

NYSE American | LLEX

Third Quarter 2018
Earnings Presentation

Disclaimer

This presentation contains forward-looking statements. The use of words such as “believes”, “expects”, “anticipates”, “intends”, “plans”, “estimates”, “should”, “likely” or similar expressions, indicates a forward-looking statement. These statements and all the projections in this presentation are subject to risks and uncertainties and are based on the beliefs and assumptions of management, and information currently available to management. The actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. The identification in this presentation of factors that may affect Lilis’ future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. These forward-looking statements are given only as of the date of this presentation. Except as required by law, we do not intend, and undertake no obligations, to update any forward-looking statements.

All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. These forward-looking statements include, among other things, statements about Lilis’ expectations, beliefs, intentions or business strategies for the future, statements concerning Lilis’ outlook with regard to the timing and amount of future production of oil, natural gas liquids and natural gas, price realizations, the nature and timing of capital expenditures for exploration and development, plans for funding operations and drilling program capital expenditures, the timing and success of specific projects, operating costs and other expenses, proved oil and natural gas reserves, liquidity and capital resources, outcomes and effects of litigation, claims and disputes and derivative activities. Factors that could cause Lilis’ actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to: the success of Lilis’ exploration and development efforts; the price of oil, gas and other produced gases and liquids; the worldwide economic situation; changes in interest rates or inflation; the ability of Lilis to transport gas, oil and other products; the ability of Lilis to raise additional capital, as it may be affected by current conditions in the stock market and competition in the oil and gas industry for risk capital; Lilis’ capital costs, which may be affected by delays or cost overruns; cost of production; environmental and other regulations, as the same presently exist or may later be amended; Lilis’ ability to identify, finance and integrate any future acquisitions; and the volatility of Lilis’ stock price. See the risks discussed in Lilis’ Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDAX (UNAUDITED)

Adjusted EBITDAX (as defined below) is presented herein and reconciled from the GAAP measure of net income because of its wide acceptance by the investment community as a financial indicator.

The Company defines Adjusted EBITDAX as net income, plus (1) exploration and abandonments expense, (2) depreciation, depletion and amortization expense, (3) accretion of discount on asset retirement obligations expense, (4) non-cash stock-based compensation expense, (5) (gain) loss on derivatives, (6) net cash receipts from (payments on) derivatives, (7) gain on disposition of assets, net, (8) interest expense, (9) loss on extinguishment of debt, (10) gain on equity method investment distribution and (11) federal and state income tax expense. Adjusted EBITDAX is not a measure of net income or cash flows as determined by GAAP.

The Company’s Adjusted EBITDAX measure provides additional information which may be used to better understand the Company’s operations. Adjusted EBITDAX is one of several metrics that the Company uses as a supplemental financial measurement in the evaluation of its business and should not be considered as an alternative to, or more meaningful than, net income as an indicator of operating performance. Certain items excluded from Adjusted EBITDAX are significant components in understanding and assessing a company’s financial performance, such as a company’s cost of capital and tax structure, as well as the historic cost of depreciable and depletable assets. Adjusted EBITDAX, as used by the Company, may not be comparable to similarly titled measures reported by other companies. The Company believes that Adjusted EBITDAX is a widely followed measure of operating performance and is one of many metrics used by the Company’s management team and by other users of the Company’s consolidated financial statements. For example, Adjusted EBITDAX can be used to assess the Company’s operating performance and return on capital in comparison to other independent exploration and production companies without regard to financial or capital structure, and to assess the financial performance of the Company’s assets and the Company without regard to capital structure or historical cost basis.

Third Quarter 2018 Highlights

Continued Strong Performance and Growth

- Net production during 3Q18 was a **record-high** 514 MBOE, or ~5.6 MBOE/d, up 234% year-over-year and up 16% compared to 2Q18
- Current production of approximately 7,000 Boepd with an excess of 8,000 Boepd of productive capacity ⁽¹⁾
- Company expects to exceed year-end production exit rate guidance of 8,000 Boepd in the near future as wells become fully operational and production from wells on flowback increases
- Achieved **record-high** quarterly Adjusted EBITDAX of \$12.4 million for 3Q18 (\$49.7 million annualized), which represents 177% growth year to date and 51% growth compared to 2Q18
- Continued EBITDAX growth and improved pricing positions the Company for free cash flow neutrality (D&C basis) during the second half of 2019

Successful Execution of Operational Goals

- Continue to delineate our position in the Delaware Basin leveraging strong results from Wolfcamp A and B and Bone Spring wells, with additional wells in process in the Wolfcamp A and B and Bone Spring. We are pleased with initial positive results from eastern wells and plan additional activity there in the fourth quarter and 2019
- Actual production results through type curve comparison continue to perform well and demonstrate some of the best wells in the Delaware Basin
- Executed multiple acreage swaps and acquisitions in the third quarter increasing the Company's net acreage, working interest, and net revenue interest in core areas. We increased net acreage to over 20,000, operatorship to 99%, and working interest to 76%
- Completed infrastructure agreements for crude oil, gas, and produced water now fully in place with firm transportation for crude and Gulf Coast pricing
- D&C capital expenditures remaining on track with our \$100 million overall budget for full-year 2018

Consistent Growth of Proved Reserves

- Total proved reserves have increased 308% from 11.5 MMBOE, at year-end 2017, to 46.7 MMBOE, as of September 30, 2018; up 24% from 37.6 MMBOE, as of June 30, 2018
- Total proved PV-10 growth of 467% from \$69 million, at year-end 2017, to \$391 million, as of September 30, 2018 (on an SEC basis)

Improved Liquidity and Access to Capital

- On October 10, 2018, entered into a credit facility and established a first lien revolving credit facility with an initial borrowing base of \$95 million and reduced leverage through a partial second lien conversion of \$68 million into common and preferred equity
 - Increased liquidity to \$68 million
 - Our new credit facility offers a lower cost of capital and the ability to grow with our reserve base, providing sufficient liquidity to fund our 2018 and 2019 drilling program
- Liquidity also increased without dilution through execution of crude gathering, water gathering, and disposal contracts; received \$15 million of non-dilutive capital during 3Q18 and expect to achieve additional cost savings in 2019 (\$55 million received year-to-date)

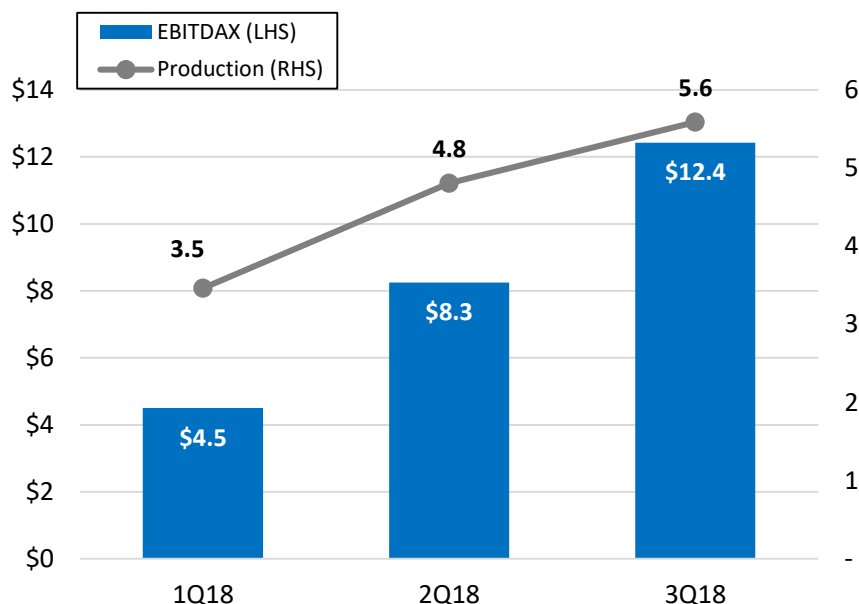
(1) Amount of production represents actual amount produced to sales; however, daily actual sales varies due to timing of vendor payments

Quarterly Operating Summary

Three Month Operational Highlights

- **Average daily sales volume:** increased by 3,913 BOE/d, or 234%, to 5,588 BOE/d for the three months ended 9/30/18, compared to 1,675 BOE/d for the same three month period in 2017
- **Adjusted EBITDAX:** increased by \$15.0 million to \$12.4 million for the three months ended 9/30/18, compared to negative (\$2.6) million for the same three month period in 2017
- **Annualized EBITDAX** of \$49.7 million for the three months ended 9/30/18
- **Oil, natural gas and NGL sales revenue:** increased by \$14.1 million, or 261%, to \$19.5 million for the three months ended 9/30/18, compared to \$5.4 million for the same three month period in 2017
- **Total GAAP G&A:** decreased (\$4.1) million, or (38%), to \$6.8 million for the three months ended 9/30/18, compared to \$10.9 million for the same three month period in 2017
- **YTD total GAAP G&A:** decreased (\$11.6) million, or (32%), compared to the same nine month period in 2017
- **To date, we have successfully:** spud 13 wells and completed 12 wells in the Wolfcamp A, B and XY and Bone Spring, continuing the strategy of delineating and de-risking the acreage position both geographically and geologically
- As of September 30, 2018, we have production flowing to sales from 22 horizontal wells and 13 legacy vertical wells

Daily Production (MBOE/d) vs. EBITDAX (\$MM)



	3Q18	YTD 3Q18	% YTD 3Q18
PRODUCTION			
Oil (Bbl/d)	3,287	2,746	59.3%
Natural Gas (Mcf/d)	9,314	7,390	26.6%
NGL (Bbl/d)	748	650	14.0%
Total (BOE/d)	5,588	4,628	100.0%
Construction & Midstream Curtailment	2,104	1,605	
Productive Capacity (BOE/d)⁽¹⁾	7,692	6,233	

(1) Management estimate of production capacity for 3Q18 is 8,041 BOE/d including 349 BOE/d production volume from the working interest and acreage transaction completed in October 2018

Operations – Upcoming Well Status and Recent Well Results

Upcoming Well Status

Well Status	Target	Count	Well Name	Lateral Length
Flowback Operations	Bone Spring	1	Tiger #3H – 3 rd Bone Spring	1 ½ mile lateral
	WCA	2	East Axis #2H – Wolfcamp A	1 ½ mile lateral
Completion Operations	WCA	3	North West Axis #1H – Wolfcamp A	1 ½ mile lateral
		4	Oso #1H – Wolfcamp A	1 ½ mile lateral
		5	Haley #1H – Wolfcamp A	1 mile lateral
Drilling Operations	WCA	6	Haley #2H – Wolfcamp A	1 mile lateral
		7	North East Axis #2H – Wolfcamp A	1 ½ mile lateral
	8	WCB	Ox #1H – Wolfcamp B	1 ½ mile lateral

3Q18 Well Results

Well Name	Target	Commentary
Newly Announced Well Results		
1 Moose #1H	WCA	Lilis' first 1.5-mile Wolfcamp A well drilled, strong initial performance prior to being choked due to facility constraints <ul style="list-style-type: none"> 24-hr rate: 1,691 BOE/d or 232 BOE/d per 1,000 lateral ft. – (72% Liquids) IP 30 rate 1,035 BOE/d – (72% Liquids)
2 AG Hill #2H	Bone Spring	Lilis' first 2 nd Bone Spring well drilled, continuing the 2018 delineation program <ul style="list-style-type: none"> 24-hr rate: 845 BOE/d or 186 BOE/d per 1,000 lateral ft. – (77% Liquids)
3 Axis #1H	WCB	Lilis' second 1.5-mile Wolfcamp B well drilled, with strong initial performance <ul style="list-style-type: none"> 24-hr rate: 1,571 BOE/d or 202 BOE/d per 1,000 lateral ft. – (82% Liquids)
Previously Announced Well Results		
4 Prize Hog #2H	WCA	Lilis' first Wolfcamp A well drilled in New Mexico, registering the highest IP 24 the Company has completed in New Mexico <ul style="list-style-type: none"> 24-hr rate of 1,825 BOE/d or 411 BOE/d per 1,000 lateral ft. – (77% liquids) IP 30 rate 1,436 BOE/d – (77% Liquids)
5 Antelope #1H	Bone Spring	Lilis' first Bone Spring well drilled in Texas, completed in the 3 rd Bone Spring, confirming another viable bench <ul style="list-style-type: none"> 24-hr rate: 1,309 BOE/d or 235 BOE/d per 1,000 lateral ft. – (53% liquids)

Location Map



Recent Acreage Transactions

Acreage Activity Highlights

As a result of the recent transactions completed in the second half of 2018:

- Net Acres: increased to 20,562 on 9/30/18
- Net Working Interest (“NWI”): increased to 76% on 9/30/18
- All acreage traded away was non-operated

Acreage Transactions

August 2018

- Lilis closed an acre-for-acre trade of approximately 1,500 net acres in the Delaware Basin, primarily Winkler County, Texas

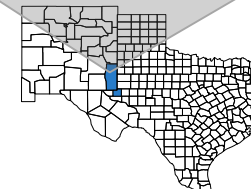
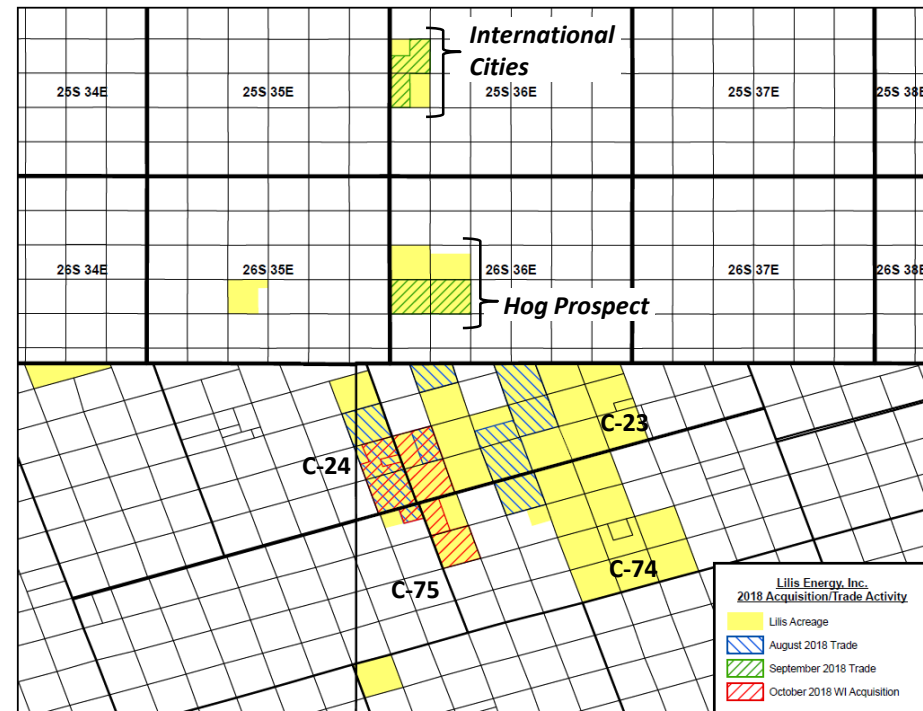
September 2018

- Lilis closed an acre-for-acre trade of approximately 750 net acres in the Delaware Basin in Lea County, New Mexico

October 2018

- Acquired position was of the largest outstanding non-op WI partner within Lilis’ Texas core AOI
- Attractive purchase price of \$11,400 per acre purchase price ⁽¹⁾ for approximately 570 net acres and 349 BOE/d
- Purchase significantly increases existing and future well WI
 - Bison 1H: 13.5%
 - Moose 1H: 18.2%
 - Oso 1H: 20.5%
 - Tiger 3H: 20.5%
- January 1, 2018 effective date

Acreage Map



(1) Assume 349 Boepd of production and 570 acres acquired, at \$30,000 per flowing barrel.

Capitalization & Liquidity – Pro Forma RBL and Partial 2L Refinancing

Pro Forma Capitalization ⁽¹⁾

(\$ in millions)

Capitalization	9/30/2018	PF Adj.	PF 9/30/18
Cash & Cash Equivalents	\$25.0	\$8.0	\$32.9
Debt:			
First Lien Term Loan Facility	50.0	(50.0)	-
New \$95MM First Lien RBL Facility	-	60.0	60.0
Second Lien Term Loan (Principal + PIK)	165.6	(56.3)	109.2
Total Debt	215.6	(46.3)	169.2
Equity:			
Series C Preferred Stock	97.5	25.0	122.5
Series D Preferred Stock ²	-	39.3	39.3
Common Stock ³	301.0	29.8	330.8
Other Stockholders' Equity (Deficit)	(325.9)	-	(325.9)
Total Equity	72.6	94.0	166.6
Total Capitalization	\$288.2	\$47.7	\$335.9
Liquidity:			
Cash & Cash Equivalents	\$25.0	\$8.0	\$32.9
(+) RBL Facility Capacity	-	95.0	95.0
(-) RBL Facility Borrowings	-	(60.0)	(60.0)
Total Liquidity	\$25.0	\$43.0	\$67.9

1) Pro forma for recent financing

2) New Series D Preferred: \$39.3 million (57.5% of claim value) plus \$25 million tack-on

3) Common Stock: \$29.0 million (42.5% of claim value) at a conversion price of \$5.0 per share plus 150,000 additional shares based on 100-day stock price average

Overview of Transactions

- Lilis entered into a \$95 million senior secured, first lien revolving credit agreement on October 10, 2018
- Refinanced entire existing First Lien Term Loan and lowered overall cost of capital
- RBL structure provides flexibility for the borrowing base to grow proportionately with reserves, providing adequate source of lower cost financing for the drilling program through 2019
- Convert \$68.3 million of the 2nd Lien Term Loan into common (\$29.0) and preferred equity (\$39.3)
- \$25 million in proceeds from Series C Preferred Equity tack-on used to fund WI acreage acquisition and development

Key Summary Statistics

Financial & Operating Metrics

3Q18 LQ Annualized EBITDAX	\$49.7
3Q18 Proved Reserves (MMBOE)	46.7
3Q18 Proved Developed Reserves (MMBOE)	13.7
3Q18 PV-10	\$390.9

Key Credit Statistics

	9/30/2018	PF 9/30/18
Total Debt / 3Q18 LQA EBITDAX	4.3x	3.4x
Total Debt / Total Capitalization	74.8%	50.4%
RBL Facility % Drawn	N/A	63.2%
Total Debt / TP Reserves (\$ / BOE)	\$4.6	\$3.6



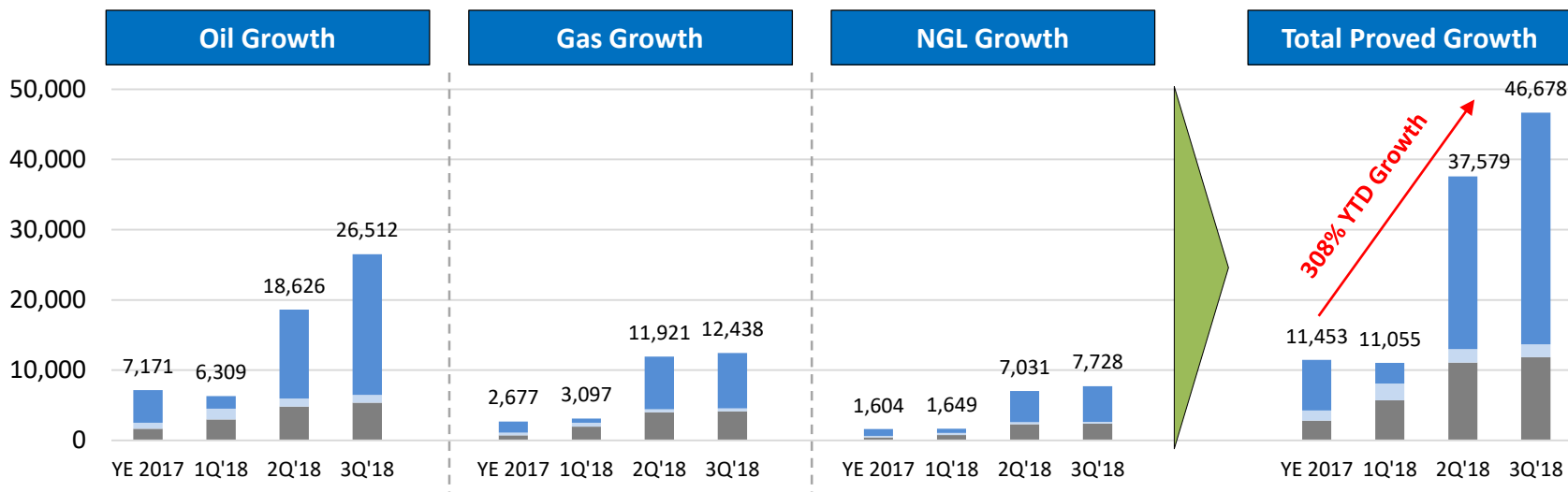
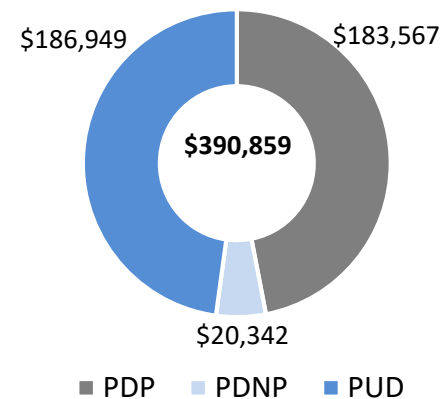
Consistent Reserve Growth throughout 2018

3Q18 Reserve Report Summary (SEC Pricing)

Net Reserves

Category	Oil (Mbbl)	Gas (MMcf)	NGL (Mbbl)	Total Mboe	% of Total	PV10
PDP:	5,354	24,737	2,376	11,853	25%	\$183,567
PNP:	1,129	2,565	272	1,828	4%	\$20,342
PUD:	20,029	47,326	5,080	32,997	71%	\$186,949
Total Proved	26,512	74,628	7,728	46,678	100%	\$390,859

Total Proved Reserves (PV-10, in thousands)



Appendix

Condensed Consolidated Statements of Operations (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	<i>(\$ in thousands except per share data)</i>			
Oil and gas revenue	\$ 19,482	\$ 5,390	\$ 51,360	\$ 13,779
Operating expenses:				
Production costs	2,772	1,409	8,532	3,336
Gathering, processing and transportation	963	405	2,297	842
Production taxes	1,446	290	3,604	710
General and administrative	6,838	10,943	24,682	36,273
Depreciation, depletion, amortization and accretion	7,172	1,443	17,572	3,946
Total operating expenses	19,191	14,490	56,687	45,107
Operating income (loss)	291	(9,100)	(5,327)	(31,328)
Other income (expense):				
Gain (loss) from commodity derivatives, net	(4,811)	-	(9,383)	-
Fair value change in derivative instruments	10,612	6,368	19,499	4,254
Interest expense, net	(8,949)	(3,656)	(26,609)	(11,084)
Other, net	1	151	2	19
Total other income (expense)	(3,147)	2,863	(16,491)	(6,811)
Net loss before income tax	(2,856)	(6,237)	(21,818)	(38,139)
Dividends on redeemable 6% preferred stock	-	-	(6,527)	-
Dividends and deemed dividends on Series B convertible preferred stock	-	-	-	(4,635)
Dividends on Series C convertible preferred stock	(2,410)	-	-	(122)
Net loss attributable to common stockholders	\$ (5,266)	\$ (6,237)	\$ (28,345)	\$ (42,896)
Basic net loss per common share	\$ (0.08)	\$ (0.12)	\$ (0.47)	\$ (1.06)
Diluted net loss per common share	\$ (0.09)	\$ (0.12)	\$ (0.47)	\$ (1.06)
Weighted average common shares outstanding (basic)	64,572,104	50,785,588	60,082,902	40,596,281
Weighted average common shares outstanding (diluted)	88,710,081	50,785,588	60,082,902	40,596,281

Adjusted EBITDAX (Unaudited)

The following table provides a reconciliation of the GAAP measure of net income (loss) to Adjusted EBITDAX (please see the Disclaimer on slide 2):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Reconciliation of Adjusted EBITDAX:	<i>(\$ in thousands except per share data)</i>			
Net loss	\$ (2,856)	\$ (6,237)	\$ (21,818)	\$ (38,139)
Non-cash equity-based compensation	2,100	5,091	7,654	14,477
Interest expense, net	8,949	3,656	26,609	11,084
Depreciation, depletion, amortization and accretion	7,172	1,443	17,572	3,946
Loss (gain) from fair value changes of debt conversion and warrant derivatives	(10,612)	(6,368)	(19,499)	(4,254)
Loss from commodity derivatives, net	6,521	-	9,383	-
Other expense (income), net	(1)	(151)	(2)	(19)
Non-recurring cash G&A expenses	1,148	-	5,598	8,783
Adjusted EBITDAX	\$ 12,421	\$ (2,566)	\$ 25,497	\$ (4,122)

Current Fully Diluted Share Count – Unaudited 9/30/18 PF Exchange

LLEX Diluted Share Count

	Actual 9/30/18	Exercised under TSM	10/10/18 2L Exchange ⁽¹⁾	Pro Forma 9/30/18	As % of Fully Diluted Shares
Common Shares Outstanding					
Shares Outstanding (9/30/18)	65,768,908		5,952,763	71,721,671	59.5%
Dilutives ⁽²⁾					
Warrants (\$2.50) - expire 12.31.18	120,000	(54,545)		65,455	0.1%
Warrants (\$2.50) - expire throughout 2019	2,228,267	(1,012,849)		1,215,418	1.0%
Warrants (\$3.50) - expire 1.8.20	144,642	(92,045)		52,597	0.0%
Warrants (\$4.50) - Pipe Offering - expire 3.6.22	2,579,420	(2,110,435)		468,985	0.4%
Total Warrants	5,072,329	(3,269,874)		1,802,455	1.5%
Options (avg. \$3.68)	4,874,450	(3,261,450)		1,613,000	1.3%
Total In-the-Money ⁽³⁾	4,874,450	(3,261,450)		1,613,000	1.3%
Current Net In-the Money Shares	75,715,687	(6,531,324)	5,952,763	75,137,126	62.3%
Dilutives					
2L Conv. Note - Värde Partners	25,588,997		(8,685,885)	16,903,112	14.0%
Series C Preferred Equity - Värde Partners ⁽⁴⁾	17,335,151		4,065,041	21,400,192	17.7%
Series D Preferred Equity - Värde Partners ⁽⁴⁾	-		7,137,091	7,137,091	5.9%
Current Fully Diluted Shares	118,639,835	(6,531,324)	8,469,009	120,577,520	100.0%

Notes:

- 1) 2L exchange numbers are subject to further review. Final numbers to be determined prior to the filing of 4Q'18 financials
- 2) Assumes \$5.50 share price for treasury stock method
- 3) Dilutives exclude 65,000 out of the money warrants and 225,000 out of the money options
- 4) Assumes cash consideration is paid for the Series C and D Preferred redemption features



NYSE American | LLEX

Wobbe Ploegsma
VP of Finance &
Capital Markets
ir@lilisenergy.com
210.999.5400