



## Statement of Compliance with QCA Corporate Governance Code

### *Chairman's Introduction*

The Company is managed under the direction and supervision of the Board of Directors. Among other things, the Board sets the vision and strategy for the Company in order to effectively implement the Company's business model which is the exploration and production of hydrocarbon resources from its current hydrocarbon concessions in Romania and Tunisia.

Good corporate governance creates shareholder value by improving performance while reducing or mitigating risks that the Company faces as we seek to create sustainable growth over the medium to long-term. It is my role as Chairman to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model.

To these ends and in line with the recent changes to the AIM Rules to require all companies to adopt and comply with a recognised corporate governance code, the Board has adopted the Quoted Companies Alliance Corporate Governance Code (the "**Code**"). It was decided that the Code was more appropriate for the Company's size and stage of development than the more prescriptive Financial Reporting Council's UK Corporate Governance Code. The report that follows sets out in broad terms how we comply with the Code at this point in time and we will provide annual updates to the report going forward.

### *Principle 1: Establish a strategy and business model which promote the long term value for shareholders*

The Company business model is to explore, develop and produce hydrocarbon resources derived through the rights and obligations contained within the concession agreements between the Company and the host governments. The Company achieves this with a core team of experienced business people focused on undertaking capital investment activities in projects where there is sufficient confidence that the production of hydrocarbons can be done economically over the life of the project.

The strategy is to acquire and use technical data to identify geological formations that may contain prospective hydrocarbon resources. Through the risked economic evaluation, the Company ranks the attractiveness of exploring the hydrocarbon formations and presents to the Board any potential formations that warrant the drilling of an exploration well to prove the existence of commercially exploitable volumes of hydrocarbons. Should a discovery of hydrocarbons be determined to be economically exploitable, the Company management then proceeds to propose to the Board to approve the capital investment required to develop and produce the hydrocarbons, highlighting the opportunity and risks. The objective is to grow the hydrocarbon production of the Company through efficient allocation of shareholder capital to produce adequate long-term return on investments for shareholders.

In order to capitalise on the available opportunities and to mitigate the key challenges facing the Company, the Company has assembled a high quality Board of Directors and set of advisers including a very experienced management team with substantial experience in the oil & gas exploration and production sphere. The Company has been structured to give the Board the necessary oversight of all investment decisions of the Company.

The Company is in the oil and natural gas business. The oil and natural gas business involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company, meaning the capability to generate positive net revenues on a sustainable basis, will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves.

*Principle 2: Seek to understand and meet shareholder needs and expectations*

The Company is committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences, hosting capital markets days, timely disclosure of material information, and our regular reporting.

The Directors actively seek to build a relationship with institutional shareholders. The Chief Executive Officer (“**CEO**”) and other directors and officers make presentations to institutional shareholders and analysts from time to time in part to listen to their feedback and have a direct conversation on any areas of concern. The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the CEO. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman is also available to meet with major shareholders if required to discuss issues of importance to them. To request a meeting with a Director, please contact Calvin Brackman, Vice President, External Relations & Strategy by email at [cbrackman@serinusenergy.com](mailto:cbrackman@serinusenergy.com) or by phone at +1 403 264 8877.

The Annual General Meeting (“**AGM**”) is one forum for dialogue with shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 clear days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company’s website.

*Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long term success*

Engaging with all of our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making. Aside from our shareholders, the European Bank for Reconstruction and Development (“**EBRD**”) and our small group of employees are our most important stakeholder groups and the Board therefore closely monitors and reviews the results of the Company’s engagement with those groups to ensure alignment of interests.

The Company also actively engages stakeholders near our operations, including landowners, the local authorities and local citizens, to keep them fully informed of our operations and receive feedback. Meetings are held with the local authorities and governments in our operating jurisdictions several times a year to keep them informed, as required, and town halls are held with local citizens as required to discuss development plans. Our community and stakeholder relations are a positive example of how our engagement directs our social funding contributions to have the most broad impact for the benefit of the community. For instance, we seek the input of the communities in identifying the funding needs of different community initiatives.

*Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation*

#### Financial Controls

The Company's audit committee comprises three independent directors. The audit committee meets as often as required and at least four times a year. The committee's main functions include, reviewing the effectiveness of internal control systems and risk assessment, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications.

The audit committee also monitors the integrity of the financial statements of the Company including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to financial performance. The Company has established terms of reference for its audit committee to address such items as: (a) the procedure to nominate the external auditor and recommend its compensation; (b) the oversight of the external auditor's work; (c) pre-approval of non-audit services; (d) the review of financial statements, management's discussion and analysis and financial sections of other public reports requiring board approval; (e) the procedure to respond to complaints respecting accounting, internal accounting controls or auditing matters and the procedure for confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and (f) the review of the Company's hiring policies towards present or former employees or partners of the Company's present or former external auditor. The audit committee focuses particularly on compliance with legal requirements, accounting standards and the relevant AIM Rules for Companies and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board. The identity of the Chairman of the audit committee is reviewed on an annual basis and the membership of the audit committee and its terms of reference are kept under review. The audit committee members have no links with the Company's external auditors.

#### Standards and policies

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies where appropriate. The Board acknowledges that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of the UK Bribery Act the Board reviews the perceived risks to the Group arising from bribery and corruption to identify aspects of the business which may be improved to mitigate such risk. The Board has adopted a zero tolerance policy toward bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

The Company has also adopted a share dealing code for the Board, in conformity with the requirements of Rule 21 of the AIM Rules for Companies and will take steps to ensure compliance by the Board and senior staff with the terms of the code. In summary, the code stipulates that those covered by it should: not deal in any securities of the Company unless prior written notice of such proposed dealings has been given to the Board and written clearance received from the Board; not purchase or sell any securities of the Company in the two months immediately preceding the announcement of the Company's half-yearly or annual results; not use another person, company or organisation to act as an agent, or nominee, partner, conduit or in another capacity, to deal in any securities on their behalf where that third person would breach obligations under this paragraph; and immediately inform the Board of any dealings in the Company's shares.

All material contracts are required to be reviewed and signed by a Director or executive officer of the Company and reviewed by our external counsel.

*Principle 5: Maintain the board as a well-functioning, balanced team lead by the chair*

The Board comprises the Non-Executive Non-Independent Chairman, two Executive Directors, three Non-Executive Independent Directors, and one Non-Executive Non-Independent Director. The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The Company's Revised Annual Information Form, available on our website, discloses the number of meetings and the Directors attendance at meetings since January 1, 2017 to August 21, 2018. No further meetings have been held since August 28, 2018 to September 30, 2018.,

Key Board activities this year included:

- Continuance of the Company to Jersey
- Listing on AIM and concurrent equity raise
- Continued an open dialogue with the investment community
- Considered our financial and non-financial policies
- Discussed strategic priorities
- Discussed the Company's capital structure and financial strategy, including capital investments and shareholder returns
- Discussed internal governance processes
- Reviewed the Company's risk profile
- Reviewed feedback from shareholders post quarterly and full year results.

The Company has effective procedures in place to monitor and deal with conflicts of interest. Since the Directors perform their duties on a part-time basis, the Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests must be reported to and, where appropriate, agreed with the rest of the Board.

The Company's Board has a broad range of relevant experience suitable for issues pertaining to the oversight of a publicly-listed Oil & Gas Company. These include financial, legal, capital markets, and technical. For biographies of the Company's Directors containing their relevant experience, please go to the leadership page of the Company's website: <http://serinusenergy.com/leadership/>

*Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities*

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of financial, legal, capital markets, and

technical. All Directors receive regular and timely information on the Company's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The Company's management provides the Board with a Monthly Directors Report that contains share price performance, key financial and operating indices, cash flow forecast, capital expenditures, budget variance reports, and commentary on the opportunities and risks facing the Company and its activities. Material contracts are available for inspection at the Company's registered office. For biographies of the Company's Directors, please go to the leadership page of the Company's website: <http://serinusenergy.com/leadership/>

The Board makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that: any Director who has held office at the time of the two previous AGMs and who did not retire at either of them must retire from office and may offer him or herself for re-election by the shareholders; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. Changes to the composition of the Board over the past year are as follows:

On 07 March 2018, Mr. Helmut Langanger resigned as Chairman and member of the Board of Directors of the Company and Mr. Sebastian Kulczyk resigned from the Board. The Board appointed current board member Mr. Łukasz Rędziniak to serve as interim Chairman. Mr. Dawid Jakubowicz has been appointed to the Board as a replacement of Mr. Kulczyk.

On May 18, 2018 Ms. Heck was appointed to the Board and Mr. Libicki resigned from the Board, in accordance with the terms of the relationship agreement between Kulczyk Investments SA, the Company and Numis Securities Ltd.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer. All Directors have access to the CFO and Company Secretary and are able to solicit advice relevant to those roles. Both the CFO and Company Secretary have direct relationships with non-Executive Directors designed to facilitate the provision of their respective insights.

*Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement*

The Company is constantly assessing the individual contributions of each of the members of the Board and executive team to ensure that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence.

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner.

Periodically the non-Executive Directors discuss relevant succession planning with the CEO. These discussions focus on key individual risk as well as broader succession issues.

*Principle 8: Promote a corporate culture that is based on ethical values and behaviours*

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The Company maintains and

annually reviews a handbook that includes clear guidance on what is expected of every employee and officer of the Company. Adherence to these standards is a key factor in the evaluation of performance within the Company, including during annual performance reviews.

*Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board*

The Board meets at least four times each year in accordance with its scheduled meeting calendar. The Board sets direction for the Company through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's four Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required. During the year to 30 September 2018, the Board met for its four scheduled meetings plus having discussions amongst themselves and management and received Monthly Directors Report on performance and issues facing the Company. The Board will undertake an annual review of the Company's compliance with the QCA Corporate Governance Code.

The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and committee papers are expected to be distributed well before meetings take place. Any Director may challenge Company proposals and all decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant committee and then followed up by the Company's management.

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved for the Board. It is responsible for overall group strategy; approval of major investments; approval of the annual and interim results; annual budgets; and Board structure. It monitors the exposure to key business risks and reviews the annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The CEO is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the executive team.

The Board is supported by the audit, remuneration, nomination and reserves committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The remuneration committee comprises not less than three members, two of whom are independent Non-Executive Directors with the third being a non-independent Director, that being the Chairman of the Board. Other Directors are invited to attend as appropriate and only if they do not have a conflict of interest. The committee ensures remuneration is aligned to the implementation of the Company strategy and effective risk management, taking into account the views of shareholders and is also assisted by executive pay consultants as and when required.

The Audit Committee is responsible for the financial reporting and internal control principals of the Company and maintaining an appropriate relationship with the Company's auditors.

The Remuneration Committee is responsible for the consideration, development and implementation of policy on executive remuneration and fixing remuneration packages of individual directors, so that no director shall be involved in deciding his or her own remuneration.

The Nomination Committee is responsible for establishing formal, rigorous and transparent procedures for the appointment of new directors to the Board.

The Reserves Committee is responsible for overseeing the evaluation of the Company's petroleum and natural gas reserves, including retaining an "independent" engineering firm which is a "Competent Person" (as such term is defined in "Note for Mining and Oil & Gas Companies" issued by AIM) to prepare a report (the "Report") of an evaluation of the Company's petroleum and natural gas reserves, and of meeting with representatives of the Engineering Firm and management to discuss the Report's preparation and the conclusions contained in the Report.

*Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders*

The Company communicates with shareholders through the Annual Report and Accounts, full-year and quarterly announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, [www.serinusenergy.com](http://www.serinusenergy.com). The Board receives regular updates on the views of shareholders through briefings and reports from the CEO, Chief Financial Officer and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. The Company commits to providing an Audit Committee report in the future.

For the Company's shareholder meetings, any resolutions voted by shareholders that have a significant number of dissenting votes the company will provide, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

The Company's remuneration report for 2017 is included in the Company's Revised Annual Information Form for the year ended December 31, 2017, dated August 21, 2018, available on the Company's website. The remuneration report for 2018 will be included in the 2018 annual report.

The Company's website includes annual reports and other governance related material over last five years