



NYSE American | LLEX

Recapitalization Summary

March 5, 2019

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RESERVE/RESOURCE DISCLOSURE

The Securities and Exchange Commission (“SEC”) permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that meet the SEC’s definitions of such terms. Reserve estimates that are intended to meet SEC guidelines are included in our periodic reports filed with the SEC. In this presentation, Lilis sometimes refers to broader, less precise terms when characterizing reserve estimates, such as “resource potential” and “estimated ultimate recovery”, or “EUR”, which the SEC does not permit to be disclosed in SEC filings and are not intended to conform to SEC filing requirements. These estimates are by their nature more speculative than those disclosed in Lilis’ SEC filings and thus are subject to substantially greater uncertainty of being realized. They are based on internal estimates, are not reviewed or reported upon by any independent third party and are subject to ongoing review. Actual quantities recovered will likely differ substantially from these estimates. Factors affecting ultimate recovery of reserves include the scope of Lilis’ actual drilling program, which will be directly affected by the availability of capital, drilling and production costs, commodity prices (including prevailing oil and gas prices), availability of drilling services and equipment, lease expirations, transportation constraints, regulatory approvals, field spacing rules, actual recoveries of oil and natural gas in place, length of horizontal laterals, actual drilling results, including geological and mechanical factors affecting recovery rates, and other factors. These estimates may change significantly as the development of properties provides additional data. Investors are urged to consider closely the oil and gas disclosures in Lilis’ most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other public filings.

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Transformative Recapitalization / RBL Increase – Transaction Highlights

Reduced Leverage

- *Transformative recapitalization transaction that results in a simplified, RBL-only debt structure*
- *Projected leverage of approximately 2.0x by year-end 2019*

Increased Liquidity

- *Increased First Lien RBL Borrowing Base to \$125MM (~16% increase)*
- *Additional liquidity of \$17MM*

Decreased Common Equity Dilution

- *Pro forma capital structure features a ~12MM share net reduction in the Company's fully diluted share count*

Improved Debt Maturity Profile

- *Creates ~5-year runway free and clear of near-term debt maturities with the RBL maturity date of October 2023*
- *Enhances our ability to appropriately manage asset development*

Neutral Impact to Cash Flow

- *Cash flow neutrality remains a strategic objective in 2019*
- *Dividends on new series of preferred equity may be paid-in-kind (PIK) at the option of the Company*

Transaction Overview ⁽¹⁾

- Lilis is exchanging its Second Lien Term Loan for a combination of new preferred and common equity, eliminating the conversion features on existing Series C and D Preferred Stock, and capping the redemption price of the Series C
- Significantly reduces the complexity of the Company's capital structure to equity investors and improves its leverage profile
- In connection with the recapitalization, Lilis has also secured an increased RBL Borrowing Base of \$125MM (+\$17MM), with a maturity of October 2023

2nd Lien Term Loan Exchanged for New Preferred Equity and Common Shares

2nd lien TL value of ~\$134MM exchanged for:

- \$60MM Series E Conv. Perpetual Preferred Stock
 - 8.25% per annum PIK dividends
 - \$2.50/share Conversion Price
 - No premium for redemption in a Change of Control; Optional redemption premium of 10% in year 1, 5% in year 2, and none thereafter
- \$55MM Series F Non-Conv. Perpetual Pref. Stock
 - 9% per annum PIK dividends
 - Optional redemption premium of 15%
- \$19MM Common Stock



Extinguishment of Series C and D Preferred Conversion Features/Voting Rights

- Fully diluted share count decreased by 9% or approximately 12MM shares
 - 7.8MM common shares issued to extinguish convertible features & voting rights on Series C and D Preferred Stock
 - Existing Series C Preferred Stock redemption premium capped at 25% (formerly 30%)

Transformative Recapitalization / RBL Increase – Pro Forma Capital Structure (*Unaudited*)

(\$MM)	12/31/18	PF Adj.	PF 12/31/18
Cash & Cash Equivalents	\$ 21.1	\$ -	\$ 21.1
Debt			
Revolving Credit Facility	\$ 75.0	\$ -	\$ 75.0
Second Lien Term Loan (Principal + PIK)	111.6	(111.6)	-
Total Debt	\$ 186.6	\$ (111.6)	\$ 75.0
(+) Second Lien MW Premium ¹	22.0	(22.0)	-
Total Debt (incl. 2L MW)	\$ 208.6	\$ (133.6)	\$ 75.0
Equity			
Series C Preferred Stock	\$ 134.8	\$ -	\$ 134.8
Series D Preferred Stock	40.0	-	40.0
Series E Preferred Stock	-	1 60.0	60.0
Series F Preferred Stock	-	2 55.0	55.0
Common Stock	321.8	3 18.6	340.3
Other Stockholders' Equity (Deficit)	(307.7)	-	(307.7)
Total Equity	\$ 188.8	\$ 133.6	\$ 322.4
Total Capitalization	\$ 375.5	\$ 21.9	\$ 397.4
Liquidity			
Cash & Cash Equivalents	\$ 21.1	\$ -	\$ 21.1
(+) RBL Facility Capacity	108.0	4 17.0	125.0
(-) RBL Facility Borrowings	(75.0)	-	(75.0)
Total Liquidity	\$ 54.1	\$ 17.0	\$ 71.1

1 Series E Convertible Preferred Stock

- \$60MM Face Value
- 8.25% annual PIK dividends
- \$2.50/share Conversion Price
- Optional redemption premium of 10% in year 1, 5% in year 2, and zero thereafter

2 Series F Non-Conv. Preferred Stock

- \$55MM Face Value
- 9.0% annual PIK dividends
- Optional redemption premium of 15%

3 New Common Equity

- Shares issued upon transaction closing at market price
- 3/4/2019 price of \$1.88 per share results in issuance of 9.9 million shares to cover balance of 2nd Lien facility

4 RBL Facility Increase

- 2nd Lien paydown frees up \$17MM in BB capacity

1) 2nd Lien make whole includes accrued interest through 3/4/19

Transformative Recapitalization / RBL Increase – Pro Forma Fully Diluted Share Count

LLEX Diluted Share Count ⁽¹⁾

	Outstanding 3/4/19	Pro Forma 2L Conversion and Extinguishment of Series C&D Conversion Features	
		2L Conversion 3/4/19	Pro Forma 3/4/19
Total Common Shares Outstanding	73,682,816	17,641,638	91,324,454
Dilutive Equity (incl. PIK & MW)			
2nd Lien Note	17,003,163	(17,003,163)	-
Series C Preferred Equity	27,858,631	(27,858,631)	-
Series D Preferred Equity	8,667,020	(8,667,020)	-
Series E Preferred Equity	-	24,000,000	24,000,000
Total Dilutives	53,528,814	(29,528,814)	24,000,000
Current Fully Diluted Shares	127,211,630	(11,887,176)	115,324,454

(1) Note: Based on 3/4/19 closing price of \$1.88 per share for the issue price of new common stock

1

Common Stock Issuance

- 7.8MM shares eliminate Series C&D conversion and voting rights
- 9.9MM shares for 2L claim value
- Represents 24% common dilution
- Värde PF common ownership increases from 8.1% to 25.8%, improving economic alignment between Värde and other shareholders

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2L, Series C&D Dilutive Elimination

- Elimination of 2L and Series C&D conversion features removes 53.5MM dilutive shares
- Total dilutives decrease by 29.5MM net shares or 55%

3

Series E Preferred Stock Issuance

- \$60MM Series E Stated Value / \$2.50 per share conversion price
- Simplifies dilutive impact to one class of preferred shares

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Net Change in Fully Diluted Shares

- Fully diluted share count decreases 9.3% or 11.9MM shares

Appendix: Preferred Stock and RBL Summary Terms

Perpetual Preferred Stock – Summary of Terms

Security Class	Series C Non-Convert. Participating Preferred Stock	Series D Non-Convert. Participating Preferred Stock	Series E Convertible Participating Preferred Stock	Series F Non-Convert. Participating Preferred Stock
Principal Amount	\$125 million face value	\$39.3 million face value	\$60 million face value	\$55 million face value
Dividend Rate (per annum)	<ul style="list-style-type: none"> 9.75% PIK option until 4/26/21; 12.00% cash dividends thereafter; or 15.00% PIK thereafter if not paid in cash 	<ul style="list-style-type: none"> 8.25% PIK option until 4/26/21; 11.00% cash dividends thereafter; or 15.00% PIK thereafter if not paid in cash 	<ul style="list-style-type: none"> 8.25% PIK option until 4/26/21; 8.25% cash dividends thereafter; or 9.25% PIK thereafter if not paid in cash 	<ul style="list-style-type: none"> 9.00% PIK option until 4/26/21; 9.00% cash dividends thereafter; or 10.00% PIK thereafter if not paid in cash
Optional Redemption (company option)	<ul style="list-style-type: none"> Redeemable in whole or in part at any time at the Company's option at the Stated Value multiplied by: <ul style="list-style-type: none"> 125.0% flat redemption premium Plus accrued and unpaid dividends (the "Redemption Price") 	<ul style="list-style-type: none"> Redeemable in whole or in part at any time at the Company's option at the Stated Value multiplied by: <ul style="list-style-type: none"> 117.5% flat redemption premium Plus accrued and unpaid dividends (the "Redemption Price") 	<ul style="list-style-type: none"> Redeemable in whole or in part at the Company's option at the Stated Value plus accrued and unpaid dividends (the "Redemption Price") subject to the <i>Series E Optional Redemption Mechanics language below</i> ⁽¹⁾ except where the redemption is effected in connection with a Change of Control 	<ul style="list-style-type: none"> Redeemable in whole or in part at any time at the Company's option at the Stated Value multiplied by: <ul style="list-style-type: none"> 115.0% flat redemption premium Plus accrued and unpaid dividends (the "Redemption Price")
Optional Conversion	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Convertible in whole or in part at any time at the holder's option 	<ul style="list-style-type: none"> None
Conversion Price	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> \$2.50 per share 	<ul style="list-style-type: none"> N/A
Conversion Rate	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Convertible into common stock at: the Stated Value plus accrued an unpaid dividends divided by the Conversion Price 	<ul style="list-style-type: none"> None
Mandatory Redemption	<ul style="list-style-type: none"> None, except upon a Change of Control 			

(1) Series E Optional Redemption Mechanics:

- The Company may not redeem the Series E Preferred Stock prior to the earlier of (i) 3/6/22 and (ii) the redemption of all of the Series F Preferred Stock
- The Company may not redeem the Series E Preferred Stock prior to 3/6/22 unless: (i) the VWAP of the Common Stock equals or exceeds 150.0% of the Conversion Price for at least 20 of the 30 preceding trading days and (ii) all then-outstanding Series E Preferred Stock is redeemed
- The Company may not redeem the Series E Preferred Stock unless the funds for the redemption are from the net proceeds of a contemporaneous issuance of Common Stock,
- If the Series E Preferred Stock is redeemed on or before March 5, 2021, the Series E Redemption Price will include a premium on the Stated Value equal to:
 - 10%, if redeemed on or before 3/5/20; and
 - 5%, if redeemed after 3/5/20 and on or before 3/5/21

Revolving Credit Facility – Summary of Terms

Borrower:	Lilis Energy, Inc.																		
Lead Arranger:	BMO Capital Markets																		
Facility:	<p>\$500 million Senior Secured Revolving Credit Facility governed by a Borrowing Base of \$125 million</p> <ul style="list-style-type: none"> The Borrowing Base is subject to semi-annual redeterminations scheduled each May 1 and November 1, beginning November 1, 2019 The next redetermination will be scheduled for July 1, 2019 Borrower and Required Lenders each have the right to one wildcard redetermination between scheduled redeterminations 																		
Guarantors:	Each existing and subsequently acquired or organized direct and indirect material domestic subsidiary of the Borrower that is not an unrestricted subsidiary																		
Security:	<p>Secured by valid and perfected first priority security interests in and liens on all of the following:</p> <ul style="list-style-type: none"> At least 90% of the PV9 of proved oil and gas reserves of the Credit Parties Substantially all personal property including 100% of the stock of the Guarantors, swap agreements, and all deposit, securities, and commodities accounts, subject to customary exceptions 																		
Maturity Date:	October 10, 2023																		
Financial Covenants:	<ul style="list-style-type: none"> Maximum Total Debt to EBITDAX of 4.0 to 1.00; EBITDAX to be annualized through the quarter ending 6/30/19 Minimum Current Ratio of 1.00 to 1.00 																		
Affirmative / Negative Covenants:	Usual and customary for a facility of this type																		
Pricing:	<table border="1"> <thead> <tr> <th>BORROWING BASE USAGE</th> <th>UNUSED COMMITMENT FEE</th> <th>LIBOR RATE SPREAD</th> </tr> </thead> <tbody> <tr> <td>≥ 90%</td> <td>50.0 bps</td> <td>325.0 bps</td> </tr> <tr> <td>≥ 75% < 90%</td> <td>50.0 bps</td> <td>300.0 bps</td> </tr> <tr> <td>≥ 50% < 75%</td> <td>50.0 bps</td> <td>275.0 bps</td> </tr> <tr> <td>≥ 25% < 50%</td> <td>50.0 bps</td> <td>250.0 bps</td> </tr> <tr> <td>< 25%</td> <td>50.0 bps</td> <td>225.0 bps</td> </tr> </tbody> </table> <p>Note: LC's priced at applicable LIBOR Rate Spread</p>	BORROWING BASE USAGE	UNUSED COMMITMENT FEE	LIBOR RATE SPREAD	≥ 90%	50.0 bps	325.0 bps	≥ 75% < 90%	50.0 bps	300.0 bps	≥ 50% < 75%	50.0 bps	275.0 bps	≥ 25% < 50%	50.0 bps	250.0 bps	< 25%	50.0 bps	225.0 bps
BORROWING BASE USAGE	UNUSED COMMITMENT FEE	LIBOR RATE SPREAD																	
≥ 90%	50.0 bps	325.0 bps																	
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≥ 50% < 75%	50.0 bps	275.0 bps																	
≥ 25% < 50%	50.0 bps	250.0 bps																	
< 25%	50.0 bps	225.0 bps																	
Voting:	<ul style="list-style-type: none"> 100% vote on Borrowing Base Increase 66% vote on Borrowing Base Maintenance/Decrease 50% vote on Waivers/Amendments other than certain 100% lender vote items 																		



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