



Epsilon Energy Ltd. Releases Second Quarter 2011 Results

Concord, Ontario – August 5, 2011 – Epsilon Energy Ltd. (“Epsilon” or “Corporation”) (TSX:EPS) is pleased to announce today its 2011 second quarter results. A copy of the interim financial statement for the three months period ended June 30, 2011, 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 June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues	\$ 1,676	\$ 3,869	\$ 3,687	\$ 7,866
Cost of operations	3,269	3,512	5,253	7,516
Gain on farmout agreement	24,282	-	24,282	-
Other income	10	23	21	40
Net income	\$ 22,699	\$ 380	\$ 22,737	\$ 390
Net income per share, basic	\$ 0.46	\$ 0.01	\$ 0.46	\$ 0.01
Net income per share, diluted	\$ 0.45	\$ 0.01	\$ 0.45	\$ 0.01
Net assets	\$ 106,124	\$ 67,797	\$ 106,124	\$ 67,797
Debt	-	-	-	-

Total revenues decreased during the three and six months ended June 30, 2011, when compared to the same period in 2010, as a further result of the 50 percent reduction of revenue from its existing wells due to Chesapeake Energy Corp. (“Chesapeake”) reaching the \$25 million capital expenditure milestone on behalf of Epsilon, effective as of March 1, 2011. Additionally, total revenues decreased during the six months ended June 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. 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 23.7 percent higher for the quarter and 16.0 percent higher year to date, than in 2011.

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, when compared to the three and six months ended June 30, 2010.

Epsilon expects revenues to increase over time as the new gas wells being developed through the Chesapeake joint venture come on line. Currently, there are seven wells that are in various stages of fracturing. These wells are expected to be online by mid September 2011.

Epsilon noted that Chesapeake had voluntarily suspended all of their hydraulic fracturing procedures in Pennsylvania as of April 21, 2011, due to an unexpected chemical leak during fracking, to evaluate the cause. On May 13, 2011, Chesapeake lifted the suspension on its fracking procedures and operations have resumed.

The net income for the three and six months ended June 30, 2011 increased substantially over 2010 due primarily to the gain of the Chesapeake farmout agreement assets. During period ended June 30, 2011, Chesapeake fulfilled its first earning period carry obligation of \$50.0 million. Epsilon derecognized 25% of its assets pertaining to the Farmout Agreement assignable to Chesapeake, and recognized a gain on disposal of the assets. Excluding the gain, there was a decrease in net income when compared to the same period in 2010. Oil and gas revenues were lower, because an impairment on undeveloped properties was recognized and general and administrative expenses were higher.

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.