

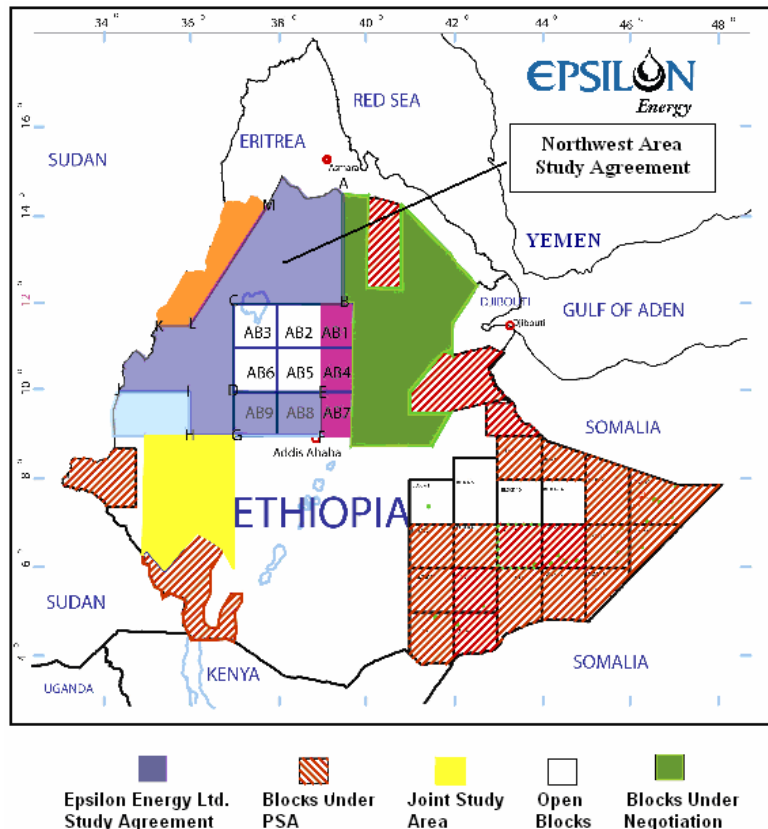


Epsilon Energy Ltd. enters into exclusive “Northwest Area Study Agreement” in the Federal Democratic Republic of Ethiopia

CONCORD, Ontario – June 16, 2008 – Epsilon Energy (“Epsilon” or the “Company”) (TSX: EPS) is pleased to announce it has entered into an exclusive Study Agreement (the “Northwest Area Study Agreement”) with the Ministry of Mines and Energy (the “Ministry”) in the Federal Democratic Republic of Ethiopia. The Northwest Area Study Agreement covers 154,871.53 square kilometers (96,232.7 square miles) in the northwestern sector of the country, with an initial one year term.

There have been virtually no prior oil and gas exploration activities within the lands covered by the Northwest Area Study Agreement. Epsilon intends to utilize Landsat or SPOT imagery, coupled with gravity and/or magnetic surveys, which will be supplemented with land based efforts to identify sedimentary basins that have potential for oil and/or gas deposits. Upon completion of the Northwest Area Study Agreement, Epsilon has an exclusive right to negotiate an agreement or agreements to further explore for oil and gas on any or all of the land covered by the Northwest Area Study Agreement by obtaining an oil and gas concession or concessions from the Ministry.

Fred Zaziski, Epsilon’s President and CEO, stated “the Northwest Area Study Agreement allows the Company to further expand its international oil & gas activities in a region that it believes is vastly under-explored. As per the Northwest Area Study Agreement, any concessions Epsilon may obtain as a result of this endeavor will reflect historical production sharing agreement terms. The rights the Company has acquired in the Northwest Area Study Agreement truly provide mutual benefits to both the Ministry and Epsilon. The Company is looking forward to a long and fruitful cooperative effort between both parties”.



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. In the 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 1.4 million gross (791,000 net) acres onshore. In 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:

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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.

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.