



FOR IMMEDIATE RELEASE

**Company Contact:**

Sterling McDonald, VP & CFO  
(713) 935-0122  
smcdonald@evolutionpetroleum.com

Lisa Elliott / lelliott@drg-e.com  
Jack Lascar / jlascar@drg-e.com  
DRG&E / 713-529-6600

**Evolution Petroleum Reports Record Results  
for First Quarter Fiscal 2009**

- **Revenues Increased 480% Over Prior Year**
- **Net Income of \$0.01 per Diluted Share**

**Houston, TX**, November 13, 2008 - Evolution Petroleum Corporation (AMEX: EPM) today reported financial and operating results for the three month period ended September 30, 2008, the Company's fiscal first quarter of 2009 ("Q1-09").

Oil and gas revenues for Q1-09 increased 480% to approximately ("~") \$2.9 million from ~\$502,000 for the three months ended September 30, 2007, ("Q1-08"). The increase in quarterly revenues was due to a 385% increase in sales volumes and a 20% increase in blended oil and gas prices. The substantial increase in sales volumes for Q1-09 was a result of drilling operations in the Giddings Field in central Texas, which generated ~100% of Q1-09 revenues, compared to no revenue contribution in Q1-08. The properties that comprised 98% of Q1-08 revenues were sold in March 2008.

Net cash provided by operations for Q1-09 was ~\$2.2 million, a substantial improvement over the net cash used in operating activities of ~\$0.8 million during Q1-08. At September 30, 2008, working capital was ~\$12.9 million, compared to ~\$13.6 million at June 30, 2008. In both periods, the Company was debt-free. Of the \$0.7 million net decrease in working capital since June 2008, cash of approximately \$4.0 million was used for leasehold acquisition and drilling activities, offset by cash of ~\$2.2 million provided by operations and an increase of approximately \$1.1 million in net operating assets.

Net income in Q1-09 was \$148,437, or \$0.01 per diluted share, compared to a net loss of \$641,381, or \$(0.02) per share during Q1-08. Results for Q1-09 include ~\$1.2 million of non-cash charges related to stock based compensation, depreciation, depletion, amortization and accretion on asset retirement obligations, compared to ~\$0.5 million of comparable non-cash charges in Q1-08.

Robert Herlin, President and Chief Executive Officer, commented, "We had a very good quarter and remained in a strong financial position. For the balance of the fiscal year, we expect to continue building intrinsic share value, while maintaining the liquidity to consider opportunities that may arise over the next year due to volatile and uncertain markets. As previously announced, we reduced our capital budget by about 50% in order to focus more on

converting unproved resources into proved reserves in our shallow Woodford Shale project in Oklahoma and our new Neptune oil project in Texas. Consequently, our Giddings Field program has been reduced to drilling up to three horizontal re-entries from our inventory of 27 proved drilling locations, with the first well expected to spud by month's end. Also, we believe that the recent repurchase of our common shares at a small fraction of our estimated intrinsic asset value has positively impacted our value per share. Our substantial working capital, no debt, no near term expiring leases, lower-cost projects and substantial operating control over our major projects in Texas and Oklahoma give us the flexibility to maintain a strong balance sheet while creating value for our shareholders."

Mr. Herlin further added, "While the wells put on production in the Giddings Field during fiscal 2008 appear to have stabilized at or above September's average daily sales of 247 net BOE (~309 BOEPD gross), substantially lower received oil and gas prices combined with the current modest production decline rate will adversely impact our results going forward until scheduled new drilling in the Giddings Field and in our other projects yield additional production. It should be noted that none of our projects depend on near term improvements in commodity prices."

#### **Production Volumes and Prices:**

Net production volumes for Q1-09 were 23,772 barrels ("Bbl") of oil and natural gas liquids and 61.1 million cubic feet of natural gas ("MMCF"), or 33,963 barrels of oil equivalent ("BOE"). This is an increase of 361% over production volumes of 7,360 Bbl of oil ("BO") and no gas in Q1-08, and an increase of 25% over the 27,095 BOE produced in fiscal Q4-08. The average price of oil rose to \$123.03 per BO in Q1-09, an increase of 72% from \$71.41 per BO in Q1-08. The average price of natural gas was \$9.49 per Mcf and was \$68.29 per Bbl of natural gas liquids in Q1-09, with no natural gas or NGL's produced in Q1-08. On a BOE basis, the blended effective price was \$85.51 in Q1-09, an increase of 20% from Q1-08.

#### **Costs and Expenses**

Lease operating expenses per BOE for Q1-09 declined 73% over Q1-08 to \$12.22, due to a much lower unit lifting costs in the Giddings Field as compared to the divested Tullos Field.

Depreciation, Depletion & Amortization Expense ("DD&A") increased to \$644,882 or \$18.63 per BOE for Q1-09, from \$110,443 or \$13.11 per BO in Q1-08. The increase was primarily due to a higher depletion rate per BOE applied to higher sales volumes in the current period. The increase in the depletion rate is a result of the higher development cost of PUDs in the Giddings Field that we added in replacement of our lower cost PDP's from our properties in the Tullos Field Area, which we sold in March 2008.

General and administrative ("G&A") expenses increased 10% to ~\$1.5 million for Q1-09, as compared to ~\$1.3 million for Q1-08. Higher overall compensation expense for estimated bonuses and staff additions during fiscal 2008, including non-cash stock based compensation, accounted for the majority of the increase. Staff additions were associated with a build-up of infrastructure needed to execute EPM's drilling program in the Giddings Field. Non-cash stock

based compensation expense was \$523,725 (36% of total G&A) and \$376,008 (28% of total G&A) for Q1-09 and Q1-08, respectively.

### **Other Income and Expense**

Q1-09 interest income decreased to \$75,305, as compared to interest income of \$341,081 for Q1-08. The decrease was due to lower available cash balances averaging ~\$10 million during Q1-09 compared to ~\$26.1 million in Q1-08, combined with a lower interest rate environment in Q1-09. The lower cash balance is mostly the result of cash used for drilling and leasehold capital expenditures.

### **Conference Call**

Evolution Petroleum will host a conference call to discuss its fiscal first quarter 2009 results on Thursday, November 13, 2008, at 11:00 a.m. Eastern Time (10:00 a.m. Central). To access the call, please dial 303-262-2143 and ask for the Evolution Petroleum call at least 10 minutes prior to the start time. The conference call will also be broadcast live via the Internet and can be accessed through the investor relations section of Evolution's corporate website, [www.evolutionpetroleum.com](http://www.evolutionpetroleum.com), where it will also be archived for replay. A telephonic replay of the conference call will be available until November 20, 2008 and may be accessed by calling (303) 590-3000 and using the pass code 11122120#. For more information, please contact Donna Washburn at DRG&E at (713) 529-6000 or email at [dmw@drg-e.com](mailto:dmw@drg-e.com).

### **About Evolution Petroleum**

Evolution Petroleum Corporation (<http://www.evolutionpetroleum.com>) acquires known, onshore oil and gas resources and applies conventional and specialized technology to accelerate production and develop incremental reserves and value. With no debt and a strong balance sheet, the Company is well positioned to carry out its initiatives in Enhanced Oil Recovery, Bypassed Resources and Unconventional Gas Development.

Principal assets as of July 1, 2008 include 4 MMBOE of proved and 3.1 MMBOE of probable reserves in the Giddings Field of central Texas, approximately 13 MMBO of probable reserves associated with the 13,636 acre Delhi Field Holt Bryant Unit currently being redeveloped with CO<sub>2</sub>-EOR technology in northeast Louisiana, and leases covering approximately 18,000 net acres in two Woodford gas shale projects in Oklahoma. The Company is also actively engaged in developing new projects within its initiatives.

Additional information, including the Company's annual report on Form 10-KSB and its quarterly reports on Form 10-Q can be accessed on its website at [www.evolutionpetroleum.com](http://www.evolutionpetroleum.com).

### **Cautionary Statement**

All statements contained in this press release regarding potential results and future plans and objectives of the Company are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and

actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update or review any forward-looking statement, whether as a result of new information, future events, or otherwise. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, those factors that are disclosed under the heading "Risk Factors" and elsewhere in our documents filed from time to time with the United States Securities and Exchange Commission and other regulatory authorities. Statements regarding our ability to complete transactions, successfully apply technology applications in the re-development of oil and gas fields, realize future production volumes, realize success in our drilling and development activity, prices, future revenues and income and cash flows and other statements that are not historical facts contain predictions, estimates and other forward- looking statements. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved and these statements will prove to be accurate. Important factors could cause actual results to differ materially from those included in the forward-looking statements.

- *Tables to Follow* -

**Evolution Petroleum Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Revenues		
Crude oil	\$ 1,579,070	\$ 502,273
Natural gas liquids	755,445	-
Natural gas	580,471	-
Total revenues	<u>2,914,986</u>	<u>502,273</u>
Operating Costs		
Lease operating expense	335,904	310,310
Production taxes	85,996	17,556
Depreciation, depletion and amortization	644,881	110,443
Accretion of asset retirement obligation	5,737	4,695
General and administrative	1,464,840	1,328,318
Total operating costs	<u>2,537,359</u>	<u>1,771,322</u>
Income (loss) from operations	377,627	(1,269,049)
Other income (expense)		
Interest income	75,305	341,081
Other	(1,659)	-
Net income (loss) before provision for income taxes	451,273	(927,968)
Income tax provision (benefit)	<u>302,836</u>	<u>(286,587)</u>
Net income (loss)	<u>\$ 148,437</u>	<u>\$ (641,381)</u>
Earnings (loss) per common share		
Basic	<u>\$ 0.01</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ 0.01</u>	<u>\$ (0.02)</u>
Weighted average number of common shares		
Basic	<u>26,845,670</u>	<u>26,776,234</u>
Diluted	<u>29,227,071</u>	<u>26,776,234</u>

**Evolution Petroleum Corporation and Subsidiaries**  
**Consolidated Balance Sheets**

	<b>September 30, 2008</b>	<b>June 30, 2008</b>
<b>Assets</b>	<b>(Unaudited)</b>	
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,519,049	\$ 11,272,280
Receivables		
Oil and natural gas sales	898,743	2,066,300
Income tax	170,730	478,599
Other	129,037	86,966
Income taxes recoverable	3,625,987	3,625,987
Prepaid expenses and other current assets	509,588	270,938
Total current assets	14,853,134	17,801,070
 <b>Property and equipment, net of depreciation, depletion, and amortization</b>		
Oil and natural gas properties – full cost method of accounting	23,958,349	22,047,233
Other property and equipment	176,712	161,027
Total property and equipment	24,135,061	22,208,260
 <b>Other assets, net</b>		
	354,959	370,049
Total assets	\$ 39,343,154	\$ 40,365,848
 <b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,251,951	\$ 2,892,459
Accrued expenses	301,041	805,262
Royalties payable	337,470	473,327
Total current liabilities	1,890,462	4,171,048
 <b>Long term liabilities</b>		
Deferred income taxes	3,204,765	2,901,929
Asset retirement obligations	328,544	215,056
Deferred rent	75,025	74,081
Total liabilities	5,498,796	7,362,114
 <b>Commitments and contingencies (Note 11)</b>		
 <b>Stockholders' equity</b>		
Common Stock; par value \$0.001; 100,000,000 shares authorized; 26,917,234 and 26,870,439 issued and outstanding as of September 30, 2008 and June 30, 2008, respectively.	26,917	26,870
Additional paid-in capital	14,880,981	14,188,841
Retained earnings	18,936,460	18,788,023
Total stockholders' equity	33,844,358	33,003,734
Total liabilities and stockholders' equity	\$ 39,343,154	\$ 40,365,848

**Evolution Petroleum Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flow**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Cash flows from operating activities		
Net income (loss)	\$ 148,437	\$ (641,381)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	644,882	110,443
Stock-based compensation	523,725	376,007
Accretion of asset retirement obligations	5,737	4,695
Deferred income taxes	302,836	-
Deferred rent	944	23,959
Changes in operating assets and liabilities:		
Receivables	1,433,355	(654,061)
Prepaid expenses and other current assets	(238,650)	98,695
Accounts payable and accrued expenses	(466,478)	121,992
Royalties payable	(135,857)	120
Income tax payable	-	(286,587)
Net cash provided by (used in) operating activities	<u>2,218,931</u>	<u>(846,118)</u>
Cash flows from investing activities		
Development of oil and natural gas properties	(2,836,572)	(223,492)
Acquisitions of oil and natural gas properties	(1,111,640)	(1,406,637)
Capital expenditures for other equipment	(25,509)	(21,224)
Other assets	1,559	51,801
Net cash used in investing activities	<u>(3,972,162)</u>	<u>(1,599,552)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,753,231)	(2,445,670)
Cash and cash equivalents, beginning of period	11,272,280	27,746,942
Cash and cash equivalents, end of period	<u>\$ 9,519,049</u>	<u>\$ 25,301,272</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 15,000	\$ -
Income tax refunds received	\$ 322,869	\$ -
Non-cash transactions:		
Increase (decrease) in accounts payable used to acquire oil and natural gas leasehold interests and develop oil and natural gas properties.	\$ (1,509,789)	\$ 432,514
Oil and natural gas properties incurred through recognition of asset retirement obligations.	\$ 107,751	\$ -
Common stock issued in lieu of a portion of 2008 cash bonus accrued at June 30, 2008.	\$ 168,462	\$ -

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