

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 001-32942

EVOLUTION PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

41-1781991

(IRS Employer Identification No.)

1155 Dairy Ashford Road, Suite 425, Houston, Texas 77079

(Address of principal executive offices and zip code)

(713) 935-0122

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). Yes: No:

The number of shares outstanding of the registrant's common stock, par value \$0.001, as of February 5, 2018, was 33,171,514.

EVOLUTION PETROLEUM CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

| | <u>Page</u> |
|--|------------------|
| <u>PART I. FINANCIAL INFORMATION</u> | <u>2</u> |
| <u>ITEM 1. UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS</u> | <u>2</u> |
| <u>Unaudited Consolidated Condensed Balance Sheets as of December 31, 2017 and June 30, 2017</u> | <u>2</u> |
| <u>Unaudited Consolidated Condensed Statements of Operations for the three and six months ended December 31, 2017 and 2016</u> | <u>3</u> |
| <u>Unaudited Consolidated Condensed Statements of Cash Flows for the six months ended December 31, 2017 and 2016</u> | <u>4</u> |
| <u>Unaudited Consolidated Condensed Statement of Stockholders' Equity for the six months ended December 31, 2017</u> | <u>5</u> |
| <u>Notes to Unaudited Consolidated Condensed Financial Statements</u> | <u>6</u> |
| <u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | <u>16</u> |
| <u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> | <u>25</u> |
| <u>ITEM 4. CONTROLS AND PROCEDURES</u> | <u>25</u> |
| <u>PART II. OTHER INFORMATION</u> | <u>26</u> |
| <u>ITEM 1. LEGAL PROCEEDINGS</u> | <u>26</u> |
| <u>ITEM 1A. RISK FACTORS</u> | <u>26</u> |
| <u>ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS</u> | <u>26</u> |
| <u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u> | <u>26</u> |
| <u>ITEM 4. MINE SAFETY DISCLOSURES</u> | <u>27</u> |
| <u>ITEM 5. OTHER INFORMATION</u> | <u>27</u> |
| <u>ITEM 6. EXHIBITS</u> | <u>27</u> |
| <u>SIGNATURES</u> | <u>27</u> |

PART I — FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Evolution Petroleum Corporation and Subsidiaries
Consolidated Condensed Balance Sheets
(Unaudited)

| | December 31, 2017 | June 30, 2017 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 25,743,497 | \$ 23,028,153 |
| Receivables | 4,078,153 | 2,726,702 |
| Prepaid expenses and other current assets | 824,048 | 387,672 |
| Total current assets | 30,645,698 | 26,142,527 |
| Oil and natural gas property and equipment, net (full-cost method of accounting) | 60,093,807 | 61,790,068 |
| Other property and equipment, net | 32,265 | 40,689 |
| Total property and equipment | 60,126,072 | 61,830,757 |
| Other assets | 260,468 | 295,384 |
| Total assets | <u>\$ 91,032,238</u> | <u>\$ 88,268,668</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 2,400,202 | \$ 1,994,255 |
| Accrued liabilities and other | 660,467 | 724,639 |
| Total current liabilities | 3,060,669 | 2,718,894 |
| Long term liabilities | | |
| Deferred income taxes | 10,580,381 | 15,826,291 |
| Asset retirement obligations | 1,297,028 | 1,253,628 |
| Total liabilities | 14,938,078 | 19,798,813 |
| Commitments and contingencies (Note 14) | | |
| Stockholders' equity | | |
| Common stock; par value \$0.001; 100,000,000 shares authorized; 33,171,514 and 33,087,308 shares issued and outstanding as of December 31, 2017 and June 30, 2017, respectively | 33,171 | 33,087 |
| Additional paid-in capital | 41,538,133 | 40,961,957 |
| Retained earnings | 34,522,856 | 27,474,811 |
| Total stockholders' equity | 76,094,160 | 68,469,855 |
| Total liabilities and stockholders' equity | <u>\$ 91,032,238</u> | <u>\$ 88,268,668</u> |

See accompanying notes to consolidated condensed financial statements.

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|------------------------------------|--------------|----------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | |
| Crude oil | \$ 10,185,635 | \$ 8,529,817 | \$ 18,014,890 | \$ 16,123,672 |
| Natural gas liquids | 881,276 | — | 1,589,892 | 89 |
| Natural gas | — | — | — | (4) |
| Total revenues | 11,066,911 | 8,529,817 | 19,604,782 | 16,123,757 |
| Operating costs | | | | |
| Production costs | 2,914,512 | 2,292,421 | 5,806,098 | 4,637,062 |
| Depreciation, depletion and amortization | 1,633,868 | 1,307,510 | 3,152,411 | 2,580,949 |
| Accretion of discount on asset retirement obligations | 23,023 | 13,106 | 44,602 | 26,330 |
| General and administrative expenses * | 1,666,256 | 1,241,399 | 3,235,960 | 2,476,442 |
| Total operating costs | 6,237,659 | 4,854,436 | 12,239,071 | 9,720,783 |
| Income from operations | 4,829,252 | 3,675,381 | 7,365,711 | 6,402,974 |
| Other | | | | |
| Gain on realized derivative instruments, net | — | — | — | 90 |
| Loss on unrealized derivative instruments, net | — | — | — | (14,132) |
| Interest and other income | 15,841 | 14,061 | 30,691 | 26,806 |
| Interest expense | (20,456) | (20,711) | (40,911) | (41,056) |
| Income before income taxes | 4,824,637 | 3,668,731 | 7,355,491 | 6,374,682 |
| Income tax provision (benefit) | (5,052,211) | 1,361,097 | (4,661,889) | 2,250,273 |
| Net income attributable to the Company | 9,876,848 | 2,307,634 | 12,017,380 | 4,124,409 |
| Dividends on preferred stock | — | — | — | 250,990 |
| Deemed dividend on redeemed preferred shares | — | — | — | 1,002,440 |
| Net income available to common stockholders | \$ 9,876,848 | \$ 2,307,634 | \$ 12,017,380 | \$ 2,870,979 |
| Earnings per common share | | | | |
| Basic | \$ 0.30 | \$ 0.07 | \$ 0.36 | \$ 0.09 |
| Diluted | \$ 0.30 | \$ 0.07 | \$ 0.36 | \$ 0.09 |
| Weighted average number of common shares | | | | |
| Basic | 33,109,448 | 33,047,166 | 33,099,546 | 33,002,088 |
| Diluted | 33,140,278 | 33,083,027 | 33,140,257 | 33,037,269 |

* General and administrative expenses for the three months ended December 31, 2017 and 2016 included non-cash stock-based compensation expense of \$484,326 and \$275,184, respectively. For the corresponding six month periods, non-cash stock-based compensation expense was \$971,810 and \$586,872, respectively.

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

| | Six Months Ended December 31, | |
|---|----------------------------------|---------------|
| | 2017 | 2016 |
| Cash flows from operating activities | | |
| Net income attributable to the Company | \$ 12,017,380 | \$ 4,124,409 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 3,180,545 | 2,609,356 |
| Stock-based compensation | 971,810 | 586,872 |
| Accretion of discount on asset retirement obligations | 44,602 | 26,330 |
| Settlements of asset retirement obligations | — | (121,391) |
| Deferred income taxes (benefit) | (5,245,910) | 1,709,519 |
| Loss on derivative instruments, net | — | 14,042 |
| Changes in operating assets and liabilities: | | |
| Receivables | (1,351,451) | (462,981) |
| Prepaid expenses and other current assets | (436,376) | (367,039) |
| Accounts payable and accrued expenses | (83,013) | (1,955,546) |
| Income taxes payable | — | (311,306) |
| Net cash provided by operating activities | 9,097,587 | 5,852,265 |
| Cash flows from investing activities | | |
| Derivative settlement payments paid | — | (318,618) |
| Capital expenditures for oil and natural gas properties | (1,017,358) | (7,978,130) |
| Capital expenditures for other property and equipment | — | (30,447) |
| Net cash used in investing activities | (1,017,358) | (8,327,195) |
| Cash flows from financing activities | | |
| Cash dividends to preferred stockholders | — | (250,990) |
| Cash dividends to common stockholders | (4,969,335) | (3,801,962) |
| Common share repurchases, including shares surrendered for tax withholding | (395,550) | (459,858) |
| Redemption of preferred shares | — | (7,932,975) |
| Other | — | 32 |
| Net cash used in financing activities | (5,364,885) | (12,445,753) |
| Net increase (decrease) in cash and cash equivalents | 2,715,344 | (14,920,683) |
| Cash and cash equivalents, beginning of period | 23,028,153 | 34,077,060 |
| Cash and cash equivalents, end of period | \$ 25,743,497 | \$ 19,156,377 |

Supplemental disclosures of cash flow information:

| | Six Months Ended December 31, | |
|---|----------------------------------|--------------|
| | 2017 | 2016 |
| Income taxes paid | \$ 1,136,754 | \$ 1,278,773 |
| Non-cash transactions: | | |
| Change in accounts payable used to acquire property and equipment | 424,365 | (1,516,932) |
| Oil and natural gas property costs incurred through recognition of asset retirement obligations | (779) | — |

See accompanying notes to consolidated condensed financial statements.

Evolution Petroleum Corporation and Subsidiaries
Consolidated Condensed Statement of Changes in Stockholders' Equity
For the Six Months Ended December 31, 2017
(Unaudited)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Total Stockholders' Equity |
|--|--------------|-----------|----------------------------------|----------------------|-------------------|----------------------------------|
| | Shares | Par Value | | | | |
| Balance at June 30, 2017 | 33,087,308 | \$ 33,087 | \$ 40,961,957 | \$ 27,474,811 | \$ — | \$ 68,469,855 |
| Issuance of restricted common stock | 158,785 | 158 | (158) | — | — | — |
| Forfeitures of restricted stock | (19,561) | (20) | 20 | — | — | — |
| Common share repurchases, including shares surrendered for tax withholding | (55,018) | — | — | — | (395,550) | (395,550) |
| Retirements of treasury stock | — | (54) | (395,496) | — | 395,550 | — |
| Stock-based compensation | — | — | 971,810 | — | — | 971,810 |
| Net income attributable to the Company | — | — | — | 12,017,380 | — | 12,017,380 |
| Common stock cash dividends | — | — | — | (4,969,335) | — | (4,969,335) |
| Balance at December 31, 2017 | 33,171,514 | \$ 33,171 | \$ 41,538,133 | \$ 34,522,856 | \$ — | \$ 76,094,160 |

See accompanying notes to consolidated condensed financial statements.

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

Note 1 — Organization and Basis of Preparation

Nature of Operations. Evolution Petroleum Corporation ("EPM"), together with its subsidiaries (the "Company", "we", "our" or "us"), is an independent petroleum company headquartered in Houston, Texas and incorporated under the laws of the State of Nevada. We are engaged primarily in the development and production of oil and gas reserves.

Interim Financial Statements. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the appropriate rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. All adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the interim periods presented have been included. The interim financial information and notes hereto should be read in conjunction with the Company's 2017 Annual Report on Form 10-K for the fiscal year ended June 30, 2017, as filed with the SEC. The results of operations for interim periods are not necessarily indicative of results to be expected for a full fiscal year.

Principles of Consolidation and Reporting. Our consolidated financial statements include the accounts of EPM and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The consolidated financial statements for the previous year may include certain reclassifications to conform to the current presentation. Any such reclassifications have no impact on previously reported net income or stockholders' equity.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include (a) reserve quantities and estimated future cash flows associated with proved reserves, which significantly impact depreciation, depletion and amortization expense and potential impairments of oil and natural gas properties, (b) asset retirement obligations, (c) stock-based compensation, (d) fair values of derivative assets and liabilities, (e) income taxes and the valuation of deferred tax assets and (f) commitments and contingencies. We analyze our estimates based on historical experience and various other assumptions that we believe to be reasonable. While we believe that our estimates and assumptions used in preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates.

New Accounting Pronouncements.

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2015-14, which defers the effective date of ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09") by one year and allows entities the option to early adopt the new revenue standard as of the original effective date. Issued in May 2014, ASU 2014-09 provided guidance on revenue recognition on contracts with customers to transfer goods or services or on contracts for the transfer of nonfinancial assets. ASU 2014-09 requires that revenue recognition on contracts with customers depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public companies, ASU 2014-09 is now effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The standard provides for either the full retrospective or modified retrospective transition methods. We expect to adopt this standard using the modified retrospective method. The Company expects that additional disclosures will be required as a result of adopting ASU 2014-09 and is currently assessing the impact of the guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). The pronouncement requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These changes become effective for fiscal years beginning after December 15, 2017. The expected adoption method of ASU 2016-01 is being evaluated by the Company and the adoption is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”), which relates to the accounting for leasing transactions. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than twelve months. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are evaluating the impact the adoption of ASU 2016-02 will have on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The guidance addresses eight specific cash flow issues for which current GAAP is either unclear or does not include specific guidance. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted, provided that it is adopted in its entirety in the same period. Currently, the Company does not expect the impact of adopting ASU 2016-15 to have a material effect on its consolidated statements of cash flows.

Note 2 — Receivables

As of December 31, 2017 and June 30, 2017, our receivables consisted of the following:

| | December 31, 2017 | June 30, 2017 |
|------------------------------------|----------------------|---------------------|
| Receivables from oil and gas sales | \$ 4,078,153 | \$ 2,722,880 |
| Other | — | 3,822 |
| Total receivables | \$ 4,078,153 | \$ 2,726,702 |

Note 3 — Prepaid Expenses and Other Current Assets

As of December 31, 2017 and June 30, 2017, our prepaid expenses and other current assets consisted of the following:

| | December 31, 2017 | June 30, 2017 |
|--|----------------------|-------------------|
| Prepaid insurance | \$ 86,904 | \$ 169,416 |
| Retainers and deposits | 7,589 | 7,553 |
| Prepaid federal and state income taxes | 674,028 | 121,232 |
| Other prepaid expenses | 55,527 | 89,471 |
| Prepaid expenses and other current assets | \$ 824,048 | \$ 387,672 |

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

Note 4 — Property and Equipment

As of December 31, 2017 and June 30, 2017, our oil and natural gas properties and other property and equipment consisted of the following:

| | December 31, 2017 | June 30, 2017 |
|---|----------------------|----------------------|
| Oil and natural gas properties | | |
| Property costs subject to amortization | \$ 86,403,877 | \$ 84,962,933 |
| Less: Accumulated depreciation, depletion, and amortization | (26,310,070) | (23,172,865) |
| Unproved properties not subject to amortization | — | — |
| Oil and natural gas properties, net | <u>\$ 60,093,807</u> | <u>\$ 61,790,068</u> |
| Other property and equipment | | |
| Furniture, fixtures, office equipment and other, at cost | \$ 135,377 | \$ 135,377 |
| Less: Accumulated depreciation | (103,112) | (94,688) |
| Other property and equipment, net | <u>\$ 32,265</u> | <u>\$ 40,689</u> |

During the six months ended December 31, 2017 and 2016, the Company incurred capital expenditures of \$1.4 million and \$6.5 million, respectively, in the Delhi field.

Note 5 — Other Assets

As of December 31, 2017 and June 30, 2017, other assets consisted of the following:

| | December 31, 2017 | June 30, 2017 |
|---|----------------------|-------------------|
| Royalty rights | \$ 108,512 | \$ 108,512 |
| Less: Accumulated amortization of royalty rights | (27,128) | (20,346) |
| Investment in Well Lift Inc., at cost | 108,750 | 108,750 |
| Deferred loan costs | 168,972 | 168,972 |
| Less: Accumulated amortization of deferred loan costs | (98,638) | (70,504) |
| Other assets, net | <u>\$ 260,468</u> | <u>\$ 295,384</u> |

Our royalty rights and investment in Well Lift, Inc. ("WLI") resulted from the separation of our artificial lift technology operations in December 2015. We conveyed our patents and other intellectual property to WLI and retained a 5% royalty on future gross revenues associated the technology. We own 17.5% of the common stock of WLI and account for our investment under the cost method. Any dividends paid are recorded as income and any return of capital reduces our cost basis in the investment. Our investment in WLI is evaluated for impairment at least quarterly or when management identifies any events or changes in circumstances that might have a significant adverse effect on the fair value of the investment. There is no published market value for this private investment, so it is not practicable to value it at fair market value on a periodic basis.

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

Note 6 — Accrued Liabilities and Other

As of December 31, 2017 and June 30, 2017, our other current liabilities consisted of the following:

| | December 31, 2017 | June 30, 2017 |
|--|----------------------|-------------------|
| Accrued incentive and other compensation | \$ 292,382 | \$ 413,113 |
| Accrued severance payments | 46,719 | — |
| Asset retirement obligations due within one year | 35,539 | 35,115 |
| Accrued royalties, including suspended accounts | 11,524 | 17,708 |
| Accrued franchise taxes | 82,800 | 150,062 |
| Accrued ad valorem taxes | 191,503 | 108,641 |
| Accrued liabilities and other | <u>\$ 660,467</u> | <u>\$ 724,639</u> |

Note 7 — Asset Retirement Obligations

Our asset retirement obligations represent the estimated present value of the amount we expect to incur to plug, abandon and remediate our producing properties at the end of their productive lives in accordance with applicable laws. The following is a reconciliation of the beginning and ending asset retirement obligations for the six months ended December 31, 2017 and for the year ended June 30, 2017:

| | December 31, 2017 | June 30, 2017 |
|--|----------------------|---------------------|
| Asset retirement obligations — beginning of period | \$ 1,288,743 | \$ 962,196 |
| Liabilities incurred | — | 52,792 |
| Liabilities settled | — | (157,164) |
| Liabilities sold | — | (47,817) |
| Accretion of discount | 44,602 | 59,664 |
| Revision of previous estimates | (778) | 419,072 |
| Asset retirement obligations — end of period | <u>\$ 1,332,567</u> | <u>\$ 1,288,743</u> |
| Less current portion in accrued liabilities | (35,539) | (35,115) |
| Long-term portion of asset retirement obligations | <u>\$ 1,297,028</u> | <u>\$ 1,253,628</u> |

Note 8 — Stockholders' Equity**Common Stock**

As of December 31, 2017, we had 33,171,514 shares of common stock outstanding.

The Company began paying quarterly cash dividends on common stock in December 2013. We paid dividends of \$4,969,335 and \$3,801,962 to our common shareholders during the six months ended December 31, 2017 and 2016, respectively. These dividend payments consisted of two quarterly dividends of \$0.075 per share each during the six months ended December 31, 2017 and quarterly dividend payments of \$0.05 and \$0.065 per share during the six months ended December 31, 2016.

In May 2015, the Board of Directors approved a share repurchase program covering up to \$5 million of the Company's common stock. Between June 2015 and December 2015, the Company spent \$1,609,008 to repurchase 265,762 common shares at an average price of \$6.05 per share. There have been no shares repurchased in the open market since December 2015. Under the program's terms, shares are repurchased only on the open market and in accordance with the requirements of the Securities and Exchange Commission. Such shares are initially recorded as treasury stock, then subsequently canceled. The timing and amount of repurchases depends upon several factors, including financial resources and market and business conditions. There is no fixed termination date for this repurchase program, and it may be suspended or discontinued at any time.

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

During the six months ended December 31, 2017 and 2016, the Company acquired treasury stock from holders of newly vested stock-based awards to fund the recipients' payroll tax withholding obligations. The treasury shares were subsequently canceled. Such shares were valued at fair market value on the date of vesting, as reflected in the following table:

| | Six Months Ended December 31, | |
|--|----------------------------------|------------|
| | 2017 | 2016 |
| Number of treasury shares acquired | 55,018 | 73,455 |
| Average cost per share | \$ 7.19 | \$ 6.26 |
| Total cost of treasury shares acquired | \$ 395,550 | \$ 459,858 |

Series A Cumulative Preferred Stock Called for Redemption

In September 2016, the Company announced the decision to redeem all 317,319 outstanding shares of its 8.5% Series A Cumulative Preferred Stock. The redemption occurred in November 2016 at the stated value of \$25.00 per share plus all accumulated and unpaid distributions, for an aggregate redemption cost of \$7,932,975.

On September 30, 2016, in connection with the planned redemption, the Company recorded a deemed dividend of \$1,002,440, representing the difference between the redemption consideration paid and the historical net issuance proceeds of the preferred shares. Accordingly, net income was adjusted for this deemed dividend to determine net income attributable to common shareholders and earnings per common share.

Dividends on the Series A Cumulative Preferred Stock were paid at a fixed rate of 8.5% per annum on the \$25.00 per share liquidation preference, payable monthly. During the six months ended December 31, 2016, we paid cash dividends of \$250,990 to holders of our Series A Preferred Stock prior to the November 2016 redemption date.

Expected Tax Treatment of Dividends

For the fiscal year ended June 30, 2017, all preferred and common dividends were treated for tax purposes as qualified dividend income to recipients. Based on our current projections for the fiscal year ending June 30, 2018, we expect all common dividends for such period to be treated as qualified dividend income. Such projections are based on our reasonable expectations as of December 31, 2017 and are subject to change based on our final tax calculations at the end of the fiscal year.

Note 9 — Stock-Based Incentive Plan

At the December 8, 2016 annual meeting, the stockholders approved the adoption of the Evolution Petroleum Corporation 2016 Equity Incentive Plan (the "2016 Plan"), which replaced the Evolution Petroleum Corporation Amended and Restated 2004 Stock Plan (the "2004 Plan"). The 2016 Plan authorizes the issuance of 1,100,000 shares of common stock prior to its expiration on December 8, 2026. Incentives under the 2016 Plan may be granted to employees, directors and consultants of the Company in any one or a combination of the following forms: incentive stock options and non-statutory stock options, stock appreciation rights, restricted stock awards and restricted stock unit awards, performance share awards, performance cash awards, and other forms of incentives valued in whole or in part by reference to, or otherwise based on, our common stock, including its appreciation in value. As of December 31, 2017, 987,845 shares remained available for grant under the 2016 Plan.

At December 8, 2016, there were no shares available for future grants under the 2004 Plan. All outstanding awards granted under the 2004 Plan continue to be subject to the terms and conditions as set forth in the agreements evidencing such awards and the terms of the 2004 Plan. Under these agreements, we have outstanding grants of restricted common stock awards ("Restricted Stock") and contingent restricted common stock awards ("Contingent Restricted Stock") to employees and directors of the Company.

Restricted Stock and Contingent Restricted Stock

The Company awards grants of both Restricted Stock and Contingent Restricted Stock as part of its long-term incentive plan. Such grants, which expire after a maximum of four years if unvested, contain service-based, performance-based and market-based vesting provisions. The common shares underlying the Restricted Stock grants are issued on the date of grant. Contingent Restricted Stock grants vest only upon the attainment of higher performance-based or market-based vesting

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

thresholds and are issued only upon vesting. Shares underlying Contingent Restricted Stock awards are reserved from the Plan they were granted under.

Service-based awards vest with continuous employment by the Company, generally in annual installments over a four-year period. Certain awards contain other vesting periods, including quarterly installments and one-year vesting. Restricted Stock grants which vest based on service are valued at the fair market value on the date of grant and amortized over the service period. During the six months ended December 31, 2017, we granted 112,155 service-based Restricted Stock awards, including 45,211 awards to employees and 66,944 awards to directors, substantially all of which have a one-year vesting period. We did not grant any performance-based or market based awards, nor any Contingent Restricted Stock awards, during this period.

Performance-based grants vest upon the attainment of earnings, revenue and other operational goals and require that the recipient remain an employee or director of the Company through the vesting date. The Company recognizes compensation expense for performance-based awards ratably over the expected vesting period based on the grant date fair value when it is deemed probable, for accounting purposes, that the performance criteria will be achieved. The expected vesting period may be deemed to be shorter than the four-year term. As of December 31, 2017, certain contingent performance-based awards were not considered probable of vesting for accounting purposes and no compensation expense has been recognized with regard to these awards. If these awards are later determined to be probable of vesting, cumulative compensation expense would be recorded at that time and amortization would continue over the remaining expected vesting period.

Market-based awards vest if the three-year trailing total return on the Company's common stock exceeds the corresponding total returns of various quartiles of indices consisting of either peer companies or a broad market index of companies in our industry. The fair values and expected vesting periods of these awards are determined using a Monte Carlo simulation based on the historical volatility of the Company's total return compared to the historical volatilities of the other companies in the index. Compensation expense for market-based awards is recognized over the expected vesting period using the straight-line method, so long as the holder remains an employee or director of the Company. Total compensation expense is based on the fair value of the awards at the date of grant and is independent of vesting or expiration of the awards, except for termination of service.

Unvested Restricted Stock awards at December 31, 2017 consisted of the following:

| | Number of Restricted Shares | Weighted Average Grant-Date Fair Value |
|--|-----------------------------------|---|
| Service-based awards | 220,068 | \$ 6.68 |
| Performance-based awards | 50,360 | 5.67 |
| Market-based awards | 50,359 | 5.44 |
| Unvested Restricted Stock at December 31, 2017 | <u>320,787</u> | <u>\$ 6.33</u> |

The following table sets forth the Restricted Stock transactions for the six months ended December 31, 2017:

| | Number of Restricted Shares | Weighted Average Grant-Date Fair Value | Unamortized Compensation Expense at December 31, 2017 | Weighted Average Remaining Amortization Period (Years) |
|--|-----------------------------------|---|--|---|
| Unvested at July 1, 2017 | 391,624 | \$ 6.22 | | |
| Service-based shares granted | 112,155 | 6.96 | | |
| Vested | (163,431) | 6.52 | | |
| Forfeited | (19,561) | 6.16 | | |
| Unvested Restricted Stock at December 31, 2017 | <u>320,787</u> | <u>\$ 6.33</u> | <u>\$ 1,510,203</u> | <u>1.39</u> |

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

Unvested Contingent Restricted Stock awards at December 31, 2017 consisted of the following:

| | Number of Contingent Restricted Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Performance-based awards | 36,688 | \$ 7.04 |
| Market-based awards | 25,180 | 3.42 |
| Unvested contingent shares at December 31, 2017 | <u>61,868</u> | <u>\$ 5.57</u> |

The following table sets forth Contingent Restricted Stock transactions for the six months ended December 31, 2017:

| | Number of Contingent Restricted Shares | Weighted Average Grant-Date Fair Value | Unamortized Compensation Expense at December 31, 2017 (1) | Weighted Average Remaining Amortization Period (Years) |
|---|---|---|---|---|
| Unvested at July 1, 2017 | 113,270 | \$ 4.64 | | |
| Vested | (46,630) | 3.34 | | |
| Forfeited | (4,772) | 5.30 | | |
| Unvested contingent shares at December 31, 2017 | <u>61,868</u> | <u>\$ 5.57</u> | <u>\$ 84,005</u> | <u>1.03</u> |

(1) Excludes \$115,665 of potential future compensation expense for contingent performance-based awards for which vesting is not considered probable at this time for accounting purposes.

Stock-based compensation expense related to Restricted Stock and Contingent Restricted Stock grants for the three months ended December 31, 2017 and 2016 was \$484,326 and \$275,184, respectively. For the corresponding six month periods, non-cash stock compensation expense was \$971,810 and \$586,872, respectively.

Note 10 — Derivatives

From time to time, the Company may use derivative instruments to reduce its exposure to crude oil price volatility of its near-term forecasted production. The Company's objectives are to achieve a more predictable level of cash flows to support the Company's capital expenditure programs and to provide better financial visibility for the payment of dividends on common stock. The Company may use both fixed price swap agreements and costless collars to manage its exposure to crude oil and other commodity price risk. While these derivative instruments are intended to limit the downside risk of adverse price movements, they may also limit future revenues from favorable price movements. The Company does not intend to enter into derivative instruments for speculative or trading purposes.

The Company accounts for derivatives under the provisions of ASC 815 *Derivatives and Hedging* ("ASC 815") under which the Company records the fair value of the instruments on the balance sheet at each reporting date, with changes in fair value recognized in other non-operating income and expense. Given the cost and complexity, the Company has elected not to use cash flow hedge accounting provided under ASC 815. Under cash flow hedge accounting, a portion of the change in fair value of the derivative instruments, if effective in hedging the underlying commodity risk, would be deferred in other comprehensive income and recognized in earnings only when the underlying hedged item impacts earnings.

These derivative instruments can result in both fair value asset and liability positions held with each counterparty. These positions are offset to a single net fair value asset or liability at the end of each reporting period. The Company nets its fair value amounts of derivative instruments executed with the same counterparty pursuant to ISDA master agreements, which provide for net settlement over the term of the contract and in the event of default or termination of the contract. As of June 30, 2017 and December 31, 2017, the Company had no derivative asset or liability positions.

The Company monitors the credit rating of its counterparties and believes it does not have significant credit risk. Accordingly, we do not currently require our counterparties to post collateral to support the net asset positions of our derivative instruments. As such, the Company is exposed to credit risk to the extent of nonperformance by the counterparties to its derivative instruments.

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

For the six months ended December 31, 2017, the Company had no gains or losses from derivatives. For the six months ended December 31, 2016, the Company recorded a loss on derivative instruments of \$14,042 consisting of a realized gain of \$90 on settled positions and an unrealized net loss of \$14,132.

Note 11 — Income Taxes

We file a consolidated federal income tax return in the United States and various combined and separate filings in several state and local jurisdictions.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation under the title of the Tax Cuts and Jobs Act ("Tax Act"). The Tax Act includes a permanent reduction in our federal corporate income tax rate from 34% to 21%. It also provides more favorable tax deductions associated with capital investments and other significant changes to tax law. The Tax Act became effective upon passage, so our statutory rate for the current fiscal year ending June 30, 2018 is a blended rate of 27.55%. The permanent reduction in the federal corporate income tax rate resulted in a one-time non-cash income tax benefit of approximately \$6.0 million related to the adjustment of our liability for deferred income taxes to the lower rate in the Tax Act. The accounting for the effects of the rate change on the Company's deferred tax balances is complete and no provisional amounts were recorded.

Income taxes are recorded in our financial statements based on our estimated annual effective income tax rate. The effective rates used in the calculation of our income tax expense were approximately 20% and 35% for the six months ended December 31, 2017 and 2016, respectively. After adjustment for the \$6.0 million discrete benefit resulting from the revaluation of our deferred income tax liabilities, the effective rate for the six months ended December 31, 2017 was a tax benefit of (63)% of income before income taxes.

Our effective tax rate will typically differ from the statutory federal rate as a result of state income taxes, primarily in the State of Louisiana, and differences related to percentage depletion in excess of basis, stock-based compensation and other permanent differences. The effective tax rate for the six months ended December 31, 2017 was significantly lower than the statutory federal rate as a result of percentage depletion in excess of basis and the tax effects of stock-based compensation, partially offset by state income taxes net of the federal benefit. Our quarterly income tax provisions are based on our reasonable estimates of income taxes payable at the end of the year. These estimates and our estimated interim effective tax rates may change significantly as additional financial results and amounts of capital spending become available during the year. In particular, our estimates of the utilization of excess percentage depletion, which is limited to 65% of actual taxable income, are subject to greater fluctuations between interim periods than other components of our tax provision.

There were neither unrecognized tax benefits nor any accrued interest or penalties associated with unrecognized tax benefits during any periods presented in the financial statements. We believe we have appropriate support for the income tax positions taken and to be taken on our tax returns and that the accruals for tax liabilities are adequate for all open years based on our assessment of various factors including past experience and interpretations of tax law applied to the facts of each matter. The Company's federal and state income tax returns are open to audit under the statute of limitations for the years ended June 30, 2014 through June 30, 2017 for federal tax purposes and for the years ended June 30, 2013 through June 30, 2017 for state tax purposes. To the extent we utilize net operating losses generated in earlier years, such earlier years may also be subject to audit.

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

Note 12 — Net Income Per Share

The following table sets forth the computation of basic and diluted income per share:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---------------------------------|--------------|-------------------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| <i>Numerator</i> | | | | |
| Net income available to common shareholders | \$ 9,876,848 | \$ 2,307,634 | \$ 12,017,380 | \$ 2,870,979 |
| <i>Denominator</i> | | | | |
| Weighted average number of common shares — Basic | 33,109,448 | 33,047,166 | 33,099,546 | 33,002,088 |
| Effect of dilutive securities: | | | | |
| Contingent restricted stock grants | 30,830 | 9,836 | 40,711 | 10,909 |
| Stock options | — | 26,025 | — | 24,272 |
| Weighted average number of common shares and dilutive potential common shares used in diluted EPS | 33,140,278 | 33,083,027 | 33,140,257 | 33,037,269 |
| Net income per common share — Basic | \$ 0.30 | \$ 0.07 | \$ 0.36 | \$ 0.09 |
| Net income per common share — Diluted | \$ 0.30 | \$ 0.07 | \$ 0.36 | \$ 0.09 |

Outstanding potentially dilutive securities as of December 31, 2017 were as follows:

| Outstanding Potentially Dilutive Securities | Weighted Average Exercise Price | At December 31, 2017 |
|---|---------------------------------|----------------------|
| Contingent Restricted Stock grants | — | 61,868 |

Outstanding potentially dilutive securities as of December 31, 2016 were as follows:

| Outstanding Potentially Dilutive Securities | Weighted Average Exercise Price | At December 31, 2016 |
|---|---------------------------------|----------------------|
| Contingent Restricted Stock grants | \$ — | 113,270 |
| Stock Options | 2.19 | 35,231 |
| Total outstanding potentially dilutive securities | \$ 0.52 | 148,501 |

Note 13 — Senior Secured Credit Agreement

On April 11, 2016, the Company entered into a three-year, senior secured reserve-based credit facility ("Facility") in an amount up to \$50 million. The Facility replaces the Company's previous unsecured credit facility which expired in April 2016. The borrowing base under the Facility has been set at \$10 million and was subsequently increased to \$40 million effective February 1, 2018. As of December 31, 2017, the Company was in compliance with all covenants contained in the Facility, and no amounts were outstanding under the Facility.

Borrowings from the Facility may be used for the acquisition and development of oil and gas properties and for letters of credit and other general corporate purposes. Availability of borrowings under the Facility is subject to semi-annual borrowing base redeterminations.

The Facility included a placement fee of 0.50% on the initial borrowing base, amounting to \$50,000, and carries a commitment fee of 0.25% per annum on the undrawn portion of the borrowing base. Any borrowings under the Facility will bear interest, at the Company's option, at either LIBOR plus 2.75% or the Prime Rate, as defined, plus 1.00%. The Facility contains financial covenants including a requirement that the Company maintain, as of the last day of each fiscal quarter, (a) a maximum total leverage ratio of not more than 3.00 to 1.00, (b) a debt service coverage ratio of not less than 1.10 to 1.00, and (c) a consolidated tangible net worth of not less than \$40 million, all as defined under the Facility.

Evolution Petroleum Corporation And Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

In connection with this agreement, the Company incurred \$168,972 of debt issuance costs. Such costs were capitalized in Other Assets and are being amortized to expense. The unamortized balance in debt issuance costs related to the Facility was \$70,334 as of December 31, 2017.

Note 14 — Commitments and Contingencies

We are subject to various claims and contingencies in the normal course of business. In addition, from time to time, we receive communications from government or regulatory agencies concerning investigations or allegations of noncompliance with laws or regulations in jurisdictions in which we operate. At a minimum we disclose such matters if we believe it is reasonably possible that a future event or events will confirm a loss through impairment of an asset or the incurrence of a liability. We accrue a loss if we believe it is probable that a future event or events will confirm a loss and we can reasonably estimate such loss and we do not accrue future legal costs related to that loss. Furthermore, we will disclose any matter that is unasserted if we consider it probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. We expense legal defense costs as they are incurred.

On December 3, 2013, our wholly owned subsidiary, NGS Sub Corp., was served with a lawsuit filed in the 8th Judicial District Court of Winn Parish, Louisiana by Cecil M. Brooks and Brandon Hawkins, residents of Louisiana, alleging that in 2006 a former subsidiary of NGS Sub Corp. improperly disposed of water from an off-lease well into a well located on the plaintiffs' lands in Winn Parish. The plaintiffs requested monetary damages and other relief. The plaintiffs subsequently filed an amended petition joining the Company as defendants in its capacity as parent company of NGS Sub Corp. NGS Sub Corp. divested its ownership of the property in question along with its ownership of the subsidiary in 2008 to a third party. NGS Sub Corp. and the Company have denied the plaintiffs' claims. The district court dismissed the claim of Mr. Brooks against NGS Sub Corp. and the Company because Mr. Brooks purchased the land where the well is located subsequent to the divestiture of the property by NGS Sub Corp. The claim of Mr. Hawkins is still being defended. A bench trial is currently scheduled for March 2018. We will continue to vigorously defend the claims and based on the input of our legal counsel, we consider the likelihood of a loss in this matter that is material to the financial position of the Company to be remote.

Lease Commitments. We have a non-cancelable operating lease for office space that expires on May 31, 2019. Future minimum lease commitments as of December 31, 2017 under this operating lease are as follows:

| Twelve months ended December 31, | | |
|---|----|--------|
| 2018 | \$ | 73,073 |
| 2019 (through May) | \$ | 30,447 |

Rent expense for the three months ended December 31, 2017 and 2016 was \$19,198 and \$18,569, respectively. Rent expense for the six months ended December 31, 2017 and 2016 was \$39,049 and \$53,425, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto contained herein and in our Annual Report on Form 10-K for the year ended June 30, 2017 (the "Form 10-K"), along with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Form 10-K. Any terms used but not defined herein have the same meaning given to them in the Form 10-K. Certain dollar amounts and percentages in this Management's Discussion and Analysis of Financial Condition and Results of Operations and other parts of this Quarterly Report on Form 10-Q have been rounded for presentation, and certain amounts may not sum due to rounding.

This Form 10-Q and the information referenced herein contain forward-looking statements within the meaning of the Private Securities Litigations Reform Act of 1995, Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934. The words "plan," "expect," "project," "estimate," "assume," "believe," "anticipate," "intend," "budget," "forecast," "predict" and other similar expressions are intended to identify forward-looking statements. These statements appear in a number of places and include statements regarding our plans, beliefs or current expectations, including the plans, beliefs and expectations of our officers and directors. When considering any forward-looking statement, you should keep in mind the risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include the timing and extent of changes in commodity prices for oil and natural gas, operating risks and other risk factors as described in our 2017 Annual Report on Form 10-K for the year ended June 30, 2017 as filed with the Securities and Exchange Commission. Furthermore, the assumptions that support our forward-looking statements are based upon information that is currently available and is subject to change. We specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages. All forward-looking statements attributable to Evolution Petroleum Corporation are expressly qualified in their entirety by this cautionary statement.

We use the terms, "EPM," "Company," "we," "us" and "our" to refer to Evolution Petroleum Corporation and its wholly owned subsidiaries.

Executive Overview

General

We are engaged primarily in the development and production of oil and gas reserves within known oil and gas resources utilizing conventional technology with a focus on creating value on a per share basis. In doing so, we depend on a capital structure with low or no leverage, allowing us to maintain control of our assets for the benefit of our stockholders. By policy, every employee and director maintains a beneficial ownership position in our common stock. We believe this ownership helps ensure that the interests of our employees and directors are aligned with our shareholders.

Our strategy is to maximize the value realized by our stockholders from our assets, particularly our core Delhi asset.

Highlights for our Second Quarter of Fiscal 2018 and Operations Update

"Current quarter" refers to the three months ended December 31, 2017, the Company's second quarter of fiscal 2018.

"Prior quarter" refers to the three months ended September 30, 2017, the Company's first quarter of fiscal 2018.

"Year-ago quarter" refers to the three months ended December 31, 2016, the Company's second quarter of fiscal 2017.

Highlights for the Quarter:

- We reported revenues of \$11.1 million for the current quarter, an increase of 30% over both the prior and year-ago quarters.
- Current quarter net income was \$9.9 million, or \$0.30 per common share, compared to net income of \$0.07 per common share in both the prior and year-ago quarters.

- Net income for the current quarter included a one-time \$6.0 million non-cash tax benefit related to passage of the Tax Cuts and Jobs Act of 2017.
- Our realized oil price for the current quarter was \$57.30 per barrel, the highest quarterly average since the quarter ended June 30, 2015.
- We paid our seventeenth consecutive quarterly cash dividend on common shares, in the amount of \$0.075 per share, and announced an increase in the quarterly dividend rate to \$0.10 per share for the quarter ending March 31, 2018.
- We ended the current quarter with \$27.6 million of working capital, an increase of \$3.2 million from the prior quarter, after paying \$2.5 million in common stock dividends.

Projects

Additional property and project information is included under Item 1. Business, Item 2. Properties, Notes to the Financial Statements and Exhibit 99.4 of our Form 10-K for the year ended June 30, 2017.

Delhi Field - Enhanced Oil Recovery Project

Our interests in the Delhi field consist of a 23.9% working interest (with associated 19.0% net revenue interest) and separate royalty interests of 7.2%. This yields a total net revenue interest of 26.2%.

Gross oil production at Delhi in the second quarter of fiscal 2018 averaged 7,370 barrels of oil per day ("BOPD"), or 1,932 BOPD net to our interests, a 6.6% increase from the prior quarter and a 2.8% decrease from the year-ago quarter. Oil production in the quarter increased as we put additional existing compression capacity in service and experimented with larger choke sizes to boost the injection of CO₂. We also had very few days of scheduled and unscheduled facility downtime compared to the prior quarter. Lastly, we benefited from lower air temperatures, after the high heat of the summer adversely effected production levels.

Gross natural gas liquid ("NGL") sales for this quarter of production were 1,079 barrels of oil equivalent per day ("BOEPD"), or 283 BOEPD net to our interests, up slightly from 1,047 BOEPD in the prior quarter. NGL production rates in the prior quarter were impacted by both planned and unplanned downtime in the field and at the central production facilities. In early August, the plant was shut-in for four days to perform capital upgrades to the inlet of the recycle facility. Results from the NGL plant subsequent to completion of this project have been positive, with the plant operating at or near maximum capacity and efficiency. The NGL plant is accomplishing its primary objective of removing the lighter hydrocarbons (i.e. methane and ethane) to increase the purity of the CO₂ recycle stream and improve the efficiency of the flood. Over time, this is expected to increase the recovery of crude oil in the field. The plant is also producing significant quantities of higher value NGL's for sale as well as providing methane and ethane feedstock to power the electric turbine.

Production from the NGL plant is transported by truck to a processing plant in East Texas. Under our current marketing contract, we receive market index pricing for each NGL component, based on the processed yield, less transportation and processing fees. There may also be an adjustment for NGL's that do not meet the purchaser's required specifications. The current mix of products contains a large percentage (over 65%) of higher value NGL's, such as pentanes and butane, and almost no lower value ethane. Market pricing for our NGL's during the past two quarters has been favorable, with net realized NGL prices averaging approximately 60% of WTI prices. NGL demand often has a seasonal pattern and prices tend to be higher during the cooler months of October through March.

During the extreme cold of January 2018, we experienced two weather-related disruptions to production in the field, including an extended outage at the NGL plant. These issues have been remedied and the field and NGL plant are producing at normal capacity.

Field operating expenses were \$14.30 per barrel of oil equivalent ("BOE") in the current quarter compared to \$15.06 in the prior quarter. Our total lease operating expenses in the Delhi field were \$2.9 million in the current quarter, essentially unchanged from the prior quarter, and \$0.6 million over the year-ago quarter. Our purchased CO₂ costs increased to \$1.3 million (\$6.21 per BOE) from \$1.1 million (\$5.67 per BOE) in the prior quarter. Purchased CO₂ volumes were approximately the same in the two periods, but our costs per Mcf increased as a result of higher realized oil prices in the field, which are directly tied to the price per Mcf for purchased CO₂. Under our contract with the operator, purchased CO₂ is priced at 1% of the realized oil price in the field per thousand cubic feet ("Mcf") plus sales taxes of 8% and transportation costs of \$0.20 per Mcf. Our other lease operating costs were \$1.6 million, down from \$1.8 million in the prior quarter.

2017 Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation under the title of the Tax Cuts and Jobs Act ("Tax Act"). The Tax Act includes a permanent reduction in our federal corporate income tax rate from 34% to 21%. It also provides more favorable tax deductions associated with capital investments and other significant changes to tax law. The Tax Act became effective upon passage, so our statutory rate for the current fiscal year ended June 30, 2018 is a blended rate of 27.55%. The permanent reduction in the federal corporate income tax rate resulted in a one-time non-cash income tax benefit of approximately \$6.0 million related to the adjustment of our liability for deferred income taxes to the lower rate in the Tax Act. The accounting for the effects of the rate change on the Company's deferred tax balances is complete and no provisional amounts were recorded.

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|------------------------------------|------------------------------------|-----------|----------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Income before income taxes | 4,824,637 | 3,668,731 | 7,355,491 | 6,374,682 |
| Income tax (benefit) provision (a) | (5,052,211) | 1,361,097 | (4,661,889) | 2,250,273 |
| Effective tax rate (a) | (105)% | 37% | (63)% | 35% |

(a) The income tax provision for the three months and six months ended December 31, 2017 includes a one-time non-cash benefit of approximately \$6.0 million for the adjustment of our liability for deferred income taxes to the lower rate in the Tax Act. This adjustment results in a negative effective tax rate (benefit) for these periods.

Income taxes are recorded in our financial statements based on our estimated annual effective income tax rate. The effective rates used in the calculation of our income tax expense were approximately 21% and 37% for the three months ended December 31, 2017 and 2016, respectively. Including the adjustment for the \$6.0 million discrete benefit resulting from the revaluation of our deferred income tax liabilities, the effective rate for the quarter ended December 31, 2017 was a tax benefit of (105)% of income before income taxes.

For the six months ended December 31, 2017 and 2016 the effective rates used in the calculation of our income tax expense were approximately 20% and 35%, respectively. Including the adjustment for the \$6.0 million discrete benefit resulting from the revaluation of our deferred income tax liabilities, the effective rate for the six months ended December 31, 2017 was a tax benefit of (63)% of income before income taxes.

Excluding the impact of the \$6.0 million deferred tax adjustment, the effective tax rates for the three months and six months ended December 31, 2017 were lower than the corresponding prior periods as a result of the lower statutory tax rate and higher utilization of percentage depletion in excess of basis during the current year.

Liquidity and Capital Resources

We had \$25.7 million and \$23.0 million in cash and cash equivalents at December 31, 2017 and June 30, 2017, respectively.

In addition, we have a senior secured reserve-based credit facility (the "Facility") with a maximum capacity of \$50.0 million. The Facility had \$10.0 million of borrowing base availability on December 31, 2017 and June 30, 2017, respectively. Effective February 1, 2018, the borrowing base and availability under the Facility was expanded to \$40.0 million. There have been no borrowings under the Facility, which matures on April 11, 2019 and is secured by substantially all of the Company's assets.

Any future borrowings bear interest, at the Company's option, at either LIBOR plus 2.75% or the Prime Rate, as defined, plus 1.0%. The Facility contains covenants that require the maintenance of (i) a total leverage ratio of not more than 3.0 to 1.0, (ii) a debt service coverage ratio of not less than 1.1 to 1.0 and (iii) a consolidated tangible net worth of not less than \$40 million, each as defined in the Facility. The Facility also contains other affirmative and negative covenants and events of default. As of December 31, 2017, the Company was in compliance with all covenants contained in the Facility.

During the six months ended December 31, 2017, we funded our operations and cash dividends with cash generated from operations and our cash balance increased \$2.7 million during that period. As of December 31, 2017, our working capital was \$27.6 million, an increase of \$4.2 million over working capital of \$23.4 million at June 30, 2017.

We have historically funded our operations through cash from operations and working capital. Our primary source of cash is the sale of oil and natural gas liquids production. A portion of these cash flows are used to fund our capital expenditures. While we expect to continue to expend capital to further develop the Delhi field, we and the operator have flexibility as to when this capital is spent. The Company expects to manage future development activities in the Delhi field within the boundaries of its operating cash flow and existing working capital.

We may choose to evaluate and pursue new growth opportunities through acquisitions or other transactions. We have access to at least \$40 million of availability under our senior secured credit facility if required. In addition we have an effective shelf registration statement with Securities and Exchange Commission under which we may issue new debt or equity securities. If we choose to pursue new growth opportunities, we would expect to use our internal resources of cash, working capital and borrowing capacity under our credit facility. It may also be advantageous for us to consider issuing additional equity as part of any potential transaction, but we have no specific plans to do so at this time.

Our other significant use of cash is our on-going dividend program. The Board of Directors instituted a cash dividend on our common stock in December 2013 and we have since paid seventeen consecutive quarterly dividends. Distribution of free cash flow in excess of our operating and capital requirements through cash dividends and potential repurchases of our common stock remains a priority of our financial strategy, and it is our long term goal to increase our dividends over time as appropriate. In February 2018, the Board declared an increase in the quarterly common stock dividend from \$0.075 per share to \$0.10 per share, effective with the dividend payment in March 2018. The Board reviews the quarterly dividend rate in light of our financial position and operations, forecasted results, including the outlook for oil and NGL prices, the timing of further expansion of Delhi development and other potential growth opportunities.

Capital Budget - Delhi Field

During the six months ended December 31, 2017, we incurred \$1.4 million of capital expenditures at Delhi. This spending included \$0.4 million for capital upgrades to the recycle plant, \$0.5 million for Phase V infrastructure, \$0.4 million for CO₂ conformance projects and \$0.1 million for other capital expenditures.

A twelve-well infill drilling program in the Delhi field has been approved and is planned to commence during the quarter ended March 31, 2018. The infill program has a revised estimated net cost of \$4.7 million, the majority of which is expected to be incurred in the remainder of the current fiscal year. The program consists of five new CO₂ injection wells and seven new production wells and targets productive oil zones which we believe are not being swept effectively by the current CO₂ flood. It is expected to both add production and increase ultimate recoveries above the current developed producing oil reserves. The operator estimates it will take up to five months to drill and complete all the wells.

We have also approved additional net capital expenditures for fiscal 2018 totaling \$2.8 million for water injection, flowlines and other infrastructure projects in preparation for the Phase V pattern development. Approximately \$0.5 million of these costs have been incurred as of December 31, 2017. In addition, we expect to continue to perform conformance workover projects and will likely incur additional maintenance capital expenditures. Such amounts cannot be estimated accurately at this time, but are not expected to be material to our financial position.

Funding for our anticipated capital expenditures at Delhi over the next fiscal year is expected to be met from cash flows from operations and current working capital.

Overview of Cash Flow Activities

Net cash provided by operating activities from operations was \$9.1 million and \$5.9 million for the six months ended December 31, 2017 and 2016, respectively. The \$3.2 million increase in cash provided by operations between these two periods resulted from \$7.9 million of higher net income and a \$1.2 million increase in cash provided by operating assets and liabilities, partially offset by a \$5.9 million decrease in non-cash expenses and other adjustments to reconcile net income to net cash provided by operations. This decrease includes a \$6.0 million one-time adjustment of our deferred income tax liability to the lower corporate tax rate under the 2017 Tax Cuts and Jobs Act.

Net cash used in investing activities was \$1.0 million and \$8.3 million for the six months ended December 31, 2017 and 2016, respectively. The decrease in cash outflows was primarily due to \$7.0 million of lower capital expenditures together with a \$0.3 million decline in derivative settlement payments.

Net cash used by financing activities for the six months ended December 31, 2017 and 2016 was \$5.4 million and \$12.4 million, respectively. The \$7.1 million decrease in cash used was principally due to \$7.9 million disbursed in the prior fiscal to redeem our preferred stock, \$0.3 million of pre-redemption preferred dividend payments, and a \$0.1 million decline in treasury stock purchases, partially offset by an increase of \$1.2 million in common share dividends paid as a result of increases in dividend rates per share.

Full Cost Pool Ceiling Test and Proved Undeveloped Reserves

As of December 31, 2017, our capitalized costs of oil and gas properties were substantially below the full cost valuation ceiling. We do not currently expect that a write-down of capitalized oil and gas property costs will be required in the remaining quarters of fiscal 2018. However, persistent and substantially lower oil prices would have an effect on the excess, or cushion, of our valuation ceiling over our capitalized costs in the current quarter and could adversely impact our ceiling tests in future quarters. Under the full cost method of accounting, capitalized costs of oil and gas properties, net of accumulated DD&A and related deferred taxes, are limited to (the full cost valuation “ceiling”): the estimated future net cash flows from proved oil and gas reserves, discounted at 10%; plus the cost of any properties not being amortized; plus the lower of cost or fair value of unproved properties included in costs being amortized; less the income tax effect related to the differences between the book and tax basis of the properties. If capitalized costs exceed the full cost ceiling, the excess would be charged to expense as a write-down of oil and gas properties in the quarter in which the excess occurred. The quarterly ceiling test calculation requires that we use the average price received for our petroleum products during the twelve month period ending with the balance sheet date. If commodity prices drop below the average from the past twelve months, future ceiling test calculations would be adversely affected. We cannot give assurance that a write-down of capitalized oil and gas properties will not be required in the future.

Our proved undeveloped reserves at June 30, 2017 included 544 MBOE of reserves and \$3.2 million of future development costs associated with a planned infill drilling program and 1,564 MBOE of reserves and \$10.9 million of future development costs associated with the Phase V development in the eastern portion of the field. The objective of the infill drilling program is to increase production and recover reserves which are not believed to be effectively producible with the existing well configuration. The project includes both acceleration of production and an increase in ultimate reserve recovery and has been recorded as a proved undeveloped project. The infill project, which was increased from eight wells to twelve wells subsequent to the date of the reserve report, is expected to begin in the third quarter of fiscal 2018. The timing of our Phase V development is dependent in part on the results and CO₂ requirement of the infill program. At present, we expect to begin this development in calendar 2019.

Three Months Ended December 31, 2017 and 2016

The following table sets forth certain financial information with respect to our oil and natural gas operations:

| | <u>Three Months Ended December 31,</u> | | Variance | Variance % |
|---|--|--------------|-----------------|-------------------|
| | <u>2017</u> | <u>2016</u> | | |
| Oil and gas production: | | | | |
| Crude oil revenues | \$ 10,185,635 | \$ 8,529,817 | \$ 1,655,818 | 19.4 % |
| NGL revenues | 881,276 | — | 881,276 | n.m. |
| Total revenues | \$ 11,066,911 | \$ 8,529,817 | \$ 2,537,094 | 29.7 % |
| Crude oil volumes (Bbl) | 177,767 | 182,815 | (5,048) | (2.8)% |
| NGL volumes (Bbl) | 26,033 | — | 26,033 | n.m. |
| Equivalent volumes (BOE) | 203,800 | 182,815 | 20,985 | 11.5 % |
| Crude oil (BOPD, net) | 1,932 | 1,987 | (55) | (2.8)% |
| NGLs (BOEPD, net) | 283 | — | 283 | n.m. |
| Equivalent volumes (BOEPD, net) | 2,215 | 1,987 | 228 | 11.5 % |
| Crude oil price per Bbl | \$ 57.30 | \$ 46.66 | \$ 10.64 | 22.8 % |
| NGL price per Bbl | 33.85 | — | 33.85 | n.m. |
| Equivalent price per BOE | \$ 54.30 | \$ 46.66 | \$ 7.64 | 16.4 % |
| CO ₂ costs | \$ 1,265,582 | \$ 1,041,741 | \$ 223,841 | 21.5 % |
| All other lease operating expenses | 1,648,930 | 1,250,680 | 398,250 | 31.8 % |
| Production costs | \$ 2,914,512 | \$ 2,292,421 | \$ 622,091 | 27.1 % |
| Production costs per BOE | \$ 14.30 | \$ 12.54 | \$ 1.76 | 14.0 % |
| CO ₂ volumes (MMcf per day, gross) | 69.7 | 67.0 | 2.7 | 4.0 % |
| Oil and gas DD&A (a) | \$ 1,626,324 | \$ 1,299,813 | \$ 326,511 | 25.1 % |
| Oil and gas DD&A per BOE | \$ 7.98 | \$ 7.11 | \$ 0.87 | 12.2 % |

n.m. Not meaningful.

(a) Excludes \$7,544 and \$7,697 of other depreciation and amortization expense for the three months ended December 31, 2017 and 2016, respectively.

Net Income Available to Common Stockholders. During the three months ended December 31, 2017, we generated net income of \$9.9 million, or \$0.30 per diluted share, on total revenues of \$11.1 million. This compares to net income of \$2.3 million, or \$0.07 per diluted share, on revenues of \$8.5 million for the year-ago quarter. The \$7.6 million earnings increase reflects a \$2.5 million revenue increase, a \$6.4 million decline in income taxes primarily attributable to the impact of the 2017 Tax Cuts and Jobs Act, partially offset by \$1.4 million of higher operating expenses.

Oil and Gas Revenues. Revenues increased 30% to \$11.1 million as a result of a 11.5% increase in production volumes from the year-ago quarter, together with a 16% increase in realized oil and NGL prices from \$46.66 per equivalent barrel to \$54.30 per equivalent barrel in the current quarter. All of our revenues for the current and year-ago quarters came from the Delhi field. Net Delhi oil production volumes of 1,932 BOPD decreased 55 BOPD from the year-ago quarter, as a number of highly successful conformance and production enhancement operations in the prior year stabilized at lower rates in the current quarter. Net NGL production averaged 283 BOEPD in the current quarter, at an average sales price of \$33.85 per barrel. There were no NGL sales in the year-ago quarter as NGL plant production began in January 2017.

Production Costs. Production costs for the current quarter were \$2.9 million, a \$0.6 million, or 27%, increase from the year-ago quarter, primarily due to higher CO₂ costs and the incremental operating costs of the NGL plant that commenced operations in January 2017. CO₂ costs increased \$0.2 million, or 21%, due to a higher purchase cost per Mcf, which is derived from the realized field oil price, together with 4% increase in purchase volumes. Average gross purchased CO₂ volumes increased from 67.0 MMcf per day in the year-ago quarter to 69.7 MMcf per day for the current quarter. Other production costs, which include incremental costs of the NGL plant, power, chemicals, repairs and maintenance, labor and overhead, increased \$0.4 million, or 32%, from the year-ago quarter. Virtually all of this increase was attributable to the NGL plant. Production costs per equivalent barrel in the current quarter were \$14.30 per BOE on total production volumes, compared to \$15.06 per BOE in the year-ago quarter.

Calculated solely on our Delhi working interest volumes, production costs were \$18.75 per BOE, of which \$8.55 per BOE was CO₂ cost. These costs per equivalent barrel exclude production volumes from our royalty interests in the Delhi field, which bear almost no production costs, and are therefore higher than the rates per barrel on our total production volumes.

General and Administrative Expenses (“G&A”). G&A expenses increased \$0.4 million, or 34%, to \$1.7 million for the three months ended December 31, 2017 as a result of \$0.2 million of higher non-cash stock compensation expense, \$0.1 million for litigation costs and \$0.1 million for due diligence costs associated with property evaluations.

Depreciation, Depletion & Amortization Expense (“DD&A”). DD&A increased \$0.3 million, or 25%, to \$1.6 million for the current quarter compared to the year-ago period primarily as a result of higher full cost amortization, reflecting an 11% increase in production to 203,800 BOE, together with a 12% higher amortization rate of \$7.98 per BOE. The higher rate is principally due to increased development costs.

Six Months Ended December 31, 2017 and 2016

The following table sets forth certain financial information with respect to our oil and natural gas operations:

| | Six Months Ended December 31, | | Variance | Variance % |
|---|--------------------------------------|---------------|-----------------|-------------------|
| | 2017 | 2016 | | |
| Oil and gas production: | | | | |
| Crude oil revenues | \$ 18,014,890 | \$ 16,123,672 | \$ 1,891,218 | 11.7 % |
| NGL revenues | 1,589,892 | 89 | 1,589,803 | n.m. |
| Natural gas revenues | — | (4) | 4 | n.m. |
| Total revenues | \$ 19,604,782 | \$ 16,123,757 | \$ 3,481,025 | 21.6 % |
| | | | | |
| Crude oil volumes (Bbl) | 344,504 | 360,817 | (16,313) | (4.5)% |
| NGL volumes (Bbl) | 51,279 | 4 | 51,275 | n.m. |
| Natural gas volumes (Mcf) | — | 16 | (16) | n.m. |
| Equivalent volumes (BOE) | 395,783 | 360,824 | 34,959 | 9.7 % |
| | | | | |
| Crude oil (BOPD, net) | 1,872 | 1,961 | (89) | (4.5)% |
| NGLs (BOEPD, net) | 279 | — | 279 | n.m. |
| Natural gas (BOEPD, net) | — | — | — | n.m. |
| Equivalent volumes (BOEPD, net) | 2,151 | 1,961 | 190 | 9.7 % |
| | | | | |
| Crude oil price per Bbl | \$ 52.29 | \$ 44.69 | \$ 7.60 | 17.0 % |
| NGL price per Bbl | 31.00 | 22.25 | 8.75 | 39.3 % |
| Natural gas price per Mcf | — | (0.25) | 0.25 | n.m. |
| Equivalent price per BOE | \$ 49.53 | \$ 44.69 | \$ 4.84 | 10.8 % |
| | | | | |
| CO ₂ costs | \$ 2,353,843 | \$ 2,119,874 | \$ 233,969 | 11.0 % |
| All other lease operating expenses | 3,452,255 | 2,517,188 | 935,067 | 37.1 % |
| Production costs | \$ 5,806,098 | \$ 4,637,062 | \$ 1,169,036 | 25.2 % |
| Production costs per BOE | \$ 14.67 | \$ 12.85 | \$ 1.82 | 14.2 % |
| | | | | |
| CO ₂ volumes (MMcf per day, gross) | 69.5 | 70.4 | (0.9) | (1.3)% |
| | | | | |
| Oil and gas DD&A (a) | \$ 3,137,205 | \$ 2,565,450 | \$ 571,755 | 22.3 % |
| Oil and gas DD&A per BOE | \$ 7.93 | \$ 7.11 | \$ 0.82 | 11.5 % |

n.m. Not meaningful.

(a) Excludes \$15,206 and \$15,499 of other depreciation and amortization expense for the six months ended December 31, 2017 and 2016, respectively.

Net Income Available to Common Stockholders. During the six months ended December 31, 2017, we generated net income of \$12.0 million, or \$0.36 per diluted share, on total revenues of \$19.6 million. This compares to net income of \$2.9 million, or \$0.09 per diluted share, on revenues of \$16.1 million for the six months ended December 31, 2016. The \$9.1 million earnings increase reflects higher revenues of \$3.5 million, an income tax decrease of \$6.9 million primarily attributable to the impact of Tax Cuts and Jobs Act, and a \$1.2 million decrease in allocated net income to holders of preferred shares retired in November 2016, partially offset by \$2.5 million of higher operating expenses.

Oil and Gas Revenues. Revenues increased 22% to \$19.6 million as a result of a 10% increase in production volumes over the prior year period, together with a 11% increase in realized prices from \$44.69 per equivalent barrel to \$49.53 per equivalent barrel. All of our revenues in the current fiscal year came from the Delhi field, as well as virtually all of our revenues from the prior year. Net Delhi oil production volumes of 1,872 BOPD decreased 89 BOPD from the prior year period. Net NGL production averaged 279 BOEPD, at an average price of \$31.00 per barrel. There were no NGL sales in the year-ago period as NGL plant production began in January 2017.

Production Costs. Production costs for the current year period were \$5.8 million, a \$1.2 million, or 25%, increase from the same period a year ago, primarily due to higher CO₂ costs and the incremental operating costs of the NGL plant that commenced operations in January 2017. CO₂ costs increased \$0.2 million, or 11%, due to higher purchase cost per Mcf, which is derived from the realized field oil price, partially offset by a slight 1% decline in purchase volumes. Average gross purchased CO₂ volumes decreased from 70.4 MMcf per day in the year-ago period to 69.5 MMcf per day for the current year. Other production costs, which include incremental costs of the NGL plant, power, chemicals, repairs and maintenance, labor and overhead, increased \$0.9 million, or 37%, from the year-ago period. Virtually all of this increase was attributable to the NGL plant. Production costs per equivalent barrel in the current period were \$14.67 per BOE on total production volumes, compared to \$12.85 in the prior year period.

Calculated solely on our Delhi working interest volumes, production costs were \$19.24 per BOE, of which \$8.19 per BOE was CO₂ cost. These costs per equivalent barrel exclude production volumes from our royalty interests in the Delhi field, which bear almost no production costs, and are therefore higher than the rates per barrel on our total production volumes.

General and Administrative Expenses (“G&A”). G&A expenses increased \$0.8 million, or 31%, to \$3.2 million for the six months ended December 31, 2017. The increase in expense included \$0.4 million of non-cash stock-based compensation expense, \$0.1 million of severance costs, \$0.1 million of litigation expense, \$0.1 million of due diligence costs associated with property evaluations, and \$0.1 million of higher board of director expenses.

Depreciation, Depletion & Amortization Expense (“DD&A”). DD&A increased \$0.6 million, or 22%, to \$3.2 million for the current period compared to the year-ago period primarily due to higher full cost amortization, reflecting a 10% increase in production to 395,783 BOE, together with a 12% higher amortization rate of \$7.93 per BOE. The higher rate is principally due to increased development costs.

Other Economic Factors

Inflation. Although the general inflation rate in the United States, as measured by the Consumer Price Index and the Producer Price Index, has been relatively low in recent years, the oil and gas industry has experienced unusually volatile price movements in commodity prices, vendor goods and oilfield services. Prices for drilling and oilfield services, oilfield equipment, tubulars, labor, expertise and other services impact our lease operating expenses and our capital expenditures. During fiscal 2018 to date, we have seen a firming of prices for operating and capital costs as a result of improving demand and a closer balance with the supply of goods and services in the industry. Product prices, operating costs and development costs may not always move in tandem.

Known Trends and Uncertainties. General worldwide economic conditions, as well as economic conditions for the oil and gas industry specifically, continue to be uncertain and volatile. Concerns over uncertain future economic growth are affecting numerous industries and companies, as well as consumers, which impact demand for crude oil and natural gas. If the supply of crude oil and natural gas exceeds demand in the future, it may put downward pressure on crude oil and natural gas prices, thereby lowering our revenues, profits, cash flow and working capital going forward. While we realized higher average oil prices in the quarter than any period since the quarter ended June 30, 2015, there can be no assurance that such prices will continue to prevail or trend upward.

Seasonality. Our business is generally not directly seasonal, except for instances when weather conditions may adversely affect access to our properties or delivery of our petroleum products. Although we do not generally modify our production for changes in market demand, we do occasionally experience seasonality in the product prices we receive, driven by summer cooling and driving, winter heating, and extremes in seasonal weather, including hurricanes. We have also experienced adverse impacts on our production from very high summer temperatures and extremely cold winter weather.

Off Balance Sheet Arrangements

The Company had no off-balance sheet arrangements to report for the quarter ended December 31, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Information about market risks for the three months ended December 31, 2017, did not change materially from the disclosures in Item 7A of our Annual Report on Form 10-K for the year ended June 30, 2017.

Commodity Price Risk

Our most significant market risk is the pricing for crude oil and NGL's. We expect energy prices to remain volatile and unpredictable. If energy prices decline significantly, our revenues and cash flow would significantly decline. In addition, a non-cash write-down of our oil and gas properties could be required under full cost accounting rules if future oil and gas commodity prices sustained a significant decline. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow and raise additional capital, as, if and when needed. We may use derivative instruments to manage our exposure to commodity price risk from time to time based on our assessment of such risk.

Interest Rate Risk

We currently have only a small exposure to changes in interest rates. Changes in interest rates affect the interest earned on our cash and cash equivalents. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to this Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

As required by Securities and Exchange Commission Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(c) and 15d-15(e)) as of the end of the quarter covered by this report. In designing and evaluating our disclosure controls and procedures, our management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2017 our disclosure controls and procedures are effective in ensuring that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, during the quarter ended December 31, 2017, we have determined there has been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

We are involved in certain legal proceedings that are described in our Annual Report on Form 10-K for the year ended June 30, 2017 in Part I. Item 3. "Legal Proceedings" and Note 18 — *Commitments and Contingencies* under Part II. Item 8. "Financial Statements." Material developments in the status of those proceedings during the quarter ended December 31, 2017 are described in Part I. Item 1. "Financial Information" under Note 14 — *Commitments and Contingencies* in this Quarterly Report and incorporated herein by reference. We believe that the ultimate liability, if any, with respect to these claims and legal actions will not have a material effect on our financial position.

ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the year ended June 30, 2017 includes a detailed description of our risk factors. There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended June 30, 2017.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended December 31, 2017, the Company did not sell any equity securities that were not registered under the Securities Act.

Issuer Purchases of Equity Securities

During the quarter ended December 31, 2017, the Company received shares of common stock from employees of the Company to pay their share of payroll taxes arising from vestings of restricted stock and contingent restricted stock. During this quarter, the Company did not purchase any common stock in the open market under the previously announced share repurchase program. The table below summarizes information about the Company's purchases of its equity securities during the quarter ended December 31, 2017.

| Period | (a) Total Number of Shares Purchased (1) | (b) Average Price Paid per Share(1) | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2) | (d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2) |
|---------------|--|-------------------------------------|--|--|
| October 2017 | 2,471 | \$7.03 | Not applicable | \$3.4 million |
| November 2017 | 29,001 | \$7.20 | Not applicable | \$3.4 million |
| December 2017 | 8,262 | \$7.10 | Not applicable | \$3.4 million |
| Total | 39,734 | \$7.17 | Not applicable | \$3.4 million |

(1) During the current quarter the Company received shares of common stock from certain of its employees which were surrendered in exchange for their payroll tax liabilities arising from vestings of restricted stock and contingent restricted stock. The acquisition cost per share reflects the weighted-average market price of the Company's shares on the dates vested.

(2) On May 12, 2015, the Board of Directors approved a share repurchase program covering up to \$5 million of the Company's common stock. Under the program's terms, shares may be repurchased only on the open market and in accordance with the requirements of the Securities and Exchange Commission. The timing and amount of repurchases will depend upon several factors, including financial resources and market and business conditions. There is no fixed termination date for this repurchase program, and the repurchase program may be suspended or discontinued at any time. Such shares are initially recorded as treasury stock, then subsequently canceled.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

A. Exhibits

| | |
|---------|---|
| 4.1 | Form of Restricted Stock Agreement under 2016 Equity Incentive Plan (filed herein) |
| 4.2 | Form of Contingent Restricted Stock Agreement under 2016 Equity Incentive Plan (filed herein) |
| 10.1 | Second Amendment to Credit Agreement and Assumption Agreement to Credit Agreement dated April 11, 2016, between Evolution Petroleum Corporation and Midfirst Bank effective February 1, 2018 (filed herein) |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EVOLUTION PETROLEUM CORPORATION
(Registrant)

By: /s/ RANDALL D. KEYS
Randall D. Keys
President and Chief Executive Officer

Date: February 8, 2018

**RESTRICTED STOCK GRANT AGREEMENT
SUMMARY OF STOCK GRANT**

By the signature of the Company’s representative on the signature page, the Company is hereby granting you shares of common stock subject to the terms and conditions of the Evolution Petroleum Corporation 2016 Equity Incentive Plan, which has been provided to you, and the Restricted Stock Grant Agreement, which is attached to and made a part of this document.

Name of Transferee:

Total Number of Transferred Shares:

Sales Price per Share: None (Compensation for Services)

Fair Market Value per Share on Date of Grant:

Termination of Vesting Period

Date of Transfer:

Vesting Provisions: See below

a) As to _____ shares, vesting shall occur if...

If vesting has not occurred as of _____, this Agreement will be terminated and no further vesting may occur. However, if audited results for the fiscal year ended _____ are not available by that date, the vesting period for shares that are dependent on such audited results shall be extended until such audited results are available.

**EVOLUTION PETROLEUM CORPORATION
2016 EQUITY INCENTIVE PLAN
RESTRICTED STOCK GRANT AGREEMENT**

Section 1. Acquisition of Shares

(a) **Transfer.** On the terms and conditions set forth in the Summary of Stock Grant and this Agreement, the Company will sell to the Transferee, and the Transferee agrees to purchase, the number of Shares set forth in the Summary of Stock Grant at the Sale Price, as set forth above. The transfer shall occur at the offices of the Company on the Date of Transfer set forth in the Summary of Stock Grant or at such other place and time as the parties may agree.

(b) **Consideration.** The Transferee and the Company agree that the Transferred Shares are being issued to the Transferee at the Sale Price Per Share, as set forth in the Summary of Stock Grant, as consideration for the services performed as an Employee, Outside Director or Consultant of the Company.

(c) **Stock Plan and Defined Terms.** The transfer of the Transferred Shares is subject to the Plan, a copy of which the Transferee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 16 of this Agreement. Capitalized terms not defined herein shall have the meaning given such terms in the Plan.

Section 2. Forfeiture Condition

(a) **Scope of Forfeiture Condition.** All Transferred Shares initially shall be Restricted Shares and shall be subject to forfeiture to the Company. The Transferee shall not transfer, assign, encumber or otherwise dispose of any Restricted Shares without the Company's written consent, except as provided in the following sentence. The Transferee may transfer Restricted Shares to one or more members of the Transferee's Immediate Family or to a family limited partnership for the benefit of the Transferee's Immediate Family or to a trust established by the Transferee for the benefit of the Transferee and/or one or more members of the Transferee's Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Transferee transfers any Restricted Shares, then this Agreement shall apply to the Subsequent Transferee to the same extent as to the Transferee.

(b) **Vesting.** The Forfeiture Condition shall lapse and the Restricted Shares shall become vested in accordance with the vesting schedule set forth in the Summary of Stock Grant. With regard to shares that do not vest on annual anniversaries of the Date of Transfer, such shares shall vest on the date of the first meeting of the Company's Board of Directors immediately following the occurrence of the applicable vesting provision, after verification by the Board of Directors. The Administrator may, at its sole discretion, accelerate the vesting and waive the Forfeiture Condition, at any time.

(c) **Accelerated Vesting.** In addition to the terms of the Plan, the Company hereby agrees that all or part of the Restricted Shares shall vest prior to their original vesting terms at the time or times set forth below:

(i) If the Company is subject to a Change in Control (as defined below in this Agreement and not as defined in the Plan) before the Transferee's employment terminates, the Restricted Shares shall vest (1) in full, immediately prior to the Change in Control, if and only if the surviving corporation or its parent acquires 100% of the outstanding common stock of the Company or the substantial assets of the Company and the common stock ceases to be publicly traded after the Change in Control; (2) in full if Transferee is subject to an Involuntary Termination (defined below) within 12 months after the Change in Control; or (3) in all other circumstances, in whole or part, subject to policies and discretion of the Board of Directors of the Company. All other terms and conditions shall remain unchanged.

(ii) In the event of any death or Own Occupation Disability of Transferee, the Transferred Shares shall vest.

(d) **Execution of Forfeiture.** In the event that the Transferee is not serving as an Employee, Director or Outside Director or Consultant of the Company and any portion of the Transferred Shares have not vested, the certificate(s) representing any remaining Restricted Shares (i.e. the unvested shares) shall be delivered to the Company properly endorsed for transfer. The

Company shall make no payment for Restricted Shares that are forfeited. For purposes of this provision, the vesting period shall not include the time required for verification of vesting by the Board of Directors at a meeting subsequent to the vesting date.

(e) Additional Shares or Substituted Securities. In the event of the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Restricted Shares or into which such Restricted Shares thereby become convertible shall immediately be subject to the Forfeiture Condition. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the Restricted Shares.

(f) Termination of Rights as Stockholder. If Restricted Shares are forfeited in accordance with this Section 2, then the person who is to forfeit such Restricted Shares shall no longer have any rights as a holder of such Restricted Shares. Such Restricted Shares shall be deemed to have been forfeited in accordance with the applicable provisions hereof, whether or not the certificate(s) therefore have been delivered as required by this Agreement.

(g) Escrow. Upon issuance, the certificates for Restricted Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any new, substituted or additional securities or other property described in Subsection (e) above shall immediately be delivered to the Company to be held in escrow, but only to the extent the Transferred Shares are at the time Restricted Shares. All regular cash dividends on Restricted Shares (or other securities at the time held in escrow) shall be paid directly to the Transferee and shall not be held in escrow. Restricted Shares, together with any other assets or securities held in escrow hereunder, shall be (i) surrendered to the Company for forfeiture and cancellation in the event that the Forfeiture Condition applies or (ii) released to the Transferee upon the Transferee's request to the extent the Transferred Shares are no longer Restricted Shares. In any event, all Transferred Shares that have vested (and any other vested assets and securities attributable thereto) shall be released within 60 days after the termination of the Transferee's Service.

Section 3. Other Restrictions on Transfer

(a) Transferee Representations. In connection with the issuance and acquisition of Shares under this Agreement, the Transferee hereby represents and warrants to the Company as follows:

(i) The Transferee understands that the Transferred Shares have been registered under the Securities Act of 1933, as amended (the "Securities Act") pursuant to a Form S-8, and Transferee acknowledges receipt of the Plan and a prospectus under such Form S-8.

(ii) The Transferee will not sell, transfer or otherwise dispose of the Transferred Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder, including Rule 144 under the Securities Act. The Transferee agrees that he or she will not dispose of the Transferred Shares unless and until he or she has complied with all requirements of this Agreement applicable to the disposition of Transferred Shares and he or she has provided the Company with written assurances, in substance and form satisfactory to the Company, that (A) the proposed disposition does not require registration of the Transferred Shares under the Securities Act or all appropriate action necessary for compliance with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken and (B) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Transferred Shares under applicable state law.

(b) Securities Law Restrictions. Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of the Transferred Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any state or any other law.

(c) Rights of the Company. The Company shall not be required to (i) transfer on its books any Transferred Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Transferred Shares, or otherwise to accord voting, dividend or liquidation rights to, any Subsequent Transferee to whom Transferred Shares have been transferred in contravention of this Agreement.

Section 4. Successors and Assigns

Except as otherwise expressly provided to the contrary, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and be binding upon the Transferee and the Transferee's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person has become a party to this Agreement or has agreed in writing to join herein and to be bound by the terms, conditions and restrictions hereof.

Section 5. No Retention Rights

Nothing in this Agreement or in the Plan shall confer upon the Transferee any right to continue providing services to the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or of the Transferee, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without cause.

Section 6. Tax Election

Transferee understands that Section 83 of the Code taxes as ordinary income the difference between the amount paid for the Transferred Shares, if anything, and the Fair market Value of the Shares as of the date on which the Transferred Shares are "substantially vested," within the meaning of Section 83. In this context, the Transferred Shares are "substantially vested" when they either have become transferable or have ceased to be subject to forfeiture upon termination of employment (other than a termination due to death or Own Occupation Disability). Transferee understands that a U.S. taxpayer may elect to have his or her taxable income determined at the time he or she acquires the Transferred Shares, rather than when and as the Transferred Shares become substantially vested, by filing an election under Section 83(b) of the Code with the Internal Revenue Services (a "Section 83(b) Election"). The Section 83(b) Election may be filed only within 30 days after the date of transfer set forth in the Summary of Stock Grant. The Transferee should consult with his or her tax advisor to determine the tax consequences of acquiring the Transferred Shares and the advantages and disadvantages of filing the Section 83(b) Election. The Transferee acknowledges that it is his or her sole responsibility, and not the Company's, to file a timely Section 83(b) Election, even if the Transferee requests the Company or its representatives to make this filing on his or her behalf.

Section 7. Tax Withholding

(a) Regardless of any action the Company or Transferee takes with respect to any or all income tax (including federal, state or local taxes), social insurance, payroll tax or other applicable taxes ("**Tax Liabilities**") in connection with the acquisition of Transferred Shares, Transferee hereby acknowledges and agrees that the ultimate liability for all Tax Liabilities legally due by Transferee is and remains the responsibility of the Transferee.

(b) Transferee further acknowledges and agrees that the Company: (i) makes no representations or undertakings regarding the treatment of any Tax Liabilities in connection with any aspect of the acquisition of Transferred Shares, including, but not limited to, the grant or vesting of the Transferred Shares, the subsequent sale of Transferred Shares and the receipt of any dividends; and (ii) does not commit to structure the terms of the acquisition of Transferred Shares or any aspect of the acquisition of Transferred Shares to reduce or eliminate Transferee's Tax Liabilities.

(c) Transferee agrees to pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations for Tax Liabilities legally due by Transferee. In this regard, Transferee authorizes the Company, at the Company's discretion and if permissible by law, to satisfy the obligations with regard to all Tax Liabilities legally payable by Transferee by one or a combination of the following:

(i) withholding of Transferred Shares registered in the Transferee's name and held on the stock transfer books of the Company with a Fair Market Value at least equal to the minimum required withholding amount for Tax Liabilities, but up to the Grantee's expected maximum marginal income tax rates, both federal and state, as applicable, for Tax Liabilities, provided, however, that to avoid withholding any fractional Transferred Shares, the Company may round up to the next nearest number of whole Transferred Shares, as long as the Company withholds no more than a single whole Transferred Share in excess of the withholding obligation for Tax Liabilities. (For example, if the withholding obligation for Tax Liabilities is \$225 and the Fair Market Value of the Transferred Share is \$50, then the Company may withhold up to five (5) Transferred Shares.) Transferred Shares subject to withholding

under this sub-section will be deducted from the total number of Transferred Shares available to Transferee upon the vesting of the Transferred Shares; or

(ii) withholding from Transferee's wages or other cash compensation paid to Transferee by the Company; or

(iii) selling or arranging for the sale of Transferred Shares in amounts specified in paragraph (c)(i) of this section 7.

The Company will remit the total amount withheld for Tax Liabilities to the appropriate tax authorities.

(d) The Transferee shall pay to the Company any amount of Tax Liabilities that the Company may be required to withhold as a result of Transferee's acquisition or vesting of Transferred Shares, the payment of dividends or the sale of Transferred Shares that cannot be satisfied by one or more of the means previously described. The Company shall not be required to release the Transferred Shares from the stop-transfer instructions, its custody or escrow unless and until Transferee complies with his or her obligations in connection with the Tax Liabilities as described in this section.

Section 8. Legends

All certificates evidencing Transferred Shares shall bear the following legends:

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH IMPOSES CERTAIN FORFEITURE CONDITIONS UPON TERMINATION OF SERVICE WITH THE COMPANY. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

If required by the authorities of any state in connection with the issuance of the Transferred Shares, the legend or legends required by such state authorities shall also be endorsed on all such certificates.

Section 9. Notice

Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with a nationally recognized overnight courier service, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office and to the Transferee at the address that he or she most recently provided to the Company in accordance with this Section 9.

Section 10. Entire Agreement

The Summary of Stock Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

Section 11. Choice of Law

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada, as such laws are applied to contracts entered into and performed in such State.

Section 12. Amendment

The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the Transferred Stock in this Agreement does not create any contractual right or other right to receive any other grants in the future. Future awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or

termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Transferee's employment with the Company.

The Company has the right to amend, alter, suspend, discontinue or cancel the Transferred Stock which has not yet vested, prospectively or retroactively; provided, that, no such amendment shall adversely affect the Transferee's material rights under this Agreement without the Transferee's consent; provided that the Company may amend or modify this Agreement to the extent that the Company determines, in its sole discretion, that the terms and conditions of the Award violate or may violate Code Section 409A; provided that, any such amendment or modification of an Award made pursuant to this Section 12 shall maintain, to the maximum extent practicable, the original intent of the applicable Award provision without contravening the provisions of Code Section 409A.

The amendment or modification of any Restricted Stock Grant pursuant to this Section 12 shall be at the Company's sole discretion and the Company shall not be obligated to amend or modify any such Grant or the Plan, nor shall the Company be liable for any adverse tax or other consequences to a Participant resulting from such amendments or modifications or the Company's failure to make any such amendments or modifications for purposes of complying with Code Section 409A or for any other purpose. To the extent the Company amends or modifies a Restricted Stock Grant pursuant to this Section 12, the Transferee shall receive notification of any such changes to his or her Restricted Stock Grant and, unless the Company determines otherwise, the changes described in such notification shall be deemed to amend the terms and conditions of the Restricted Stock Grant and this Agreement.

Section 13. Clawbacks

Transferee shall be required to forfeit or reimburse the Company with respect to the Transferred Stock granted under this Agreement and the Plan to the extent required by any clawback or recoupment policy of the Company now in effect or as may be adopted by the Company from time to time as required by Section 304 of the Sarbanes-Oxley Act of 2002, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or as otherwise required by applicable law.

Section 14. Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

Section 15. Acceptance

The Transferee hereby acknowledges receipt of a copy of the Plan and this Agreement. The Transferee has read and understands the terms and provisions thereof, and accepts the Transferred Stock subject to all of the terms and conditions of the Plan and this Agreement. The Transferee acknowledges that there he or she has been advised to consult a tax advisor to understand the tax consequences of such grant, vesting and disposition.

Section 16. Definitions

(a) "Agreement" shall mean this Restricted Stock Grant Agreement.

(b) "Board of Directors" shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) "Change in Control" shall mean (1) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not controlling stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity; OR (2) The sale, transfer or other disposition of all or substantially all of the Company's assets.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended.

- (e) "Committee" shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.
- (f) "Company" shall mean Evolution Petroleum Corporation, a Nevada corporation.
- (g) "Consultant" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.
- (h) "Employee" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.
- (i) "Fair Market Value" shall have the meaning assigned to it in the Plan.
- (j) "Forfeiture Condition" shall mean the forfeiture condition described in Section 2.
- (k) "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships.
- (l) "Involuntary Termination" shall mean the termination of the Transferee's employment by reason of: (1) The involuntary discharge of the Transferee by the Company for reasons other than Cause (as defined in Transferee's employment agreement with the Company, if applicable); or (2) The voluntary resignation of the Transferee following a reduction in the Transferee's base salary, a substantial reduction of the responsibilities, authority or scope of work of Transferee, or receipt of notice that the Transferee's principal workplace will be materially relocated.
- (m) "Outside Director" shall mean a member of the Board of Directors who is not an Employee.
- (n) "Parent" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (o) "Plan" shall mean the Evolution Petroleum Corporation 2016 Equity Incentive Plan.
- (p) "Restricted Share" shall mean a Transferred Share that is not yet vested under the Vesting Schedule.
- (q) "Securities Act" shall mean the Securities Act of 1933, as amended.
- (r) "Service" shall mean service as an Employee, Director or Consultant.
- (s) "Share" shall mean one share of Stock, as adjusted in accordance with Section 14 of the Plan (if applicable).
- (t) "Stock" shall mean the Common Stock of the Company, with a par value of \$0.001 per Share.
- (u) "Subsequent Transferee" shall mean any person to whom the Transferee has directly or indirectly transferred any Transferred Shares.
- (v) "Subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (w) "Summary of Stock Grant" shall mean the document so entitled to which this Agreement is attached.
- (x) "Transferee" shall mean the individual named in the Summary of Stock Grant.
- (y) "Transfer Notice" shall mean the notice of a proposed transfer of Transferred Shares described in Section 3.
- (z) "Transferred Shares" shall mean the Shares acquired by the Transferee pursuant to this Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Restricted Stock Grant Agreement in exchange for services, as set forth in the Summary of Stock Grant.

EVOLUTION PETROLEUM CORPORATION

Name
Title

**CONTINGENT PERFORMANCE STOCK GRANT AGREEMENT
SUMMARY OF STOCK GRANT**

By the signature of the Company’s representative on the signature page, the Company is hereby granting you contingent performance shares of common stock subject to the terms and conditions of the Evolution Petroleum Corporation 2016 Equity Incentive Plan, which has been provided to you, and the Contingent Performance Stock Grant Agreement, which is attached to and made a part of this document.

Name of Transferee:

Total Number of Transferred Shares:

Sales Price per Share: None (Compensation for Services)

Fair Market Value per Share on Date of Grant:

Termination of Vesting Period

Date of Transfer: Contingent, See Vesting Provisions

Vesting Provisions: See below

a) As to _____ shares, vesting shall occur if...

If vesting has not occurred as of _____, this Agreement will be terminated and no further vesting may occur. However, if audited results for the fiscal year ended _____ are not available by that date, the vesting period for shares that are dependent on such audited results shall be extended until such audited results are available.

EVOLUTION PETROLEUM CORPORATION
2016 EQUITY INCENTIVE PLAN
CONTINGENT PERFORMANCE STOCK GRANT AGREEMENT

Section 1. Acquisition of Shares

(a) **Transfer.** On the terms and conditions set forth in the Summary of Stock Grant and this Agreement, the Company will sell to the Transferee, and the Transferee agrees to purchase, the number of Shares set forth in the Summary of Stock Grant at the Sale Price, as set forth above. The transfer shall occur at the offices of the Company on the date of the first meeting of the Company's Board of Directors immediately following the occurrence of the applicable vesting provision date set forth in the Summary of Stock Grant, after verification by the Board of Directors, or at such other place and time as the parties may agree.

(b) **Consideration.** The Transferee and the Company agree that the Transferred Shares are being issued to the Transferee at the Sale Price per Share, as set forth in the Summary of Stock Grant, as consideration for the services performed as an Employee, Outside Director or Consultant of the Company.

(c) **Stock Plan and Defined Terms.** The transfer of the Transferred Shares is subject to the Plan, a copy of which the Transferee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 16 of this Agreement. Capitalized terms not defined herein shall have the meaning given such terms in the Plan.

Section 2. Vesting Provisions

(a) **Vesting.** The Shares shall become vested in accordance with the vesting schedule set forth in the Summary of Stock Grant. The Administrator may, at its sole discretion, accelerate the vesting at any time.

(b) **Accelerated Vesting.** In addition to the terms of the Plan, the Company hereby agrees that all or part of the Restricted Shares shall vest prior to their original vesting terms at the time or times set forth below:

(i) If the Company is subject to a Change in Control (as defined below in this Agreement and not as defined in the Plan) before the Transferee's employment terminates, the Restricted Shares shall vest (1) in full, immediately prior to the Change in Control, if and only if the surviving corporation or its parent acquires 100% of the outstanding common stock of the Company or the substantial assets of the Company and the common stock ceases to be publicly traded after the Change in Control; (2) in full if Transferee is subject to an Involuntary Termination (defined below) within 12 months after the Change in Control; or (3) in all other circumstances, in whole or part, subject to policies and discretion of the Board of Directors of the Company. All other terms and conditions shall remain unchanged.

(ii) In the event of any death or Own Occupation Disability of Transferee, the Transferred Shares shall vest.

(d) **Termination of Vesting.** In the event that the Transferee is not serving as an Employee, Director or Outside Director or Consultant of the Company and any portion of the Transferred Shares have not vested, this Agreement shall be terminated and any unvested shares shall be forfeited. The Company shall make no payment for unvested Shares that are forfeited. For purposes of this provision, the vesting period shall not include the time required for verification of vesting by the Board of Directors at a meeting subsequent to the vesting date.

(e) **Additional Shares or Substituted Securities.** In the event of the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Restricted Shares or into which such Restricted Shares thereby become convertible shall immediately be subject to the Forfeiture Condition. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the Restricted Shares.

Section 3. Other Restrictions on Transfer

(a) **Transferee Representations.** In connection with the issuance and acquisition of Shares under this Agreement, the Transferee hereby represents and warrants to the Company as follows:

(i) The Transferee understands that the Transferred Shares have been registered under the Securities Act of 1933, as amended (the “Securities Act”) pursuant to a Form S-8, and Transferee acknowledges receipt of the Plan and a prospectus under such Form S-8.

(ii) The Transferee will not sell, transfer or otherwise dispose of his or her interests in the Transferred Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder, including Rule 144 under the Securities Act. The Transferee agrees that he or she will not dispose of his or her interests in the Transferred Shares unless and until he or she has complied with all requirements of this Agreement applicable to the disposition of Transferred Shares and he or she has provided the Company with written assurances, in substance and form satisfactory to the Company, that (A) the proposed disposition does not require registration of the Transferred Shares under the Securities Act or all appropriate action necessary for compliance with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken and (B) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Transferred Shares under applicable state law.

(b) **Securities Law Restrictions.** Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of the Transferred Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any state or any other law.

(c) **Rights of the Company.** The Company shall not be required to (i) transfer on its books any Transferred Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Transferred Shares, or otherwise to accord voting, dividend or liquidation rights to, any Subsequent Transferee to whom Transferred Shares have been transferred in contravention of this Agreement.

Section 4. Successors and Assigns

Except as otherwise expressly provided to the contrary, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and be binding upon the Transferee and the Transferee’s legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person has become a party to this Agreement or has agreed in writing to join herein and to be bound by the terms, conditions and restrictions hereof.

Section 5. No Retention Rights

Nothing in this Agreement or in the Plan shall confer upon the Transferee any right to continue providing services to the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or of the Transferee, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without cause.

Section 6. Tax Election

Section 83 of the Code does not apply in the case of this Contingent Performance Stock Grant.

Section 7. Tax Withholding

(a) Regardless of any action the Company or Transferee takes with respect to any or all income tax (including federal, state or local taxes), social insurance, payroll tax or other applicable taxes (“**Tax Liabilities**”) in connection with the acquisition of Transferred Shares, Transferee hereby acknowledges and agrees that the ultimate liability for all Tax Liabilities legally due by Transferee is and remains the responsibility of the Transferee.

(b) Transferee further acknowledges and agrees that the Company: (i) makes no representations or undertakings regarding the treatment of any Tax Liabilities in connection with any aspect of the acquisition of Transferred Shares, including, but not limited to, the grant or vesting of the Transferred Shares, the subsequent sale of Transferred Shares and the receipt of any dividends; and (ii) does not commit to structure the terms of the acquisition of Transferred Shares or any aspect of the acquisition of Transferred Shares to reduce or eliminate Transferee's Tax Liabilities.

(c) Transferee agrees to pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations for Tax Liabilities legally due by Transferee. In this regard, Transferee authorizes the Company, at the Company's discretion and if permissible by law, to satisfy the obligations with regard to all Tax Liabilities legally payable by Transferee by one or a combination of the following:

(i) withholding of Transferred Shares registered in the Transferee's name and held on the stock transfer books of the Company with a Fair Market Value at least equal to the minimum required withholding amount for Tax Liabilities, but up to the Grantee's expected maximum marginal income tax rates, both federal and state, as applicable, for Tax Liabilities, provided, however, that to avoid withholding any fractional Transferred Shares, the Company may round up to the next nearest number of whole Transferred Shares, as long as the Company withholds no more than a single whole Transferred Share in excess of the withholding obligation for Tax Liabilities. (For example, if the withholding obligation for Tax Liabilities is \$225 and the Fair Market Value of the Transferred Share is \$50, then the Company may withhold up to five (5) Transferred Shares.) Transferred Shares subject to withholding under this sub-section will be deducted from the total number of Transferred Shares available to Transferee upon the vesting of the Transferred Shares; or

(ii) withholding from Transferee's wages or other cash compensation paid to Transferee by the Company; or

(iii) selling or arranging for the sale of Transferred Shares in amounts specified in paragraph (c)(i) of this section 7.

The Company will remit the total amount withheld for Tax Liabilities to the appropriate tax authorities.

(d) The Transferee shall pay to the Company any amount of Tax Liabilities that the Company may be required to withhold as a result of Transferee's acquisition or vesting of Transferred Shares, the payment of dividends or the sale of Transferred Shares that cannot be satisfied by one or more of the means previously described. The Company shall not be required to release the Transferred Shares from the stop-transfer instructions, its custody or escrow unless and until Transferee complies with his or her obligations in connection with the Tax Liabilities as described in this section.

Section 8. Legends

Any certificates evidencing Transferred Shares may bear such legends as are deemed necessary by the legal counsel of the Company. If required by the authorities of any state in connection with the issuance of the Transferred Shares, the legend or legends required by such state authorities shall also be endorsed on all such certificates.

Section 9. Notice

Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with a nationally recognized overnight courier service, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office and to the Transferee at the address that he or she most recently provided to the Company in accordance with this Section 9.

Section 10. Entire Agreement

The Summary of Stock Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

Section 11. Choice of Law

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada, as such laws are applied to contracts entered into and performed in such State.

Section 12. Amendment

The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the Transferred Stock in this Agreement does not create any contractual right or other right to receive any other grants in the future. Future awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Transferee's employment with the Company.

The Company has the right to amend, alter, suspend, discontinue or cancel the Transferred Stock which has not yet vested, prospectively or retroactively; provided, that, no such amendment shall adversely affect the Transferee's material rights under this Agreement without the Transferee's consent; provided that the Company may amend or modify this Agreement to the extent that the Company determines, in its sole discretion, that the terms and conditions of the Award violate or may violate Code Section 409A; provided that, any such amendment or modification of an Award made pursuant to this Section 12 shall maintain, to the maximum extent practicable, the original intent of the applicable Award provision without contravening the provisions of Code Section 409A.

The amendment or modification of any Restricted Stock Grant pursuant to this Section 12 shall be at the Company's sole discretion and the Company shall not be obligated to amend or modify any such Grant or the Plan, nor shall the Company be liable for any adverse tax or other consequences to a Participant resulting from such amendments or modifications or the Company's failure to make any such amendments or modifications for purposes of complying with Code Section 409A or for any other purpose. To the extent the Company amends or modifies a Restricted Stock Grant pursuant to this Section 12, the Transferee shall receive notification of any such changes to his or her Restricted Stock Grant and, unless the Company determines otherwise, the changes described in such notification shall be deemed to amend the terms and conditions of the Restricted Stock Grant and this Agreement.

Section 13. Clawbacks

Transferee shall be required to forfeit or reimburse the Company with respect to the Transferred Stock granted under this Agreement and the Plan to the extent required by any clawback or recoupment policy of the Company now in effect or as may be adopted by the Company from time to time as required by Section 304 of the Sarbanes-Oxley Act of 2002, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or as otherwise required by applicable law.

Section 14. Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

Section 15. Acceptance

The Transferee hereby acknowledges receipt of a copy of the Plan and this Agreement. The Transferee has read and understands the terms and provisions thereof, and accepts the Transferred Stock subject to all of the terms and conditions of the Plan and this Agreement. The Transferee acknowledges that there he or she has been advised to consult a tax advisor to understand the tax consequences of such grant, vesting and disposition

Section 16. Definitions

(a) "Agreement" shall mean this Contingent Performance Stock Grant Agreement.

(b) "Board of Directors" shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

- (c) “Change in Control” shall mean (1) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not controlling stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity; OR (2) The sale, transfer or other disposition of all or substantially all of the Company’s assets.
- (d) “Code” shall mean the Internal Revenue Code of 1986, as amended.
- (e) “Committee” shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.
- (f) “Company” shall mean Evolution Petroleum Corporation, a Nevada corporation.
- (g) “Consultant” shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.
- (h) “Employee” shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.
- (i) “Fair Market Value” shall have the meaning assigned to it in the Plan.
- (j) Intentionally left blank.
- (k) “Immediate Family” shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships.
- (l) “Involuntary Termination” shall mean the termination of the Transferee’s employment by reason of: (1) The involuntary discharge of the Transferee by the Company for reasons other than Cause (as defined in Transferee’s employment agreement with the Company, if applicable); or (2) The voluntary resignation of the Transferee following a reduction in the Transferee’s base salary, a substantial reduction of the responsibilities, authority or scope of work of Transferee, or receipt of notice that the Transferee’s principal workplace will be materially relocated.
- (m) “Outside Director” shall mean a member of the Board of Directors who is not an Employee.
- (n) “Parent” shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (o) “Plan” shall mean the Evolution Petroleum Corporation 2016 Equity Incentive Plan.
- (p) “Restricted Share” shall mean a Share that is not yet vested under the Vesting Provisions.
- (q) “Securities Act” shall mean the Securities Act of 1933, as amended.
- (r) “Service” shall mean service as an Employee, Director or Consultant.
- (s) “Share” shall mean one share of Stock, as adjusted in accordance with Section 14 of the Plan (if applicable).
- (t) “Stock” shall mean the Common Stock of the Company, with a par value of \$0.001 per Share.
- (u) “Subsequent Transferee” shall mean any person to whom the Transferee has directly or indirectly transferred any Transferred Shares.
- (v) “Subsidiary” shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock

possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

- (w) "Summary of Stock Grant" shall mean the document so entitled to which this Agreement is attached.
- (x) "Transferee" shall mean the individual named in the Summary of Stock Grant.
- (y) "Transfer Notice" shall mean the notice of a proposed transfer of Transferred Shares described in Section 3.
- (z) "Transferred Shares" shall mean the Shares acquired by the Transferee pursuant to this Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Contingent Performance Stock Grant Agreement in exchange for services, as set forth in the Summary of Stock Grant.

EVOLUTION PETROLEUM CORPORATION

Name
Title

SECOND AMENDMENT TO CREDIT AGREEMENT AND ASSUMPTION AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is made and entered into effective as of February 1, 2018 (the "Effective Date"), by and between **EVOLUTION PETROLEUM CORPORATION**, a Nevada corporation ("**Original Borrower**"), **EVOLUTION PETROLEUM OK, INC.**, a Texas corporation ("Evolution Texas"), **NGS TECHNOLOGIES, INC.**, a Delaware corporation ("NGS"), and **EVOLUTION ROYALTIES, INC.**, a Delaware corporation ("Evolution Royalties"; Evolution Texas, NGS, and Evolution Royalties are collectively referred to herein as the "Assuming Borrowers" and the Original Borrower along with the Assuming Borrowers are collectively referred to herein as the "Borrowers") and **MIDFIRST BANK**, a federally chartered savings association ("**Lender**").

RECITALS

A. Original Borrower and Lender are parties to that certain Credit Agreement dated as of April 11, 2016, as amended by that certain First Amendment to Credit Agreement dated as of October 18, 2016 (the "Existing Credit Agreement"). Capitalized terms used in this Amendment and not otherwise defined herein have the respective meanings assigned to them in the Existing Credit Agreement.

B. Each of the Assuming Borrowers desires to execute and deliver this Amendment and such other documents and instruments as may be reasonably necessary for it to subscribe to and become a party to the Existing Credit Agreement as a Borrower thereunder and to assume joint and several responsibility for payment of the Obligations along with the Original Borrower.

C. The Borrowers and the Lender have agreed to modify certain financial covenants.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

ARTICLE I.

DEFINITIONS AND REFERENCES

Section 1.1 Terms Defined in the Existing Credit Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Existing Credit Agreement shall have the same meanings whenever used in this Amendment.

Section 1.2 Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2.

"Amended and Restated Note" means that certain amended and restated promissory note in the face amount of \$50,000,000.00 from the Borrower in favor of the Lender dated as of the Amendment Closing Date executed in order to amend and restate and replace the promissory note described in the Existing Credit Agreement in the face amount of \$10,000,000.00.

"Amendment" means this Second Amendment to Credit Agreement.

"Amendment Closing Date" means February 1, 2018.

Second Amendment to Credit Agreement

“Amendment Documents” means this Amendment, the Amended and Restated Note, and all other Loan Documents executed and delivered in connection herewith.

“Credit Agreement” means the Existing Credit Agreement as amended hereby.

ARTICLE II.

ASSUMPTION OF LIABILITY; ADDITION OF ADDITIONAL BORROWER

A. From and after the Effective Date, each Assuming Borrower hereby (i) subscribes to and expressly agrees to be bound by the terms, provisions and conditions of the Existing Credit Agreement and all other Loan Documents as a “Borrower” thereunder and a party thereto as fully as if it had executed the Existing Credit Agreement and all other Loan Documents as an original Borrower thereunder and maker thereof, and (ii) assumes and unconditionally agrees to be liable and responsible, jointly and severally with all of the other Borrowers, for payment and performance of all Obligations under the Existing Credit Agreement, whether now existing or hereafter arising. From and after the Effective Date, each Assuming Borrower shall be deemed to be a “Borrower” under and a party to the Existing Credit Agreement, Notes and other Loan Documents. From and after the Effective Date, each Assuming Party hereby agrees to perform, along with the Original Borrower, all of the Original Borrower’s duties in respect thereof, all in accordance with the terms and conditions of the Loan Documents, as the same have been amended from time to time, including all principal, accrued interest, fees, charges, costs of collection, court costs and attorneys’ fees required under the terms thereof.

B. From and after the Effective Date, all references to the term "Borrower" contained in the Existing Credit Agreement shall include each Assuming Borrower on a joint and several basis with the Original Borrower.

C. The Lender confirms that they have consented to the formation of the Assuming Borrowers.

ARTICLE III.

AMENDMENTS TO CREDIT AGREEMENT

Section 3.1 Amendments to Article 4 of the Existing Credit Agreement.

(a) The definitions of “**Borrower**” and “**EBITDA**” Section 1.02 of the Existing Credit Agreement, Defined Terms, is hereby amended and restated in its entirety as follows:

“**Borrower**” means, collectively and jointly and severally, Evolution Petroleum Corporation, a Nevada corporation, Evolution Petroleum Ok, Inc., a Texas corporation, and NGS Technologies, Inc., a Delaware corporation and Evolution Royalties, Inc., a Delaware corporation. Second Amendment to Credit Agreement Second Amendment to Credit Agreement

“**EBITDA**” means (a) net income of the Borrower and its Subsidiaries for the period in question, plus (b) (to the extent deducted in determining net income) depreciation,

Second Amendment to Credit Agreement

amortization, depletion, write-down of oil and gas properties, non-cash ceiling test impairments and other non-cash expenses of the Borrower and its Subsidiaries for such period (including other non-cash stock-based compensation expense, non-cash accretion expense, non-cash income taxes, non-cash charges attributable to the application of ASC 410 - Asset Retirement and Environmental Obligations, ASC 718 - Compensation - Stock Compensation or ASC 815 - Derivative and Hedging), plus (c) (to the extent deducted in determining net income) Fixed Charges and Taxes expenses for such period, less (d) (to the extent added in determining net income) gain on sale of assets and other non-cash income of the Borrower and its Subsidiaries for such period (including non-cash gains attributable to the application of ASC 410, ASC 718 or ASC 815) and less (e) extraordinary or non-recurring income items plus (f) (to the extent added in determining net income) extraordinary or non-recurring expense items acceptable to Lender.

Section 3.2 Amendments to Article 10 of the Existing Credit Agreement.

(a) A new Section shall be added to the Existing Credit Agreement as Section 10.24 of the Existing Credit Agreement, which shall be captioned, **Joint Liability**, and which shall state as follows:

10.24 **Joint Liability.** If more than one Person is included in the definition of "Borrower", then each Person included in the definition of "Borrower" will be jointly and severally liable for Borrower's obligations under this Agreement.

ARTICLE IV.

CONDITIONS OF EFFECTIVENESS

Section 4.1 Effective Date. This Amendment shall become effective as of the date first above written when and only when:

(a) Amendment Documents. Lender shall have received duly executed and delivered counterparts of each Amendment Document (i) in form, substance and date satisfactory to Lender, and (ii) in such numbers as Lender or its counsel may reasonably request.

(b) Certificate. Lender shall have received a certificate of a Responsible Officer of Borrower certifying as of the date of this Amendment (i) that there have been no changes to its Organizational Documents since the Closing Date, and (ii) that there are no resolutions or other action of Borrower prohibiting the transactions described in this Amendment.

(c) Other Documentation. Lender shall have received all documents and instruments which Lender has then reasonably requested, in addition to those described in this Section 4.1. All such additional documents and instruments shall be reasonably satisfactory to Lender in form, substance and date.

(d) No Default. No event shall have occurred and be continuing that would constitute an Event of Default or a Default.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

Second Amendment to Credit Agreement

Section 5.1 Representations and Warranties of Borrower. In order to induce Lender to enter into this Amendment, Borrower represents and warrants to Lender that:

(a) All representations and warranties made by Borrower in any Loan Document are true and correct in all material respects (without duplication of any materiality qualifier contained therein) on and as of time of the effectiveness hereof as if such representations and warranties had been made as of the time of the effectiveness hereof (except to the extent that such representation or warranty was made as of a specific date, in which case such representation or warranty shall be true and correct in all material respects (without duplication of any materiality qualifier contained therein) as of such specific date).

(b) Borrower has duly taken all corporate action necessary to authorize the execution and delivery by it of the Amendment Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder and will provide Lender with any approval thereof at the next scheduled meeting of Borrower's board of directors.

(c) The execution and delivery by Borrower of the Amendment Documents to which it is a party, the performance by Borrower of its obligations under such Amendment Documents, and the consummation of the transactions contemplated by such Amendment Documents, do not and will not (a) conflict with, violate or result in a breach of any provision of (i) to Borrower's knowledge, any Law, (ii) Borrower's Organization Documents, or (iii) any material agreement, judgment, license, order or permit applicable to or binding upon Borrower, (b) result in the acceleration of any Indebtedness owed by Borrower, or (c) result in or require the creation of any Lien upon the assets or properties of Borrower except as expressly contemplated or permitted in the Loan Documents. Except (x) as expressly contemplated in the Amendment Documents and (y) such as have been obtained or made and are in full force and effect, to Borrower's knowledge, no permit, consent, approval, authorization or order of, and no notice to or filing with, any Governmental Authority or third party is required on the part of or in respect of Borrower in connection with the execution, delivery or performance by Borrower of any Amendment Document or to consummate any transactions contemplated by the Amendment Documents.

(d) This Amendment is, and the other Amendment Documents when duly executed and delivered will be, legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights and by general principles of equity.

ARTICLE VI.

MISCELLANEOUS

Section 6.1 Borrowing Base. From the date hereof through the next re-determination of the Borrowing Base pursuant to the terms of the Existing Credit Agreement, the Borrowing Base shall be \$40,000,000.00.

Section 6.2 Ratification of Agreements. The Existing Credit Agreement as hereby amended is hereby ratified and confirmed in all respects. The Loan Documents, as they may be amended or affected by the various Amendment Documents, are hereby ratified and confirmed in all respects. Any reference to the Credit Agreement in any Loan Document shall be deemed to be a reference to the Existing Credit Agreement as hereby amended. The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not, except as expressly provided herein or therein, operate as a waiver of any right, power

Second Amendment to Credit Agreement

or remedy of Lender under the Credit Agreement, the Notes, or any other Loan Document nor constitute a waiver of any provision of the Credit Agreement, the Notes or any other Loan Document.

Section 6.3 Survival of Agreements. All of Borrower's various representations, warranties, covenants and agreements in the Amendment Documents shall survive the execution and delivery thereof and the performance thereof, including the making or granting of the Loans and the delivery of the other Loan Documents, and shall further survive until all of the Obligations are paid in full to Lender and all of Lender's obligations to Borrower are terminated.

Section 6.4 Waiver of Jury Trial. BORROWER AND LENDER (BY THEIR ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE BORROWER AND THE LENDER, ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT, ANY OTHER RELATED DOCUMENT, OR ANY RELATIONSHIP BETWEEN THE LENDER AND THE BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE LENDER TO PROVIDE THE FINANCING DESCRIBED HEREIN.

Section 6.5 Interpretive Provisions. Section 1.2 of the Existing Credit Agreement is incorporated herein by reference herein as if fully set forth.

Section 6.6 Loan Documents. The Amendment Documents are each a Loan Document, and all provisions in the Existing Credit Agreement pertaining to Loan Documents apply thereto.

Section 6.7 Governing Law. This Amendment shall be governed by, and construed in accordance with, the Laws of the State of Texas.

Section 6.8 Counterparts; Fax. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. The Amendment Documents may be validly executed by facsimile or other electronic transmission.

THIS AMENDMENT AND THE OTHER AMENDMENT DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS OF THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

[The remainder of this page has been intentionally left blank.]

Second Amendment to Credit Agreement

Signature Page to Second Amendment to Credit Agreement

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

ORIGINAL BORROWER:

EVOLUTION PETROLEUM CORPORATION, a Nevada corporation

By: Randall D. Keys

Name: Randall D. Keys

Title: President and Chief Executive Officer

ASSUMING BORROWER:

EVOLUTION PETROLEUM OK, INC., a Texas corporation

By: Randall D. Keys

Name: Randall D. Keys

Title: President and Chief Executive Officer

NGS TECHNOLOGIES, INC., a Delaware corporation

By: Randall D. Keys

Name: Randall D. Keys

Title: President and Chief Executive Officer

EVOLUTION ROYALTIES, INC., a Delaware corporation

By: Randall D. Keys

Name: Randall D. Keys

Title: President and Chief Executive Officer

LENDER:

MIDFIRST BANK

By: Chay Kramer

Name: Chay Kramer

Title: Vice President

Second Amendment to Credit Agreement

CERTIFICATION

I, Randall D. Keys, Chief Executive Officer of Evolution Petroleum Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Evolution Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2018

/s / RANDALL D. KEYS

Randall D. Keys
Chief Executive Officer

CERTIFICATION

I, David Joe, Chief Financial Officer of Evolution Petroleum Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Evolution Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2018

/s / DAVID JOE

David Joe
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Randall D. Keys, Chief Executive Officer of Evolution Petroleum Corporation (the "Company"), certifies in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 (the "Report") pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 8th day of February, 2018.

/s/ RANDALL D. KEYS

Randall D. Keys

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Evolution Petroleum Corporation and will be retained by Evolution Petroleum Corporation and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certificate is being furnished to the Securities and Exchange Commission as an exhibit to this Form 10-Q and shall not be considered filed as part of the Form 10-Q.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, David Joe, Chief Financial Officer of Evolution Petroleum Corporation (the "Company"), certifies in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 (the "Report") pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 8th day of February, 2018.

/s / DAVID JOE

David Joe
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Evolution Petroleum Corporation and will be retained by Evolution Petroleum Corporation and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certificate is being furnished to the Securities and Exchange Commission as an exhibit to this Form 10-Q and shall not be considered filed as part of the Form 10-Q.