

EVOLUTION PETROLEUM CORPORATION
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FOR IMMEDIATE RELEASE

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Evolution Reports Fiscal 2007 Financial and Operating Results

Houston, TX, October 1, 2007. Evolution Petroleum Corporation (AMEX: EPM), announced today that operating revenue and interest income sources increased 25.1% to \$3.8 million in Fiscal 2007, from \$3.0 million in Fiscal 2006. For Fiscal 2007, Evolution's net loss was \$1.8 million, including \$1.6 million of non-cash stock compensation expense, or (\$0.07) per basic and diluted share with 26.7 million weighted average shares outstanding. This compares to net income of \$25.7 million, including \$0.5 million of non-cash stock compensation expense, or \$1.03 per basic share and \$1.01 per diluted share in Fiscal 2006. Fiscal 2006 results benefited from a \$45 million pre-tax gain on the sale of assets.

At June 30, 2007, the Company had approximately \$28 million in cash and no funded debt.

Operating Highlights - Fiscal 2007 versus 2006

- ❖ Proved Reserves increased from 0.46 MMBOE to 1.7 MMBOE
- ❖ Proved Reserves PV-10 increased from \$8.0 million to \$33.3 million year over year, net of capital and before income tax
- ❖ 4,594 net acres and twelve proved drilling locations were acquired for development projects
- ❖ Net production declined from 50,326 BOE to 29,148 BOE, primarily due to the Delhi Farm-out

Robert Herlin, President and Chief Executive Officer of Evolution Petroleum, commented, "We are very pleased with our progress during Fiscal 2007. We successfully initiated our Bypassed Resource Initiative with four development projects in Texas and began building an inventory of proved locations. Since the end of Fiscal 2007, we already have more than doubled our net acreage in these projects. Similarly, we began leasing within our gas shale projects and have substantially increased our acreage position since

Fiscal 2007 yearend.” Mr. Herlin further commented, “Our \$28 million of cash on hand allows us to begin drilling in the Bypassed Resource projects as soon as logistics permit, and we continue to acquire more acreage and drilling locations.”

OPERATIONS

Proved reserves increased by 270% during Fiscal 2007 to 1.7 million barrels of oil equivalent (BOE), as determined by the Company’s independent reservoir engineer. In addition, the present value of future net revenues after capital and production costs discounted at 10% (PV-10) increased 314% during the fiscal year to \$33.3 million.

The operator of Evolution’s CO2 EOR project in the 13,636 acre Delhi Holt Bryant Unit has stated that the CO2 supply line to Delhi is underway through right-of-way and steel purchases, that the first leg is 56% completed as of August 2, 2007, and that CO2 injection is projected to commence by mid-2008. The Operator and the Company believe that production from the CO2-EOR project should occur in 2009. Successful production response from CO2 injection is the key remaining factor in allowing the Company’s independent reservoir engineer assign proved reserves to the Delhi CO2-EOR project.

REVENUE

Oil and gas revenues for Fiscal 2007 decreased 35% to \$1.9 million from \$2.9 million for Fiscal 2006. The decrease is primarily attributable to the loss of oil and gas sales from the Delhi Field as a result of the Delhi Farm-out last year. This was partially offset by higher average realized oil prices in 2007 versus 2006, or \$64.05 versus \$56.85 per barrel, respectively.

OPERATING EXPENSES

For Fiscal 2007, lease operating expenses were approximately 21% lower at \$1.4 million compared to \$1.7 million for Fiscal 2006. The decrease is primarily attributable to the Delhi Farm-out last year, which was partially offset by higher than anticipated expenses in Fiscal 2007 for the Tullos Field area due to overall cost increases for goods and services, unexpected casing leaks in numerous saltwater disposal wells and other non-recurring operating costs.

For Fiscal 2007, general and administrative expenses were \$4.4 million, an increase of approximately 55% from \$2.8 million in Fiscal 2006. Approximately \$1.0 million of the \$1.6 million increase was primarily due to additional non-cash stock compensation expense resulting from the adoption of SFAS 123 (R) in Fiscal 2007, as compared to expense recognition under APB 25 in prior fiscal years.

OTHER INCOME AND EXPENSE

For the year ended June 30, 2007, interest income was \$1.9 million as compared to interest income of approximately \$0.2 million for fiscal 2006. The increase in interest income was due to the significant increase in the cash position. The Company had no funded debt and, therefore, no interest costs in Fiscal 2007, as compared to \$2.6 million in interest expense in Fiscal 2006.

About Evolution Petroleum

Evolution Petroleum Corporation (<http://www.evolutionpetroleum.com>) acquires mature, 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 EOR, Bypassed Resources and Unconventional Gas development.

Principal assets of the Company include 7.4% in royalty and overriding royalty interests and a 25% reversionary working interest in the 13,636 acre Delhi Field Holt Bryant Unit in northeast Louisiana. Having already produced 190 million barrels of oil through primary and secondary recovery methods, the Delhi Holt Bryant Unit is being redeveloped using CO2 enhanced oil recovery technology. The Company also owns working interests in leases with proved undeveloped reserves and other than proved resources covering approximately 10,800 net acres in other states, and is actively engaged in multiple development projects for EOR, Bypassed Resources and Unconventional Gas resources.

Additional information, including the Company's annual report on Form 10-KSB and its quarterly reports on Form 10-QSB can be accessed on its website at www.evolutionpetroleum.com.

Safe Harbor 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.

Cautionary Note to U.S. Investors Regarding Oil and Gas Reserve Estimates:

The U.S. Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only "Proved" reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. The Company is prohibited from disclosing other categories of reserves in its SEC filings. We use certain terms in this press release such as "other than proved," "Probable" or "Possible" oil and gas reserves that the SEC's guidelines strictly prohibit us from including in filings with the SEC. U.S. investors are urged to consider closely the disclosure in our SEC filings, available from us at 2500 CityWest Blvd, Suite 1300, Houston, Texas 77042; Telephone: 713-935-0122. You can also obtain these filings from the SEC by calling 1-800-SEC-0330 or by obtaining them online at www.sec.gov. The Proved reserve quantities reflected above were certified by W. D. Von Gonten & Company and the other than proved reserve quantities were estimated by the Company, both using the 1997 definitions and standards of the Society of Petroleum Engineers and World Petroleum Congresses. These definitions and standards may result in estimates of proved reserves which are materially different from those disclosed in the Company's filings with the SEC.

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EVOLUTION PETROLEUM CORPORATION AND SUBSIDIARIES
Consolidated Income Statement

	Year Ended June 30,	
	2007	2006
		(as restated)
Revenues:		
Oil sales	\$1,866,892	\$2,450,676
Gas sales	-	424,190
Price risk management activities	(14)	(13,452)
Total revenues	1,866,878	2,861,414
 Operating expenses:		
Production expenses	1,370,226	1,725,760
Production taxes	62,426	86,562
Franchise taxes	107,754	0
Depreciation, depletion and amortization	291,150	407,467
General and administrative (includes stock-based compensation of \$1,613,493 and \$546,597, respectively for June 30, 2007 and 2006)	4,383,846	2,826,085
Total operating expenses	<u>6,215,402</u>	<u>5,045,874</u>
 Loss from operations	 (4,348,524)	 (2,184,460)
 Other income (expense):		
Interest income	1,920,913	165,313
Interest expense	-	(2,600,180)
Gain (loss) on sale of assets	(21,453)	45,325,468
Total other income (expense)	1,899,460	42,890,601
 Income (loss) before income taxes	 (2,449,064)	 40,706,141
 Income tax expense:		
Current	11,407,202	2,645,619
Deferred	(12,046,055)	12,362,156
Total income tax expense	(638,853)	15,007,775
 Net income (loss)	 (<u>\$1,810,211</u>)	 <u>\$25,698,366</u>
 Earnings (loss) per common share		
Basic	(\$0.07)	\$1.03
Diluted	(\$0.07)	\$1.01
 Weighted average number of common share		
Basic	26,706,713	25,031,125
Diluted	26,706,713	25,555,992

EVOLUTION PETROLEUM CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30,	
Assets	2007	2006
		(as restated)
Current Assets:		
Cash and cash equivalents	\$ 27,746,942	\$ 9,893,547
Accounts receivable, trade	212,585	132,371
Income tax receivable	421,325	-
Inventories	274,813	76,917
Prepaid expenses	159,228	157,629
Retainers and deposits	106,625	60,895
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Total current assets	28,921,518	10,321,359
Cash in qualified intermediary account for "like-kind" exchanges	-	34,662,368
Oil & Gas properties - full cost	4,187,440	3,878,551
Oil & Gas properties - not amortized	1,924,552	52,098
Less: accumulated depletion	(652,439)	(371,624)
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Net oil & gas properties	5,459,553	3,559,025
Furniture, fixtures and equipment, at cost	173,205	16,561
Less: accumulated depreciation	(18,333)	(7,998)
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Net furniture, fixtures, and equipment	154,872	8,563
Restricted deposits	-	326,835
Other assets	370,049	79,808
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Total assets	\$ 34,905,992	\$ 48,957,958
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 993,894	\$ 310,272
Accrued liabilities	595,833	473,782
Income taxes	-	2,645,619
Royalties payable	6,831	47,054
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Total current liabilities	1,596,558	3,476,727

Long term liabilities:		
Deferred tax liability	338,001	12,362,156
Deferred rent	47,289	-
Asset retirement obligations	140,998	123,679
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Total liabilities	2,122,846	15,962,562
Common Stock, totaling 351,335 shares subject to demand registration rights	-	790,500
Stockholders' equity:		
Common Stock, par value \$0.001 per share; 100,000,000 shares authorized; 26,776,234 and 26,300,670 issued and outstanding as of June 30, 2007 and June 30, 2006, respectively, net of 351,335 shares of common stock subject to demand registration rights at June 30, 2006.	26,776	26,300
Additional paid-in capital	12,443,199	10,274,555
Deferred stock based compensation	(45,826)	(265,167)
Retained earnings	20,358,997	22,169,208
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Total stockholders' equity	32,783,146	32,204,896
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Total liabilities and stockholders' equity	\$ 34,905,992	\$ 48,957,958
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