

### Business Description

EnerJex Resources, Inc. is a domestic onshore oil company with producing assets located in Eastern Kansas and South Texas.

The company is focused on the acquisition and development of shallow oil properties with long production lives that offer abundant drilling opportunities with low risk profiles.

As of December 31, 2010, EnerJex had 2.3 million barrels of proved oil reserves, and it has identified more than 500 low-risk development drilling locations on its existing acreage.

During the first three quarters of 2011, the company increased oil production by 26% and grew revenue by 54% year-over-year.

### Company Information

Stock Symbol	ENRJ
Headquarters	San Antonio, TX
Stock Price	\$0.90
Shares Outstanding	69,436,529
Market Capitalization	\$62,492,876
Book Value	\$22,538,972
Working Capital	\$2,633,192
Insider Ownership	68%

### Operating Areas



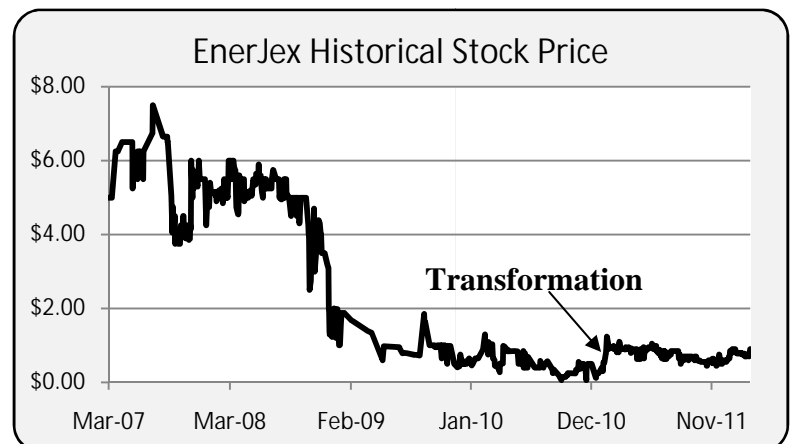
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**EnerJex Resources, Inc.**  
**OTC: ENRJ**  
**DATE: February 21, 2012**  
**PRICE: \$0.90**  
**RATING: Strong Buy**  
**PRICE TARGET: \$1.00**

Several key developments in the company's ongoing transformation have transpired since we launched coverage in early December of 2011:

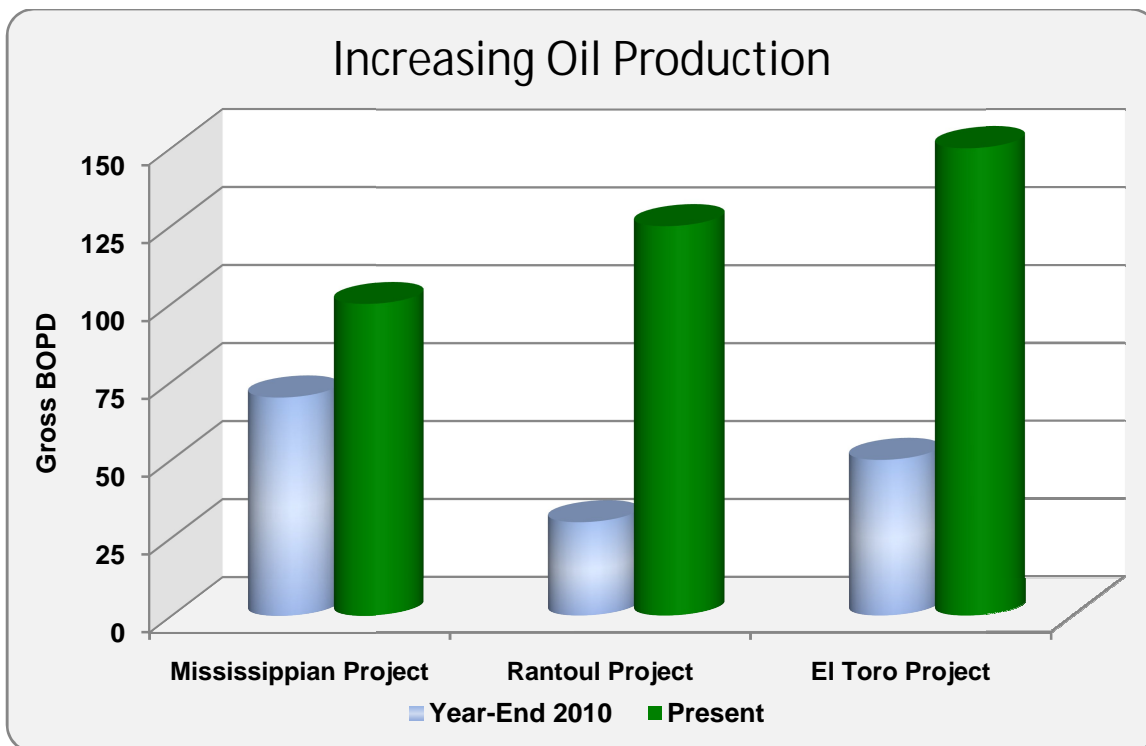
- **Formed General Partnership:** Leverages EnerJex's significant net operating loss carry-forwards by offering attractive tax allocations to investors. Company received \$2.35 million upon closing and is scheduled to receive an additional \$2.65 million to develop its Rantoul Project in Eastern Kansas. EnerJex has already drilled 69 new wells with a 100% success rate and it expects to drill 81 additional wells with this funding. The company is exploring the formation of additional general partnerships to fund the development of its extensive drilling inventory in a non-dilutive manner.
- **Sale of Non-Core Assets:** Sold non-core assets in Eastern Kansas for \$4 million which is expected to further streamline operations and lower its cost structure.
- **Successful High-Impact Wells:** Announced stabilized production of 120 barrels of oil per day (BOPD) from 3 new wells in its El Toro Project located in South Texas.
- **Launched New Drilling Program:** Began drilling on recently acquired acreage in its Mississippian Project located in Southeast Kansas which has the potential to produce 1,000 BOPD once it is fully developed.



The aforementioned events and transactions listed above provide a platform for appreciable ongoing production levels via creative financing methods which averted shareholder dilution. The chart below demonstrates EnerJex's progress since its transformation at the beginning of 2011. Its recent deal making activities should position the company to accelerate growth.

EnerJex's three new oil wells in its El Toro Project represent new production. Current daily rates and a minimum working interest of 40% suggest potential 2012 production of more than 10,000 barrels from these wells. Twenty-four new oil wells have begun producing in the company's Rantoul Project and 45 additional wells are in various stages of completion. Based on a 75% working interest, which assumes the remaining \$2.65 million is funded into the recently formed general partnership, these wells could generate new production in excess of 10,000 barrels for 2012.

Upside potential is likely from EnerJex's current drilling program in its Mississippian Project and from the 90 new wells that are scheduled to be drilled in its Rantoul Project over the next 12 months. Please note that our production forecast of 96,000 barrels for 2012, a 30% year-over-year increase, includes increased production from existing wells due to improved extraction techniques.



Recent production increases were accomplished without additional share dilution. As a result of its recent \$4 million non-core asset sale and \$5 million general partnership financing, the company is poised to further accelerate growth. EnerJex's asset sale essentially high-graded its extensive portfolio of assets and it better positions the company to achieve its production goal of 1,000 BOPD, or 365,000 barrels of oil per year. This goal compares quite favorably to its trailing twelve month production of 65,000 barrels and it sets the stage for major growth in the months and years to come.

Income Statement	Dec 9 months										
	FY08	FY09	FY10	Q3-10	Transition 2010	Q1-FY11	Q2-FY11	Q3-FY11	Q4-FY11E	FY11E	FY12E
Oil and natural gas revenues	\$3,602,798	\$6,436,805	\$4,856,027	\$1,001,405	\$2,929,103	\$1,369,167	\$1,685,174	\$1,673,857	\$1,638,000	\$6,366,198	\$7,861,750
YOY Growth		78.7%	-24.6%	9.5%	-15.4%	18.8%	63.5%	86.6%	63.6%	56.0%	23.5%
Oil Production (barrels)	43,697	74,289	69,948	12,811	40,345	14,780	18,246	19,724	21,000	73,750	95,875
YOY Growth		70.0%	-5.8%			3.8%	39.4%	36.6%	63.9%		30.0%
Barrels per day	120	204	192	142	149	164	203	219	233	202	263
Average price per barrel	\$79.71	\$85.67	\$62.64		\$72.60	\$92.64	\$92.36	\$84.87	\$78.00	\$86.32	\$82.00
Proven barrels (P1)	1,400,000	1,300,000	2,500,000		2,320,150						
<b>Expenses:</b>											
Direct Operating Costs	\$1,795,188	\$2,637,333	\$1,833,108	\$625,620	\$1,548,128	\$847,564	\$826,420	\$787,994	\$750,000	\$3,211,978	\$2,880,000
% of sales	49.8%	41.0%	37.7%	62.5%	52.9%	61.9%	49.0%	47.1%	45.8%	50.5%	36.6%
Average lifting costs per barrel (LOE)	\$41.08	\$35.50	\$26.21		\$38.37	\$57.35	\$45.29	\$39.95	\$35.71	\$43.55	\$30.04
Depreciation, depletion and amort.	\$935,330	\$911,293	\$635,497	\$18,480	\$359,855	\$271,965	\$328,768	\$375,175	\$400,000	\$1,375,908	\$1,600,000
% of sales	26.0%	14.2%	13.1%	1.8%	12.3%	19.9%	19.5%	22.4%	24.4%	21.6%	20.4%
Impairment of oil and gas properties		\$4,777,723									
% of sales		74.2%									
Average production cost per barrel (includes D&A)						\$75.75	\$63.31				
Professional fees	\$1,226,998	\$1,320,332	\$561,625	\$578,632	\$748,497	\$203,079	\$286,853	\$255,706	\$100,000	\$845,638	\$400,000
% of sales	34.1%	20.5%	11.6%	57.8%	25.6%	14.8%	17.0%	15.3%	6.1%	13.3%	5.1%
Salaries	\$1,703,099	\$849,340	\$835,576	\$142,334	\$242,490	\$118,648	\$164,998	\$150,673	\$124,000	\$558,319	\$625,000
% of sales	47.3%	13.2%	17.2%	14.2%	8.3%	8.7%	9.8%	9.0%	7.6%	8.8%	7.9%
Administrative expense	\$887,872	\$1,392,645	\$1,016,484	\$72,726	\$341,401	\$204,354	\$256,770	\$75,600	\$200,000	\$736,724	\$425,000
% of sales	24.6%	21.6%	20.9%	7.3%	11.7%	14.9%	15.2%	4.5%	12.2%	11.6%	5.4%
Depreciation on other fixed assets	\$6,548,487	\$11,888,666	\$4,882,290	\$1,459,684	\$3,262,263	\$1,645,610	\$1,863,809	\$1,645,148	\$1,574,000	\$6,728,567	\$5,930,000
<b>Operating Income</b>	<b>(\$2,945,689)</b>	<b>(\$5,451,861)</b>	<b>(\$26,263)</b>	<b>(\$458,279)</b>	<b>(\$333,160)</b>	<b>(\$276,443)</b>	<b>(\$178,635)</b>	<b>\$28,709</b>	<b>\$64,000</b>	<b>(\$362,369)</b>	<b>\$1,931,750</b>
% of sales	NA	NA	NA					1.7%	3.9%	NA	24.6%
Add back D&A	\$935,330	\$911,293	\$635,497	\$18,480	\$359,855	\$271,965	\$328,768	\$375,175	\$400,000	\$1,375,908	\$1,600,000
<b>EBITDA</b>	<b>(\$2,010,359)</b>	<b>(\$4,540,568)</b>	<b>\$609,234</b>	<b>(\$439,799)</b>	<b>\$26,695</b>	<b>(\$4,478)</b>	<b>\$150,133</b>	<b>\$403,884</b>	<b>\$464,000</b>	<b>\$1,013,539</b>	<b>\$3,531,750</b>
% of sales		NA	12.5%	0.0%	0.9%	-0.3%	8.9%	24.1%	28.3%	15.9%	44.9%
Other income (expense)											
Interest expense	(\$792,448)	(\$882,426)	(\$751,470)	(\$97,539)	(\$519,748)	(\$114,324)	(\$108,181)	(\$111,472)	(\$100,000)	(\$433,977)	(\$300,000)
Loan interest accretion	(\$1,089,798)	(\$2,814,095)	(\$596,108)								
Gain on liquidation of derivative		\$3,879,050	\$0								
Management fee revenue			\$0								
Gain on repurchase of debentures			\$436,500								
Unrealized gain (loss) on derivatives			(\$3,911,063)	(\$486,571)	(\$64,362)	(\$2,468,225)	\$1,196,459	\$3,188,277			
Loss on disposal of vehicles											
Other income (loss)		(\$37,736)	\$101,352	\$31,309	\$39,306	\$12,086	\$11,957	13857			
Total other income (expense)	(\$1,882,246)	\$144,793	(\$4,720,789)	(\$552,801)	(\$544,804)	(\$2,570,463)	\$1,100,235	\$3,090,662	(\$100,000)	(\$433,977)	(\$300,000)
Net Income (loss)	(\$4,827,935)	(\$5,307,068)	(\$4,747,052)	(\$1,011,080)	(\$877,964)	(\$2,846,906)	\$921,600	\$3,119,371	(\$36,000)	(\$796,346)	\$1,631,750
Diluted Outstanding Shares	4,284,144	4,443,249	4,743,774	5,360,920	5,360,920	67,480,811	69,814,489	69,436,529	74,150,000	70,220,457	74,300,000
<b>EPS-Diluted</b>	<b>(\$1.13)</b>	<b>(\$1.19)</b>	<b>(\$1.00)</b>	<b>(\$0.19)</b>	<b>(\$0.16)</b>	<b>(\$0.04)</b>	<b>\$0.01</b>	<b>\$0.04</b>	<b>(\$0.00)</b>	<b>(\$0.01)</b>	<b>\$0.02</b>
<b>Cash Flow</b>											
Net Income	(\$4,827,935)	(\$5,307,068)	(\$4,747,052)		(\$877,964)					(\$796,346)	\$1,631,750
D&A	\$935,330	\$911,293	\$635,497		\$359,855					\$1,375,908	\$1,600,000
Working Capital	\$151,618	\$364,345	(\$6,717)		\$211,350					\$500,000	\$750,000
Operating cash flow	(\$408,494)	\$3,686,582	\$1,167,376		(\$192,691)					\$1,079,562	\$3,981,750
Cap Ex	(\$149,799)	(\$204,200)	(\$72,603)		\$0					(\$7,000,000)	(\$5,000,000)
Free Cash Flow	(\$558,293)	\$3,482,382	\$1,094,773		(\$192,691)					(\$5,920,438)	(\$1,018,250)
<b>Balance Sheet Metrics</b>											
AR	\$227,055	\$462,044	\$330,102	\$357,387	\$357,387	\$655,689	\$801,830	\$926,540			
DSO's	23	26	25	33	45	43	43	50			
AP	\$416,834	\$1,016,168	\$877,511	\$1,109,848	\$1,109,848	\$1,339,787	\$1,771,256	\$1,125,928			
DPO's	85	141	175	162	262	142	193	129			

FY DSO's and DPO's calculated on trailing basis

\* annualized

Balance Sheet	Q3FY11	Sep-10
<b>Assets</b>		
Current assets:		
Cash	\$1,221,671	\$123,638
Accounts receivable	\$926,540	\$332,143
Marketable securities	\$1,543,293	
Derivative Gain	\$158,305	
Deposits and prepaid expenses	\$125,429	\$139,103
Total current assets	\$3,975,238	\$594,884
Fixed assets	\$526,403	\$294,094
Less: Accumulated depreciation	\$193,779	\$129,985
Total fixed assets	\$332,624	\$164,109
Other assets:		
Oil and gas properties using full-cost accounting:		
Properties not subject to amortization	\$15,371,382	
Properties subject to amortization	\$12,075,604	\$5,650,425
Total other assets	\$27,446,986	\$5,650,425
Total assets	\$31,754,848	\$6,409,418
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Accounts payable	\$1,125,928	\$837,325
Accrued liabilities	\$209,118	\$140,455
Deferred payments-development		
Derivative liability		\$340,747
Long-term debt, current	\$7,000	\$9,385,395
Convertible note payable		\$25,000
Total current liabilities	\$1,342,046	\$10,728,922
Asset retirement obligation	\$1,082,791	\$863,625
Convertible note payable		
Long-term debt	\$6,132,001	\$22,764
Derivative liability	\$660,038	\$2,434,003
Total liabilities	\$9,216,876	\$14,049,314
Stockholders' Equity (Deficit)		
Preferred stock	\$4,780	\$5,157
Common stock	\$73,187	
Treasury stock	(\$1,500,000)	
Subscription receivable		
Equity-based compensation unearned	(\$250,048)	
Paid-in capital	\$41,399,739	\$9,587,464
Accumulated other comprehensive income	(\$27,869)	
Retained (deficit)	(\$17,161,817)	(\$17,232,517)
Total stockholders' equity (deficit)	\$22,537,972	(\$7,639,896)
Total liabilities and stockholders' equity	\$31,754,848	\$6,409,418

### Disclaimers & Disclosures

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