



//NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO U.S. NEWSWIRE SERVICES//

NEWS RELEASE

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

Concord, Ontario - July 30, 2008 – Epsilon Energy Ltd. (“Epsilon” or the “Company”) (TSX: EPS) is pleased to announce that it has entered into an agreement to issue and sell to a syndicate of underwriters, on a “bought deal” basis, 5,600,000 common shares at a price of \$6.25 per common share for gross proceeds of \$35,000,000. The syndicate will be led by Clarus Securities Inc. and includes Cormark Securities Inc. In addition, the Company has also granted to the underwriters 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 15% of the number of common shares sold pursuant to the offering under the same terms and conditions. If the over-allotment option is exercised in full, the gross proceeds of the offering will be \$40,250,000. The offering will be made in the provinces of Alberta, British Columbia, Manitoba and Ontario by way of a short form prospectus and the offered shares may also be sold to U.S. buyers on a private placement basis pursuant to an exemption from the registration requirements in Rule 144A or Regulation D of the *United States Securities Act of 1933*, as amended. The offering is scheduled to close on or about August 21, 2008.

Epsilon plans to use the net proceeds of the offering to accelerate the Company’s drilling program in Yemen and Pennsylvania 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 an 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 Quebec, Canada.

For further information please contact:

Epsilon Energy Ltd.
Dennis Tatum
Chief Financial Officer
(231) 922-0467 Ext: #101
Email: dennis.tatum@epsilonenergyltd.com
Website: www.epsilonenergyltd.com

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.

Special note for news distribution in the United States

The securities described in this news release have not been registered under the United States Securities Act of 1933, as amended, (the "1933 Act") or state securities laws. Any holder of these securities, by purchasing such securities, agrees for the benefit of Epsilon Energy Ltd. (the "Corporation") that such securities may not be offered, sold, or otherwise transferred only (A) to the Corporation or its affiliates; (B) outside the United States in accordance with applicable state laws and either (1) Rule 144(as) under the 1933 Act or (2) Rule 144 under the 1933 Act, if applicable.