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Ithaca Energy Inc.

2008 Financial Results and Release of Reserve Report

London, UK - Calgary, Canada, March 26, 2009 – Ithaca Energy Inc. (“Ithaca” or “the Company”) (TSX Venture: IAE, LSE AIM: IAE) and its wholly owned subsidiary Ithaca Energy (UK) Limited, an independent oil & gas company with exploration, development and production assets in the UK sector of the North Sea, is pleased to announce its financial results for the year ended 31 December 2008, together with a reserves update.

Highlights:

- A substantially strengthened balance sheet through an equity fundraising and a transaction with Dyas (UK) Limited leaving the Company well funded to:
 - Meet its 2009 expenditure programme
 - Be resilient against a prolonged low oil price and difficult funding environment
- Successfully reprioritised development programme around Jacky to suit market conditions:
 - FDP approval, platform and tie in pipelines successfully installed
 - First production at or around end March 2009 at currently anticipated 2009 gross rate of 7,500 bopd
 - Oil sales and tank rental agreement entered into with BP Oil International Limited
- Completed lease of Beatrice production and facilities including the Nigg oil storage terminal:
 - Immediate gross production from the Alpha platform of approximately 2,000 bopd
 - Anticipated resumption of production from the Bravo platform in March 2009, estimated at gross rate of 700bopd
 - Operating costs reduced whilst sustaining higher production
- Established medium and longer term growth opportunities:
 - Acquisition of an interest in the Stella and Harrier fields in August 2008
 - Drilled the Carna gas discovery post year end
 - Athena oilfield development being reappraised under lower cost environment
- Completed the sale of a non core interest in the Barbara field in November 2008
- Completed an independent reserve report by Sproule International Limited showing a year on year increase in Proved plus Probable reserves of 9.5% after accounting for the Dyas transaction and the Barbara disposal.

Financial Highlights:

- Total assets increased to US\$ 358.7 million (US\$ 226.1 million: 2007)
- Cash balance at year end stood at US\$ 39.2 million.

Commenting, Iain McKendrick, Chief Executive Officer of Ithaca, said:

“In 2008 the oil industry and wider macro economy experienced unprecedented volatility. Ithaca accessed the equity market for C\$75 million ahead of the markets closing to smaller oil companies in the third quarter. As a result of funding constraints in the debt markets Ithaca looked for a financing

solution from within the industry and moved swiftly to conclude the strategic Dyas portfolio deal. The Dyas transaction preserved value for Ithaca shareholders whilst addressing our funding shortfall and allowed us to complete the Beatrice deal as well as the Jacky development. Ithaca is now well funded to meet its 2009 expenditure program, resilient to a prolonged low oil price environment and also ongoing constraints around accessing new debt and equity.”

Introduction

2008 was a year of exceptional market turbulence with volatile oil prices and the closure of both debt and equity markets for smaller development oil companies such as Ithaca. Despite these conditions, the Company managed to complete many of the plans set out at the start of the year. These plans included closing the previously announced transaction to lease the Beatrice field from Talisman, tie in the Jacky development and materially advance the development of the Athena field. In addition, Ithaca also advanced the Polly and Manuel prospects by drilling wells on both.

In 2009 and 2010, the costs of the Company’s anticipated development activities are expected to be met through a combination of existing cash resources, cash flows from production and selective farm-outs. While these costs are likely to be significant, the Company is assuming that both the debt and equity markets remain closed and therefore has budgeted for its expenditure programme accordingly.

Exploration and Appraisal Drilling and ongoing Field Development

Greater Beatrice Area

In the first quarter of 2008, Ithaca drilled its Polly Prospect on Block 12/26c (Ithaca 59.8% post Dyas transaction) and the Manuel prospect in block 11/29 (Ithaca 61.09% post Dyas Transaction). The Polly well has been suspended for future evaluation having encountered oil in the Beatrice Sandstone and the discovery will be considered for further activity when ranked with other opportunities in the Beatrice area. The Manuel well encountered oil saturated sands of Jurassic age of less than reservoir quality.

On November 10, 2008 Ithaca announced that it had closed a deal to lease 100% of the Beatrice oilfield and Nigg Terminal (net 74.75% following completion of the Dyas Transaction) from Talisman for a minimum of 3 years, extendable at Ithaca’s election for the duration of production, in consideration for the sum of £10 million (approximately US\$16.5 million at the time). After cessation of production Beatrice will be returned to Talisman who remains responsible for decommissioning and abandonment of the facilities. Ithaca has appointed Wood Group Engineering to be the Duty Holder for the Beatrice facilities under UK offshore regulations.

The acquisition of the Beatrice field provided Ithaca with its first oil production of 2,000 bopd and control of the infrastructure in the area. Since acquiring these assets, Ithaca has successfully reduced costs whilst sustaining higher production rates.

The Company entered in to a sales agreement with BP Oil International Limited (“**BPOIL**”) on 23 December, 2008 to market the Beatrice and Jacky crude oil through to 31 December, 2009, extendable by mutual consent for a further year. This agreement prices the monthly production against set benchmarks resulting in regular payments, irrespective of when BPOIL elects to lift the oil from the Nigg tanks. This agreement was extended on March 25, 2009 to a five year deal covering all of Ithaca’s qualifying oil production in the North Sea. Under a separate transaction, the Company has agreed to lease the spare Nigg oil tank to BPOIL for a fixed monthly payment for a term of one year.

Jacky

The 67.28% owned Jacky field received Field Development Plan approval from the Department of Energy and Climate Change (“DECC”) on 10 November, 2008.

The Company has contracted with Northern Offshore for the immediate mobilisation of the Energy Enhancer jack-up rig to conduct the Jacky completion work. It was originally intended that the Ensco 92 rig would conduct this work but as a result of the rig being delayed an agreement was reached with Ensco Offshore UK Limited to defer Ithaca’s commitment to this rig for up to one year. The deferred commitment, net to the Company, is US\$4.05 million.

First production is currently expected on or about the end of March 2009 at an anticipated 2009 gross rate of 7,500 bopd.

Athena

On 10th March, 2008 Ithaca commenced drilling a well on Ithaca’s then 70% owned Block 14/18b (Ithaca 52.33% post Dyas Transaction) to test a potential southern extension of the Athena oil pool. The well penetrated the targeted Lower Cretaceous Leek sands, however although the formation was found to be oil-bearing, it was of lower quality than is found in the Athena Reservoir. The well has been suspended pending evaluation and possible sidetracking for use in the Athena development scheme.

On July 21, 2008, the Company announced that it had successfully tested 28 degree API sweet oil at a stable rate of 2,330 barrels of oil per day (“bopd”) from its third well (14/18b-18) on the Athena field.

Following the dramatic decline in the oil price during the second half of 2008, the Athena development has been put on hold until such time as the oil price recovers and the Company sees a price correction in the oil services sector. This is currently being investigated to determine the project’s current commerciality.

2009 Subsequent Events

Carna Well

On 26 December, 2008 the Company commenced the drilling of the 43/21b-A well, to explore the Carna prospect in the UKCS Southern Gas Basin. The Carna prospect, operated by Venture North Sea Gas Limited, is a significant potential gas-bearing structure located in Block 43/21b, in which Ithaca Energy has a 29.9% interest (post Dyas Transaction). Through a farm-out agreement, net drilling costs to Ithaca of this well were 22.4% of the total.

The Carna prospect lies adjacent to the Garrow and Kilmar gas fields. The drilling of the well was completed by March 5th 2009. Electronic logs indicated the well intersected a gas bearing interval of 1,490 ft (TVDSS), with net pay of 127 ft (TVDSS). On March 20, 2009 the Company announced that the Carna Gas well had been successfully tested at stabilised rates in line with expectations. The test results are currently being analysed.

Reserves Summary

- 9.5% increase in Proved plus Probable reserves from December 31, 2007 to 28,742 thousand barrels of oil equivalent (“Mboe”) net to Ithaca

- 40.0% increase in Proved plus Probable plus Possible reserves from December 31, 2007 to 54,966 Mboe net to Ithaca

The following table shows the movement year on year and also shows the movement versus the May 31, 2008 report. The movement in reserves from 2007 reflects the addition of the Stella and Beatrice fields, whilst the movement from May 31, 2008 to year end December 31, 2008 accounts for the Dyas disposition and the Barbara sale.

Category	Remaining Reserves Net as at 31 December 2008			Net Remaining Reserves as at 31 December 2007	% change from 2007 to 2008
	Net Reserves (MMboe)	Net Present Value (US\$ MM) Before Tax discounted at 10%	Net Present Value (US\$ MM) After Tax discounted at 10%	Net Reserves (MMboe)	
Proved	14.52	150.1	145.16	12.60	15.3%
Probable	14.22	399.66	212.54	13.66	4.1%
Proved plus Probable	28.74	549.75	357.70	26.26	9.5%
Possible	26.23	784.61	394.83	13.09	100.3%
Proved plus Probable plus Possible	54.97	1,334.37	752.53	39.36	40.0%

Category	Remaining Reserves Net as at 31 December 2008	Net Remaining Reserves as at 31 May 2008	% change from May 2008 to December 2008
	Net Reserves (MMboe)	Net Reserves (MMboe)	
Proved	14.53	19.44	(25.3)%
Probable	14.22	20.16	(29.5)%
Proved plus Probable	28.75	39.60	(27.4)%
Possible	26.22	26.97	(2.8)%
Proved plus Probable plus Possible	54.97	66.57	(17.4)%

Note that the reserves as at year end do not account for the 16.83% interest in the Stella field yet to be transferred to Dyas under the terms of the sale and purchase agreement dated October 31, 2008 and as amended on December 17, 2008. This explains the relatively small decrease in Possible reserves from the May 31, 2008 report that included the Stella field.

No recognition is made in the reserves calculation for the option by Dyas to acquire a further 15.15% of the Company's portfolio at any time up to November 1, 2010 (or up to November 1, 2012 if the loan is extended due to oil prices averaging less than \$60/bbl for the preceding year) for a consideration of \$61.2 million, adjusted for working capital movements in the intervening period between the effective date of November 1, 2008 and the date the option is exercised.

The Company's petroleum and natural gas reserves (the "**Reserves**") were independently evaluated by Sproule International Limited ("**Sproule**") in accordance with Canadian Oil and Gas Evaluation Handbook ("**COGEH**") reserves definitions and evaluation practices and procedures, as specified by National Instrument 51-101 ("**NI 51-101**"). The evaluation uses Sproule's forecast prices and costs at December 31, 2008. Full details of Ithaca Energy's Reserves as at December 31, 2008 and presented in the format specified by NI 51-101, are located in Ithaca Energy's Annual Information Form dated March 26, 2009 and filed on SEDAR at www.sedar.com or on Ithaca Energy's website www.ithacaenergy.com.

The audited consolidated financial statements, notes and Management's Discussion and Analysis for the year ended December 31, 2008 are available on Ithaca Energy's website www.ithacaenergy.com and are also available on SEDAR at www.sedar.com.

Outlook

Ithaca is now well positioned to make further progress in the year ahead and beyond. In the very near term, combined production from Beatrice and Jacky of around 10,000 bopd gross will provide the Company with substantial cash flow. These funds, along with existing cash resources and selected farm-outs, will then enable Ithaca to develop the medium and longer potential from within its existing portfolio.

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In accordance with AIM Guidelines, Lawrie Payne, MA Marine Geology (Alberta & Columbia) and Chairman of Ithaca Energy is the qualified person that has reviewed the technical information contained in this press release.

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Forward-looking statements

This announcement contains certain forward-looking statements and forward-looking information which are based on the Company's internal expectations, estimates, projections, assumptions and beliefs as at the date of such statements or information, including, among other things, assumptions with respect to production, future capital expenditures and cash flow. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "plan", "should",

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"believe" and similar expressions are intended to identify forward-looking statements and forward-looking information. These statements are not guarantees of future performance and 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 or information. The Company believes that the expectations reflected in such forward-looking statements and information are reasonable but no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct and such forward-looking statements and information included in this announcement should not be unduly relied upon. Such forward-looking statements and information speak only as of the date of this announcement, and the Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, except as required by applicable laws. The forward looking statements or information contained in this announcement are expressly qualified by this cautionary statement.

The term "boe" may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this news release.

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