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Evolution Petroleum Reports Fiscal 2010 Second Quarter Operational and Financial Results

Houston, TX, February 16, 2010 - Evolution Petroleum Corporation (NYSE Amex :EPM) today reported financial and operating results for the three months ended December 31, 2009, the second quarter of the Company's fiscal year ("Q2-10").

Oil and gas volumes in Q2-10 increased 22% to 31,238 barrels of oil equivalent ("BOE"), or 340 BOE per day, compared to the three months ended December 31, 2008 ("Q2-09"). Oil and gas revenues in Q2-10 increased 16% to \$1.2 million compared to \$1.0 million for Q2-09, due to the increase in sales volumes, partially offset by a 5% decline in blended oil and gas prices from \$40.29 per BOE in Q2-09 to \$38.46 per BOE in Q2-10. The increase in volumes was the result of drilling and work-over operations in the Giddings Field in central Texas.

Sequentially, volumes were 11% lower and revenues were 3% higher in Q2-10 compared to Q1-10. Lower sequential production volumes were in large part due to constrained production from the Hilton-Yegua well due to suspected blockage within its lateral section and downtime in other wells due to operational issues, which have since been corrected or are expected to be corrected shortly. The revenue increase was due to a 15% improvement in blended product prices realized in Q2-10 versus Q1-10, primarily due to improved natural gas prices.

Net loss in Q2-10 declined 30% to \$0.7 million, or \$(0.03) per share, compared to a net loss in Q2-09 of \$1.0 million, or \$(0.04) per share. Improved results in Q2-10 over Q2-09 were primarily due to a 25% reduction in G&A expenses and 3% higher revenues. Results for both periods included \$0.55 million and \$0.50 million, respectively, in non-cash depreciation, depletion and amortization, plus non-cash stock-based compensation expense of approximately \$0.42 million and \$0.58 million charged in Q2-10 and Q2-09, respectively.

For the first six months of fiscal 2010, net cash provided by operating activities was \$0.3 million, compared to \$6.4 million for the first six months of fiscal 2009. The prior period was higher primarily due to 85% higher realized product prices and the collection of a \$4.1 million of income taxes receivable.

Working capital was \$5.7 million on December 31, 2009, as compared to \$7.6 million at June 30, 2009. The \$1.9 million decrease was primarily due to investments in oil and natural

gas properties. The company ended the fiscal second quarter with no outstanding debt and sufficient working capital to complete its fiscal 2010 capital budget.

Robert Herlin, President and Chief Executive Officer, commented, "Per our operating plan, we continue to cover our overhead expenses from Giddings operations, while utilizing our working capital to upgrade and test our development projects in Oklahoma and South Texas."

The Caney Shale vertical test well in Wagoner County, Oklahoma, is producing at a steady 25 mcf/d without water and no apparent decline, confirming that the Caney Shale can contribute commercial gas volumes as an add-on to Woodford production. The Woodford Shale vertical test well exhibited a strong initial gas rate with the expected rate of dewatering. Testing will resume as soon as the associated water disposal well is deepened to expand capacity. Separately, Evolution is planning a vertical well test of its medium depth Woodford/Caney Shales in Haskell County, Oklahoma, before the end of the fiscal year.

In South Texas, the Company expects to begin oil production shortly from the first two wells in its Neptune project, following completion of a water injection well. Evolution has identified an additional 112 potential drilling locations there. Field work in South Texas, as in Oklahoma, has been hampered by unusual levels of bad weather.

Mr. Herlin further added "The Delhi enhanced oil recovery project appears to continue on schedule with strong rates of CO₂ injection and we expect first oil production by mid-2010. Our proprietary artificial lift technology continues to operate successfully in our two test well sites, and we are in discussions with other operators about demonstrating our technology on their wells. Our operating plan for fiscal 2010 includes testing and proving commerciality of our Oklahoma gas shale, South Texas infill oil and our lift technology projects, and we appear to be on schedule on all fronts. We are also moving forward on our plan to monetize up to 29 proved and probable undeveloped drilling locations in the Giddings Field, through one or more industry joint ventures."

In the Giddings Field, operating costs have declined due, in large part, to the completion of the dedicated water disposal well drilled in the first quarter and placed into service during the second quarter. The approved capital budget for fiscal 2010 provides for a number of well workovers to maintain or increase production, including a lateral cleanout of the Hilton-Yegua well scheduled for the third fiscal quarter.

Production Volumes and Prices:

Net volumes for Q2-10 were 13,019 barrels ("Bbl") of oil, condensate and natural gas liquids ("NGL") and 109.3 million cubic feet of natural gas ("MMCF"), or 31,238 BOE. This is an increase of 22% over volumes for Q2-09 of 14,780 Bbls of oil, condensate and NGLs and 65.0 MMCF of natural gas, or 25,609 BOE. The average realized price of oil increased 30% to \$74.47 per barrel in Q2-10 from \$57.37 per barrel in Q2-09, while the average realized price of NGLs increased 33% in Q2-10 to \$40.66 per barrel from \$30.63 per barrel in Q2-09. The average realized price of natural gas fell 29% to \$4.25 per Mcf in Q2-10 versus \$5.99 per Mcf in Q2-09. On a BOE basis, the blended effective price received declined 5% to \$38.46 in Q2-10

from \$40.29 in Q2-09, due to lower average natural gas prices and Q2-10 sales including a higher portion of natural gas, offset in part by higher oil and NGL prices.

Costs and Expenses

Lease operating expenses (“LOE”), including production severance taxes, for Q2-10 increased 15% to \$0.39 million, but declined on a per BOE basis to \$12.37 compared to \$0.34 million (\$13.09 per BOE) for Q2-09. The gross increase was primarily due to the addition of three producing wells and ad valorem taxes assessed in calendar year 2009.

Depreciation, Depletion & Amortization Expense (“DD&A”) was \$0.55 million (\$17.27 per BOE) for Q2-10 compared to \$0.50 million (\$19.31 per BOE) in Q2-09. The reduction in the DD&A rate was due primarily to a reduction in projected capital expenditures associated with proved undeveloped locations in the Giddings Field.

General and administrative (“G&A”) expense declined 25% to \$1.3 million for Q2-10, as compared to \$1.7 million for Q2-09, due to a decrease in non-cash stock-based compensation expense, which was \$0.42 million (34% of total G&A) and \$0.58 million (35% of total G&A) for Q2-10 and Q2-09, respectively, a 28% reduction in personnel costs from approximately \$750,000 to \$540,000 due to a reduction in staff and estimated annual bonus payments, and a reduction of legal fees of approximately \$115,000 due to the settlement of the Delhi litigation in July 2009.

Conference Call

Evolution Petroleum will host a conference call today at 10:30 a.m. Eastern Time (9:30 a.m. Central) to discuss its fiscal second quarter 2010 results. To access the call, please dial 480-629-9773 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 23, 2010 and may be accessed by calling 303-590-3030 and using the pass code 4220160#. 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. The Company is well positioned to continue its development projects in CO2 based EOR, bypassed resources and low cost shale gas. Principal assets as of July 1, 2009 include 3.9 MMBOE of proved and probable reserves in the Giddings Field of Central Texas, 0.5 MMBO of proved and unproved reserves with 90+ additional locations in South Texas, 13.6 MMBO of probable reserves in the Delhi CO2 EOR project in northeast Louisiana, 17,780 net acres of leases in shallow gas shale in Eastern Oklahoma and a proprietary artificial lift technology intended to extend the life of horizontal wells with oil or associated water production.

Additional information, including the Company's annual report on Form 10-K and its quarterly reports on Form 10-Q, can be accessed on its website.

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 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)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Revenues				
Crude oil	\$ 456,375	\$ 407,194	\$ 959,497	\$ 1,986,264
Natural gas liquids	280,212	235,293	565,523	990,738
Natural gas	464,715	389,295	846,309	969,766
Total revenues	<u>1,201,302</u>	<u>1,031,782</u>	<u>2,371,329</u>	<u>3,946,768</u>
Operating Costs				
Lease operating expense	369,928	313,406	734,774	649,310
Production taxes	16,459	21,776	34,826	107,772
Depreciation, depletion and amortization	550,142	504,291	1,167,899	1,149,173
Accretion of asset retirement obligations	15,200	6,124	29,538	11,861
General and administrative *	1,253,596	1,662,627	2,506,712	3,127,467
Total operating costs	<u>2,205,325</u>	<u>2,508,224</u>	<u>4,473,749</u>	<u>5,045,583</u>
Loss from operations	(1,004,023)	(1,476,442)	(2,102,420)	(1,098,815)
Other income				
Interest income	13,785	17,782	29,009	91,428
Net loss before income tax benefit	(990,238)	(1,458,660)	(2,073,411)	(1,007,387)
Income tax benefit	288,298	454,889	666,646	152,053
Net loss	<u>\$ (701,940)</u>	<u>\$ (1,003,771)</u>	<u>\$ (1,406,765)</u>	<u>\$ (855,334)</u>
Loss per common share				
Basic and Diluted	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares				
Basic and Diluted	<u>27,092,954</u>	<u>26,399,988</u>	<u>26,869,488</u>	<u>26,646,149</u>

*General and administrative expenses for the three month period ended December 31, 2009 and 2008 included non-cash stock-based compensation expense of \$424,800 and \$584,525, respectively. General and administrative expenses for the six month period ended December 31, 2009 and 2008 included non-cash stock-based compensation expense of \$816,436 and \$1,108,250, respectively.

Evolution Petroleum Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	<u>December 31, 2009</u>	<u>June 30, 2009</u>
Assets		
Current assets		
Cash and cash equivalents.....	\$ 2,312,212	\$ 3,891,764
Certificates of deposit.....	1,651,835	2,059,147
Receivables		
Oil and natural gas sales.....	542,738	532,318
Income taxes.....	2,095,126	—
Other.....	61,245	172,314
Income taxes recoverable.....	—	2,055,802
Prepaid expenses and other current assets.....	148,260	162,441
Total current assets.....	<u>6,811,416</u>	<u>8,873,786</u>
Property and equipment, net of depreciation, depletion, and amortization		
Oil and natural gas properties — full-cost method of accounting, of which \$11,082,567 and \$9,819,465 at December 31, 2009 and June 30, 2009, respectively, were excluded from amortization.....	29,801,618	28,751,178
Other property and equipment.....	123,271	150,697
Total property and equipment.....	<u>29,924,889</u>	<u>28,901,875</u>
Other assets.....	53,007	53,162
Total assets.....	<u>\$ 36,789,312</u>	<u>\$ 37,828,823</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable.....	\$ 747,476	\$ 690,639
Accrued liabilities.....	100,028	171,052
Royalties payable.....	262,127	218,477
State taxes payable.....	—	157,736
Total current liabilities.....	<u>1,109,631</u>	<u>1,237,904</u>
Long-term liabilities		
Deferred income taxes.....	3,095,161	3,721,317
Asset retirement obligations.....	758,027	664,710
Stock bonus (Note 5).....	—	370,440
Accrued compensation.....	210,000	—
Deferred rent.....	79,746	77,858
Total liabilities.....	<u>5,252,565</u>	<u>6,072,229</u>
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, par value \$0.001; 5,000,000 shares authorized; no shares issued or outstanding.....	—	—
Common stock; par value \$0.001; 100,000,000 shares authorized; issued 27,949,283 shares and 27,318,517 shares as of December 31, 2009 and June 30, 2009, respectively; outstanding 27,161,083 shares and 26,530,317 shares as of December 31, 2009 and June 30, 2009, respectively.....	27,949	27,318
Additional paid-in capital.....	17,611,155	16,424,868
Retained earnings.....	14,779,665	16,186,430
	<u>32,418,769</u>	<u>32,638,616</u>
Treasury stock, at cost, 788,200 shares as of December 31, 2009 and June 30, 2009.....	(882,022)	(882,022)
Total stockholders' equity.....	<u>31,536,747</u>	<u>31,756,594</u>
Total liabilities and stockholders' equity.....	<u>\$ 36,789,312</u>	<u>\$ 37,828,823</u>

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

	Six Months Ended December 31,	
	2009	2008
Cash flows from operating activities		
Net loss	\$ (1,406,765)	\$ (855,334)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,167,899	1,149,173
Stock-based compensation	816,436	1,108,250
Accretion of asset retirement obligations	29,538	11,861
Deferred income taxes	(626,156)	(219,008)
Deferred rent	1,888	1,888
Other	213,118	3,118
Changes in operating assets and liabilities		
Receivables from oil and natural gas sales	(10,420)	1,658,525
Receivables from income taxes and other	71,745	4,031,914
Prepaid expenses and other current assets	14,181	113,942
Accounts payable and accrued expenses	139,474	(314,436)
Royalties payable	43,650	(282,051)
State taxes payable	(157,736)	—
Net cash provided by operating activities	296,852	6,407,842
Cash flows from investing activities		
Development of oil and natural gas properties	(2,222,654)	(4,723,006)
Acquisitions of oil and natural gas properties	(58,141)	(2,033,874)
Capital expenditures for other equipment	—	(26,602)
Purchases of certificates of deposit	(1,350,000)	(1,500,000)
Maturities of certificates of deposit	1,757,312	—
Other assets	(2,963)	—
Net cash used in investing activities	(1,876,446)	(8,283,482)
Cash flows from financing activities		
Proceeds from the issuance of restricted common stock	42	90
Purchase of treasury stock	—	(882,022)
Net cash provided (used in) by financing activities	42	(881,932)
Net decrease in cash and cash equivalents	(1,579,552)	(2,757,572)
Cash and cash equivalents, beginning of period	3,891,764	11,272,280
Cash and cash equivalents, end of period	\$ 2,312,212	\$ 8,514,708

Our supplemental disclosures of cash flow information for the six months ended December 31, 2009 and 2008 are as follows:

	Six Months Ended December 31,	
	2009	2008
Income taxes		
paid	\$ 166,015	\$ 15,000
Income tax refunds and carry backs received	\$ —	\$ 4,052,631
Non-cash transactions:		
Decrease in accounts payable used to acquire oil and natural gas leasehold interests and develop oil and natural gas properties	\$ (153,661)	\$ (285,333)
Oil and natural gas properties incurred through recognition of asset retirement Obligations	\$ 63,779	\$ 107,751
Common stock issued in lieu of a portion of 2008 cash bonus accrued as a short-term liability at June 30, 2008	\$ —	\$ 168,462

Evolution Petroleum Corporation and Subsidiaries
Condensed Operating Data
(Unaudited)

	Three Months Ended December 31		Variance	% change
	2009	2008		
Sales Volumes, net to the Company:				
Crude oil (Bbl)	6,128	7,098	(970)	(14)%
NGLs (Bbl)	6,891	7,682	(791)	(10)%
Natural gas (Mcf)	109,316	64,973	44,343	68%
Crude oil, NGLs and natural gas (BOE).....	<u>31,238</u>	<u>25,609</u>	<u>5,629</u>	<u>22%</u>
Revenue data:				
Crude oil.....	\$ 456,375	\$ 407,194	\$ 49,181	12%
NGLs.....	280,212	235,293	44,919	19%
Natural gas	464,715	389,295	75,420	19%
Total revenues	<u>\$ 1,201,302</u>	<u>\$ 1,031,782</u>	<u>\$ 169,520</u>	<u>16%</u>
Average price:				
Crude oil (per Bbl)	\$ 74.47	\$ 57.37	\$ 17.10	30%
NGLs (per Bbl)	40.66	30.63	10.03	33%
Natural gas (per Mcf)	4.25	5.99	(1.74)	(29)%
Crude oil, NGLs and natural gas (per BOE)	<u>\$ 38.46</u>	<u>\$ 40.29</u>	<u>\$ (1.83)</u>	<u>(5)%</u>
Expenses (per BOE)				
Lease operating expenses and production taxes	\$ 12.37	\$ 13.09	\$ (0.72)	(6)%
Depletion expense on oil and natural gas properties (a)	<u>\$ 17.27</u>	<u>\$ 19.31</u>	<u>\$ (2.04)</u>	<u>(11)%</u>

(a) Excludes depreciation of office equipment, furniture and fixtures and other equipment of \$10,799 and \$9,794, for the three months ended December 31, 2009 and 2008, respectively.

Evolution Petroleum Corporation and Subsidiaries
Condensed Operating Data
(Unaudited)

	Six Months Ended December 31		Variance	% change
	2009	2008		
Sales Volumes, net to the Company:				
Crude oil (Bbl)	13,698	19,933	(6,235)	(31)%
NGLs (Bbl)	15,762	18,745	(2,983)	(16)%
Natural gas (Mcf)	<u>220,696</u>	<u>126,119</u>	<u>94,577</u>	<u>75%</u>
Crude oil, NGLs and natural gas (BOE)	66,243	59,698	6,545	11%
Revenue data:				
Crude oil	\$ 959,497	\$ 1,986,264	\$ (1,026,767)	(52)%
NGLs	565,523	990,738	(425,215)	(43)%
Natural gas	<u>846,309</u>	<u>969,766</u>	<u>(123,457)</u>	<u>(13)%</u>
Total revenues	\$ 2,371,329	\$ 3,946,768	\$ (1,575,439)	(40)%
Average price:				
Crude oil (per Bbl)	\$ 70.05	\$ 99.65	\$ (29.60)	(30)%
NGLs (per Bbl)	35.88	52.85	(16.97)	(32)%
Natural gas (per Mcf)	<u>3.83</u>	<u>7.69</u>	<u>(3.86)</u>	<u>(50)%</u>
Crude oil, NGLs and natural gas (per BOE)	\$ 35.80	\$ 66.11	\$ (30.31)	(46)%
Expenses (per BOE)				
Lease operating expenses and production taxes	\$ 11.62	\$ 12.68	\$ (1.06)	(8)%
Depletion expense on oil and natural gas properties (a)	\$ 17.22	\$ 18.92	\$ (1.70)	(9)%

(a) Excludes depreciation of office equipment, furniture and fixtures, and other of \$24,293 and \$19,618, for the six months ended December 31, 2009 and 2008, respectively

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