



Epsilon Announces First Quarter 2026 Results

HOUSTON, May 13, 2026 (GLOBE NEWSWIRE) -- Epsilon Energy Ltd. ("**Epsilon**" or the "**Company**") (NASDAQ: EPSN) today reported first quarter 2026 financial and operating results.

Q1 2026 Highlights:

Epsilon - Q1 2026						
		Q1 2026	Q4 2025	Q1 2025	QoQ%	YoY%
NRI Production						
Gas	MMcf	2,482	2,373	2,740	5%	-9%
Oil	MBbl	136	94	46	45%	199%
NGL	MBbl	42	43	16	-2%	168%
Total	MMcfe	3,554	3,196	3,108	11%	14%
Daily Total	MMcfe/d	39.5	34.7	34.5		
Daily Oil	Bbl/d	1,515	1,021	506		
Revenues \$M						
Gas		13,403	6,839	10,614	96%	26%
Oil		9,462	5,299	3,270	79%	189%
NGL		1,073	1,180	387	-9%	177%
Midstream ¹		1,658	1,501	1,892	10%	-12%
Total		25,596	14,818	16,163	73%	58%
Realized Prices ²						
Gas	\$/Mcf	5.40	2.88	3.87	87%	39%
Oil	\$/Bbl	69.39	56.44	71.76	23%	-3%
NGL	\$/Bbl	25.32	27.17	24.52	-7%	3%
Adj. EBITDA	\$M	13,395	7,553	10,609	77%	26%
Cash + STI ³	\$M	8,466	9,513	7,363	-11%	15%
Capex ⁴	\$M	4,885	1,641	8,035	198%	-39%
Total Debt	\$M	45,500	50,500	0	-10%	
Dividend	\$M	1,884	1,868	1,376	1%	37%
Adj Net Income ⁵	\$M	801	11,103	4,023	-93%	-80%
p/share ⁶	\$	0.03	0.43	0.18	-94%	-85%
Excl. Q126 Hedge Loss	\$M	8,683	11,103	4,023	-22%	116%
p/share ⁶	\$	0.29	0.43	0.18	-34%	58%
1) Net of elimination entry for fees paid by Epsilon						
2) Excludes impact of hedge realizations						
3) Includes restricted cash balance						
4) Excludes acquisitions						
5) Excludes one-time / non-recurring expenses for transaction costs, impairments, and loss on asset sale						
6) Calculated on weighted average shares outstanding for the period						

Jason Stabell, Epsilon's Chief Executive Officer, commented, "So far in 2026, we are executing on the initial stages of our development program outlined in the 2025 year-end release and are expecting to bring meaningful production online starting in the second quarter. In the Permian, three gross 3-mile Barnett wells are expected to come online this year, with the first in the second quarter. In the Powder River Basin, two gross Niobrara DUCs are scheduled for completion and are expected to be online early in the third quarter. We have also begun facilities work on the three gross Parkman wells scheduled for development this summer. We are currently working to secure a rig and expect first production in the fourth quarter.

We have also made recent efforts to monetize non-core assets in the portfolio with the sale of a Marcellus override package and the pending sale of the office building we acquired in the Peak transaction. Together, these are expected to raise \$6.7 million in the second quarter, without a material impact on results going forward.

Strong natural gas pricing in the Marcellus in the first few months of the year and a full quarter of contribution from the acquired PRB production drove quarter-over-quarter gains in revenue and cash flow. Importantly, a significant portion of our expected new volumes this year are oil-weighted and will come online into what is currently a strong oil price environment in the second half of the year. The planned development which is underway and attractive oil pricing should allow the Company to deliver strong operational and financial performance as the year progresses."

Quarter Details:

Epsilon's capital expenditures were \$4.9 million for the quarter ended March 31, 2026.

The Company participated in the drilling of 1 gross (0.25 net) well in Texas, the ninth well in the project and the first 3-mile Barnett well. Completion operations on that well are currently underway.

The Company also began constructing facilities in preparation for Parkman drilling activity this summer, where the plan is to drill a three well Parkman pad in Campbell County, Wyoming, with production expected online in the fourth quarter.

The Company also repaired and cased the 2 gross (0.7 net) Niobrara DUCs acquired in the Peak acquisition. The completion of those wells is scheduled for June, with production expected online early in the third quarter.

The Auburn Gas Gathering System (Epsilon is a 35% owner) gathered and delivered 9.6 Bcf gross of natural gas volumes during the quarter, or 107 MMcf/d. As of January 2026, the gathering and compression rates increased contractually to \$0.50 \$ / MMBTU and \$0.11 \$ / MMBTU, respectively.

Unit operating costs were up meaningfully quarter over quarter, driven by a full quarter contribution from the PRB production (\$4.4 million in total operating cost for the quarter, which is higher cost per unit than the other assets / basins, driven by a higher fixed component; unit operating costs will decline there as new development volumes are added in the basin), workover activity in the Marcellus (\$0.2 million), and a one-time Ad Valorem tax expense in the Permian (\$0.7 million, which will not impact the remainder of the year).

The quarter also included \$0.5 million of G&A cost associated with former Peak employees who are on transition services contracts. The full year cost will be approximately \$1.5 million. These costs will not be carried into 2027 and are thus not part of run-rate G&A.

Net income for the quarter was impacted materially by the unrealized loss on the hedge book of \$7.9 million. The unrealized loss was driven by the sharp increase in crude prices during the quarter. Adjusting for the impact of the unrealized loss, net income per share for the quarter was \$0.29. The positive revenue impact of higher oil prices will materialize primarily in subsequent quarters. Approximately 60% of the Company's currently online oil production is hedged in the mid \$60s for WTI for the remainder of the year. All incremental development volumes brought on will have full exposure to prevailing oil prices.

In March, the Company made a \$5 million repayment on the outstanding balance on the credit facility.

Q2 2026 Update

The Company participated in the drilling of 5 gross (0.4 net) wells in the Marcellus during April. The completion of those wells is expected over the next 30 days, with production online in the fourth quarter. Four of these wells will be gathered by the Auburn system.

On May 4, 2026, the Company closed the sale of certain overriding royalty interests (ORRIs) in Susquehanna Co, Pennsylvania to an undisclosed private buyer for \$3.9 million. The assets covered 940 gross acres and 90 producing Marcellus wells with an average net revenue interest of 0.25% per well. The effective date of the transaction was April 1, 2026, and the consideration represented approximately 6X expected cash flow from the assets over the next twelve months. The assets represented approximately 1.5% of the Company's trailing twelve months upstream revenue and 2% of the Company's year-end 2025 Proved Developed Producing (PDP) reserves.

The Company is expected to close the sale of its Durango, Colorado office building (acquired last year in the Peak acquisition) in June, for gross proceeds of \$3 million.

In April, the Company made an additional \$5 million repayment on the outstanding balance on the credit facility. The current balance is \$40.5 million (down from \$50.5 million at year-end 2025).

Current Hedge Book:

Date	Natural Gas					Crude Oil				
	Swaps		Costless Collars			Swaps		Costless Collars		
	Volume (MMcf)	Price (\$/MMBtu)	Bought Volume (MMcf)	Put (\$/MMBtu)	Sold Call (\$/MMBtu)	Volume (MBbl)	Price (\$/Bbl)	Bought Volume (MBbl)	Put (\$/Bbl)	Sold Call (\$/Bbl)
2Q2026	302	3.88	387	3.34	4.94	79	62.83	3	59.78	70.01
3Q2026	451	3.93	551	3.35	4.95	80	65.16	0	60.00	70.10
4Q2026	178	3.87	783	3.35	5.10	39	62.71	28	59.00	69.00
FY 2026	931	\$3.91	1,722	\$3.35	\$5.01	198	\$63.75	32	\$59.10	\$69.12
1Q2027	87	4.12	818	3.41	5.23	27	61.45	34	59.23	69.47
2Q2027	91	3.49	793	3.21	4.81	36	64.05	22	55.94	66.02
3Q2027	90	3.58	773	3.11	4.31	28	66.36	26	57.32	67.60
4Q2027	44	3.95	352	3.15	4.26	14	62.32	36	57.30	67.55
FY 2027	312	\$3.76	2,736	\$3.23	\$4.72	106	\$63.76	118	\$57.60	\$67.82
1Q2028	28	4.46	28	3.65	4.70	8	62.97	8	57.58	67.96

Earnings Call:

The Company will host a conference call to discuss its results on Thursday, May 14, 2026, at 10:00 a.m. Central Time (11:00 a.m. Eastern Time).

Interested parties in the United States and Canada may participate toll-free by dialing (833) 816-1385. International parties may participate by dialing (412) 317-0478. Participants should ask to be joined to the "Epsilon Energy First Quarter 2026 Earnings Conference Call."

A webcast can be viewed at: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=vCctDJ0X>. A webcast replay will be available on the Company's website (www.epsilonenergyltd.com) following the call.

About Epsilon

Epsilon Energy Ltd. is a North American onshore natural gas and oil production and gathering company with assets across the Appalachian, Powder River, Permian, and Western Canadian Sedimentary basins.

Forward-Looking Statements

Certain statements contained in this news release constitute forward looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated. Forward-looking statements are based on reasonable assumptions, but no assurance can be given that these expectations will prove to

be correct and the forward-looking statements included in this news release should not be unduly relied upon.

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EPSILON ENERGY LTD.
Unaudited Consolidated Statements of Operations
(All amounts stated in US\$)

	Three months ended March 31,	
	2026	2025
Revenues from contracts with customers:		
Gas, oil, NGL, and condensate revenue	\$ 23,938,010	\$ 14,270,790
Gas gathering and compression revenue	1,657,777	1,892,350
Total revenue	25,595,787	16,163,140
Operating costs and expenses:		
Lease operating expenses	7,195,313	2,755,898
Gathering system operating expenses	594,446	552,651
Depletion, depreciation, amortization, and accretion	3,002,339	3,475,857
Impairment expense	-	6,669
Transaction costs	71,420	-
General and administrative expenses:		
Stock based compensation expense	547,527	385,838
Other general and administrative expenses	3,378,142	1,818,418
Total operating costs and expenses	14,789,187	8,995,331
Operating income	10,806,600	7,167,809
Other income (expense):		
Interest income	45,543	15,299
Interest expense	(941,581)	(12,211)
Loss on derivative contracts, net	(8,929,829)	(1,462,170)
Other income (expense), net	16,428	(22,499)
Other expense, net	(9,809,439)	(1,481,581)
Net income before income tax expense	997,161	5,686,228
Income tax expense	267,736	1,670,194
NET INCOME	\$ 729,425	\$ 4,016,034
Currency translation adjustments	(2,319)	(50,116)
NET COMPREHENSIVE INCOME	\$ 727,106	\$ 3,965,918
Net income per share, basic	\$ 0.02	\$ 0.18
Net income per share, diluted	\$ 0.02	\$ 0.18
Weighted average number of shares outstanding, basic	30,239,980	22,008,766
Weighted average number of shares outstanding, diluted	30,262,466	22,109,819

EPSILON ENERGY LTD.
Unaudited Consolidated Balance Sheets
(All amounts stated in US\$)

	March 31, 2026	December 31, 2025
ASSETS		

<i>Current assets</i>		
Cash and cash equivalents	\$ 7,912,858	\$ 8,959,954
Accounts receivable	16,794,429	16,132,501
Short term investments	-	-
Fair value of derivatives	426,255	2,694,340
Prepaid income taxes	2,959,475	2,949,311
Other current assets	1,688,563	1,847,672
Total current assets	<u>29,781,580</u>	<u>32,583,778</u>
<i>Non-current assets</i>		
Property and equipment:		
Oil and gas properties, successful efforts method		
Proved properties	237,783,115	233,334,212
Unproved properties	79,690,561	79,307,169
Accumulated depletion, depreciation, amortization and impairment	(134,196,469)	(131,636,141)
Total oil and gas properties, net	<u>183,277,207</u>	<u>181,005,240</u>
Gathering system	43,593,370	43,540,389
Accumulated depletion, depreciation, amortization and impairment	(37,680,704)	(37,472,139)
Total gathering system, net	<u>5,912,666</u>	<u>6,068,250</u>
Land	1,231,965	1,231,965
Buildings and other property and equipment, net	4,077,163	4,132,732
Total property and equipment, net	<u>194,499,001</u>	<u>192,438,187</u>
Other assets:		
Operating lease right-of-use assets, long term	429,923	488,949
Restricted cash	553,000	553,000
Fair value of derivatives, long term	185,056	1,154,936
Deferred financing costs	724,263	774,347
Prepaid drilling costs	246,220	246,220
Total non-current assets	<u>196,637,463</u>	<u>195,655,639</u>
Total assets	<u>\$ 226,419,043</u>	<u>\$ 228,239,417</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current liabilities</i>		
Accounts payable trade	\$ 8,159,934	\$ 11,148,050
Gathering fees payable	1,047,841	1,076,143
Royalties payable	10,071,572	8,702,526
Income taxes payable	-	-
Accrued capital expenditures	577,154	24,888
Accrued compensation	739,649	1,056,304
Other accrued liabilities	2,927,196	2,682,090
Fair value of derivatives	3,833,399	-
Operating lease liabilities	271,790	271,494
Total current liabilities	<u>27,628,535</u>	<u>24,961,495</u>
<i>Non-current liabilities</i>		
Credit facility payable	45,500,000	50,500,000
Ad valorem taxes, long term	7,411,971	7,411,971
Asset retirement obligations	7,553,458	7,437,960
Fair value of derivatives, long term	810,629	-
Deferred income taxes	13,120,790	12,855,585
Operating lease liabilities, long term	271,046	340,052
Total non-current liabilities	<u>74,667,894</u>	<u>78,545,568</u>
Total liabilities	<u>102,296,429</u>	<u>103,507,063</u>
Commitments and contingencies (Note 10)		
<i>Shareholders' equity</i>		
Preferred shares, no par value, unlimited shares authorized, none issued or outstanding	-	-
Common shares, no par value, unlimited shares authorized and 30,239,980 shares issued and outstanding at March 31, 2026 and December 31, 2025	154,274,125	154,274,125
Treasury shares, at cost, 0 shares at March 31, 2026 and 0 shares at December 31, 2025	-	-
Additional paid-in capital	14,411,351	13,863,824
Accumulated deficit	(54,457,110)	(53,302,162)

Accumulated other comprehensive income	9,894,248	9,896,567
Total shareholders' equity	124,122,614	124,732,354
Total liabilities and shareholders' equity	\$ 226,419,043	\$ 228,239,417

EPSILON ENERGY LTD.
Unaudited Consolidated Statements of Cash Flows
(All amounts stated in US\$)

	Three months ended March 31,	
	2026	2025
Cash flows from operating activities:		
Net income	\$ 729,425	\$ 4,016,034
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, amortization, and accretion	3,002,339	3,475,857
Impairment expense	-	6,669
Amortization on deferred financing costs	50,084	-
Loss on derivative contracts	8,929,829	1,462,170
Settlement paid on derivative contracts	(1,047,836)	(415,043)
Settlement of asset retirement obligation	-	(1,600)
Stock-based compensation expense	547,527	385,838
Deferred income tax expense (benefit)	265,205	(321,452)
Changes in assets and liabilities:		
Accounts receivable	(661,928)	(2,159,795)
Prepaid income taxes	(10,164)	978,542
Other assets and liabilities	112,036	141,640
Accounts payable, royalties payable, gathering fees payable, and other accrued liabilities	(1,813,998)	91,390
Income taxes payable	-	922,326
Net cash provided by operating activities	10,102,519	8,582,576
Cash flows from investing activities:		
Additions to unproved oil and gas properties	(383,391)	(5,060,901)
Additions to proved oil and gas properties	(3,830,774)	(2,578,866)
Additions to gathering system properties	(50,583)	(104,275)
Deductions to land, buildings and property and equipment	1,825	-
Prepaid drilling costs	-	960,136
Net cash used in investing activities	(4,262,923)	(6,783,906)
Cash flows from financing activities:		
Payment on credit facility	(5,000,000)	-
Dividends paid	(1,884,373)	(1,375,612)
Net cash used in financing activities	(6,884,373)	(1,375,612)
Effect of currency rates on cash, cash equivalents, and restricted cash	(2,319)	(50,116)
Increase (decrease) in cash, cash equivalents, and restricted cash	(1,047,096)	372,942
Cash, cash equivalents, and restricted cash, beginning of period	9,512,954	6,989,793
Cash, cash equivalents, and restricted cash, end of period	\$ 8,465,858	\$ 7,362,735
Supplemental cash flow disclosures:		
Income tax paid - federal	\$ -	\$ 80,000
Income tax paid - state (PA)	\$ 10,933	\$ 5,138
Income tax paid - state (other)	\$ -	\$ 25
Interest paid	\$ 42,347	\$ 657
Non-cash investing activities:		
Change in proved properties accrued in accounts payable	\$ 618,129	\$ 341,974
Change in gathering system accrued in accounts payable	\$ 2,398	\$ (44,228)
Asset retirement obligation asset additions and adjustments	\$ -	\$ 18,235

Three months ended March 31,

	2026	2025
Net income	\$ 729,425	\$ 4,016,034
Add Back:		
Interest expense (income), net	896,038	(3,088)
Income tax (benefit) expense	267,736	1,670,194
Depreciation, depletion, amortization, and accretion	3,002,339	3,475,857
Impairment expense	-	6,669
Stock based compensation expense	547,527	385,838
Transaction costs	71,420	-
Loss on derivative contracts net of cash received or paid on settlement	7,881,993	1,047,127
Foreign currency translation loss	(1,875)	10,289
Adjusted EBITDA	\$ 13,394,603	\$ 10,608,920

Epsilon defines Adjusted EBITDA as earnings before (1) net interest expense, (2) taxes, (3) depreciation, depletion, amortization and accretion expense, (4) impairments of natural gas and oil properties, (5) non-cash stock compensation expense, (6) transaction costs, (7) gain or loss on derivative contracts net of cash received or paid on settlement, (8) gain or loss on foreign currency translation. Adjusted EBITDA is not a measure of financial performance as determined under U.S. GAAP and should not be considered in isolation from or as a substitute for net income or cash flow measures prepared in accordance with U.S. GAAP or as a measure of profitability or liquidity.

Additionally, Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. Epsilon has included Adjusted EBITDA as a supplemental disclosure because its management believes that EBITDA provides useful information regarding its ability to service debt and to fund capital expenditures. It further provides investors with a helpful measure for comparing operating performance on a "normalized" or recurring basis with the performance of other companies, without giving effect to certain non-cash expenses and other items. This provides management, investors and analysts with comparative information for evaluating the Company in relation to other natural gas and oil companies providing corresponding non-U.S. GAAP financial measures or that have different financing and capital structures or tax rates. These non-U.S. GAAP financial measures should be considered in addition to, but not as a substitute for, measures for financial performance prepared in accordance with U.S. GAAP.

\$M	Q125	Q425	Q126
GAAP Net Income			
(Loss)	4,016	(12,439)	729
One-time adjustments			
Transaction Costs		2,073	71
Impairment - NM		700	
Impairment - Canada	7	559	
Loss - Oklahoma Sale		19,257	
Adj. Net Income	4,023	10,150	801
WA Shares O/S	22,110	25,966	30,262
P/Share	\$ 0.18	\$ 0.39	\$ 0.03

Epsilon defines Adjusted Net Income as reported U.S. GAAP Net Income adding back expenses related to (1) transaction expenses related to the Peak companies' acquisition, (2) impairments of natural gas and oil properties, and (3) gain or loss on sale of assets. Adjusted Net Income is not a measure of financial performance as determined under U.S. GAAP and should not be considered in isolation from or as a substitute for net income or cash flow measures prepared in accordance with U.S. GAAP or as a measure of profitability or liquidity.



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