

EVOLUTION PETROLEUM CORP
Form 10QSB
May 15, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2007

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period to

Commission File Number 001-32942

EVOLUTION PETROLEUM CORPORATION

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

41-1781991

(IRS Employer Identification No.)

2500 CityWest Blvd., Suite 1300, Houston, Texas 77042

(Address of principal executive offices and zip code)

(713) 935-0122

(Issuer's telephone number, including area code)

820 Gessner, Suite 1340, Houston, Texas 77024

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

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

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PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes: No:

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

The number of shares outstanding of the Registrant's common stock, par value \$0.001, as of May 9, 2007, was 26,759,239.

Transitional Small Business Disclosure Format (Check one): Yes: No:

EVOLUTION PETROLEUM CORPORATION, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Evolution Petroleum Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

| | March 31, 2007 (unaudited) | June 30, 2006 |
|--|----------------------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 32,273,816 | \$ 9,893,547 |
| Accounts receivable, trade | 168,797 | 132,371 |
| Inventories | 219,518 | 76,917 |
| Prepaid expenses | 112,797 | 157,629 |
| Retainers and deposits | 106,625 | 60,895 |
| Total current assets | 32,881,553 | 10,321,359 |
| Cash in qualified intermediary account for like-kind exchanges | | 34,662,368 |
| Oil & Gas properties - full cost | 4,093,446 | 3,878,551 |
| Oil & Gas properties - not amortized | 344,989 | 52,098 |
| Less: accumulated depletion | (531,374 |) (371,624 |
| Net oil & gas properties | 3,907,061 | 3,559,025 |
| Furniture, fixtures and equipment, at cost | 86,874 | 16,561 |
| Less: accumulated depreciation | (13,041 |) (7,998 |
| Net furniture, fixtures, and equipment | 73,833 | 8,563 |
| Restricted deposits | 301,835 | 326,835 |
| Other assets | 75,116 | 79,808 |
| Total assets | \$ 37,239,398 | \$ 48,957,958 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 302,839 | \$ 310,272 |
| Accrued liabilities | 152,725 | 473,782 |
| Income taxes payable | 4,820,000 | 2,978,650 |
| Royalties payable | 6,713 | 47,054 |
| Total current liabilities | 5,282,277 | 3,809,758 |
| Long term liabilities: | | |
| Deferred income taxes payable | | 13,101,350 |
| Deferred rent payable | 11,822 | |
| Asset retirement obligations | 136,453 | 123,679 |
| Total liabilities | 5,430,552 | 17,034,787 |
| Common Stock, totaling 351,333 shares subject to demand registration rights | 790,500 | 790,500 |
| Stockholders equity: | 26,408 | 26,300 |

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Common Stock, par value \$0.001 per share; 100,000,000 shares authorized, 26,407,906 and 26,300,664, issued and outstanding as of March 31, 2007 and June 30, 2006, respectively, net of 351,333 shares of common stock subject to demand registration rights

| | | |
|--|----------------------|----------------------|
| Additional paid-in capital | 11,311,427 | 10,274,555 |
| Deferred stock based compensation | (80,194 |) (265,167 |
| Retained earnings | 19,760,705 | 21,096,983 |
| Total stockholders equity | 31,018,346 | 31,132,671 |
| Total liabilities and stockholders equity | \$ 37,239,398 | \$ 48,957,958 |

See accompanying notes to condensed consolidated financial statements.

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Evolution Petroleum Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(unaudited)