

AUDIT COMMITTEE

TERMS OF REFERENCE

*Adopted by the Board of Directors on December 21, 2006
and amended April 27, 2007 and November 12, 2009
(Name Change from Kulczyk Oil Ventures Inc. to Serinus Energy Inc. on June 24, 2013)*

PURPOSE

The Audit Committee (the “**Committee**”) of Serinus Energy Inc. (the “**Corporation**”) is established to fulfil applicable public company obligations respecting audit committees and to assist the Board of Directors of the Corporation (the “**Board**”) in fulfilling its oversight responsibilities with respect to financial reporting, including, but not limited to, the responsibility to:

- oversee the accuracy, completeness and integrity of the Corporation’s financial statements and financial reporting process;
- oversee, review and evaluate the audit process and the Corporation’s disclosure controls and procedures, internal controls over financial reporting, financial reporting systems, and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Corporation’s external auditors;
- oversee the work of the Corporation’s financial management, internal auditors and external auditors;
- communicate directly with the Corporation’s internal and external auditors, as well as provide an open avenue of communication between the internal auditors, the external auditors, the Board and management of the Corporation;
- develop the Corporation’s risk management strategy; and
- any additional duties set out in these terms of reference or otherwise delegated to the Committee by the Board.



COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of not less than three members of the Board, each of whom must be “independent” (as such term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws, including National Instrument 52-110 *Audit Committees* (“**NI 52-110**”)) and “financially literate” (as determined under NI 52-110). The composition of the Committee shall also comply with any other requirements as may be prescribed from time to time by applicable securities regulatory authorities, including those contained in NI 52-110.
2. If a Committee member serves on the audit committee of more than three public corporations, including the Corporation, the Board must determine that such service would not impair the ability of the member to effectively serve on the Committee.
3. The Board, at its organizational meeting held in conjunction with each annual general meeting of shareholders of the Corporation, shall appoint the members of the Committee for the ensuing year. If the Board shall fail to do so, persons who were members of the Committee immediately preceding the most recent annual meeting of shareholders of the Corporation, provided they continue to be directors of the Corporation and remain qualified to serve on the Committee, shall be deemed to be reappointed to the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.

CHAIR

4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee each year shall elect a chair (the “**Chair**”) from amongst their number.
5. The Chair will provide leadership to the Committee and will lead the Committee in fulfilling the duties set out in its mandate.
6. The Chair’s duties will be to:
 - a) provide overall leadership to enhance the effectiveness of the Committee;
 - b) take all reasonable steps to ensure that the responsibility and duties of the Committee, as outlined in its mandate, are well understood by the Committee members and executed as effectively as possible;
 - c) foster ethical and responsible decision making by the Committee and its individual members;



- d) provide effective Committee leadership, overseeing all aspects of the Committee's direction and administration in fulfilling the terms of its mandate;
- e) oversee the structure, composition, membership and activities delegated to the Committee;
- f) ensure that the Committee meets at least four times annually and as many additional times as is necessary to carry out its duties effectively;
- g) establish the agenda for each Committee meeting;
- h) chair all meetings of the Committee; provided, however, that if the Chair is not present at a meeting of the Committee, the Committee members present will choose a Committee member to chair the meeting;
- i) encourage Committee members to ask questions and express viewpoints during meetings;
- j) deal effectively with dissent and work constructively towards arriving at decisions and achieving consensus;
- k) ensure that the Committee meets in separate, regularly scheduled, non-management, "*in camera*" sessions;
- l) ensure that the Committee meets in separate, regularly scheduled, non-management, closed sessions with the internal auditors and the external auditors;
- m) ensure that the Committee meets in separate, non-management, closed sessions with internal personnel or outside advisors, as needed or appropriate;
- n) following each meeting of the Committee, report to the Board on the activities, findings and any recommendations of the Committee;
- o) ensure that Committee materials are available to any director of the Corporation on request;
- p) take all reasonable steps to ensure that Committee members receive written information and are exposed to presentations from management to fulfill the Committee mandate;



- q) have an effective working relationship with members of management;
- r) ensure that a performance evaluation of the Committee and the Chair is conducted, soliciting input from all Committee members, other directors and appropriate members of management;
- s) ensure that resources and expertise are available to the Committee so that it may conduct its work effectively and efficiently;
- t) retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities; and
- u) carry out any other appropriate duties and responsibilities assigned by the Board or delegated by the Committee.

MEETINGS OF THE COMMITTEE

7. The Chair shall appoint a secretary for each meeting to keep minutes of such meeting. The minutes of the Committee will be in writing and duly entered into the books of the Corporation and shall be available to all members of the Board.

8. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

9. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation as it considers to be necessary or advisable in order to perform its duties and responsibilities.

10. Meetings of the Committee shall be conducted as follows:

- a) The Committee shall meet at least four times annually, at such times and at such locations as may be requested by the Chair. The external auditors or any member of the Committee may call a meeting of the Committee at any time.
- b) Notices calling meetings shall be sent to all Committee members, to the Chief Executive Officer, to the Chairman, Vice Chairman and to all other directors.



- c) The following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:

Chief Executive Officer
Chief Financial Officer

Other management representatives shall be invited to attend as necessary.

11. The internal auditors, if any, and the external auditors of the Corporation shall have a direct line of communication to the Committee through the Chair. The Committee, through the Chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

DUTIES AND RESPONSIBILITIES

- 12. The overall duties and responsibilities of the Committee shall be to:
 - a) assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls (including the Corporation's disclosure controls and procedures and internal controls over financial reporting);
 - b) oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
 - c) pre-approve, in accordance with applicable law, all non-audit services to be provided by the external auditors to the Corporation or its subsidiary entities;
 - d) review the Corporation's annual and interim consolidated financial statements, the external auditor's report on the annual financial statements the external auditor's review of the interim financial statements, MD&A, annual and interim earnings press releases and information contained therein or derived therefrom before approval by the Board and public disclosure or filing of such information;
 - e) establish and maintain a direct line of communication with the Corporation's external auditors and assess their performance;



- f) be satisfied 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, other than the public disclosure referred to in paragraph (d) above, and develop a method and procedure of being able to assess, and assess, on a reasonably frequent basis, the adequacy of those procedures;
 - g) establish procedures for:
 - a) the receipt, retention and treatment of (including reasonable attempts to resolve) complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
 - h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the current external auditors and former external auditors of the Corporation; and
 - i) report regularly to the Board on the fulfilment of its duties and responsibilities.
13. The duties and responsibilities of the Committee as they relate to the external auditors shall be to:
- a) recommend to the Board:
 - a) the external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation; and
 - b) the compensation of the external auditors;
 - b) engage the external auditors to review all interim financial statements and review the results of the auditors' review of the interim financial statements and the auditors' review of the related MD&A independent, and without the presence, of management;



- c) review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards or that relate to the external auditors;
- d) review with management and the external auditors any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies;
- e) review the audit plan and scope, extent and schedule of the audit of the external auditors prior to the commencement of the audit;
- f) review, independently of management, with the external auditors, upon completion of their audit:
 - a) results of the audit;
 - b) contents of their report;
 - c) scope and quality of the audit work performed;
 - d) adequacy of the Corporation's financial and auditing personnel;
 - e) co-operation received from the Corporation's personnel during the audit;
 - f) internal resources used;
 - g) significant transactions outside of the normal business of the Corporation;
 - h) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;
 - i) non-audit services provided by the external auditors; and
 - j) the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditors' preferred treatment, and any other material communications with management; and



- g) review and discuss with the external auditors the Corporation's critical accounting policies and the quality of accounting judgments and estimates made by management;
- h) be involved with any change of the Corporation's external auditors, including the disclosure requirements with respect thereto;
- i) review all other material written communications between the external auditors and management, including the post-audit management letter containing the recommendations of the external auditors, management's response thereto and, subsequently, follow-up identified weaknesses;
- j) at least annually, and before the external auditors issue its report on the annual financial statements, review the qualifications, work product and reputation of the external auditors, and review and confirm the independence of the external auditors through discussions with the auditors on its relationship with the Corporation, including details of all non-audit services provided;
- k) meet with the external auditors independently from management and without management present at least annually to discuss and review specific issues, and as appropriate with respect to any significant matters that the auditors may wish to bring to the Committee for its consideration;
- l) discuss with the external auditors any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditors, and any actions or inactions by management that limited or restricted the scope of their work; and
- m) ensure that the external auditors report directly to the Committee, and ensure that same is provided for under the terms of the external auditors' audit engagement.

14. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:

- a) monitor the qualifications and performance of the internal auditors and periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;



- b) oversee, review and approve the internal audit plan;
- c) review significant internal audit findings and recommendations, and management's response thereto; and
- d) establish a direct line of communication with the internal auditors.

15. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

- a) oversee, review and assess the adequacy, effectiveness, quality and integrity of the Corporation's disclosure controls and procedures, internal controls over financial reporting and management information systems through discussions with management and the internal and external auditors;
- b) oversee management's reporting on internal controls and disclosure controls and procedures;
- c) review and assess the appropriateness and effectiveness of the Corporation's policies and business practices that may impact the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls (including disclosure controls and procedures and internal controls over financial reporting), management reporting and risk management;
- d) review compliance under the Corporation's code of business conduct and ethics policy and to periodically review such policy and recommend to the Board changes that the Committee considers appropriate;
- e) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and
- f) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

16. The Committee is also charged with the responsibility to:



- a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
- b) review and approve the financial sections of, and the disclosure pertaining to the Committee required to be disclosed by applicable law included in:
 - a) the annual report to shareholders of the Corporation;
 - b) the annual information form and management information circular of the Corporation, as applicable;
 - c) prospectuses of the Corporation; and
 - d) any other reports requiring approval by the Board,and report to the Board with respect thereto;
- c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
- d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
- e) review the minutes of any audit committee meeting of subsidiary companies of the Corporation;
- f) review with management, the external auditors and, if necessary, with legal counsel, any actual or anticipated litigation, claim or other contingency or other events, including tax assessments that could have a material current or future effect on the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
- g) review with management and the external auditors significant accounting practices employed by the Corporation and disclosure issues, including complex or unusual transactions, judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions;



- h) confirm through discussions with management that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with;
- i) discuss with management the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material effect on the Corporation's financial condition, results of operations, liquidity, capital expenditures, capital resources, or revenues and expenses;
- j) oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions;
- k) review and assess the adequacy of the Corporation's risk management policies, including hedging policies, and procedures with respect to the Corporation's principal business risks;
- l) review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the Corporation's risks, and report regularly to the Board;
- m) review the Corporation's insurance program;
- n) review with management the Corporation's relationship with regulators and the timeliness and accuracy of the Corporation's filings with applicable regulatory authorities;
- o) review with management all related party transactions and the development of policies and procedures related to those transactions;
- p) review and assess the adequacy of these terms of reference annually and submit to the Board such amendments as the Committee considers appropriate;
- q) report regularly to the Board on Committee activities, issues and related recommendations; and
- r) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board following each annual general meeting of shareholders of the Corporation.



AUTHORITY OF THE COMMITTEE

17. The Committee shall also have the authority to:
 - a) engage, without the consent of the Corporation, independent counsel and other advisors as it determines necessary to carry out its duties;
 - b) set and pay the compensation for any independent counsel or other advisors retained/engaged by the Committee; and
 - c) communicate directly with the internal and external auditors.