



Epsilon Energy Ltd. Achieves Production Milestone in Marcellus.

Concord, Ontario – January 23, 2012

Epsilon Energy Ltd. ("Epsilon" or "the Company") is pleased to announce that net production from the JV with Chesapeake Energy Corporation ("Chesapeake") in Susquehanna County, PA has reached 28 MMCF/D. The achievement of this milestone, originally anticipated to occur by December 31, 2011, was delayed slightly due to the operational challenges posed by the flooding in northeast PA in September 2011.

Epsilon anticipates the 400 MMCF/D gas gathering system in Pennsylvania to be complete and fully operational by the second half of 2012. Epsilon's 35% ownership of this system will contribute significantly to the Company's future revenues and operational cash flows.

Epsilon also expects significant oil production growth in 2012 from its drilling activities in Saskatchewan with operator Spartan Oil Corporation. The Company will provide more detailed updates on drilling results as they become available.

About Epsilon Energy Ltd.

Epsilon is engaged in the exploration and production of natural gas reserves. The Company also has participating interests and production sharing agreements in other natural gas and oil plays within North America and Africa. Established in 2005, the Company 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 and gas properties in Africa.

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Special note for news distribution in the United States

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