

SERICA ENERGY PLC
(the “Company”)

Terms of Reference of the Audit Committee of the Board of Directors

1. Purpose

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) and its primary purpose is to:

1.1. assist Board oversight of:

- 1.1.1. the integrity of the Company's financial statements, and other financial reporting;
- 1.1.2. the Company's compliance with legal and regulatory requirements as they relate to Audit Committee matters;
- 1.1.3. the external auditor's qualifications, independence and performance;
- 1.1.4. the performance of the Company's internal audit function and internal auditor, if appointed;
- 1.1.5. the communication among the external auditor, the internal auditor, if appointed, management and the Board;
- 1.1.6. risk management procedures and internal controls;
- 1.1.7. the review and approval of the financial aspects of any related party transactions, and
- 1.1.8. any other matters as defined by the Board.

1.2. prepare and/or approve any report that is required by law or regulation to be included in any of the Company's public disclosure documents relating to the Committee.

2. Committee Composition, Procedures and Organisation

- 2.1. The Committee shall consist of not fewer than three (3) directors as determined by the Board, each of whom shall be independent, non-executive directors.
- 2.2. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- 2.3. The Board shall appoint a member of the Committee as Chair of the Committee. If a Committee Chair is not designated by the Board, or is not present at a meeting of the

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Committee, the members of the Committee in attendance may designate a director to be chair for the relevant meeting by majority vote.

- 2.4. At least one member of the Committee shall have recent relevant financial experience.
- 2.5. The Company Secretary, failing whom a person designated by the Committee, shall act as Secretary of the Committee.
- 2.6. The quorum for the meeting shall be two members of the Committee present in person or by telephone or any other means which permits all persons participating in the meeting to speak to and hear each other.
- 2.7. The Committee shall meet at least three times per year and at such locations as may be requested by the Chair of the Committee and at such times as any member of the Committee may request.
- 2.8. Meetings of the Committee shall be called by the Secretary of the Committee for a time and place requested by the Committee Chair.
- 2.9. Only members of the Committee shall have the right to attend Committee meetings. However other persons may be invited by the Chair with the agreement of the Committee to attend for all or any part of any meeting.
- 2.10. Unless otherwise agreed by the members of the Committee, notice of each meeting together with any supporting papers shall be issued to each member of the Committee no later than five days before the date of the meeting.
- 2.11. The Committee Secretary shall minute the proceedings of the Committee. Draft minutes will be circulated promptly to the members of the Committee. Once approved the minutes will be placed on the portal available to all members of the Board.
- 2.12. The Committee may agree a resolution in writing by an exchange of emails by and between all of the members of the Committee.

3. Duties and Responsibilities

The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the external auditor is responsible for auditing those financial statements.

The Committee's specific duties and responsibilities are as follows:

- 3.1. Financial Reporting -

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- 3.1.1. The committee shall monitor the preparation and integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
- 3.1.2. The committee shall advise the board, independently from the executive directors and the external auditors, whether it considers the company's corporate reporting, including the annual report and accounts, to be fair, balanced and understandable.
- 3.1.3. In particular, the committee shall review and challenge where necessary:
 - 3.1.3.1. the application of significant accounting policies and any changes to them;
 - 3.1.3.2. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 3.1.3.3. whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
 - 3.1.3.4. the clarity and completeness of disclosures in the financial statements and the context in which statements are made, and
 - 3.1.3.5. all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

3.2. Risk management and internal controls

The committee shall support the Board in embedding a sound system of financial risk management and internal control and having oversight on the effectiveness of those systems. In particular, it shall:

- 3.2.1. keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- 3.2.2. review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement;
- 3.2.3. Discuss with the external auditor and management as necessary the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;

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- 3.2.4. Review management's plans and strategies around investment practices, banking performance and treasury risk management, and
- 3.2.5. Review management's procedures to ensure compliance by the Company with its loan covenants and restrictions, if any.

3.3. Internal Audit

The committee shall:

- 3.3.1. review the need for internal audit function annually and make a recommendation to the Board accordingly;
- 3.3.2. where appointed, review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation, and
- 3.3.3. review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out.

3.4. External Audit

The committee shall:

- 3.4.1. 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;
- 3.4.2. develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code and regulatory requirements;
- 3.4.3. if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 3.4.4. oversee the relationship with the external auditor. In this context the committee shall:
 - 3.4.4.1. approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted, and
 - 3.4.4.2. approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- 3.4.5. assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the ethical standards and other

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professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;

- 3.4.6. satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 3.4.7. agree with the board a policy on the Company hiring employees and former employees of the Company's external auditor or former external auditor;
- 3.4.8. monitor the auditor's processes for maintaining independence;
- 3.4.9. assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 3.4.10. seek to ensure coordination of the external audit with the activities of the internal audit function where existing;
- 3.4.11. develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements;
- 3.4.12. meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 3.4.13. discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 3.4.14. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 3.4.14.1. a discussion of any major issues which arose during the audit;
 - 3.4.14.2. the auditor's explanation of how the risks to audit quality were addressed;
 - 3.4.14.3. key accounting and audit judgements;
 - 3.4.14.4. the auditor's view of their interactions with senior management, and

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3.4.14.5. levels of errors identified during the audit.

3.4.15. review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee, and

3.4.16. review major changes to the Company's auditing and accounting principles and practices suggested by the external auditor

3.4.17. The Committee shall ensure that the annual independent Reserves Assurance process is completed by the Reserves Committee, ahead of the year-end financial modelling and accepts the year-end reserves.

3.5. Reserves Committee

The Reserves Committee is a sub-committee of the Audit Committee with its own Terms of Reference. It has responsibility for appointing an independent external qualified petroleum engineering consultancy every year to produce a Reserves Report on the Company's oil and gas reserves. This report, once agreed with management, must be prepared in time to meet with the requirements of the Auditor and the preparation of the Annual Report of the Company. The Reserves Committee will report their actions to the Audit Committee when the Reserves Report is completed.

4. Committee Authority

4.1. Following approval by the Board and subject to shareholder approval at the AGM, the committee shall approve the appointment of the external auditor, their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted and approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.

4.2. The Committee, or any member of the Committee with the approval of the Committee, may retain at the expense of the Company such independent legal, accounting (other than the external auditor) or other advisors on such terms as the Committee and the Board may consider appropriate.

5. Reporting responsibilities

5.1. The Committee shall report to the Board following each meeting of the Committee and at such other times as the Committee may determine to be appropriate.

5.2. This report shall include:

5.2.1. the significant issues that it considered in relation to the financial statements (required under paragraph 3.1.1) and how these were addressed;

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- 5.2.2. its assessment of the effectiveness of the external audit process (required under paragraph 3.4.9), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans, and
 - 5.2.3. any other issues on which the board has requested the committee's opinion.
- 5.3. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
 - 5.4. The committee shall compile a report on its activities to be included in the company's annual report.

6. Evaluation of Committee Performance

- 6.1. The Committee shall periodically assess its performance and that of its Chair and report the outcomes of such reviews to the Board.

7. Amendments to Terms of Reference

- 7.1. On at least an annual basis, the Committee shall review and discuss the adequacy of these Terms of Reference and recommend any proposed changes to the Board of Directors.

8. Currency of Terms of Reference

- 8.1. These Terms of Reference were approved by the Board on [] 2021.