



300 E. Sonterra Blvd.  
Suite 1220  
San Antonio, TX 78258  
(201) 999-5400

**AUDIT COMMITTEE CHARTER**  
**Effective as of February 23, 2017**

**ORGANIZATION**

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Lilis Energy, Inc. (the "Company") shall be comprised of at least three directors. Each member of the Committee shall be independent in accordance with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934, the stock market(s) listing the Company's stock, and the Company's Corporate Governance Guidelines on Director Independence. Under these requirements, a Committee member may not accept any consulting, advisory or other compensatory fee from the Company, other than for board service, must not be an affiliated person of the Company, and must not have participated in the preparation of the Company's financial statements at any time during the past three years. Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, and at least one member shall be an "audit committee financial expert," as defined by the Securities and Exchange Commission ("SEC") in Item 407(d)(5)(ii) of Regulation S-K. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. A person who satisfies the definition in Item 407 of Regulation S-K will also be presumed to have financial sophistication.

The members of the Committee shall be appointed by the Board. The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause. The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least four times each year at such times and places as it deems necessary to fulfill its responsibilities. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Company's independent auditors, any other accounting firm engaged to perform services for the

Company, any outside counsel and any other advisors to the Committee, and for ordinary expenses of the Committee necessary or appropriate for carrying out its duties.

## **STATEMENT OF POLICY**

The Committee shall provide assistance to directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, and investment community relating to: the integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; the independent auditor's qualifications and independence; and, if applicable, the performance of the Company's internal audit function and that of the independent auditors. In so doing, it is the responsibility of the Committee to maintain free and open communication amongst the directors, the independent auditors, and the financial management of the Company. It is the expectation of the Committee that the financial management will fulfill its responsibilities of bringing any significant items to the attention of the Committee.

## **RESPONSIBILITIES**

In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with pertinent requirements.

The following is a list of the Committee's responsibilities:

### *General*

1. Obtain annually the full Board approval of this Charter and review and reassess this Charter as conditions dictate, but no less frequently than annually.
2. Submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting, with the Board.
3. Report the result of the annual audit to the Board.
4. Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside legal, accounting or other advisors for this purpose if, in its judgment, that is appropriate.
5. Review, consider, and authorize any proposal to hire employees or former employees of the independent auditors.
6. Establish and monitor procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal control or auditing matters, including the confidential and anonymous submission by employees regarding questionable accounting or auditing practices.
7. Include a report of the Committee in the proxy statement.
8. On an annual basis, conduct a self-evaluation.

9. Review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations.

#### *Meetings and Communications*

10. Hold regularly scheduled meetings.
11. Periodically meet privately with the independent auditors, with the Company's Chief Financial Officer and, if applicable, with the Company's internal auditor to discuss issues and concerns warranting Committee attention.
12. Review the financial statements contained in the annual report to the shareholders. Discuss such annual report with management and the independent auditors, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's annual report on Form 10-K before the Form 10-K is filed. Determine that the independent auditors are satisfied with the disclosures and content of the financial statements to be presented to the shareholders. Review with financial management and the independent auditors the results of their timely analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices, and discuss other matters required to be communicated to the Committee by the auditors.
13. To recommend to the Board that the audited financial statements be included in the Company's Form 10-K and produce the audit committee report required to be included in the Company's proxy statement, if required.
14. Review with the independent auditors, if applicable, the Company's internal auditor, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit recommendations for the improvement of such internal controls or particular areas where new or more detailed controls or procedures are desirable.
15. To review and discuss with the Company's independent auditors and management the Company's quarterly financial statements and the disclosure under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's quarterly report on Form 10-Q before the Form 10-Q is filed.
16. Review, in general, earnings press releases, quarterly filings, and financial information and earnings guidance provided to analysts and rating agencies.
17. Discuss policies with respect to risk assessment and risk management.

#### *Independent Auditors*

18. The Committee shall be directly responsible for the appointment, retention, termination, compensation and oversight of the independent auditors, including resolution of any disagreements between management and the independent auditors. The Committee will have a clear understanding with the independent auditors that they are ultimately

accountable to the Committee, as the shareholders' representatives, who have the ultimate authority in deciding to engage, evaluate, and if appropriate, terminate their services.

19. Pre-approve all audit and non-audit services provided by the independent auditors, with appropriate pre-approval authority delegated to the Audit Committee Chairperson. Any decisions of the Audit Committee Chairperson will be presented to the full Audit Committee at its next regularly scheduled meeting.
20. Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit and quarterly reviews for the current year and the procedures to be utilized. At the conclusion thereof, the results of such audit or reviews, including any audit problems or difficulties, any comments or recommendations of the independent auditors, along with management's responses to these issues, shall be communicated to the Committee.
21. To review and discuss with the Company's independent auditors all critical accounting policies and practices to be used in the audit, all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the auditors, and other material written communications between the auditors and management.
22. To review with management and the Company's independent auditors: any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements
23. On an annual basis, obtain from the independent auditors a written communication delineating all their relationships and professional services as required by Independence Standards Board Standard No.1, Independence Discussions with Audit Committees. Additionally, such annual written communication will describe any issue that would materially affect the independent auditors' ability to effectively provide services to the Company and render an audit opinion.
24. Obtain and review, at least annually, a report from the independent auditors describing (1) the accounting firm's internal quality-control procedures (2) any material issues raised by the most recent quality-control review, peer review or PCAOB review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and steps taken to deal with any such issues, and (3) all relationships between the firm and the Company or any of its subsidiaries; and to discuss with the independent auditors this report and any relationships or services that may impact the objectivity and independence of the auditors.

25. On an annual basis, evaluate the independent auditor's qualifications, performance and independence, including the review and evaluation of the lead partner of the independent auditor. Assure the regular rotation of the lead audit partner as required by law. Periodically consider and evaluate the prudence of rotation of the independent auditor. Present conclusions to the Board.
26. Keep the Company's independent auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company, and review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.
27. Review and discuss with the Company's independent auditors any other matters required to be discussed by PCAOB Auditing Standards No. 16, Communications with Audit Committees.