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Australian Stock Exchange
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ASX RELEASE

Epsilon to acquire 11,330 km² portfolio of advanced uranium and gold properties in Guyana South America

Summary

Epsilon Energy Limited has entered into a binding letter agreement to acquire all of the outstanding securities of Takatu Minerals Limited a private Canadian company which controls 11,330 km² of highly prospective uranium and gold properties in Guyana, South America. The transaction will see Epsilon acquiring highly prospective uranium exploration acreage as well as several advanced stage gold targets and a strategic crustal scale exploration position in one of the world's least explored major gold belts.

Geologically Guyana is underlain by the Guiana shield a Proterozoic aged craton that before the opening of the Atlantic Ocean was contiguous with the Leo Mann Shield of West Africa. As such the geology of the Guiana Shield is similar in age, lithology and style of mineralisation to the prolific Birimian gold belts of West Africa. The present known endowment of the Guiana Shield is >100Moz and the Shield hosts numerous "World Class" (>3 million ounce) gold deposits. Almost all of the known gold deposits lie within a portion of the Shield that lies within 200km of the coast in an arcuate belt of greenstones with a strike length of approximately 1,200km. The projects to be acquired by Epsilon will give it control of 10% of this prime geological address.

Via the transaction Epsilon will acquire the three projects controlled by Takatu. These are;

- Amakura Uranium Project – 4,000 km² located in the northwest of Guyana, which exhibits several large high intensity airborne radiometric anomalies associated with broad regions of surface uranium anomalism. It is prospective for granite hosted and sodic metasomatic uranium deposits.

- The West Omai Gold Project - 830 km²: An advanced exploration project covering a 40km strike portion of the same structural stratigraphic corridor which hosts the Omai gold mine (3.7 Moz produced), located 15km to the east. It has a pipe line of drill, near drill and greenfields gold targets, which include;
 - The Hicks Prospect - an historic foreign (non JORC compliant) shallow resource of 4.0Mt @ 2.2g/t (280,000 oz.) with robust untested strike and depth extensions (see note below on historic foreign resource estimate).
 - The yet untested Kaburi Prospect a 400m diameter shallow open pit working which is the single largest artisanal working in Guyana, having been mined since 1912 and yet remains untested by modern methods. Kaburi is the also the largest bedrock gold opening in Guyana after the Omai gold mine.
 - Several lesser but significant artisanal bedrock workings.
 - Substantial and extensive artisanal alluvial workings located in many different streams (>150,000 ounces produced) and significant Government survey delineated stream sediment anomalies, which appear to coincide with several crustal scale structures defined by geophysics.

- East Omai Gold Project - 7,330 km²: A green fields exploration project, comprising a largely covered 80km strike by 60 km width portion of the main Guiana Shield gold belt. With potential to host not only several major gold deposits but entire mining camps.

Epsilon is planning a raising of \$3 million to \$5 million to fund exploration at the Amakura Uranium Project to follow up airborne radiometric anomalies on the ground through mapping and trench sampling programmes. Funds will also be expended at the West Omai project where it believes the Hicks Resource can be rapidly brought into JORC compliance, and expanded significantly via an infill and extensional resource drilling program. Concurrently Epsilon will also conduct detailed mapping and surface sampling of the Kaburi open pit working followed by a significant resource drilling program. Detailed airborne geophysical surveys, soil sampling and exploratory scout drilling will be undertaken on both the West Omai and East Omai projects. It is considered that there is excellent potential to delineate substantial gold resources in the short term, and discover significant maiden gold deposits within the next twelve months.

Details of Transaction

Under the letter agreement Epsilon will acquire 100% of the issued capital of Takatu from the shareholders of Takatu ("Shareholders"), the consideration for which is as follows:

- (a) The issue of 106,800,000 fully paid ordinary shares of Epsilon to the Shareholders;
- (b) The issue of Epsilon shares to the value of US\$150,000 in order to satisfy obligations under an Agreement of Sale and Purchase over part of the West Omai Project;
- (c) The issue of 1,500,000 shares to Cassels Brock Lawyers to partly satisfying debts;
- (d) The issue of 2,500,000 fully paid ordinary shares of Epsilon as a facilitation fee to Ventnor Capital Pty Ltd;
- (e) The issue of 1,500,000 fully paid ordinary shares of Epsilon as a facilitation fee to PowerOne Capital Markets Ltd;
- (f) The issue of 12,000,000 options (exercisable at 4c and with an expiry date of 31st December 2012) over fully paid ordinary shares of Epsilon to the holders of existing 15c warrants over shares in Takatu; and
- (g) The issue of 10,000,000 options (exercisable at 18c and with an expiry date of 31st December 2012) over fully paid ordinary shares of Epsilon to the holders of existing 67c warrants over shares in Takatu.

In addition to any ASX imposed escrow, all ordinary shares issued pursuant to 1(a), (d) and (e) above will be voluntarily escrowed for 6 months from their date of issue.

On completion of the transaction Dominic O'Sullivan will be appointed an Executive Director of Epsilon and will continue to manage the affairs of Takatu. Dominic is a Geologist with 19 years experience, 14 years of which are in West Africa and the Guiana Shield. He has been the driving force behind the acquisition of Takatu's portfolio of uranium and gold properties. Dominic resides in Georgetown, Guyana and will continue to manage the Projects post successful completion of the transaction.

The transaction is subject to and conditional upon:

1. Epsilon concluding to its absolute satisfaction due diligence by 1 November 2009;

2. Epsilon completing a raising of at least \$3 million at a price no less than 80% of the 5-day VWAP of Epsilon shares on ASX;
3. Takatu paying its due and payable creditors in order to have a neutral cash position at Completion;
4. Receipt by Epsilon of all necessary shareholder and regulatory approvals in respect of the final transaction and the proposed issue of consideration shares;
5. Epsilon agreeing a remuneration package with Dominic O'Sullivan for his position as Executive Director in line with industry standard packages. This package will include a securities incentive scheme which will be subject to shareholder approval; and
6. Takatu conducting its business in the ordinary course and maintaining the status quo before completion of the transaction without Epsilon's prior consent.

Epsilon share structure at Completion is set out in the table below based on the following assumptions;

- Settlement of US\$150,000 payment as per (b) above is undertaken at 5c (the last traded price of Epsilon shares) and an exchange rate of A83.2c to US\$1.00.
- A raising of \$3 million at a price of 5c (the last traded price of Epsilon shares as at the date of this announcement).
- Excludes any securities allotted under any remuneration package.

	Shares	Options	Exercise Price
Existing Shares	55,337,010		
Existing Options		3,500,000	15c to 40c
Raising	60,000,000		
Takatu Vendors - Shares	106,800,000		
West Omai Agreement	3,606,344		
Cassels Brock Debt Conversion	1,500,000		
Takatu Vendors 15c Warrants		12,000,000	4c
Takatu Vendors 67c Warrants		10,000,000	18c
Takatu Facilitation Shares	4,000,000		
Total	231,243,354	25,500,000	

Richard Monti is a Director of Epsilon and also is a shareholder of Takatu and a Director and Shareholder of Ventnor Capital and therefore has a financial interest in the transaction. Relevant shareholder approvals will be sought by virtue of these interests.

Country Background

The Cooperative Republic of Guyana (**Guyana**), whose capital is Georgetown, is located on the northern coast of South America between 1° and 8° north of the equator, and occupies a land surface area of approximately 215,000km², slightly smaller than Great Britain. The country is bordered by the Atlantic Ocean to the northeast, Suriname to the east, Brazil to the southeast and Venezuela to the northwest. It is a tropical country with a population of approximately 750,000.



Location of Guyana

Guyana is the only English speaking country in South America and achieved Independence from the UK in 1966. It is a stable democracy, with a legal system based on English Law and has a well defined mining act and mining fiscal regime which has remained largely unchanged since 1989.

Guyana has a vibrant well regulated mining sector which includes the development in the 1990s of Cambior's Omai gold mine which produced 3.7Moz before closing in 2005. More recently, in the last 6 years, exploration by Canadian juniors has proved successful with several significant gold deposits such as Guyana Goldfield's Aurora project (5.5Moz) and Sandspring Resources' Toroparu project (2.4Moz) being delineated. Guyana has also attracted exploration from significant gold companies and both Iamgold and Newmont have significant exploration programs in both Guyana and neighboring Suriname, where Iamgold is mining the 13Moz Gross Rosebel mine and Newmont has recently announced the discovery of +3Moz at the Nassau deposit. The above deposits are not assets of Takatu.

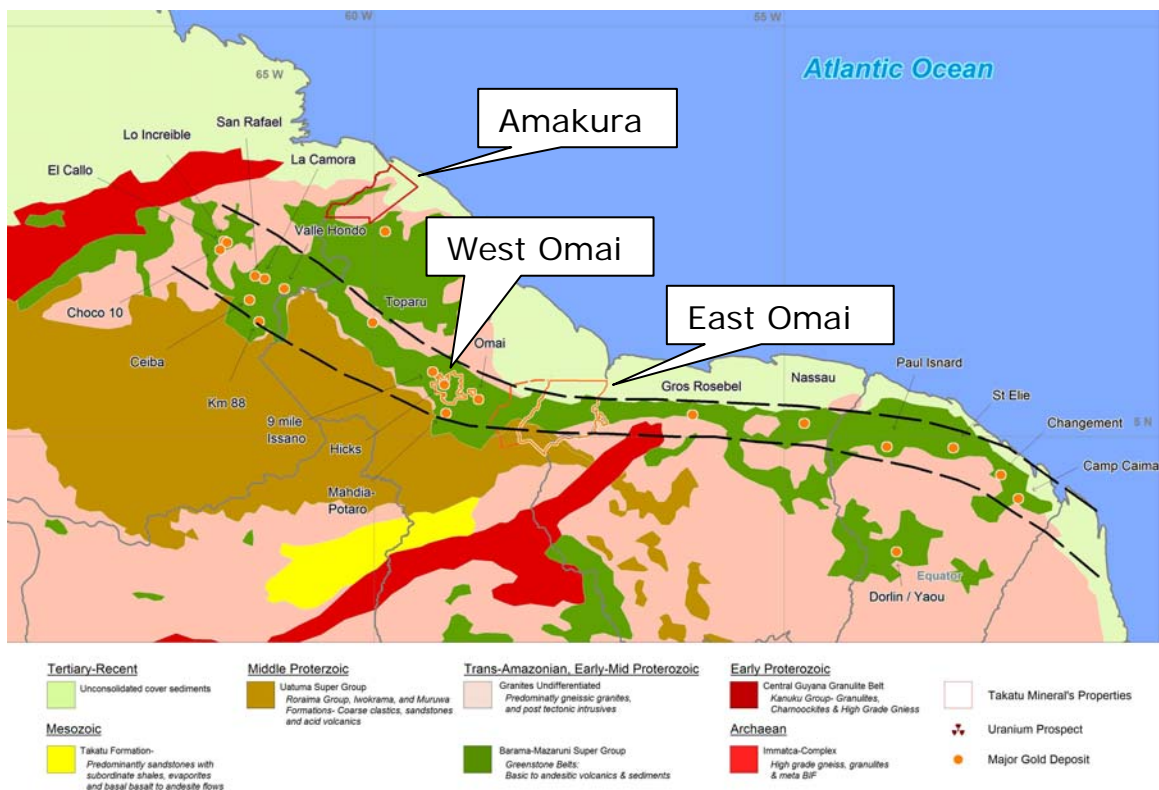
In the last 6 years gold exploration expenditure in Guyana has in aggregate amounted to approximately USD80 million and resulted in the discovery of approximately 10.9Moz of gold. Amply demonstrating that at less than USD8/ounce discovery cost Guyana is among the most cost effective destinations for exploration of anywhere on the planet.

Geological Setting

Guyana is underlain by the Guiana Shield, a mainly early-mid Proterozoic craton located in northeast South America and lying for the most part between the Orinoco and Amazon River basins covering an area of more than 2 million square kilometers. The Shield underlies much of northern Brazil, southern and eastern Venezuela and entirely underlies the countries of Guyana, Suriname and French Guiana.

It is generally accepted that the Guiana Shield was joined to the similarly aged Birrimian Leo-Man Shield in West African- the two shields forming a single craton before the opening of the Atlantic 115 Ma ago. As such the Guiana Shield shares many of the same geological characteristics. Both shields exhibit similar lithologies, experienced similar, structural histories and both have strong gold endowments hosted by deposits of similar styles and geological settings. The gold deposits of the Guiana Shield are mostly found in a belt of 2.4 -1.95 Ga aged granite-greenstone terrane which approximately parallels the coast from French Guiana to Venezuela and extends inland for between 100-300 kilometres.

The presently known gold endowment (resources + historic production) of this 200,000 square kilometer portion of the Shield is in excess of 100 million ounces and includes numerous world class deposits such as Aurora (5.5Moz) and Omai (5.8Moz) in Guyana, El Callo (18Moz), Las Christinas (17Moz) and Brisas (10Moz) in Venezuela, Gross Rosebel (13.7Moz) and Nassau (>3Moz) in Suriname. The above deposits are not assets of Takatu.



Northeast portion of the Guiana Shield showing greenstone belts, major gold deposits location of Takatu mineral's projects and outline of the main gold mineralised belt.

The Guiana Shield is also considered highly prospective for uranium mineralisation and in particular unconformity related uranium deposits. The International Atomic Energy Agency stated in 1980 that "the most favourable area for the location of Proterozoic unconformity related deposits in South America is that underlain by the Guyana Massif". Previously Guyana has been subject to uranium exploration by Cominco, Cogema, and Cameco which resulted in the delineation of several uranium occurrences, and promising radiometric anomalies located mostly within the early Proterozoic basement. Currently the Canadian junior U3O8 Corp is exploring for uranium in Guyana and has successfully indentified basement hosted sodic metasomatic mineralisation within the Kurupung Batholith. Here U3O8 Corp has identified a resource of 7 million lbs of uranium at a grade of 0.10% U3O8 and numerous targets for further exploration drilling.

Historic Foreign Estimate of Resources

Resource estimates which do not conform to the JORC code have been previously undertaken on the Hicks Deposit within the West Omai Project. A summary of these resource estimates is included below. Most information is from a Canadian NI 43-101 report compiled by RSG Global/Coffey Mining dated 19 December 2007.

The Company notes that the Historical Foreign Estimates of the resources are not reported in accordance with the JORC Code and that it is uncertain that following evaluation and/or further exploration that the resource estimate will ever be reported in accordance with the JORC Code.

Cathedral Resources Corporation

A resource estimate was prepared for the Hicks Zone by Cathedral Gold in 1996. The exercise involved a polygonal approach to estimate both saprolite (oxide) and bedrock (primary) resources utilising drilling and trenching data over a strike length of 1,200m for bedrock mineralisation and 1,000m for saprolite mineralisation. Excluded portions were considered either too narrow or too low grade to be of interest, or comprised insufficient data to permit a meaningful estimate.

Due to the lack of diamond coring through the oxide profile, saprolite resource estimates relied on the previous trenching carried out in 1988, along with that completed by Cathedral Gold during a 1993 program. Although unexplained, results from the 1994 trenching program and pit sampling were excluded from the saprolite estimate. A swamp covering the north-western extensions of the Hicks Zone precluded a saprolite estimate in this area.

No upper cut-off grade was applied in either the saprolite or bedrock estimate, and all assays were applied at face value. Duplicate or check assays were averaged prior to application in grade estimation. 'Specific gravities' were applied for the bedrock estimate by averaging values routinely recorded from diamond core, while saprolite 'specific gravities' or bulk densities were determined for selected samples collected from trenches and drill holes. Average specific gravities/bulk densities of 2.75t/m³ and 1.65t/m³ were respectively applied to determine the primary ('bedrock') and saprolite tonnage estimates. These values are considered to be broadly consistent with the material types being estimated.

Saprolite resource estimation involved the following methodology;

- Lower cut-off grade of 0.25g/t Au used to define block boundaries.
- Duplicate trench samples (opposite walls) were averaged.
- 'Bucket' samples were averaged.
- Block boundaries selected at the mid-point between trenches.
- Surface area calculated using Autocad software.
- Saprolite-bedrock interface determined from 1974 Cominco auger drilling and 1994-95 Cathedral Gold diamond drilling.
- Average saprolite depth for each block was determined.
- Samples grading <0.25g/t Au lying within the block outline were included as internal waste.
- Weighted averages for trench, bucket and channel samples of varying length were applied.

Bedrock resource estimation involved the following methodology;

- No specific lower cut-off grade was used to determine block boundaries, rather they were determined by the last significant assay in the intersection.
- Boundaries between holes and sections were determined by the midpoint.
- Block areas were calculated manually from sections, with adjustment for the saprolite interface where necessary.
- Block grades were determined by the uncut weighted average of samples within the defined drill intercept.
- The resources were estimated without consideration of depth and down to 0m elevation, representing an approximate average depth of 75m below surface.

The unclassified resource estimates prepared by Cathedral Gold are summarised in the Table below.

Material Type	Depth Limit	Tonnes (t)	Grade (g/t Au)	Metal (oz Au)
Saprolite	All	970,352	1.71	53,348
Bedrock	~75m	1,730,899	2.26	125,768
Bedrock	All	2,984,961	2.33	223,607
Total	~75m	2,701,251	2.06	179,116
Total	All	3,955,313	2.18	276,955

These resource estimates are of an historic nature and were prepared by representatives of Cathedral Gold Corporation. Insufficient information exists to enable adequate independent validation of the source information applied in estimation. Similarly, several aspects of the estimation methodology remain uncertain, or are considered suboptimal, and the estimates are unclassified.

It is noted that the systematic and well recorded pit sampling results closely reflect the original surface trench values. This lends a measure of confidence to the otherwise poorly populated and distributed grade data comprising the saprolite estimate.

While it is considered that these estimates provide an indication as to the potential of the Hicks Zone, they should not be considered to represent Mineral Resources classified in accordance with the JORC code.

Cambior Inc.

As part of its evaluation of the Hicks property in 1998, Cambior re-estimated the saprolite and primary resources associated with the Hicks Prospect using Gemcom software to produce a block model. It is understood that this process was undertaken without significant additional drilling.

As the block model reports represent the only information remaining from this exercise, little can be determined on the procedures adopted in the estimation process, other than it appears to have been modeled using the inverse distance squared (ID2) interpolation method. The block model reports do indicate, however, that the applied bulk densities were 1.5t/m³ and 2.7t/m³ for saprolite and primary material respectively, being marginally less than those applied in the Cathedral Gold estimate.

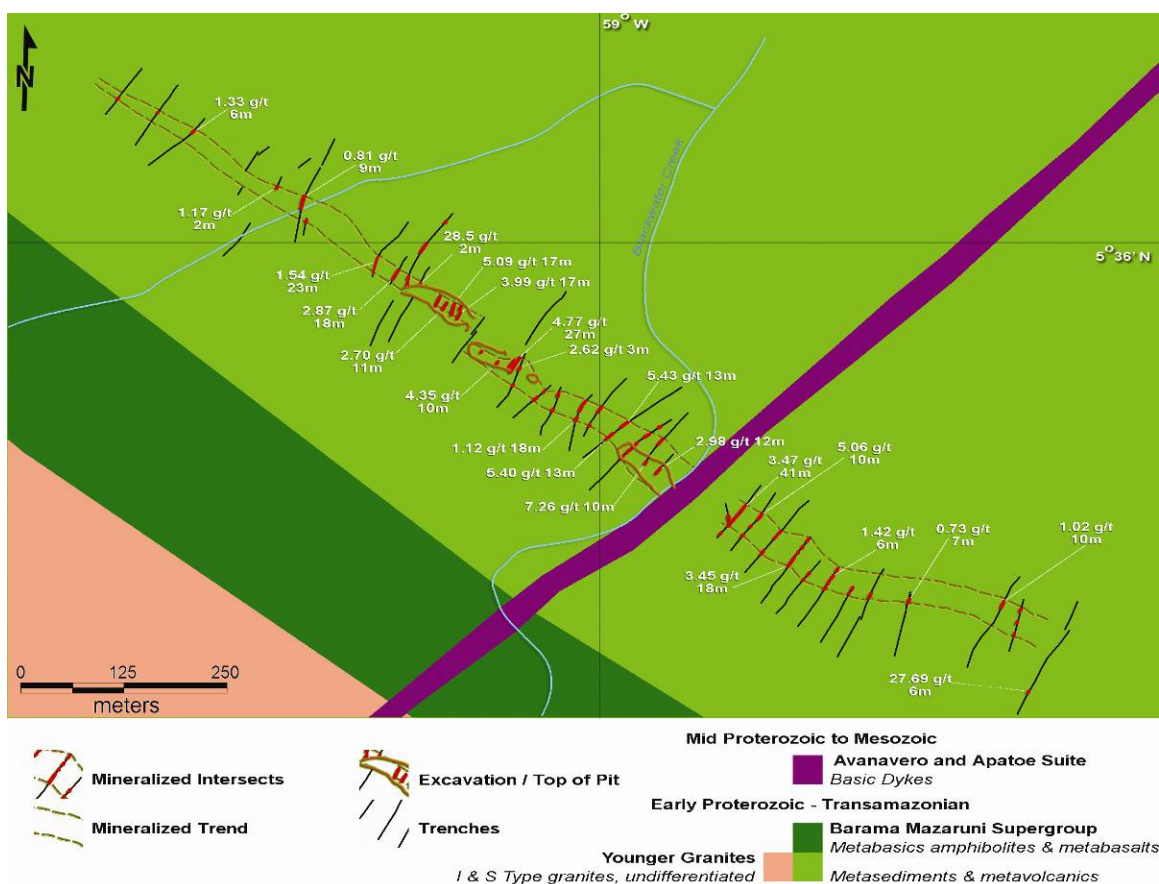
The mineralised estimates determined by Cambior are unclassified and summarised in the Table below.

Material Type	Tonnes (t)	Grade (g/t Au)	Metal (oz Au)
Saprolite	370,041	1.85	21,952
Primary	3,735,643	2.24	268,860
Total	4,105,684	2.20	290,812

While it is considered that these estimates provide an indication as to the potential of the Hicks Zone, they should not be considered to represent Mineral Resources classified in accordance with the JORC code.

The Company notes that the two historic foreign resource estimates have been calculated by two companies independently using different calculation methods and that the results of the two estimates are similar. Furthermore at the time that the historic resource estimates were undertaken both companies were listed on the Toronto Stock Exchange and Cambior was a significant gold producer and operated the neighbouring Omai gold mine. This fact adds to the reassurance of Company of the accuracy reliability and relevance of the estimates. Given that the historical foreign resources estimates contain approximately 280,000 ounces of gold, the inclusion of the historical estimates represents a material disclosure for the Company.

The Company believes that the Announcement is consistent with the guidance contained in the Companies Updates numbered 11/07 and 05/04. ASX has granted a waiver to listing rule 5.6 to allow the Company to report the Historical Foreign Estimates of the resource estimates.



Geology of the Hicks Prospect showing significant trench intersections

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The information in this report that relates to exploration results, mineral resources or ore reserves and the Historic Foreign Estimate of Resources at the West Omai Project is based on information compiled by Mr Richard Monti who is a member of the Australasian Institute of Mining and Metallurgy. Furthermore Mr Monti accepts responsibility for the accuracy of the information contained within the Announcement. Mr Monti is a Director of Epsilon Energy Ltd. Mr Monti has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Monti consents to the inclusion in this ASX Release of the matters based on his information in the form and context in which it appears.

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Appendix 1

ASX Information required in relation to waiver of Listing Rule 5.6:

The Directors of Epsilon include the following information in regard the waiver provided by ASX in relation to the Company's requirement to comply with the JORC Code:

- (a) The Directors of Epsilon note that the Historical Foreign Estimates of the resources and reserves are not reported in accordance with the JORC Code and that it is uncertain that following evaluation and/or further exploration that the resource or reserve estimate will ever be reported in accordance with the JORC Code;
- (b) The information provided in relation to historical resource estimates is sourced from a Canadian NI 43-101 report compiled by RSG Global/Coffey Mining dated 19 December 2007;
- (c) The Directors of Epsilon believe that the estimates are relevant to shareholders as they provide an indication of the currently defined mineralisation and potential resources of the project area to be acquired;
- (d) The Directors of Epsilon believe that the estimates are reliable as they have been calculated by two companies independently using different calculation methods and that the results of the two estimates are similar. Furthermore at the time that the historic resource estimates were undertaken both companies were listed on the Toronto Stock Exchange and Cambior was a significant gold producer and operated the neighbouring Omai gold mine.;
- (e) The Directors of Epsilon consider the estimates to be material to the Company, given the current market capitalisation of Epsilon;
- (f) The historical resources are unclassified, and as such do not use the same categories as the JORC Code;
- (g) The historical foreign estimates were carried out by Cathedral Gold Corporation (4.0Mt @ 2.2 g/t Au for 280,000 ozs) and Cambior Inc (4.1Mt @ 2.2 g/t Au for 290,000 ozs). The Directors are unaware of any further recent estimates or material data that can be included in the announcement;
- (h) The Company's intends to obtain information, through an infill and extensional resource drilling program to enable the reporting of resources estimates under the JORC Code within the coming 12 months;
- (i) The Directors of Epsilon believe the above announcement is consistent with the guidance contained in Companies Updates 11/07 and 05/04;
- (j) The information in this report that relates to exploration results, mineral resources or ore reserves and the Historic Foreign Estimate of Resources at the West Omai Project is based on information compiled by Mr Richard Monti who is a member of the Australasian Institute of Mining and Metallurgy. Furthermore Mr Monti accepts responsibility for the accuracy of the information contained within the Announcement. Mr Monti is a Director of Epsilon Energy Ltd. Mr Monti has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Monti consents to the inclusion in this ASX Release of the matters based on his information in the form and context in which it appears.; and
- (k) ASX has granted a waiver to listing rule 5.6 to allow the Company to report the Historical Estimates.