

EVOLUTION PETROLEUM CORP
Form DEF 14A
October 29, 2012

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant o

Filed by a Party other than the Registrant o

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

Evolution Petroleum Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (3) Filing Party:
 - (4) Date Filed:
-

**2500 CityWest Boulevard, Suite 1300
Houston, Texas 77042**

Dear Fellow Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Evolution Petroleum Corporation. The meeting will be held at the Company's offices at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042, commencing at 10:00 a.m. Central Time, on Thursday, December 6, 2012. If you plan to attend, please notify our Corporate Secretary, Mr. David Joe, at (713) 935-0122.

The Notice of the Annual Meeting and the Proxy Statement on the following pages cover the formal business of the meeting, which includes two items to be voted on by our stockholders. *Note that your broker is not permitted to vote on matters considered "non-routine" such as the election of directors without specific voting instructions from you*, as further explained in the Q&A section of the Proxy Statement under "How Can I Vote?"

At the Meeting, I will also report on the Company's current operations and will be available to respond to questions from stockholders. Recording devices will not be permitted in the meeting.

Whether or not you plan to attend the meeting, it is important that your shares be represented and voted at the meeting. You are urged, therefore, to complete, sign, date and return the enclosed proxy card (or use telephone or internet voting procedures, if offered by your broker or bank as a nominee or agent), even if you plan to attend the meeting.

Thank you for your continued interest in Evolution Petroleum Corporation.

Sincerely,

/s/ ROBERT S. HERLIN

Robert S. Herlin

Chairman of the Board, President and Chief Executive Officer

Houston, Texas
October 29, 2012

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held December 6, 2012**

Dear Stockholders:

NOTICE IS HEREBY GIVEN that the 2012 Annual Meeting of Stockholders (the "Annual Meeting") of Evolution Petroleum Corporation, a Nevada corporation (the "Company"), will be held on Thursday, December 6, 2012, commencing at 10:00 a.m. Central Time, at the Company's principal executive offices at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042. The Annual Meeting will be held for the following purposes:

- (1) To elect six directors, each to serve until the 2013 Annual Meeting of Stockholders, or until their successors are elected and qualified;
- (2) To ratify the appointment of Hein & Associates LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending June 30, 2013; and
- (3) To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

Only those stockholders of record at the close of business on October 19, 2012 are entitled to notice of, and to vote at the Annual Meeting or any postponement or adjournment thereof, notwithstanding the transfer of any shares after such date. If you were a stockholder at the close of business on October 19, 2012, you are entitled to vote.

Whether or not you expect to attend the Annual Meeting, we ask that you sign and return the enclosed proxy as promptly as possible to ensure that your shares will be represented. A self-addressed envelope has been enclosed for your convenience. If you attend the meeting you may withdraw any previously given proxy and vote your shares in person.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 6, 2012

The attached proxy statement and proxy card, and our Annual Report on Form 10-K for the year ended June 30, 2012, are also available on the Company's website, www.evolutionpetroleum.com. From the homepage, you can link through the "Investor Relations" page to the "Proxy Materials" page. Directions to attend the Annual Meeting and vote in person are also available on our website. From the homepage, you can link to "Contact" where you will find a link to a map to our Houston office.

By Order of the Board of Directors

/s/ STERLING H. MCDONALD

Sterling H. McDonald
Vice President, Chief Financial Officer
and Treasurer

Houston, Texas
October 29, 2012

2500 CityWest Boulevard, Suite 1300
Houston, Texas 77042
(713) 935-0122

**PROXY STATEMENT
FOR THE
ANNUAL MEETING OF STOCKHOLDERS
December 6, 2012**

This Proxy Statement accompanies the Notice (the "Notice") of the Annual Meeting of Stockholders (the "Annual Meeting") of Evolution Petroleum Corporation, a Nevada corporation (hereinafter, "us", "we", "our" or the "Company"), in connection with the solicitation of proxies by and on behalf of our Board of Directors for use at our Annual Meeting to be held at 10 a.m., Central Time, at our Company's principal executive offices at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042, on December 6, 2012, and at any postponement or adjournment thereof.

The Company's Annual Report for the fiscal year ended June 30, 2012 is being mailed to stockholders with the mailing of the Notice of Meeting and Proxy Statement. This Proxy Statement and the accompanying proxy card are first being sent to our stockholders on or about October 29, 2012.

The solicitation of proxies by the Board of Directors will be conducted primarily by mail. Continental Stock Transfer & Trust Company ("CST"), as part of CST's services as the Company's transfer agent, assists in the solicitation of proxies in connection with the Annual Meeting. In addition, officers, directors and employees of the Company may solicit proxies personally or by telephone, email, or facsimile communication. These officers, directors and employees will not receive any compensation for these services. The Company will reimburse brokers, custodians, nominees, and fiduciaries for reasonable expenses incurred by them in forwarding proxy material to beneficial owners of common stock of the Company. The costs of solicitation will be borne by the Company.

What is the purpose of the 2012 Annual Meeting?

At the Annual Meeting, stockholders will act upon the matters outlined in the attached Notice of Meeting and described in detail in this Proxy Statement, which is to:

- (1) Elect six directors, each to serve until the 2013 Annual Meeting of Stockholders or until their successors are elected and qualified;
- (2) Ratify the appointment of Hein & Associates, LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending June 30, 2013; and
- (3) Transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

In addition, Company management will report on our performance during the fiscal year ended June 30, 2012, which we refer to as fiscal 2012, and respond to questions from stockholders.

Although the Board does not anticipate that any other matters will come before the Annual Meeting, your executed proxy gives the official proxies the right to vote your shares at their discretion on any other matter properly brought before the Annual Meeting.

Who is entitled to vote at the Annual Meeting?

Only stockholders of record at the close of business on October 19, 2012 (the "Record Date") will be entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof.

How can I Vote?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record (i.e., your shares are registered directly in your name, as opposed to being held in a stock brokerage account or by a bank or other nominee), you may vote in person at the Annual Meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy. To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive. To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. Properly executed proxies in the accompanying form, received in due time and not previously revoked, will be voted at the Annual Meeting or any adjournment thereof as specified therein by the person giving the proxy; however, if no specification is made the shares represented by proxy will be voted as recommended by our Board of Directors, to the extent permitted by law.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

Due to regulatory changes, your broker is not able to vote on your behalf for the election of directors without specific voting instructions from you.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in the "street name" of the entity holding your shares.

As the beneficial owner, you have the right to direct your broker or nominee how to vote and are also invited to attend the Annual Meeting. However, since you are not the stockholder of record (record holder), you may not vote these shares in person at the Annual Meeting unless you obtained a signed proxy from the record holder giving you the right to vote these shares.

If you hold your shares in street name, you will receive instructions from your broker or other nominee describing how to vote your shares. If you do not instruct your broker or nominee how to vote your shares, they may vote your shares as they decide as to each matter for which they have discretionary authority.

There are also non-discretionary matters for which brokers and other nominees do not have discretionary authority to vote your shares unless they receive timely instructions from you. When a broker or other nominee does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker or other nominee should vote your shares and the broker or other nominee indicates it does not have authority to vote such shares on its proxy, a "broker non-vote" results. Although any broker non-vote would be counted as present at the meeting for purposes of determining a quorum, it would be treated as not entitled to vote with respect to non-discretionary matters.

Changes to regulatory rules eliminated broker discretionary voting with respect to the election of directors. Where a matter is not considered "routine," such as Proposal No. 1 regarding the election of directors the shares held by the broker will not be voted on those proposals without specific instruction from the beneficial holder of the shares.

How Can I Revoke My Proxy or Change My Vote?

Even if you have given a proxy or given your broker, bank or other agent voting instructions, you have the power to revoke your proxy or change your voting instructions at any time before the Annual Meeting. Stockholders of record may revoke their proxy prior to its exercise by delivering written notice of revocation to our Corporate Secretary, at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042, by executing a later-dated proxy, or by attending the Annual Meeting and voting in person. If your shares are held by your broker or bank as a nominee or agent (such as in your brokerage account), you may change your vote by following the instructions provided by your broker or bank. You may also change your vote by voting in person at the Annual Meeting if you have obtained a valid proxy from your broker, bank, or other agent to vote your shares at the Annual Meeting.

What are the voting rights of the holders of our common stock?

Holders of our common stock are entitled to one vote per share with respect to each of the matters to be presented at the Annual Meeting.

With regard to the election of directors, the Company has adopted a majority voting policy wherein any of the six nominees receiving the majority of votes cast will be elected provided a quorum is present. Any nominee not receiving at least a majority of the votes cast with respect to his election shall tender his resignation to the Board, whereupon, the Board in its sole discretion can accept such resignation within 60 days. If the Board does not accept such resignation, the director will continue to serve as a member of the Board of Directors.

On each other matter to be presented, the affirmative vote of a majority of the shares represented at the Annual Meeting and entitled to vote will be necessary to approve the matter.

Abstentions will be counted towards the tabulation of votes cast on matters properly presented to the stockholders (except the election of directors) and will have the same effect as negative votes. Broker non-votes will not be counted as votes cast and therefore will have no effect on the outcome of the matters presented at the Annual Meeting.

What constitutes a quorum?

Our Bylaws provide that the presence, in person or by proxy, of the holders of a majority of outstanding shares of our common stock at our Annual Meeting shall constitute a quorum.

For the purpose of determining the presence of a quorum, proxies marked "withhold authority" or "abstain" will be counted as present. Shares represented by proxies that include broker non-votes will also be counted as shares present for purposes of establishing a quorum. On the Record Date there were 28,051,963 shares of our common stock (including restricted shares) issued and outstanding and such shares are the only shares entitled to vote at the Annual Meeting.

What are the Board's recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendations are set forth together with the description of the Proposals in this Proxy Statement. In summary, the Board unanimously recommends that you vote:

FOR the election of each of the six directors named in this Proxy Statement, to serve until our annual meeting of shareholders in 2013 and until their successors are elected; and

FOR the ratification of the appointment of Hein & Associates, LLP as our independent auditors for the year ending June 30, 2013.

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The proxy holders will vote in their discretion with respect to any other matter that may properly come before the Annual Meeting.

Proxies

If the enclosed proxy card is executed, returned in time and not revoked, the shares represented thereby will be voted at the Annual Meeting and at any postponement or adjournment thereof in accordance with the instructions indicated on such proxy. **IF NO INSTRUCTIONS ARE INDICATED ON THE PROXY CARD, THE OFFICIAL PROXIES WILL VOTE (1) "FOR" THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT AND (2) AS TO ANY OTHER MATTERS PROPERLY BROUGHT BEFORE THE ANNUAL MEETING OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF, IN THE SOLE DISCRETION OF THE PROXY HOLDERS.**

A stockholder who has returned a proxy card may revoke it at any time prior to its exercise at the Annual Meeting by (i) giving written notice of revocation to our Corporate Secretary, (ii) properly submitting to Evolution Petroleum Corporation a duly executed proxy bearing a later date, or (iii) appearing at the Annual Meeting and voting in person. All written notices of revocation of proxies should be addressed as follows: Evolution Petroleum Corporation, 2500 CityWest Boulevard, Suite 1300 Houston, Texas 77042, Attention: Corporate Secretary.

What are the Company's Governance Practices and Policies?

See the detailed discussion under "Corporate Governance", beginning on page 10.

PROPOSAL I

ELECTION OF DIRECTORS

The Board of Directors

Our directors are elected annually by the stockholders to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified. The minimum number of directors is established by our Bylaws, and may be increased by the majority vote of the Board of Directors. The current authorized number of directors is six. Assuming the presence of a quorum, a majority of the votes cast in person or by proxy at the Annual Meeting is required for the election of each director.

Director Nominees

All six nominees are currently serving as directors of the Company. We have determined there are five "independent" directors serving on our Board as defined in the listing standards of the NYSE MKT. All six of our incumbent directors are standing for re-election.

As discussed in more detail under the heading "Nominating and Corporate Governance Committee" in this proxy statement, the Board considers qualifications and other factors when evaluating individual directors, as well as the composition of the Board as a whole. As part of this process, the Board and its Nominating and Corporate Governance Committee review the particular experiences, qualifications, attributes or skills of each of the nominees. The biographies of each of the nominees below contain information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, and information regarding involvement in certain legal or administrative proceedings, if applicable. They also highlight the particular experiences, qualifications, attributes or skills that have caused the Nominating and Corporate Governance Committee and the Board to conclude that such persons should serve as a director of the Company. In particular, each nominee brings extensive and specific expertise in key functional and industry areas in which we, as a company, are active.

Name	Age	Principal Occupation and Directorships
Robert S. Herlin	57	<p>Mr. Herlin, a co-founder of our Company, has been President, Chief Executive Officer and a Director since May 2004. Mr. Herlin was elected Chairman of the Board of Directors in January 2009. Prior to the merger of Natural Gas Systems, Inc. ("<i>Old NGS</i>") into our company, Mr. Herlin served as President, Chief Executive Officer and Director of Old NGS since its inception in September 2003. He is responsible for our operations and strategy. Mr. Herlin has 30 years of experience in engineering, energy transactions, operations and finance with small independents, larger independents and major integrated oil companies. Since 2003 until early 2010, Mr. Herlin has also served as a nonactive Partner with Tatum CFO, a financial advisory firm that provides executive officers on a part-time or full-time basis to clients, where he has been assigned as a fulltime executive officer of our company. From 2001 to 2003, Mr. Herlin served as Senior Vice President and Chief Financial Officer of Intercontinental Towers Corporation, an international wireless infrastructure venture. Mr. Herlin also served on the Board of Directors of Boots and Coots, Inc., an oil field services company, from 2003 until its sale to Halliburton Company in September 2010. He also serves on the Engineering Advisory Board for the Brown School of Engineering at Rice University, where he previously served on the Centennial Council for Chemical and BioMolecular Engineering. Mr. Herlin graduated with honors from Rice University with B.S. and M.E. degrees in chemical engineering and earned an MBA from Harvard University. We believe Mr. Herlin's executive leadership of our Company since its founding, extensive oil and gas industry experience, multi-functional expertise, education and his Board of Director service to public companies qualifies Mr. Herlin to serve on our Board.</p>

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Name	Age	Principal Occupation and Directorships
Laird Q. Cagan	54	<p>Mr. Cagan, a co-founder of the Company, has served as a director on our Board of Directors since May 2004 and as Chairman of the Board from May 2004 to January 2009. He is currently a member of our Governance and Nominating Committee. Mr. Cagan is a co-founder and Managing Director of Cagan McAfee Capital Partners, LLC ("CMCP"), a merchant bank based in Cupertino, California. From 2004 until 2008, Mr. Cagan was a Managing Director of Chadbourn Securities, Inc. (member FINRA/SIPC). In 2008 Chadbourn was absorbed by Colorado Financial Services Corporation (member FINRA/SIPC) at which time Mr. Cagan became a registered representative and principal of Colorado Financial Services Corporation until 2012. He holds his Series 7, 63, and 24 licenses, but is not currently registered with any broker-dealer. He also continues to serve as President of Cagan Capital, LLC, a merchant bank he formed in 1990, the operation of which transitioned into CMCP. Mr. Cagan serves on the Boards of Directors of Calpian, Inc., Blue Earth, Inc., Tombstone Exploration Corporation, Global Carbon Group LLC and Career College Holding Company, Inc. (formerly World Sage, Inc.). Mr. Cagan previously served on the Board of Directors of Aemetis (formerly AE BioFuels), Camac Energy (formerly Pacific Asia Petroleum), Fortes Financial Corporation and Chairman of TWL Corporation. Mr. Cagan was a director of Fortes Financial Corporation when the Company, along with its officers and directors, entered into a Consent Order with the State Banking Department of New Hampshire for not funding one mortgage loan that had a conditional commitment. The officers of the company (but not Mr. Cagan nor any director) collectively paid a fine of \$2,500 and, as the Company had ceased operations and had requested a cancellation of its state license, all parties agreed to a permanent observance of a cease and desist order and revocation of Fortes Financial's license to broker mortgages in the State. Mr. Cagan was a registered representative of Colorado Financial Services Corporation when he was served an administrative suspension from December 15-29, 2008 for violation of a FINRA rule for failure to provide copies of personal brokerage statements to his broker-dealer. Mr. Cagan attended M.I.T. and received his B.S. and M.S. degrees in engineering and his MBA from Stanford University. We believe Mr. Cagan's extensive investment and merchant banking experience, expertise in providing seed capital to high risk startups including our Company, history as our co-founder, education and Board of Director service to public and private companies qualifies Mr. Cagan to serve on our Board and his assigned Committee.</p>

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Name	Age	Principal Occupation and Directorships
Edward J. DiPaolo	59	<p>Mr. DiPaolo has served as a director of our company since 2004. He currently serves as our Lead Independent Director, Chairman of our Governance and Nominating Committee, and is a member of our Audit and Compensation Committees. Mr. DiPaolo has been a Senior Advisor at Duff & Phelps Securities, LLC since 2011. Prior to that, he was an Energy Partner at Growth Capital Partners, L.P. for eight years, following his 27 years at Halliburton Company, most recently as Group Senior Vice President of Global Business Development with Halliburton Company since 2003. Prior roles at Halliburton included serving as North American Regional Vice President and Far East Regional Vice President. In these roles, he was responsible for overall operations of Halliburton Energy Services' North America and Far East operations. Mr. DiPaolo currently serves on the Board of Directors of the following public companies: Willbros Group Inc. and Edgen Group, Inc. He also sits on several private company boards. He previously served as Interim Chairman of the Board of Directors of Boots and Coots Group and on their board prior to Boots and Coots being sold to Halliburton. He also served on Superior Well Service board prior to being sold to Nabors Industries, Inc. In addition, he served on the board of Inncore Subsurface Technologies prior to being sold to BJ Services Company. Mr. DiPaolo received his undergraduate degree in Agricultural Engineering from West Virginia University in 1976. He also serves on the Advisory Board for the West Virginia University College of Engineering. We believe Mr. DiPaolo's extensive experience in oilfield service, corporate advisory roles, education and Executive and Board of Director service to public and private companies qualifies Mr. DiPaolo to serve on our Board, his assigned Committees and as our Lead Independent Director.</p>

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Name	Age	Principal Occupation and Directorships
William E. Dozier	60	<p>Mr. Dozier has over 37 years of oil & gas industry experience and has served as a director of our company since December 2005. He is the Chairman of the Compensation Committee and also a member of the Audit Committee. Since 2005, Mr. Dozier has been an independent oil and gas consultant. From 1992 to 2005, Mr. Dozier served as Senior Vice President of Operations, and most recently as Senior Vice President for Business Development, for Vintage Petroleum, a large publicly traded global independent oil and gas company acquired by Occidental Petroleum. From 1983 to 1992, he was Manager of Operations Engineering for Santa Fe Minerals, a privately held E&P Company. Mr. Dozier began his career with Amoco Production Company in 1975, working in all phases of production, reservoir evaluations, drilling and completions in the Mid-Continent and Gulf Coast areas. From May 2009 to July 2011, Mr. Dozier served on the Board of Directors of CAMAC Energy, Inc (formerly Pacific Asia Petroleum, Inc.). Mr. Dozier also serves on several private and charitable boards. In 2005, Mr. Dozier formed Extex Consulting, Inc. based in Houston, Texas. He is a licensed petroleum engineer with a B.S. in Petroleum Engineering from The University of Texas at Austin. We believe Mr. Dozier's extensive experience in oil and gas exploration and development, education and Executive and Board of Director service to public companies qualifies Mr. Dozier to serve on our Board and his assigned Committees.</p>
Kelly W. Loyd	38	<p>Mr. Loyd has served as a director of our company since December 2008. He currently serves as a member of the Compensation Committee and as a member of the Nominating and Corporate Governance Committee. Since 2004, Mr. Loyd has been employed by JVL Advisors, LLC, a private energy investment company that is a major stockholder of our company. From 2001 to 2004, Mr. Loyd was an associate in the energy corporate finance investment banking group at RBC Capital Markets and Howard Frazier Barker Elliot. Previously, Mr. Loyd served as a founder and controller of L.A.B. Sports and Entertainment, a sports/entertainment promotion and production company, a Managing Partner of Tigre Leasing, L.L.P, a commercial real estate company focused on the purchase/sale of resort properties, and as an analyst in Jefferies and Company, Inc.'s energy corporate finance investment banking group. Mr. Loyd received a B.S. in Economics with Finance Applications from Southern Methodist University and earned an MBA from Rice University. We believe Mr. Loyd's extensive experience in energy investment banking, employment for a hedge fund manager that is a major investor in our Company and his education qualifies Mr. Loyd to serve on our Board and his assigned Committee.</p>

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Name	Age	Principal Occupation and Directorships
Gene G. Stoever	74	<p>Mr. Stoever has been a member of our Board since 2004. He currently serves as Chairman of our Audit Committee and as a member of our Nominating and Corporate Governance Committee. Mr. Stoever was an audit partner with KPMG LLP for 24 years until his retirement in 1993. During his tenure at KPMG, he served domestic and multinational clients engaged in the manufacturing, construction, refining, oil and gas, real estate and banking industries, as well as serving as SEC Reviewing Partner responsible for advising and reviewing domestic and foreign client filings with the SEC. Mr. Stoever currently serves as chairman of the Audit Committee and is a member of the Compensation Committee of the Board of Directors of Orion Marine Group, Inc (NYSE: ORN) and previously served on Boards, as a chairman of the Audit Committees of Propex, Inc. and several other companies. Mr. Stoever is a Certified Public Accountant in the State of Texas (currently inactive license holder) and earned his B.B.A. degree in accounting with honors from The University of Texas at Austin. We believe Mr. Stoever's extensive experience in public accounting as a former Big Four partner, knowledge of financial reporting, SEC, GAAP and auditing standards, education and certification as a CPA, designation of a Governance Fellow by the National Association of Corporate Directors, and Board Service to public and private companies qualifies Mr. Stoever to serve on our Board, his assigned Committees and as a financial expert.</p>

We believe that the nominees will be available and able to serve as directors. In the event that a nominee is unable to serve, the proxy holders will vote the proxies for such other nominee as they may determine.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE DIRECTOR NOMINEES LISTED ABOVE.

PROPOSAL II

PROPOSAL TO RATIFY THE APPOINTMENT OF HEIN & ASSOCIATES LLP, AS OUR COMPANY'S INDEPENDENT AUDITORS FOR FISCAL YEAR 2013

The Audit Committee of our Board of Directors has appointed the firm of Hein & Associates LLP, an independent registered public accounting firm, as our independent auditors to audit our consolidated financial statements for the fiscal year ending June 30, 2013. From June 30, 2004 through June 30, 2012, Hein & Associates LLP served as our independent auditors.

We are not required to seek stockholder approval for the appointment of our independent auditors; however, the Audit Committee and the full Board of Directors believe it to be sound corporate practice to seek such approval. If the appointment is not ratified, the Audit Committee will investigate the reasons for stockholder rejection and will re-consider the appointment. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of our company and our stockholders.

Audit Fees

The aggregate fees billed to us by our independent auditors, Hein & Associates LLP, for professional services rendered for the audit of our annual financial statements included in our Annual Report on Form 10-K for fiscal years ending June 30, 2012 and 2011 were as follows:

	2012	2011
Audit Fees	\$ 128,862	\$ 136,925
Audit-Related Fees	\$	\$
Tax Fees	\$	\$
All Other Fees	\$	\$

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees we paid Hein & Associates LLP for professional services for the audit of our consolidated financial statements included in our Form 10-K, including professional services rendered in connection with the audit of internal controls over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, the review of financial statements included in our Form 10-Q's and for services that are normally provided by the auditors in connection with statutory and regulatory filings or engagements. "Audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements.

All audit fees were pre-approved by our Audit Committee Chairman.

The Audit Committee has considered the compatibility of the non-audit services provided by Hein & Associates LLP, to Hein & Associates' continued independence and has concluded that its independence is not compromised. In order to reduce non-audit services performed by our independent registered public accounting firm, we retained Grant Thornton LLP to replace Hein & Associate's tax compliance, tax advice and tax planning services starting in fiscal 2008.

Pre-Approval of Services by External Auditor

The Audit Committee adopted a Pre-Approval Policy with respect to services which may be performed by the independent auditor. This policy lists specific audit, audit-related, and tax services as well as any other services that the independent auditor is authorized to perform and sets out specific dollar limits for each specific service, which may not be exceeded without additional Audit Committee authorization. The Audit Committee receives quarterly reports on the status of expenditures pursuant to that Pre-Approval Policy. The Audit Committee reviews the policy at least annually in order to approve services and limits for the current year. Any service that is not clearly enumerated in the policy must receive specific pre-approval by the Audit Committee or by its Chairman, to whom such authority has been conditionally delegated, prior to engagement. During fiscal year 2012, no fees for services outside the scope of audit, review, or attestation that exceed the waiver provisions of 17 CFR 210.2-01(c)(7)(i)(C) were requested of or approved by the Audit Committee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF HEIN & ASSOCIATES LLP, AN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, AS OUR INDEPENDENT AUDITORS FOR FISCAL YEAR 2013.

The Company does not anticipate a representative from Hein & Associates LLP to be present at the Annual Meeting. In the event that a representative of Hein and Associates LLP is present at the Annual Meeting, they will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

CORPORATE GOVERNANCE

Meetings of the Board of Directors and Committees

Board of Directors

The property, affairs and business of our company are under the general management of our Board of Directors as provided by the laws of the State of Nevada and our Bylaws. We have separately designated standing Audit, Compensation and Nominating Committees of the Board of Directors. The Audit Committee was established in accordance with section 3(a)(58)(A) of The Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board of Directors held seven meetings during fiscal 2012. Each director attended at least 75% of the aggregate of the total meetings of the Board and the total number of meetings held by all committees of the Board on which such director served during fiscal 2012. The Company currently has no formal policy with respect to the attendance of members of the Board of Directors at annual meetings. Four Directors, Messrs. Robert Herlin, Laird Cagan, Edward DiPaolo and William Dozier attended our 2011 Annual Meeting of Stockholders.

Director Independence

The Board of Directors affirmatively determines the independence of each director in accordance with the NYSE MKT rules and listing standards. The Board has determined that Messrs. Laird Q. Cagan, William E. Dozier, Edward J. DiPaolo, Gene G. Stoever and Kelly W. Loyd each qualify as independent non-employee directors with no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Mr. Herlin is not independent since he is a Named Executive Officer of the Company.

Audit Committee

The Board of Directors has instructed the Audit Committee to meet periodically with our management and independent auditors to, among other things, review the results of the annual audit and quarterly reviews and discuss our financial statements, recommend to our board the independent auditors to be retained, and receive and consider the auditors' comments as to controls, adequacy of staff and management performance and procedures in connection with audit and financial controls. The Audit Committee is also authorized to review related party transactions for potential conflicts of interest. The Audit Committee's functions are further described under the heading "Audit Committee Report". A copy of the written charter adopted by the Board of Directors for the Audit Committee and as currently in effect is included on our website, http://www.evolutionpetroleum.com/company_governance.html.

The Audit Committee is composed of Mr. Gene G. Stoever, Chairman, and Messrs. Edward J. DiPaolo and William E. Dozier. Each member of the Audit Committee is "independent," as such term is defined in the listing standards for companies listed on the NYSE Amex. Each member of the Audit Committee also satisfies the Securities and Exchange Commission's additional independence requirements for members of audit committees. The Board has determined that Mr. Stoever qualifies as a "financial expert" as defined under Item 401(e)(2) of Regulation S-K of the Securities Act of 1933. The Audit Committee met four times during fiscal year 2011.

Audit Committee Report

The management of Evolution Petroleum Corporation has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls and disclosure controls and procedures. The Company's independent registered public accounting firm (herein, our "independent auditor") is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America. The independent auditor

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is also responsible for performing independent audits of the Company's internal controls over financial reporting. The Audit Committee monitors and oversees these processes and reports to our Board of Directors with respect to its findings.

In order to fulfill its monitoring and oversight duties, the Audit Committee has reviewed and discussed the audited financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 with both management and the independent registered public accounting firm, Hein & Associates LLP, matters related to Section 404 of the Sarbanes-Oxley Act of 2002, and the matters required to be discussed by the statement on Auditing Standards No. 61, as amended and adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent auditor the independent auditor's independence.

The audit committee discussed with our independent auditors, the overall scope and plans for the audit. We met with our independent auditors, with and without management, to discuss the results of their examination, their evaluation of our internal controls, and the overall quality of our financial reporting.

Based on the forgoing reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements for the year ended June 30, 2012 be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 for filing with the Securities and Exchange Commission. The Board of Directors approved such inclusion.

Respectfully submitted by the Audit Committee,

Mr. Gene G. Stoever, Chairman
Mr. Edward J. DiPaolo
Mr. William E. Dozier

Compensation Committee

The Compensation Committee is authorized to review and recommend annual salaries and short-term incentive bonuses of our executive officers and has the authority to recommend to the Board of Directors the recipients of options and stock awards, the time or times at which options and stock awards shall be granted, the exercise price of each option, and the number of shares to be issuable upon the exercise of each option under our stock plan. In particular, the Compensation Committee recommends to the full Board the compensation of our Chief Executive Officer. In fulfilling its responsibilities, the Compensation Committee has the authority to engage independent compensation consultants or legal advisers when determined by the Committee to be necessary or appropriate. The members of the Compensation Committee consist of Mr. Dozier, Chairman, Mr. DiPaolo and Mr. Loyd. A copy of the written charter adopted by the Board of Directors for the Compensation Committee and as currently in effect is included on our website, http://www.evolutionpetroleum.com/company_governance.html. All members of the Compensation Committee are "independent," as such term is defined in the listing standards for companies listed on the NYSE MKT. The Compensation Committee met four times during fiscal year 2012.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, the members of which are Mr. DiPaolo, Chairman, and Messrs. Stoever, Cagan and Loyd, is responsible for identifying, screening, and recommending qualified candidates to serve on our Board of Directors and providing guidance and policy on corporate governance. A copy of the written charter adopted by the Board of Directors for

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the Committee and as currently in effect is included on our website, http://www.evolutionpetroleum.com/company_governance.html. Pursuant to its charter, the Committee is directed, among other things, to: develop and recommend to the Board specific guidelines and criteria for selecting nominees to the Board; formulate a process to identify and evaluate candidates to be recommended; review periodically compensation programs for non-employee directors and make recommendations for changes when appropriate; and evaluate the performance of incumbent members of the Board to determine whether to recommend such persons for re-election. All four members of the nominating committee are "independent" as defined in the listing standards for companies listed on the NYSE MKT.

It is our policy that the Committee consider recommendations for the nomination of directors submitted by our stockholders. All such stockholder nominating recommendations must be in writing, addressed to the Nominating Committee, care of the Corporate Secretary at Evolution Petroleum Corporation, 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042. Submissions must be made by mail, courier or personal delivery. E-mailed submissions will not be considered. Stockholders wishing to recommend nominees for election as directors at an annual meeting should submit such recommendation, together with any relevant information that they wish the Nominating Committee to consider, to the Corporate Secretary no later than 120 days prior to the date of the notice of annual meeting released to stockholders in connection with the current year's annual meeting. The stockholder's nomination notice shall set forth: (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director: (a) the name, age, business address and residence address of the person; (b) the principal occupation or employment and business experience of the person for at least the previous five years; (c) the class and number of shares of our capital stock which are beneficially owned by the person; and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the rules and regulations of the SEC under Section 14 of the Exchange Act; and (ii) as to the stockholder giving the notice: (a) the name and record address of the stockholder; and (b) the class and number of shares of our capital stock which is beneficially owned by the stockholder. Such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director, if elected. We may require any proposed nominee to furnish such other information as may reasonably be required by us to determine the eligibility of such proposed nominee to serve as a director.

The Committee has determined that, at the minimum, nominees for directorship should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company's stockholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. The Company endeavors to have a board representing diverse experience in areas that are relevant to the Company's business activities. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities efficiently, and should be committed to serve on the Board for an extended period of time.

Prior to nominating a candidate for election to the Board, the Committee will review the qualifications of each candidate. The Committee does not have a formal policy with regard to considering diversity in its identification of director candidates; however, the Committee does consider diversity in business and professional experience, education, and background that can benefit us by increasing the range of skills and perspectives available to our Board of Directors. Members will be selected without regard to race, gender, religious belief, ancestry, national origin or disability. Our Board of Directors believes that adherence to these principles will provide an environment and practices that will yield the best return for our stockholders.

Final candidates may be interviewed by the Company's Chairman of the Board and one or more other Committee members. The Committee will then make a recommendation to the Board based on its review, the results of interviews with the candidate and all other available information.

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In determining whether to nominate an incumbent director for reelection, the Committee will evaluate each incumbent's continued service, in light of the Board's collective requirements, at the time such Director comes up for reelection.

In determining whether to include a stockholder nominee in the Board's slate of nominees, the Committee will consider all information relevant in their business judgment to the decision of whether to nominate the particular candidate for a Board seat, taking into account the current composition of the Company's Board.

In addition to the foregoing, stockholders may nominate directors for election without consideration by the Committee so long as we are provided with proper notice of such nomination, which notice includes all the information required pursuant to Regulation 14A under the Exchange Act including the consent to serve as a director. The Nominating Committee met once during fiscal 2012.

Annual Meeting Attendance

We do not have a policy requiring members of our Board of Directors to attend annual meetings of our stockholders.

Leadership Structure of the Board

As prescribed by our bylaws, the Chairman of our Board of Directors has the power to preside at all meetings of the Board. Robert S. Herlin, our Chief Executive Officer and President, serves as the Chairman of our Board of Directors. The Board of Directors recently created the position of Lead Independent Director and elected Mr. DiPaolo to serve in that role until the next meeting of the Board of Directors following the Annual Meeting.

Our Chief Executive Officer is appointed by the Board to manage our daily affairs and operations. We believe that Mr. Herlin's extensive industry experience and direct involvement in our operations make him best suited to serve as Chairman in order to (i) lead the Board in productive, strategic planning, (ii) determine necessary and appropriate agenda items for meetings of the Board with input from both our independent directors and management, and (iii) determine and manage the amount of time and information devoted to discussion and analysis of agenda items and other matters that may come before the Board. Our Board structure also fosters strong oversight by our independent directors, with Mr. DiPaolo currently serving as our Lead Independent Director. Mr. Herlin is the only member of management who serves on the Board, and all of the other directors are fully independent. Each of the committees of the Board is chaired by an independent director.

Meetings of Non-Management Directors

Our non-management Board members regularly meet in executive session outside the presence of management, generally at each Board meeting. Executive sessions of our outside directors are led by our lead independent director, currently Mr. DiPaolo. These executive sessions may be attended by our outside legal counsel as requested by the non-management Board members. The Lead Independent Director is responsible for providing feedback regarding these meetings to the Chairman.

Risk Oversight

The Board considers oversight of our risk management efforts to be a responsibility of the entire Board. The Board's role in risk oversight includes receiving regular reports from members of senior management on areas of material risk to us, including but not limited to operational, financial, personnel, information technology, environmental, legal and regulatory, strategic and reputational risks. The full Board receives these reports to enable the Board to understand our risk identification, risk management, and risk mitigation strategies. The Board also makes risk management an integral part of our annual strategic planning process, which addresses, among other things, the risks and opportunities facing us.

Transactions with Related Parties

Laird Q. Cagan, a member of our Board of Directors, is a Managing Director and co-owner of Cagan McAfee Capital Partners, LLC ("CMCP"). CMCP has performed financial advisory services to us pursuant to a written agreement amended in December 2008. Also pursuant to the Agreement, Mr. Cagan, as a registered representative of Colorado Financial Services Corporation and as a partner of CMCP, could serve as our placement agent in private equity financings, wherein CMCP could earn cash fees equal to 8% of gross equity proceeds, declining to 4% subject to the amount of equity raised through CMCP, and a fixed 4% warrant fee. Neither Mr. Cagan nor CMCP have received any compensation for advisory services since December 2008, or for placement services since May 2006. On May 3, 2012, 65,261 shares of common stock were issued to Mr. Cagan through a net cashless exercise of placement warrants. The placement warrants, which were issued to Mr. Cagan in 2004 in connection with a financing transaction, gave Mr. Cagan the right to purchase 91,200 shares, with a weighted average exercise price of \$1.00 per share.

The Company has adopted policies and procedures for approval of related party transactions (a "Transaction"), which is set forth in our Code of Business Conduct and Ethics. The Audit Committee and the Board of Directors will be responsible for approving and negotiating the terms of such a proposed Transaction. If a Transaction involves a corporate opportunity, such opportunity must have been approved in writing by the Board. The Board has the authority to approve or disapprove the use of the rejected corporate opportunity by the individual who wants to utilize the opportunity that the Company has rejected. The Company will make all required disclosures as appropriate in its periodic or special filings.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including the principal executive officer, principal financial officer and principal accounting officer. It covers all areas of professional conduct, but not limited to, conflicts of interest, disclosure obligations, insider trading, confidential information, as well as compliance with all laws, rules and regulations applicable to Evolution's business.

Confidential and anonymous reports of suspected or actual violations of our Code of Ethics should be directed to our Compliance Officer, Sterling H. McDonald, either by writing to him at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042, or by calling him at (713) 935-0122. Reports of such violations would include, among other things:

accounting practices, internal accounting controls, or auditing matters and procedures;

theft or fraud of any amount;

insider trading;

performance and execution of contracts;

conflicts of interest;

violations of securities and antitrust laws; and

violations of the Foreign Corrupt Practices Act.

You can access the latest copy of our Code of Business Conduct and Ethics on our website, http://www.evolutionpetroleum.com/company_governance.html. Or, to obtain a copy of Evolution's Code of Business Conduct and Ethics, without charge, any person may submit a written request to Evolution Petroleum Corporation, c/o Corporate Secretary, 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042.

Legal Proceedings

Currently, no director or executive officer, to our knowledge, is a party to any material legal proceeding adverse to the interests of the Company. Additionally, no director or executive officer has a material interest in a material proceeding adverse to the Company.

Stockholder Communications with the Board

Any stockholder can communicate with all directors or with specified directors by sending correspondence to our Corporate Secretary at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042. All such letters will be forwarded to the entire Board or to the Director(s) specified by the stockholder.

COMPENSATION OF DIRECTORS

Except as noted, our directors receive compensation for serving on the board and for serving as committee members. Robert S. Herlin, who serves as the Chairman of the Board, President and Chief Executive Officer, receives no additional compensation for serving as a director or committee member. During fiscal 2012, Mr. Loyd began receiving compensation as an outside director and for his service on the Compensation and Governance committees.

The compensation plan for our outside directors constitutes a cash retainer of \$40,000 per year, plus meeting fees of \$1,000 per day for board and committee meetings attended in person and \$500 per day for those meetings attended telephonically, with a maximum of one fee paid per day in total. The Chair of the Audit Committee, who also chairs the Dividend Committee, is paid an additional retainer of \$18,000 per annum, the Chair of the Compensation Committee is paid an additional retainer of \$12,000 per annum, and the Chair of the Nominating and Governance Committee is paid an additional \$3,750 per annum. The retainer to the Chair of the Nominating and Governance Committee was increased to \$7,500 following fiscal 2012. In addition to the cash retainers and fees, the outside directors receive a payment of restricted stock with a fair market value of \$50,000 per annum awarded as of the date of each annual stockholders meeting. These shares of restricted stock vest at the earlier of one year from the date of grant or the date of the next Annual Meeting. We also reimburse our non-employee directors for any direct expenses they incur in their capacity as directors, generally limited to travel costs related to board and committee meetings.

The following table sets forth a summary of the compensation the Company paid to its directors in fiscal 2012:

Director	Fees Earned or Paid		All Other Compensation	Total
	in Cash(1)	Stock(2) Awards		
Laird Cagan	\$ 25,500	\$ 50,000	\$	\$ 75,500
Edward DiPaolo	48,750	50,000		98,750
William Dozier	52,750	50,000		102,750
Kelly Loyd	24,000	50,000		74,000
Gene Stoeber	58,000	50,000		108,000
Robert Herlin(3)				

- (1) Represents fees earned for services as a director during fiscal year 2012, including annual base retainer fee and chairmanship, and fees earned for attending meetings of the Board and committees. During the fiscal year, there were seven meetings of the Board of Directors, four meetings of the audit committee and four meetings of the compensation committee.
- (2) Represents the fair value of restricted common stock granted during fiscal year 2012 as annual Board compensation computed in accordance with FASB ASC Topic 718. The value ultimately realized by the director may or may not be equal to this determined value. These shares of restricted stock cliff vest on December 5, 2012.
- (3) Please see table for Officers' compensation for Mr. Herlin, who does not receive any additional compensation for his services as Chairman of the Board and Director.

Director Outstanding Equity Awards at Fiscal Year-End 2012

Director	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of shares of Stock That Have Not Vested (#)(1)	Market Value of Shares of Stock That Have Not Vested (\$)
Laird Cagan					6,849	\$ 57,121
Edward DiPaolo	100,000		\$ 1.27	10/22/2014		
	28,000		1.10	8/22/2015		
	50,000		3.03	5/10/2016	6,849	\$ 57,121
William Dozier	100,000		\$ 1.21	12/12/2015		
	25,000		3.03	5/10/2016	6,849	\$ 57,121
Kelly Loyd					6,849	\$ 57,121
Gene Stoever	100,000		\$ 1.27	10/22/2014		
	28,000		1.10	8/22/2015		
	50,000		3.03	5/10/2016	6,849	\$ 57,121
Robert Herlin(2)						

(1) These shares of restricted common stock vest 100% on December 5, 2012.

(2) Mr. Herlin, President and Chief Executive Officer of the Company, is not compensated separately for serving as Chairman of the Board and Director. All compensation paid to Mr. Herlin is reported in the *Summary Compensation Table* on page 27.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Based solely upon information made available to us, the following table sets forth information with respect to the beneficial ownership of our common stock as of October 19, 2012 (except as otherwise indicated) by (1) each person who is known by us to beneficially own more than five percent of our common stock (based solely on our review of SEC filings); (2) each of our directors; (3) each of the named executive officers listed in the Summary Compensation Table below under the caption "Executive Compensation"; and (4) all executive officers and directors as a group. Shares of common stock that are subject to outstanding options and warrants that are presently exercisable or exercisable within 60 days are deemed to be outstanding for purposes of computing the percentage ownership of the holder of the options and warrants, but not for any other. The number of shares beneficially owned by a person also includes restricted shares held by such person. Except as otherwise indicated in the footnotes, the owners listed below have sole voting and investment power with respect to all shares of common stock beneficially owned by them, subject to community property laws where applicable, and the address of each beneficial owner listed on the table is c/o Evolution Petroleum Corporation, 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042.

Name and Address of Beneficial Owner	Amount and nature of beneficial ownership	Percent of class(1)
Robert S. Herlin(2)	3,145,909	10.5%
Sterling H. McDonald(3)	1,294,311	4.4%
Daryl V. Mazzanti(4)	1,158,479	4.0%
Laird Q. Cagan(5)	73,275	*
Edward J. DiPaolo(6)	250,974	*
William E. Dozier(7)	197,974	*
Gene G. Stoever(8)	250,974	*
Kelly W. Loyd(9)	6,849	*
All executive officers and Directors as a group (eight persons)(2)(3)(4)(5)(6)(7)(8)(9)	6,378,745	19.7%
Peninsula Capital Management, L.P.(10)	1,721,830	6.1%
River Road Asset Management, LLC(11)	1,873,354	6.7%
John Lovoi(12)	5,053,800	18.0%
Advisory Research, Inc.(13)	1,832,069	6.5%
Wellington Management Company, LLP(14)	1,690,400	6.0%

*

Indicates less than 1% of the outstanding Common Stock.

(1)

Based on 28,051,963 shares outstanding on October 19, 2012.

(2)

Includes (i) 1,214,095 shares directly held by Mr. Herlin; (ii) 147,104 shares of restricted stock directly held by Mr. Herlin; and (iii) 1,784,710 shares which are issuable upon exercise of options and warrants that are presently exercisable or exercisable within 60 days.

(3)

Includes (i) 106,453 shares directly held by Mr. McDonald; (ii) 70,718 shares of restricted stock directly held by Mr. McDonald; and (iii) 1,117,140 shares which are issuable upon exercise of options and warrants that are presently exercisable or exercisable within 60 days.

(4)

Includes (i) 120,621 shares directly held by Mr. Mazzanti; (ii) 70,718 shares of restricted stock directly held by Mr. Mazzanti; and (iii) 967,140 shares which are issuable upon exercise of options and warrants that are presently exercisable or exercisable within 60 days.

(5)

Includes (i) 65,261 shares directly held by Mr. Cagan; (ii) 6,849 shares of restricted stock directly held by Mr. Cagan; and (iii) 1,165 shares that Mr. Cagan currently has the right to acquire

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pursuant to warrants that are presently exercisable. Mr. Cagan's address is: Cagan McAfee Capital Partners, LLC, 20400 Stevens Creek Boulevard, Suite 700, Cupertino, CA 95014.

- (6) Includes (i) 66,125 shares directly held by Mr. DiPaolo; (ii) 6,849 shares of restricted stock directly held by Mr. DiPaolo; and (iii) 178,000 shares which are issuable upon exercise of options that are presently exercisable or exercisable within 60 days.
- (7) Includes (i) 66,125 shares directly held by Mr. Dozier; (ii) 6,849 shares of restricted stock directly held by Mr. Dozier; and (iii) 125,000 shares which are issuable upon exercise of options that are presently exercisable or exercisable within 60 days.
- (8) Includes (i) 66,125 shares directly held by Mr. Stoever; (ii) 6,849 shares of restricted stock directly held by Mr. Stoever; and (iii) 178,000 shares which are issuable upon exercise of options that are presently exercisable or exercisable within 60 days.
- (9) Includes 6,849 shares of restricted stock held by Mr. Loyd. Mr. Loyd is employed by JVL Advisors, LLC, an entity controlled by Mr. John Lovoi. Mr. Loyd is not an affiliate of, and does not have beneficial ownership of any shares beneficially owned by JVL Advisors, LLC or Mr. Lovoi. See Note (12) below.
- (10) All information in the table and in this disclosure with respect to Peninsula Capital Management, LP is based on the Form 4 filed on August 28, 2012 by Mr. Scott Bedford. Mr. Bedford is a co-managing member of Peninsula JVL Capital Advisors, LLC, which is the general partner of Belridge Energy Advisors, LP ("Belridge"). Belridge owns 1,969,510 shares of Common Stock, as disclosed in note (12) below, none of which are included in Peninsula Capital Management, LP's 1,721,830 shares listed in the table above. Mr. Bedford's address is: Peninsula Capital Management, LP, 1229 Burlingame Avenue, Suite 205, San Francisco, CA 94010.
- (11) All information in the table and in this disclosure with respect to River Road Asset Management, LLC is based solely on the Form 13F-HR filed with the SEC by River Road Asset Management, LLC on August 9, 2012. According to the filing, River Road Asset Management, LLC is the beneficial owner of 1,873,354 shares of the common stock of the Company, of which River Road Asset Management, LLC has sole voting power of 1,180,531 of the shares beneficially owned and shared voting power of 692,823 of the shares beneficially owned. River Road Asset Management, LLC's address is: 462 South 4th Street, Suite 1600, Louisville, KY 40202.
- (12) All information in the table and in this disclosure with respect to John Lovoi is based on the Form 4 filed with the SEC by Mr. John Lovoi on October 1, 2012. Includes (i) 3,084,290 shares owned by Luxiver, LP, Navitas Fund LP, JVL Partners, LP, Asklepios Energy Fund, LP and Navitas Fund (QP) LP and (ii) 1,969,510 shares owned by Belridge Energy Advisors, LP ("Belridge"). Except with respect to the Belridge shares, all of the aforementioned limited partnerships are managed by JVL Advisors, LLC. The shares owned by Belridge are managed by Belridge's general partner, Peninsula JVL Capital Advisors, LLC, whose co-managers are Messrs. Scott Bedford and John Lovoi. Mr. Lovoi, as co-managing member of Peninsula JVL Capital Advisors, LLC, is deemed to have shared power to vote and shared power to dispose of Belridge's 1,969,510 shares of Common Stock. Mr. Lovoi, as managing member of JVL Advisors, LLC, which is the ultimate controlling entity of each of Navitas Fund LP, JVL Partners, LP, Asklepios Energy Fund, LP and Navitas Fund (QP) LP, and Mr. Lovoi is a managing member of Lobo Baya, LLC, which is the ultimate controlling entity of Luxiver, LP, is deemed to have the shared power to vote and sole power to dispose of the aggregate 3,084,290 shares of Common Stock held by those entities. Mr. Lovoi is therefore deemed to have shared power to vote and shared power to dispose of a total of 5,053,800 shares of Common Stock. Mr. Lovoi's address is: 10000 Memorial Drive, Suite 550, Houston, TX 77024.

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- (13) All information in the table and in this disclosure with respect to Advisory Research, Inc. is based solely on the Form 13F-HR filed with the SEC on August 14, 2012. According to the filing, Advisory Research, Inc. is the beneficial owner of 1,832,069 shares of common stock of the Company, of which Advisory Research, Inc. has sole voting power. Advisory Research, Inc. address is: 180 North Stetson, Suite 5500, Chicago, IL 60601.
- (14) All information in the table and in this disclosure with respect to Wellington Management Company, LLP is based solely on the Form 13F-HR filed with the SEC on August 14, 2012. According to the filing, Wellington Management Company, LLP is the beneficial owner of 1,690,400 shares of common stock of the Company, of which Wellington Management Company, LLP has sole voting power of 294,700 of the shares beneficially owned and shared voting power of 532,800 of the shares beneficially owned. Wellington Management Company, LLP address is: 280 Congress Street, Boston, MA 02210.

**COMPENSATION COMMITTEE REPORT
ON 2012 EXECUTIVE COMPENSATION**

The Compensation Committee, the members of which are listed below, is responsible for establishing and administering the executive compensation programs of the Company. The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Respectively submitted by The Compensation Committee:

Mr. William Dozier, Chairman
Mr. Edward DiPaolo
Mr. Kelly Loyd

**EXECUTIVE COMPENSATION
COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis is intended to assist the reader in understanding the Company's compensation programs. It is intended to explain the philosophy underlying the Company's compensation strategy and the fundamental elements of compensation paid to the Company's President and Chief Executive Officer ("CEO") and other officers whose compensation is reported in the Summary Compensation Table (together with the CEO, the "Named Executive Officers"). This Compensation Discussion and Analysis is organized as follows:

- I. Executive Summary
- II. Objectives and Key Considerations of Our Compensation Programs
- III. Roles in the Decision-Making Process
- IV. Items the Compensation Committee Considers When Making Compensation Decisions
- V. Elements of Our Compensation Program for Fiscal 2012
- VI. Employment Agreements and Severance Arrangements
- VII. Other Compensation Policies Affecting the Named Executive Officers

I. Executive Summary

The Company's compensation programs are designed to incentivize the Named Executive Officers to build meaningful shareholder value over the long-term. Our primary strategy to achieve alignment between shareholders and the Named Executive Officers has been to provide a substantial portion of the Named Executive Officers' compensation in the form of long-term incentives. This strategy has complemented the life cycle of the Company, which as a relatively young organization has delivered a significant portion of employee compensation through the use of equity-based awards, thus aligning employees with shareholders and conserving cash to invest in operations. The Compensation Committee continues to believe that share ownership by the Named Executive Officers is an essential aspect of linking the actions and goals of management with the well-being of shareholders.

In addition to emphasizing the use of long-term incentives as a critical component of our executive compensation program, the Company attracts, retains and motivates the Named Executive Officers through competitive base salaries and performance-based annual bonuses. For more information on the different elements of compensation paid to the Named Executive Officers during Fiscal 2012, see the section entitled "Elements of Our Compensation Program for Fiscal Year 2012."

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As described later, the Compensation Committee takes many factors into consideration when making decisions affecting the compensation of our Named Executive Officers. During Fiscal 2012, the Compensation Committee considered, among other things, the exemplary performance of the Company during the year, including the following financial and strategic achievements:

Achieved \$4.5 million in net income compared to a \$0.2 million loss in Fiscal 2011;

Increased revenues by 139% year-over-year to approximately \$18.0 million;

Increased net production by 79% to approximately 570 barrels of oil equivalent (BOE) per day;

Increased proved developed reserves by 50% year-over-year to 8.0 million BOE;

Increased probable reserves by 103% year-over-year to 12.7 million BOE;

Entered into a strategic project within the Mississippian Lime play in Oklahoma;

Continued to operate our business using a debt-free capital structure, resulting in a strong balance sheet that provides flexibility to meet opportunities; and

Actual total shareholder return (TSR) of +17.5% during Fiscal 2012, compared to a -25.4% TSR for the SIG Oil Exploration & Production Index and the median -22.4% TSR for companies that make up our Peer Group.

Finally, the compensation programs for our Named Executive Officers are intended to be clear and not overly complicated. The Compensation Committee structures executive compensation to provide a direct link between pay and performance. In an effort to allow all employees, including our Named Executive Officers, to understand how their behavior and actions impact corporate performance, and ultimately their compensation, the Company has adopted an egalitarian approach to compensation whereby every employee in the Company receives grants of equity-based awards. In addition, all employees are largely measured based on the same set of performance goals. Similarly, employee benefits and change in control provisions are the same for all employees, including Named Executive Officers, to foster an atmosphere of teamwork that is focused on achieving a consistent set of objectives, all of which are developed with a singular purpose in mind-to increase shareholder value.

II. Objectives and Key Considerations of Our Compensation Programs

The objectives of the Company's compensation programs for our Named Executive Officers are to attract, retain, and motivate capable individuals who are critical to developing our business plan and executing in key areas that are fundamental to meeting goals. These three objectives—attraction, retention and motivation—are central objectives and are paramount in the ultimate objective of our compensation programs: to create and protect shareholder value. As more fully described in Section V "Elements of Our Compensation Program for Fiscal Year 2012," each element of compensation is utilized to further efforts to aid in attraction, retention and motivation. In general and at this stage of the Company's growth, the Company desires to pay median Peer Group total compensation for above median performance.

The Company has historically considered the above objectives in all material compensation decisions and intends to continue doing so in the future. The Committee believes that targeting these objectives will result in building a strong management team capable of creating long-term, sustainable growth for shareholders.

III. Roles in the Decision-Making Process

The primary participants in the decision-making process in matters involving executive compensation are the Compensation Committee and the CEO. The CEO makes recommendations to the Compensation Committee regarding certain elements of compensation for the Named Executive

Officers, other than himself. However, the Compensation Committee makes the final determination on all compensation recommendations to the Board of Directors impacting the Named Executive Officers and certain other members of senior management. The Company also from time to time may engage compensation consultants, who provide benchmark data regarding competitive levels of executive pay as well as compensation trends and best practices within our industry.

As described in its charter, the Compensation Committee is tasked with reviewing and making recommendations to the Board of Directors regarding executive compensation and benefit plans and programs. For the Named Executive Officers and certain other members of senior management, the Compensation Committee makes the final determination as to levels of base salary, annual incentive program targets and payouts, and long-term incentive program targets and grants, subject to Board of Director approval.

IV. Items the Compensation Committee Considers When Making Compensation Decisions

When making compensation decisions that affect the Named Executive Officers, the Compensation Committee takes a number of items into consideration, which are discussed below. In addition, the Compensation Committee may also find it necessary from time to time to consider other items not specifically listed below.

Market Practices

On a periodic basis, the Compensation Committee reviews trends in executive compensation, both within a group of comparable exploration and production companies (our "Peer Group") and in the broader industry. In addition, the Compensation Committee also considers the relative amount of compensation paid to similar executives within the Peer Group to establish median levels. Relative to Fiscal 2011, the Compensation Committee engaged Longnecker & Associates to perform a market study to analyze absolute and targeted levels of executive pay, pay mix, long-term incentive vehicle utilization, and annual incentive program targets and structures, utilizing data from proxy statement disclosures as well as published salary surveys. The Compensation Committee used the results and observations from the Longnecker and Associates compensation study as one of many reference points in making compensation decisions for Fiscal 2012.

At the beginning of Fiscal 2013, the Company engaged Alvarez & Marsal Taxand, LLC ("A&MT") to review, among other compensation matters, the Peer Group utilized in benchmarking executive compensation levels and trends and overall compensation structure. The Peer Group for Fiscal 2013 differs from Fiscal 2012 due to the deletion of Samson Oil & Gas Ltd, GMX Resources, Gastar and Double Eagle Petroleum, and the addition of Synergy Resources to better fit our operations, product mix, organization and size. In considering companies for inclusion in the Peer Group, the Compensation Committee took into account a variety of factors, including revenue, market capitalization, capital structure, production levels, reserves, and area of strategic focus (natural gas versus liquids). The resulting Peer Group for Fiscal 2013 is comprised of the following companies:

Araxes Petroleum Corporation;

Callon Petroleum Company;

Credo Petroleum Corporation;

Crimson Exploration, Inc.;

Miller Energy Resources, Inc.;

Panhandle Oil & Gas, Inc.;

Saratoga Resources, Inc.;

Synergy Resources Corporation;

Triangle Petroleum Corporation; and

Warren Resources, Inc.

Business Environment

As a public company engaged in the acquisition, exploitation and development of oil and natural gas properties, we operate in an extremely cyclical industry. In an effort to combat this volatile environment, the Company recruited a seasoned management team that has grown share value in an organic manner without taking on burdensome debt that could constrain future operations. However, financial success is and will continue to be heavily impacted by commodity prices that have experienced high volatility in recent years.

As discussed in "Elements of Our Compensation Program for Fiscal 2012," annual and long term incentive compensation includes many objective performance metrics that can be measured in numerical and/or operational terms. However, the Compensation Committee has exercised, and will continue to exercise, a degree of discretion in administering the compensation programs for the Named Executive Officers due to the volatile oil and gas business environment as well as a number of other factors, including the fact that much of Company revenue is dependent on the activities of third-party operators. The Compensation Committee believes that this is necessary in order to retain and reward management for efforts that may not immediately translate to specific performance metrics, but that ultimately will drive long-term, sustainable shareholder growth.

Consideration of Risk

The compensation programs have been constructed to provide the Named Executive Officers with incentives to build shareholder value over the long term, while avoiding excessive risk-taking in the short term. A significant portion of all employees' compensation has and will continue to be paid out over multiple years through equity grants vesting over four-year periods. In establishing performance goals for compensation programs, the Compensation Committee has utilized a mix of safety, regulatory, operational, and strategic metrics to avoid excessive weight on any single criterion.

The Compensation Committee believes that the Company's executive compensation practices are appropriate to (i) encourage our Named Executive Officers to take appropriate levels of risk; and (ii) create sustained shareholder value over a long period of time.

Tax and Accounting Considerations

The Company is aware of the tax and accounting implications regarding the delivery of various forms of compensation. Section 162(m) of the Internal Revenue Code of 1986 (the "Code"), as amended, generally disallows a tax deduction to public companies for compensation over \$1,000,000 paid to a corporation's Principal Executive Officer and the three other most highly compensated executive officers (excluding the Principal Financial Officer). To date, this limitation has been an insignificant factor in the deliberations of the Compensation Committee, but it will continue to evaluate the need to consider such limitations in the future.

V. Elements of Our Compensation Program for Fiscal Year 2012

As discussed in more detail below, the compensation program during fiscal year 2012 for the Named Executive Officers consisted of the following elements:

Base salary;

Cash bonus paid via our annual incentive program;

Restricted stock grants for long term incentives; and

Standard Employee Benefits.

Base Salary

The base salaries of the Named Executive Officers are the foundation on which all other compensation elements are built. We currently utilize base salary to attract qualified executive talent and retain our senior management team. The Company believes that paying base salaries that are competitive with companies with which we compete for talent is essential to maintaining stability in our leadership.

In the past, the Company's financial position has limited its ability to deliver competitive levels of base salary and annual cash incentive compensation to the Named Executive Officers and therefore relied more heavily on equity-based vehicles. However, as the Company has matured and begun to establish a consistent record of meaningful cash flow, we have increased cash compensation, including base salary. In establishing the Named Executive Officers' base salaries, the Compensation Committee also considers the responsibilities and duties of the individual, historical performance, industry experience, and overall importance to the Company.

The base salaries of our Named Executive Officers for Fiscal 2012 were approved by the Compensation Committee in August 2011. In August 2012, following the end of Fiscal 2012, the Compensation Committee again reviewed and made adjustments to the Named Executive Officer's base salaries after considering current pay, individual performance and market pay levels. Specifically, the Longnecker & Associates compensation study revealed that the base salaries of our Named Executive Officers were generally at or below the 25th percentile of the competitive market, and thus increases were necessary in Fiscal 2012 and 2013 to approach the competitive median. The following table sets forth the Named Executive Officers' base salaries for Fiscal 2011, 2012 and 2013.

Named Executive Officer	Fiscal 2011 Base Salary	Fiscal 2012 Base Salary	Fiscal 2013 Base Salary
Robert S. Herlin Chairman, President and Chief Executive Officer	\$ 288,750	\$ 335,000	\$ 380,000
Sterling H. McDonald Vice President, Chief Financial Officer and Treasurer	213,467	230,000	260,000
Daryl V. Mazzanti Vice President, Operations	213,467	230,000	260,000

Annual Incentive

Each fiscal year, our Named Executive Officers, as well as all employees of the Company, have the opportunity to earn cash payments under the annual incentive program designed to motivate all employees to achieve near-term corporate and individual goals. If the Company meets its objectives, and employees are successful in satisfying their individual metrics, the annual incentive program provides for the payment of meaningful annual incentive payments.

Annual incentives are administered in a similar manner for all employees of the Company. Elements of the corporate objectives that drive determination of the annual incentives for the Named Executive Officers are used in deciding cash incentive payouts for all other staff. Annual incentives are determined using three inputs: the Company Rating, the Individual Rating and the Target Incentive.

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The Company Rating, which cannot exceed 100%, is determined by the Compensation Committee based on its assessment of the Company's results when compared to the business plan and performance metrics established at the beginning of the fiscal year. While the Compensation Committee assigns weightings to each category considered when determining the Company Rating, as shown below, it utilizes discretion in judging the success of the Company during the fiscal year. For Fiscal 2012, the Company Rating was determined by measuring corporate performance in four main areas against the objectives established at the beginning of the fiscal year. The Compensation Committee believes that excellence in these four focus areas and the key performance indicators disclosed below will drive operational and financial performance and build shareholder value.

Focus Area	Key Performance Indicators	Weighting
Health, Safety and Regulatory	Employee safety	10%
	Environmental safety	
	Regulatory compliance	
Operational	Legacy production	20%
	Capital expenditure efficiency	
	Operating expenses	
	General and administrative expense	
	Working capital and financing	
	Effectiveness of shareholder communication	
Value Addition	Execution of controllable development	35%
	Execution of non-controllable development	
Strategic	Structural changes to optimize share value	35%
	Development of new projects/opportunities	
	Total shareholder return performance vs. peers	

After the end of Fiscal 2012, the Compensation Committee evaluated corporate performance in the areas shown above, also taking into account the CEO's recommendations, and determined that the Company Rating for fiscal year 2012 would be 90%.

In arriving at a Company Rating of 90%, the Compensation Committee scored the performance of the Company as follows:

Focus Area	Weighting	Group Score	Weighted Score
Health, Safety and Regulatory	10%	95%	9.5%
Operational	20%	85%	17.0%
Value Addition	35%	90%	31.5%
Strategic	35%	90%	31.5%
Total			90%(1)

(1) At the discretion of the Compensation Committee, the total weighted Company Rating was rounded to 90%.

Although the Company does adopt pre-established objective targets in most areas of the annual incentive program, against which actual performance is later measured, the Compensation Committee believes that disclosure of the actual targets could result in competitive harm to the Company.

The Individual Rating is a subjective determination which, for all employees other than him, is assessed by the CEO and recommended to the Compensation Committee based on the overall performance of each employee during the fiscal year against a subset of goals relevant to the employees' responsibilities. Like the Company Rating, the Individual Rating cannot exceed 100%. The

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Committee considered the CEO's recommendations and determined that each Named Executive Officer's Individual Rating would be 90% for fiscal year 2012.

Once the Company Rating and the Individual Rating were determined, the product of the two ratings was multiplied against the Named Executive Officer's Target Incentive. The Target Incentive is defined as a percentage of base salary. For recent years through fiscal 2012, the Target Incentives were 100% of base salary for Mr. Herlin and 75% of base salary for Messrs. McDonald and Mazzanti. Based on the three factors that determined annual incentives, the incentive payments to the Named Executive Officers in respect of Fiscal 2012 were determined as shown in the chart below. Such annual incentives generally fell within the middle two quartiles of the Peer Group.

Named Executive Officer	Company Rating	Individual Rating	Target Incentive	Fiscal Year 2012 Bonus
Robert S. Herlin Chairman, President and Chief Executive Officer	90% x	90% x	\$ 335,000 =	\$ 271,350
Sterling H. McDonald Vice President, Chief Financial Officer and Treasurer	90% x	90% x	172,500 =	139,725
Daryl V. Mazzanti Vice President, Operations	90% x	90% x	172,500 =	139,725

For Fiscal 2013, the Compensation Committee elected to modify annual incentive performance metrics and weightings. The annual incentive for all employees, including the Named Executive Officers, will be based on Individual Ratings determined by individual performance against the relevant subset of Company goals.

In addition, a special incentive award will be provided to all employees that could result in an incremental 25% of the Annual Target Incentive based on the Company attaining certain quantitative goals of TSR compared to the SIG Oil and Gas Exploration Index and a higher level of commercialization of the GARP® technology.

In addition to participation in the annual incentive program, Mr. Mazzanti is eligible to earn a royalty fee of \$5,000, adjusted for inflation, for each commercial installation of GARP®. Payment of this incentive is pursuant to a June 2011 technology assignment agreement, as amended, between Mr. Mazzanti and the Company. During Fiscal 2012, Mr. Mazzanti was successful in securing four commercial installations. As such, Mr. Mazzanti received \$20,000 in royalty fees during Fiscal 2012. This amount is reported in the Summary Compensation Table in the column "All Other Compensation."

Long-Term Incentives

We utilize a long-term incentive plan that currently awards restricted shares as a compensation vehicle that we believe aligns the interests of our Officers and all other employees with shareholders. Long-term incentives ("LTI") utilizing both restricted stock and stock options vesting over four years in quarterly amounts have also been a major and required tool to attract and retain experienced staff during the early life of the Company, and increasing use of restricted stock in place of options has mitigated dilution of shareholders. The Compensation Committee believes that delivering a significant portion of total compensation in the form of LTI that vest over a period of many years' acts to retain our management team over the long-term and motivates them to engage in activities that will promote sustainable growth in the price of our stock. Primarily through long-term incentive grants, our Named Executive Officers have accumulated significant share ownership, with beneficial ownership of approximately 18% of common shares. In addition, all employees, including the Named Executive Officers, are more fully aligned with shareholders as a result of our stock retention policy, which is

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described in more detail in the section "Other Compensation Policies Affecting the Named Executive Officers."

Since Fiscal 2009, the Company has solely utilized restricted shares to deliver LTI value to all employees. In earlier years, the Company utilized stock options to provide LTI to attract and retain employees during the startup phase of the Company. All employees of the Company are granted restricted shares on an annual basis, following completion and acceptance of the annual independent engineering reports and financial audit.

The size of the restricted share grants for all employees, including the Named Executive Officers, is determined by considering two factors: individual LTI Targets and an overall corporate multiplier, which is determined based on Company performance during the trailing fiscal year. Following the end of the fiscal year, generally in late August or early September, the Compensation Committee, utilizing input and a recommendation from the CEO, makes an assessment of overall corporate performance. The overall corporate performance multiplier is then multiplied by each employee's Individual LTI Target to determine the value of the restricted stock grant.

In August 2011, the Compensation Committee made the determination that the overall corporate performance multiplier for Fiscal 2011 was 70%. As such, all employees, including the Named Executive Officers, were awarded restricted stock grants having a grant date fair value equal to 70% of each employee's respective Individual LTI Target. While these grants were awarded in respect of Fiscal 2011, the grants did not occur until Fiscal 2012, and as such are shown in the Grants of Plan-Based Awards Table. Details regarding these grants are also shown below for the Named Executive Officers.

Named Executive Officer	Overall Corporate Performance Multiplier	Individual LTI Target	Grant Date Fair Value August 2011 Restricted Share Grant	Number of Restricted Shares(1)
Robert S. Herlin Chairman, President and Chief Executive Officer	70% x	\$ 433,125(2) =	\$ 303,188	47,671
Sterling H. McDonald Vice President, Chief Financial Officer and Treasurer	70% x	213,467(3) =	149,426	23,495
Daryl V. Mazzanti Vice President, Operations	70% x	213,467(3) =	149,426	23,495

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- (1) Number of restricted shares determined by dividing grant date fair value by the closing market price of our common stock on the day immediately preceding the date of grant (\$6.36 on August 30, 2011).
- (2) Represents 150% of fiscal year 2011 base salary (\$288,750).
- (3) Represents 100% of fiscal year 2011 base salary (\$213,467).

Following completion of Fiscal 2012, the Compensation Committee determined LTI, on a discretionary basis and made recommendations to the Board of Directors that the following LTI grants of restricted shares be made to the Named Executive Officers following acceptance of the financial audit by our Audit Committee in respect of Fiscal 2012 performance. Based on current competitive market data, the Company believes that these LTI grants, when combined with cash compensation, will

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result in total compensation that is near or slightly below the median of the Peer Group for Fiscal Year 2013.

Named Executive Officer	Overall Corporate Performance Multiplier	Individual LTI Target	Grant Date Fair Value September 2012 Restricted Share Grant	Number of Restricted Shares(1)
Robert S. Herlin Chairman, President and Chief Executive Officer	80% x	\$ 502,500(2) =	\$ 402,000	50,694
Sterling H. McDonald Vice President, Chief Financial Officer and Treasurer	80% x	230,000(3) =	183,999	23,203
Daryl V. Mazzanti Vice President, Operations	80% x	230,000(3) =	183,999	23,203

- (1) Number of restricted shares determined by dividing grant date fair value by the closing market price of our common stock on the day immediately preceding the date of grant (\$7.93 on September 5, 2012).
- (2) Represents 150% of fiscal year 2012 base salary (\$335,000).
- (3) Represents 100% of fiscal year 2012 base salary (\$230,000)

For Fiscal 2013, the Compensation Committee has elected to utilize the overall corporate performance multiplier to be applied to the Individual LTI Targets for determining LTIP awards. The Company Rating used for this purpose for Fiscal 2013 is weighted 10% for Health, Safety, Environmental and Regulatory; 20% for Value Optimization; 10% for TSR compared to peers; and 60% for Strategic Initiatives.

For Fiscal 2010 through 2012, the Company has awarded the following amounts of securities to employees and directors:

Fiscal Year	Sign-on Stock Awards	Stock Options	Stock Awards	Total Awards	Common Shares Outstanding
2012	0	0	188,472	188,472	27,882,224
2011	4,845	0	189,908	194,753	27,612,916
2010	50,233	0	389,722	439,955	27,061,376

Benefits

The Company provides benefits to the Named Executive Officers that are the same as those provided to all employees, entitling them to dollar-for-dollar matching contributions pursuant to a 401(k) Plan (up to 6% of cash compensation, subject to certain limits), life insurance, accidental death and dismemberment insurance, medical benefits, and short-and long-term disability premiums paid by the Company. The value of these benefits is included in the Summary Compensation Table in the column "All Other Compensation."

The Company does not sponsor a defined benefit pension plan or any nonqualified deferred compensation plans. Company policy prohibits loans to Named Executive Officers and they receive no perquisites.

VI. Employment Agreements and Severance Arrangements

Employment Agreements

The Company has entered into employment agreements with each of the Named Executive Officers. Each of these agreements is discussed in more detail below.

On April 4, 2005, we entered into an employment agreement with Mr. Herlin. This employment agreement superseded the original employment agreement between Mr. Herlin and the Company. Pursuant to Mr. Herlin's employment agreement, he serves as our President and Chief Executive Officer. The employment agreement provided an initial annual salary of \$180,000 with additional annual increases at the discretion of the Board of Directors. The employment agreement provides that Mr. Herlin is entitled to a bonus of up to 100% of his base salary payable in cash or securities. In the event Mr. Herlin is terminated by the Company other than for cause or permanent disability (both as defined in the employment agreement) or if Mr. Herlin is subject to a constructive termination (as defined in the employment agreement), he is entitled to continuation of his base salary for one year following termination. In addition, Mr. Herlin is subject to a number of restrictive covenants following termination of employment, including non-disclosure of confidential information, non-solicitation of clients and employees for a period of one year, and a non-competition clause for one year. In the event Mr. Herlin enters into similar employment during the salary continuation period, the Company may elect to terminate the non-solicitation and non-competition restrictive covenants in exchange for a reduction of 50% of the remaining salary continuation severance payments.

On April 4, 2005, we entered into an employment agreement with Mr. McDonald. This employment agreement superseded the original employment agreement between Mr. McDonald and the Company with the exception that Mr. McDonald retained the stock options under the terms previously granted. Pursuant to Mr. McDonald's employment agreement, he serves as our Chief Financial Officer. The employment agreement provided an initial annual salary of \$150,000 with additional annual increases at the discretion of the Board of Directors. The employment agreement provides that Mr. McDonald is entitled to a bonus of up to 75% of his base salary. In the event Mr. McDonald is terminated by the Company other than for cause or permanent disability (both as defined in the employment agreement) or if Mr. McDonald is subject to a constructive termination (as defined in the employment agreement), he is entitled to continuation of his base salary, medical benefits, and long-term disability coverage for six months following termination. If Mr. McDonald's termination or constructive termination, as the case may be, is within one year following a change in control (as defined in the employment agreement), he is entitled to an additional severance payment equal to six months' base salary, paid in monthly increments, subject to a 50% reduction in the event Mr. McDonald obtains similar employment during the six-month period. In addition, Mr. McDonald is subject to a number of restrictive covenants following termination of employment, including non-disclosure of confidential information and non-solicitation of clients and employees for a period of one year.

On June 23, 2005, we entered into an employment agreement with Mr. Mazzanti. Pursuant to Mr. Mazzanti's employment agreement, he serves as our Vice President of Operations. The employment agreement provided an initial annual salary of \$155,000 with additional annual increases at the discretion of the Board of Directors. The employment agreement provides that Mr. Mazzanti is entitled to a bonus of up to 75% of his base salary. In the event Mr. Mazzanti is terminated by the Company other than for cause or permanent disability (both as defined in the employment agreement) or if Mr. Mazzanti is subject to a constructive termination (as defined in the employment agreement), he is entitled to continuation of his base salary, medical benefits, and long-term disability coverage for six months following termination. If Mr. Mazzanti's termination or constructive termination, as the case may be, is within one year following a change in control (as defined in the employment agreement), he is entitled to an additional severance payment equal to six months' base salary, paid in monthly

increments, subject to a 50% reduction in the event Mr. Mazzanti obtains similar employment during the six-month period. In addition, Mr. Mazzanti is bound by the provisions of a proprietary information and inventions agreement.

Severance Arrangements

In addition, all of our employees, including the Named Executive Officers, are covered by the Evolution Petroleum Corporation Severance Policy for Change in Control Events ("CIC Policy"), which was adopted by the Compensation Committee in August 2010. In the event a Named Executive Officer is entitled to benefits under an employment agreement and the CIC Policy, the greater benefit will prevail. Under the terms of the CIC Policy, a change in control event is defined as (i) the sale of all, or substantially all, of the corporation's assets with the intent to distribute the proceeds to shareholders; (ii) entry by the Company into a material definitive agreement for a merger or sale of the corporation with or into another entity in which the majority of the Board of Directors will change; or (iii) one or more affiliated entities or persons acquire common stock sufficient to collectively own or control forty percent (40%) of outstanding common stock. Prior to the closing on a change in control event that is pending, the CIC Policy provides that 50% of all unvested stock options, warrants and restricted stock held by employees and directors will accelerate vesting, with the remaining 50% being replaced with securities of equivalent value having a vesting term no longer than the awards which they replaced. In the event of termination by the Company or a constructive termination, the remaining 50% of unvested stock options, warrants and restricted shares would immediately vest. In addition, employees would be entitled to receive one year of base salary, their Target Annual Incentive, and continuation of health, disability and life insurance coverage for a period of twelve months or until the alternative insurance is obtained. Notwithstanding, employees may refuse a portion of their separation payments in order to avoid the imposition of an excise tax under Code section 4999. The Company does not bear any responsibility for the imposition of such excise tax.

VII. Other Compensation Policies Affecting the Named Executive Officers

Stock Retention Policy

In April 2012, the Board of Directors approved and adopted the Evolution Petroleum Corporation Stock Retention Policy for Directors and Employees (the "Stock Retention Policy"). The Stock Retention Policy requires all directors and employees, including the Named Executive Officers, to retain share ownership at specified levels, depending on level of responsibility. The Named Executive Officers must retain a number of shares or equivalent equity awards equal to 60% of the total number of awards received through long-term incentive grants during the trailing three years. Other corporate officers and managers are subject to similar requirements, except the look-back period is two years. For all other employees, the look-back period is one year. In addition, each non-employee director must retain a number of shares or equivalent equity awards equal to 60% of the total number of awards received through long-term incentive grants during the trailing three years, excluding stock awards received in lieu of a cash retainer. Employees and directors have two years from the date of employment or appointment to comply with the Stock Retention Policy. As a result of our substantial reliance on long-term incentives historically, coupled with the Stock Retention Policy, the Named Executive Officers beneficially own approximately 18% of the Company's common stock.

Timing of Grants and Release of Material Non-Public Information

The Company has historically maintained consistency in the timing of long-term incentive grants to all employees, including the Named Executive Officers. Such grants have consistently been made in late August or early September following approval of our financial statements and engineering reserves by the Audit Committee. The Company has not in the past timed, nor does it plan to time, the release of material, non-public information to affect the value of executive compensation.

Financial Restatement

The Compensation Committee will, if the need arises, make a determination as to whether and to what extent compensation should be recaptured should there be a financial restatement that affects results utilized to determine incentive compensation.

Trading in the Company's Stock and Derivatives

No employee or director is permitted to trade in the Company's securities during any blackout period except as prearranged through an approved 10b5-1 sales trading plan. The Company is unaware that any of the Named Executive Officers have entered into any derivative transactions linked to Company's securities.

Executive Officers of the Company

Set forth below is information regarding our executive officers including their ages, positions with our company and principal occupations and employers for at least the last five years. For information concerning executive officers' ownership of our common stock, see the table and related information provided under the caption "Security Ownership of Certain Beneficial Owners and Management."

For information regarding Robert S. Herlin, our Chairman of the Board, President and Chief Executive Officer, see "Proposal I Election of Directors."

Sterling H. McDonald (63). Mr. McDonald joined us as our Chief Financial Officer in November 2003 and has also been responsible for our administrative functions. From 1999 to 2003, Mr. McDonald was as an independent consultant and interim Chief Financial Officer to various companies. From 1997 to 1999, he served as Chief Financial Officer for PetroAmerican Services, a subsidiary of an integrated NYSE-traded oil and gas company. Previously, he served as Chief Financial Officer of PetroStar Energy, an exploration and production company, and Treasurer of Reading and Bates Corporation, a NYSE-traded international offshore drilling services, exploration and production company. Mr. McDonald holds a B.S. in Finance, and an MBA with highest academic achievement, from the University of Tulsa.

Daryl V. Mazzanti (50). Mr. Mazzanti joined our company as our Vice President of Operations in July 2005, to lead all of our oil and gas operations. From 1985 to 2005, Mr. Mazzanti was employed by Union Pacific Resources (UPR) and Anadarko Petroleum (the successor to UPR), where he managed operational, engineering and geotechnical teams responsible for oil and gas fields in Texas, Oklahoma, Louisiana, the Rockies and offshore Gulf of Mexico. His duties included overseeing up to 1,200 horizontal wells, optimizing artificial lift methods for a 750 well program and supervising multi-rig drilling and service programs. Mr. Mazzanti began his career in 1985 as a Development Engineer with Champlin Oil (the predecessor to UPR), where he was responsible for drilling, completion, workover, recompletion, reservoir analysis and surface facility optimization across Texas and offshore Gulf of Mexico. Mr. Mazzanti holds a Bachelor of Science in Petroleum Engineering, with distinction, from the University of Oklahoma at Norman.

Summary Compensation Table

The following table set forth a summary of executive compensation for our named executive officers for our fiscal year ended June 30, 2012, 2011, and 2010. We had no other executive officers during these periods.

Name and Principal Position	Fiscal Year	Salary	Bonus(1)	Stock Awards(2)	All Other(4) Compensation	Total
Robert S. Herlin	2012	\$ 327,292	\$ 271,350	\$ 303,188	\$ 27,308	\$ 929,138
Chairman, President and Chief Executive Officer	2011	286,458	161,700	412,500	23,039	883,697
	2010	275,000	185,625	247,500	22,262	730,387
Sterling H. McDonald	2012	\$ 227,244	\$ 139,725	\$ 149,426	\$ 33,994	\$ 550,389
Vice President, Chief Financial Officer and Treasurer	2011	211,771	100,862	203,300	31,227	547,160
	2010	203,300	102,921	121,980	30,338	458,539
Daryl V. Mazzanti(3)	2012	\$ 227,244	\$ 139,725	\$ 149,426	\$ 54,608	\$ 571,003
Vice President, Operations	2011	211,771	84,052	203,300	29,213	528,336
	2010	203,300	97,203	121,980	26,276	448,759

- (1) Represents the amounts earned based on our performance for the fiscal year indicated, even though they are actually paid in September of the subsequent fiscal year. During fiscal 2010, all executive officers were awarded unrestricted stock bonuses from the 2004 Stock Plan, in lieu of cash bonuses at the election of the Company, for all of their short-term incentive plan compensation.
- (2) Represents the grant-date fair value of restricted common stock awards granted during the fiscal year indicated. All awards vest quarterly over a four year term.
- (3) Included in All Other Compensation for Mr. Mazzanti is \$20,000 in royalty payments for four GARP® Technology installations per technology assignment agreement dated June 2011.
- (4) Represents amounts for matching contributions to the 401(k) Plan on each named executive officers' behalf; life, accidental death, dismemberment and short and long-term disability insurance premiums paid by the Company on each named executive's officer's behalf. Also, includes a Health Savings Account subsidy for those who qualify under a high deductible health plan.

The following table sets forth information concerning annual incentive awards granted during fiscal year 2012 to each of our named executive officers:

Fiscal Year 2012 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards; Number of Shares of Stock (#)(1)	All Other Option Awards; Number of Securities Underlying SARs (\$/Share)	Exercise or Base Price of SARs Awards	Grant Date Fair Value of Stock and SARs Awards (\$)(2)
		Threshold (#)	Target (#)	Maximum (#)				
Robert S. Herlin	8/31/2011				47,671		\$ 303,188	
Sterling H. McDonald	8/31/2011				23,495		149,426	
Daryl V. Mazzanti	8/31/2011				23,495		149,426	

- (1)

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These shares of restricted stock vest 1/16th per quarter from the date of grant. In addition to the foregoing vesting provisions, all of these shares vest upon a holder's death or disability, and 50% of these shares vest upon a change of control of the Company.

(2)

Represents the fair market value of restricted common stock as of the grant date.

2012 Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding awarded securities for each named executive officer outstanding as of June 30, 2012.

Name	Option awards(1)					Stock awards			
	Number of securities underlying unexercised options & warrants (#)	Number of securities underlying unexercised options & warrants (#)	Equity incentive plan awards: Number of securities unexercised options (#)	Option/warrant exercise price (\$)	Option/warrant expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)(2)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market value of unearned shares, units or other rights that have not vested (\$)
Robert S. Herlin	220,000			\$ 0.001	09/23/2013				
	787,500			\$ 1.80	04/04/2015				
	400,000			\$ 1.41	02/15/2016				
	250,000			\$ 2.19	09/07/2017				
	119,259	7,951		\$ 4.02	08/19/2015				
						109,859	\$ 916,224		
Sterling H. McDonald	250,000			\$ 0.25	11/11/2013				
	350,000			\$ 1.80	04/04/2015				
	300,000			\$ 1.41	02/15/2016				
	150,000			\$ 2.19	09/07/2017				
	62,944	4,196		\$ 4.02	08/19/2015				
						54,144	\$ 451,561		
Daryl V. Mazzanti	550,000			\$ 1.61	06/23/2015				
	150,000			\$ 2.55	05/05/2016				
	200,000			\$ 2.19	09/07/2017				
	62,944	4,196		\$ 4.02	08/19/2015				
						54,144	\$ 451,561		

(1) The unvested stock options, warrants and restricted stock vest 1/16th per quarter from the date of grant. In addition, in the event of change of control, half of all the unvested options, warrants and restricted stock awards would vest on the date of such change of control and the remainder of the unvested options, warrants and restricted stock awards would vest on the employee's termination date within a year of the change of control.

(2) The values were calculated based upon the closing price of our common stock on June 30, 2012, which was \$8.34 per share. Unvested restricted stock generally vests 1/16th per quarter from date of grant, with the last restricted shares vesting in September 2016.

The following table provides information about the value realized by the named executive officers on option exercises, vesting of restricted stock, and award payouts during fiscal year 2012:

Option Exercises and Stock Vested During Fiscal Year-End 2012

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized on	Number of Shares	Value Realized on

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	Acquired on Exercise (#)	Exercise (\$)	Acquired on Vesting (#)	Vesting (\$)
Robert S. Herlin			50,809	\$ 404,003
Sterling H. McDonald			25,042	199,119
Daryl V. Mazzanti			25,042	199,119

Change in Control Policy

In August 2010, the Board of Directors approved an employee severance policy for a change in control event. A "change in control" event is generally defined to include a tender offer, takeover bid, exchange offer or acquisition for forty percent (40%) or more of the Company's outstanding common stock. The new policy applies to all employees including Messrs. Herlin, McDonald and Mazzanti and

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provides that in the event of a change in control, employees terminated within one year of the event shall receive severance pay in the amount of one year of base pay and targeted annual discretionary bonus, plus one year continuation of the company's subsidy of health, disability and life insurance benefits. Pursuant to the Company's Plan, the Administrator under the Plan has provided that in the event of a "change in control," half of all unvested options and stock awards would vest on the date of such "change in control" and the remainder of unvested options and stock awards would vest upon the employee's termination within a year of the "change in control."

The following table shows, as of June 30, 2012, the estimated potential payments and benefits that would be received by our named executive officers based upon a hypothetical termination of employment in each of the circumstances indicated in the table.

Named Executive Officer	Severance Plan Payment	Healthcare & Other Insurance Benefits	Fair Market Value of Accelerated Equity(1) Compensation	Total Value
Robert S. Herlin				
Change in Control	\$ 670,000	\$ 13,984	\$ 491,268	\$ 1,175,252
Death or Disability			982,535	982,535
Sterling H. McDonald				
Change in Control	402,500	22,198	243,278	667,976
Death or Disability			486,556	486,556
Daryl V. Mazzanti				
Change in Control	402,500	22,752	243,278	668,530
Death or Disability			486,556	486,556

(1)

The fair market value of accelerated equity awards includes only those awards that were not currently vested as of June 30, 2012, using a closing stock price of \$8.34 per share.

Compensation Committee Interlocks and Insider Participation

None.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own beneficially more than ten percent (10%) of the shares of our common stock (collectively, "Reporting Persons") to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Reporting Persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, except as noted below, based solely on our review of the copies of such reports received or written representations from the Reporting Persons, we believe that, with respect to the fiscal year ended June 30, 2012 all the Reporting Persons complied with all applicable Section 16 filing requirements.

A late Form 4 report was filed for Daryl Mazzanti (i) on September 20, 2011 to report the acquisition of an aggregate of 23,495 shares of Common Stock, effective on August 31, 2011, and (ii) on September 22, 2011 to report the acquisition of an aggregate of 3,795 shares of Series A Preferred Stock effective on September 19, 2011.

A late Form 4 report was filed for Sterling McDonald on September 20, 2011 to report the acquisition of an aggregate 23,495 shares of Common Stock, effective on August 31, 2011.

A late Form 4 report was filed for Robert Herlin on September 20, 2011 to report the acquisition of 47,671 shares of Common Stock, effective on August 31, 2011.

STOCKHOLDER PROPOSALS

At the Annual Meeting each year, the Board of Directors submits to stockholders its nominees for election as directors. The Board of Directors may also submit other matters to the stockholders for action at the Annual Meeting. Any proposal which a stockholder intends to present in accordance with Rule 14a-8 of the Exchange Act at our next annual meeting of stockholders to be held in 2013 must be received by Evolution Petroleum Corporation not less than one hundred twenty (120) calendar days prior to October 29, 2013. Only proposals conforming to the requirements of Rule 14a-8 of the Exchange Act that are timely received by the Company will be included in the Proxy Statement and Proxy in 2013. Any such proposal should be directed to our Secretary at our principal executive offices located at 2500 CityWest Boulevard, Suite 1300 Houston, Texas 77042.

IMPORTANT VOTING INFORMATION

SEC RULES CONCERNING THE ELECTION OF DIRECTORS

Your broker is not permitted to vote on your behalf on the election of directors unless you provide specific instructions by completing and returning the proxy card. For your vote to be counted, you will need to communicate your voting decisions to your broker, bank or other financial institution before the date of the stockholder meeting.

Your Participation in Voting the Shares You Own Is Important

Voting your shares is important to ensure that you have a say in the governance of your company. Please review the proxy materials and follow the instructions on the proxy card to vote your shares. We hope you will exercise your rights and fully participate as a stockholder in our company's future.

More Information Is Available

If you have any questions about this new rule or the proxy voting process in general, please contact the broker, bank or other financial institution where you hold your shares. The SEC also has a website (www.sec.gov/spotlight/proxymatters.shtml) with more information about your rights as a stockholder.

OTHER MATTERS

Miscellaneous

Our management does not intend to present any other items of business and is not aware of any matters other than those set forth in this Proxy Statement that will be presented for action at the Annual Meeting. However, if any other matters properly come before the Annual Meeting, the persons named in the enclosed proxy intend to vote the shares of our common stock that they represent in accordance with their best judgment.

Annual Report

A copy of the Company's Annual Report on Form 10-K without exhibits, for the fiscal year ended June 30, 2012 filed with the Securities and Exchange Commission accompanies this Proxy Statement. Copies of the Form 10-K exhibits are available without charge. Stockholders who would like such copies should direct their requests in writing to: Evolution Petroleum Corporation, 2500 CityWest Boulevard, Suite 1300 Houston, Texas 77042, Attention: Corporate Secretary.

Householding and Combining Accounts

We may deliver only one proxy statement and annual report to an address shared by multiple stockholders unless we receive contrary instructions from one or more of the stockholders. Any stockholder at a shared address to which a single copy of the proxy statement and annual report have been sent who would like an additional copy of this proxy statement and annual report or future copies of proxy statements and annual reports may make a written or oral request to: Continental Stock Transfer & Trust Company, 17 Battery Place New York, NY 10004, (800) 509-5586.

Similarly, any stockholders sharing an address and currently receiving multiple copies of proxy statements and annual reports may request that only a single copy of a proxy statement and annual report be delivered to them in the future. In addition, any stockholder with multiple accounts (receiving multiple proxy cards) who wishes to consolidate the stockholder's shares into a single account can do so by contacting Continental at the address and telephone number above.

By Order of the Board of Directors

/s/ STERLING H. MCDONALD

Sterling H. McDonald

Vice President, Chief Financial Officer And Treasurer

Houston, Texas
October 29, 2012

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