



**Epsilon Energy Ltd. Releases Second Quarter 2009 Results;
Marcellus Gas Production Turns Corner**

Concord, Ontario – August 5, 2009 – Epsilon Energy Ltd. (“Epsilon” or the “Corporation”) (TSX: EPS) is engaged in the exploration and production of oil and natural gas reserves in North America, the Middle East, and Africa. Established in 2005, the Corporation has been a producer of oil and natural gas since 2006. Epsilon’s ongoing business strategy involves developing a well-balanced inventory of oil and natural gas projects, including high potential oil & gas properties in the Middle East and Africa coupled with lower risk oil and natural gas properties within Canada and the United States.

Today, Epsilon announced its 2009 second quarter results and provided an update on its Highway 706 operations targeting the Marcellus shale.

EPSILON ENERGY LTD. HIGHLIGHTS
(in 000’s of U.S. dollars, except per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues	\$ 733	\$ 2,374	\$ 2,440	\$ 3,911
Cost of operations	4,335	3,604	6,805	5,851
Gain (loss) on sale of assets	(9,728)	5,086	(9,728)	5,085
Income tax recovery	2,600	-	2,600	-
Net income (loss)	(10,845)	4,158	(11,680)	3,875
Total assets	105,372	124,061	105,372	124,061
Basic and fully diluted income (loss) Per share	\$ (0.21)	\$ 0.09	\$ (0.23)	\$ 0.08

During the first six months of 2009, the Corporation continued to explore, develop and expand its oil and gas interests and generated a net loss of \$11.7 million, as compared to a \$3.9 million net profit for the same period of 2008. The variance was primarily due to a recorded loss on the sale of the Corporation’s oil and gas property interests in West Virginia of \$9.7 million and a \$2.2 million impairment pertaining to Block 41 in Yemen during the first six months of 2009, as compared to a gain on the sale of non-core unproved leasehold interests in Ohio of \$5.1 million during the same period of 2008.

During the second quarter of 2009 the Corporation sold all of its oil and gas properties in West Virginia for a net amount of \$12.9 million and plans to utilize the funds from this sale primarily to further develop its Marcellus Shale interests in Pennsylvania and New York. In addition, the Corporation will invest in the development of its oil and gas opportunity in the Bakken field located in

Saskatchewan, Canada. Spending on the Corporation's international operations will be limited to amounts required to maintain the properties.

Zoran Arandjelovic, Epsilon's Executive Chairman, President and CEO, stated "I am very pleased over the recent developments in our Marcellus shale natural gas development activities during the second quarter of 2009 and to date. The developments to date support our view that the Marcellus shale formation will be an extremely profitable venture. It is with great pleasure that I announce that we have begun selling natural gas in August 2009 from one well that has daily production in excess of 2 Mmcf/d. This is a well where we have completed only one stage of a planned five stage frac. We are excited by the prospects of this well and the remaining 7 wells under development. Our employees have put in a lot of hard work out in the field culminating with the positive results we are now seeing at our Highway 706 project. We expect our daily natural gas production rates to continue to increase over the next six months. The cash flow from the sale of natural gas from the Marcellus shale formation will provide a substantial increase in our daily cash flows and expedite the development of additional wells on our Marcellus property."

Zoran Arandjelovic also stated "Epsilon is finalizing an extension of its gathering system to the north of the compressor site in order to bring on additional wells. The compression facility on location has a current capacity of up to 7 Mmcf/d and we are currently assessing adding another compressor to handle additional natural gas production from wells now under development. The establishment of this infrastructure will facilitate bringing on line future wells. In short, we are pleased with our progress."

The common shares of Epsilon trade on The Toronto Stock Exchange under the symbol "EPS".

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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 in such forward-looking statements are based on reasonable assumption 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.

Special note for news distribution in the United States

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