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Evolution Petroleum Reports Results for Second Quarter Fiscal 2009

- **Revenues Increased 58% Over Prior Year**
- **Production Grew 250% Over Prior Year**

Houston, TX, February 17, 2009 - Evolution Petroleum Corporation (NYSE Euronext: EPM) today reported financial and operating results for the three month period ended December 31, 2008, the Company's second quarter of fiscal 2009 ("Q2-09").

Oil and gas revenues for Q2-09 increased 58% to \$1.0 million from \$652,600 for the three months ended December 31, 2007 ("Q2-08"). The increase in quarterly revenues was due to a 228% increase in sales volumes, partially offset by a 52% decline in blended oil and gas prices. The substantial increase in sales volumes for Q2-09 was the result of drilling operations in the Giddings Field in central Texas, which generated 100% of Q2-09 revenues, compared to a contribution of 15% of the revenues in Q2-08. The properties that comprised the remaining 85% of Q2-08 revenues were sold in March 2008. Sequentially, revenues for Q2-09 were 65% less than Q1-09 due to a 53% decrease in realized commodity prices and normal production declines.

For the six months of fiscal 2009, net cash provided by operating activities was \$6.4 million, partly due to the collection of \$3.6 million in recoverable income taxes from a prior year loss carry-back, compared to \$1.3 million used in the first six months of fiscal 2008. Cash flow provided before changes in operating assets and liabilities ("Adjusted Cash provided or used", a non-GAAP measure reconciled below), was \$1.2 million for the first six months of fiscal 2009, a substantial improvement over the \$0.3 million of Adjusted Cash used during the first six months of fiscal 2008.

At December 31, 2008, working capital was \$7.6 million, compared to \$13.6 million at June 30, 2008. The decrease was mostly due to \$6.8 million of capital expenditures used for oil and natural gas properties, or more than half of fiscal 2009 planned expenditures. Approximately \$0.9 million was used to repurchase the Company's common stock. Throughout both periods, the Company remained debt free.

Net loss in Q2-09 was \$1.0 million, or \$(0.04) per diluted share, compared to a net loss of \$770,900, or \$(0.03) per share during Q2-08. Results for Q2-09 included \$1.1 million of non-cash charges related to stock based compensation, depreciation, depletion, amortization and

accretion on asset retirement obligations, compared to \$0.6 million of comparable non-cash charges in Q2-08.

Robert Herlin, President and Chief Executive Officer, commented, "Our increased production and revenue were driven by the success we achieved in our fiscal 2008 Giddings Field drilling program and does not reflect any fiscal 2009 drilling activity. Total gross production from the six wells we drilled and two wells added to production through workovers earlier in calendar 2008 has stabilized at about 240 gross barrels of oil equivalent ("BOE") per day and is generating solid cash flow for the company. We just completed two horizontal re-entries in the Giddings Field that in January yielded initial production rates in excess of our expectations and a combined eight day average gross rate of about 900 BOE per day. We own 100% of the working interest in these wells, with about an 80% net revenue interest.

"For the balance of 2009, we will emphasize the addition of proved reserves and increasing underlying value per share, instead of converting proved undeveloped reserves ("PUD") to producing wells at a time when commodity prices are depressed," continued Herlin. "Our current objective is to begin converting our non-proved reserves in Oklahoma to proved reserves through the initial drilling of our unproved shallow Woodford Shale acreage with up to five vertical wells. Subject to oil price, we expect to also initiate development in our Neptune oil project in South Texas with up to three wells, also potentially adding to our proved reserves. We are budgeting about \$1.5 million for these eight wells. As a result, our capital expenditures will be far less during the second half of our fiscal year. At Delhi, field development and CO₂ injection plans by the operator, Denbury Resources, remain on track with first production response expected by late calendar 2009 or shortly thereafter. We expect to generate net cash flows immediately with first production through our 7.4% royalty interest, and those revenues will grow as the project expands through its phases.

"Due to our working capital, debt-free balance sheet and current cash flows, we have no need to raise capital through dilution of our shareholders or incur expensive debt in the foreseeable future. Additionally, we have operating control over our major projects in Texas and Oklahoma, no material near-term expiring leases, and the ability to pursue lower-cost projects that have the potential to add significant value. As a result, we have the financial flexibility to continue adding proved reserves while our Delhi project ramps-up cash flows," added Herlin.

Production Volumes and Prices:

Net production volumes for Q2-09 were 15,028 barrels of oil ("BO") and natural gas liquids ("NGL") and 66.9 MMCF for a total of 26,183 BOE. This is an increase of 250% over production volumes of 6,869 BO and NGL and 3.6 MMCF of gas, or 7.5 BOE in Q2-08. The average price of oil fell 35% to \$57.37 per barrel in Q2-09 from \$87.75 per barrel in Q2-08, while the average price of NGLs fell 44% in Q2-09 to \$30.63 per barrel from \$54.88 per barrel in Q2-08. The average price of natural gas fell 10% to \$5.82 per Mcf in Q2-09 versus \$6.49 per Mcf in Q2-08. On a BOE basis, the blended effective price declined 52% to \$39.78 in Q2-09 from \$82.43 in Q2-08.

Costs and Expenses

Lease operating expenses per BOE for Q2-09 declined 72% over Q2-08 to \$12.54, 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 \$504,291 or \$19.07 per BOE for Q2-09, from \$123,116 or \$13.29 per BOE in Q2-08. The increase was primarily due to a higher depletion rate per BOE on higher sales volumes in the current period. The increased 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 proved developed producing reserves (“PDPs”) from our properties in the Tullos Field Area, which we sold in March 2008.

General and administrative (“G&A”) expenses increased 13% to \$1.7 million for Q2-09, as compared to \$1.5 million for Q2-08. The majority of the increase was attributable to higher overall compensation expense for estimated bonuses and staff additions, including non-cash stock based compensation. Staff additions associated with a build-up of infrastructure were needed to execute our drilling program in the Giddings Field. Non-cash stock based compensation expense was \$584,525 (35% of total G&A) and \$441,564 (30% of total G&A) for Q2-09 and Q2-08, respectively.

Other Income and Expense

Q2-09 interest income decreased to \$17,782, as compared to interest income of \$266,740 for Q2-08. The decrease was due to lower available cash balances averaging \$8.9 million during Q2-09 compared to \$23.2 million in Q2-08, combined with a lower interest rate environment in Q2-09. 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 second quarter 2009 results on Tuesday, February 17, 2009, 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, where it will also be archived for replay. A telephonic replay of the conference call will be available until February 24, 2009 and may be accessed by calling (303) 590-3000 and using the pass code 11126478#. For more information, please contact Donna Washburn at DRG&E at (713) 529-6000 or email at dmw@drq-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 CO₂-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.

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.

Reconciliation of cash provided by (used in) operating activities to Adjusted Cash, a non-GAAP measure, for the six months ended December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Cash provided by (used in) operations	\$ 6,404,724	\$ (1,322,477)
Exclude changes in operating assets and		
Receivables from oil and natural gas sales	(1,658,525)	176,593
Receivables from income taxes and other	(4,031,914)	811,595
Prepaid expenses and other current assets	(113,942)	(85,261)
Accounts payable and accrued expenses	314,436	102,658
Royalties payable	282,051	(9,767)
Adjusted Cash provided by (used in) operations	<u>\$ 1,196,830</u>	<u>\$ (326,659)</u>

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- Tables to Follow -

Evolution Petroleum Corporation and Subsidiaries
Consolidated Statements of Operations
(unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Revenues				
Crude oil	\$ 407,194	\$ 607,877	\$ 1,986,264	\$ 1,110,150
Natural gas liquids	235,293	21,294	990,738	21,294
Natural gas	389,295	23,478	969,766	23,478
Total revenues	<u>1,031,782</u>	<u>652,649</u>	<u>3,946,768</u>	<u>1,154,922</u>
Operating Costs				
Lease operating expense	313,406	361,192	649,310	671,502
Production taxes	21,776	15,808	107,772	33,364
Depreciation, depletion and amortization	504,291	123,116	1,149,173	233,559
Accretion of asset retirement obligations	6,124	4,851	11,861	9,546
General and administrative *	1,662,627	1,467,678	3,127,467	2,795,996
Total operating costs	<u>2,508,224</u>	<u>1,972,645</u>	<u>5,045,583</u>	<u>3,743,967</u>
Loss from operations	(1,476,442)	(1,319,996)	(1,098,815)	(2,589,045)
Other income				
Interest income	17,782	266,740	91,428	607,821
Net loss before income tax benefit	(1,458,660)	(1,053,256)	(1,007,387)	(1,981,224)
Income tax benefit	(454,889)	(282,399)	(152,053)	(568,986)
Net loss	<u>\$ (1,003,771)</u>	<u>\$ (770,857)</u>	<u>\$ (855,334)</u>	<u>\$ (1,412,238)</u>
Loss per common share				
Basic and Diluted	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares				
Basic and Diluted	<u>26,351,277</u>	<u>26,777,366</u>	<u>26,598,473</u>	<u>26,776,800</u>

*General and administrative expenses for the three month period ended December 31, 2008 and 2007 included non cash stock-based compensation expense of \$584,525 and \$441,564, respectively. General and administrative expenses for the six month period ended December 31, 2008 and 2007 included non cash stock-based compensation expense of \$1,108,250 and \$817,571, respectively.

Evolution Petroleum Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	December 31, 2008	June 30, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 8,514,708	\$ 11,272,280
Certificates of deposit	1,500,000	-
Receivables		
Oil and natural gas sales	407,775	2,066,300
Income tax	-	478,599
Other	159,638	86,966
Income taxes recoverable	-	3,625,987
Prepaid expenses and other current assets	156,996	270,938
Total current assets	10,739,117	17,801,070
Property and equipment, net of depreciation, depletion, and amortization		
Oil and natural gas properties – full cost method of accounting, of which \$9,598,744 at December 31, 2008 and \$7,573,507 at June 30, 2008 were excluded from amortization)	27,496,976	22,047,233
Other property and equipment	168,011	161,027
Total property and equipment	27,664,987	22,208,260
Other assets, net	353,400	356,518
Total assets	\$ 38,757,504	\$ 40,365,848
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,374,360	\$ 2,892,459
Accrued expenses	555,130	805,262
Royalties payable	191,276	473,327
Total current liabilities	3,120,766	4,171,048
Long term liabilities		
Deferred income taxes	2,682,921	2,901,929
Asset retirement obligations	334,668	215,056
Deferred rent	75,969	74,081
Total liabilities	6,214,324	7,362,114
Commitments and contingencies		
Stockholders' equity		
Common Stock; par value \$0.001; 100,000,000 shares authorized; issued 27,007,234 shares; outstanding 26,219,034 and 26,870,439 as of December 31, 2008 and June 30, 2008, respectively.	27,007	26,870
Additional paid-in capital	15,465,506	14,188,841
Retained earnings	17,932,689	18,788,023
	33,425,202	33,003,734
Less cost of common stock in treasury, 788,200 shares as of December 31, 2008.	(882,022)	-
Total stockholders' equity	32,543,180	33,003,734
Total liabilities and stockholders' equity	\$ 38,757,504	\$ 40,365,848

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

	Six Months Ended December 31,	
	2008	2007
Cash flows from operating activities		
Net loss	\$ (855,334)	\$ (1,412,238)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	1,149,173	233,559
Stock-based compensation	1,108,250	817,571
Accretion of asset retirement obligations	11,861	9,546
Deferred income taxes	(219,008)	-
Deferred rent	1,888	24,903
Changes in operating assets and liabilities:		
Receivables from oil and natural gas sales	1,658,525	(176,593)
Receivables from income taxes and other	4,031,914	(811,595)
Prepaid expenses and other current assets	113,942	85,261
Accounts payable and accrued expenses	(314,436)	(102,658)
Royalties payable	(282,051)	9,767
Net cash provided by (used in) operating activities	<u>6,404,724</u>	<u>(1,322,477)</u>
Cash flows from investing activities		
Development of oil and natural gas properties	(4,723,006)	(529,262)
Acquisitions of oil and natural gas properties	(2,033,874)	(4,395,050)
Proceeds from asset sale	-	31,582
Capital expenditures for other equipment	(26,602)	(53,625)
Purchases of certificates of deposit	(1,500,000)	-
Other assets	3,118	(2,020)
Net cash used in investing activities	<u>(8,280,364)</u>	<u>(4,948,375)</u>
Cash flows from financing activities		
Proceeds from issuance of restricted stock	90	26
Purchase of treasury stock	(882,022)	-
Net cash provided by (used in) financing activities	<u>(881,932)</u>	<u>26</u>
Net decrease in cash and cash equivalents	(2,757,572)	(6,270,826)
Cash and cash equivalents, beginning of period	11,272,280	27,746,942
Cash and cash equivalents, end of period	<u>\$ 8,514,708</u>	<u>\$ 21,476,116</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 15,000	\$ -
Income tax refunds and net operating loss carry-back received	\$ 4,052,631	\$ -
Non-cash transactions:		
Increase (decrease) in accounts payable used to acquire oil and natural gas leasehold interests and develop oil and natural gas properties.	\$ (285,333)	\$ 985,571
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	\$ -

Evolution Petroleum Corporation and Subsidiaries
Condensed Operating Data
(Unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2008	2007	2008	2007
Production Volumes, net to the Company:				
Crude oil (Bbl)	7,346	6,481	20,055	13,841
Natural gas liquids (“NGLs”) (Bbl)	7,682	388	18,745	388
Natural gas (Mcf)	66,929	3,617	128,075	3,617
Crude oil, NGLs and natural gas (BOE).....	26,183	7,472	60,146	14,832
Sales Volumes, net to the Company:				
Crude oil (Bbl).....	7,098	6,927	19,933	13,961
NGLs (Bbl)	7,682	388	18,745	388
Natural gas (Mcf).....	66,929	3,617	128,075	3,617
Crude oil, NGLs and natural gas (BOE)	25,935	7,918	60,024	14,952
Revenue data:				
Crude oil	\$ 407,194	\$ 607,877	\$ 1,986,264	\$ 1,110,150
NGLs	235,293	21,294	990,738	21,294
Natural gas.....	389,295	23,478	969,766	23,478
Total revenues.....	\$ 1,031,782	\$ 652,649	\$ 3,946,768	\$ 1,154,922
Average price:				
Crude oil (per Bbl).....	\$ 57.37	\$ 87.75	\$ 99.65	\$ 79.52
NGLs (per Bbl).....	30.63	54.88	52.85	54.88
Natural gas (per Mcf).....	5.82	6.49	7.57	6.49
Crude oil, NGLs and natural gas (per BOE)	\$ 39.78	\$ 82.43	\$ 65.75	\$ 77.24
Expenses (per BOE)				
Lease operating expenses and production taxes (a)	\$ 12.54	\$ 44.63	\$ 12.35	\$ 44.59
Depletion expense on oil and natural gas properties (b)	\$ 19.07	\$ 13.29	\$ 18.82	\$ 13.20

(a) Excludes non-recurring expenses related to the oil spill in the Tullos Field Area of \$10,000 and \$23,591 for the three months ended December 31, 2008 and 2007, respectively. Excludes non-recurring expenses related to the oil spill in the Tullos Field Area of \$15,500 and \$38,123, for the six months ended December 31, 2008 and 2007, respectively.

(b) Excludes depreciation of furniture and fixtures of \$9,794 and \$17,870, for the three months ended December 31, 2008 and 2007, respectively. Excludes depreciation of furniture and fixtures of \$19,618 and \$36,121, for the six months ended December 31, 2008 and 2007, respectively

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