

**LILIS  
ENERGY**

OTC | LLEX

**Corporate Presentation**

December 2016

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## Premium Assets

### Top Shale Plays

Delaware Basin and DJ Basin

### Permian Growth Story

Re-entry program allows Permian production ramp with efficient use of capital

### High-Quality Reserve Base

Over 500 possible<sup>1</sup> horizontal locations in Delaware Basin with net resource potential<sup>2</sup> of over 130 Mboe

## Operational Summary

*Delaware Basin (net acres)* ~ 5,300

**YE 2015 Proved Reserves** 860 Mboe

## Permian Entry

In June 2016, Lilis entered the Permian Basin through a merger with a distressed Delaware Basin operator

- Acquired producing Permian asset at attractive valuation<sup>3</sup>
  - \$30,000 per flowing barrel and \$4,100 per acre
- Expanded management team adds value, experience
- Completed \$24 million equity raise
- Recapitalized balance sheet for growth

## Market Stats

<b>Share Price<sup>4</sup></b>	\$3.49
<b>Shares Outstanding</b>	19.0 million
<b>Market Cap</b>	\$66.3 million
<b>Adjusted Shares Outstanding<sup>5</sup></b>	40.3 million
<b>Adjusted Market Cap</b>	\$140.6 million

1. Possible locations are calculated using required spacing as determined by observing results on wells, how they are being drilled within the play and analysis of Permeability and Porosity on well logs

2. See forward looking statements for explanations of EUR and resource potential

3. Based on transaction value of \$28.3 million, transaction value = consideration paid plus approx fair value of net assets assumed

4. Closing price on December 5, 2016

5. Assumes 18.5 million potentially converted preferred shares w/ accrued dividends and 2.8 million repriced warrants

# Investment Highlights

Continue Dual Growth Strategy  
*Acquire & Develop*

- **Acquire:** Target financially distressed companies with economic production and attractive acreage primarily in core area of Permian Basin
- **Develop:** Pursue drilling and recompletion opportunities on a highly selective basis

Proven Management Team

- New management and board have extensive experience and track records of creating substantial shareholder value
- Expanded operating and technical teams bring experience in core basins
- New management and board are highly invested in the company and aligned with shareholders

Strategically  
Building Scale

- Built-in economic advantages through existing vertical wellbores, providing attractive well level rates of return
- Selectively expanding position in the Permian Basin, through strategic and acreage acquisitions
- The Delaware Basin is especially attractive for its multi-stack resource plays and favorable economics

Investment Opportunity

- Well positioned for growth following the recapitalization and equity raise
- Management well-aligned with shareholders with substantial equity investment in company
- The company is trading at a discount to Delaware Basin peers

# Recent Activity

## Financing

### Closed Equity Financing

- Raised \$24 million of equity

### Closed Debt Financing

- Initial draw of \$31 million, 6% interest
- \$50 million facility

In connection with the merger, Lilis has restructured a total of ~ \$60 million of debt and preferred securities

## Near-term Capital Plans

### Bison #1H

- Wolfcamp Re-Entry
- Total Depth of 19,600'
- 6,560' lateral
- 35 frac stages, 2,220 pounds of proppant per foot planned for Mid-December

### Grizzly #1H

- Wolfcamp Re-Entry
- Currently drilling lateral

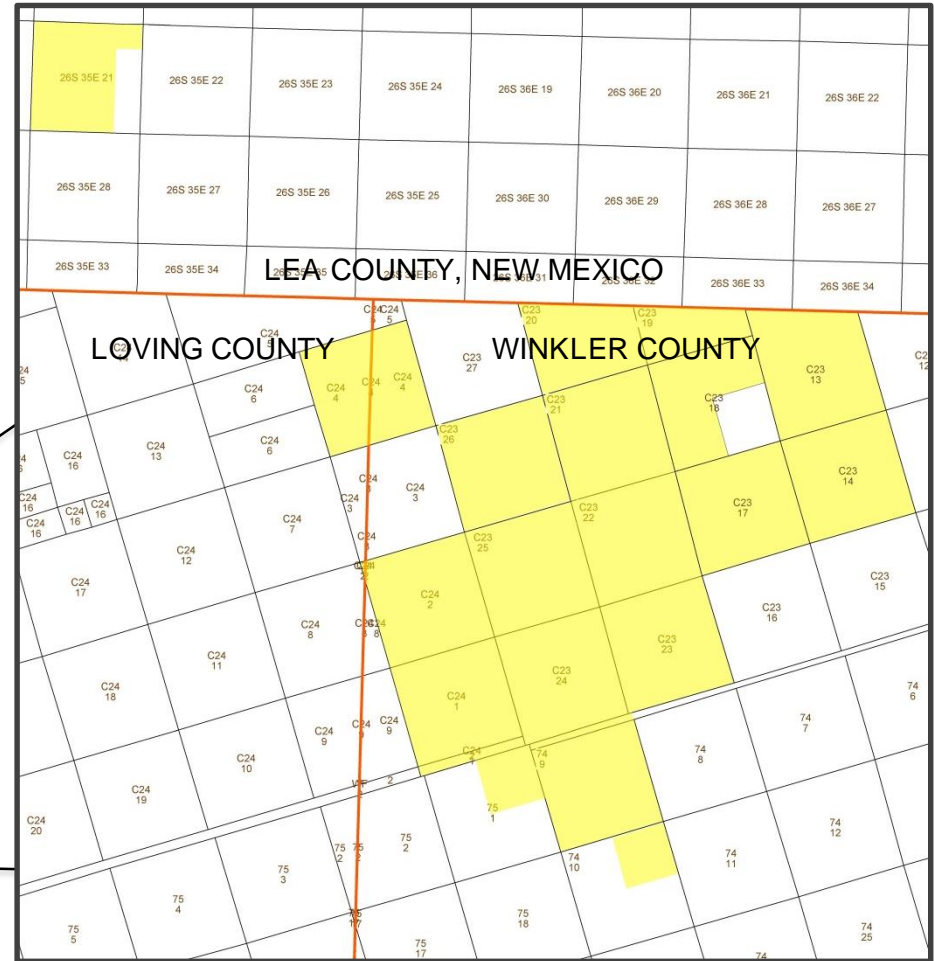
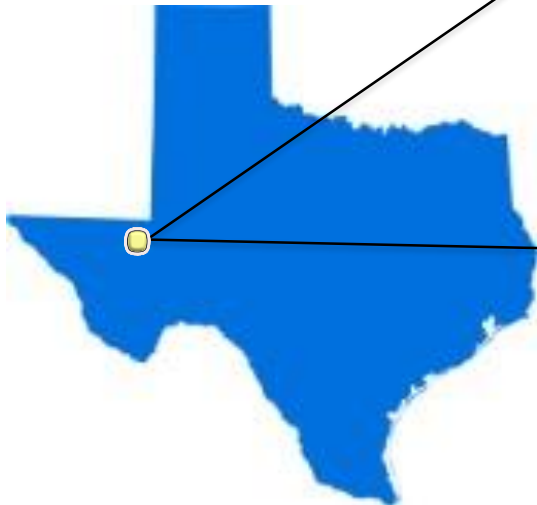
## Acquisitions

### Acreage Acquisitions

- Since its merger, Lilis has increased its Delaware Basin acreage position by 53%
- November 7, 2016 – added 860 net contiguous acres further expanding Delaware Basin footprint
- October 13, 2016 – added 500 net acres and ~690 net mcf per day

# Permian Asset Overview

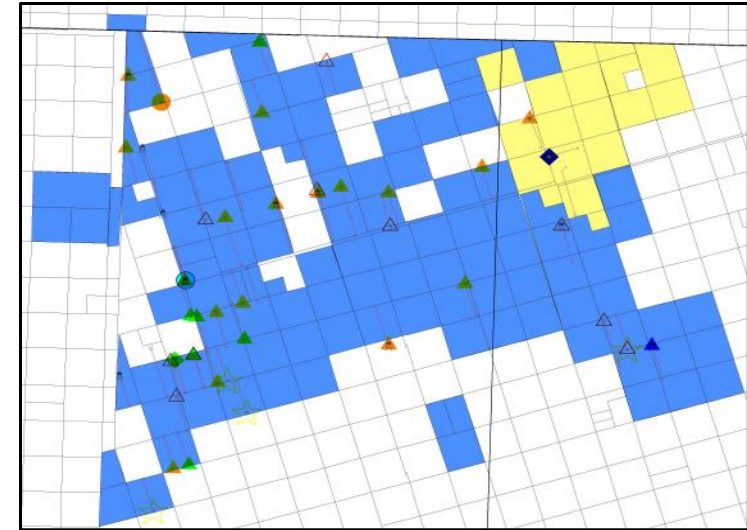
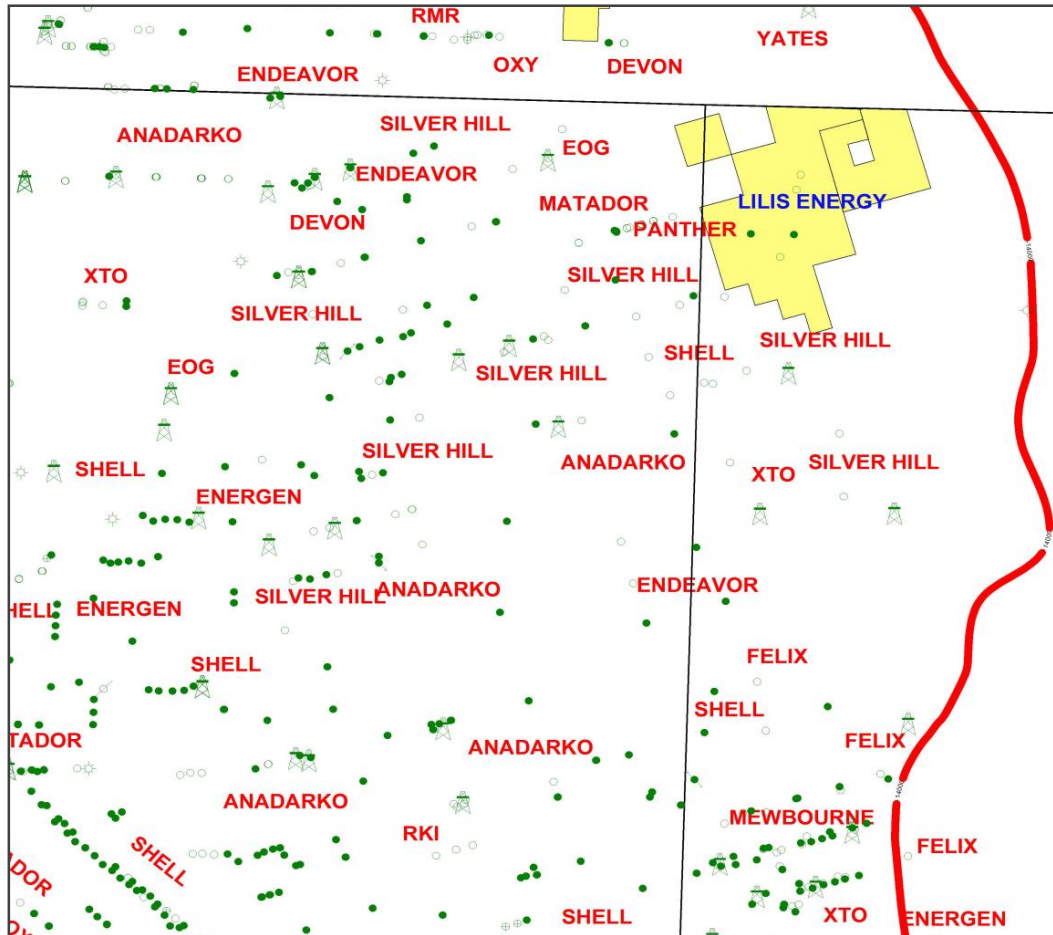
- Contiguous acreage on Loving-Winkler County line in Texas and Lea County, New Mexico
- ~5,300 Net acres, 91% HBP
- 19 vertical wells & 2 Horizontal producing from multiple formations: Wolfcamp, Brushy Canyon, Bell Canyon, Strawn & Atoka
- 12 Horizontal Re-Entries, targeting Wolfcamp, Bone Springs and Avalon
- Over 500 possible<sup>1</sup> Horizontal Locations with net resource potential<sup>2</sup> of over 130 Mboe



 Lilis Acreage

1. Possible locations are calculated using required spacing as determined by observing results on wells, how they are being drilled within the play and analysis of Permeability and Porosity on well logs  
 2. See forward looking statements for explanations of EUR and resource potential

# Delaware Offset Well Map



- Lilis Energy acreage in Yellow
- Silver Hill acreage in Blue

# Strategic Advantage

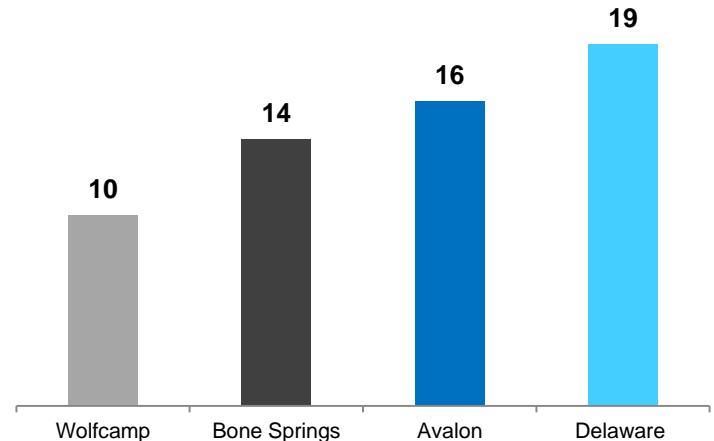
## Significant Value in Delaware

- Vertical wellbores allow for horizontal Re-Entry
- Extensive well control
  - No seismic or pilot holes required
- Full suite of logs penetrate entire Wolfcamp interval
- Target formation cuttings scientifically analyzed
- Existing ROW agreements in-place, no new ROWs issued
- Field infrastructure in-place

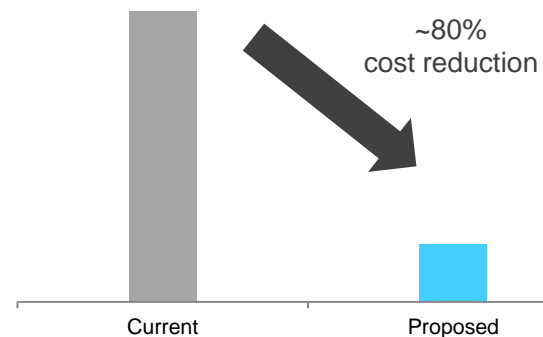
## Cost Reduction Initiatives

- Awaiting approvals for salt water disposal well
- Evaluating gas gathering options
  - Ensuring capacity
  - Removing existing rentals

## Existing Well Logs



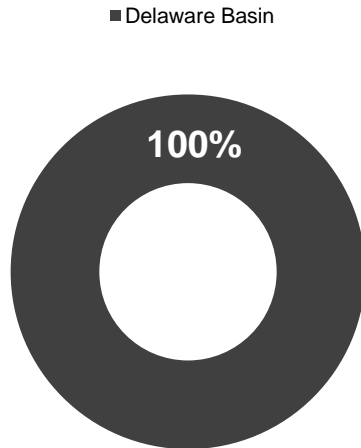
## Anticipated SWD Savings



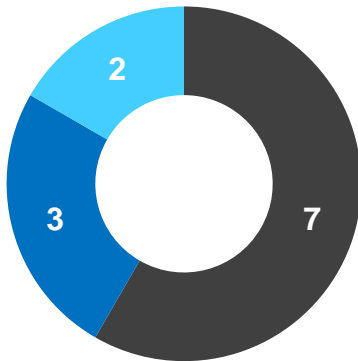


# 12-Month Development Plans

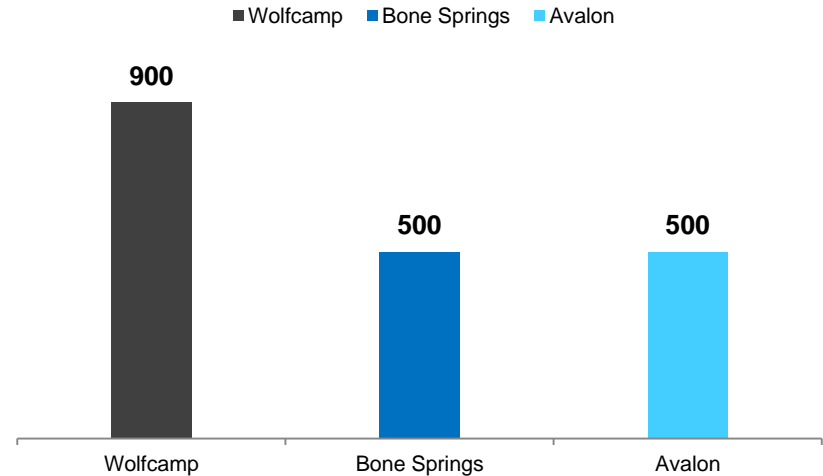
## 2016 – 2017 Capital Allocation



■ Wolfcamp ■ Bone Springs ■ Avalon



## EUR<sup>1</sup> by Formation (Mboe)



### Minimizing D&C Cost

- Utilize 12 vertical wellbores to complete re-entry program, targeting three Permian formations
- Re-entry removes need to drill vertical section, ~\$2 million of cost savings per well, enhances returns

### Maximizing Resource Recovery

- Evolving drilling and completion techniques, lateral length and well spacing generating significant production and EUR enhancement
- 6 Re-Entry locations capable of testing extended laterals
- Exit 2017 production rate projected over 3,000 boe/d

1. See forward looking statements for explanations of EUR and resource potential

# Balance Sheet

Assets			Liabilities and Shareholder's Equity		
	June 30, 2016 (Unaudited)	September 30, 2016 (Unaudited)		June 30, 2016 (Unaudited)	September 30, 2016 (Unaudited) <sup>(1)</sup>
Cash and equivalents	\$ 6,489	\$ 20,989	Term Loan	\$ 5,379	\$ -
Total current assets	<u>7,937</u>	<u>22,804</u>	Total current liabilities	18,019	8,908
<b>Total Assets</b>	<b><u>\$ 38,622</u></b>	<b><u>\$ 53,710</u></b>	Credit Facility - New	<u>-</u>	<u>23,286</u>
			<b>Total Liabilities</b>	<b>20,156</b>	<b>34,778</b>
			<b>Total Shareholder's Equity</b>	<b><u>16,516</u></b>	<b><u>18,932</u></b>
			<b>Total Liabilities and Shareholder's Equity</b>	<b><u>38,622</u></b>	<b><u>53,710</u></b>

1. An additional \$6mm from the credit facility was received after 9/30/16

# Conclusion

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- Ground floor opportunity to participate in a high-quality E&P company
- Shareholders alignment with a strong management and Board of Directors
- Highly desirable assets in one of the best North American basins which generates attractive economics at \$35 oil
- Low-risk, near-term growth in production, cash flow and reserves
- Substantially discounted equity valuation compared to industry comparables
- Ability to grow organically and to be an opportunistic acquirer

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# Appendix

# Transaction Comp Valuation

## Selected 2016 M&A Permian Basin Transactions <sup>1</sup>

Number of Transactions	15
Mean Transaction Value (\$mm)	\$332.7
Avg. price per boe (\$/boe)	\$52.16
Avg. price per boe/d (\$/boe/d)	\$256,347
Avg. price per Acre (\$/acre)	\$20,366

## Implied Permian Asset Value

Implied Value per boe (\$/boe)	\$133 million <sup>2</sup>
Implied Value per boe/d (\$/boe/d)	\$115 million <sup>3</sup>
Implied Value per Acre (\$/acre)	\$80 million <sup>4</sup>
Average Implied Asset Value	\$109 million <sup>5</sup>
<i>LLEX Approx Transaction Value</i>	<i>\$28.3 million<sup>6</sup></i>

1. Source: Credit Suisse

2. Calculated based on Av \$/boe times Proved Reserves plus 6 engineered PUD locations

3. Calculated based on Av \$/boe/d times current Permian production

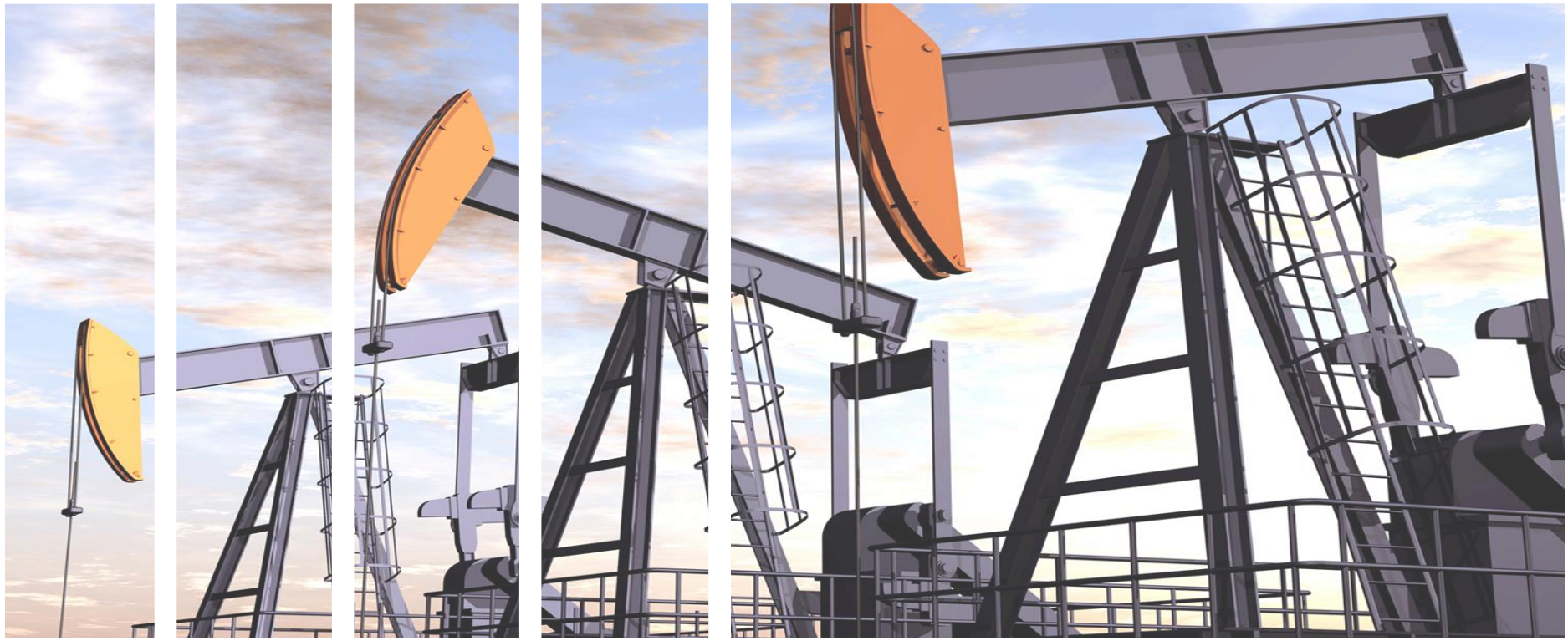
4. Calculated based on Av \$/acre times Permian net acreage

5. Calculated based on Av of implied values

6. Transaction value of \$28.3 million, transaction value = consideration paid plus approx. fair value of net assets assumed

# Equity Breakdown

	<u>Shares</u>	<u>Proceeds</u>
<b><u>Equity</u></b>		
Shares outstanding at 9-30-16	19,003,602	
6% Series B Convertible Preferred stock – w/ dividends	18,478,788	
Warrants - Preferred Stock Series B ( \$0.01 )	<u>2,840,912</u>	\$28,409
<b>Adjusted Shares Outstanding</b>	<b>40,323,302</b>	
<b><u>Dilutives</u></b>		
Warrants - "in the money" Average Price ( \$2.19 )	5,200,904	11,389,980
Warrants - Preferred Stock Series B ( \$2.50 )	6,249,997	15,624,993
Options - "in of the money" ( \$1.38 )	3,045,000	4,202,100
Restricted stock units	159,583	
<b>Total</b>	<b>14,655,484</b>	<b>\$31,245,481</b>
<b>Total Net Diluted Shares</b>	<b>54,978,786</b>	



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