the Anti-Corruption Policy of the Corporation (the "**Anti-Corruption Policy**"); and
- xi) meet *in-camera* with the CFO as desired.

### IV. OUTSIDE EXPERTS AND ADVISORS

The Committee may retain, and set and pay the compensation to, any outside expert or advisor, including but not limited to audit and accounting matter experts and advisors, and legal, accounting, financial or other consultants, at the Corporation's expense, in order to permit the Committee to carry out its duties and responsibilities hereunder. The Committee will assure itself as to the independence from management of any outside expert or advisor. The Committee will notify the Chairman of the Board prior to the engagement of any outside expert or advisor hereunder.

### V. ACCOUNTABILITY

- A. The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relative to the Corporation.
- B. The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

### VI. COMMITTEE TIMETABLE

The timetable on the following pages outlines the Committee's schedule of activities.

## AUDIT COMMITTEE CHECKLIST

	Task	Meeting <sup>(1)</sup>			
		Q1	Q2	Q3	Q4
<b>A.</b>	<b>Financial Statements and Other Financial Information</b>				
	(i) Review and recommend approval of the annual financial statements, MD&A and press release.	x			
	(ii) Review and recommend approval of the quarterly financial statements, MD&A and press release.		x	x	x
	(iii) Review public disclosure of financial information.	x	x	x	x
	(iv) Review the annual information form.	x			
	(v) Review any prospectus/private placement memorandums.	As applicable			
	(vi) Review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation's financial statements.	As applicable			
	(vii) Review other financial information included in any public disclosure to ensure that it is consistent with the Board's knowledge of the affairs of the Corporation.	x	x	x	x
	(viii) Review and discuss accounting policies and financial reporting practices.	x	x	x	x
	(ix) Review the use of any "pro forma" or "adjusted" information not in accordance with IFRS.	x	x	x	x
	(x) Review and discuss changes in financial reporting and accounting policies and practices.	As applicable			
	(xi) Review and discuss developments in accounting and reporting standards.	As applicable			
	(xii) Review the effect of regulatory and accounting initiatives and any off-balance sheet structures on the financial statements.	As applicable			
	(xiii) Review the use of special purpose entities and off-balance sheet transactions, obligations, guarantees and other relationships and their impact on the reported financial results.	As applicable			
	(xiv) Review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation.	As applicable			
<b>B.</b>	<b>Risk Management, Insurance and Disclosure</b>				
	(i) Review and evaluate commodity price risks, credit and counterparty risks, financial risks, tax and fiscal regime risks, market risks, repatriation and central banking risks, information technology, cybersecurity and data security risks, and ensure such risks are being properly identified and addressed under the ERM Policy, Framework and Risk Register.	x	x	x	x

## AUDIT COMMITTEE CHECKLIST

	Task	Meeting <sup>(1)</sup>			
		Q1	Q2	Q3	Q4
	(ii) Review and evaluate the Corporation's insurable risks in collaboration with the other committees of the Board to ensure such insurable risks are being properly identified and addressed under the Corporation's ERM Policy, Framework and Risk Register and evaluate the cost/insurance benefits associated with such risks.	x	x	x	x
	(iii) Review and evaluate the Corporation's annual insurance program, including the risk retention philosophy, potential exposure and corporate liability protection programs.		x		x
	(iv) In collaboration with the other committees of the Board, review and evaluate the Corporation's disclosure of principal risks and whether such risks are being properly described.	x	x	x	x
	<b>Internal Controls</b>				
	(v) Review and approve ICFR and DC&P.	x	x	x	x
	(vi) Review and approve the adequacy and effectiveness of the Corporation's accounting, ICFR and DC&P.	x	x	x	x
	(vii) Review and approve changes to the Corporation's ICFR and DC&P.	As applicable			
	(viii) Review and approve management's certification of ICFR and DC&P.	x	x	x	x
	(ix) Review and approve spending authority and approval limits.				x
	<b>C. Cyber Security</b>				
	(i) Review system status update with respect to the Corporation's IT systems.				x
	(ii) Review Corporation's cyber security programs and their effectiveness.				x
	(iii) Review updates on the Corporation's compliance program for cyber threats and security.	As applicable			
	<b>D. External Audit</b>				
	(i) Review external auditor engagement.	x			x
	(ii) Review and approve compensation for the external auditor.				
	(iii) Review and approve external audit plan including:				x
	(a) engagement letter;				x
	(b) objectives and scope;				x
	(c) procedures for quarterly review of financial statements;				x

## AUDIT COMMITTEE CHECKLIST

	Task	Meeting <sup>(1)</sup>			
		Q1	Q2	Q3	Q4
	(d) materiality limit;				x
	(e) areas of audit risk;				x
	(f) staffing;				x
	(g) timetable; and				x
	(h) approve fees.				x
	(iv) Meet auditor to discuss annual & quarterly financial statements and auditor's report.	x	x	x	x
	(v) Maintain oversight of the external auditor's work and advise the Board.	x	x	x	x
	(a) resolution of any disagreements between management and external auditor;	x	x	x	x
	(b) any significant accounting or financial reporting issue;	x	x	x	x
	(c) any material issues or potentially material issues, either specific to the Corporation or to the financial reporting environment in general, identified by the external auditor;	As applicable			
	(d) auditor's evaluation of internal controls, procedures and documentation;	x	x	x	x
	(e) post audit recommendation of the external auditor;	x	x	x	x
	(f) other matters the external auditor brings to the Committee's attention; and	x	x	x	x
	(g) assess performance of external auditor.	x	x	x	x
	(vi) Review auditor's report on all material subsidiaries	x	x	x	x
	(vii) Annually request and review a report from the external auditor regarding (A) the external auditor's internal quality control procedures; (B) any material issues raised by the most recent internal quality control review, Canadian Public Accountability Board or Public Company Accounting Oversight Board or other available peer review of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.				
	(viii) Review and receive assurances on independence of external auditor.	x	x	x	x

## AUDIT COMMITTEE CHECKLIST

	Task	Meeting <sup>(1)</sup>			
		Q1	Q2	Q3	Q4
	(ix) Review non-audit services to be provided by the external auditor's firm or its affiliates.	As applicable			
	(x) Review and discuss with management and the external auditor any accounting adjustments that were not adopted and management or internal control letters issued or proposed by the external auditor and management's response.	As applicable			
	(xi) Review with management and the external auditor any significant complaints received related to disclosure, financial controls, fraud or other matters.	As applicable			
	(xii) Meet <i>in-camera</i> with the external auditor without management present.	x	x	x	x
<b>E.</b>	<b>Compliance</b>				
	(i) Disclose external auditor's fees (in annual information form).	x			
	(ii) Disclose specific policies or procedures for pre-approving non-audit services by the external auditor (in annual information form).	x			
	(iii) Assist Governance, Compensation and Nominating Committee with preparing governance disclosure:	x			
	(a) independence of each Committee member;	x			
	(b) state of financial literacy of each Committee member; and	x			
	(c) education and experience of each Committee member.	x			
	(iv) Disclose any exemptions to the requirements for Audit Committees.	x			
<b>F.</b>	<b>Other</b>				
	(i) Establish and review implementation of procedures				x
	(a) receipt, retention and treatment of complaints; and				x
	(b) submission of employees' concerns.				x
	(ii) Review and approve hiring policies of present and former external auditor.	x			
	(iii) Review insurance coverage of significant business risks and uncertainties.		x		x
	(iv) Review material litigation and its impact on financial reporting.	As applicable			
	(v) Review policies and procedures for review and approval of officers' expenses and perquisites.				x
	(vi) Review terms of reference for Audit Committee and make recommendations to the Board.				x

## AUDIT COMMITTEE CHECKLIST

	<b>Task</b>	<b>Meeting<sup>(1)</sup></b>			
		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
	(vii) Review the adequacy of the Anti-Corruption Policy and report on its implementation and matters arising thereunder to the Board.	As applicable			<b>x</b>
	(viii) Review list of gifts and entertainment expenses and other matters contemplated under the Anti-Corruption Policy.				
	(ix) Meet <i>in-camera</i> with the CFO as desired.	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

**Notes:**

- (1) Pursuant to the Terms of Reference for the Audit Committee, the Committee is required to meet at least four times annually.
- (2) Deadline for TSX annual filings is 90 days after year-end and for quarterly filings is 45 days after quarter-end.