



Epsilon Energy Ltd. Releases Third Quarter 2011 Results

Concord, Ontario – November 9, 2011 – Epsilon Energy Ltd. (“Epsilon” or “Corporation”) (TSX:EPS) is pleased to announce today its 2011 third quarter results. Copies of these documents may be obtained on www.sedar.com or on Epsilon’s website at www.epsilonenergyltd.com.

EPSILON ENERGY LTD. HIGHLIGHTS

(in 000’s of U.S. dollars, except per unit amounts)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenues	\$ 1,583	\$ 2,690	\$ 5,271	\$ 10,556
Cost of operations	3,936	1,928	9,189	9,444
Gain on farmout agreement	3,343	-	27,624	-
Other income	13	28	34	68
Income tax expense	(984)	-	(984)	-
Net income	\$ 1,987	\$ 790	\$ 24,724	\$ 1,180
Net income per share, basic	\$ 0.04	\$ 0.02	\$ 0.50	\$ 0.02
Net income per share, diluted	\$ 0.04	\$ 0.02	\$ 0.49	\$ 0.02

Three months ended September 30, 2011 and 2010

Total revenues decreased in the third quarter of 2011, when compared to the same period in 2010, as a result of the 50 percent reduction of revenue from its existing wells due to Chesapeake reaching the \$25 million capital expenditure milestone on behalf of Epsilon, effective as of March 1, 2011 (per Farmout agreement Chesapeake was entitled to 50% of Epsilon’s existing production upon reaching this milestone). Epsilon’s net production also decreased due to discontinued production after August 1st in New York (Epsilon exchanged approximately 175 MCFD of existing production in NY for 50% of the remaining acreage with our NY partners), and temporary well shut-ins in Pennsylvania. One well was shut-in during mid-July, due to immediate proximity to the pad of wells being completed, and remains shut in until other wells in the unit are completed. Two additional wells were shut in during a portion of September, due to frac’ing and weather conditions.

There will be a substantial production increase in the last quarter of 2011, as new wells have started to come online at the beginning on October. Average natural gas prices were consistent between the two periods. Epsilon’s gas production on November 8th 2011 reached approximately 13 MMCFD.

Epsilon also expects to show revenue from oil production in Saskatchewan in Q4 2011 with a further increase during 2012.

In the three months ended September 30, 2011, the Corporation had an increase in net income of \$1.2 million, when compared to 2010. The increase was mainly due to credit adjustments to deferred tax expense. Excluding the deferred tax credits, the Corporation had a decrease in net income, when compared to the same period in 2010, due to lower Oil and gas revenues, higher DD&A, operating costs and G&A costs. Also, the impairments on undeveloped properties recognized were higher than in same period for 2010.

Nine months ended September 30, 2011 and 2010

Total revenues decreased during the nine months ended September 30, 2011, when compared to the same period in 2010, as a result of decreased production stemming from well maintenance during the period February 22, 2011 to March 17, 2011, and as a further result of the 50 percent reduction of revenue from its existing wells due to Chesapeake reaching the \$25 million capital expenditure milestone on behalf of Epsilon, effective as of March 1, 2011. Epsilon's net production also decreased due to discontinued production after August 1st in New York, and temporary well shut-ins in Pennsylvania. One well was shut-in during mid-July and remains shut in until other wells in the unit are completed. Two additional wells were shut in during a portion of September, due to frac'ing and weather conditions. There will be a substantial production increase in the last quarter of 2011, as new wells come online. Even though Epsilon's net production decreased, there has actually been an overall increase in gross production from three additional wells coming online in Pennsylvania than in the first nine months of 2010. As for average natural gas prices in 2010, the corporation sold its gas partially under hedge contracts until the end of June 2010, at a price 10.0 percent higher than in 2011.

Net income for the nine months ended September 30, 2011 increased substantially over 2010 due primarily to the gain of the Farmout agreement assets and deferred tax credit adjustments. Excluding the gain, there was a decrease in net income when compared to the same period in 2010. Oil and gas revenues were lower, DD&A and operating costs were higher, and recognized impairments on undeveloped properties contributed to the decrease.

International Financial Reporting Standards

These financial statements represent Epsilon's second application of International Financial Reporting Standards ("IFRS") as adopted in Canada on January 1, 2011. IFRS policies have been retrospectively and consistently applied to comparative periods except where specific exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters. Accordingly, comparative results for 2010 may not correspond to the results previously reported.

The adoption of IFRS has not had a material impact on the Corporation's operations, strategic decisions, cash flows or capital expenditures.

About Epsilon Energy Ltd.

Epsilon Energy Ltd. is engaged in the exploration and production of natural gas reserves. The Corporation also has participating interests and production sharing agreements in other natural gas and oil plays within North America and Africa. Established in 2005, the Corporation has been a producer of natural gas and oil since 2006. Epsilon's ongoing business strategy involves focused targeting of lower risk natural gas properties within the Marcellus Shale and other parts of Canada and the United States, as well as the high potential oil & gas properties in Africa.

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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

The securities described in the 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.