

**SERINUS ENERGY PLC (the “Company”)**

**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

**Adopted by the Board pursuant to a meeting held on 3 May 2018**

***Reference to “the Committee” shall mean the Audit Committee.***

***Reference to “the Board” shall mean the board of directors of the Company.***

***Reference to the “Nomination Committee” shall mean the nomination committee appointed by the Board.***

In keeping with the principles of good corporate governance, the Board has established the Committee and adopted the terms of reference (the “**Terms of Reference**”) below for the Committee that comply with the guidelines set out in the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Sized Companies (the “**QCA Code**”) in light of the Company’s intention to become an AIM Company (as defined within the AIM Rules for Companies (the “**AIM Rules**”) published, from time to time by the London Stock Exchange plc. Pursuant to the Terms of Reference below, the Board has established formal and transparent arrangements for considering how the Board should apply the financial reporting and internal control principals of the Company and for maintaining an appropriate relationship with the Company’s auditors.

**1. Membership**

- 1.1 This Committee shall be composed of at least three individuals appointed by the Board on the recommendation of the Nomination Committee (in consultation with the chairman of the Committee), all of whom shall be non-executive directors and independent (within the meaning of National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators (“**NI 52-110**”)).
- 1.2 All of the members must be financially literate (within the meaning section 1.6 of NI 52-110) unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have 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 issues that can reasonably be expected to be raised by the Company’s financial statements.
- 1.3 The Board, at its organizational meeting held in conjunction with each annual general meeting of shareholders of the Company, 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 Company, provided they continue to be directors of the Company 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.

- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer of the Company and/or the Chief Financial Officer of the Company and other directors may be invited to attend all or part of any Committee meeting as and when appropriate.
- 1.5 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.6 At each meeting, the Committee may meet separately with management and will meet in separate, closed sessions with the external auditors and then with the independent directors in attendance.
- 1.7 The Committee has the delegated authority of the Board in respect of the functions and powers set out in these Terms of Reference.
- 1.8 The Board shall appoint the chairman of the Committee (the “**Chairman**”). In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the Committee meeting.

## **2. Secretary**

- 2.1 The Company Secretary (or a nominee appointed by the Company Secretary) shall act as the Secretary of the Committee.

## **3. Quorum**

- 3.1 The quorum necessary for the transaction of business by the Company shall be a majority of members of the Committee. A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **4. Voting Arrangements**

- 4.1 Each member of the Committee shall have one vote which may be cast on matters considered at Committee meetings. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote on the matter at the Committee meeting.



4.3 Save where he has a personal interest, the Chairman of the Committee will have a casting vote.

**5. Frequency of meetings**

5.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle of the Company and otherwise as required.

5.2 Outside of the formal Committee meeting programme, the Chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman of the Board, Chief Executive Officer of the Company and/ or the Chief Financial Officer of the Company, the external audit lead partner and head of internal audit.

**6. Notice of meetings**

6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

6.2 Unless otherwise agreed, notice of each Committee meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five (5) working days before the date of the meeting. Any supporting papers shall be sent to members of the Committee and to other attendees as appropriate, at the same time.

6.3 Meetings of the Committee may be conducted when the members are physically present or in the form of either a video or audio conference.

6.4 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

6.5 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

**7. Minutes of meeting**

7.1 The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.

7.2 The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.



7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists or if, in the opinion of the Chairman of the Committee, it would be inappropriate to do so.

## **8. Annual General Meeting**

8.1 The Chairman of the Committee shall attend the Company's Annual General Meeting ("AGM") prepared to respond to any shareholder questions on the Committee's activities and areas of responsibility and to deal with any questions relating to the resignation or dismissal of the external auditor.

## **9. Duties**

9.1 Members of the Committee should carry out the duties below for the Company and the group as a whole, as appropriate.

9.2 The Committee shall, in conducting all of its duties in accordance with these Terms of Reference, act in a way it considers in good faith, would be most likely to promote the Company for the benefit of its shareholders as a whole. In doing so, the Committee must have regard (among other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between the shareholders of the Company.

## ***Financial Reporting***

9.3 Provided that any financial monitoring and review is not inconsistent with any applicable requirement for prompt reporting under the AIM Rules the member of the Committee shall:

- (a) monitor the integrity of the financial statements of the Company, including its annual, quarterly and half-yearly reports, interim management statements, management discussion and analysis and any other formal announcement relating to its financial



performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain; and

- (b) review summary financial statements, significant financial returns to regulators and any other statements or publications containing financial information including announcements likely to have a significant effect on the price of the Company's securities.

9.4 Members of the Committee shall review and challenge where necessary:

- (a) the consistency, quality and appropriateness of, and any changes to, significant accounting policies both on a year on year basis and across the Company or the group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible (such as in relation to any equity or debt fund raising or grant of share options);
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- (e) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management); and

9.5 the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period. If applicable, the Committee shall review the annual financial statements of the pension funds, if any, where not reviewed by the Board as a whole.

9.6 If the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

9.7 Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.



### ***Internal controls and risk management systems***

9.8 The Committee shall:

- (a) keep under review the effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

### ***Whistleblowing and fraud***

9.9 The Committee shall:

- (a) establish and periodically review the Company's arrangements for its directors or employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (d) review the adequacy and security of the Group's arrangements for its employees, local property experts and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. The Committee shall also review the Group's procedures for detecting fraud, review the Group's systems and controls for the prevention of bribery, and receive reports on non-compliance; and
- (e) review the adequacy and effectiveness the Company's anti-money laundering systems and controls, and review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance functions.

### ***Internal audit***

9.10 The Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;



- (b) approve the appointment and removal of the head of the internal audit function;
- (c) consider and approve the remit of the internal audit function and ensure it has necessary resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards for internal auditors;
- (d) ensure the internal audit function has adequate standing and is free from management and other restrictions;
- (e) ensure the internal auditor has direct access to the Chairman of the Board, Chief Executive Officer and/or Chief Financial Officer of the Company, the Chairman of the Committee and is accountable to the Committee;
- (f) review and assess all material information presented with the financial statements such as the annual internal audit plan, the strategic report and the corporate governance statements (as applicable) and ensure it is aligned to the key risks of the Company's business;
- (g) monitor compliance with financial reporting standards and any recognized investment exchange and other financial and governance reporting requirements; review periodically reports on the results from the internal auditor's work;
- (h) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (i) meet the head of internal audit at least once a year, without the rest of management being present.

### ***External Audit***

9.11 The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) ensure that at least once every ten (10) years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and oversee the selection process and further ensure that all tendering firms have such access as



is necessary to information and individuals during the tendering process; oversee the relationship with the external auditor including (but not limited to):

- (i) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
  - (v) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - (vi) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures,
  - (vii) seeking to ensure co-ordination with the activities of the internal audit function;
- (c) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market on that evaluation;
  - (d) meet or speak regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet or speak to the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
  - (e) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement; and





- (f) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - (i) discussion of any issues which arose the audit;
  - (ii) any accounting and audit judgements;
  - (iii) levels of errors identified during the audit, etc.

9.12 The Committee shall also review the effectiveness of the audit:

- (a) if reasonably requested by the Chief Financial Officer, review any representation letter(s) requested by the external auditor before they are signed by management;
- (b) review the management letter and management's response to the auditor's findings and recommendations; and
- (c) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

### ***Reporting responsibilities***

9.13 The Chairman of the Committee shall report formally to the Board on the proceedings of the Committee, after each Committee meeting on all matters within the Committee's duties and responsibilities. The report shall include:

- (a) the significant issues that it had considered in relation to the financial statements and how these were addressed;
- (b) the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor; and
- (c) any other issues on which the Board has requested the Committee's opinion.

9.14 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.15 The Committee shall review any report to shareholders on its activities to be included in the Company's annual report. The report shall include:

- (a) an explanation of how the Committee has addressed the effectiveness of the external and internal audit process;



- (b) the significant issues that the Committee considered in relation to the financial statements; and
- (c) how these issues were addressed having regard to matters communicated to it by the auditor.

9.16 In the compiling the reports referred to in paragraphs 9.13 and 9.15, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

9.17 The Committee shall make available to shareholders these Terms of Reference by placing them on the Company's website.

#### ***Other matters***

9.18 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members if required and on an ongoing basis for all members;
- (c) give due consideration to applicable laws and regulations, the provisions of the QCA Code, the AIM Rules and the Market Abuse Regulation No 596/2014 (including any applicable UK implementing legislation) as appropriate;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within these Terms of Reference and act for internal purposes as a court of the last resort; and
- (f) at least once a year, review its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

#### **10. Authority**

10.1 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.



10.2 The Committee is authorised to:

- (a) examine any activity within these Terms of Reference;
- (b) seek any information it requires from any member of the Board and/or any employee of the Company in order to perform its duties;
- (c) have unrestricted access to the Company's external auditors;
- (d) obtain, at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference;
- (e) secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense;
- (f) call any member of the Board and/or any employee of the Company to be questioned at a Committee meeting as and when required; and
- (g) publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.