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Evolution Petroleum Reports Record Fiscal 2008 Fourth Quarter and Year-End Financial Results

- **Fiscal Fourth Quarter Revenues Increased 363% Over Prior Year**
- **Fiscal Fourth Quarter Net Income was \$0.01 per Diluted Share**

Houston, TX, September 23, 2008 - Evolution Petroleum Corporation (AMEX:EPM) today reported financial and operating results for the fiscal fourth quarter and year ended June 30, 2008 ("Q4-08" and "FY-08", respectively).

Oil and gas revenues for Q4-08 increased 363%, to approximately ("~") \$2.4 million from \$508,459 for Q4-07. The increase in quarterly revenues was due to a 230% increase in sales volumes and a 40% increase in blended oil and gas prices. Oil and gas revenues for FY-08 increased 128% to ~\$4.3 million, from ~\$1.9 million for the fiscal year ended June 30, 2007 ("FY-07"). The increase in fiscal year revenues was due to a 79% increase in sales volumes and a 27% increase in blended oil and gas prices. The substantial increases in sales volumes for Q4-08 and FY-08 were a result of drilling operations in the Giddings Field in central Texas during the second half of FY-08. Revenues and production increased during the periods despite the March 2008 sale of the Company's Tullos properties in Louisiana, which contributed essentially all of the Company's production in FY-07 and the first half of FY-08.

Net cash used in operations for FY-08 was ~\$863,036 compared to ~\$14.5 million for FY-07. Cash used included significant increases in working capital during both periods, in addition to ~\$12 million being used to relieve deferred taxes in FY-07 related to a portion of the FY-06 capital gain from the Delhi Farmout.

Net income in Q4-08 was \$377,249, or \$0.01 per diluted share on approximately 26.9 million weighted average shares outstanding. This compares to a net loss of \$473,932, or \$(0.02) per share for Q4-07 on ~26.8 million weighted average shares outstanding. These results include non-cash stock-based compensation of \$480,043 for Q4-08 and \$376,007 for Q4-07. Net loss in FY-08 was ~\$1.6 million, or \$(0.06) per share compared to a net loss of ~\$1.8 million, or \$(0.07) per share for FY-07. The fiscal year results include non-cash stock-based compensation of \$1.8 million for FY-08 and \$1.6 million for FY-07.

Robert Herlin, President and Chief Executive Officer, commented, "We are very pleased to have generated our first quarterly net profit without the benefit of a capital gain, which is due to the results of our drilling program in our Giddings Field operations. As planned, the Giddings

Field is helping us build a more balanced portfolio through near term development drilling of high return proved and probable reserves to complement our long-term growth investment in the Delhi Field CO₂ project. Although Giddings Field wells have high decline rates and produce a majority of the reserves in the first few years, we believe that the return on our invested capital and net cash generated will prove to be very attractive. We have identified substantial reserves in our inventory of 27 proved undeveloped locations and continue to work to add some additional locations. As we previously announced, we plan to drill approximately 10 wells in Giddings Field during fiscal year 2009, beginning shortly. Our overall production rate from current producing wells should decline naturally going forward, until we begin generating production from the 2009 drilling program.

“As previously announced, our 2009 capital budget includes initial drilling in our Woodford Shale projects in Oklahoma and initial drilling in a new project in Texas, both expected to occur late in the fiscal year,” added Herlin. “The 2009 capital budget also provides for up to \$3 million in new leasing in the Giddings Field, our Oklahoma gas shale projects and our new Texas project. We have now acquired leases on more than 17,600 net acres in Oklahoma and are very encouraged by the drilling results of operators also developing the shallow and mid-depth Woodford Shale near our leases.”

Sales Volumes and Prices:

Sales volumes for Q4-08 were 18,237 barrels of oil and natural gas liquids (“Bbl”) and 53.1 million cubic feet of natural gas (“MMCF”), or 27,095 barrels of oil equivalent (“BOE”). This is an increase of 230% over sales volumes of 8,210 Bbl of oil (“BO”) and no gas in Q4-07, and an increase of 183% over the 9,569 BOE sold in fiscal Q3-08. The average price of oil rose to \$130.69 per BO in Q4-08, an increase of 69% from \$61.93 per BO in Q4-07. The average price of natural gas was \$10.24 per Mcf and of natural gas liquids was \$64.62 per Bbl in Q4-08, with no natural gas or NGL’s produced in Q4-07. On a BOE basis, the blended effective price was \$86.97 in Q4-08, an increase of 40% from Q4-07.

Sales volumes in FY-08 were 40,105 Bbl and 69.1 MMCF, or 51,614 BOE, an increase of 79% over total sales volumes in FY-07 of 28,800 BO and no natural gas. The average price per Bbl of oil increased 53% to \$99.03 in FY-08 from \$64.82 per BO in FY-07. The average price of natural gas was \$9.67 per Mcf and of natural gas liquids was \$63.02 per Bbl in FY-08, with no natural gas or NGLs produced in FY-07. On a BOE basis, the blended effective price was \$82.46 in FY-08, an increase of 27% from FY-07.

Costs and Expenses

Lease operating expenses per BOE for Q4-08 declined 70% over Q4-07 to \$12.11, due to a much lower unit lifting costs in the Giddings Field as compared to the recently divested Tullos Field. Lease operating expenses per BOE for FY-08 declined 47% to \$26.08, compared to FY-07.

Depreciation, Depletion & Amortization Expense (“DD&A”) increased to \$530,569 or \$19.25 per BOE for Q4-08, from \$126,357 or \$14.66 per BO in Q4-07. DD&A for FY-08

increased \$612,064 to \$903,214, or \$16.44 per BOE, from \$291,150 or \$9.68 per BO for FY-07. The increase is primarily due to a higher depletion rate (\$16 vs. \$10) per BOE on significantly higher sales volumes in the current period. The increase in the depletion rate is due to 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 were ~\$1.4 million for Q4-08, as compared to ~\$1.6 million for Q4-07. Lower G&A in Q4-08 was due primarily to capitalization of a portion of staff compensation expenses directly associated with the drilling program. G&A expenses in FY-08 were ~\$5.5 million compared to ~\$4.5 million in FY-07, due to increased staff costs necessary to carry out the drilling program in the Giddings Field and estimated bonus accruals.

Other Income and Expense

Q4-08 interest income decreased to \$82,613, as compared to interest income of \$399,343 for Q4-07. The decrease was due to lower interest rates on reduced short-term investment balances during Q4-08. Interest income for FY-08 decreased ~\$1.1 million to \$854,448, compared to ~\$1.9 million for FY-07. The fiscal year decrease was due to lower available cash balances averaging \$19.5 million during FY-08, as compared to cash balances averaging \$36.2 million during FY-07, combined with a lower interest rate environment in FY-08. The lower cash balance is mostly the result of cash used to pay income taxes arising from the Delhi Farmout and for drilling and leasing capital expenditures.

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. The Company focuses on 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, more than 13 MMBO of probable reserves associated with 7.4% in overriding royalty interests and a 25% after payout reversionary working interest (20% revenue interest) in the 13,636 acre Delhi Field Holt Bryant Unit currently being redeveloped with CO2-EOR technology in northeast Louisiana, and working interests in 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.

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

	Three Months Ended June 30,		Year Ended June 30,	
	2008	2007	2008	2007
Revenues				
Crude oil	\$ 1,253,478	\$ 508,459	\$ 2,918,127	\$ 1,866,892
Natural gas liquids	558,736		670,434	-
Natural gas	544,290	-	667,567	-
Price risk management activities	-	-	-	(14)
Total revenues	<u>2,356,504</u>	<u>508,459</u>	<u>4,256,128</u>	<u>1,866,878</u>
Operating Costs				
Lease operating expense	284,099	313,680	1,255,787	1,352,907
Production taxes	44,021	18,166	90,252	62,426
Depreciation, depletion and amortization	530,569	126,357	903,214	291,150
Accretion of asset retirement obligation	3,540	4,545	20,196	17,319
General and administrative *	1,434,814	1,557,839	5,497,237	4,491,600
Total operating costs	<u>2,297,043</u>	<u>2,020,587</u>	<u>7,766,686</u>	<u>6,215,402</u>
Income (loss) from operations	59,461	(1,512,128)	(3,510,558)	(4,348,524)
Other income (expense)				
Interest income	81,613	399,343	854,448	1,920,913
Other expense	(318)	-	(318)	(21,453)
Net income (loss) before income tax benefit	140,756	(1,112,785)	(2,656,428)	(2,449,064)
Income tax benefit	(236,493)	(638,853)	(1,085,454)	(638,853)
Net income (loss)	<u>\$ 377,249</u>	<u>\$ (473,932)</u>	<u>\$ (1,570,974)</u>	<u>\$ (1,810,211)</u>
Earnings (loss) per common share				
Basic and Diluted	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>	<u>\$ (0.07)</u>
Weighted average number of common shares				
Basic and Diluted	<u>26,870,214</u>	<u>26,770,261</u>	<u>26,786,270</u>	<u>26,706,713</u>

*General and administrative expenses for the three month periods ended June 30, 2008 and 2007 included non cash stock-based compensation expense of \$480,043 and \$376,007, respectively. General and administrative expenses for the year ended June 30, 2008 and 2007 included non cash stock-based compensation expense of \$1,791,486 and \$1,613,493, respectively.

Evolution Petroleum Corporation and Subsidiaries
Consolidated Balance Sheets

	June 30, 2008	June 30, 2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,272,280	\$ 27,746,942
Receivables		
Oil and natural gas sales	2,066,300	190,210
Income tax	478,599	421,325
Other	86,966	22,375
Income taxes recoverable	3,625,987	-
Prepaid expenses and other current assets	270,938	540,666
Total current assets	17,801,070	28,921,518
Property and equipment, net of depreciation, depletion, and amortization		
Oil and natural gas properties – full cost method of accounting	22,047,233	5,459,553
Other property and equipment	161,027	154,872
Total property and equipment	22,208,260	5,614,425
Other assets, net	356,518	370,049
Total assets	\$ 40,365,848	\$ 34,905,992
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,892,459	\$ 1,064,918
Accrued expenses	805,262	524,809
Royalties payable	473,327	6,831
Total current liabilities	4,171,048	1,596,558
Long term liabilities		
Deferred income tax liability	2,901,929	338,001
Deferred rent	74,081	47,289
Asset retirement obligations	215,056	140,998
Total liabilities	7,362,114	2,122,846
Commitments and contingencies		
Stockholders' equity		
Common Stock; par value \$0.001; 100,000,000 shares authorized;	26,870	26,776
26,870,439 and 26,776,234 issued and outstanding as of June 30, 2008 and June 30, 2007, respectively.		
Additional paid-in capital	14,188,841	12,397,373
Retained earnings	18,788,023	20,358,997
Total stockholders' equity	33,003,734	32,783,146
Total liabilities and stockholders' equity	\$ 40,365,848	\$ 34,905,992

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