

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE TO/A**

(Rule 13e-4)

**TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

AMENDMENT NO. 1

**EVOLUTION PETROLEUM CORPORATION**

(Name of Subject Company (Issuer) and Filing Person (Offeror))

**Options to Purchase Common Stock, Par Value \$0.001 Per Share**

(Title of Class of Securities)

**30049A107**

(CUSIP Number of Class of Securities (Underlying Common Stock))

**Sterling H. McDonald**

**Vice President, Chief Financial Officer**

**Evolution Petroleum Corporation**

**2500 CityWest Blvd., Suite 1300**

**Houston, Texas 77042**

**(713) 935-0122**

(Name, Address, and Telephone Number of Person Authorized to Receive Notices  
And communications on Behalf of Filing Persons)

**With copies to:**

**Michael T. Larkin, Esq.**

**Adams and Reese LLP**

**1221 McKinney Street, Suite 4400**

**Houston, Texas 77010**

**(713) 652-5151**

**CALCULATION OF FILING FEE**

**Transaction Valuation\***

\$1,521,385

**Amount of Filing fee\*\***

\$84.89

\* Calculated solely for purposes of determining the filing fee. This amount assumes that options to purchase 834,280 shares of common stock of Evolution Petroleum Corporation that have an aggregate value of \$1,521,385 as of May 14, 2009 will be exchanged pursuant to this offer. The aggregate value of such options was calculated based on the Black-Scholes option pricing model.

\*\* The amount of the filing fee, calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended equals \$55.80 per million dollars of the value of the transaction. Filing fee previously paid in Schedule TO filed with the SEC effective May 15, 2009.

x Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$84.89

Form or Registration No.: Schedule TO

Filing Party: Evolution Petroleum Corporation

Date Filed: May 15, 2009

o Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

If applicable, check the appropriate box(es) below to designate the appropriate rule provisions relied upon:

Rule 13e4(i) (Cross-Border Issuer Tender Offer)

Rule 14d-1(d) (Cross-Border Issuer Third-Party Tender Offer)

This Amendment No. 1 to the Tender Offer Statement on Schedule TO amends, supplements, and restates the Tender Offer Statement on Schedule TO originally filed by Evolution Petroleum Corporation with the Securities and Exchange Commission on May 15, 2009 (as amended, supplemented and restated the "Schedule TO").

#### **ITEM 1. SUMMARY TERM SHEET.**

The information set forth under Part I "Summary Term Sheet" in the Offer to Exchange, dated May 21, 2009 (the "Offer to Exchange"), attached hereto as Exhibit (a)(1)(i), is incorporated herein by reference.

#### **ITEM 2. SUBJECT COMPANY INFORMATION.**

(a) *Name and Address.* The name of the issuer is Evolution Petroleum Corporation, a Nevada corporation (together with its subsidiaries "Evolution Petroleum," "EPM," the "Company," "we," "our," or "us"). Our principal executive office is located at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77046, and our telephone number is (713) 953-0122. The information in the Offer to Exchange under Part III, Section 9 ("Information Concerning Evolution Petroleum Corporation") is incorporated herein by reference.

(b) *Securities.* This Tender Offer Statement on Schedule TO relates to an offer (the "Offer") by us to eligible option holders to exchange certain outstanding eligible options having an exercise price of \$2.33 per share or greater ("Eligible Option Grants") to purchase shares of our common stock, par value \$0.001 per share ("Common Stock"), for shares of restricted Common Stock subject to vesting based on continued employment for a specified period (the "Restricted Stock") that will be granted under our Amended and Restated 2004 Stock Incentive Plan (the "2004 Stock Plan") upon the terms and subject to the conditions set forth in the Offer to Exchange. We refer to this Offer to Exchange Eligible Option Grants for Restricted Stock in accordance with the terms and conditions of this Offer to Exchange as the "Exchange Program." Members of our board of directors, including the Chairman and Chief Executive Officer, Robert S. Herlin, and our other executive officers, Chief Financial Officer, Sterling H. McDonald, and Vice President for Operations Daryl Mazzanti, are excluded from participating in the Exchange Program. The grant date for the Restricted Stock will be the date of the exchange, which is expected to be the expiration date of the Exchange Program, unless the Exchange Program is extended by us. Only Eligible Option Grants that are outstanding on May 21, 2009 and held by Eligible Persons during the entire period commencing on and including May 21, 2009 through the date the Restricted Stock is granted will be eligible to tender in the Exchange Program. As of May 21, 2009, options to purchase approximately 834,280 shares of our Common Stock were eligible for exchange in the Offer. The information set forth in the Offer to Exchange under Part I "Summary Term Sheet" and in Part III, Section 1 ("The Exchange Program; Eligibility; Expiration Date"), Section 2 ("Purpose for this Exchange Program"), Section 5 ("Acceptance of Eligible Option Grants Options for Exchange and Issuance of Restricted Stock") and Section 9 ("Source and Amount of Consideration; Terms of Restricted Stock") is incorporated herein by reference.

(c) *Trading and Market Price.* The information set forth in the Offer to Exchange under Section 6 ("Price Range of Our Common Stock Underlying the Eligible Option Grants and Restricted Stock") is incorporated herein by reference.

#### **ITEM 3. IDENTITY AND BACKGROUND OF FILING PERSON.**

(a) *Name and Address.* Evolution Petroleum Corporation is both the filing person and the subject company. The information set forth under Item 2(a) above is incorporated herein by reference. The information set forth in Appendix A to the Offer to Exchange ("Information Concerning the Directors and Executive Officers of Evolution Petroleum Corporation") is incorporated herein by reference.

#### **ITEM 4. TERMS OF THE TRANSACTION.**

(a) *Material Terms.* The information set forth in the Offer to Exchange under Part I "Summary Term Sheet" and in Part III, Section 1 ("The Exchange Program: Eligibility; Expiration Date"), Section 3 ("Procedures for Entering to Exchange an Eligible Option Grant"), Section 4 ("Withdrawal Rights"), Section 5 ("Acceptance of Eligible Option Grants for Exchange and Issuance of Restricted Stock"), Section 7 ("Conditions of this Exchange Program"), Section 8 ("Source and Amount of Consideration; Terms of Restricted Stock"), Section 11 ("Status of Eligible Option Grants Acquired by Us in this Exchange Program; Accounting Consequences of this Exchange Program"), Section 12 ("Legal Matters; Regulatory Approvals"), Section 13 ("Material U.S. Federal Income Tax Consequences") and Section 14 ("Extension of this Exchange Program; Termination; Amendment"), is incorporated herein by reference.

(b) *Purchases.* Members of Evolution Petroleum Corporation's Board of Directors ("Directors") and its executive officers ("Executive Officers") are not eligible to participate in the Offer or the Exchange Program. The only persons eligible to participate in the Exchange Program are employees and consultants of Evolution Petroleum, other than Directors and Executive Officers, who hold an Eligible Option Grant. The information in the Offer to Exchange under Part III, Section 10 ("Interests of Directors, Executive Officers and Affiliates; Transactions and Arrangements Concerning the Eligible Option Grants") is incorporated herein by reference.

#### **ITEM 5. PAST CONTRACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS.**

(a) *Agreements Involving the Subject Company's Securities.* The information set forth in the Offer to Exchange under Part III, Section 10 ("Interests of Directors, Executive Officers and Affiliates; Transactions Arrangements Concerning the Eligible Option Grants") is incorporated herein by reference. The 2004 Stock Plan and related form of option agreement are incorporated herein by reference hereto as Exhibits (d)(1) and (d)(2) and contain information regarding the subject securities. The Form of Restricted Stock

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Agreement attached hereto as Exhibit (d)(3) and incorporated herein by reference contains information regarding the Restricted Stock offered in the Exchange Program.

#### **ITEM 6. PURPOSES OF THE TRANSACTION AND PLANS OR PROPOSALS.**

(a) *Purposes.* The Offer is being conducted for employee retention purposes. The information set forth in the Offer to Exchange under Part III, Section 2 ("Purpose of this Exchange Program") is incorporated herein by reference.

(b) *Use of Securities Acquired.* The information set forth in the Offer to Exchange under Part III, Section 5 ("Acceptance of Eligible Option Grants for Exchange and Issuance of Restricted Stock") and Section 11 ("Status of Eligible Option Grants Acquired By Us in this Exchange Program; Accounting Consequences of this Exchange Program") is incorporated herein by reference.

(c) *Plans.* Not applicable.

**ITEM 7. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.**

(a) *Source of Funds.* The information set forth in the Offer to Exchange under Part III, Section 8 (“Source and Amount of Consideration; Terms of Restricted Stock”) and Section 15 (“Fees and Expenses”) is incorporated herein by reference.

(b) *Conditions.* The information set forth in the Offer to Exchange under Section 7 (“Conditions of this Exchange Program”) is incorporated herein by reference.

(d) *Borrowed Funds.* Not applicable.

**ITEM 8. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.**

(a) *Securities Ownership.* The information set forth in the Offer to Exchange under Part III, Section 10 (“Interests of Directors, Executive Officers and Affiliates; Transactions and Arrangements Concerning the Eligible Option Grants”) is incorporated herein by reference.

(b) *Securities Transactions.* The information set forth in the Offer to Exchange under Part III, Section 10 (“Interests of Directors, Executive Officers and Affiliates; Transactions and Arrangements Concerning the Eligible Option Grants”) and in Appendix A of the Offer to Exchange is incorporated herein by reference.

**ITEM 9. PERSONS/ASSETS, RETAINED, EMPLOYED, COMPENSATED OR USED.**

(a) *Solicitations or Recommendations.* Not applicable.

**ITEM 10. FINANCIAL STATEMENTS.**

(a) *Financial Information.* The information set forth in the Offer to Exchange under Part III, Section 9 (“Information Concerning Evolution Petroleum Corporation”) and Section 16 (“Additional Information”), in Item 8 of EPM’s Annual Report on Form 10-K for our fiscal year ended June 30, 2008, filed with the Securities and Exchange Commission (the “SEC”) on September 24, 2008, our 10-K/A filed with the SEC on April 7, 2009, and in Item 1 of each of the Company’s Quarterly Reports on Form 10-Q for its fiscal quarters ended September 30, 2008, December 31, 2008, and March 31, 2009 filed with the SEC on November 14, 2008, February 17, 2009, and May 15, 2009, respectively, is incorporated herein by reference. A copy of the Annual Report on Form 10-K and each of Quarterly Reports on Form 10-Q can be accessed electronically on the SEC’s website at [www.sec.gov](http://www.sec.gov).

(b) *Pro Forma Information.* Not applicable.

(c) *Summary Information.* The information set forth in the Offer to Exchange under Part III, Section 9 (“Information Concerning Evolution Petroleum Corporation”) is incorporated herein by reference.

**ITEM 11. ADDITIONAL INFORMATION.**

(a) *Agreements, Regulatory Requirements and Legal Proceedings.* The information set forth in the Offer to Exchange under Part III, Section 10 (“Interests of Directors, Executive Officers and Affiliates; Transactions and Arrangements Concerning the Eligible Option Grants”) and Section 12 (“Legal Matters; Regulatory Approvals”) is incorporated herein by reference.

(b) *Other Material Information.* Not applicable.

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**ITEM 12. EXHIBITS.**

<b>EXHIBIT</b>	<b>DESCRIPTION OF EXHIBIT</b>
(a)(1)(i)	Offer to Exchange relating to our Exchange Program dated May 21, 2009.
(a)(1)(ii)	Form of Evolution Petroleum Corporation Exchange Program Election Form.
(a)(1)(iii)	Form of Evolution Petroleum Corporation Eligible Option Grant and Restricted Stock Information Sheet.
(a)(1)(iv)	Communication to Eligible Evolution Petroleum Corporation Employees and Consultants from the Chief Executive Officer, to be delivered via e-mail on or around May 21, 2009.
(a)(1)(v)	Form of Communication to Eligible Person Participating in the Exchange Program Confirming Receipt of Election Form and Information Sheet, to be delivered via e-mail.
(a)(1)(vi)	Reminder Communication to Eligible Evolution Petroleum Corporation Employees and Consultants, to be delivered via e-mail on or about May 28, 2009.
(a)(1)(vii)	Form of the Election Confirmation Form to be delivered via e-mail on or about June 19, 2009.
(a)(i)(viii)	Evolution Petroleum Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed with the Securities and Exchange Commission on May 15, 2009, is hereby incorporated by reference.
(a)(i)(ix)	Evolution Petroleum Corporation’s Amendment on Form 10-K/A to its Annual Report for the fiscal year ended June 30, 2008, filed with the Securities and Exchange Commission on April 7, 2009, is hereby incorporated by reference.
(a)(i)(x)	Evolution Petroleum Corporation’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2008, filed with the Securities and Exchange Commission on February 17, 2009, is hereby incorporated by reference.
(a)(i)(xi)	Evolution Petroleum Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed with the Securities and

Exchange Commission on November 14, 2008, is hereby incorporated by reference.

- (a)(i)(xii) Evolution Petroleum Corporation's Amendment No. 1 to Schedule 14A Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, filed with the Securities and Exchange Commission on November 4, 2008, is hereby incorporated by reference.
  - (a)(i)(xiii) Evolution Petroleum Corporation's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 3, 2008, is hereby incorporated by reference.
  - (a)(i)(xiv) Evolution Petroleum Corporation's Definitive Proxy Statement on Schedule 14A for the 2008 Annual Meeting of Stockholders, filed with the Securities and Exchange Commission on October 28, 2008, is hereby incorporated by reference.
  - (a)(i)(xv) Evolution Petroleum Corporation's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 28, 2008, is hereby incorporated by reference.
  - (a)(i)(xvi) Evolution Petroleum Corporation's Annual Report on Form 10-K for the fiscal year ended June 30, 2008, filed with the Securities and Exchange Commission on September 24, 2008, is hereby incorporated by reference.
  - (a)(i)(xvii) Evolution Petroleum Corporation's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on July 3, 2008, is hereby incorporated by reference.
  - (b) Not applicable
  - (d)(1) Evolution Petroleum Corporation Amended and Restated 2004 Stock Plan, filed with the Securities and Exchange Commission on October 29 2007 as Annex A to Definitive Schedule 14A, is hereby incorporated by reference.
  - (d)(2) Form of Stock Option Agreement for the Natural Gas Systems 2004 Stock Plan, filed with the Securities and Exchange Commission as an exhibit to the Current Report on Form 8-K on April 8, 2005, is hereby incorporated by reference.
  - (d)(3) Form of Restricted Stock Agreement under Evolution Petroleum Corporation's Amended and Restated 2004 Stock Plan
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**ITEM 13. INFORMATION REQUIRED BY SCHEDULE 13E-3.**

- (a) Not applicable.

**SIGNATURE**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

EVOLUTION PETROLEUM CORPORATION

By: /s/ Sterling H. McDonald  
Sterling H. McDonald  
Vice President and Chief Financial Officer

Dated: May 21, 2009

**EXHIBIT INDEX**

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(a)(1)(iv)	Communication to Eligible Evolution Petroleum Corporation Employees and Consultants from the Chief Executive Officer, to be delivered via e-mail on or around May 21, 2009.
(a)(1)(v)	Form of Communication to Eligible Person Participating in the Exchange Program Confirming Receipt of Election Form and Information Sheet, to be delivered via e-mail.
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(a)(i)(xii)	Evolution Petroleum Corporation's Amendment No. 1 to Schedule 14A Definitive Proxy Statement for the 2008 Annual Meeting of

Stockholders, filed with the Securities and Exchange Commission on November 4, 2008, is hereby incorporated by reference.

- (a)(i)(xiii) Evolution Petroleum Corporation's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 3, 2008, is hereby incorporated by reference.
  - (a)(i)(xiv) Evolution Petroleum Corporation's Definitive Proxy Statement on Schedule 14A for the 2008 Annual Meeting of Stockholders, filed with the Securities and Exchange Commission on October 28, 2008, is hereby incorporated by reference.
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  - (b) Not applicable
  - (d)(1) Evolution Petroleum Corporation Amended and Restated 2004 Stock Plan, filed with the Securities and Exchange Commission on October 29 2007 as Annex A to Definitive Schedule 14A, is hereby incorporated by reference.
  - (d)(2) Form of Stock Option Agreement for the Natural Gas Systems 2004 Stock Plan, filed with the Securities and Exchange Commission as an exhibit to the Current Report on Form 8-K on April 8, 2005, is hereby incorporated by reference.
  - (d)(3) Form of Restricted Stock Agreement under Evolution Petroleum Corporation's Amended and Restated 2004 Stock Plan
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## EVOLUTION PETROLEUM CORPORATION

**OFFER TO EXCHANGE  
RESTRICTED STOCK  
FOR  
CERTAIN OUTSTANDING STOCK OPTIONS**

**THIS EXCHANGE PROGRAM AND ALL WITHDRAWAL RIGHTS EXPIRE  
AT 11:59 P.M., U.S. EASTERN DAYLIGHT TIME, ("EDT") ON JUNE 18, 2009, UNLESS THIS EXCHANGE PROGRAM  
IS EXTENDED OR TERMINATED.**

**This document constitutes part of the Section 10(a) Prospectus  
Relating to the Evolution Petroleum Corporation's Amended and Restated 2004 Stock Plan**

**The Date of this Offer is May 21, 2009**

Evolution Petroleum Corporation, a Nevada corporation, (together with its subsidiaries, "Evolution Petroleum," "EPM," "Company," "we," "our" or "us") is offering employees and consultants the opportunity to exchange certain outstanding stock option grants to purchase shares of our common stock granted under the Evolution Petroleum Corporation Amended and Restated 2004 Stock Plan (the "2004 Stock Plan") that have a per share exercise price of \$2.33 or greater, which we refer to as an "Eligible Option Grant," for restricted common stock, which is subject to vesting based on continued employment for a specified period (the "Restricted Stock"). An Eligible Option Grant will be exchanged for Restricted Stock in the ratio of 1 share of Restricted Stock for every 1.7273 stock options rounded to the nearest whole number (the "Conversion Factor"), on the terms and under the conditions set forth in this offer to exchange (the "Offer to Exchange"). We refer to this offer to exchange Eligible Option Grants for Restricted Stock in accordance with the terms and conditions of this Offer to Exchange as the "Exchange Program." In this Offer to Exchange, when we refer to a "Section," unless otherwise indicated, we are referring to a Section of the discussion in this Offer to Exchange under Part III, "The Exchange Program."

Each Eligible Option Grant that may be exchanged pursuant to the Exchange Program was granted under the 2004 Stock Plan. Restricted Stock will be granted under the 2004 Stock Plan upon the terms and subject to the conditions set forth in this Offer to Exchange, the related Evolution Petroleum Corporation Stock Option Exchange Program Election Form (the "Election Form"), the related Evolution Petroleum Corporation Eligible Option Grant and Restricted Stock Information Sheet (the "Information Sheet") and the 2004 Stock Plan. Participation in the Exchange Program is voluntary.

Unless extended or terminated, this Exchange Program will expire at 11:59 P.M. EDT on June 19, 2009.

An individual will be eligible to participate in the Exchange Program, provided that, during the entire period commencing on and including May 21, 2009 through the date the Restricted Stock is granted under the Exchange Program, or such lesser time if an individual is terminated due to death or disability, which we refer to as the "Eligibility Period," he or she satisfies all of the following conditions:

- Is not a member of our Board of Directors;
- Is not an executive officer of the Company;
- Is actively employed by, or providing consulting services to us or a subsidiary of the Company, or is receiving long-term disability benefits from us, or is on one of the following short-term leaves, as defined by us:
  - Military leave;
  - sick leave;
  - or other bona fide leave of absence (to be determined in the sole discretion of the Administrator);
- Holds an Eligible Option Grant.

An employee or consultant who meets the preceding eligibility conditions is referred to in this Offer to Exchange as an "Eligible Person." In this Offer to Exchange, we use the term "Eligible Option Grant" to mean one or more stock option grants that give the holder the right to purchase a specified number of shares of our common stock at an exercise price equal to or greater than the "threshold price" of \$2.33, were granted under our 2004 Stock Plan, and are held by "Eligible Persons". If you are an Eligible Person you may tender for exchange any Eligible Option Grant or none at all. However, if you choose to tender an Eligible Option Grant,

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you must tender the entire outstanding, unexercised portion of that Eligible Option Grant. We will not accept any partial tenders of an Eligible Option Grant.

For purposes of this Exchange Program, the *threshold price* of U.S. \$2.33, which represents a stock price that is approximately 24% greater than the closing stock price, as reported on the NYSE AMEX, on March 31, 2009, the date the Compensation Committee of our Board of Directors unanimously recommended the Exchange Program to be approved by our Board of Directors.

Each Eligible Person who participates in the Exchange Program will receive Restricted Stock based on the Conversion Factor and the number of stock options provided by the Eligible Option Grant that is tendered and accepted by the Company for exchange in accordance with the terms of the Exchange Program.

Each Eligible Option Grant that is accepted for exchange pursuant to the Exchange Program will be cancelled following the expiration of the Exchange Program, currently scheduled to expire at 11:59 p.m. EDT on June 19, 2009. An Eligible Option Grant that is accepted for exchange will no longer be exercisable after the expiration of the Exchange Program, unless the individual who tendered it for exchange ceases to be an Eligible Person before the end of the Eligibility Period, in which event (except for a termination due to an Eligible Person's death or disability) the Eligible Option Grant will remain outstanding and exercisable in accordance with its terms notwithstanding any action the Company may have taken to cancel the Eligible Option Grant or issue Restricted Stock and the holder of such Eligible Option Grant will not be eligible to receive Restricted Stock under the Exchange Program.

If a tendering individual elects to exchange an Eligible Option Grant pursuant to the Exchange Program, his or her election is accepted by the Company, and such individual remains an Eligible Person through the end of the Eligibility Period, for Eligible Option Grant tendered we will grant the tendering individual an amount of Restricted Stock under the 2004 Stock Plan in accordance with the Conversion Factor. The new grant date for the Restricted Stock will be the date of the exchange, which we expect will be the expiration date of this Exchange Program, unless this Exchange Program is extended by us.

Each share of Restricted Stock granted pursuant to the Exchange Program will be subject to the terms of the 2004 Stock Plan and an award agreement by and between you and EPM (a form of which is attached hereto) and will:

- have a grant date that is the date of the exchange, which we expect will be the expiration date of the Exchange Program, unless the Exchange Program is extended by us;
- be unvested at the time it is granted, and will vest according to the following schedule:
  - If and to the extent certain stock options of an Eligible Option Grant were vested on or before June 19, 2009, the Restricted Stock exchanged for such vested stock options will become vested on June 19, 2010.
  - If and to the extent any remaining stock options of the Eligible Option Grant were not vested on or before June 19, 2009, the Restricted Stock exchanged for those unvested stock options will become vested on the first anniversary of the original vesting date(s) on which such unvested stock options would otherwise have become vested.

**Although our Board of Directors has approved this Exchange Program, neither we nor our Board of Directors makes any recommendation as to whether you should elect to exchange or refrain from electing to exchange an Eligible Option Grant. You must make your own personal decision whether to elect to participate in the Exchange Program. We urge you to consult your personal financial and tax advisors before deciding whether to elect to exchange an Eligible Option Grant.**

The Company will provide you with a printed Information Sheet identifying your Eligible Option Grants subject to the Exchange Program.

To inform yourself about the Exchange Program, you should:

- Read this Offer to Exchange, the election form, the 2004 Stock Plan and the form of restricted stock agreement because they contain important information;
- Review the listing of your Eligible Option Grants in your Information Sheet;
- Consider the questions and answers in the Summary Term Sheet; and
- Call the Chief Financial Officer at (713) 935-0122 or send an email to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com), if you have questions about our offer.

We are making this offer upon the terms and conditions described in this Offer to Exchange, the election form and Eligible Option Grant and Restricted Stock Information Sheet. The Exchange Program is not conditioned on any minimum number of options being exchanged. Our offer is, however, subject to conditions that we describe in Part III, Section 7 (Conditions of this Exchange Program) of this document.

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Participation in this Exchange Program is voluntary, and there are no penalties for electing not to participate. If you choose not to participate in the Exchange Program, you will not receive Restricted Stock, and your outstanding Eligible Option Grant(s) will remain outstanding according to their existing terms and conditions.

If you wish to participate in the Exchange Program, an Election Form and Information Sheet are included with this Offer to Exchange. The Election Form and Information Sheet must be sent to Evolution Petroleum Corporation by e-mail to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com). The subject line of the E-mail must state: "Exchange Program."

**The Election Form and Information Sheet should *not* be sent via inter-office mail or hand delivered.**

To participate, your Election Form and Information Sheet must be *received* by the Company no later than 11:59 p.m. EDT on June 19, 2009, unless this Exchange Program is extended. You will receive a confirmation by E-mail after our receipt of your completed Election Form and Information Sheet. If an Eligible Option Grant is properly tendered for exchange under the Exchange Program, is not properly withdrawn and is accepted by the Company prior to the Expiration Date, you will receive a final confirmation notice confirming that your Eligible Option Grant has been accepted for exchange and cancelled.

Shares of our common stock are quoted on NYSE AMEX under the symbol "EPM." Shares of our common stock are quoted on the NYSE AMEX under the symbol "EPM". On May 20, 2009, the closing price of one share of common stock on the NYSE AMEX was \$2.76.

**We recommend that you obtain current market quotations for our common stock before tendering your final election to participate in the Exchange Program.**

#### IMPORTANT NOTICE

**Although our Board of Directors has approved this Exchange Program, neither we nor our Board of Directors makes any recommendation to you as to whether or not you should elect to change your Eligible Option Grant.** Also, we have not authorized any person to make any recommendation on its behalf as to whether or not you should accept this offer.

You must make your own personal decision whether or not to exchange an Eligible Option Grant. In doing so, you should rely only on the information contained in the Offer to Exchange materials, the materials referenced in Section 16 of Part III of this Offer to Exchange, any official question and answer session organized by our Chief Financial Officer, or any other authorized communications from us made generally available to eligible employees, as no other representations or information have been authorized by us. We recommend that you consult with your own advisors, including your tax advisor and financial advisor, before making any decisions regarding the Exchange Program.

The Restricted Stock we are offering may ultimately be worth less than your existing options. In evaluating this offer, you should keep in mind that the future performance of the Company and its stock will depend upon, among other factors, the future overall economic environment, the performance of the overall stock market and companies in our sector, the performance of our own business and the other risks and uncertainties set forth in our filings with the U.S. Securities and Exchange Commission. In particular, we recommend that you read our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, our Quarterly Reports on Form 10-Q for the period ended September 30, 2008, December 31, 2008 and March 31, 2009, each of which has been filed with the U.S. Securities and Exchange Commission and is available free of charge on the Internet at [www.sec.gov](http://www.sec.gov).

The statements in this document concerning the Eligible Option Grants, the 2004 Stock Plan and the Restricted Stock are summaries of the material terms but are not complete descriptions of the Eligible Option Grants, the 2004 Stock Plan, or the Restricted Stock. The stock plan under which the Eligible Option Grants were granted, the 2004 Stock Plan and the forms of award agreement have been filed as exhibits to our Tender Offer Statement on Schedule TO filed with the U.S. Securities and Exchange Commission (to which this document is also an exhibit). See Part III, Section 16 of this Offer to Exchange for additional information regarding the Schedule TO.

Our Exchange Program is not being made to, and we will not accept any election to exchange Eligible Option Grants from or on behalf of, option holders in any jurisdiction in which our making the Offer to Exchange or accepting any tendered options for exchange is or would be illegal. However, we may in our sole discretion take the actions we deem necessary for us to make this Offer to Exchange to option holders in such jurisdiction.

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## APPENDIX A INFORMATION CONCERNING THE DIRECTORS AND EXECUTIVE OFFICERS OF EVOLUTION PETROLEUM CORPORATION

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### I. SUMMARY TERM SHEET

The following are answers to some of the questions you may have about this Exchange Program.

We urge you to read the following questions and answers carefully. We also urge you to read the remainder of this Offer to Exchange, which provides a more complete description of the topics discussed in this Summary Term Sheet, the Election Form, Information Sheet, and to review the 2004 Stock Plan and the form of our Restricted Stock Agreement attached as Exhibit (d)(3) to our Schedule TO for full details of the rights afforded to recipients of Restricted Stock. Copies of such documents are available to you free of charge by writing to 2500 CityWest Blvd., Suite 1300, Houston, Texas 77042, Attn.: Chief Financial Officer, or are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

Because each of you is in a different financial situation, we suggest that you consult with your personal financial and tax advisors before deciding whether or not to participate in the Exchange Program. Please review these questions and answers and the other materials provided to ensure that you are making an informed decision regarding whether or not to participate in the Exchange Program.

The questions and answers have been separated into three categories: Exchange Program Design and Purpose; Administration and Timing of Exchange Program; and Other Important Questions.

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References in this document to “EPM,” the “Company,” “we,” “us” and “our” mean Evolution Petroleum Corporation, and references to the “Expiration Date” mean 11:59 p.m., EDT, on June 19, 2009, or, if we extend the offer period, any later date that we specify. References to the “Offer to Exchange” mean this document and its appendices. References to the Exchange Program mean the Exchange Program described in the Offer to Exchange. References to dollars (“\$”) are to United States dollars.

## EXCHANGE PROGRAM DESIGN AND PURPOSE

### 1. What is the Exchange Program and do I have to participate?

The Exchange Program is a program being offered by the Company to allow Eligible Persons to exchange their Eligible Option Grants for Restricted Stock subject to the terms of the Offer to Exchange. The Exchange Program is *voluntary* and will allow Eligible Persons to choose whether to keep their Eligible Option Grants under their original terms, or to exchange any, all or none of their Eligible Option Grants for Restricted Stock. The Exchange Program does not pertain to, and will have no affect on, any options you own other than Eligible Option Grants. Although the Board of Directors has approved making this offer, neither management nor the Board of Directors is making any recommendation as to your participation in the Exchange Program. The decision to participate must be yours. We urge you to consult your personal financial, tax and legal advisors for advice on tax and other investment-related implications of participating in the Exchange Program. The Exchange Program will begin on May 21, 2009 and will expire on June 19, 2009 at 11:59 P.M. EDT.

### 2. Why are we conducting the Exchange Program?

Stock-based compensation for employees and consultants is very important to our compensation program and philosophy. We rely heavily on the specialized skills and expertise of our employees and consultants to implement our strategic initiatives and develop our business. We, like many companies, use stock-based compensation as a means of attracting, motivating and retaining high performing employees and consultants. We believe (as do our Board of Directors) stock-

based compensation constitutes a key part of our incentive and retention programs because such equity compensation encourages our employees and consultants to act like owners of the business, motivating them to work toward their success and rewarding their contributions by allowing them to benefit from increases in the value of our shares.

Many of our employees and consultants now hold stock options which were granted under our 2004 Stock Plan at various per share exercise prices and many of these stock options are now significantly “underwater” or “out-of-the-money”, meaning they have exercise prices significantly higher than the current market price of our common stock. As a result, we believe that the Eligible Option Grants may have become ineffective in providing the necessary incentives and retention value, both to the Company and its employees. The purpose of this Exchange Program is to address these issues by providing a way for Eligible Persons to exchange their out-of-the-money stock options for Restricted Stock, if they choose to do so.

### **3. What are Eligible Option Grants?**

Only “Eligible Options Grants” may be exchanged under this program. Eligible Option Grants are stock option granted under our 2004 Stock Plan that give the holder the right to purchase a specified number of shares of our common stock at an exercise price equal to or greater than the “*threshold price*” and are held by “Eligible Persons.” The *threshold price* is \$2.33, which represents a stock price that is approximately 24% greater than the closing stock price, as reported on the NYSE AMEX, on March 31, 2009, the date the Compensation Committee of our Board of Directors unanimously recommended the Exchange Program to be approved by our Board of Directors.

### **4. Am I eligible to participate?**

An individual will be eligible to participate in the Exchange Program (an “Eligible Person”), provided that, during the entire period commencing on and including May 21, 2009 through the Expiration Date of the Exchange Program, or such lesser time if an Eligible Person is terminated due to death or disability, he or she satisfies all of the following conditions:

- Is not a member of our Board of Directors;
- Is not an Executive Officer;
- Is actively employed by, or providing consulting services to the Company or a subsidiary of the Company, or is receiving long-term disability benefits from us, or is on one of the following short-term leaves, as defined by us:
  - Military leave;
  - sick leave;
  - or other bona fide leave of absence (to be determined in the sole discretion of the Compensation Committee of the Board of Directors); and
- Holds an Eligible Option Grant.

### **5. Who is not eligible to participate in the Exchange Program?**

The following individuals are not eligible to participate in the Exchange Program:

- Members of our Board of Directors;
- Executive Officers of the Company;
- Retirees;
- Persons on short-term leave other than one of the short-term leaves described in the answer to Question 4; and
- Terminated employees.

### **6. What are stock options?**

A stock option or “option” is the right to purchase a share of common stock at a specified price, regardless of the actual market price of such common stock at the time the option is exercised. Typically, the specified purchase, or “exercise,” price is the market price of a share of our common stock on the date the option was granted. Due to subsequent fluctuations, at any given time following the grant of the option, the prevailing market price of the stock may be greater than, equal to, or less than, the specified exercise price of the option. When the market price is greater than the exercise price of the option (otherwise known as an “in-the-money” option), the option holder receives value from exercising the option, because he or she is able to buy the stock underlying the option at less

than its prevailing market price and then sell the purchased stock for the higher prevailing market price. Conversely, when the market price is less than the exercise price of the option (otherwise known as an “out-of-the-money” or an “underwater” option) the holder generally would not exercise the stock option, since it would generally be considered uneconomic to do so. The options eligible for exchange under this Exchange Program currently are, and have for some time been, “out-of-the-money”.

### **7. What is Restricted Stock?**

Shares of Restricted Stock granted pursuant to this Exchange Program and the 2004 Stock Plan are shares of our common stock that will be issued to you, but subject to vesting based on continued employment for a specified period. Until the shares of Restricted Stock have vested, they remain subject to restrictions on

transfer and subject to forfeiture upon termination of employment. If and when the shares vest, they will no longer be “restricted,” and you will be free to hold, transfer or sell them, subject to required tax withholding and compliance with applicable securities laws, our insider securities trading policies and any other legal requirements.

**8. How is Restricted Stock different from stock options?**

When the market price of our common stock declines below the applicable option exercise price of a stock option grant, the stock option grant would generally have no realizable value. In contrast, Restricted Stock continues to have value even if the market price of our stock has declined below its value at the time of grant. If however, our common stock price increases significantly, the Eligible Option Grants you currently hold may have greater potential value, because the underlying shares are greater in number than the Restricted Stock for which they can be exchanged. However, the Restricted Stock you would receive under the Exchange Program if you choose to participate, will likely have greater value, if our common stock price does not increase significantly, provided you hold the Restricted Stock for the applicable vesting period. Please see questions 45 and 46 for a discussion of the income tax differences of Restricted Stock and your Eligible Option Grants.

**9. I have more than one Eligible Option Grant. Do I have to exchange all of my Eligible Option Grants to participate?**

No. You may exchange one or more of your Eligible Option Grants, or none at all. However, if you choose to tender an Eligible Option Grant for exchange, you must tender the entire outstanding, unexercised portion of that specific option grant. For the purposes of this Exchange Program, the term “option grant” means a particular option grant to purchase a specified number of shares of our common stock at a specified grant date exercise price per share, vesting schedule and termination date. We will not accept partial tenders of any specific Eligible Option Grant. If you attempt to tender for exchange less than the entire outstanding unexercised portion of an Eligible Option Grant, we will reject your tender of that particular grant in its entirety. Any such rejection will not affect any other Eligible Option Grant that you properly tender.

**10. May I tender unvested options?**

Yes. Your Eligible Option Grants do not need to be vested in order for you to participate in the Exchange Program. However, if you choose to tender a particular outstanding Eligible Option Grant, you must tender the entire unexercised Eligible Option Grant, both the vested and unvested portions.

**11. May I tender an option that I have already exercised in full?**

No. The Exchange Program pertains only to outstanding options. It does not apply in any way to shares you have already purchased, whether upon the exercise of options or otherwise, or whether or not you have vested in those shares. If you have exercised an option in its entirety, that option is no longer outstanding and is therefore not eligible for this Exchange Program. However, if you have exercised an option grant in part, the remaining unexercised portion of that option is outstanding and may be tendered for exchange if the option grant is an Eligible Option Grant. Any Eligible Option Grant for which you have properly submitted an exercise notice prior to the time the Exchange Program expires will be considered exercised to the extent described in such exercise notice, whether or not you have received confirmation of exercise for the shares purchased.

**12. When will the Restricted Stock vest?**

Each share of Restricted Stock will be unvested at the time it is granted and will become vested on the basis of the Eligible Person’s continued service with the Company in accordance with and subject to the terms of the Offer to Exchange as follows: if and to the extent any stock options pursuant to your Eligible Option Grant were vested on or before the Expiration Date, the Restricted Stock exchanged for those vested options will become vested on the first anniversary of the Expiration Date, being June 19, 2010, unless the Expiration Date is extended. If and to the extent any stock options pursuant to your Eligible Option Grant are not vested on or before the Expiration Date, the Restricted Stock exchanged for those unvested options will become vested on the first anniversary

of the original vesting date(s) on which such unvested options would have otherwise become vested.

For example assume you have options to acquire 1,000 shares of stock and 400 of those options are vested and the remaining 600 options vest on January 1, 2010. If you elected to accept the exchange, your 400 vested options would be exchanged for 232 shares of restricted stock which would vest on June 19, 2010. Your 600 unvested options would be exchanged for 347 shares of Restricted Stock which would vest on January 1, 2011. The amount of Restricted Stock an Eligible Person is entitled to may be determined by dividing the number of options in your Eligible Option Grant by the Conversion Factor.

**13. Why are there additional vesting requirements on the Restricted Stock when I have already held many of my options through the original vesting periods?**

Two of the principal purposes of our stock-based compensation program are to align the interests of our employees with those of our stockholders and to retain the services of our employees for the benefit of the Company. We believe that anything shorter than the vesting requirements described in Question 12 would not adequately allow us to further these objectives. You should carefully consider the risks of exchanging vested options for unvested Restricted Stock and consult with your advisors regarding this topic. (See Question 12)

**14. How did the Company determine the number of shares of Restricted Stock I will be entitled to under the Exchange Program?**

On March 31, 2009 (the “Committee Date”), the Compensation Committee of the Board of Directors (the “Committee”), unanimously agreed to recommend that the Board authorize the Exchange Program for Eligible Persons. To calculate the number of shares of Restricted Stock each Eligible Person will be entitled to under the Exchange Program, the Committee formulated the “Conversion Factor.” The Conversion Factor is defined as the ratio of 1 share of Restricted Stock for every option to purchase 1.7273 shares under an Eligible Option Grant, and was determined on a group aggregate, and not an individual grant, basis. Therefore, all Eligible Option grants will receive the same Conversion Factor, regardless of the underlying estimated fair value of any one Eligible Option grant.

The Conversion Factor was calculated by using the maximum number of all Eligible Options available for exchange (834,280) as the numerator, and using the maximum number of all Restricted Stock shares that can be exchanged (482,997) as the denominator. The denominator was determined by dividing the sum of the estimated fair values for each Eligible Option Grant (determined using the Black-Scholes option pricing model based on assumptions applicable to March 31, 2009), by our stock price on the closing price prior to the Committee Date.

**15. What is the Black-Scholes valuation model?**

The Black-Scholes valuation model is a widely-used and generally accepted option valuation methodology that provides an estimate of the fair value of a stock option. Although it is the same model we use to value our stock options for financial reporting purposes, it is not an exact science and is subject to limitations in estimating fair values.

**16. Do I have to pay any money to receive shares of Restricted Stock under the Exchange Program?**

Yes. But you are only required to pay the \$0.001 par value of each share of Restricted Stock. For example if you receive 100,000 shares of Restricted Stock in the Exchange Program, you will be required to pay \$100 to the Company.

**17. Are there risks that I should consider in deciding whether to exchange an Eligible Option Grant?**

Yes. Exchanging your Eligible Option Grant does have some risks. You should carefully review the discussion of certain of these risks in Part II "Risk Factors" of this Offer to Exchange and consult with your advisors regarding any risks associated with the Exchange Program.

**18. Why can I not just be granted additional options as an alternative to the Exchange Program?**

An additional grant of options to all Eligible Persons could have a negative effect on our stock dilution, outstanding shares and share price.

**19. When must I qualify as an Eligible Person?**

To participate in the Exchange Program, you must qualify as an Eligible Person throughout the entire Eligibility Period which runs from and includes the date this Exchange Program commences (May 21, 2009), through the date the Restricted Stock is granted (currently anticipated to be June 19, 2009), or such lesser time if an Eligible Person is terminated due to death or disability. If you are not an Eligible Person throughout the entire Eligibility Period, as defined, any election you make to participate in this Exchange Program will be automatically voided and your existing Eligible Option Grants will remain outstanding and unchanged. Should an Eligible Person terminate due to death or disability, their most recent election for exchange, if any, will be honored.

**20. Does participation in the Exchange Program create a right to continued employment?**

No. Your participation in the Exchange Program gives you no legal or other right to continued employment for any period.

**21. What happens if my employment with Evolution Petroleum Corporation is terminated by the Company, I die or I otherwise become ineligible at any time during the Eligibility Period?**

If you are not an Eligible Person at any time during the Eligibility Period (other than for death or disability as deemed under the 2004 Stock Plan), including on the date Restricted Stock is granted (currently anticipated to be June 19, 2009), any election you make to participate in the Exchange Program will be automatically void and the Eligible Option Grant you tendered for exchange will remain outstanding, in accordance with the terms and conditions of the applicable option grant document for the Eligible Option Grant. If you die during the Eligibility Period or become disabled (as defined under the 2004 Stock Plan), your most recent election, if any, will remain in effect.

**22. What will happen to the Eligible Option Grant that I exchange if I participate in the Exchange Program?**

Eligible Option Grants that are accepted for exchange under the Exchange Program will be cancelled on the date the Restricted Stock is granted, which is expected to be the Expiration Date of the Exchange Program, June 19, 2009. The shares of Evolution Petroleum Corporation's common stock underlying any canceled Eligible Option Grant will be available to be awarded under the 2004 Stock Plan.

**23. What will happen to my Eligible Option Grant(s) if I choose not to exchange them?**

Eligible Option Grants that are not exchanged will remain outstanding and retain their existing terms, including the existing exercise price, vesting schedule and expiration date.

**24. Will my participation in the Exchange Program affect my eligibility to receive future stock options or restricted stock grants?**

Participation or non-participation in the Exchange Program will have no effect on the Company's consideration of your possible future stock awards, if any.

**25. Does our Board of Directors have a recommendation about this Exchange Program?**

Our Board of Directors is not making a recommendation about this Exchange Program. Although our Board of Directors has approved this Exchange Program, they recognize that the decision to accept or reject this Exchange Program is an individual one that should be based on a variety of factors, including but not limited to your own personal circumstances and preferences, tax effects and your knowledge of the Company. You should consult with your personal advisors if you have questions about your financial or tax situation. Neither we, nor the Committee, nor our Board of Directors are making a recommendation to employees as to whether or not to participate in this Exchange Program, nor do we possess the specialized and personal knowledge of your individual facts and circumstances necessary to advise you on your decision to participate.

**26. Is there any information regarding the Company that I should be aware of?**

Yes. Your evaluation of whether to accept or reject this Exchange Program should take into account the factors described in the Offer to Exchange, as well as the various risks and uncertainties inherent in our business. Business risks, industry risks and stock price risks associated with our Company include, but are not limited to, those risks set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2009 and December 31, 2008. In addition, before making your decision to tender your Eligible Option Grants, you should carefully review the information about the Company discussed in Part II, "Risk Factors" and in Part III, Section 9 ("Information Concerning Evolution Petroleum Corporation") of this document. This information includes an update on recent events affecting our business and explains where you can find additional information about us.

**27. What are the conditions to this Exchange Program?**

This Exchange Program is subject to a number of conditions, including the conditions described in Part III, Section 7 (“Conditions of this Exchange Program”). Please read this entire Offer to Exchange for a full description of all of the terms and

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conditions of this Exchange Program.

**ADMINISTRATION AND TIMING OF EXCHANGE PROGRAM**

**28. How do I participate in the Exchange Program?**

Election instructions along with the required documentation to make your exchange election(s) are enclosed with the Offer to Exchange. If you elect to participate in the Exchange Program, you must properly complete the individualized Election Form included with this Offer to Exchange and submit such Election Form to the Company, which must be received by us no later than 11:59 p.m. EDT on June 19, 2009, unless this Exchange Program is extended. Election Forms must be submitted by E-mail to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com). The subject line of the email must state: “Exchange Program.”

**Election Forms should not be sent via inter-office mail or hand delivered.** If you have any questions about the election process, please send an e-mail directly to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com).

**29. How will I know the Company received my Election Form and Information Sheet?**

You will receive a notice of confirmation by E-mail after we receive your completed Election Form and Information Sheet. If you do not receive a confirmation, please call (713) 935-0122 or send an E-mail directly to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com).

**30. Am I required to return the Election Form or any other document if I elect not to exchange my Eligible Option Grant(s)?**

No. You are not required to return or submit any documents to us if you do not wish to exchange any of your Eligible Option Grants in this Exchange Program. If you do not return or submit the Election Form, you will not participate in the Exchange Program. This Exchange Program is completely voluntary, and there are no penalties for electing not to participate in the Exchange Program.

**31. How will I know my Eligible Option Grant was exchanged?**

If your Eligible Option Grant was properly tendered for exchange and accepted by the Company for exchange, you will receive a final confirmation notice following the Expiration Date of the Exchange Program. The final confirmation notice will confirm that the Eligible Option Grant has been accepted for exchange and cancelled, and will set forth the number of shares of Restricted Stock that have been granted to you in accordance with the Exchange Program.

**32. Is the Company required to accept my Eligible Option Grant for exchange?**

We reserve the right to reject any or all Eligible Option Grants tendered for exchange that we determine is not in appropriate form or that we determine are unlawful to accept. Subject to our rights to extend, terminate and amend this Exchange Program, we currently expect that we will accept, promptly after the Expiration Date of this Exchange Program, all Eligible Option Grants properly tendered for exchange that are not validly withdrawn.

**33. Must I submit my Eligible Option Grant documents with my Election Form?**

No. You do not need to submit any option grant documents in order to tender an Eligible Option Grant for exchange.

**34. What is the deadline to elect to participate in the Exchange Program?**

The deadline to participate in the Exchange Program is 11:59 p.m. EDT on June 19, 2009 unless this Exchange Program is extended by us. This means that your completed Election Form and Information Sheet must be **received** by the Company before the Expiration Date. The Election Form and Information Sheet can be submitted by any one of the permitted methods set forth in the answer to Question 28. The Election Form and Information Sheet should **not** be returned via inter-office mail or hand delivered.

We may, in our discretion, extend this Exchange Program at any time, but we cannot assure you that this Exchange Program will be extended or, if extended, for how long. If this Exchange Program is extended, we will make a public announcement of the extension as described in Part III, Section 14 of the Offer to Exchange (“Extension of this Exchange Program; Termination; Amendment”). If this Exchange Program is extended, you must deliver your Election Form and Information Sheet before the time to which this Exchange Program is extended.

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**35. What will happen if my Election Form and Information Sheet is not received by the Company before the Expiration Date?**

If your Election Form and Information Sheet is not received by us by the deadline, then you will not be able to participate in the Exchange Program and your Eligible Option Grants will remain unchanged, including the exercise price and number of underlying shares.

**36. May I withdraw or change my election and, if so, how?**

Yes. You may withdraw or change a previously submitted election to exchange Eligible Option Grants at any time before 11:59 p.m. EDT on June 19, 2009, as described in the Offer to Exchange. If this Exchange Program is extended by us beyond that time, you can withdraw or change your election at any time before the date to which this Exchange Program is extended. To withdraw or change your previously submitted Election Form and Information Sheet, you must request a replacement Election Form and Information Sheet and submit such replacement documents in the same manner set forth in the answer to Question 28. In order for such withdrawal to be accepted, we must receive the replacement Election Form and Information Sheet before the expiration of this Exchange Program at

11:59 p.m. EDT on June 19, 2009. It is your responsibility to confirm that we have received your replacement Election Form and Information Sheet before the expiration of this Exchange Program. In all cases, the last Election Form and Information Sheet submitted and received prior to the expiration of this Exchange Program will prevail.

**37. May I exchange the remaining portion of an Eligible Option Grant that I have already partially exercised?**

Yes, any remaining outstanding, unexercised options of your Eligible Option Grant may be exchanged.

**38. May I select which portion of an Eligible Option Grant to exchange?**

No. If you choose to exchange an Eligible Option Grant, you must exchange the entire outstanding, unexercised option grant.

**39. May I exchange both the vested and unvested portions of an Eligible Option Grant?**

Yes. Each Eligible Option Grant may consist of both vested and unvested options. The Eligible Option Grant must be exchanged in its entirety, whether or not it is fully vested. Each share of Restricted Stock will be unvested at the time it is granted and will become vested according to a new vesting schedule described in the answer to Question 12. See also the response to Question 14.

**40. When will I receive my Restricted Stock grant documents?**

We will grant the Restricted Stock shortly following the time the Eligible Option Grants you tendered to exchange are accepted and cancelled. If this Exchange Program expires on June 19, 2009, we would expect the exchange and the grant of the Restricted Stock to occur on that day. Grant documents for the Restricted Stock will be delivered to you shortly thereafter. You will receive after execution of the applicable grant documents a stock certificate for your shares of Restricted Stock containing all applicable restrictive legends.

**41. What is the source of the Restricted Stock that will be issued under the Exchange Program?**

The Restricted Stock issued under the Exchange Program will be issued pursuant to our 2004 Stock Plan. The shares will be issued under the Company's currently effective registration statement on Form S-8, filed with the SEC on July 3, 2008.

**OTHER IMPORTANT QUESTIONS**

**42. What happens if my employment terminates before all my Restricted Stock vests?**

You will generally forfeit any Restricted Stock that is not vested on the day you stop being an employee. Any vested shares you hold are yours to keep even after you leave the Company. If you elect to keep (i.e., to not exchange) all or some of your Eligible Option Grants, your option agreements generally provide that you have a limited period of time after your final day of employment with us to exercise your stock options to the extent that they are vested. If you do not exercise them within that limited time period, you will forfeit all unexercised options, whether vested or unvested, and will not receive any compensation for such forfeited options.

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**43. What happens if my employment terminates due to a change in control of the Company before all my Restricted Stock has vested?**

A "Change in Control" is defined in the Restricted Stock Agreement as (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. A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

If the Company is subject to a Change in Control before the employment terminates, the Restricted Stock shall vest (1) in full, immediately prior 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 the employee is subject to an Involuntary Termination (as defined in the Restricted Stock Agreement) within 12 months after the Change in Control; (3) in all other circumstances, partially, with 50% of the Restricted Stock vesting on the Change in Control date and the remaining Restricted Stock to vest at the rate set forth herein, reduced proportionally by the Restricted Stock that vested in accordance with the Change in Control. All other terms and conditions of such Restricted Stock shall remain unchanged.

**44. What if my employment terminates due to death or disability before all my Restricted Stock has vested?**

Restricted Stock will immediately vest upon the death or upon the termination of service with the Company on account of a physical or mental impairment that renders the employee incapable of performing each of the material and substantial duties of his or her current position with the Company.

**45. What are the U.S. federal income tax consequences to my participation in the Exchange Program?**

We believe that under current U.S. law, you will incur no immediate U.S. federal income tax consequences as a result of either electing to retain your Eligible Option Grant or electing to exchange your Eligible Option Grant for shares of Restricted Stock. However, making an election under Section 83(b) of the Internal Revenue Code or the vesting of the shares of Restricted Stock in the absence of a Section 83(b) election would have tax consequences to you. Please see the response to Question 46 for further information regarding the income tax consequences of your Restricted Stock.

**46. What are the U.S. federal income tax consequences of restricted common stock grants and stock option grants?**

The following summarizes the material U.S. federal income tax consequences of restricted common stock grants and stock option grants. Please note that the following is only a summary of the material U.S. federal income tax laws and regulations that apply to these awards and does not address all possible tax aspects of transactions that may arise in connection with these awards, including state or local tax consequences, federal alternative

minimum tax considerations, or any international tax consequences. The tax laws and regulations are complex and are subject to changes. Any such changes could apply on a retroactive basis and could affect the U.S. federal income taxes described below. In addition, circumstances unique to certain individuals may change the usual income tax results.

#### **Restricted Stock:**

You will generally recognize no taxable income upon the receipt of shares of Restricted Stock (*i.e.*, shares that are subject to a substantial risk of forfeiture and are not transferable). You will, however, recognize ordinary income (like salary) at the time the shares vest in an amount equal to the fair market value of those shares. We will determine the fair market value of the shares based on the closing price of our common stock as reported on the NYSE AMEX on each applicable vesting date. The ordinary income resulting from the vesting of shares of Restricted Stock will be reflected in the Form W-2 reported to the Internal Revenue Service for the year of the vesting of the shares. At the time that you recognize ordinary income, you will have income and employment withholding tax obligations with respect to that income, much like the obligation that arises when we pay you your salary. Although you make no affirmative election for this treatment, taxation is governed under Section 83(a) of the Internal Revenue Code.

Alternatively, you may choose to make an affirmative election, within 30 days of the grant date of your Restricted Stock, under Section 83(b) of the Internal Revenue Code, to include in your current year's income the fair market value of the shares on the date they are transferred to you, rather than on the date that the shares vest. However, an employee making a Section 83(b) election would not be entitled to any deduction or credit for taxes paid in the year of acquisition if he or she subsequently forfeits unvested shares upon termination of employment or otherwise. **Furthermore, we recommend you consult with your tax advisors regarding any tax consequences of the receipt of the Restricted Stock, and making or not making an election under Section 83(b) of the Code.**

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If you do not make an election under Section 83(b) of the Internal Revenue Code, as your shares of Restricted Stock vest over time, you will be required to recognize taxable income currently recognized at ordinary income tax rates. Further, the income you recognize will be the fair market value of the Restricted Stock on the date of the vesting of the Restricted Stock. This means that we will have an obligation to withhold income and employment taxes, much like the obligation that arises when we pay you your salary. Until you have satisfied these tax withholding requirements, we will have no obligation to release shares to you.

Unless you notify us otherwise, we intend to provide for the satisfaction of the tax withholding requirements by withholding from the number of shares of our common stock that would otherwise be released to you upon vesting under your Restricted Stock award a number of shares (rounded up to the next whole share) determined by multiplying the number of shares becoming vested by the combined minimum statutory income and employment tax withholding rates applicable to you. If for any reason, we are prevented from satisfying our tax withholding obligations in full or in part through this share withholding procedure, you would be required to pay by personal check any additional required withholding tax. In addition, you will authorize us to withhold from your first paycheck (and subsequent paychecks if necessary) following the vesting date, or to sell a number of shares in an amount sufficient to satisfy any unsatisfied portion of your required tax withholding.

If your employment with us is terminated for any reason after you have received shares of Restricted Stock, but before you have satisfied your income and employment withholding tax obligation, we will deduct the entire amount of any remaining tax obligation from your final paycheck, with the remainder, if any, being payable by you to us.

#### **Stock Options:**

Generally, the issuance of stock options or the vesting of stock options is not a taxable event. Stock options may be issued as Incentive Stock Options ("ISOs") under the Internal Revenue Code or issued as non-qualified stock options ("NQSOs"). Although all of the Eligible Option Grants issued to you may be labeled as ISOs, some or all of the options in a grant may be disqualified, with the disqualified portion being treated as NQSOs.

Stock options that qualify as ISOs may provide an employee with significant tax benefits, by allowing the employee to exercise the stock options, in limited amounts, without being taxed as ordinary income on the intrinsic (or in-the-money) value on the exercise date. Additionally, long-term capital gains treatment is available if the exercised ISO shares are held one year from the date of the exercise or two years from the date the options were granted, whichever is later.

There can be significant disadvantages to ISOs. Among them is that the difference between the fair market value of the stock and the exercise price (the in-the-money amount), upon exercise, is includable in income for alternative minimum tax (AMT) purposes. Although current tax law allows the excess you might pay from your AMT tax liability over your ordinary tax liability to be "carried over" and possibly used in future years as an offset to your ordinary income tax liability, your exercising an ISO doesn't generate any cash to you to pay any AMT tax liability. The problem can become worse if the stock price then falls before the shares are sold, leaving you an AMT bill in the year of exercise, even though the stock actually produced no income.

NQSOs (non-qualified stock options), whether issued as NQSOs or issued as ISOs that became NQSOs, will generally require you to recognize ordinary income (like salary) equal to the intrinsic or in-the-money value of the option on the exercise date. The ordinary income resulting from the exercise of NQSOs will be reflected in your Form W-2 for the year, thereby notifying the IRS that your option was exercised. At the time that you recognize ordinary income, you will have income and employment withholding tax obligations with respect to that income, much like the obligation that arises when we pay you your salary. If after exercising your NQSO you hold your stock for the requisite holding period, any future sale of your stock may be more favorably taxable as long-term capital gains, with the exercise price becoming your basis for calculating your gain.

#### **47. How will U.S. income and employment tax withholding be handled?**

For our employees who are subject to U.S. income taxation (and have not made a valid election under Section 83(b) of the Code), as your shares of Restricted Stock vest over time, you will be required to recognize taxable income. The Internal Revenue Service imposes on us an obligation to withhold income and employment taxes, much like the obligation that arises when we pay you your salary. Until these tax withholding requirements, are satisfied, we will have no obligation to release the shares to you.

We intend to provide for the satisfaction of the tax withholding requirements by withholding from the number of shares of our common stock that would otherwise be released to you upon vesting under your restricted stock award a number of shares (rounded up to the next whole share) determined by multiplying the number of shares becoming vested by the combined minimum statutory income and employment tax withholding rates applicable to you. If for any reason, we are prevented from satisfying our tax withholding obligations in full or in part through this share withholding procedure, you would be required to pay by personal check any additional required withholding tax. In addition, you will authorize us to withhold from your first paycheck (and subsequent paychecks if necessary) following the vesting date, or to instruct your broker to sell on your behalf a number of shares in an amount sufficient to satisfy any unsatisfied portion of your required tax withholding.

If your employment with us is terminated for any reason after you have received shares of common stock but before you have satisfied your income and employment withholding tax obligation, you will authorize us to instruct your broker to sell on your behalf a number of shares sufficient to satisfy your income and employment tax obligation, and we will deduct the entire amount of any

remaining tax obligation from your final paycheck.

#### **48. How should I decide whether or not to participate?**

The decision to participate must be each Eligible Person's personal decision, and should depend largely on each Eligible Person's assumptions about the performance of publicly-traded stocks generally, our own stock price and our business. We suggest that you consult with your personal financial and tax advisors before deciding whether or not to participate in the Exchange Program.

#### **49. Who can I talk to if I have questions about the offer?**

For additional information or assistance, you should call the Chief Financial Officer at (713) 935-0122 or send an email to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com).

In addition to these resources, we also plan to arrange for question and answer sessions about this exchange program. These sessions will not be a solicitation or make any recommendations whatsoever with respect to the offer. For example, we will not be able to answer questions about your personal situation or otherwise provide an assessment of the merits of this offer. You should consult your personal advisors if you have any questions about your financial or tax situation. We will be providing you information about the timing and location of the question and answer session in the coming days.

## **II. RISK FACTORS**

Participation in the Exchange Program involves a number of potential risks and uncertainties, including those described below. The risks and uncertainties below and the risks and uncertainties set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, filed with the U.S. Securities and Exchange Commission ("SEC") on September 24, 2008 and in each of our Quarterly Report on Form 10-Q for the period ended September 30, 2008, filed with the SEC on November 14, 2008, and March 31, 2009, filed with the SEC on May 15, 2009 and December 31, 2008, filed with the SEC on February 17, 2009, all of which is incorporated herein by reference, highlight the material risks of participating in the Exchange Program. Eligible Persons should consider these risks and uncertainties, among other things, and are encouraged to speak with a financial, tax or legal advisor as necessary before deciding whether or not to participate in the Exchange Program. In addition, we urge you to read all of the materials relating to the Exchange Program before deciding whether or not to tender your Eligible Option Grant for exchange.

### **ECONOMIC RISKS**

**The valuation methodology utilized to determine the Conversion Factor is based on the Black-Scholes option pricing model and does not necessarily reflect the actual value of your Eligible Option Grant.**

The Conversion Factor was calculated by using the maximum number of all Eligible Options available for exchange (834,280) as the numerator, and using the maximum number of all Restricted Stock shares that can be exchanged (482,997) as the denominator. The denominator was determined by dividing the sum of the estimated fair values for each Eligible Option Grant (determined using the Black-Scholes option pricing model based on assumptions applicable to March 31, 2009), by our stock price of \$1.92 the closing price on the date prior to the Committee Date.

You should be aware that option valuation is not an exact science. Although the Black-Scholes option pricing model is a standard and accepted model for determining the value of stock options, the utilization of different assumptions in the Black-Scholes option pricing model can produce significantly different results for the ultimate value of an option. Moreover, even experts can disagree on the correct assumptions to use for any particular option valuation exercise. The assumptions we used for purposes of this Exchange Program may not be the same as those used by others and, therefore, our valuation of the options and/or the Conversion Factor may not be consistent with those obtained using other valuation techniques or input assumptions and may not reflect the actual value of your Eligible Option Grant and whether or not your Eligible Option Grant has the same terms as the aggregate terms assumed in the Company's pricing model.

**If our stock price increases after the Expiration Date, your tendered Eligible Option Grant is canceled. Such canceled Eligible Option Grant might have been worth more than the Restricted Stock you receive in the Exchange Program.**

We cannot predict the future price of our common stock. It is possible over time that each Eligible Option Grant you tender for exchange will have had a greater value than the Restricted Stock you receive under this Exchange Program.

For example, assume, for illustrative purposes only, that you exchange an Eligible Option Grant for 25,000 shares with an exercise price of \$3.12, that you receive a grant of a 14,474 shares of Restricted Stock, and three years after the new grant date the price of our common stock had increased to \$12.50 per share. Under this example, if you had kept your exchanged Eligible Option Grant and sold all 25,000 shares at \$12.50 per share, you would have realized a pre-tax gain of \$234,500, but if you exchanged your Eligible Option Grant and sold 14,474 shares at \$12.50 per share, you would only realize a pre-tax gain of \$180,913. Conversely, assume, for illustrative purposes only, that you exchange an Eligible Option Grant for 25,000 shares with an exercise price of \$3.12, that you receive a grant of a 14,474 shares of Restricted Stock, and three years after the new grant date the price of our common stock had only increased to \$5.50 per share. Under this example, if you had kept your exchanged Eligible Option Grant and sold all 25,000 shares at \$5.50 per share, you would have realized a pre-tax gain of \$59,500, but if you exchanged your Eligible Option Grant and sold 14,474 shares at \$5.50 per share, you would have realized a pre-tax gain of \$79,607.

**If you do not have an employment relationship with the Company for any reason on the date your Restricted Stock would otherwise vest you will forfeit any unvested Restricted Stock.**



This means that if you quit for any reason, or we terminate your employment, with or without cause or notice, and you are not an employee on the date your Restricted Stock would vest, you will forfeit the unvested Restricted Stock and will not receive anything for the options you tendered and we canceled. This Exchange Program is not a guarantee of employment for any period. Your employment relationship with the Company may be terminated at any time by either you or us, with or without cause or notice, subject to any employment agreement you may have with us. However, if you die or become disabled as defined under the 2004 Stock Plan, then generally your shares of Restricted Stock will automatically vest.

**We will not grant restricted stock rights to you if we are prohibited by applicable laws or regulations.**

Even if we accept your tendered options, we will not grant shares of restricted stock to you if we are prohibited by applicable laws, rules, regulations or policies from doing so. Such a prohibition could result from, among other things, changes in laws, SEC rules, regulations or policies or NYSE AMEX listing requirements.

**TAX-RELATED RISKS FOR U.S. TAX RESIDENTS**

**General**

When the Restricted Stock granted to you under your restricted stock award vests, you will generally recognize ordinary income equal to the fair market value of the vested shares. Any excess of the proceeds on a subsequent sale of the shares over their fair market value on the vesting date will be a capital gain, although you will be eligible for favorable long-term capital gain treatment only if you have held the shares for more than 12 months from the date of vesting.

**Restricted Stock:**

You will generally recognize no taxable income upon the receipt of shares of Restricted Stock (*i.e.*, shares that are subject to a substantial risk of forfeiture and are not transferable). You will, however, recognize ordinary income (like salary) at the time the shares vest in an amount equal to the fair market value of those shares. We will determine the fair market value of the shares based on the closing price of our common stock as reported on the NYSE AMEX on each applicable vesting date. The ordinary income resulting from the vesting of shares of Restricted Stock will be reflected in the Form W-2 reported to the Internal Revenue Service for the year of the vesting of the shares. At the time that you recognize ordinary income, you will have income and employment withholding tax obligations with respect to that income, much like the obligation that arises when we pay you your salary. Although you make no affirmative election for this treatment, taxation is governed under Section 83(a) of the Internal Revenue Code.

Alternatively, you may choose to make an affirmative election, within 30 days of the grant date of your Restricted Stock, under Section 83(b) of the Internal Revenue Code, to include in your current year's income the fair market value of the shares on the date they are transferred to you, rather than on the date that the shares vest. However, an employee making a Section 83(b) election would not be entitled to any deduction or credit for taxes paid in the year of acquisition if he or she subsequently forfeits unvested shares upon termination of employment or otherwise. **Furthermore, we recommend you consult with your tax advisors regarding any tax consequences of the receipt of the Restricted Stock, and making or not making an election under Section 83(b) of the Code.**

If you do not make an election under Section 83(b) of the Internal Revenue Code, as your shares of Restricted Stock vest over time, you will be required to recognize taxable income currently recognized at ordinary income tax rates. Further, the income you recognize will be the fair market value of the Restricted Stock on the date of the vesting of the Restricted Stock. This means that we will have an obligation to withhold income and employment taxes, much like the obligation that arises when we pay you your salary. Until you have satisfied these tax withholding requirements, we will have no obligation to release shares to you.

Unless you notify us otherwise, we intend to provide for the satisfaction of the tax withholding requirements by withholding from the number of shares of our common stock that would otherwise be released to you upon vesting under your Restricted Stock award a number of shares (rounded up to the next whole share) determined by multiplying the number of shares becoming vested by the combined minimum statutory income and employment tax withholding rates applicable to you. If for any reason, we are prevented from satisfying our tax withholding obligations in full or in part through this share withholding procedure, you would be required to pay by personal check any additional required withholding tax. In addition, you will authorize us to withhold from your first paycheck (and subsequent paychecks if necessary) following the vesting date, or to sell a number of shares in an amount sufficient to satisfy any unsatisfied portion of your required tax withholding.

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If your employment with us is terminated for any reason after you have received shares of Restricted Stock, but before you have satisfied your income and employment withholding tax obligation, we will deduct the entire amount of any remaining tax obligation from your final paycheck, with the remainder, if any, being payable by you to us.

**Stock Options:**

Generally, the issuance of stock options or the vesting of stock options is not a taxable event. Stock options may be issued as Incentive Stock Options (“ISOs”) under the Internal Revenue Code or issued as non-qualified stock options (“NQSOs”). Although all of the Eligible Option Grants issued to you may be labeled as ISOs, some or all of the options in a grant may be disqualified, with the disqualified portion being treated as NQSOs.

Stock options that qualify as ISOs may provide an employee with significant tax benefits, by allowing the employee to exercise the stock options, in limited amounts, without being taxed as ordinary income on the intrinsic (or in-the-money) value on the exercise date. Additionally, long-term capital gains treatment is available if the exercised ISO shares are held one year from the date of the exercise or two years from the date the options were granted, whichever is later.

There can be significant disadvantages to ISOs. Among them is that the difference between the fair market value of the stock and the exercise price (the in-the-money amount), upon exercise, is includable in income for alternative minimum tax (AMT) purposes. Although current tax law allows the excess you might pay from your AMT tax liability over your ordinary tax liability to be “carried over” and possibly used in future years as an offset to your ordinary income tax liability, your exercising an ISO doesn’t generate any cash to you to pay any AMT tax liability. The problem can become worse if the stock price then falls before the share are sold, leaving you an AMT bill in the year of exercise, even though the stock actually produced no income.

NQSOs (non-qualified stock options), whether issued as NQSOs or issued as ISOs that became NQSOs, will generally require you to recognize ordinary income (like salary) equal to the intrinsic or in-the-money value of the option on the exercise date. The ordinary income resulting from the exercise of NQSOs will be reflected in your Form W-2 for the year, thereby notifying the IRS that your option was exercised. At the time that you recognize ordinary income, you will have income and employment withholding tax obligations with respect to that income, much like the obligation that arises when we pay you your salary. If

after exercising your NQSO you hold your stock for the requisite holding period, any future sale of your stock may be more favorable taxable as long-term capital gains, with the exercise price becoming your basis for calculating your gain.

### **Tax Withholding**

In most cases, at the time the shares of restricted stock vest, you will be responsible for FICA taxes. This generally would mean that 1.45% of the fair market value of the restricted stock at the time of vesting would have to be withheld in payment of Medicare tax. While you are also potentially subject to the larger old age and survivor component of FICA, this is true only to the extent your salary does not exceed the Social Security taxable wage base for that year (\$106,800 for 2009). The timing of the vesting of the Restricted Stock or the Section 83(b) election would affect the old age and survivor component of FICA. In addition, you will have an income tax withholding obligation with respect to ordinary income you must recognize on the shares' vesting date, much like the obligation that arises when we pay you your salary. We will be authorized under the 2004 Stock Plan and your restricted stock agreement to withhold shares having a value equal to your tax withholding requirement from the shares that would otherwise be released to you upon vesting. Alternatively, we may satisfy these tax withholding obligations by one of the methods described in the response to Part I, Question 47 and in Part III, Section 14 of the Offer to Exchange.

The income tax withholding may be insufficient to cover your final income tax liability with respect to the vesting of your shares. You should consult with your own tax advisor to determine whether you should make estimated tax payments for each year in which your shares vest.

You should review Part III, Section 14 of the Offer to Exchange carefully for a more detailed discussion of the potential consequences of participating in this offer. We recommend that you consult with your personal tax advisor before deciding whether or not to participate in the offer with respect to the tax consequences relating to your specific circumstances.

### **BUSINESS-RELATED RISKS**

For a discussion of risks associated with our business, please see the discussion of risks related to our Company, industry and our common stock under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, filed on September 24, 2008 and in each of our Quarterly Reports on Form 10-Q for the period ended September 30, 2008, filed with the SEC on November 14, 2008, December 31, 2008, filed with the SEC on February 17, 2009 and March 31, 2009, filed with the SEC on May 15, 2009.

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## **III. THE EXCHANGE PROGRAM**

### **SECTION 1. The Exchange Program; Eligibility; Expiration Date.**

Evolution Petroleum Corporation, a Delaware corporation, (together with its subsidiaries, "Evolution Petroleum," "EPM," "Company," "we," "our" or "us") is offering employees and consultants the opportunity to exchange certain outstanding stock option grants to purchase shares of our common stock granted under the Evolution Petroleum Corporation Amended and Restated 2004 Stock Plan (the "2004 Stock Plan") that have a per share exercise price of \$2.33 or greater, which we refer to as an "Eligible Option Grant," for restricted common stock, which is subject to vesting based on continued employment for a specified period (the "Restricted Stock"). An Eligible Option Grant will be exchanged for Restricted Stock in the ratio of 1 share of Restricted Stock for every 1.7273 stock options rounded to the nearest whole number (the "Conversion Factor"), on the terms and under the conditions set forth in this offer to exchange (the "Offer to Exchange"). We refer to this offer to exchange Eligible Option Grants for Restricted Stock in accordance with the terms and conditions of this offer to exchange as the "Exchange Program." In this Offer to Exchange, when we refer to a "Section," unless otherwise indicated, we are referring to a Section under this Part III, "The Exchange Program."

Each Eligible Option Grant that may be exchanged pursuant to the Exchange Program was granted under the 2004 Stock Plan. Restricted Stock will be granted under the 2004 Stock Plan upon the terms and subject to the conditions set forth in this Offer to Exchange, the related Evolution Petroleum Corporation Stock Option Exchange Program Election Form (the "Election Form"), the related Evolution Petroleum Corporation Eligible Option Grant and Restricted Stock Information Sheet (the "Information Sheet") and the 2004 Stock Plan. Participation in the Exchange Program is voluntary.

Upon the terms and subject to the conditions of this Exchange Program, we will grant Restricted Stock in accordance with Part III, Section 8 and as authorized under the 2004 Stock Plan in exchange for each Eligible Option Grant that is properly tendered for exchange and not validly withdrawn in accordance with Part III, Section 4 before the Expiration Date of the Exchange Program.

An employee or consultant of the Company will be an Eligible Person and eligible to participate in the Exchange Program, provided that, during the entire period commencing on and including May 21, 2009 through the date the Restricted Stock is granted or such lesser time if an Eligible Person is terminated due to death or disability, (the "Eligibility Period"), he or she satisfies all of the following conditions:

- Is not a member of our Board of Directors;
- Is not an Executive Officer;
- Is actively employed by, or providing consulting services to the Company or a subsidiary of the Company, or is receiving long-term disability benefits from us, or is on one of the following short-term leaves, as defined by the Compensation Committee of our Board of Directors:
  - Military leave;
  - sick leave;
  - or other bona fide leave of absence (to be determined in the sole discretion of the Administrator); and
- Holds an Eligible Option Grant.

Even if you are an Eligible Person when the Exchange Program commences on May 21, 2009, you will not be eligible to exchange your Eligible Option Grant for Restricted Stock unless you continue to meet all of the conditions of an Eligible Person throughout the entire Eligibility Period, as defined.

An Eligible Option Grant is a stock option granted under our 2004 Stock Plan that gives the holder the right to purchase a specified number of shares of our common stock at an exercise price equal to or greater than the "Threshold Price" and are held by Eligible Persons. The threshold price is \$2.33, which represents a stock price that is approximately 24% greater than the closing stock price, as reported on the NYSE AMEX, on March 31, 2009, the date the Compensation Committee of our Board of Directors unanimously recommended the Exchange Program to be approved by our Board of Directors.

This Exchange Program will expire at 11:59 p.m. EDT on Friday, June 19, 2009, unless and until we, in our sole discretion, extend the period of time during which this Exchange Program will remain open. If we extend the period during which this Exchange Program remains open, the new Expiration Date will be the latest time and date at which this Exchange Program, as so extended, expires. See Part III, Section 14 for a description of our rights to extend, delay, terminate and amend this Exchange Program.

For any Eligible Option Grant you elect to exchange, you must exchange all of the unexercised stock options of the Eligible Option Grant in its entirety and you may not exchange any Eligible Option Grant with respect to only some of the unexercised option

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shares covered by that grant. If you have previously exercised a portion of an Eligible Option Grant, only the portion of that grant which has not been exercised will be eligible to be exchanged for Restricted Stock.

If you properly tender an Eligible Option Grant that is accepted for exchange, the exchanged grant will be cancelled and, subject to the terms of this Exchange Program, you will be entitled to receive Restricted Stock under the 2004 Stock Plan in accordance with Part III, Section 8 as modified by the terms of the Restricted Stock Agreement in Exhibit (d)(3) hereto. An Eligible Option Grant that is accepted for exchange will no longer be exercisable after the Expiration Date, unless the individual who tendered it for exchange ceases to be an Eligible Person before the end of the Eligibility Period, as defined, (in which event the Eligible Option Grant will remain outstanding and exercisable in accordance with its terms notwithstanding any action the Company may have taken to cancel the Eligible Option Grant or issue Restricted Stock) or such individual properly withdraws the election as described in Part III, Section 4.

If we materially change the terms of this Exchange Program, or if we waive a material condition of this Exchange Program, we will extend the Exchange Program in accordance with applicable legal requirements. The amount of time by which we will extend this Exchange Program following a material change in the terms of the Exchange Program will depend on the facts and circumstances, including the relative materiality of such terms. If we materially change the terms of this Exchange Program we will publish notice or otherwise notify you of our action in writing, in accordance with applicable legal requirements.

#### SECTION 2. *Purpose of this Exchange Program.*

We believe that an effective and competitive employee/consultant stock-based incentive compensation program is very important to the future success of our business. We rely heavily on the specialized skills and expertise of our employees and consultants to implement our strategic initiatives and develop our business. We believe stock-based compensation for employees and consultants constitute a key part of our incentive and retention programs because such equity compensation encourages employees and consultants to act like owners of the business, motivating them to work toward the success of the Company and rewarding their contributions by allowing them to benefit from increases in the value of our shares.

Many of our employees and consultants now hold stock options which were granted under our 2004 Stock Plan at various per share exercise prices and these stock options are now, or recently have been, significantly "underwater", meaning they may have exercise prices significantly higher than the current market price of our common stock. As a result, we believe that the stock options may have become ineffective at providing its intended incentives and retention value. The purpose of this Exchange Program is to address these issues by providing a way for eligible employees and consultants to exchange their stock options for Restricted Stock, if they choose to do so.

**Neither we nor our Board of Directors makes any recommendation as to whether you should elect to exchange your Eligible Option Grant, nor have we authorized any person to make any such recommendation. You are urged to evaluate carefully all of the information in this Exchange Program. You must make your own decision whether to elect to exchange your Eligible Option Grant for Restricted Stock pursuant to the Exchange Program.**

#### SECTION 3. *Procedures for Electing to Exchange an Eligible Option Grant.*

*Proper Exchange of an Eligible Option Grant:* An individualized Election Form and Information Sheet is included with this Offer to Exchange. If you elect to participate, you must complete and submit the enclosed Election Form and Information Sheet, which must be received by the Company no later than 11:59 p.m. EDT on June 19, 2009, unless this Exchange Program is extended. The Election Form and Information Sheet must be submitted by E-mail to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com). The subject line of the E-mail must state: "Exchange Program."

The Election Form and Information Sheet should **not** be sent via inter-office mail or hand delivered. If you have any questions about the election process, please send an e-mail directly to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com).

As mentioned above, your Election Form and Information Sheet must be **received** by the Company no later than 11:59 p.m. EDT on June 19, 2009, unless this Exchange Program is extended. You will receive a confirmation by E-mail after our receipt of your completed Election Form and Information Sheet. If your Eligible Option Grants is properly tendered for exchange under the Exchange Program, is not withdrawn and is accepted by the Company prior to the Expiration Date, you will receive a final confirmation notice confirming that the Eligible Option Grant have been accepted for exchange and cancelled. The confirmation notice will also set forth the number of shares of Restricted Stock that have been granted to you under the Exchange Program.

If we do not receive your Election Form and Information Sheet by the Expiration Date, then you will not be able to participate in the Exchange Program, and each Eligible Option Grant currently held by you will remain intact with its original exercise price and with its other original terms.

**Although the Election Form and Information Sheet must be submitted by E-mail, the electing Eligible Person bears the risk and responsibility to allow sufficient time to ensure timely delivery to and receipt by the Company of any documents in connection with an election to participate in the Exchange Program.**

*Determination of Validity; Rejection of Options; Waiver of Defects; No Obligation to Give Notice of Defects.* The Company will

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determine, in our sole discretion, all questions as to validity, form, eligibility under the Exchange Program, including time of receipt and acceptance of any documentation relating to the exchange of Eligible Option Grants. Our determination of these matters will be final, conclusive and binding on all persons. We reserve the right to reject any or all Eligible Option Grants tendered for exchange that we determine are not in appropriate form or that we determine are unlawful to accept or are not timely received by the Company. We also reserve the right, in our reasonable discretion, to waive any of the conditions of this Exchange Program or any defect or irregularity in any tender of Eligible Option Grants for exchange. If we waive any of the conditions of this Exchange Program we will do so for all Eligible Persons. No tender of Eligible Option Grants for exchange will be deemed to have been properly made until all defects or irregularities have been cured by the electing option holder or waived by us. Neither we nor any other person is obligated to give notice of any defects or irregularities, nor will anyone incur any liability for failure to give any such notice.

***Our Acceptance Constitutes an Agreement.*** Your election to exchange an Eligible Option Grant pursuant to the procedures described above constitutes your acceptance of the terms and conditions of this Exchange Program and an offer to exchange under the Exchange Program. **Our acceptance of the Eligible Option Grant that you tender for exchange pursuant to this Exchange Program will constitute our binding agreement with you upon the terms and subject to the conditions of this Exchange Program.**

Subject to our rights to extend, terminate and amend this Exchange Program, we currently expect that we will accept promptly after the Expiration Date all properly tendered Eligible Option Grants that have not been validly withdrawn.

#### SECTION 4. *Withdrawal Rights.*

You may withdraw your tendered Eligible Option Grant only in accordance with the provisions of this Section 4.

An Eligible Person who has submitted an Election Form and Information Sheet may withdraw any or all of the tendered Eligible Option Grant at any time before the Expiration Date of the Exchange Program (11:59 p.m. EDT on June 19, 2009). If the Expiration Date is extended by us, you may withdraw any or all of your tendered Eligible Option Grants at any time until the expiration as extended for this Exchange Program.

To validly withdraw a tendered Eligible Option Grant, you must submit to the Company a replacement Election Form Information Sheet implementing the same means used to submit the original Election Form, and we must **receive** the replacement Election Form and Information Sheet before the Expiration Date of the Exchange Program. To constitute a proper notice of withdrawal, the replacement Election Form and Information Sheet must be properly completed and specifically decline to participate in the Exchange Program and be submitted in the manner set forth above in Part III, Section 5 for submission of an Election Form and Information Sheet.

It is your responsibility to confirm that the Company has received your replacement Election Form and Information Sheet indicating the withdrawal of any or all of your tendered Eligible Option Grant(s) before the Expiration Date. If you elect to withdraw an Eligible Option Grant, you must withdraw the entire grant. Withdrawals that follow the aforementioned procedures will be considered valid, and the applicable Eligible Option Grant will not be considered tendered for exchange. In order to subsequently exchange an Eligible Option Grant that was subject to a valid withdrawal, you must properly re-tender for exchange the Eligible Option Grant before the Expiration Time by following the procedures described in Part III, Section 3.

If your employment with the Company terminates prior to the cancellation of options tendered pursuant to this offer (except in the case of death or disability), your tendered options will automatically be withdrawn. If automatically withdrawn, you may exercise those options to the extent they are vested at the time of your termination of employment, but only during the limited period for which those options remain exercisable pursuant to your stock option agreement following your termination.

Neither we nor any other person is obligated to give notice of any defects or irregularities in any Election Form or Information Sheet submitted to withdraw a previously tendered Eligible Option Grant, nor will anyone incur any liability for failure to give any such notice. We will determine, in our sole discretion, all questions as to the form and validity of a notice of withdrawal, including time of receipt. Our determination of these matters will be final, conclusive and binding.

#### SECTION 5. *Acceptance of Eligible Option Grants for Exchange and Issuance of Restricted Stock.*

Upon the terms and subject to the conditions of this Exchange Program and promptly following the Expiration Date, we will accept for exchange all Eligible Option Grants properly tendered and not validly withdrawn before the expiration of the offer. All Eligible Option Grants accepted by us pursuant to this Exchange Program will be canceled as of the date of acceptance, and you will no longer have any rights under those options. Restricted stock awards will be granted as of the date of our acceptance, which we expect to promptly follow the Expiration Date. If we accept and cancel options properly tendered for exchange after the Expiration Date, or if we extend the date by which we must accept and cancel options properly tendered for exchange, the time in which the restricted stock rights will be granted will be similarly delayed.

We will not accept partial tender of an Eligible Option Grant. However, you may tender the remaining portion of an Eligible Option Grant that you have partially exercised.

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For purposes of this Offer to Exchange, we will be deemed to have accepted for exchange Eligible Option Grants that are validly tendered and not properly withdrawn when we give final confirmation notice to tendering Eligible Persons of our acceptance. We will give final confirmation notice of our acceptance, which may be by inter-office mail, E-mail, facsimile or press release, promptly following the Expiration Date.

All Restricted Stock awards will be granted under our 2004 Stock Plan and will be subject to the terms and conditions of an award agreement between you and us (a form of which is attached hereto as Exhibit (d)(1)). As promptly as practicable after the grant date, we will send you an award agreement (in the appropriate form filed as an exhibit to our Tender Offer Statement on Schedule TO but with all the blanks filled in). This agreement will be effective from and as of the grant date.

**If you are not an Eligible Person on the Expiration Date or at any time during the Eligibility Period, as defined, your election to exchange your options will automatically be deemed void and this Exchange Program will not affect the terms of your existing Eligible Option Grants.**

#### SECTION 6. *Price Range of Common Stock Underlying the Eligible Option Grants and Restricted Stock.*

Our common stock is quoted on NYSE AMEX under the symbol "EPM." The following table shows, for the periods indicated, the high and low closing sales prices per share of our common stock as quoted on NYSE AMEX.

2009:	High	Low
Third quarter ended March 31, 2009	\$ 1.92	\$ 1.20
Second quarter ended December 31, 2008	\$ 2.87	\$ 1.05
First quarter ended September 30, 2008	\$ 5.95	\$ 3.00
2008:	High	Low
Fourth quarter ended June 30, 2008	\$ 7.17	\$ 4.16
Third quarter ended March 31, 2008	\$ 5.85	\$ 3.76
Second quarter ended December 31, 2007	\$ 5.60	\$ 3.02
First quarter ended September 30, 2007	\$ 3.24	\$ 2.15
2007:	High	Low
Fourth quarter ended June 30, 2007	\$ 3.66	\$ 2.42
Third quarter ended March 31, 2007	\$ 3.18	\$ 2.49
Second quarter ended December 31, 2006	\$ 3.04	\$ 2.38
First quarter ended September 30, 2006	\$ 3.30	\$ 2.64

As of May 20, 2009, the closing price of our common stock as reported by NYSE AMEX was \$2.76 per share. There is no established trading market for employee stock options to purchase shares of our common stock.

**We recommend that you obtain current market quotations for our common stock before deciding whether to participate in the Exchange Program, and again immediately before your elections become final on the Expiration Date.**

#### SECTION 7. *Conditions of this Exchange Program.*

Any funds received by us representing the par value per share of Restricted Stock (\$0.001 per share) issued under the Exchange Program, shall be unrestricted and used for general corporate purposes.

Notwithstanding any other provision of this Exchange Program, we will not be required to accept any Eligible Option Grants tendered for exchange. Further, we may terminate or amend this Exchange Program, or postpone our acceptance and cancellation of any Eligible Option Grants tendered for exchange, in each case subject to rules promulgated under the Exchange Act, if at any time on or after the date hereof and prior to the Expiration Date any of the following events has occurred, or has been determined by us to have occurred or likely to occur, and, in our reasonable judgment makes it inadvisable to proceed with this Exchange Program:

- (a) there shall have been threatened or instituted or pending any action or proceeding by any government or governmental, regulatory or administrative agency, authority or tribunal or any other person, before any court, authority, agency or tribunal that directly or indirectly challenges the making of this Exchange Program, the acceptance for exchange or cancellation of some or all of the Eligible Option Grants tendered for exchange pursuant to this Exchange Program or the issuance of Restricted Stock;
- (b) there shall have been any action threatened, pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to this Exchange Program or any Eligible Option Grants tendered for exchange, or to us, by any court or any authority, agency or tribunal that would or might directly or indirectly:
  - (i) make the acceptance for exchange of, or issuance of Restricted Stock for, some or all of the Eligible Option Grants

tendered for exchange illegal or otherwise restrict or prohibit consummation of this Exchange Program;

- (ii) delay or restrict our ability, or render us unable, to accept for exchange, cancel or issue Restricted Stock for some or all of the Eligible Option Grants tendered for exchange;
  - (iii) materially impair (such as by increasing the accounting or other costs of this Exchange Program to us) the contemplated benefits of this Exchange Program to us; or
  - (iv) materially and adversely affect the business, condition (financial or other), income or operations of the Company;
- (c) there shall have occurred:
- (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market;
  - (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, whether or not mandatory, or any limitation, or any event which, in our reasonable judgment, might affect the extension of credit by lending institutions in the United States;
  - (iii) the commencement or escalation of a war, armed hostilities or other international or national crisis directly or indirectly involving the United States;
  - (iv) any limitation, whether or not mandatory, by any governmental, regulatory or administrative agency or authority on, or any event that might affect, the extension of credit by banks or other lending institutions in the United States;
  - (v) any significant increase or decrease in the market price of the shares of our common stock;
  - (vi) any change in the general political, market, economic or financial conditions in the United States or abroad that could have a material adverse effect on the business, condition (financial or other) or operations of the Company or on the trading in our common stock; or

(vii) in the case of any of the foregoing existing at the time of the commencement of this Exchange Program, a material acceleration or worsening thereof.

(d) a tender or exchange offer with respect to some or all of our common stock, or a merger or acquisition proposal for us, shall have been proposed, announced or made by another person or entity or shall have been publicly disclosed, or we shall have learned that:

(i) any person, entity or group within the meaning of Section 13(d)(3) of the Securities Exchange Act, shall have acquired or proposed to acquire beneficial ownership of more than 5% of the outstanding shares of our common stock, or any new group shall have been formed that beneficially owns more than 5% of the outstanding shares of our common stock, other than any such person, entity or group that has filed a Schedule 13D or Schedule 13G with the SEC before May 21, 2009;

(ii) any such person, entity or group that has filed a Schedule 13D or Schedule 13G with the SEC before May 21, 2009 shall have acquired or proposed to acquire beneficial ownership of an additional 2% or more of the outstanding shares of our common stock; or

(e) any change or changes shall have occurred in the business, condition (financial or other), assets, income or operations of the Company that, in our reasonable judgment, is or may have a material adverse effect on the Company.

The conditions to this Exchange Program are for our benefit. We may assert them in our sole discretion regardless of the circumstances giving rise to such conditions before the Expiration Date. We may waive them, in whole or in part, at any time and from time to time prior to the Expiration Date, in our reasonable discretion, whether or not we waive any other condition to this Exchange Program. Our failure at any time to exercise any of these rights shall not be deemed a waiver of any such rights. The waiver of any of these rights with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts and circumstances. Any determination we make concerning the events described in this Section 7 will be final and binding upon all persons.

#### SECTION 8. *Source and Amount of Consideration; Terms of Restricted Stock.*

The Restricted Stock issued pursuant to this Exchange Program will be issued under the 2004 Stock Plan.

The number of whole shares of Restricted Stock we will issue in exchange for each stock option will be determined based upon a "Conversion Factor" of one share of Restricted Stock for every unexercised stock option to purchase 1.7273 shares under an Eligible Option Grant. Each Eligible Person will receive an Individual Statement of Options identifying the options held by the Eligible

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Person which have exercise prices equal to or greater than the Threshold Price of \$2.33, and therefore are Eligible Option Grants.

The Conversion Factor was determined by the Compensation Committee of the Board of Directors by dividing (a) the number of shares of Restricted Stock, based on the closing stock price the day prior to the Committee Date, equal to the fair value of the aggregate Eligible Option Grants (determined using the Black-Scholes valuation method for all Eligible Option Grants using a weighted average set of valuation assumptions as determined on the Committee Date), by (b) all vested and unvested outstanding options of all Eligible Option Grants. The Board of Directors approved the Conversion Factor.

The number of Restricted Stock you will be granted in exchange for an Eligible Option Grants will be determined as follows: divide (i) the number of stock options pursuant to your Eligible Option Grant by (ii) the Conversion Factor. We will not issue any Restricted Stock for fractional shares. Instead, in each case where the Conversion Factor yields a fractional amount of shares, we will round to the nearest whole number of shares.

*Terms of Restricted Stock.* The Restricted Stock issued pursuant to this Exchange Program will be issued under the 2004 Stock Plan and will be subject to a Restricted Stock agreement between the Company and the Eligible Person. As promptly as practicable after the grant date, we will send to each recipient of Restricted Stock in this Exchange Program a completed Restricted Stock agreement, signed by our Chief Executive Officer and requiring the signature of the recipient, substantially in the form of Exhibit (d)(3) herein. You will also be required to pay the par value per share (\$0.001 per share) of the Restricted Stock to be issued to you. For example, if you receive 100,000 shares of Restricted Stock you will be required to pay \$100 to the Company.

Each share of Restricted Stock will be unvested at the time it is granted and will become vested on the basis of the Eligible Person's continued service with the Company in accordance with and subject to the terms of the Exchange Program as follows: If and to the extent any stock options pursuant to your Eligible Option Grant are vested on the Expiration Date, the Restricted Stock exchanged for those vested options will become vested on the first anniversary of the Expiration Date, being June 19, 2010, unless the Expiration Date is extended. If and to the extent any stock options pursuant to your Eligible Option Grant are not vested on the Expiration Date the Restricted Stock exchanged for those unvested options will become vested on the first anniversary of the original vesting date(s) on which such unvested options would have otherwise become vested.

*Income Tax Consequences of the Exchange Program.* Please refer to Part III, Section 13 for a discussion of the material U.S. federal income tax consequences of the exchange of Eligible Options for Restricted Stock under this Exchange Program.

*Registration and Sale of Restricted Stock.* All shares of Restricted Stock issuable upon exchange of Eligible Options are granted under the 2004 Stock Plan and have been registered under the Securities Act of 1933 on Form S-8 filed with the SEC.

**IMPORTANT NOTE: The statements in this Offer to Exchange concerning the 2004 Stock Plan and the Restricted Stock are subject to, and are qualified in their entirety by reference to, the provisions of the 2004 Stock Plan and the Restricted Stock agreement. A copy of the 2004 Stock Plan and the form of Restricted Stock Agreement are attached hereto and are also available by contacting us at 713-935-0122 or by writing to us at our principal executive offices at 2500 CityWest Blvd., Suite 1300, Houston, Texas 77042.**

#### SECTION 9. *Information Concerning Evolution Petroleum Corporation.*

Evolution Petroleum Corporation, a Nevada corporation, together with its subsidiaries, is an independent oil and natural gas company. The address of its principal executive office is 2500 CityWest Blvd. Suite 1300, Houston, Texas 77042. The telephone number at that address is (713) 935-0122.

*Certain Financial Information.* Set forth below is a summary of our financial information. This information is derived from and qualified by reference to our publicly available consolidated financial statements and should be read in conjunction with the financial statements, related notes and other financial information included in the sections entitled "Item 6. Selected Financial Data," and "Item 8. Financial Statements" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2008 and "Part I, Item 1. Consolidated Condensed Financial Statements" of our Quarterly Report on Form 10-Q for the quarter ended

September 30, 2008, "Part I, Item 1. Consolidated Condensed Financial Statements" of our Quarterly Report on Form 10-Q for the Quarter ended March 31, 2009, and "Part I, Item 1. Consolidated Condensed Financial Statements" of our Quarterly Report on Form 10-Q for the quarter ended December 31, 2008, all of which are incorporated herein by reference. See Part III, Section 16 for instructions on how you can obtain copies of the SEC reports that contain our audited financial statements and unaudited financial information. For information regarding the accounting consequences of this Exchange Program, see Part III, Section 11.

The following table sets forth selected consolidated financial information as of and for three and nine month periods ended March 31, 2009 and 2008.

**Summary Consolidated Income Statements and Balance Sheets:**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2009	2008	2009	2008
<b>Income Statement Data:</b>				
Revenue	\$ 1,164,464	\$ 744,702	\$ 5,111,232	\$ 1,899,624
Lease operating expense	255,710	300,186	905,020	971,688
Production taxes	29,750	12,867	137,522	46,231
Depreciation, depletion, and amortization	759,836	139,086	1,909,009	372,645
Accretion expense	12,591	7,110	24,452	16,656
General and administrative expense ("G&A") (excluding stock-based compensation)	1,058,117	772,555	3,077,334	2,750,980
G&A: Stock-based compensation	537,285	493,872	1,645,535	1,311,443
Loss from operations	(1,488,825)	(980,974)	(2,587,640)	(3,570,019)
Interest income	8,024	165,014	99,452	772,835
Loss before benefit for income taxes	(1,480,801)	(815,960)	(2,488,188)	(2,797,184)
Income tax benefit	(444,184)	(279,975)	(596,237)	(848,961)
Net loss	\$ (1,036,617)	\$ (535,985)	\$ (1,891,951)	\$ (1,948,223)
Net loss per share				
-basic	\$ (0.04)	\$ (0.02)	\$ (0.07)	\$ (0.07)
-diluted	\$ (0.04)	\$ (0.02)	\$ (0.07)	\$ (0.07)
<b>Balance Sheet Data (at end of period):</b>				
Cash and cash equivalents and \$1,740,944 of short-term certificates of deposit as of March 31, 2009.	\$ 6,641,163	\$ 19,875,284	\$ 6,641,163	\$ 19,875,284
Working capital(1)	7,503,457	18,158,478	7,503,457	18,158,478
Total assets	37,980,788	36,263,918	37,980,788	36,263,918
Non-current liabilities	4,471,156	585,795	4,471,156	585,795
Total liabilities	5,936,900	4,117,476	5,936,900	4,117,476
Stockholders' equity	32,043,888	32,146,442	32,043,888	32,146,442

(1) Working capital is defined as current assets less current liabilities.

The following table sets forth selected consolidated financial information as of and for the fiscal years ended June 30, 2008 and 2007.

**Summary Consolidated Income Statements and Balance Sheets:**

	Year Ended June 30,	
	2008	2007
<b>Income Statement Data:</b>		
Revenue	\$ 4,256,128	\$ 1,866,878
Lease operating expense	1,255,787	1,352,907
Production taxes	90,252	62,426
Depreciation, depletion, and amortization	903,214	291,150
Accretion expense	20,196	17,319
General and administrative expense ("G&A") (excluding stock-based compensation)	3,705,751	2,878,107
G&A: Stock-based compensation	1,791,486	1,613,493
Income (loss) from operations	(3,510,558)	(4,348,524)
Interest income	854,130	1,899,460
Loss before benefit for income taxes	(2,656,428)	(2,449,064)
Income tax benefit	(1,085,454)	(638,853)
Net loss	\$ (1,570,974)	\$ (1,810,211)
Net loss per share		
-basic	\$ (0.06)	\$ (0.07)
-diluted	\$ (0.06)	\$ (0.07)
<b>Balance Sheet Data (at end of period):</b>		
Cash and cash equivalents	\$ 11,272,280	\$ 27,746,942
Working capital(1)	13,630,022	27,324,960
Total assets	40,365,848	34,905,992
Non-current liabilities	3,191,066	526,288
Total liabilities	7,362,114	2,122,846
Stockholders' equity	33,003,734	32,783,146

SECTION 10. *Interests of Directors, Executive Officers and Affiliates; Transactions and Arrangements Concerning the Eligible Option Grants.*

A list of the directors and executive officers of Evolution is attached as Appendix A to this Offer to Exchange.

Members of our Board of Directors and our Executive Officers will not be allowed to participate in the Exchange Program.

As of May 21, 2009, our directors and executive officers (8 persons) as a group held options outstanding under the 2004 Stock Plan to purchase a total of 2,842,490 shares of our common stock. This number represented approximately 63% of the shares subject to all stock options outstanding under the 2004 Stock Plan as of May 21, 2009.

Neither we nor any of our executive officers or directors was engaged in transactions involving Eligible Option Grants during the 60 days prior to May 21, 2009. For more detailed information on the beneficial ownership of our common stock by our directors and executive officers, you can consult the beneficial ownership table of our Definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the SEC on November 4, 2008, and incorporated herein by reference.

Except as described in this Offer to Exchange and except as set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, or our Definitive Proxy Statement for our 2008 Annual Meeting of Stockholders, and other than outstanding options and other awards granted from time to time to certain of our employees (including executive officers) and our directors under our compensation and incentive plans, neither we nor any person controlling us nor, to our knowledge, any of our directors or executive officers, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to the Exchange Program with respect to any of our securities (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations).

SECTION 11. *Status of Eligible Option Grants Acquired by Us in this Exchange Program; Accounting Consequences of this Exchange Program*

Each Eligible Option Grant that we acquire pursuant to this Exchange Program will be cancelled. Subsequently, the shares of common stock that were subject to the cancelled Eligible Option Grant will be available for future awards under our 2004 Stock Plan.

We have adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (Revised), Share-Based Payment ("SFAS 123(R)"). Under SFAS 123(R), we will recognize the incremental compensation cost of the Restricted Stock granted in this Exchange Program. The incremental compensation cost will be measured as the excess, if any, of the fair value of the Restricted Stock granted in exchange for a surrendered Eligible Option Grant, over the fair value of the Eligible Option Grant surrendered in exchange for the Restricted Stock. The fair value of Restricted Stock will be measured as of the date they are granted and the fair value of the Eligible Option Grant surrendered will be measured immediately prior to the cancellation. This incremental compensation cost, along with any unrecognized compensation cost associated with the Eligible Option Grant, will be recognized in compensation expense ratably over the vesting period of the Restricted Stock. Since these assumptions and factors used to determine the fair value of the Eligible Option Grants and the Restricted Stock, including the number of Eligible Option Grants ultimately tendered in the Exchange Program, we cannot predict with any certainty at this time, the amount of incremental compensation expense until the Expiration Date of this Exchange Program.

SECTION 12. *Legal Matters; Regulatory Approvals.*

We are not aware of any license or regulatory permit that appears to be material to our business that might be adversely affected by our exchange of Restricted Stock for Eligible Option Grants as contemplated by this Exchange Program. If any approval or other action by any government or governmental, administrative or regulatory authority or agency is required for the acquisition or ownership of our stock options and a procedure for obtaining such approval or other action is practically available, as contemplated in this Exchange Program, we presently contemplate that we will undertake commercially reasonable steps to obtain such approval or take such other action. We are unable to predict whether we may in the future determine that we are required to delay the acceptance of Eligible Option Grants or not accept Eligible Option Grants for exchange pending the outcome of any such matter. We cannot assure you that any such approval or other action, if needed, can be obtained or can be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to our business. Our obligation under this Exchange Program to accept Eligible Option Grants tendered for exchange and to grant Restricted Stock for Eligible Option Grants tendered for exchange is subject to conditions, including the conditions described in Part III, Section 7 of this Offer to Exchange.

SECTION 13. *Material U.S. Federal Income Tax Consequences.*

The following section provides a general summary of material federal income tax consequences associated with the Exchange Program and the Restricted Stock, and does not constitute tax advice. The information provided in this section is based on the Internal Revenue Code, Treasury Regulations and administrative and judicial authorities as of the date of this Exchange Program, all of which

may change, possibly on a retroactive basis. This section does not discuss other federal tax consequences (such as employment or estate and gift taxes) or state, local or non-U.S. tax consequences. This section may not discuss all of the tax consequences that are relevant to you in light of your particular circumstances. You should consult with your tax advisor for further information with respect to the federal, foreign, state, local, and any other tax consequences of your participation in the Exchange Program.

*Federal Income Tax Consequences of the Exchange of Eligible Option Grants.* Your receipt of Restricted Stock in exchange for Eligible Option Grants pursuant to this Exchange Program will generally not be a taxable event for federal income tax purposes. You will, however, recognize ordinary income (like salary) at the time the shares vest in an amount equal to the fair market value of those shares at each vesting date. We will determine the fair market value of the shares based on the closing price of our common stock as reported on the NYSE AMEX on the applicable date. The ordinary income resulting from the vesting of shares of Restricted Stock will be reflected in the Form W-2 reported to the Internal Revenue Service for the year of the vesting of the shares. At the time that you recognize ordinary income, you will have an income and employment withholding tax obligation with respect to that income, much like the obligation that arises



when we pay you your salary. In accordance with Section 83(a) of the Internal Revenue Code, you do not have to make an election for the foregoing tax treatment, and the holding date for capital gain purposes begins on each share's vesting date.

Alternatively, you are permitted to make an affirmative election under Section 83(b) of the Internal Revenue Code within 30 days of your acquiring Restricted Stock on the exchange date, which will be included in your income at the fair market value of the shares on the date they are transferred to you on the exchange date, rather than on the date that the shares vest. Under this election, the holding date for capital gain purposes begins on the transfer date of the shares, regardless of the vesting date. You should use caution, however, since an employee making a Section 83(b) election would not be entitled to any deduction or credit for taxes paid in the year of acquisition if he or she subsequently forfeits unvested shares upon termination of employment.

Generally, the issuance of stock options or the vesting of stock options is not a taxable event. Stock options may be issued as Incentive Stock Options ("ISOs") under the Internal Revenue Code or issued as non-qualified stock options ("NQSOs"). Although all of the Eligible Option Grants issued to you may be labeled as ISOs, some or all of the options in a grant may be disqualified, with the disqualified portion being treated as NQSOs.

Stock options that qualify as ISOs may provide an employee with significant tax benefits, by allowing the employee to exercise the stock options, in limited amounts, without being taxed as ordinary income on the intrinsic (or in-the-money) value on the exercise date. Additionally, long-term capital gains treatment is available if the exercised ISO shares are held one year from the date of the exercise or two years from the date the options were granted, whichever is later.

There can be significant disadvantages to ISOs. Among them is that the difference between the fair market value of the stock and the exercise price (the in-the-money amount), upon exercise, is includable in income for alternative minimum tax (AMT) purposes. Although current tax law allows the excess you might pay from your AMT tax liability over your ordinary tax liability to be "carried over" and possibly used in future years as an offset to your ordinary income tax liability, your exercising an ISO doesn't generate any cash to you to pay any AMT tax liability. The problem can become worse if the stock price then falls before the share are sold, leaving you an AMT bill in the year of exercise, even though the stock actually produced no income.

NQSOs (non-qualified stock options), whether issued as NQSOs or issued as ISOs that became NQSOs, will generally require you to recognize ordinary income (like salary) equal to the intrinsic or in-the-money value of the option on the exercise date. The ordinary income resulting from the exercise of NQSOs will be reflected in your Form W-2 for the year, thereby notifying the IRS that your option was exercised. At the time that you recognize ordinary income, you will have income and employment withholding tax obligations with respect to that income, much like the obligation that arises when we pay you your salary. If after exercising your NQSO you hold your stock for the requisite holding period, any future sale of your stock may be more favorably taxable as long-term capital gains, with the exercise price becoming your basis for calculating your gain.

**As noted above, this discussion is only a summary of material federal income tax considerations and is not a substitute for professional tax advice. Before you decide whether to participate in the Exchange Program, we urge you to consult with your own tax advisor for an explanation of the federal income and other tax considerations that apply in the context of your own situation.**

#### SECTION 14. *Extension of Exchange Program; Termination; Amendment.*

We expressly reserve the right, in our sole discretion, at any time and from time to time, and regardless of whether or not any event set forth in Part III, Section 7 of this Offer to Exchange has occurred or is deemed by us to have occurred, to extend the period of time during which this Exchange Program is open, and, by doing so, delay the acceptance for exchange of any Eligible Option Grants, by giving oral or written notice of the extension to the option holders eligible to participate in the exchange or making a public announcement of the extension.

We also expressly reserve the right, in our reasonable judgment, before the Expiration Date, to terminate or amend this Exchange Program or to postpone our acceptance and cancellation of any Eligible Option Grants tendered for exchange upon the occurrence of any of the conditions specified in Part III, Section 7 of this Offer to Exchange, subject to applicable securities laws, by

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giving oral or written notice of the termination, amendment or postponement to the option holders eligible to participate in the Exchange Program or making a public announcement of the termination, amendment or postponement. If this Exchange Program is terminated or withdrawn, any Eligible Option Grants tendered for exchange will remain outstanding and retain their existing terms, including the existing exercise price, vesting schedule and expiration date. Any termination or withdrawal of this Exchange Program will be treated as if no offer to exchange was ever made.

Subject to compliance with applicable law, we further reserve the right, in our sole discretion, and regardless of whether any event set forth in Part III, Section 7 of this Offer to Exchange has occurred or is deemed by us to have occurred, to amend this Exchange Program in any respect, including, without limitation, by decreasing or increasing the consideration offered in this Exchange Program to option holders or by decreasing or increasing the number of options being sought in this Exchange Program.

Amendments to this Exchange Program may be made at any time and from time to time by public announcement of the amendment. In the case of an extension, the amendment must be announced no later than 9:00 a.m. EDT on the next business day after the last previously scheduled or announced Expiration Date. Any public announcement made pursuant to this Exchange Program will be disseminated promptly to Eligible Persons in a manner reasonably designed to inform option holders of the change. Without limiting the manner in which we may choose to make a public announcement, except as required by applicable law, we have no obligation to publish, advertise or otherwise communicate any public announcement other than by making a press release. For purposes of this Exchange Program, a "business day" means any day other than Saturday, Sunday or a federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, EDT.<sup>20</sup>

If we materially change the terms of this Exchange Program or the information concerning this Exchange Program, or if we waive a material condition of this Exchange Program, we will extend this Exchange Program in accordance with applicable legal requirements. Except for a change in price or a change in percentage of securities sought, the amount of time by which we will extend this Exchange Program following a material change in the terms of this Exchange Program or information concerning this Exchange Program will depend on the facts and circumstances, including the relative materiality of such terms or information. If we materially change the terms of this Exchange Program we will publish notice or otherwise notify you of our action in writing, in accordance with applicable legal requirements. If this Exchange Program is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that notice of such material changes is first published, sent or given, we will extend this Exchange Program so that this Exchange Program is open at least 10 business days following the publication, sending or giving of such notice.

#### SECTION 15. *Fees and Expenses.*

We will not pay any fees or commissions to any broker, dealer or other person for soliciting elections to exchange Eligible Option Grants pursuant to this Exchange Program.

SECTION 16. *Additional Information.*

This Offer to Exchange is a part of a Tender Offer Statement on Schedule TO that we have filed with the SEC. This Offer to Exchange does not contain all of the information contained in the Schedule TO and the exhibits to the Schedule TO. We recommend that you review the Schedule TO, including its exhibits, and the following materials that we have filed with the SEC before making a decision on whether to exchange Eligible Option Grants:

- (a) Evolution Petroleum Corporation's Quarterly Report on Form 10-Q, for the Quarter Ended March 31, 2009, filed with the SEC on May 15, 2009.
- (b) Evolution Petroleum Corporation's Amendment on Form 10-K/A to its Annual Report for the fiscal year ended June 30, 2008, filed with the SEC on April 7, 2008.
- (c) Evolution Petroleum Corporation's Quarterly Report on Form 10-Q, for the quarter ended December 31, 2008, filed with the SEC on February 17, 2009.
- (d) Evolution Petroleum Corporation's Quarterly Report on Form 10-Q, for the quarter ended September 30, 2008, filed with the SEC on November 14, 2008.
- (e) Evolution Petroleum Corporation's Amendment No. 1 to Schedule 14A Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, filed with the SEC on November 4, 2008.
- (f) Evolution Petroleum Corporation's Current Report on Form 8-K, filed with the SEC on November 3, 2008.
- (g) Evolution Petroleum Corporation's Schedule 14A Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, filed with SEC on October 28, 2008.
- (h) Evolution Petroleum Corporation's Current Report on Form 8-K, filed with the SEC on October 28, 2008.
- (i) Evolution Petroleum Corporation's Annual Report on Form 10-K, for the fiscal year ended June 30, 2008, filed with the SEC

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on September 24, 2008.

- (j) Evolution Petroleum Corporation's Form S-8 Registration Statement, filed with the SEC on July 3, 2008.

These filings, our other annual, quarterly and current reports, our proxy statements and our other SEC filings may be examined, and copies may be obtained, at the following SEC public reference room:

100 F Street, N.E.  
Room 1580  
Washington, D.C. 20549

Our SEC filings are also available to the public on the SEC's internet site at <http://www.sec.gov>. Our common stock is quoted on NYSE AMEX under the symbol "EPM".

We will provide, without charge, to each person to whom a copy of this Offer to Exchange is delivered, upon the written or oral request of any such person, a copy of any or all of the documents to which we have referred you, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests should be directed to:

Evolution Petroleum Corporation  
Attention: Sterling H. McDonald  
2500 City West Blvd. Suite 1300  
Houston, Texas 77042  
(713) 935-0122.

The information contained in this Offer to Exchange about Evolution Petroleum should be read together with the information contained in the documents to which we have referred you.

As you read the foregoing documents, you may find some inconsistencies in information from one document to another. If you find inconsistencies between the documents, or between a document and this Offer to Exchange, you should rely on the statements made in the most recently dated document.

SECTION 17. *Miscellaneous.*

This Offer to Exchange and our SEC reports referred to above include forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They contain words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "may," "can," "could," "might," "should" and other words or phrases of similar meaning. Any or all of the forward-looking statements included in this Offer to Exchange and our SEC reports or other public statements made by us are not guarantees of future performance and may turn out to be inaccurate. This can occur as a result of incorrect assumptions or as a consequence of known or unknown risks and uncertainties. These factors include, among other things, the risk factors and other cautionary statements included in our most recently filed reports on Form 10-K and Form 10-Q. Forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

The safe harbor provided in the Private Securities Litigation Reform Act of 1995, by its terms, does not apply to statements made in connection with this Exchange Program.

We are not aware of any jurisdiction where the making of this offer is not in compliance with applicable law. If we become aware of any jurisdiction where the making of this offer is not in compliance with any valid applicable law, we will make a good faith effort to comply with that law. If, after a good faith effort, we cannot comply with an applicable law, this offer will not be made to, nor will elections to exchange Eligible Option Grants be accepted from or on behalf of, the option holders residing in a jurisdiction where that law is applicable.

**We have not authorized any person to make any recommendation on our behalf as to whether you should elect to exchange or refrain from exchanging your Eligible Option Grants pursuant to this Exchange Program. You should rely only on the information contained in this Offer to Exchange or other information to which we have in this Offer to Exchange referred you. We have not authorized anyone to give you any information or to make any representations in connection with this Exchange Program other than the information and representations contained in this Offer to Exchange or in the related Election Form and Information Sheet. If anyone makes any recommendation or representation to you or gives you any information, you must not rely upon that recommendation, representation or information as having been authorized by us.**

Evolution Petroleum Corporation  
May 21, 2009

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**APPENDIX A  
INFORMATION CONCERNING THE DIRECTORS AND EXECUTIVE OFFICERS OF  
EVOLUTION PETROLEUM CORPORATION**

The directors and executive officers of Evolution Petroleum Corporation and their positions with the Company as of May 21, 2009 are set forth in the following table:

<u>Name</u>	<u>Position(s) with the Company</u>
Robert S. Herlin	Chairman, President and Chief Executive Officer
Sterling H. McDonald	Vice President, Chief Financial Officer and Treasurer
Daryl Mazzanti	Vice President for Operations
Laird Q. Cagan	Director
Gene Stoever	Director
E. J. DiPaolo	Director
William Dozier	Director
Kelly Loyd	Director

The address of each director and executive officer is: c/o Evolution Petroleum Corporation, 2500 City West Blvd. Suite 1300, Houston, Texas 77042. The telephone number for each Director and Executive Officer is (713) 935-0122.

**The Exchange Program and withdrawal rights expire at  
11:59 p.m., EDT, on June 19, 2009  
unless the Exchange Program is extended.**

**INSTRUCTIONS TO ELECTION FORM AND INFORMATION SHEET**

**1. DEFINED TERMS.** All terms used in this Election Form and the subsequent Information Sheet but not defined have the meaning given them in the Offer to Exchange, dated May 21, 2009. References in this Election Form to “Company,” “Evolution Petroleum,” “we,” “us,” “our,” and “ours” mean Evolution Petroleum Corporation and its subsidiaries.

**2. EXPIRATION DATE.** The Exchange Program and any rights to tender or to withdraw a tender of Eligible Option Grants expire at **11:59 p.m., EDT, on June 19, 2009**, unless the Exchange Program is extended.

**3. DELIVERY OF ELECTION FORM.** If you intend to tender an Eligible Option Grant or multiple Eligible Option Grants under the Exchange Program, a signed copy of this Election Form, together with a properly completed and signed Information Sheet, must be **received** by us before **11:59 p.m., EDT, June 19, 2009** (or such later date as may apply if the Exchange Program is extended) by email (**by PDF or similar imaged document file**) to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com). The subject line of the email must state: “Exchange Program.” Election Forms should **not** be sent via inter-office mail or hand delivered.

Your Election Form and Information Sheet will be effective only **upon receipt** by us. We will accept delivery of the signed Election Form and Information Sheet only by one of the methods of delivery described above. The method of delivery is at your own option and risk. You are responsible for making sure that the Election Form and Information Sheet are delivered to the person indicated above. You must allow for delivery time based on the method of delivery that you choose to ensure that we **receive** your Election Form and Information Sheet on time.

You are not required to tender any Eligible Option Grant. For each Eligible Option Grant you choose to tender for exchange, you must tender that entire option grant for the amount of its unexercised portion. On the Information Sheet, please check the box (either “ACCEPT” or “DECLINE”) and initial corresponding to your Eligible Option Grant, indicating the action you wish to take.

You do not need to return your stock option agreement relating to each tendered Eligible Option Grant, as it will be automatically cancelled if we accept your Eligible Option Grant for exchange.

**4. WITHDRAWAL OF ELECTION.** Tenders of Eligible Option Grants made under the Exchange Program may be withdrawn at any time before **11:59 p.m., EDT, on June 19, 2009**, unless we extend the expiration date, in which case withdrawals must be received before such later expiration date and time.

To withdraw a tendered Eligible Option Grant, you must request a replacement Election Form and Information Sheet and E-mail (a PDF or similar imaged document file) a properly completed and signed replacement Election Form and Information Sheet in the manner described in Instruction (3) above. Withdrawals may not be rescinded and any Eligible Option Grant withdrawn will not be considered to be properly tendered, unless the withdrawn Eligible Option Grant is properly re-tendered before the expiration date by following the procedures described in Instruction 3 above.

**5. SIGNATURES.** Please sign and date the Election Form, and provide your social security number or other tax identification number. Except as described in the following sentence, this Election Form must be signed by the holder of the Eligible Option Grant to be tendered exactly as such holder’s name appears on the Eligible Option Grant option agreement. If the signature is by an attorney-in-fact or another person acting in a fiduciary or representative capacity, the signer’s full title and proper evidence of the authority of such person to act in such capacity must be identified on this Election Form.

**6. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES.** Any questions or requests for assistance regarding the exchange offer (including requests for additional or hard copies of the exchange offer or this Election Form) should be directed to Sterling H McDonald, at [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com) or by telephone at (713) 935-0122.

**7. IRREGULARITIES.** We will determine all questions as to the number of shares subject to Eligible Option Grants tendered and the validity, form, eligibility (including time of receipt) and acceptance of any tender of Eligible Option Grants. Subject to any order or decision by a court or arbitrator of competent jurisdiction, our determination of these matters will be final and binding on all parties. We may reject any or all tenders of Eligible Option Grants that we determine are not in appropriate form or that we determine are unlawful to accept. We may waive any defect or irregularity in any tender with respect to any particular Eligible Option Grant before the expiration of the Exchange Program. No Eligible Option Grant will be accepted for exchange until the holder of the Eligible Option Grant exchanging the Eligible Option Grant has cured all defects or irregularities to our satisfaction, or they have been waived by us, prior to the expiration date. **Neither we nor any other person is obligated to give notice of any defects or irregularities involved in the exchange of any Eligible Option Grant.**

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**8. CONDITIONAL OR CONTINGENT OFFERS.** We will not accept any alternative, conditional or contingent tenders.

**9. IMPORTANT TAX INFORMATION.** You should refer to Part III, Section 13 of the Offer to Exchange, which contains important tax information. We encourage all holders of Eligible Option Grants to consult with tax advisors if you have questions about your financial or tax situation.

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**ELECTION FORM**

To: Evolution Petroleum Corporation  
2500 City West Blvd., Suite 1300  
Houston, Texas 77042  
Attention: Sterling H. McDonald  
Facsimile: (713) 935-0199  
Email: [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com)

**I acknowledge that:**

1. I have received the Offer to Exchange dated May 21, 2009, this Election Form, the form of Restricted Stock Agreement and the 2004 Stock Plan.

2. I tender to Evolution Petroleum Corporation for exchange the Eligible Option Grant(s) specified on the attached Information Sheet and understand that, upon acceptance by Evolution Petroleum Corporation, this Election Form will constitute a binding agreement between Evolution Petroleum Corporation and me. On the Information Sheet I have checked the box and included my initials corresponding to each Eligible Option Grant, indicating whether I want to decline or accept the Company's offer to exchange Restricted Stock for each of my Eligible Option Grants.

3. I understand that if I validly tender an Eligible Option Grant for exchange, and such Eligible Option Grant is accepted and cancelled, I will receive Restricted Stock that will be for fewer shares of common stock than were underlying my Eligible Option Grant.

4. I understand that if I elect to tender an Eligible Option Grant, I must tender all outstanding un-exercised options, whether vested or unvested, of that particular grant for exchange.

5. I understand that the Restricted Stock will be unvested at the time it is granted, and will have a new vesting period as follows:

- If and to the extent any stock options pursuant to your Eligible Option Grant are vested on the Expiration Date, the Restricted Stock exchanged for those vested options will become vested on the first anniversary of the Expiration Date, being June 19, 2010, unless the Expiration Date is extended.
- If and to the extent any stock options pursuant to your Eligible Option Grant are not vested on the Expiration Date, being June 19, 2009, unless the Expiration Date is extended, the Restricted Stock exchanged for those unvested options will become vested on the first anniversary of the vesting date(s) on which such unvested options would have otherwise become vested.

6. I understand that the Restricted Stock will be granted under the 2004 Stock Plan.

7. Evolution Petroleum Corporation has advised me to consult with my own advisors as to the consequences of participating or not participating in this Exchange Program, including my personal tax advisor with any questions regarding the tax consequences of participating in this Exchange Program in the context of my own situation.

8. To remain eligible to tender my Eligible Option Grant(s) for exchange and cancellation pursuant to the Exchange Program, I understand that I must remain an Eligible Person and must not have received nor have given a notice of termination prior to the date and time that the Exchange Program expires, which is scheduled to be 11:59 p.m., EDT, on June 19, 2009, unless the Exchange Program is extended.

9. I understand that if I cease providing services to the Company prior to the Expiration Date of the Exchange Program, (except in the case of death or disability), the Company will not accept my Eligible Option Grant for cancellation and I will retain my Eligible Option Grant with its current terms and conditions.

10. I understand that if I cease providing services to the Company, (except in the case of death or disability), I will forfeit any unvested shares of Restricted Stock.

11. I understand that if I properly elect to participate in the Exchange Program, my death or incapacity will not affect the Company's authority to take the actions described in the Exchange Program with respect to an Eligible Option Grant I have tendered for exchange, and such authority will survive my death or incapacity. All of my obligations under this election form will be binding on my heirs, personal representatives, successors and assigns.

12. I understand that neither the ability to participate in the Exchange Program nor actual participation in the Exchange Program will be construed as a right to continued employment with the Company or any of its subsidiaries.

13. I understand that in accordance with Part III, Sections 7 and 14 of the Offer to Exchange; the Company may terminate, modify or amend the Exchange Program and postpone its acceptance and cancellation of any Eligible Option Grants that I have

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tendered for exchange. In any such event, I understand that the Eligible Option Grants tendered for exchange but not accepted will remain in effect with its current terms and conditions.

14. I understand that this election is entirely voluntary, and I am aware that I may change or withdraw my decision to tender my Eligible Option Grant(s) at any time until the Exchange Program expires by submitting a new Election Form to the Company expressing my revocation as described in the Instructions to this Election Form. I further understand to re-elect to participate in the Exchange Program, I must again follow the procedure described in these instructions to deliver a new Election Form prior to the expiration of the Exchange Program. **I understand that this decision to tender any or all of my Eligible Option Grant(s) will be irrevocable at 11:59 p.m., EDT, on June 19, 2009, unless the Exchange Program is extended.**

15. I sell, assign and transfer to the Company all right, title and interest in and to the Eligible Option Grants that I am tendering as specified in the attached Eligible Option Grant Information Sheet, and I agree that I shall have no further right or entitlement to purchase any shares of the Company's common stock under the tendered Eligible Option Grant(s) on the date Evolution accepts such Eligible Option Grant(s) for exchange and cancellation.

16. I agree to all of the terms and conditions of the Exchange Program **AND HAVE ATTACHED A SIGNED COPY OF THE INFORMATION SHEET.** I understand that if I do not include the Information Sheet with this Election Form, I will be deemed to have elected **NOT** to exchange my Eligible Option Grant(s).

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Eligible Person's Signature

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Date

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Eligible Person's Name (please print or type)

\_\_\_\_\_  
Social Security Number or Tax I.D. Number of Eligible

**NOTE TO ELIGIBLE PERSONS IN COMMUNITY PROPERTY STATES:**

If you are married and reside in a state the laws of which provide that a spouse has a community property interest in the Eligible Options, in order to elect to tender your Eligible Option Grant(s) your spouse must execute the Spousal Consent below. Under the Consent, your spouse agrees to be bound, and agrees that any such community property interest shall similarly be bound, by this Election Form. States with community property laws are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.

**Your failure to provide your spouse's signature constitutes your representation and warranty to Evolution that either you are not married or your spouse has no community or other marital property rights in the Eligible Option Grant(s) or your new Restricted Stock.** You should consult your personal outside advisors if you have questions about the Spousal Consent below.

**Spousal Consent**

The undersigned spouse of the Eligible Person who has executed this Election Form above has read and hereby approves the submission of this Election Form and Information Sheet. The undersigned agrees to be irrevocably bound by this Election Form and further agrees that any community property interest of the undersigned will similarly be bound by this Election Form. The undersigned appoints the Eligible Person who has executed this Election Form above as his/her attorney-in-fact with respect to any amendment or exercise of any rights under this Election Form.

\_\_\_\_\_  
Spouse's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Spouse's Name (please print or type)



**Form of Evolution Petroleum Corporation Eligible Option Grant and Restricted Stock Information Sheet**

**Name:** **Steps to properly complete this Eligible Option Grant Information Sheet**

**Employee ID:**

Step 1: Check the box for each Eligible Option Grant you want to exchange.

Step 2: Sign the appropriate election where indicated.

Step 3: Return along with your Election Form to Sterling H. McDonald no later than 11:59 p.m. EDT on June 19, 2009.

**If you elect to participate in the Exchange Program, this sheet must be properly completed, signed and submitted with your Election Form no later than 11:59 p.m. EDT on June 19, 2009. If this Information Sheet is not properly completed, signed and submitted with your Election Form, your Election Form will be rejected.**

Eligible Option Grant (1)	Outstanding Stock Options	Number of Restricted Stock	ACCEPT	DECLINE	Initials
1					
2					
3					
4					

- (1) Only options granted under the 2004 Stock Plan with an exercise price of \$2.33 or greater will be eligible for exchange. This information sheet lists only your options with exercise prices equal to \$2.33 or greater. Each Eligible Option Grant you elect to tender for exchange must be tendered in whole, less any options previously exercised before the Expiration Date. If you would like to review all of the options granted to you by Evolution, please contact Sterling H. McDonald at:

2500 CityWest Blvd. Suite 1300  
Houston, TX 77042  
Phone: (713) 935-0122  
Facsimile: (713) 935-0199  
Email: [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com)

May 21, 2009

**To Employees and Consultants of Evolution Petroleum Corporation Eligible to Participate in the Exchange Program:**

I am pleased to announce the commencement of a new Evolution Petroleum Stock Option Exchange Program (the "Exchange Program"), which will give you the opportunity to exchange certain "out-of-the-money" or "underwater" stock options granted under our 2004 Stock Plan in exchange for shares of restricted common stock in the Company (the "Restricted Stock"). We use stock options to motivate and reward employees and consultants such as you by enabling you to benefit from increases in the price of Evolution Petroleum stock. But when stock options are "out-of-the-money," their motivational and retention value may be diminished depending on your individual circumstances and your assessment of our future stock price.

The Exchange Program opened today and will close at 11:59 p.m. EDT on June 19, 2009, unless we decide to extend the Exchange Program. The Exchange Program applies to certain Evolution Petroleum stock options granted under our 2004 Stock Plan. You have been identified as an employee who is eligible to participate in the Exchange Program, provided you continue to satisfy the conditions to participate throughout the duration of the Exchange Program. Note that eligibility is based on a number of factors, including continued employment or consultancy status. Further details on eligibility are included in the Exchange Program materials, which will be delivered to you.

The Exchange Program gives you the opportunity to elect to exchange stock options for Restricted Stock. The number of shares of Restricted Stock that you will receive was determined by the Compensation Committee of our Board of Director and approved by our full Board of Directors on March 31, 2009. The Exchange Program applies to outstanding stock options under the 2004 Stock Plan with an exercise price of \$2.33 per share or greater. The information that will be delivered to you from the Company will describe the terms of the Exchange Program and the number of Restricted Stock shares you will be eligible to receive in exchange for your Eligible Option grants.

Enclosed with this package are: (1) an Offer to Exchange, which contains detailed information about the Exchange Program, (2) a personalized Election Form, and (3) a personalized Option Information Sheet, which contains information about your specific stock options that are eligible for exchange in the Exchange Program and the number of Restricted Stock shares you may choose to receive in exchange for those stock options.

The decision to participate in the Exchange Program is a personal one based on your assumptions about a number of factors, including the performance of publicly traded stocks generally, our own stock price and our business. We cannot advise you on your decision as to whether or not to participate, and there are no guarantees of our future stock performance. Moreover, we are not encouraging or discouraging your participation. You should read all of the Exchange Program materials carefully and consult with your personal financial and tax advisors before deciding whether or not to participate.

I am delighted that the Company's Board of Directors have offered you this choice and I urge you to read all of the enclosed materials carefully to come to a decision that is best for you.

*These written materials and other documents may be obtained from the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) or a copy of such documents may be obtained from the Company free of charge by writing to us at 2500 CityWest Blvd., Suite 1300, Houston, Texas 77042; Attention: Chief Financial Officer.*

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**Form of Communication to Eligible Person Participating in the Exchange Program Confirming Receipt of Election Form and Information Sheet**

Date: May 21, 2009  
To: Employees and Consultants Eligible to Participate in the Stock Option Exchange Program  
From: Evolution Petroleum Corporation  
Re: Confirmation of Receipt of Election Form and Eligible Option Grant Information Sheet

This message confirms that we have received your Election Form and Eligible Option Grant Information Sheet. This confirmation should not, however, be construed to imply that the Election Form, Eligible Option Grant Information Sheet or any other documents that you have submitted have been properly completed or are otherwise in proper form or that we have accepted your Eligible Option Grant(s) for exchange. If your Election Form and Eligible Option Grant Information Sheet are properly completed and signed, and all eligibility requirements are met, we expect to accept your Eligible Option Grant(s) elected for exchange, subject to the terms and conditions set forth in the Offer to Exchange, promptly following the expiration of the exchange offer at 11:59 p.m., EDT, on June 19, 2009, unless this Exchange Program is extended by us. Any Eligible Option Grants listed on your Eligible Option Grant Information Sheet for which you checked the corresponding box, will be cancelled upon expiration of the Exchange Program.

Unless you withdraw your tendered Eligible Option Grant(s) before 11:59 p.m., EDT, on June 19, 2009 (or, if the Exchange Program is extended), we will, subject to the conditions of the Exchange Program, cancel the Eligible Option Grant(s) that you have properly tendered for exchange. If you do not withdraw your tendered Eligible Option Grant(s) and we accept your Eligible Option Grant(s) for exchange, promptly following the expiration of this Exchange Program we will provide you with a "confirmation letter" confirming that your Eligible Option Grant(s) has been accepted for exchange and has been cancelled. Your Election Form and Eligible Option Grant Information Sheet may be changed or revoked at any time by delivering a new properly completed and signed Election Form and Eligible Option Grant Information Sheet bearing a later date so long as we receive the documents before the Expiration Date of the Exchange Program.

You should direct questions about the Exchange Program or requests for assistance (including requests for additional or paper copies of the Offer to Exchange, the Election Form, your Eligible Option Grant Information Sheet or other documents relating to this Exchange Program) to Sterling H. McDonald, at 2500 City West Blvd., Suite 1300, Houston, Texas 77042 or by calling 713-935-0122 or sending an email to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com).

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**To Evolution Petroleum Corporation Employees and Consultants Eligible for the Exchange Program:**

The Evolution Petroleum Exchange Program with respect to certain outstanding stock options under Evolution Petroleum's 2004 Stock Plan will close in **20 business days, at 11:59 p.m. EDT on Friday, June 19, 2009**. In order to participate in the Exchange Program, your Election Form and Information Sheet must be received by that deadline.

Participation in the Exchange Program is voluntary. You may have decided not to participate, or you may not yet have had the opportunity to make your election. In either case, please be sure to read the materials you have received carefully and consult with your personal financial advisor. Should you wish to change your decision or want to submit your Election Form to participate, please follow the instructions in your materials, and submit your Election Form and Information Sheet to Evolution Petroleum Corporation by scanning the form and e-mailing it to: [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com). In the subject line of the email please state: "Exchange Program."

**DO NOT send Election Forms via inter-office mail or hand deliver. Election Forms must be received by email at [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com) with "Exchange Program" in the subject field before 11:59 p.m. EDT on Friday, June 19, 2009.**

*The Exchange Program materials contain important information for employees and consultants, including an offering memorandum that should be read carefully prior to making a decision whether to participate in the Exchange Program. These written materials and other documents may be obtained free of charge from the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).*

*Eligible Persons may obtain, free of charge, a written copy of the offering memorandum and other materials by calling Sterling H. McDonald at (713) 935-0122 or sending an e-mail to [smcdonald@evolutionpetroleum.com](mailto:smcdonald@evolutionpetroleum.com).*

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**Form of Evolution Petroleum Exchange Program  
Election Confirmation Form**

**Employee or Consultant Name:**

**Employee/Consultant ID:**

You recently elected to participate in the Evolution Petroleum Exchange Program. The table below shows your Eligible Option Grant(s) that was submitted for exchange and the Restricted Stock that was granted in exchange. Restricted Stock grant documents will be delivered to you shortly.

If you have any questions, please contact us at (713) 935-0122.

Eligible Option Grants			Restricted Stock		
Grant Date	Shares subject to Option Grant	Exercise Price (per share)	Grant Date	Number of Restricted Stock	Stock Price on Grant Date

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

By your signature and the signature of the Company's representative on the signature page, you and the Company agree that you are receiving shares subject to the terms and conditions of the Evolution Petroleum Corporation Amended and Restated 2004 Stock Plan, which has been provided to you, and the Stock Grant Agreement, which is attached to and made a part of this document.

Name of Transferee: \_\_\_\_\_ Employee Name

Total Number of Transferred Shares:

Sales Price Per Share: \$0.001

Fair Market Value Per Share:

Date of Transfer:

Vesting Commencement Date:

Vesting Schedule: The Transferred Restricted Stock granted hereunder shall vest in accordance with the following schedule: \_\_\_\_\_ shall vest as of one year from the Vesting Commencement Date; \_\_\_\_\_ shall vest on \_\_\_\_\_; \_\_\_\_\_ shall vest on \_\_\_\_\_; and \_\_\_\_\_ shall vest on \_\_\_\_\_.

**EVOLUTION PETROLEUM CORPORATION  
AMENDED AND RESTATED 2004 STOCK 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 certain stock option grants exchanged pursuant to the Evolution Petroleum Corporation Stock Option Exchange Program, that was filed on May 21, 2009, as an exhibit to Schedule TO.

(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 11 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 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. 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 in 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, partially, with 50% of the Restricted Shares vesting on the Change in Control date and the remaining Restricted Shares to vest at the rate set forth herein, reduced by the Restricted Shares that vested in accordance with the Change in Control. 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 or a consultant 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.

(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 (but not more frequently than once every six months). 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 earlier of 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 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

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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 acquisition of the Transferred Shares may result in adverse tax consequences that may be avoided or mitigated by filing 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) do 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 of the Company. In this regard, Transferee authorizes the Company, at its discretion and if permissible under local 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 equal to or below the minimum withholding amount 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 minimum withholding obligation for Tax Liabilities. (For example, if the minimum 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

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(iii) selling or arranging for the sale of Transferred Shares.

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. *Definitions*

(a) “Agreement” shall mean this 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.

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(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 (fka Natural Gas Systems, Inc.).

(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, of even date herewith); 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 relocated more than 20 miles.

(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 Amended and Restated 2004 Stock 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, Outside 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.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the undersigned have executed this Stock Grant Agreement in exchange for the Sale Price Per Share, as set forth in the Summary of Stock Grant, and certain stock option grants exchanged pursuant to the Evolution Petroleum Corporation Stock Option Exchange Program, that was filed on May 21, 2009, as an exhibit to Schedule TO.

EVOLUTION PETROLEUM CORPORATION

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Robert S. Herlin

TRANSFeree

Name: \_\_\_\_\_

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