



News Release

EPSILON ANNOUNCES FULL YEAR 2024 RESULTS

Houston, Texas–March 19, 2025 – Epsilon Energy Ltd. (“Epsilon” or the “Company”) (NASDAQ: EPSN) today reported financial results for the fourth quarter and full-year ended December 31, 2024.

Full Year and Q4 2024 Highlights:

Epsilon - Full Year 2024 & Q4 2024							
		2024	2023	Q4 2024	Q3 2024	YoY%	QoQ%
NRI Production							
Gas	MMcf	6,142	8,340	1,765	1,304	-26%	35%
Oil	Mbbl	187	65	52	53	186%	-3%
NGL	Mbbl	69	39	17	17	78%	-2%
Total	Mmcfe	7,676	8,965	2,176	1,727	-14%	26%
Revenues \$M							
Gas		10,786	14,864	3,958	1,904	-27%	108%
Oil		13,731	5,091	3,537	3,965	170%	-11%
NGL		1,482	984	385	335	51%	15%
Midstream ¹		5,524	9,791	1,060	1,084	-44%	-2%
Total		31,523	30,730	8,940	7,288	3%	23%
Realized Prices²							
Gas	\$/Mcf	1.76	1.78	2.24	1.46	-1%	54%
Oil	\$/Bbl	73.61	77.96	68.38	74.27	-6%	-8%
NGL	\$/Bbl	21.41	25.29	22.98	19.56	-15%	17%
Adj. EBITDA	\$M	17,578	18,828	5,335	3,744	-7%	43%
Cash + STI ³	\$M	6,990	32,649	6,990	8,775	-79%	-20%
Capex ⁴	\$M	34,887	22,038	3,804	3,908	58%	-3%
<p>1) Net of elimination entry for fees paid by Epsilon</p> <p>2) Excludes impact of hedge realizations</p> <p>3) Includes restricted cash balance</p> <p>4) Includes acquisitions</p>							

The Company returned \$7.3 million to shareholders during the year ended December 31, 2024.

- \$5.5 million through the quarterly dividends
- \$1.8 million through the repurchase of 373,700 shares at an average price of \$4.88 per share

Jason Stabell, Epsilon's Chief Executive Officer, commented, "As we expected, the challenging natural gas environment continued in 2024, Marcellus net wellhead prices were below \$2 per Mcf for the year and a meaningful portion (est. 20-25%) of our production for the year was curtailed. This also impacted our midstream business and led to lower throughput volumes for the Auburn Gas Gathering System. We were fully aligned with the operator to hold these reserves back for a better pricing environment, and we are now seeing curtailed volumes, alongside delayed volumes from new wells, back online in the first quarter of 2025. These volumes started to ramp in the fourth quarter, but we are now producing 75% more natural gas in the Marcellus than our 2024 average net daily volumes, into a much improved gas price environment.

We continued to invest in our Texas assets during the year, where we now have 7 gross producing wells, all performing better than or as expected, and approximately 14,000 gross undeveloped acres holding up to 40 gross undeveloped 2-mile locations, in the heart of the ascendant Barnett play. We expect development activity to resume there in the second half of 2025. As mentioned last year, this project successfully diversified our commodity mix and provides optionality for multi-year capital allocation.

In the fourth quarter, we entered into a JV in Alberta with a reputable US sponsor-backed operator. This met our criteria of low entry cost, drill-bit focused, large inventory runway, capable operator and attractive well economics. We are excited about the opportunity as it covers over 30,000 gross acres where the well returns screen attractive on productivity, drilling and completion cost structure, and royalty regime. We have drilled and completed the first two wells and expect to discuss those initial results soon.

During the year we continued our track record of shareholder returns with the fixed quarterly dividend and opportunistic share repurchases.

With growing cash flows and over \$50 million in available liquidity, the Company is in a strong position to continue to execute on drilling activity and opportunistic deal-making while still returning cash to shareholders.

We are setup for a strong year in 2025, and we expect material growth in production and cash flows."

2024 Operations:

Epsilon's capital expenditures were \$34.9 million for the year ended December 31, 2024, a 58% increase year over year. Texas accounted for approximately 70% of the total, related to the acquisition of 3 gross (0.75 net) wells and 3,246 undeveloped acres in Q1 2024, and the development of 2 gross (0.5 net) wells in Q2 & Q3 2024. Pennsylvania accounted for 15% of the total, primarily related to the completion of 10 gross (0.8 net) wells during the year. The remainder was primarily related to the drilling of 4 gross (1.5 net) wells in Alberta.

The Auburn Gas Gathering System (Epsilon is a 35% owner) gathered and delivered 36.9 Bcf gross natural gas volumes during the year, or 101 MMcf/d.

Reserves:

The Company has received the year-end 2024 third party reserves report completed by the engineering firm DeGolyer & MacNaughton. The table below summarizes the report.

Epsilon Net Year End Reserves														
	12/31/2023				12/31/2024				YoY Change					
	Oil	NGL	Gas	Total	Oil	NGL	Gas	Total	Oil	NGL	Gas	Total	Total	
	Mbbl	Mbbl	MMcf	Mmcfe	Mbbl	Mbbl	MMcf	Mmcfe	Mbbl	Mbbl	MMcf	Mmcfe	%	
Proved Developed	272	249	47,555	50,681	847	490	56,851	64,872	575	241	9,296	14,191	28%	
Proved Undeveloped	69	134	18,361	19,581	725	387	12,550	19,225	656	253	(5,811)	(356)	-2%	
Total Proved	341	383	65,916	70,262	1,572	877	69,401	84,097	1,231	494	3,485	13,835	20%	
Total Probable	354	437	156,730	161,474	380	384	137,906	142,487	26	(53)	(18,824)	(18,987)	-12%	
Total Proved + Probable	695	820	222,646	231,736	1,952	1,261	207,307	226,584	1,257	441	(15,339)	(5,152)	-2%	

As shown in the table above, Company Proved reserves increased 20% year over year. Produced volumes accounted for an 11% decrease, offset by revisions to prior estimates (+14%) and acquisitions and development activity during the year (+16%). Company Probable reserves decreased 12% year over year.

The primary drivers for the positive revisions were (1) changes to the development plan in PA (as provided by the operator), moving Probable reserves to Proved, (2) Proved reserves acquisitions in Texas, and (3) development activity in Texas adding Proved undeveloped reserves.

The majority of the Company's inventory in Texas is not included in the reserve report, due to no offset producing wells. The Company believes the unaccounted-for inventory is comparable to the existing wells in the project and expects to add meaningful reserves in Texas with incremental development.

Current Hedge Book:

Hedge Book									
Trade Date	Product	Structure	Ref	Contract Star	Contract End	Price / Strike	Outstanding	Metric	
01/14/2025	Crude Oil	Swap	NYMEX WTI CMA	04/01/2025	09/30/2025	\$72.35	(14,900.00)	BBL	
01/07/2025	Crude Oil	Swap	NYMEX WTI CMA	04/01/2025	12/31/2025	\$70.20	(24,600.00)	BBL	
12/30/2024	Natural Gas	Swap	NYMEX Henry Hub (L	04/01/2025	10/31/2025	\$3.49	(214,000.00)	MMBTU	
12/30/2024	Natural Gas	Swap	Tenn Z4 300L Basis	04/01/2025	10/31/2025	-\$0.94	(214,000.00)	MMBTU	
11/21/2024	Natural Gas	Swap	NYMEX Henry Hub (L	04/01/2025	10/31/2025	\$3.23	(321,000.00)	MMBTU	
11/21/2024	Natural Gas	Swap	Tenn Z4 300L Basis	04/01/2025	10/31/2025	-\$0.93	(321,000.00)	MMBTU	
11/20/2024	Natural Gas	Swap	NYMEX Henry Hub (L	04/01/2025	10/31/2025	\$3.16	(214,000.00)	MMBTU	
11/20/2024	Natural Gas	Swap	Tenn Z4 300L Basis	04/01/2025	10/31/2025	-\$0.89	(214,000.00)	MMBTU	
11/13/2024	Natural Gas	Swap	NYMEX Henry Hub (L	04/01/2025	10/31/2025	\$3.08	(535,000.00)	MMBTU	
11/13/2024	Natural Gas	Swap	Tenn Z4 300L Basis	04/01/2025	10/31/2025	-\$0.89	(535,000.00)	MMBTU	
10/07/2024	Crude Oil	Swap	NYMEX WTI CMA	04/01/2025	06/30/2025	\$72.00	(7,500.00)	BBL	
10/02/2024	Natural Gas	Swap	NYMEX Henry Hub (L	04/01/2025	10/31/2025	\$3.23	(535,000.00)	MMBTU	
10/02/2024	Natural Gas	Swap	Tenn Z4 300L Basis	04/01/2025	10/31/2025	-\$1.04	(535,000.00)	MMBTU	
02/26/2024	Crude Oil	Swap	NYMEX WTI CMA	03/01/2025	03/01/2025	\$74.34	(4,389.00)	BBL	

Earning's Call:

The Company will host a conference call to discuss its results on Thursday, March 20, 2025, at 10:30 a.m. Central Time (11:30 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 2024 Year End Earnings Conference Call."

A webcast can be viewed at:

<https://event.choruscall.com/mediaframe/webcast.html?webcastid=1EJXH1I5>. 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 in Pennsylvania, Texas, Alberta CA, New Mexico, and Oklahoma.

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

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

	Year ended December 31,	
	2024	2023
Revenues from contracts with customers:		
Gas, oil, NGL, and condensate revenue	\$ 25,998,712	\$ 20,939,221
Gas gathering and compression revenue	5,524,063	9,790,531
Total revenue	<u>31,522,775</u>	<u>30,729,752</u>
Operating costs and expenses:		
Lease operating expenses	7,264,824	6,405,281
Gathering system operating expenses	2,265,190	2,459,694
Depletion, depreciation, amortization, and accretion	10,185,119	7,685,084
Impairment expense	1,450,076	—
Loss on sale of oil and gas properties	—	1,449,871
General and administrative expenses:		
Stock based compensation expense	1,244,416	1,018,262
Other general and administrative expenses	5,688,714	6,293,234
Total operating costs and expenses	<u>28,098,339</u>	<u>25,311,426</u>
Operating income	<u>3,424,436</u>	<u>5,418,326</u>
Other income (expense):		
Interest income	493,277	1,673,241
Interest expense	(46,400)	(80,379)
(Loss) gain on derivative contracts	(391,147)	3,130,055
Other income	76,727	4,357
Other income, net	<u>132,457</u>	<u>4,727,274</u>
Net income before income tax expense	3,556,893	10,145,600
Income tax expense	1,629,093	3,200,447
NET INCOME	\$ 1,927,800	\$ 6,945,153
Currency translation adjustments	262,588	(3,872)
Unrealized (loss) gain on securities	(1,598)	1,598
NET COMPREHENSIVE INCOME	<u>\$ 2,188,790</u>	<u>\$ 6,942,879</u>
Net income per share, basic	\$ 0.09	\$ 0.31
Net income per share, diluted	\$ 0.09	\$ 0.31
Weighted average number of shares outstanding, basic	21,930,277	22,496,772
Weighted average number of shares outstanding, diluted	21,930,277	22,511,647

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

	December 31, 2024	December 31, 2023
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 6,519,793	\$ 13,403,628
Accounts receivable	5,843,722	6,015,448
Short term investments	—	18,775,106
Fair value of derivatives	—	1,219,025
Prepaid income taxes	975,963	952,301
Other current assets	792,041	763,288
Total current assets	<u>14,131,519</u>	<u>41,128,796</u>
<i>Non-current assets</i>		
Property and equipment:		
Oil and gas properties, successful efforts method		
Proved properties	191,349,210	160,263,511
Unproved properties	28,364,186	25,504,873
Accumulated depletion, depreciation, amortization and impairment	<u>(122,751,395)</u>	<u>(113,708,210)</u>
Total oil and gas properties, net	<u>96,962,001</u>	<u>72,060,174</u>
Gathering system	43,116,371	42,738,273
Accumulated depletion, depreciation, amortization and impairment	<u>(36,449,511)</u>	<u>(35,539,996)</u>
Total gathering system, net	<u>6,666,860</u>	<u>7,198,277</u>
Land	637,764	637,764
Buildings and other property and equipment, net	<u>259,335</u>	<u>291,807</u>
Total property and equipment, net	<u>104,525,960</u>	<u>80,188,022</u>
Other assets:		
Operating lease right-of-use assets, long term	344,589	441,987
Restricted cash	470,000	470,000
Prepaid drilling costs	<u>982,717</u>	<u>1,813,808</u>
Total non-current assets	<u>106,323,266</u>	<u>82,913,817</u>
Total assets	<u>\$ 120,454,785</u>	<u>\$ 124,042,613</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current liabilities</i>		
Accounts payable trade	\$ 2,334,732	\$ 3,149,371
Gathering fees payable	997,016	1,136,237
Royalties payable	1,400,976	1,422,898
Accrued capital expenditures	572,079	696,761
Accrued compensation	695,018	636,295
Other accrued liabilities	371,503	649,037
Fair value of derivatives	487,548	118,770
Operating lease liabilities	<u>121,135</u>	<u>86,473</u>
Total current liabilities	<u>6,980,007</u>	<u>7,895,842</u>
<i>Non-current liabilities</i>		
Asset retirement obligations	3,652,296	3,502,952
Deferred income taxes	12,738,577	11,553,943
Operating lease liabilities, long term	<u>355,776</u>	<u>476,911</u>
Total non-current liabilities	<u>16,746,649</u>	<u>15,533,806</u>
Total liabilities	<u>23,726,656</u>	<u>23,429,648</u>
Commitments and contingencies (Note 11)		
<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 22,008,766 shares issued and outstanding at December 31, 2024 and 22,222,722 issued and 22,151,848 shares outstanding at December 31, 2023	116,081,031	118,272,565
Treasury shares, at cost, 0 at December 31, 2024 and 70,874 at December 31, 2023	—	(360,326)
Additional paid-in capital	12,118,907	10,874,491
Accumulated deficit	(41,505,076)	(37,946,042)
Accumulated other comprehensive income	<u>10,033,267</u>	<u>9,772,277</u>
Total shareholders' equity	<u>96,728,129</u>	<u>100,612,965</u>
Total liabilities and shareholders' equity	<u>\$ 120,454,785</u>	<u>\$ 124,042,613</u>

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

	<u>Year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net income	\$ 1,927,800	\$ 6,945,153
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, amortization, and accretion	10,185,119	7,685,084
Impairment expense	1,450,076	—
Accretion of discount on available for sale securities	(297,637)	(836,528)
Loss on sale of oil and gas properties	—	1,449,871
Gain (loss) on derivative contracts	391,147	(3,130,055)
Settlement received on derivative contracts	1,196,656	3,251,890
Settlement of asset retirement obligation	(88,992)	(509,802)
Stock-based compensation expense	1,244,416	1,018,262
Deferred income tax expense	1,184,634	936,549
Changes in assets and liabilities:		
Accounts receivable	171,726	1,185,938
Prepaid income taxes	(23,662)	187,793
Other assets and liabilities	(17,828)	126,347
Accounts payable, royalties payable and other accrued liabilities	(493,176)	(122,203)
Net cash provided by operating activities	<u>16,830,279</u>	<u>18,188,299</u>
Cash flows from investing activities:		
Additions to unproved oil and gas properties	(4,507,280)	(8,136,442)
Additions to proved oil and gas properties	(31,695,651)	(10,377,642)
Additions to gathering system properties	(341,452)	(82,302)
Additions to land, buildings and property and equipment	(16,513)	(49,689)
Purchases of short term investments - held to maturity	—	(32,812,974)
Purchases of short term investments - available for sale	(4,045,785)	(11,988,982)
Proceeds from short term investments - held to maturity	6,743,178	26,864,976
Proceeds from short term investments - available for sale	16,373,752	—
Proceeds from sale of oil and gas properties	—	12,498
Prepaid drilling costs	831,091	(1,813,808)
Net cash used in investing activities	<u>(16,658,660)</u>	<u>(38,384,365)</u>
Cash flows from financing activities:		
Buyback of common shares	(1,831,208)	(6,055,601)
Exercise of stock options	—	62,875
Dividends paid	(5,486,834)	(5,600,655)
Debt issuance costs	—	(140,000)
Net cash used in financing activities	<u>(7,318,042)</u>	<u>(11,733,381)</u>
Effect of currency rates on cash, cash equivalents, and restricted cash	262,588	(3,872)
Decrease in cash, cash equivalents, and restricted cash	(6,883,835)	(31,933,319)
Cash, cash equivalents, and restricted cash, beginning of period	13,873,628	45,806,947
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 6,989,793</u>	<u>\$ 13,873,628</u>
Supplemental cash flow disclosures:		
Income tax paid - federal	\$ 414,250	\$ 1,250,000
Income tax paid - state (PA)	\$ —	\$ 182,000
Income tax (refund) paid - state (other)	\$ (2,071)	\$ 7,583
Interest paid	\$ 16,832	\$ 97,595
Non-cash investing activities:		
Change in proved properties accrued in accounts payable and accrued liabilities	\$ (862,744)	\$ 1,611,724
Change in gathering system accrued in accounts payable and accrued liabilities	\$ 36,645	\$ 16,969
Asset retirement obligation asset additions and adjustments	\$ 54,902	\$ 1,190,579

	Year ended December 31,	
	2024	2023
Net income	\$ 1,927,800	\$ 6,945,153
Add Back:		
Interest income, net	(446,877)	(1,592,862)
Income tax expense	1,629,093	3,200,447
Depreciation, depletion, amortization, and accretion	10,185,119	7,685,084
Impairment expense	1,450,076	—
Stock based compensation expense	1,244,416	1,018,262
Loss on sale of assets	—	1,449,871
Loss on derivative contracts net of cash received or paid on settlement	1,587,803	121,835
Foreign currency translation loss	570	(278)
Adjusted EBITDA	\$ 17,578,000	\$ 18,827,512

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) gain or loss on derivative contracts net of cash received or paid on settlement, (7) gain or loss on derivative contracts net of cash received or paid on settlement, and (8) other income. 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 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.