Epsilon Announces Second Quarter 2026 Results and 2026 Production and Capital Guidance

HOUSTON, Aug. 12, 2026 (GLOBE NEWSWIRE) -- Epsilon Energy Ltd. ("**Epsilon**" or the "**Company**") (NASDAQ: EPSN) today reported second quarter 2026 financial and operating results.

Q2 2026 Highlights:

Epsilon - Q2 2026		Q2 2026	Q1 2026	Q2 2025	QoQ%	YoY%
NRI Production						
Gas	MMcf	2,082	2,482	2,752	-16%	-24%
Oil	MBbl	126	136	44	-8%	184%
NGL	MBbl	42	42	8	-1%	437%
Total	MMcfe	3,088	3,554	3,064	-13%	1%
Daily Total	MMcfe/d	33.9	39.5	33.7		
Revenues	$M					
Gas		3,767	13,403	6,910	-72%	-45%
Oil		11,771	9,462	2,725	24%	332%
NGL		1,387	1,073	145	29%	856%
Midstream [1]		1,337	1,658	1,845	-19%	-28%
Total		18,262	25,596	11,625	-29%	57%
Realized Prices [2]						
Gas	$/Mcf	1.81	5.40	2.51	-66%	-28%
Oil	$/Bbl	93.73	69.39	61.73	35%	52%
NGL	$/Bbl	32.94	25.32	18.51	30%	78%
Adj. EBITDA	$M	5,818	13,395	7,396	-57%	-21%
Cash + STI [3]	$M	11,722	8,466	10,378	38%	13%
Capex [4]	$M	8,484	4,885	2,698	74%	214%
Total Debt	$M	40,500	45,500	0	-11%	
Dividend	$M	1,891	1,884	1,376	0%	37%
Adj Net Income [5]	$M	1,578	8,683	1,954	-82%	-19%
p/share [6]	$	0.05	0.29	0.09	-82%	-41%

1) Net of elimination entry for fees paid by Epsilon
2) Excludes impact of hedge realizations
3) Includes restricted cash balance
4) Accrual basis, excludes acquisitions
5) Excludes the impact of transaction costs, impairments, gain / loss on asset sales, and unrealized hedge gain / loss
6) Calculated on weighted average diluted shares outstanding for the period

Jason Stabell, Epsilon's Chief Executive Officer, commented, "*Over the past eight months, Epsilon has undergone a significant transformation. We have expanded from a non-operator into a diversified operator/non-operator hybrid with development activities spanning multiple basins. Importantly, this transition has been executed successfully, with projects progressing ahead of schedule and on budget as our team continues to deliver against our objectives.*

The operational momentum we have built gives us the confidence to provide production and capital expenditure guidance for the first time. At the midpoint of our guidance, we expect full-year oil production of approximately 1,800 barrels per day and third-quarter oil production growth of over 25% sequentially, reflecting the impact of recent investments as they begin to contribute meaningfully to production and cash flow.

Based on our planned development activities across our three core operating areas, and the flexibility to allocate *capital between oil and gas opportunities, we believe Epsilon has established a foundation for sustained, multi-year production and cash flow growth while maintaining a conservative leverage profile. Supported by a high-quality inventory of development opportunities and disciplined capital allocation, we are well positioned to compound long-term shareholder value."*

Quarter Details:

Epsilon's capital expenditures were $8.5 million for the quarter ended June 30, 2026.

The Company successfully completed 2 gross (0.7 net) Niobrara DUCs in the Powder River Basin in early July. The wells were put on production in July and are performing above expectations.

The Company participated in the drilling of 5 gross (0.4 net) wells in the Marcellus in April. The wells are expected to be completed in the fourth quarter, with production online in December.

The Company participated in the completion of 1 gross (0.25 net) well in the Permian Basin, the ninth well in the Ector Co. project and the first 3-mile Barnett well. The well was put on production in June and is performing in line with expectations.

Production from Q2 2026 activity will have a larger contribution to results in the second half of the year, starting in the third quarter.

Marcellus production was down 16% quarter over quarter due to a planned suction pressure increase in the Auburn Gas Gathering System in May that caused a temporary drop in production during the quarter (in addition to natural well declines). The suction pressure uplift increases the throughput capacity on the system for future development.

Powder River Basin production was down 11% quarter over quarter, due to field optimization activities and offset completions (in addition to natural well declines).

Permian production was flat quarter over quarter, due to the new well volumes online in June.

The Auburn Gas Gathering System (Epsilon is a 35% owner) gathered and delivered 7.7 Bcf gross of natural gas volumes during the quarter, or 85 MMcf/d.

The quarter included $0.8 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, $1.3 million has been incurred in the first half of the year. These costs will not be carried into 2027.

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.

In April, the Company made a $5 million repayment on the outstanding balance on the credit facility, bringing the balance down $10 million from year-end 2025 to $40.5 million.

Q3 2026 Update

In July, the Company sold down a 24% interest in the 3 well Parkman development in the Powder River Basin, that began drilling in June, in exchange for a $1.1 million up front-payment to right-size the third quarter capital program. The Company now holds a 72% interest in the wells.

In July, the Company successfully drilled 3 gross (2.1 net) Parkman wells in the Powder River Basin. The completions are scheduled for the third quarter with production online in the fourth quarter.

Q3 2026 and FY 2026 Production and Capital Guidance Range

Q3 2026 Total Production (MMcfe): 3,270 - 3,510 (mid-point represents 10% QoQ growth)
Q3 2026 Oil Production (MBbl): 155 - 165 (mid-point represents 27% QoQ growth)
Q3 2026 Capital : $24.0 - $28.5 million

FY 2026 Production (MMcfe): 13,740 - 14,280 (mid-point represents 18% YoY growth)
FY 2026 Oil Production (MBbl): 640 - 670 (mid-point represents 194% YoY growth)
FY 2026 Capital: $42.0 - $47.0 million

The primary components of the capital program for the second half of 2026:

- Drilling and completion of 3 gross (2.1 net) Parkman wells in the Powder River Basin (operated)
- Facilities build-out in preparation for 2027 drilling plans in the Powder River Basin (operated)
- Drilling of 2 gross (0.5 net) Barnett wells in the Permian Basin (non-operated), completions are expected in Q127
- Completion of 5 gross (0.4 net) Marcellus wells (non-operated)

Due to the timing of these investments, approximately 35% of 2026 capital spending (2.1 net Parkman wells in the Powder River Basin) is expected to have an impact for ~60 days in Q4 2026. Another 24% of 2026 capital spending is not expected to have an impact on 2026 results (the initial impact will fall into 2027).

Hedge Book (8.11.26):

	Natural Gas							Crude Oil		
	Swaps		Costless Collars			Swaps		Costless Collars		
Date	Volume (MMcf)	Price ($/MMBtu)	Volume (MMcf)	Bought Put ($/MMBtu)	Sold Call ($/MMBtu)	Volume (MBbl)	Price ($/Bbl)	Volume (MBbl)	Bought Put ($/Bbl)	Sold Call ($/Bbl)
Q3 2026	146	3.93	176	3.35	4.94	53	65.16	0	60.00	70.10
Q4 2026	178	3.87	783	3.35	5.10	41	63.24	35	61.18	70.88
FY 2026	**325**	**$3.90**	**959**	**$3.35**	**$5.07**	**94**	**$64.32**	**35**	**$61.18**	**$70.88**
Q1 2027	87	4.12	818	3.41	5.23	29	62.13	40	60.95	70.91
Q2 2027	91	3.49	793	3.21	4.81	37	64.31	27	58.21	68.04
Q3 2027	90	3.58	773	3.11	4.31	28	66.36	30	58.74	68.83
Q4 2027	44	3.95	535	3.20	4.44	14	62.32	38	58.20	68.32
FY 2027	**312**	**$3.76**	**2,918**	**$3.24**	**$4.73**	**108**	**$64.00**	**135**	**$59.14**	**$69.15**
Q1 2028	28	4.46	28	3.65	4.70	8	62.97	11	60.29	70.25
Q2 2028								1	70.00	78.48

Earning's Call:

The Company will host a conference call to discuss its results on Thursday, August 13, 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 Second Quarter 2026 Earnings Conference Call."

A webcast can be viewed at: https://event.choruscall.com/mediaframe/webcast.html?webcastid=6qJpqYfZ. 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.

Contact Information:

281-670-0002

Jason Stabell
Chief Executive Officer
Jason.Stabell@EpsilonEnergyLTD.com

Andrew Williamson
Chief Financial Officer
Andrew.Williamson@EpsilonEnergyLTD.com

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Unaudited Consolidated Statements of Operations

(All amounts stated in US$)

	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Revenues from contracts with customers:				
Gas, oil, NGL, and condensate revenue	$ 16,924,916	$ 9,779,728	$ 40,862,926	$ 24,050,518
Gas gathering and compression revenue	1,336,740	1,845,005	2,994,517	3,737,355
Total revenue	18,261,656	11,624,733	43,857,443	27,787,873
Operating costs and expenses:				
Lease operating expenses	6,330,193	2,462,785	13,525,506	5,218,683
Gathering system operating expenses	508,475	613,795	1,102,921	1,166,446
Depletion, depreciation, amortization, and accretion	2,804,107	3,201,654	5,806,446	6,677,511
Impairment expense	-	2,670,000	-	2,676,669
Gain on sale of oil and gas properties	(4,174,368)	-	(4,174,368)	-
Transaction costs	202,532	-	273,952	-
General and administrative expenses:				
Stock based compensation expense	547,527	385,838	1,095,054	771,676
Other general and administrative expenses	3,664,814	1,461,878	7,042,956	3,280,296
Total operating costs and expenses	9,883,280	10,795,950	24,672,467	19,791,281
Operating income	8,378,376	828,783	19,184,976	7,996,592
Other income (expense):				
Interest income	24,785	17,247	70,327	32,546
Interest expense	(877,267)	(19,906)	(1,818,848)	(32,117)
Gain (loss) on derivative contracts, net	2,245,470	2,573,863	(6,684,358)	1,111,693
Other expense, net	(208,658)	(10,839)	(192,230)	(33,338)
Other income (expense), net	1,184,330	2,560,365	(8,625,109)	1,078,784
Net income before income tax expense	9,562,706	3,389,148	10,559,867	9,075,376
Income tax expense	2,429,235	1,837,687	2,696,971	3,507,881
NET INCOME	$ 7,133,471	$ 1,551,461	$ 7,862,896	$ 5,567,495
Currency translation adjustments	(2,032)	(75,496)	(4,351)	(125,612)
NET COMPREHENSIVE INCOME	$ 7,131,439	$ 1,475,965	$ 7,858,545	$ 5,441,883
Net income per share, basic	$ 0.24	$ 0.07	$ 0.26	$ 0.25
Net income per share, diluted	$ 0.23	$ 0.07	$ 0.26	$ 0.25
Weighted average number of shares outstanding, basic	30,248,522	22,017,310	30,244,275	22,013,062
Weighted average number of shares outstanding, diluted	30,414,909	22,202,315	30,369,810	22,155,629

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Unaudited Consolidated Balance Sheets

(All amounts stated in US$)

	June 30, 2026	December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,169,421	$ 8,959,954
Accounts receivable	17,476,445	16,132,501
Fair value of derivatives	694,977	2,694,340
Prepaid income taxes	2,994,982	2,949,311
Other current assets	1,462,462	1,847,672
Total current assets	33,798,287	32,583,778
Non-current assets		
Property and equipment:		
Oil and gas properties, successful efforts method		
Proved properties	245,787,578	233,334,212
Unproved properties	80,341,257	79,307,169
Accumulated depletion, depreciation, amortization and impairment	(136,623,569)	(131,636,141)

Total oil and gas properties, net	189,505,266	181,005,240
Gathering system	43,428,789	43,540,389
Accumulated depletion, depreciation, amortization and impairment	(37,849,676)	(37,472,139)
Total gathering system, net	5,579,113	6,068,250
Land	1,231,965	1,231,965
Buildings and other property and equipment, net	4,036,238	4,132,732
Total property and equipment, net	200,352,582	192,438,187
Other assets:		
Operating lease right-of-use assets, long term	371,181	488,949
Restricted cash	553,000	553,000
Fair value of derivatives, long term	33,114	1,154,936
Deferred financing costs	673,754	774,347
Prepaid drilling costs	661,803	246,220
Total non-current assets	202,645,434	195,655,639
Total assets	$ 236,443,721	$ 228,239,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable trade	$ 19,129,836	$ 11,148,050
Gathering fees payable	938,041	1,076,143
Royalties payable	9,902,986	8,702,526
Accrued capital expenditures	486,548	24,888
Accrued compensation	1,081,171	1,056,304
Other accrued liabilities	2,618,815	2,682,090
Fair value of derivatives	686,882	-
Operating lease liabilities	272,063	271,494
Total current liabilities	35,116,342	24,961,495
Non-current liabilities		
Credit facility payable	40,500,000	50,500,000
Ad valorem taxes, long term	7,411,971	7,411,971
Asset retirement obligations	7,676,996	7,437,960
Fair value of derivatives, long term	97,675	-
Deferred income taxes	15,527,679	12,855,585
Operating lease liabilities, long term	202,015	340,052
Total non-current liabilities	71,416,336	78,545,568
Total liabilities	106,532,678	103,507,063
Commitments and contingencies (Note 10)		
Shareholders' equity		
Preferred shares, no par value, unlimited shares authorized, none issued or outstanding	-	-
Common shares, no par value, unlimited shares authorized and 30,248,617 shares issued and outstanding at June 30, 2026 and 30,239,980 shares issued and outstanding at December 31, 2025	154,274,125	154,274,125
Additional paid-in capital	14,958,878	13,863,824
Accumulated deficit	(49,214,176)	(53,302,162)
Accumulated other comprehensive income	9,892,216	9,896,567
Total shareholders' equity	129,911,043	124,732,354
Total liabilities and shareholders' equity	$ 236,443,721	$ 228,239,417

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Unaudited Consolidated Statements of Cash Flows

(All amounts stated in US$)

	Six months ended June 30,	
	2026	**2025**
Cash flows from operating activities:		
Net income	$ 7,862,896	$ 5,567,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, amortization, and accretion	5,806,446	6,677,511
Impairment expense	-	2,676,669
Amortization on deferred financing costs	100,593	-
Gain on sale of oil and gas properties	(4,174,368)	-
Loss (gain) on derivative contracts	6,684,358	(1,111,693)
Settlement paid on derivative contracts	(2,778,616)	(108,383)
Settlement of asset retirement obligation	-	(1,600)
Stock-based compensation expense	1,095,054	771,676
Deferred income tax expense (benefit)	2,672,093	(779,676)
Changes in assets and liabilities:		
Accounts receivable	(1,343,944)	346,839
Prepaid income taxes	(45,671)	-
Other assets and liabilities	292,394	385,445
Accounts payable, royalties payable, gathering fees payable, and other accrued liabilities	6,189,202	(66,454)
Income taxes payable	-	2,572,921
Net cash provided by operating activities	22,360,437	16,930,750
Cash flows from investing activities:		
Additions to unproved oil and gas properties	(1,416,572)	(5,132,649)
Additions to proved oil and gas properties	(8,803,428)	(5,997,993)
Deductions (additions) to gathering system properties	100,952	(228,327)
Deductions to land, buildings and property and equipment	(11,446)	(12,102)
Proceeds from sale of oil and gas properties	4,174,368	-
Prepaid drilling costs	(415,583)	705,165
Net cash used in investing activities	(6,371,709)	(10,665,906)
Cash flows from financing activities:		
Payment on credit facility	(10,000,000)	-
Dividends paid	(3,774,910)	(2,751,372)
Net cash used in financing activities	(13,774,910)	(2,751,372)
Effect of currency rates on cash, cash equivalents, and restricted cash	(4,351)	(125,612)
Increase in cash, cash equivalents, and restricted cash	2,209,467	3,387,860
Cash, cash equivalents, and restricted cash, beginning of period	9,512,954	6,989,793
Cash, cash equivalents, and restricted cash, end of period	$ 11,722,421	$ 10,377,653
Supplemental cash flow disclosures:		
Income tax paid - federal	$ -	$ 1,325,000
Income tax paid - state (PA)	$ 10,933	$ 355,138
Income tax paid - state (other)	$ 50,025	$ 1,710
Interest paid	$ 1,722,335	$ 9,552
Non-cash investing activities:		
Change in proved properties accrued in accounts payable	$ 3,260,493	$ (690,866)
Change in gathering system accrued in accounts payable	$ (10,648)	$ 71,366
Asset retirement obligation asset additions and adjustments	$ 6,961	$ 18,235

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Net income	$ 7,133,471	$ 1,551,461	$ 7,862,896	$ 5,567,495
Add Back:				
Interest expense (income), net	852,482	2,659	1,748,521	(429)
Income tax expense	2,429,235	1,837,687	2,696,971	3,507,881
Depreciation, depletion, amortization, and accretion	2,804,107	3,201,654	5,806,446	6,677,511
Impairment expense	-	2,670,000	-	2,676,669
Stock based compensation expense	547,527	385,838	1,095,054	771,676
Gain on sale of oil and gas properties	(4,174,368)	-	(4,174,368)	-
Transaction costs	202,532	-	273,952	-
(Gain)/loss on derivative contracts net of cash received or paid on settlement	(3,976,251)	(2,267,203)	3,905,742	(1,220,076)
Foreign currency translation (gain) loss	(1,201)	14,021	(3,076)	24,310
Adjusted EBITDA	**$ 5,817,534**	**$ 7,396,117**	**$ 19,212,138**	**$ 18,005,037**

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 sale of assets, and (9) gain or loss on foreign currency translations. 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	**Q225**	**Q126**	**Q226**	**YTD2026**
GAAP Net Income (Loss)	1,551	729	7,133	7,863
Adjustments				
Transaction Cost		71	203	
Impairment	2,670			
Asset Sale (Gain) / Loss			-4,174	
Unrealized Hedge (Gain) / Loss	-2,267	7,882	-3,976	
Adj. Net Income	1,954	8,683	-815	7,868
WA Shares O/S	22,202	30,262	30,415	30,370
P/Share	$ 0.09	$ 0.29	$ (0.03)	$ 0.26

Epsilon defines Adjusted Net Income as reported U.S. GAAP Net Income adjusting for items related to (1) transaction expenses, (2) impairments of natural gas and oil properties, (3) gain or loss on sale of assets, and (4) unrealized gain or loss on hedges. 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.