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**LILIS ENERGY, INC.**

**Insider Trading Policy**

TO: All Directors, Officers, Employees and Consultants of Lilis Energy, Inc.

Background

The Directors, Officers, Employees and Consultants of Lilis Energy, Inc. (the "Company") may learn of confidential and highly sensitive information concerning the Company or other companies with which the Company has or may be contemplating business relationships. Much of this information has a potential for affecting the market price of securities issued by the Company or the other companies involved. Federal securities laws impose considerable civil and criminal penalties on persons who improperly obtain or use material, non-public information in connection with a purchase or sale of securities. These insider trading laws are vigorously enforced by the government against both institutions and individuals.

In light of the importance of preserving the Company's reputation for maintaining the highest legal, business and ethical standards, as well as the detrimental impact on employees and the Company for failure to comply with applicable laws, the Company's Board of Directors has determined to provide specific policies concerning the propriety of various personal transactions, and to impose specific procedures in certain cases to attempt reasonably to ensure that neither the Company nor its Directors, Officers and Employees violate insider trading laws.

With this in mind, all Directors, Officers, Employees and Consultants of the Company are required to read this policy. After you have read and are sure you understand this policy, please sign the attached Insider Trading Compliance Statement and return it to the Company's Chief Financial Officer, who has been designated as the Company's Insider Trading Compliance Officer. Such Compliance Officer may consult with legal counsel as appropriate.

Explanation of the Law

The federal securities laws and regulations prohibit the purchase or sale of a security at a time when the person trading in that security possesses material, non-public information concerning the issuer of the security, or the market for the security, which has not yet become a matter of general public knowledge. Communication of non-public information to a third party, under circumstances where improper trading can be anticipated (so-called "tipping"), is also prohibited. These prohibitions apply to any security, including options or other derivative securities – not just stock.

"**Material, non-public information**" includes information that is not available to the public at large that could affect the market price of the security and to which a reasonable investor would attach importance in deciding whether to buy, sell, or retain the security. Common examples of information that will frequently be regarded as material are: (1) the gain or loss of a substantial customer or strategic

partner; (2) earnings or losses not yet reported or announced; (3) projections by an Officer of future earnings or losses; (4) information about the Company's expansion plans; (5) news of a pending or proposed merger or acquisition, or a tender offer or exchange offer; (6) information about a major joint venture; (7) news of a significant sale of assets or the disposition of a subsidiary; (8) changes in dividend policies or the declaration of a stock split or the offering of additional securities; (9) impending financial liquidity or bankruptcy problems; (10) changes in senior management; or (11) significant litigation. It should be noted that either positive or negative information may be material.

Information is considered to be available to the public only when it has been released to the public through appropriate channels (e.g., by means of a press release or a public statement from one of the Company's Officers or in a filing with the Securities and Exchange Commission) and enough time has elapsed to permit the stock markets to absorb and evaluate the information. Once public release has occurred, information will normally be regarded as absorbed and evaluated after two days.

The Company's Policy

a. No Trading On Material, Non-Public Information. Any Director, Officer or Employee who has material, non-public information relating to the Company or any other corporation, including any of the Company's strategic partners, may not (i) buy or sell the securities of the Company or the other corporation, (ii) pass along the information to others, or (iii) permit any member of his or her immediate family or anyone acting on his or her behalf, or anyone to whom he or she has disclosed the information, to purchase or sell such securities.

To allow for public dissemination and evaluation of the information after public disclosure through appropriate channels, a reasonable time should be allowed to elapse (at least 48 hours) before trading in the security.

b. Prior Notification to Chief Financial Officer Required for Covered Persons. Covered Persons are the individuals described below (collectively "**Covered Persons**"):

i Current Directors of the Company and its affiliates;

ii "**Executive officers**" of the Company as described in Rule 3b-7 under the Securities Exchange Act of 1934, as amended ("**Exchange Act**"), and all individuals designated as "officers" of the Company for purposes of Section 16 under the Exchange Act ("**Section 16 Officers**");

iii All Employees in the accounting, finance, investor relations, and law departments of the company and its affiliates;

iv Immediate family members (parents, siblings, spouses, children) and household members of each of the foregoing groups.

The Company's Chief Financial Officer may designate additional "Covered Persons" from time to time. Since Covered Persons are expected to routinely have access to material, non-public information, it is the Company's policy that those Covered Persons, must not purchase or sell the Company's securities or securities of any strategic partner of the Company or any other company with which the Company conducts business whether or not such person knows specific material, non-public information, unless such person has first notified the Company's Chief Financial Officer, that such

person intends to purchase or sell any such securities. For purposes of this policy, a company would be considered a strategic partner if its business with the Company constituted an important portion of the Company's business. Feel free to contact the Company's Chief Financial Officer if you have questions regarding whether a particular company is a strategic partner of the Company or otherwise conducts business with the Company.

c. Other Trading Restrictions for Directors, Officers and Employees. In addition to the foregoing, it is the Company's policy:

i That Officers, Executive, Executives-Directors, Employees, and Consultants should not buy or sell the Company's stock after the 15th day following after the end of fiscal quarter, and through and including the second business day following the release of such quarter's earnings or prior year's earnings in the case of the fourth quarter;

ii That Non-Executive Directors should not buy or sell the Company's Stock after the 20th day following the end of fiscal quarter through and including the second business day following the release of such quarter earnings with prior year's earnings in the case of the fourth quarter.

iii That Officers, Executives, Directors, Employees, and Consultants should not purchase the Company's stock on margin;

iv That Officers, Executives, Directors, Employees, and Consultants should not sell the Company's stock short (excluding short sales against the box); or

v That Officers, Executives, Directors, Employees, and Consultants should not buy or sell put or call options in the Company's stock.

d. Trading Restrictions for Section 16 Insiders. Section 16 of the Securities Exchange Act of 1934 applies to Officers, Directors and 10% stockholders of a public company, commonly known as "**Section 16 insiders**". Section 16 generally prohibits a Section 16 insider from making a purchase of the Company's stock within six months of a sale of the Company's stock. Such a pair of opposite-way transactions within a six-month time frame is commonly referred to as a "short-swing trade." The prohibition of short-swing trades applies regardless of whether the purchase or the sale comes first.

Section 16 is applied strictly and the insider's actual intentions and actual possession or non-possession of insider information at the time of the trade are irrelevant. If a Section 16 insider makes a short-swing trade, he or she is required to disgorge the profits from the trade to the Company.

The Section 16 rules are extremely complex and contain numerous exceptions, the most notable being for the acquisition and disposition of shares issuable under employee benefit plans. Section 16 insiders should review any potential purchase or sale of stock, including cashless exercises of options, with the Company's Chief Financial Officer, and may wish to consult with their own attorneys.

Section 16 insiders are required to file reports with the Securities and Exchange Commission. A Form 3 must be filed within 10 days of a person becoming a Section 16 insider. A Form 4 must be filed by the end of the second business day following the day on which a reportable transaction or change in beneficial ownership of the Company's stock occurs. A Form 5 must be filed within 45 days of the end of the Company's fiscal year. Each Section 16 insider is ultimately responsible for accurately and timely

making these filings; however, the Company will assist its Section 16 insiders in preparing and making the filings. Section 16 insiders must report any transactions in the Company's stock promptly to the Company's Chief Financial Officer. The Company's annual proxy statement must disclose any late filings.

Any person who has a question concerning the propriety of a proposed transaction, or who has a question about the policy in general, is encouraged to contact the Company's Chief Financial Officer.

e. Approved Rule 10b5-1 Plan. These trading restrictions do not apply to transactions by Covered Persons under a pre-existing written plan, contract, instruction or arrangement under Exchange Act Rule 10b5-1 ("**Approved 10b5-1 Plan**") that:

i has been reviewed and approved at least thirty days in advance of any trades thereunder by the Chief Financial Officer (or, if an Approved 10b5-1 plan is to be revised or amended, such revision or amendment has been reviewed and approved by the Chief Financial Officer at least thirty days in advance of any subsequent trades);

ii was entered into in good faith by the Covered Person outside a Blackout Period and at a time when he or she was not in possession of material non-public information about the Company; and

iii gives a third party the authority to execute such purchases and sales, outside the control of the applicable Officer, Director or Employee, providing such third party does not possess any material non-public information about the Company, or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

f. Pre-clearance of Securities Transactions

i Because Covered Persons are likely to obtain material non-public information on a regular basis, the Company requires all Covered Persons to obtain a pre-clearance, even outside a Blackout Period, from the Chief Financial Officer for all transactions in the Company's securities. In addition, transactions made by a Section 16 insider or Director require a supplemental pre-clearance by the Company's Chief Financial Officer and Legal Counsel.

ii These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control.

iii Unless revoked, a grant of permission will normally remain valid until the close of trading *five days following the day on which it was granted*. If the transaction does not occur during the five-day period, pre-clearance of the transaction must be re-requested.

iv Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-1 Plan. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting transactions on behalf of the applicable Covered Person should be instructed to send duplicate confirmations of all such transactions to the Chief Financial Officer. In addition, pre-clearance is not required for stock option exercises and net issuances of restricted stock under the limited circumstances described in the introduction to this Policy.

Lilis Energy, Inc.
To: Chief Financial Officer and Insider Trading Compliance Officer Re:

Insider Trading Compliance Statement

I have carefully reviewed the Company Policy on Insider Trading and understand all of its provisions. I certify that to the best of my knowledge I have complied with these policies since the earlier of the date on which the Company's common stock became publicly traded or the date I became an Officer, Director or employee of the Company, and that I will continue to adhere to these policies and procedures in the future. I realize that failure to observe and comply with all of the provisions contained in the memorandum may subject me to disciplinary action, up to and including discharge.

Acknowledged by:

Signature:

Date:

Print Name: Title: