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NEWS RELEASE

EPSILON CLOSES \$35 MILLION BOUGHT DEAL OFFERING OF COMMON SHARES

Concord, Ontario - August 25, 2008 – Epsilon Energy Ltd. (“Epsilon” or the “Company”) (TSX: EPS) is pleased to announce that it has closed its previously announced “bought deal” offering. The offering consisted of 5,600,000 common shares issued by the company at a price of \$6.25 per common share for gross proceeds of \$35,000,000. The syndicate was led by Clarus Securities Inc. and included Cormark Securities Inc. In addition, the underwriters have an over-allotment option, exercisable in whole or in part at any time until 30 days following the closing date, to purchase up to an additional 840,000 common shares under the same terms and conditions. The offering was made in the provinces of Alberta, British Columbia, Manitoba and Ontario by way of a short form prospectus.

Epsilon plans to use the net proceeds of the offering to accelerate the Company’s drilling program in Yemen and the United States and for general corporate purposes.

This news release does not constitute an offer to sell securities, nor is it a solicitation of an offer to buy securities, in any jurisdiction. All sales will be made through registered securities dealers in jurisdictions where the offering has been qualified for distribution. The common shares offered are not, and will not be, registered under the securities laws of the United States of America, nor any State thereof, and may not be sold in the United States of America absent registration in the United States or the availability of an exemption from such registration.

About Epsilon Energy Ltd.

Epsilon is engaged in the acquisition, exploration, development and production of oil and natural gas reserves in the Middle East and North America:

- Republic of Yemen: Epsilon has a 57.14% paying interest and a 50% undivided interest in the Block 41 Production Sharing Agreement, which covers approximately 5,600 sq. km.
- Ethiopia: Epsilon has signed a study agreement covering 154,871.53 sq. km with the option to acquire oil and gas concessions for the entire area or portions thereof.

- North America: Epsilon has producing properties in West Virginia, New York and Ohio and is focused on additional exploration and development projects targeting the Marcellus Shale in the Appalachian Basin and the Utica Shale in Québec, Canada.

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Forward-Looking Statements

Certain statements contained in this new 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 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.