ITHACA ENERGY

Annual Information Form

Year Ended

December 31, 2009

April 8, 2010

TABLE OF CONTENTS

Page No.

ABBREVIATIONS

Oil and Natural Gas Liquids	
bbls	barrels
mmbbls	million barrels
bbls/d	barrels per day
bopd	barrels of oil per day
NGLs	natural gas liquids

Natural Gas	
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
scf	standard cubic foot
mmscf	millions of standard cubic feet
mmscf/d	millions of standard cubic feet per day
bcf	billion cubic feet

Other	
boe(1)	barrel of oil equivalent of crude oil and natural gas on the basis of 1 bbl of crude oil for 6 mcf of natural gas
boe/d	barrel of oil equivalent per day
mboe/d	thousand barrels of oil equivalent per day
WTI	West Texas Intermediate
API	a measure established by the American Petroleum Institute of the density or gravity of liquid petroleum products derived from a specific gravity
m	metres
km	kilometres
km^2	square kilometres

Note:

(1) BOEs may be misleading, particularly if used in isolation. A boe conversion ratio 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.

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units) or vice versa.

To Convert From	To	Multiply By
mcf	Cubic metres	28.317
Cubic metres	Cubic feet	35.315
Cubic metres	Barrels	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMBTU	0.948
MMBTU	mcf	0.970

FORWARD LOOKING STATEMENTS

This annual information form ("**AIF**") and any documents incorporated by reference herein contain certain forward-looking statements and forward-looking information which are based on the Corporation'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", "believe", "could", "scheduled", "targeted" 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 Corporation believes that the expectations reflected in those 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 AIF and any documents incorporated by reference herein should not be unduly relied upon. Such forward-looking statements and information speak only as of the date of this AIF and any documents incorporated by reference herein, as the case may be, and the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements or information, except as required by applicable laws.

In particular, this AIF and any documents incorporated by reference herein, contains specific forward-looking statements and information pertaining to the following:

- the quality of and future net revenues from the Corporation's reserves;
- oil, NGLs and natural gas production levels;
- commodity prices, foreign currency exchange rates and interest rates;
- capital expenditure programs and other expenditures;
- the sale, farming in, farming out or development of certain exploration properties using third party resources;
- supply and demand for oil, NGLs and natural gas;
- the Corporation's ability to raise capital;
- the Corporation's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the Corporation's ability to continually add to reserves;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- the Corporation's future operating and financial results;
- the ability of the Corporation to optimize operations and reduce operational expenditures;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws;
- production rates and targeted production levels; and
- timing and cost of the development of the Corporation's reserves.

With respect to forward-looking statements contained in this AIF and any documents incorporated by reference herein, the Corporation has made assumptions regarding, among other things:

- Ithaca's ability to obtain additional drilling rigs and other equipment in a timely manner, as required;
- future oil, NGLs and natural gas production levels from Ithaca's properties and the prices obtained from the sales of such production;
- the level of future capital expenditure required to exploit and develop reserves;
- Ithaca's ability to obtain financing on acceptable terms;
- Ithaca's reliance on partners and their ability to meet commitments under relevant agreements; and
- the state of the debt and equity markets in the current economic environment.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of assumptions proving inaccurate and of both known and unknown risks, including the risk factors set forth under "Risk Factors" in this AIF and the documents incorporated by reference herein and those set forth below:

- risks associated with the exploration for and development of oil and natural gas reserves in the North Sea;
- risks associated with offshore development and production including offshore production and transport facilities;
- operational risks and liabilities that are not covered by insurance;
- volatility in market prices for oil, NGLs and natural gas;
- the ability of the Corporation to fund its substantial capital requirements and operations;
- risks associated with ensuring title to the Corporation's properties;
- changes in environmental, health and safety or other legislation applicable to the Corporation's operations, and the Corporation's ability to comply with current and future environmental, health and safety and other laws;
- the accuracy of oil and gas reserve estimates and estimated production levels as they are affected by the Corporation's exploration and development drilling and estimated decline rates, in particular the production rates of the Jacky field and Beatrice field;
- the Corporation's success at acquisition, exploration, exploitation and development of reserves;
- the Corporation's reliance on key operational and management personnel;
- the ability of the Corporation to obtain and maintain all of its required permits and licenses;
- competition for, among other things, capital, drilling equipment, acquisitions of reserves, undeveloped lands and skilled personnel;
- changes in general economic, market and business conditions in Canada, North America, the United Kingdom, Europe and worldwide, specifically being the unavailability of the debt and equity markets to the Corporation during the current economic crisis;

- actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws, royalty rates and incentive programs relating to the oil and gas industry;
- adverse regulatory rulings, orders and decisions; and
- risks associated with the nature of the Common Shares.

Statements relating to reserves are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future. Many of these risk factors, other specific risks, uncertainties and material assumptions are discussed in further detail throughout the AIF and in the MD&A. Readers are specifically referred to the risk factors described in the AIF under "Risk Factors" and in other documents the Corporation files from time to time with securities regulatory authorities. Copies of these documents are available without charge from the Corporation or electronically on the internet on Ithaca's SEDAR profile at www.sedar.com.

EXCHANGE RATES AND CURRENCY

The following table shows the average rates of exchange of Canadian dollars for one British pound sterling, expressed in Canadian dollars, in effect during the periods noted; the high and low rates of exchange during such periods; and the rates of exchange at the end of such periods, in each case based on the Bank of Canada average noon spot rate of exchange.

	Canadian Dollars per British Pound Sterling			
Time Period	**Average**	**High**	**Low**	**Close**
Month				
March 2010	1.5404	1.5603	1.5163	1.5422
February 2010	1.6506	1.6962	1.6040	1.6040
January 2010	1.6857	1.7268	1.6469	1.7049
Calendar Year Ended				
December 31, 2009	1.7804	1.9148	1.6368	1.6918
December 31, 2008	1.9635	2.0535	1.7704	1.7704
December 31, 2007	2.1487	2.3035	1.9941	1.9600

On April 7, 2010, the Bank of Canada noon spot rate of exchange was C$1.5291 = £1.00.

The following table shows the average rates of exchange of Canadian dollars for one United States dollar, expressed in Canadian dollars, in effect during the periods noted; the high and low rates of exchange during such periods; and the rates of exchange at the end of such periods, in each case based on the Bank of Canada average noon spot rate of exchange.

	Canadian Dollars per United States Dollar			
Time Period	**Average**	**High**	**Low**	**Close**
Month				
March 2010	1.0230	1.0421	1.0113	1.0156
February 2010	1.0568	1.0734	1.0420	1.0526
January 2010	1.0429	1.0657	1.0251	1.0650
Time Period				
Calendar Year Ended				
December 31, 2009	1.1420	1.3000	1.0292	1.0466
December 31, 2008	1.0667	1.3013	0.9709	1.2228
December 31, 2007	1.0748	1.1853	0.9170	1.0120

On April 7, 2010, the Bank of Canada noon spot rate of exchange was C$1.0030 = US$1.00.

In this AIF, all dollar amounts are expressed in United States dollars, unless otherwise noted.

GLOSSARY

In this AIF, unless the context otherwise requires, the following words and phrases shall have the meaning set forth below:

"**ABCA**" means the Business Corporation Act (Alberta, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**AIF**" means this annual information form;

"**AIM**" means the Alternative Investment Market operated by the London Stock Exchange plc;

"**Board of Directors**" means the Board of Directors of the Corporation;

"**Common Shares**" means one or more common shares in the capital of the Corporation;

"Centrica" means Centrica plc (as successor to Venture Production plc)

"**DECC**" means Department of Energy and Climate Change;

"**Dyas**" means Dyas UK Limited;

"**EWE**" means EWE Akiengesellschaft;

"**Ithaca**" or the "**Corporation**" or the "**Company**" means Ithaca Energy Inc., a corporation incorporated in Canada under the ABCA, and to the extent the context requires, its wholly-owned subsidiary, Ithaca UK;

"**Ithaca UK**" means Ithaca Energy (UK) Limited, a corporation incorporated in Scotland (SC272009) under the UK Companies Act 2006 and a wholly-owned subsidiary of the Corporation;

"**NGLs**" or "**Natural Gas Liquids**" means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons;

"**NI 51-101**" means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

"**Pounds Sterling**" or "**£**" means British Pounds Sterling;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Sproule**" means Sproule International Limited, independent geological and petroleum engineering consultants with offices in Calgary, Alberta;

"**Sproule Report**" means the report entitled "Evaluation of the P&NG Reserves of Ithaca Energy UK Limited, (as of December 31, 2009)" and dated January 28, 2010 by Sproule in respect of the Corporation's oil and gas reserves;

"**Statement of Reserves Data**" means the Corporation's Statement of Reserves Data and Other Oil & Gas Information dated effective December 31, 2009 and filed on SEDAR on February 1, 2010;

"**TSXV**" means the TSX Venture Exchange Inc.;

"**UKCS**" means the United Kingdom Continental Shelf;

"**WTI**" means West Texas Intermediate; and

"**Zeus Petroleum**" means Zeus Petroleum Limited and its subsidiaries.

THE CORPORATION

General

Ithaca Energy Inc. is a Canadian oil and gas exploration, development and production company focused on the North Sea. Ithaca was incorporated under the *Business Corporations Act* (Alberta) on April 27, 2004.

The Corporation's business and head office is located at 8 Rubislaw Terrace, Aberdeen, Scotland, AB10 1XE and its registered office is located at Suite 1600, 333 – 7th Avenue S.W., Calgary, Alberta, Canada, T2P 2Z1. The Corporation's wholly-owned subsidiary, Ithaca UK, is located at 8 Rubislaw Terrace, Aberdeen, Scotland, AB10 1XE.

Intercorporate Relationships

Ithaca has one wholly-owned subsidiary, Ithaca UK, which was incorporated in Scotland under the UK Companies Act. All of the Corporation's current business and properties are held in Ithaca UK.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Corporation commenced operations in April 2004. On June 5, 2006, upon the completion of its initial public offering by way of prospectus, Ithaca's common shares began trading on the TSXV and AIM market from June 6, 2006 under the symbol "IAE".

Year Ended December 31, 2007

The Royal Bank of Scotland plc agreed on November 2, 2007, to provide Ithaca with a US$60 million Senior Secured Credit Facility, to be used for the development of its Athena and Jacky discoveries (the "**RBS Facility**"). The RBS facility was signed on April 4, 2008.

In November 2007, the Corporation completed a short-form prospectus offering of 27,400,000 Common Shares at a price of $3.65 per Common Share on a "bought-deal basis".

Year Ended December 31, 2008

On July 11, 2008, Ithaca announced that it had received credit approved offers of finance totaling US$240 million to support the acquisition of the Beatrice oilfield and it's near term development projects Jacky and Athena. This later increased to US$290 million. Shortly afterward the global economy exhibited severely deteriorating conditions. On August 11, 2008 Ithaca raised C$75 million through the issue of 50 million Common Shares at $1.50 per Common Share. The financing was expected to be sufficient to support the new bank credit in fully meeting the remaining costs to bring Jacky and Athena on stream however the parties agreed in early October not to proceed to closing the credit facility due to deteriorating conditions in the global credit and energy markets.

On August 5, 2008 the Corporation entered in to a supplemental agreement to the agreement signed on September 18, 2006 (the "**Original Agreement**"). In 2006 the Corporation entered into an agreement with Gemini Oil & Gas Fund II, L.P. whereby Gemini agreed to provide funding of US$6 million for the drilling and testing of the 14/18b-15 well. Under the terms of the agreement, Gemini did not earn an equity interest in the field nor was it responsible for further costs of development should the well be successful. The funding was repayable only out of production from the Athena accumulation should the field be developed.

In the supplemental agreement, signed August 5, 2008, the rights of Gemini to a share of future production and associated veto rights over asset disposal and granting of security were bought out for an early redemption penalty of US$9 million such sum equating to the early redemption premium payable upon Athena field development plan approval in the September 2006 loan agreement. In addition to this Gemini retained the right, under certain circumstances relating to the Athena Field, to receive warrants to acquire up to 3,000,000 Common Shares. The warrants are exercisable at a price of US$3.00 per share on or before the day: (i) 6 months after FDP consent by DECC with respect to Athena; or (ii) five years from the date of the Original Agreement. Gemini retains rights to a share of the proceeds of a disposal in Athena subject to an economic test of such disposal which takes into account oil price at the time of the disposal, Gemini's previous (now terminated) right to Athena production, Athena asset value at the time of the disposal and the US$9 million already paid under the August 2008 supplemental agreement.

On August 21, 2008, the Corporation completed the acquisition of a 66.67% working interest in the Stella and Harrier Shallow discoveries from joint owners Shell U.K. Limited ("**Shell**") and Esso Exploration and Production UK Limited ("**Esso**"). The initial consideration for the acquisition was US$15 million, with an additional US$15 million payable at the time of field development approval. Ithaca's net proceeds from production shall be subject to a 5% over-riding royalty, payable to Shell and Esso.

On October 31, 2008, Ithaca entered into a Sale and Purchase Agreement (the "**Dyas I Transaction**") with Dyas for the sale of a portion of its interests in all of its oil and gas licences and the provision to Ithaca of a convertible loan facility. The Dyas I Transaction provided that Dyas would purchase 25.25% of Ithaca's interests in all assets owned by the Corporation for the consideration of £40 million cash (approximately US$65.6 million at that time) with an effective date of November 1, 2008. Dyas advanced this sum to Ithaca as a loan until closing of the transaction. In addition, Dyas provided Ithaca with a senior secured loan (the "**Dyas Facility**") with which to redeem in full the fully drawn RBS Facility. The Dyas Facility had a margin over US Dollar Libor of 4.5% and an initial term of two years. The loan was extendable by Dyas in two one-year tranches should the oil price average less than US$60 per barrel in the previous year, giving Ithaca an extended credit facility. In addition, Dyas had the option at any time during the subsequent two years to acquire an additional 15.15% of the Corporation's portfolio held as at November 1st 2008, for a consideration of $61.2 million, adjusted for working capital movements in the intervening period (the "**2008 Dyas Option**"). In the event that the option was exercised, then the $61.2 million outstanding loan facility would become immediately due and payable, and the consideration would then be applied to meet this obligation in full. Under the Dyas Facility, Mr. Alexander Berger, the Managing Director of Dyas, joined the Board of both Ithaca and Ithaca UK.

On December 17, 2008, the Dyas I Transaction partially completed with all the interests other than that relating to the Stella discovery having been transferred. As a consequence the consideration paid on the partial completion was adjusted to £35 million (approximately $52.5million at that time) with the balance of £5 million payable upon the transfer of the Stella interest. The drawn amounts on the £40 million tranche of the Dyas Facility were repaid and the amount available to be drawn under this portion of the loan was reduced to £5 million. The transfer of the interest in the Stella property was later completed in November 2009.

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 I Transaction) from Talisman for a minimum of 3 years, extendable at Ithaca's election for the duration of production, in consideration for a lease premium of £10 million (approximately US$16.5 million), £7.5 million net following Dyas I transaction. After cessation of production Beatrice will be returned to Talisman who will conduct decommissioning and abandonment of the facilities. Ithaca appointed Wood Group Engineering (North Sea) Limited to be the Duty Holder for the Beatrice facilities under UK offshore regulations. Ithaca was given title to all hydrocarbons produced from the Beatrice field.

Year Ended December 31, 2009

On March 20, 2009 Ithaca announced that commercial quantities of gas had been discovered by the Carna exploration well (43/21b-5z) in the gas basin of the Southern North Sea. A drill stem test recorded a stabilized gross rate of 9 million cubic feet per day (mmcfpd) on a 48/64th choke from a vertical well penetrating the Carboniferous. This rate was consistent with expectations. The well was suspended to become a future production well further to evaluation of gas export options and a field development decision.

On March 25, 2009, Ithaca signed a new five year agreement with BP Oil International Limited ("**BP**") for sales and marketing of all of its qualifying oil production from the North Sea. As part of the development of the Jacky oilfield, Ithaca had previously contracted with BP for a one year period for marketing and sales of oil produced to the Nigg Oil Terminal by Ithaca and its partners from the Beatrice and Jacky oilfields.

On June 29, 2009, Ithaca entered into a second agreement with Dyas (the "**Dyas II Transaction**") under which Dyas exercised its option to convert Dyas' US$61.2 million outstanding secured loan. Under the Dyas II Transaction, the Dyas Facility was converted under the 2008 Dyas Option and an additional cash payment was made to Ithaca by Dyas in exchange for Dyas taking further equity in all of Ithaca's properties, including the Jacky and Beatrice fields, in addition to the 15.15% interest entitlement under the 2008 Dyas Option.

On July 29, 2009, Ithaca completed the sale of an interest in all of its assets as provided under the October 31, 2008 agreement described above except the Stella discovery, which was completed in November 2009, eliminating the loan advancement previously made. Closing of this transaction and the Dyas II Transaction left Ithaca debt free and in a strong cash position upon the receipt of a further cash payment from Dyas of approximately US$40.6 million, of which US$32.2 million was paid upon closing and a further US$8.4 million was paid on final completion (Stella discovery).

On October 28, 2009, Ithaca agreed with Maersk Oil North Sea UK Limited and Maersk Oil Exploration UK Limited (collectively "**Maersk Oil**") to purchase the entire 33.33% working interest of Maersk Oil in the Stella discovery and satellite Harrier discovery as well as the entire 50% working interest of Maersk Oil in the Hurricane discovery. As a result, Ithaca owned a 68.33% interest in Stella and Harrier and a 100% interest in Hurricane. Ithaca assumed operatorship of all assets involved in the transaction. Pursuant to this transaction, Ithaca paid Maersk Oil US$10 million on completion of the transaction, and shall pay US$3 million at Field Development approval and US$5 million at first oil. There is no royalty agreement associated with this transaction. On November 27, 2009 the transaction described above was completed. Also on October 28, 2009 and immediately after signature with Maersk Oil, Ithaca signed a farmout agreement with Challenger Minerals (North Sea) Limited ("**CMI**") under which CMI will pay 27% of gross AFE Stella appraisal well costs in exchange for an 18% equity interest in the Stella and Harrier discoveries and agreed terms with Applied Drilling Technology International ("**ADTI**") (a subsidiary of Transocean Inc.) to drill the Stella discovery on a turnkey (fixed price) basis. Upon successful appraisal, CMI will also disproportionately fund Ithaca's share of the next Stella or Harrier development well up to a capped contribution of £2m ($3.2 million). Ithaca's second and third payments to Maersk Oil will be shared with CMI in proportion to CMI's earned equity share.

On completion of the CMI transaction Ithaca shall own a 50.33% working interest in the Stella discovery representing net proved plus probable reserves of 8.9 mmboe (gas and condensate) as independently audited by Sproule, as well as operatorship and control of the planned development. In addition, the nearby Harrier and Hurricane discoveries will be evaluated for linked development plans and represent significant upside to the development value of Stella.

On October 28, 2009, Ithaca entered into an agreement with Maersk Oil providing Maersk with an option to access the prolific High pressure/High temperature ("**HP/HT**") prospect in Ithaca's Blocks 29/4b and 29/5e awarded to Ithaca in the 25th Licensing Round. This transaction offers Maersk the option to drill two deep exploration wells (one on each block) in return for which Ithaca shall be carried for all costs up to the end of the first well on each block. Maersk Oil shall earn a 95% equity interest in the deep horizons (below the Base Chalk horizon) by drilling an HPHT well, leaving Ithaca with a 5% equity interest. Ithaca shall retain a 100% equity interest in the shallow horizons (above the Base Chalk horizon).

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Overview

The primary business objective of Ithaca is to develop existing discoveries, explore for new discoveries and acquire assets. Ithaca's strategy is to acquire existing production or discoveries by purchase, farm-in or acquiring new licenses; use modern seismic, drilling and production technologies, which management expects will increase reserves and provide income potential; use management's technical knowledge to generate and acquire exploration prospects; and use management's commercial skills to finance the exploitation of its exploration and development prospects through farmouts, joint ventures and other financing techniques.

The Corporation's management team includes experienced oil and gas industry professionals with extensive international experience. Utilizing their mature-basin experience, deal-screening capabilities and financing skills, the Corporation intends to acquire producing properties, exploit undeveloped discoveries by bringing them into production, and engage in high-impact exploration on acreage acquired.

Ithaca has built a diversified portfolio of exploration, development and production assets through participation by its wholly-owned subsidiary, Ithaca UK, in the United Kingdom's recent licensing rounds and through acquisitions. This diversity is evidenced by properties in different geographic areas, encompassing multiple play types (both oil and gas), while maintaining a close proximity to producing fields in proved petroleum systems.

Operations Summary

Initial operational focus in 2009 was on optimizing Beatrice field production and supporting it with maximum available water injection for pressure support. During late January and early February, the Beatrice production facilities were shut down to allow tie-in of the Jacky field.

In March, the jack-up drilling rig 'Energy Enhancer' was positioned over the Jacky facility to re-enter the Jacky production well and install the downhole completion components. On the 6th April, Jacky field production was started and production was increased up to the maximum rate possible under 'natural flow'. When reservoir pressures had fallen enough to allow the efficient operation of the pump, this flow was increased by the activation of the Jacky down-hole pump. Meanwhile, production from the Beatrice Bravo facility was restarted using the newly installed infield pipeline.

Beatrice operational and maintenance activities continued throughout the year and major procedures were instigated to ensure their safety and longevity. Meanwhile the Nigg onshore oil storage and shipping terminal continued to operate efficiently and handle the additional volumes of crude oil production without incident. Additional income was generated by ship to ship oil transfer and waste import operations at the Nigg deepwater jetty.

In September, the jack-up drilling rig 'Ensco 92' was positioned over the Jacky facility to drill a new injection well to support reservoir pressure and sweep. The well commenced injection in October and reservoir pressure responded immediately, maintaining oil production rates.

Throughout the year, Beatrice and Jacky oil production exceeded expectations with the Jacky field in particular producing towards the higher end of company expectations.

Following on from the Jacky water injection drilling activity, the Ensco 92 was moved to the Beatrice Bravo facility and successfully undertook intervention on three wells. In particular a work over on the B11/04 well successfully re-instated it as a producer with stabilized rates over 1,000 bopd. Of the four production wells available, three of the wells are now on production (any production from the fourth well will currently exceed the capacity of the pipeline to accommodate liquids and remains available as a back-up).

In late December 2009, a problem resulting from a power loss on the Beatrice Alpha facility caused damage to the produced water treatment vessels and production from Beatrice Alpha, Bravo and Jacky was shut down pending investigations. Production from Jacky and Beatrice Bravo was re-instated on 10th January 2010 and production in excess of 10,000 bopd has been sustained since that time. Additional production from Beatrice Alpha was reinstated in March 2010 after repairs and modifications to the vessel protection systems were completed.

Focus for 2010

Management's focus in 2010 is to maintain current production, continue to optimize operations and reduce operation expenditures in order to achieve increased free cash flow. Management will also focus on increasing Ithaca's reserve and asset base through appraisal well drilling, pre-development and infill drilling and production optimization. Management will also source, evaluate and consider accretive transactions as they arise including corporate or asset transactions. Exploration and developments capital expenditure is budgeted to be approximately $65.7 million in 2010.

Human Resources

Effective from October 1, 2009, Mr. Payne stepped down from management of the Corporation and assumed the role of Non-Executive Chairman of the Corporation. Following the closing of the Dyas II Transaction, and the cancellation of any remaining debt between Ithaca and Dyas, Alexander Burger resigned from the Board of Directors of Ithaca and Ithaca UK effective August 27, 2009. Michael B.A. Nobbs resigned as a Director of the Corporation effective June 18, 2009. Effective December 1, 2009, Steven Turner stepped down as Chief Financial Officer of Ithaca and Norman Wood was appointed as the Corporation's interim Chief Financial Officer.

As at December 31, 2009, the Corporation had a total of 18 full-time employees and also utilized the services of several professionals on a part-time contract or consulting basis. Of the full-time employees, 4 were management and 14 were geologists, geophysicists, engineers, commercial, financial and administrative support staff. Ithaca seeks to employ individuals and utilize the services of consultants who have extensive oil and gas experience as needed.

Marketing and Other Commitments

The Corporation entered in to a sales agreement with BP on December 23, 2008 to market the Beatrice and Jacky crude oil through to December 31, 2009, extendable by mutual consent for a further year. This agreement priced the monthly production against set benchmarks resulting in regular payments, irrespective of when BP elects to lift the oil from the Nigg tanks. On March 25, 2009 the Corporation announced that the parties had agreed to extend the marketing agreement to cover all qualifying Ithaca oil production from the North Sea for a period of five years. Under a separate transaction, the Corporation agreed to lease the second Nigg oil storage tank to BP for a fixed monthly payment for a term of one year from 10th February 2009. This agreement was subsequently extended for a second year to 10th February 2011 at market rates.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. Ithaca competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Ithaca's competitors include resource companies which have greater financial resources, staff and facilities than those of Ithaca. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Ithaca believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

Environmental Requirements

United Kingdom environmental legislation provides for restrictions and prohibitions on releases or emissions and regulation on the storage and transportation of various substances produced or utilized in association with oil industry operations, and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facility sites are abandoned and reclaimed to the satisfaction of regulatory authorities. Applicable environmental laws may impose remediation obligations with respect to property designated as a contaminated site upon certain responsible persons, which include persons responsible for the substance causing the contamination, persons who caused the release of the substance and any past or present owner, tenant or other person in possession of the site. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licences and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations and associated activities.

Tax Horizon

Ithaca was not required to pay trade-related income taxes for the year ended December 31, 2009 (a small liability was payable on interest received from cash held on deposit). Based on current production and price assumptions and a continuing business model whereby the Corporation reinvests capital, incurs general, administrative and interest costs, together with the non-capital losses available to the Corporation, Ithaca does not expect to pay trade related cash income taxes in the near future.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reference is made to the Corporation's Statement of Reserves Data and Other Oil & Gas Information dated effective December 31, 2009 ("**Statement of Reserves Data**"), the Report of Reserves Data by Qualified Reserves Evaluator dated January 28, 2010, prepared by Sproule, independent petroleum reservoir engineers, and the Report of Management and Directors dated January 28, 2010, all of which were prepared pursuant to NI 51-101 and filed on SEDAR on February 1, 2010, and which are available on the SEDAR website at www.sedar.com and are incorporated by reference herein.

In accordance with AIM Guidelines, Lawrence Payne, MA Marine Geology (Alberta & Columbia) and Non-Executive Chairman of Ithaca is the qualified person that has reviewed the technical information contained in this AIF.

PRINCIPAL PROPERTIES

Overview

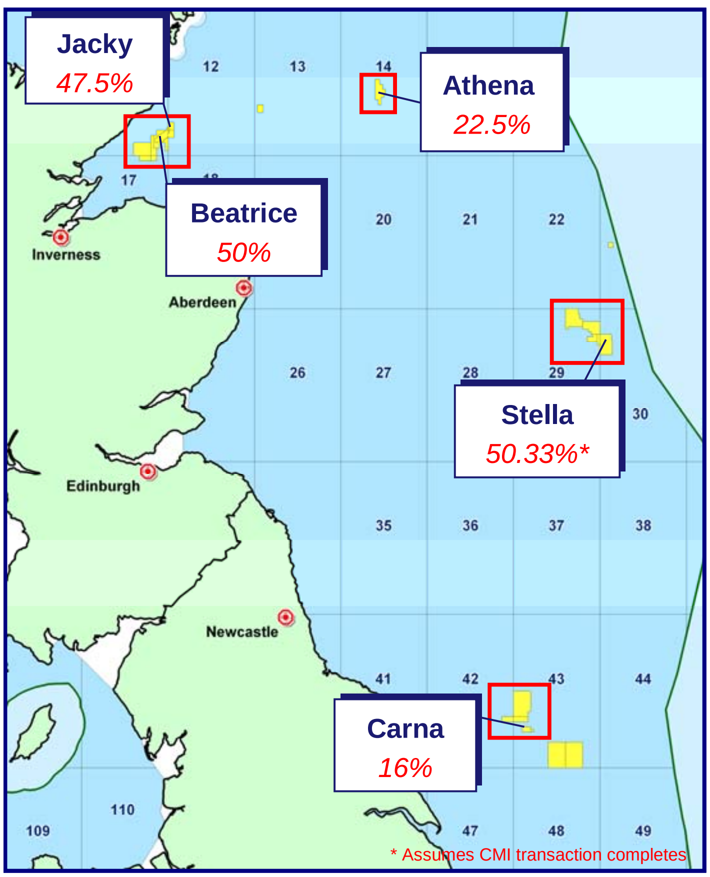
The following is a description of Ithaca's principal properties held as at December 31, 2009, all of which were held through Ithaca UK.

Ithaca has established interests in four general areas within the United Kingdom sector of the North Sea. From north to south these areas comprise the Beatrice and Jacky area; the Athena area; the greater Stella area, which includes the Hurricane and Harrier discoveries; and, the Carna discovery area.

The established Beatrice producing oil field produces from early and middle Jurassic sandstones. Beatrice has produced 163 mmbbls of oil since 1981 (as at November 2008). Beatrice is approximately 12 miles from shore and lies in 120 feet of water. The shallow water depth and moderate drilling depths make this a relatively low-cost area for drilling. Ithaca was successful in acquiring a license surrounding the Beatrice field in the 23rd Seaward Licensing Round and drilled the successful Jacky discovery well in 2007. The Jacky field is produced from a single production well supported by a single injection well.

The Athena area lies immediately west of the producing Claymore and Scapa fields. The reservoir consists of Lower Cretaceous sandstones which stratigraphically thin up-dip and to the north of the Athena accumulation. Ithaca has drilled and tested three appraisal wells on the Athena oil pool all of which are currently suspended and will be completed as production wells in future development. The development of the field, which is in the final planning stages, contemplates a system that will export oil through an FPSO and shuttle tanker to the terminal at Nigg.

The greater Stella area, which includes the Stella, Hurricane and Harrier discoveries, lies within a world class hydrocarbon province producing oil, gas and condensate. The primary reservoirs in the area are of Eocene, Paleocene, Jurassic and Triassic ages. Discoveries have been made in a multiplicity of geologic situations, of both a structural and stratigraphic nature. Appraisal drilling commenced on the Palaeocene Stella discovery in the first quarter of 2010.



Management believes that the area encompassing the Carna discovery is at a mature stage of exploration but still offers significant opportunity. The area produces primarily from the Carboniferous formation and also from the Permian (Zechstein and Rotliegendes) reservoirs. Technology and experience in exploiting 'tight' Carboniferous reservoirs present in this area has improved significantly over the last 5 years. The greater Carna area is within 10 kilometres of underutilized production infrastructure. Ithaca has acquired seismic data over the area and continues to assess the potential as a non-operating partner.

Principal Properties

Jacky

Background

The Jacky Field was discovered by the 12/21-5 well which was spudded on 12 April 2007. The well encountered the Beatrice sands at 6729 feet true vertical depth with 32 feet of net pay 175 feet above the oil/water contact in the nearby 12/21-2 well, indicating an oil column of approximately 175 feet. Fluid pressures were found to be more than 200 psi higher than the pressures measured in 12/21-2, indicating pressure support from the Beatrice water injection program.

The Jacky discovery is 5km North East of the Beatrice Alpha field facilities. Ithaca has completed the fast track development of the 47.5% owned Jacky discovery and has installed oil production and water injection pipelines connected to Beatrice Alpha. Production is being processed on the Beatrice Alpha facility and export is co-mingled with Beatrice production through an existing 16" pipeline to the Nigg Oil Terminal in the Cromarty Firth.

Production from Jacky commenced on April 6, 2009 and the Jacky field produced oil at gross rates up to 11,700 bopd throughout the remainder of the year. In October 2009 a water injection well was successfully drilled on the western flank of the field to help maintain existing production levels. Total gross production from the Jacky field as at December 31, 2009 has been approximately 2 million barrels of crude oil.

Sproule have estimated the Corporation's net remaining reserves in Jacky as of December 31, 2009 to be:

Category	Oil (mmbbls)
Proved	1.374
Probable	0.555
Possible	0.576
Total	2.505

Beatrice

Background

Previously owned and operated by Talisman Energy Inc., the Beatrice field was an early discovery which over the years has produced more than 163 mmbbls of oil. Field life has been extended several times. The last well drilled into the field was the B-13 well, which is approximately five kilometers immediately southwest of Ithaca UK's Jacky Field. Ithaca has enhanced production from the field by re-instating production from the Bravo facility, increasing water injection and conducting low cost workover activity. Ithaca believes that there is significant opportunity to improve reserves and production now that Jacky oil flowing through Beatrice makes investment in the core facility economically attractive.

In the first quarter of 2008, the Polly well was drilled and suspended having discovered oil in the Beatrice sands at 6,835 feet true vertical depth with 14 feet of net pay. The results of the well have been assessed and the development of the discovery will be ranked alongside other Beatrice Area opportunities as the Corporation manages its development plans.

Ownership of the Beatrice Field includes the onshore Nigg Oil Terminal which processes and stores Beatrice area oil for shipment. The terminal has additional storage which Ithaca has succeeded in renting to BP on an annual basis. The lease provides approximately $3.9 million annually and has been extended to February 2011. The terminal possesses a sheltered deepwater jetty which is used to conduct ship to ship oil transfer operations and the water processing facilities are used to treat oily water discharges from visiting tankers for agreed fees.

Development

The Corporation has continued to maintain steady production throughout 2009 from the Beatrice field (Ithaca interest 50%) producing oil at gross rates in excess of 2,500 bopd. In May 2009 the Bravo platform was brought back into production after a 2 year period of being out of service, adding production of approximately 500 bopd to the output from the Beatrice Complex. From October 2009, workovers were conducted on 4 Beatrice Bravo wells using the Ensco 92 jack-up drilling rig. All 4 workovers were successful with results from one well in particular (B11/04) exceeding expectations to the extent that one Bravo production well remains shut in due to pipeline capacity constraints. Evaluation of the reservoir for incremental investment opportunities has been undertaken and the Corporation has scheduled up to 7 further well interventions from the Alpha platform; at least 5 of these interventions (workovers) will be undertaken throughout 2010.

Sproule have estimated the Corporation's remaining net reserves in Beatrice as of December 31, 2009 to be:

Category	Oil (mmbbls)
Proved	1.647
Probable	0.905
Possible	0.523
Total	3.075

Greater Stella Area including Hurricane and Harrier

Background

The Corporation acquired a 66.66% interest in the Stella discovery in block 30/6 in August 2008. In 2009, the Corporation completed several commercial transactions such that Ithaca was carried for a portion of well costs and will hold a 50.33% equity interest subsequent to the completion of the Stella appraisal well. Ithaca is the operator of the acreage.

The Stella field lies in the Central North Sea, 15 km northwest of the Joanne field and was discovered in 1979 by well 30/6-2 which encountered gas and condensate throughout a 25ft section of Paleocene Andrew sand. Oil was also observed in the Ekofisk Chalk reservoir. The accumulation lies within closure of a salt induced anticline covering 22 km^2. Subsequent appraisal wells 30/6-3 & 3Z were drilled in 1996, up-dip from the discovery well and on the crest of the structure. The 3Z well achieved flow rates of 2800 bopd and 22.75 mmscf/day of gas from the Andrew sands. In 2005 Maersk, the operator, drilled well 30/06-5 and sidetracks to further appraise the Chalk and Andrew reservoirs. Gas condensate bearing Andrew and oil bearing Chalk were encountered. The sidetrack well, 30/6-5Y, tested at a maximum rate of 17 mmscf/d and 3000 bopd in the Andrew sands. Wells to date have not encountered a hydrocarbon/water contact. An appraisal well commenced drilling in the first quarter of 2010, operated by Ithaca.

Further commercial potential exists for Stella to act as a hub for existing undeveloped and future exploration discoveries in the immediately adjacent acreage.

Development

Stella is a rich gas condensate field already penetrated by 5 wells, 2 of which have been drill stem tested. An appraisal well is being drilled down flank in the field. The objectives of the well are: (a) confirm Ithaca's assessment of the in-place hydrocarbons; (b) understand changes in composition of hydrocarbons with depth; and (c) verify the distribution and quality of the reservoir. Information acquired from the appraisal well will be used to determine and define the development of the accumulation. The appraisal well spudded on February 19, 2010 and is scheduled to have an overall program duration of approximately 79 days.

Sproule have estimated the Corporation's net reserves in Stella (Andrew and Chalk reservoirs combined) to be:

Category	Condensate (mmbbls)	Gas (Bcf)
Proved	1.200	20.919
Probable	1.312	17.644
Possible	3.154	46.904
Total	5.666	85.467

Harrier

The Corporation acquired a 66.66% interest in the Harrier discovery in block 30/6 in August 2008. Included in the commercial transactions of Stella, Ithaca will retain a 50.33% interest in the discovery subsequent to the completion of the Stella well.

The Harrier discovery of gas in the Ekofisk and Tor Chalk formations lies approximately 10 kilometres immediately south of the Stella field. No further appraisal of Harrier is planned at this time. Subject to the results of the Stella appraisal well, a fast track plan will be executed to develop Harrier immediately after Stella with tieback to Stella subsea facilities.

Sproule have estimated the Corporation's net reserves in Harrier to be:

Category	Condensate (mmbbls)	Gas (Bcf)
Proved	0.717	18.892
Probable	1.322	39.005
Possible	2.998	82.345
Total	5.218	145.294

Hurricane

The Corporation acquired a 50% interest in the Hurricane discovery in block 29/10b through the UKCS 25th Licensing Round and subsequently, through a commercial transaction, gained 100% interest in the licence and is operator.

The Hurricane discovery of light oil in the Palaeocene Rogaland formation lies 10 kilometres immediately west of the Stella field and is another undeveloped discovery in Ithaca's Greater Stella 'Core' Area. The development of Hurricane will benefit from Ithaca's other activities in the area, namely the Stella and Harrier developments.

Sproule have estimated the Corporation's net reserves in Hurricane to be:

Category	Oil (mmbbls)	Gas (Bcf)
Proved	-	-
Probable	4.100	4.764
Possible	6.900	8.018
Total	11.000	12.782

Carna

In April 2009 the Corporation participated in a successful exploration well known as the Carna discovery. The discovery straddles blocks 43/21b and 43/22c in which the Corporation holds a 16% interest (Centrica, Operator). The well tested significant quantities of dry gas.

Well log data indicates a gas column in excess of 1490 feet true vertical depth ("**TVD**") and net pay of 127 feet TVD. The well tested gas at stabilized rates in line with expectations with a gross rate of 9 mmcf/d on a 48/64th choke from a vertical well penetrating the Carboniferous strata. No formation water was produced during the test. The well has been suspended to become a future production well and a field development decision will be made following a full evaluation of the export options.

Detailed reservoir definition work is being undertaken as well as engineering studies aimed at finalizing the scope for a fast track development. Commercial discussions are ongoing with host infrastructure owners and project sanction is anticipated for the second half of 2010.

Sproule have estimated the Corporation's net reserves in Carna to be:

Category	Gas (Bcf)
Proved	6.642
Probable	3.525
Possible	2.180
Total	12.348

Athena

Athena lies in an area of numerous fields and discoveries in Cretaceous and Jurassic reservoirs. Management believes that exploration and development potential also exists in Devonian and Tertiary strata.

Following the Dyas II Transaction, Ithaca holds a 22.5% interest in the Athena development.

Background

The Athena oil discovery is located in block 14/18b, 18 kilometers west of the Claymore and Scapa fields and associated production facilities. Two wells previously drilled on the block tested oil. Well number 12 tested 1,302 bopd H_2S rich oil from the Upper Jurassic. Well number 7 tested 847 bopd of 'sweet' oil from the Lower Cretaceous Leek sands. The Ithaca operated 14/18b-15 well encountered 320 feet of gross and 241 feet of net oil-bearing sand in the Leek sand which tested up to 1,330 bopd of 27 degree API sweet crude. The well was suspended such that on future development, the well can be used for production. Pre-development work is in progress. A further appraisal well 14/18b-16 was spudded on September 4, 2007, the well was drilled directionally into Leek sandstones to a depth of approximately 11,200 feet (9,640 feet true vertical depth) and tested 28 degree API sweet oil at a peak rate of 1,375 bopd. The well penetrated 426 feet of gross oil-bearing sandstones in the Leek formation and a net pay interval of 115 feet (92 feet vertical). No water was produced during the test period and H_2S levels were very low. The well was suspended for future use as a production well. On March 11, 2008, Ithaca drilled as an appraisal of the Athena South prospect, the well 14/18-17 that was deviated from the Athena prospect and drilled to a depth of 9,406 feet true vertical depth subsea, aimed at evaluating a possible southern extension to the oil pool. The well penetrated the Leek sands at 8,842 feet, 413 feet above the Athena oil water contact. Although oil bearing the reservoir quality did not merit completion of the well and the well was suspended pending evaluation and possible recompletion during the development of the field. On June 4th 2009, Ithaca drilled an appraisal/development well 14/18b-18 in the central part of Athena. The well penetrated 447 feet of gross oil-bearing sandstones in the Leek formation and a net pay interval of 129 feet, on a vertical basis. Following perforation of a 190 foot (178 feet vertical) interval, the 14/18b-18 well flowed at a stable rate of 2,330 bopd through a 52/64" choke during a high rate test and a stable rate of 1,150 bopd through a 24/64" choke in a test of 22 hours duration. No water was produced during the test period and there was no H_2S detected. The well was suspended for future use as a development production well.

Sproule have estimated the Corporation's net reserves in Athena to be:

Category	Oil (mmbbls)
Proved	3.308
Probable	2.183
Possible	4.590
Total	10.080

Development

In anticipation of imminent development of field, the Athena Joint Venture Partners have committed to the purchase of long lead equipment. A full project team has been commissioned to plan the development and finalize submission of the Environmental Statement and Field Development Plan ("**FDP**") for approval.

The Athena Joint Venture Partners have approved the immediate purchase of long lead equipment up to the value of US$14.85 million to initiate the development of the Athena field. Orders have been placed for the supply of Electrical Submersible Pumps ("**ESPs**"), subsea trees and engineering support.

The project team will initially focus on the finalization of the Environmental Statement and FDP for submission in March 2010; FDP approval by the authorities is anticipated in July 2010. The team will also undertake the final stage negotiation of contracts for a Floating Production Storage and Offtake ("**FPSO**") vessel, construction and provision of subsea facilities and drilling services.

The initial development consists of four production wells supported by one water injection well. To date Ithaca has drilled three successful wells on Athena, 14/18b-15A, 14/18b-16 and 14/18b-18 which are currently suspended, and will be re-entered and completed for production. These interventions and the drilling of a water injection well and one further production well will take place in Q4 2010/Q1 2011. Additional wells will be drilled from seabed locations close to the existing wells to allow for ease of tie-back to a new subsea manifold.

Production will be routed via the subsea manifold and a two kilometer, 8 inch flowline to a stand-alone FPSO. Oil production will be exported via shuttle tankers. Produced gas will be used to generate power on the FPSO. Other services will include additional electrical power generation, chemical injection, water treatment and injection, and system monitoring and controls.

It is anticipated that all offshore installation works, including FPSO on location, will be complete by the end of Q2 2011.

First production is being targeted for Q2 2011 with estimated initial gross production rates of 22,000 bopd (4,950 bopd net to Ithaca).

RISK FACTORS

In addition to risks associated with foreign operations, Ithaca is subject to the following risks:

Stage of Development

An investment in the Corporation is subject to certain risks related to the nature of the Corporation's business in the acquisition, exploration, development and production of oil and natural gas and its early stage of development. The Corporation has a limited history of operations and no history of earnings and there can be no assurance that the Corporation's business will be successful or profitable.

The Corporation generated net losses in the years to December 31, 2008, before current production levels were achieved. A net profit of $7.9 million was delivered in the year ended December 31, 2009, producing an accumulated deficit of US$30.4 million at December 31, 2009. No assurance can be given that the Corporation will not experience operating losses in the future.

The Corporation may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of the Corporation's development. The ability of Ithaca to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expend, train and manage its employee base. The inability of Ithaca to deal with this growth could have a material adverse impact on its business, operations and prospects.

Financing Risks

The Corporation will require substantial capital expenditures for the exploration, development and production of its oil and natural gas reserves and the acquisition of additional oil and gas properties. The Corporation's reserves are categorized by Sproule as proved, probable and possible. See the Statement of Reserves Data. As a result, obtaining future production from these reserves is conditional on the availability of additional financing to fund the expenditures necessary to develop the reserves. The development of the Corporation's properties and the acquisition of additional properties will depend upon the Corporation's ability to obtain financing through the joint venture of projects, farmouts, equity financing, debt financing or other means. Such financing may not be available on favourable terms or at all. In addition the continued macro-economic debt situation may affect the industry's access to debt financing.

Any future revenues from the Corporation's reserves may not provide the necessary capital for the Corporation to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements on favourable terms or at all.

Any additional equity financing may be dilutive to existing shareholders and debt financing, if available, may involve restrictions on financing and operating activities. Failure to obtain additional financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities, and reduce or terminate its operations.

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

The recent banking crisis and associated global economic recession has resulted in the traditional sources of funding (both equity and debt) being more limited or unavailable to the Corporation. As such the Corporation is actively managing its portfolio, its exploration, appraisal and development program, to match anticipated revenues such that it can continue to meet as a minimum its committed expenditures over the foreseeable future.

Exploration, Drilling and Operational Risks

The Corporation's oil and natural gas exploration and development activities are focused on mature producing and/or depleted oil and natural gas fields which are high-risk ventures with uncertain prospects for success. The Corporation will have no earnings to support it should the wells drilled or its properties prove not to be commercially viable.

The Corporation's rights to exploit its oil and gas assets are limited in time. There is no guarantee or assurance that such rights can be extended or that new rights can be obtained to replace any rights that expire.

The business of exploration and production of oil and gas involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not be able to prevent. Few properties that are explored are ultimately developed into producing oil and gas fields.

Significant expenditure is required to establish the extent of oil and gas reserves through seismic surveys and drilling and there can be no certainty that oil and gas reserves will be found. The exploration and development of oil and gas assets may be curtailed, delayed or cancelled by unusual or unexpected geological formation pressures, oceanographic conditions, hazardous weather conditions or other factors.

It is difficult to project the costs of implementing drilling programs due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior wells or additional seismic data and interpretations thereof.

Oil and natural gas exploration, development and production activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration, development and production activities. In particular, the Corporation is subject to the availability of drilling rigs at an economic price to proceed with its UK North Sea drilling program.

There are numerous risks inherent in drilling and operating wells, many of which are beyond the Corporation's control. The Corporation's operations may be curtailed, delayed or cancelled as a result of weather conditions, environmental hazards, industrial accidents, occupational and health hazards, technical or operational failures, shortage or delays in the delivery of rigs and/or other equipment, labour disputes and compliance with governmental requirements.

Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some petroleum, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Although the Corporation currently operates all of its production, from time to time other companies may operate some or all of the Corporation's oil and natural gas properties. To the extent that the Corporation does not operate all of its oil and natural gas properties, the Corporation may have limited ability to exercise influence over the operation of these assets or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on assets operated by others will therefore depend upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology, and risk management practices.

Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation’s ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation’s control, including the availability of drilling and related equipment; the availability and proximity of pipeline capacity; the availability of processing capacity; the availability and productivity of skilled labour; the effects of inclement weather; unexpected cost increases; currency fluctuations; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; accidental events; and regulation of the oil and natural gas industry by various levels of government and governmental agencies. Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it hopes to produce.

Offshore Exploration

The Corporation faces additional risks due to its concentration on offshore activities. In particular, drilling conditions, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, or other geological and mechanical conditions. Sub-sea tiebacks in the UK North Sea, while common, are also affected by weather conditions in the UK North Sea, and potential pipeline tie-back installations can be more challenging in winter months. The Corporation’s offshore production facilities are also subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, collision and damage from severe weather or tidal conditions. These hazards can cause substantial damage to facilities and interrupt production. Further, the Corporation has a relatively small number of production facilities and operational problems in any one facility could have a materially adverse effect on the Corporation. Offshore oil and gas activities can also be affected by ocean phenomena arising from occurrences such as hurricanes and tsunamis.

Access to facilities to process field production is an important consideration when developing fields in the North Sea. Such access is not guaranteed and directly affects the economics of a project. The UK government with the assistance of the DECC has a policy which has been adopted by the major operators of facilities in the North Sea that allows access to facilities to be negotiated at a reasonable rate. These types of initiatives are intended to ensure that reserves that cannot support stand-alone facilities can be developed.

Reserves and Production Risks

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and the future cash flows attributed to such reserves. The reserve and resource data included in this document are expressions of judgment based on knowledge, experience and industry practice. In general, estimates of economically recoverable oil and natural gas reserves and the future net revenue therefrom are based upon a number of variable factors and assumptions, such as expected reservoir characteristics based on geological, geophysical and engineering assessments; ultimate reserve recovery; timing and amount of capital expenditures; future production rates based on historical performance and expected future operating and investment activities; future oil and natural gas prices and quality differentials; marketability of oil and gas; royalty rates; assumed effects of regulation by governmental agencies; and future development and operating costs, all of which may vary materially from actual results.

Classifications of reserves are only attempts to define the degree of speculation involved. They are therefore imprecise and depend to some extent on interpretations, which may prove to be inaccurate. The nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of oil and gas disclosed will be available for extraction. Estimates that were reasonable when made may change significantly when new information from additional analysis and drilling becomes available.

Estimates for reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves.

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery, and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, cash flows, taxes, royalties and development and operating expenditures may vary from these estimates. Such variances may be material. The Corporation is currently reliant upon the success of the production from the Jacky, Beatrice Alpha and Bravo wells to meet its forward budgeted expenditure program.

The Corporation's crude oil and natural gas reserves and production, and therefore its operating cash flows and results of operations, are highly dependent upon the Corporation's success in exploiting the current reserve base and acquiring or discovering additional reserves. Without reserve additions through exploration, acquisition or development activities, the Corporation's reserves and production will decline over time as reserves are produced. Maintenance of or a future increase in the Corporation's reserves will depend not only on the Corporation's ability to develop any properties it has from time to time, but also on its ability to select and acquire suitable producing properties or prospects. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient and external sources of capital become limited or unavailable, the ability to make the necessary capital investments to maintain and expand the Corporation's oil and natural gas reserves will be impaired. There can be no assurance that the Corporation's exploration, development, production and acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Write-Off of Unsuccessful Properties and Projects

In order to realize the carrying value of its oil and gas properties and ventures, the Corporation must produce oil and gas in sufficient quantities and then sell such oil and gas at sufficient prices to produce a profit. The Corporation has a number of non-producing oil and gas properties. The risks associated with successfully developing such oil and gas properties are even greater than those associated with successfully continuing development of producing oil and gas properties, since the existence and extent of commercial quantities of oil and gas in unevaluated properties have not been fully established. The Corporation could be required to write-off some or all of its non-producing oil and gas properties if such projects prove to be unsuccessful.

Dependence on Key Executives and Personnel

The Corporation's development and future potential are dependent upon the continued services and performance of its senior management and other key personnel. The loss of the services of any of the senior management or key personnel may have an adverse impact on the Corporation. There is significant demand for management and employees skilled in the areas of the exploration, development, production and acquisition of oil and natural gas reserves, and the Corporation may not be able to attract or retain qualified individuals, or its key personnel, in the future.

Certain of the directors and officers of the Corporation are also directors and officers of other companies involved in oil and natural gas exploration, development, production and acquisition, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies. Situations may arise where directors or officers of the Corporation will be in direct competition with the Corporation. Conflicts, if any, in respect of the Corporation and its directors and officers must be disclosed in accordance with, and will be subject to the procedures and remedies under the ABCA. Conflicts, if any, in respect of the Ithaca UK and its directors and officers will be subject to the procedures and remedies under the UK Companies Act 2006.

Competition

The oil and natural gas industry is intensely competitive. There is strong competition for the discovery and acquisition of properties considered to have commercial potential as well as for the contracting of equipment and the recruitment and retention of skilled personnel. Ithaca competes with a substantial number of other companies, many of whom have greater financial resources. Many such companies not only explore for and produce oil, natural gas and NGLs, but also carry on refining operations and market petroleum and other products on a world-wide basis. There is also competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual customers. Such competition may result in the Corporation being unable to secure or develop new exploration areas or recruit and retain staff. There is no assurance that Ithaca will be able to successfully compete against its competitors.

Commodity Prices

The profitability and cash flow of the Corporation's operations will be dependent upon the market price of oil and gas. This has fluctuated widely, particularly in recent years. Crude oil and natural gas are commodities that are generally sold at contract or posted prices. Ithaca's crude oil prices are based on various reference prices, primarily the Brent ICE crude oil reference price and other reference prices such as West Texas Intermediate. UK gas prices are generally referenced to the UK National Balancing Point. Adjustments are made to the reference price to reflect quality differentials and transportation. Quality differentials are affected by local supply and demand factors.

Brent ICE and other oil and gas indices are affected by numerous factors beyond the Corporation's control, including economic and political conditions, levels of supply and demand, the policies of the Organization of Petroleum Exporting Countries, currency exchange rates and the availability of alternative fuel sources. If the price of oil and gas products should drop significantly, the economic prospects of the projects in which the Corporation has an interest could be significantly reduced or rendered uneconomic, leading to a reduction in the volume of oil and natural gas reserves. Also, the operator or the Corporation might elect not to produce from certain wells at lower prices, or to explore on or develop certain properties.

All of these factors could result in a material decrease in the Corporation's future net production revenue, causing a reduction in its oil and gas acquisition, exploration, development and production activities. In addition, bank borrowings available to the Corporation are in part determined by the borrowing base of the Corporation. A sustained material decline in prices from historical average prices could limit or reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation, and could require that a portion of any existing bank debt of the Corporation be repaid. The Corporation currently does not have a borrowing base facility and as such is not subject to these specific risks.

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreement, the Corporation will not benefit from such increases. Alternatively options may be entered in to provide the Corporation the certainty of future pricing whilst retaining some or all of the upside.

Volatility in the oil price also affects the ability of asset transactions to complete as value expectations between sellers and buyers may differ substantially.

Market Risk

The marketability of any oil and gas which may be produced or acquired by the Corporation will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment, availability of transportation capacity, and government regulations including regulations relating to price, taxation, royalties, production levels, imports and exports, land tenure and the environment, the effect of which cannot be accurately predicted. The Corporation will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil that may in the future be produced by the Corporation. The Corporation has no direct experience in the marketing of oil and natural gas.

The Corporation has entered in to a marketing agreement with BP, a leading industry player that has significant capacity to place oil products in the markets and as such achieve competitive pricing for the Corporation's production.

Title Risks

Title to oil and natural gas properties is often not capable of conclusive determination without incurring substantial expense. In accordance with industry practice, the Corporation conducts such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. The actual interest of the Corporation may vary from the Corporation's records.

Concentration of Oil and Gas Assets

In the event of exploration success the Corporation's prospective production will come from its interests in oil or gas fields and will remain dependent on a relatively small number of fields. Operational problems in any one field could have a materially adverse effect on the Corporation.

Interests in Licenses

The Corporation's properties will be generally held in the form of licenses, concessions, permits and regulatory consents ("**Authorizations**"). The Corporation's activities are dependent upon the grant and maintenance of appropriate Authorizations, which may not be granted; may be made subject to limitations which, if not met, will result in the termination or withdrawal of the Authorization; or may be otherwise withdrawn. Also, in the majority of its licenses, the Corporation is often a joint interest-holder with another third party over which it has no control. An Authorization may be revoked by the relevant regulatory authority if the other interest-holder is no longer deemed to be financially credible. There can be no assurance that any of the obligations required to maintain each Authorization will be met. Although the Corporation believes that the Authorizations will be renewed following expiry or granted (as the case may be), there can be no assurance that such Authorizations will be renewed or granted or as to the terms of such renewals or grants. The termination or expiration of the Corporation's Authorizations may have a material adverse effect on the Corporation's results of operations and business.

In addition, the areas covered by the Authorizations are or may be subject to agreements with the proprietors of the land. If such agreements are terminated, found void or otherwise challenged, the Corporation may suffer significant damage through the loss of opportunity to identify and extract oil or gas.

Currency Risks

The Corporation's operations are subject to exchange rate fluctuations and may become subject to exchange control or similar restrictions. Such fluctuations may affect the cash flows that the Corporation may realize from its operations, as the market for oil is principally denominated in US Dollars. The Corporation's costs are incurred primarily in Pounds Sterling and some US Dollars, with limited exposure to the Euro.

Given the increasing development expenditure and operating costs in currencies other than US Dollars, the Board of Directors of the Corporation has agreed on a hedging policy to mitigate foreign exchange rate risk on committed expenditure.

Government and Environmental Regulation

The petroleum industry is subject to regulation, enforcement and intervention by governments in such matters as the awarding and licensing of exploration and production interests, the imposition of specific drilling obligations, environmental protection and pollution controls, health and safety aspects of on and off-shore activity and operations, control over the development, decommissioning and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulation may be changed from time to time in response to economic or political conditions. The implementation of new legislation or regulations or the modification of existing legislation or regulations affecting the oil and gas industry could reduce demand for natural gas and crude oil, increase costs and may have a material adverse impact on the Corporation. Export sales are subject to the authorization of provincial and federal government agencies and the corresponding governmental policies of foreign countries.

Development of reserves and rates of return are also susceptible to changes in national fiscal policy. The current tax regime in the UK is favourable to companies of the Corporation's size in that it allows full deductions of appraisal and development expense before any tax is payable. On December 5, 2005, the UK Chancellor of the Exchequer delivered a

Pre-Budget Report to the UK House of Commons. The Pre-Budget Report provides for an increase to the supplementary tax rate applicable to North Sea oil companies from 10% to 20% effective January 1, 2006. This change resulted in an effective rate of corporation tax of 30% of profits after all capital and operating costs have been recovered, and an effective supplementary rate of 20% on profits after all capital and operating costs (excluding finance costs) have been recovered, resulting in an effective combined base and supplementary tax rate of no less than 50%. In 2009 a number of reforms were introduced to the North Sea fiscal regime aimed at fostering developments in smaller fields as well as more complex high pressure/high temperature and heavy oil fields. The smaller field relief is granted in respect of fields of less than 20mmbbls and so is potential benefit to the Corporation. Further favorable tax reforms were announced in January 2010 in which the additional tax allowances were extended to gas fields in frontier areas. Any changes to these laws would impact the net present worth of the Corporation's reserves.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions, federal, regional, national, state and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions and discharges of various substances and materials (including wastes) produced in association with or otherwise arising from oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, decommissioned, abandoned and reclaimed in accordance with relevant laws and permits and including, where relevant, to the satisfaction of applicable regulatory authorities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditure, restrictions and delays in the activities of the Corporation, the extent of which cannot be predicted. Before exploration and/or production activities can commence, the Corporation must obtain regulatory approval and relevant licenses and there is no assurance that such approvals or licenses will be obtained.

Environmental legislation and enforcement policy is evolving in a manner expected to result in more onerous and stricter requirements, standards and enforcement, larger fines and greater liability and potentially increased capital expenditures and operating costs. While the directors believe that the Corporation's current provision for compliance with environmental laws, regulations and liabilities (including decommissioning) in the countries in which it operates is reasonable, no assurance can be given that new rules and regulations will not be enacted or existing legislation, rules and regulations will not be applied in a manner which could limit or curtail the Corporation's production or development or result in increased liabilities. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of acquisition, exploration, development or production activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

The Corporation is committed to meeting its responsibilities to protect the environment wherever it operates and procedures are in place to ensure utmost care is taken in the day-to-day management of its properties. The Corporation believes in well abandonment and site restoration in a timely manner to ensure minimal damage and overall costs to the Corporation.

Uninsured Risks

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills, releases or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Corporation due to injury to or loss of life; severe damage to or destruction of property, natural resources and equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation and penalties; and suspension of operations. Damages and losses occurring as a result of such risks may give rise to claims against the Corporation.

Although the Corporation believes that it, or where applicable the operator, will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Corporation's, or where applicable the operator's, insurance may not cover or be adequate to cover the consequences of such events. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that is not covered or not fully covered by insurance, or the insolvency of the insurer of such event, could have a materially adverse effect on the business, financial condition and results of operations of the Corporation. Moreover, there can be no assurance that the Corporation will be able to maintain adequate insurance in the future at rates that it considers reasonable.

Cyclical and Seasonal Impact of Industry

Ithaca's operating results and financial condition are dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors and geopolitical events, most of which are outside of the Corporation's control, including weather, general economic conditions and conditions in other oil and natural gas regions. Natural gas prices fluctuate in accordance with seasonal demand. A decline in oil and natural gas prices could have an adverse effect on the Corporation's financial condition.

Sub-sea tiebacks in the UK North Sea, while common, are affected by weather conditions in the UK North Sea, and potential pipeline tie-back installations can be more challenging in winter months.

Foreign Operations

Presently, all of Ithaca's oil and gas producing operations and assets and all of its exploration activities are located in the UK and held through Ithaca UK. As a result, the Corporation is subject to political, economic and other uncertainties, including but not limited to changes, sometimes frequent, in energy policies or the personnel administering them, nationalization, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted. Changes in legislation may affect the Corporation's oil and natural gas exploration and production activities. The Corporation's international operations may also be adversely affected by laws and policies of Canada as they pertain to foreign trade, taxation and investment.

In the event of a dispute arising in connection with its foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in foreign jurisdictions. In addition, Ithaca's existing joint ventures and Ithaca UK were formed pursuant to, and their operations are governed by, a number of legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Corporation's foreign exploration, development and production activities could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

Conflicting Interests with Partners

Joint venture, acquisition, financing and other agreements and arrangements must be negotiated with independent third parties and, in some cases, must be approved by governmental agencies. These third parties generally have objectives and interests that may not coincide with and may conflict with Ithaca's interests. Unless the parties are able to compromise these conflicting objectives and interests in a mutually acceptable manner, agreements and arrangements with these third parties will not be consummated or maintained.

In certain circumstances, the concurrence of co-venturers may be required for various actions. Other parties influencing the timing of events may have priorities that differ from Ithaca's, even if they generally share Ithaca's objectives. Demands by or expectations of governments, co-venturers, customers and others may affect Ithaca's strategy regarding the various projects. Failure to meet such demands or expectations could adversely affect Ithaca's participation in such projects or its ability to obtain or maintain necessary licenses and other approvals.

Acquisition Risks

The Corporation intends to acquire additional oil and gas properties. Although the Corporation performs a review of properties prior to acquiring them that it believes is consistent with industry practice, such reviews are inherently incomplete. It is generally not feasible to review in depth every individual property involved in each acquisition. Generally, the Corporation will focus its due diligence efforts on higher valued properties and will sample the remainder. However, even an in-depth review of all properties and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. The Corporation may be required to assume pre-closing liabilities, including environmental liabilities, and may acquire interests in properties on an "as is" basis.

Reliance on Industry Partners

The Corporation relies on industry partners with respect to the evaluation, acquisition and development of, and future production from, its properties and a failure or inability to perform by such partners could materially affect the prospects of the Corporation.

Regulatory Approvals

The further development of the Corporation's properties requires the approval of applicable regulatory authorities to the plans of the Corporation with respect to the drilling and development of such properties. A failure to obtain such approval on a timely basis or material conditions imposed by such authority in connection with the approval would materially affect the prospects of the Corporation.

Common Share Price Volatility

The market price of the Common Shares could be subject to wide fluctuations in response to Ithaca's results of operations, changes in earnings estimates by analysts, changing conditions in the oil and gas industry, or changes in general market, economic or political conditions.

Absence of Cash Dividends

Ithaca has not paid any cash dividends to date on the Common Shares and there are no plans for such dividend payments in the foreseeable future.

Force Majeure

The Corporation's projects may be adversely affected by risks outside the control of the Corporation including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

DIVIDEND POLICY

The declaration and payment of dividends on the Common Shares is at the discretion of the Board.

It is the Board of Director's present policy to re-invest any net earnings to finance the growth and expansion of the Corporation's business and accordingly it is not intended that the Corporation shall pay any dividends in the foreseeable future.

Any declaration and payment of dividends by the Corporation will be dependent upon the Corporation's consolidated results, financial position, cash requirements, future prospects, profits available for distribution and other factors regarded by the Directors as relevant at the time.

The Corporation has not paid any dividends on the Common Shares since its incorporation to the date hereof.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series. As at December 31, 2009, there were 162,361,975 Common Shares issued and outstanding. No Preferred Shares are issued and outstanding.

The following is a summary of the rights, privileges, restrictions and conditions attaching to each class of shares of the Corporation.

Common Shares

The holders of Common Shares are entitled to: (i) receive notice of and to vote at every meeting of shareholders of Ithaca and shall have one vote thereat for each such Common Share so held, (ii) receive any dividend declared on the Common Shares by Ithaca subject to the rights of the holders of Preferred Shares; and (iii) subject to the rights, privileges, restrictions and conditions attached to the Preferred Shares, receive the remaining property of Ithaca on dissolution, liquidation or winding up.

Preferred Shares

Preferred Shares may, from time to time, be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be fixed by the directors of Ithaca. The directors may additionally determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares, including, without limiting the generality of the foregoing, the rate or amount of preferential dividends and the date of payment thereof, the redemption purchase and/or conversion price and conditions of redemption, purchase and/or conversion, if any, and any sinking fund or other provisions. The Preferred Shares rank in priority to the Common Shares as to payment of dividends and the distribution of assets in the event of dissolution, liquidation or winding-up.

MARKET FOR SECURITIES

The Common Shares of the Corporation are listed for trading on the TSXV under the symbol "IAE" and on the AIM under the symbol "IAE".

The price ranges and traded volumes of the Common Shares of the TSXV for each month of the most recently completed financial year, as reported by the TSXV, are shown below:

	Price Range ($)		Monthly
	High	**Low**	**Trading Volume**
2009			
January	0.47	0.31	15,368,800
February	0.44	0.32	5,884,600
March	0.65	0.33	12,431,300
April	0.74	0.54	13,507,300
May	0.74	0.43	25,248,700
June	0.92	0.61	14,801,700
July	0.75	0.50	11,273,100
August	0.93	0.74	12,529,500
September	0.88	0.71	9,877,600
October	0.92	0.71	11,161,300
November	1.05	0.81	8,706,000
December	1.50	0.91	13,294,700

DIRECTORS AND OFFICERS

Background Information

The following table sets forth the names, municipalities of residence, positions with Ithaca, time served as a director (if applicable) and the principal occupation during the last five years of the directors and officers of Ithaca as of December 31, 2009. Directors are elected at the annual meetings of shareholders and serve until the next annual meeting or until a successor is elected or appointed.

Name, Position with Ithaca and Municipality of Residence	Principal Occupation in the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed(6)
Lawrence H. Payne(3)(4)(8) Non-Executive Chairman and Director London, England	Non-Executive Chairman since October 1, 2009. From December 1, 2008 to October 1, 2009 Executive Chairman of the Corporation and previously thereto Chief Executive Officer of the Corporation since April 2004. President of Stag Valley Management, an oil and gas drilling fund management corporation, from April 2001 to May 2004.	April 27, 2004	2,732,334 (9)

Name, Position with Ithaca and Municipality of Residence	Principal Occupation in the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed[6]
Iain McKendrick[8] Chief Executive Officer and Director Aberdeen, Scotland	Chief Executive Officer of the Corporation since December 1, 2008, previously Chief Operating Officer since February 2009. With Total S.A. from 1991, most recently as Vice-President Business Development and Strategy, USA.	December 1, 2008	75,490
Brad Hurtubise[1][4] Director Calgary, Alberta	President and CEO of Eaglewood Energy Inc since November 2008. Managing Director of Investment Banking Tristone Capital Inc, 2004 and before that Executive Managing Director, Investment and Corporate Banking at BMO Nesbitt Burns. Currently on the boards of Direct Cash Income Fund and Compton Petroleum Corporation...	February 15, 2008	30,000
Jack Lee[1][3] Director Calgary, Alberta	Previously Vice-Chairman of the Board of Directors and director of Penn West Energy Trust, Chairman of Board of Canetic Energy from inception in January 2006 until January 2008. Prior thereto, President and Chief Executive Officer of Acclaim Energy Trust all in Canada. Currently a director and Chairman of TSX listed companies Sprott Inc. and Alaris Royalty Corp. and a director of CanEra Resources Inc., Gryphon Petroleum Corp and Darian Resources Ltd., private oil and gas companies.	February 15, 2008	615,000[10]
John P. Summers[1][2][4] Director London, England	Chief Executive of JPS Finance Limited, a financial advisory services Corporation, since April 1980.	July 1, 2005	211,700
Franklin M. Wormsbecker[2][3][5] Director Calgary, Alberta	Vice-President, Operations of Harvard Energy, a private oil company, since 2006. President of Pancho Resources Limited, an engineering consulting corporation, from 2003 to 2006.	April 12, 2006	180,000
Jay M. Zammit[2][4] Director Calgary, Alberta	Partner, Burstall Winger LLP, Barristers and Solicitors, and Managing Partner from 2001 to 2003 and in 2005. Currently on the boards of Cathedral Energy Services Ltd., Antrim Energy Inc., Alternative Fuel Systems (2004) Inc., and KDC Energy Ltd.	April 27, 2004	400,000
John Woods Chief Developments Officer Aberdeen, Scotland	Chief Developments Officer of the Corporation since February 2006. From 2003 through 2005 Production Services Director with Wood Group Engineering North Sea Ltd.	N/A	50,000
Nick Muir Chief Exploration Officer Aberdeen, Scotland	Chief Exploration Officer of the Corporation since February 2006. Prior to February 2006, Exploration Commercial Lead for Shell Europe Business Unit.	N/A	5,000 [12]
Norman Wood[7] Interim Chief Financial Officer	Interim Chief Financial Officer of the Corporation since December 2009. Prior to December 2009, with Total S.A. for almost 30 years, most recently as Finance Manager, Norway.	N/A	Nil

Notes:

(1) Member of the Corporation’s Audit Committee of which John P. Summers is Chair.

(2) Member of the Corporation’s Remuneration Committee of which Jay Zammit is Chair.

(3) Member of the Corporation’s Reserve Committee which Frank Wormsbecker is Chair.

(4) Member of the Corporation’s Corporate Governance Committee of which Brad Hurtubise is Chair.

(5) Each of Messrs. Payne, McKendrick and Summers are also directors of Ithaca Energy (UK) Ltd., a wholly owned subsidiary of the Corporation.

(6) These amounts do not include any Common Shares issuable upon the exercise of stock options.

(7) Norman Wood was appointed interim Chief Financial Officer of Ithaca effective December 1, 2009. Steven Turner stepped down as Chief Financial Officer of Ithaca effective December 1, 2009.

(8) Effective October 1, 2009, Mr. Payne stepped down from management of Ithaca and assumed the role of Non-Executive Chairman. Effective December 1, 2008 Mr. Payne assumed the role of executive chairman and Mr. McKendrick assumed the role of Chief Executive Officer and also became a director of the Corporation.

(9) 294,000 of the shares are held through Akela Resources, a private company owned 100% by Mr. Payne.

(10) The shares are held by Facet Resources Ltd., a private investment company owned as to 70% by Mr. Lee and 30% by his wife Irene L Lee.

(11) Michael B.A. Nobbs resigned as a Director of the Corporation on June 18, 2009, and Alexander F.D. Berger resigned as a Director of the Corporation on August 27, 2009.

(12) Shares are held by Nick Muir's wife, Susan N. Muir.

Ownership of Shares

As of the date hereof the directors and officers of the Corporation and its subsidiaries, as a group, own or control, directly or indirectly, and aggregate of 4,299,524 Common Shares representing 2.6% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, to the knowledge of management, no director or executive officer of the Corporation is, as of the date of this AIF, or was, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Ithaca) that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued (i) while such person was acting in that capacity, or (ii) after such person was acting in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

On August 30, 2005 Jay Zammit became a director of Marine Bioproducts International Corp. ("**Marine**"), a Corporation listed on the NEX Board of the TSXV that was the subject of a cease trade order in British Columbia and Alberta prior to Mr. Zammit's appointment. Mr. Zammit was appointed to the board to assist in the reinstatement of Marine to good standing. The cease trade orders against Marine were subsequently lifted and Marine completed a plan of arrangement (the "**Plan**") with Phoenix Oilfield Hauling Ltd. on May 9, 2006. Mr. Zammit is no longer a director of Phoenix Oilfield Hauling Inc., the resulting corporation under the Plan.

Other than as set forth below, to the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation is, as of the date of this AIF, or has been, within 10 years before the date hereof, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Zammit was Corporate Secretary of Alternative Fuel Systems Inc. when it made an application under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**"). Alternative Fuel Systems Inc. completed a Statutory Plan of Arrangement under the CCAA and the ABCA on June 30, 2004 whereby it was reorganized into two companies: Alternative Fuel Systems (2004) Inc. and AFS Energy Inc. AFS Energy Inc. remains listed on the TSXV, completed a transaction to convert to an oil and gas Corporation and changed its name to Flagship Energy Inc. effective May 2005. Alternative Fuel Systems (2004) Inc. completed a private placement financing in the summer of 2005 and remains listed on the TSX Venture Exchange. Mr. Zammit is a director of Alternative Fuel Systems Inc. but is no longer associated with AFS Energy Inc. (the predecessor Corporation to Flagship Energy Inc.).

Mr. Lee was a director of Darian Resources Ltd. ("**Darian**"), a private company, when it made an application under the CCAA. The Court of Queen's Bench of Alberta granted an initial order on February 12, 2010. The order provided certain relief including the imposition of a stay of proceedings against Darian and its assets, which stay was subsequently extended to May 18, 2010.

To the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts Of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation or a subsidiary of the Corporation may be subject in connection with the operations of the Corporation or a subsidiary of the Corporation. Certain of the directors and officers of the Corporation are also directors and officers of other companies involved in oil and natural gas exploration, development, production and acquisition, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies, and situations may arise where directors or officers of the Corporation will be in direct competition with the Corporation. Conflicts, if any, in respect of the Corporation and its directors and officers must be disclosed in accordance with and will be subject to the procedures and remedies under the ABCA. Conflicts, if any, in respect of Ithaca UK and its directors and officers will be subject to the procedures and remedies under the UK Companies Act. To the knowledge of the Corporation, no material conflicts of interest currently exist between the Corporation or Ithaca UK and any director or officer of the Corporation or Ithaca UK.

Jay M. Zammit, a director of the Corporation, is a partner of Burstall Winger LLP, which provides legal services to the Corporation on a fee-for-service basis.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The full text of the audit committee charter is included in Schedule "A" of this AIF.

Composition of the Audit Committee

The audit committee currently consists of three members, all of whom are financially literate and independent. The relevant education and experience of each audit committee member is outlined below. Brad Hurtubise was appointed to the audit committee on August 14, 2009, following the resignation of Michael Nobbs from the committee on December 18, 2009.

John P. Summers

Mr. Summers has experience as a Chartered Accountant and international financial consultant for more than forty years. Mr. Summers practiced as a Chartered Accountant from 1963 to 1985. In 1980 he formed JPS Financial Services, which since 1982 has provided financial and accounting advisory services to select individuals and institutions.

Jack Lee

Mr. Lee is President of Facet Resources Ltd., a private investment company. Me Lee is currently the Chairman of Sprott Inc. and Alaris Royalty Corp., prior thereto he was Vice-Chairman of Penn West Energy Trust, Chairman of Canetic Resources Trust and President and Chief Executive Officer of Acclaim Energy Trust. Mr. Lee is also on the board of three private oil and gas companies, Gryphon Petroleum Corp., Darian Resources Ltd. and CanEra Resources Inc. Mr. Lee has a Bachelor of Arts and a Bachelor of Commerce.

Brad Hurtubise

Mr. Hurtubise has been the President, Chief Executive Officer and Director of Eaglewood Energy Inc., a publicly traded junior oil and gas corporation whose shares trade on the TSX Venture Exchange, since November, 2008. Mr. Hurtubise was the Managing Director, Corporate Finance for Tristone Capital Inc., from February, 2004 until September, 2007. Mr. Hurtubise was the Executive Managing Director, Investment and Corporate Banking at BMO Nesbitt Burns from May, 2001 to January, 2004. Mr. Hurtubise was a director of Bison Resources Ltd. (a junior oil and gas corporation) from December, 1998 to July, 2005. Mr. Hurtubise was Chairman and Chief Executive Officer of WestCastle Energy Trust (an energy marketing firm) from October, 1998 until its sale to large UK based marketing company (Direct Energy Marketing Limited) and then was Senior Vice-President, Finance and Chief Financial Officer of Direct Energy Marketing Limited from October, 1997 to July, 2000. Mr. Hurtubise was President and Chief Executive Officer of Grad & Walker Energy Corporation from April, 1994 to September, 1996. Mr. Hurtubise held various positions (including Vice-President and Director) with Nesbitt Thomson Inc.'s investment banking group from April, 1988 to March, 1994. Mr. Hurtubise holds a Bachelor of Commerce degree from the University of Calgary, an MBA from the Schulich School of Business at York University in Toronto, and is a Chartered Financial Analyst charter holder and member of the Association for Investment Management and Research.

Pre-approval Policies

Under the policy, the Audit Committee shall approve all non-audit services to be provided by the independent auditor prior to the services being performed, including the amount of any related fees. To the extent deemed necessary by the Audit Committee, it shall have the authority to engage outside counsel and/or independent accounting consultants to review any matter under its responsibility.

External Auditor Service Fees (By Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by PricewaterhouseCoopers LLP, Chartered Accountants, during the years ended December 31, 2009 and December 31, 2008 and were paid or estimated to be payable for services in the year indicated:

PricewaterhouseCoopers LLP	**2009 ($)**	**2008 ($)**
Audit Fees(1)	199,829	271,770
Audit-Related Fees(2)	160,010	31,385
Tax Fees(3)	169,143	201,437
All Other Fees(4)	133,600	-
Total:(5)	662,582	504,592

Notes:

(1) Audit fees were for professional services rendered by PricewaterhouseCoopers LLP, Chartered Accountants for the audit of the Corporation’s annual financial statements as well as services provided in connection with statutory and regulatory filings.

(2) Audit-related fees are for services related to performance of limited procedures performed by the Corporation’s auditors related to interim quarterly reports.

(3) Professional services fee for tax compliance, tax advice and tax planning.

(4) All other fees performed by the Corporation’s auditors, being primarily work associated with the issuing of new equity.

(5) These fees only represent professional services rendered and do not include any out-of-pocket disbursements or fees associated with filings made on the Corporation’s behalf. These additional costs are not material as compared to the total professional services fees for each year.

The Audit Committee met quarterly in 2009 to fulfill its mandate. The Audit Committee has discussions with the Corporation’s auditors regularly, independent of management, and has direct communication channels with the external auditors to discuss and review specified issues as appropriate.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of Ithaca is not aware of any existing or contemplated legal proceedings material to Ithaca, to which Ithaca is, or during the financial year ended December 31, 2009 was, a party or of which any of its property is, or during the financing year ended December 31, 2009 was, subject.

Management of Ithaca is not aware of any penalties or sanctions imposed against Ithaca by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2009 or any other penalties or sanctions imposed by a court or regulatory body against Ithaca that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation, or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of voting securities of the Corporation, or associate or affiliate of any of the foregoing persons has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada, Suite 600, 530 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 3S6, is the transfer agent and registrar for the Common Shares at its principal offices in Calgary, Alberta, Canada and in Bristol, England.

MATERIAL CONTRACTS

Within the two years prior to the date hereof, neither the Corporation nor any subsidiary of the Corporation has entered into any contracts within the financial year ended December 31, 2009 or prior thereto, other than contracts in the ordinary course of business.

INTERESTS OF EXPERTS

The Corporation's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated April 8, 2010 in respect of the Corporation's consolidated financial statements as at December 31, 2009 and 2008 for each of the years ended December 31, 2009 and 2008. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Sproule prepared the independent report filed with the Form 51-101F1 – Statement of Reserves Data and Other Oil & Gas Information in which it evaluated as at December 31, 2009 the oil and natural gas reserves attributable to the principal properties of the Corporation.

The partners, employees and consultants of Sproule hold, directly or indirectly, in aggregate, less than 1% of any securities or other property of the Corporation or of one of its associates or affiliates either at the time of such reports or since that time.

ADDITIONAL INFORMATION

Additional information regarding the Corporation may be found on the System for Electronic Document Analysis and Retrieval at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness to the Corporation, principal holders of securities of the Corporation and securities authorized for issuance under equity compensation plans is contained in the Corporation's most recent Information Circular-Proxy Statement prepared in connection with the 2009 annual and special meeting of shareholders of the Corporation. Additional financial information is provided in the Corporation's comparative financial statements for its financial year ended December 31, 2009, together with the accompanying report of the auditor and management's discussion and analysis filed on SEDAR at www.sedar.com.

SCHEDULE A - AUDIT COMMITTEE CHARTER

ITHACA ENERGY INC.
AUDIT COMMITTEE CHARTER

General

The Audit Committee is a committee of the Board of Directors (the **"Board"**) of Ithaca Energy Inc. (the **"Corporation"**) to which the Board delegates its responsibility for oversight of the financial reporting process.

Responsibilities of the Audit Committee include:

- Review the financial reporting process to ensure the accuracy of the financial statements of the Corporation;
- Evaluate the independent auditor's qualifications, performance and independence;
- Facilitate the independence of the independent auditor;
- Assess the processes relating to the determination and mitigation of risks and the maintenance of an effective control environment; and
- Review the processes to monitor compliance with laws and regulations.

The Audit Committee will provide communication among the independent auditor, senior management of the Corporation and the Board. The Audit Committee has the sole authority to approve any non-audit engagement by the Corporation's independent auditors and to approve all audit engagement fees and terms.

Responsibilities of the Audit Committee

1. **Financial Reporting**

(a) Review, with management and the independent auditor, the Corporation's annual financial statements, independent auditor reports, and disclosures under "Management's Discussion and Analysis" before they are reviewed by the Board. Review interim financial information before it is released to the public. Review all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and management's discussion and analysis.

(b) The Audit Committee Chair, as a representative of the Committee, shall consult directly with the independent auditor to obtain their comments with respect to interim reports including related "Management's Discussion and Analysis" (as a result of their limited scope review of the interim reports).

(c) Conduct an investigation sufficient to provide reasonable grounds for believing that the financial statements and reports referred to in a) above are complete in all material respects and consistent with the information known to Committee members, and assess whether the financial statements reflect appropriate accounting principles.

(d) Review with senior management of the Corporation and the independent auditor, management's handling of any proposed audit adjustments identified by the independent auditors.

(e) Meet with the independent auditor to review the results of the annual audit, their judgments about the quality and appropriateness of the Corporation's accounting principles, and any audit problems or difficulties and management's response.

(f) Review and resolve any significant disagreement among the Corporation's management and the independent auditors in the financial reporting process.

(g) Review the integrity of the Corporation's internal and external financial reporting process, in consultation with the independent auditors.

(h) Consider, evaluate and recommend to the Board such changes as are appropriate to the Corporation's auditing and accounting principles and practices as suggested by the independent auditors or the Corporation's senior management.

(i) Review with independent auditors and the Corporation senior management the extent to which changes and improvements in financial and accounting practices, as approved by the Audit Committee, have been implemented.

2. **Independent Auditor**

(a) Approve the independent auditors' proposed audit scope, approach and fees

(b) At least annually, obtain and review a report by the independent auditor describing:

(c) the firm's internal quality-control procedures, and

(d) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

(e) Confirm the independence of the independent auditor by discussing and reviewing all significant relationships that the independent auditors have with the Corporation and obtaining their assertion of independence in accordance with professional standards.

(f) Review the performance of the independent auditor.

(g) Engage the Corporation's independent auditor and present recommendations on the appointment or discharge of the independent auditor to the Board for presentation to the shareholders.

(h) Approve in advance of the Corporation's final commitment all consulting arrangements and any other non-audit service with the Corporation's independent auditors other than services related to reviews of interim reports and tax services.

(i) Approve all audit fees and terms.

(j) When there is to be a change in the auditor, review all issues relating to the change including any reportable events.

(k) Review any engagements for non-audit services to be provided by the independent auditor's firm or affiliates, together with estimated fees and consider the independence of the auditor.

(l) Risk Assessment and Risk Management

(m) Discuss with Corporation management guidelines and policies governing the risk assessment and risk management processes.

(n) Review with Corporation management, the independent auditors, significant risks and exposures. Review management's plans and processes to minimize such risks, including insurance coverage.

(o) Evaluate whether Corporation management is adequately communicating the importance of internal control to all relevant personnel.

(p) Periodically privately consult with the independent auditor about internal controls and the completeness and accuracy of the Corporation's financial statements.

(q) Review whether the internal control recommendations made by the internal auditors and the independent auditor are being implemented by Corporation management and, if not, why not.

3. **Compliance with Relevant laws and regulations**

(a) Periodically obtain updates from the Corporation's senior management regarding procedures and processes to ensure compliance with applicable laws and regulations (including but not limited to, securities, tax and environmental matters).

4. **Other Responsibilities**

(a) Meet at least five times annually (for review of Q1, Q2 and Q3 interim reports as well as pre and post audit) with senior management and the independent auditors in separate sessions.

(b) Institute special investigations, if necessary, and hire special counsel or experts to assist, if appropriate.

(c) Review and update this Charter at least annually, and obtain approval of changes from the Board.

(d) Set clear hiring policies for employees or former employees of the independent auditors.

(e) Review the procedures established for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.

(f) Review the procedures established allowing the confidential, anonymous submission by Corporation employees of concerns regarding questionable accounting or auditing matters and resolution of such concerns, if any.

(g) Review with the Board, any issues that arise with respect to the quality or accuracy of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements and the performance and independence of the Corporation's independent auditors.

(h) Perform other oversight functions as requested by the Board.

(i) As considered necessary in the course of fulfilling Audit Committee duties, obtain advice and assistance from outside legal, accounting or other advisors.

(j) Report after each meeting to the Board regarding actions taken and matters discussed by the Committee.

Organization of the Audit Committee

The Audit Committee shall be comprised of a minimum of 3 Directors including a Committee Chair all of which, in the opinion of the Board, are independent directors. Each member of the Committee shall have a working knowledge of basic finance and accounting practices. The Chair of the Committee must have accounting or related financial management experience. The members of the Committee and its Chair shall be appointed by the Board of Directors. Appointments shall be made in accordance with procedures established by the Governance Committee of the Board of Directors from time to time.

The Corporation will adequately fund the budget of the Audit Committee. The budget will include, at a minimum, payments to the independent auditors for audit services and, if necessary, other professionals retained by the Audit Committee from time to time.

The Committee shall meet at five times annually (for review of Q1, Q2 and Q3 interim reports as well as pre and post audit), or more frequently as circumstances dictate. On an annual basis, the Committee shall report to the Board on the Committee's performance against its charter and the goals established annually by the Committee for itself.

Procedure Governing Errors or Misstatements in Financial Statements

In the event a director or an officer of the Corporation has reason to believe, after discussion with management, that a material error or misstatement exists in financial statements of the Corporation, that director or officer shall forthwith notify the Audit Committee and the auditor of the error or misstatement of which the director or officer becomes aware in a financial statement that the auditor or a former auditor has reported on.

If the auditor or a former auditor of the Corporation is notified or becomes aware of an error or misstatement in a financial statement on which the auditor or former auditor has reported, and if in the auditor's or former auditor's opinion the error or misstatement is material, the auditor or former auditor shall inform each director accordingly.

When the Audit Committee or the Board is made aware of an error or misstatement in a financial statement the Board shall prepare and issue revised financial statements or otherwise inform the shareholders and file such revised financial statements as required.

Limitation on Audit Committee Members' Duties

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard required by law.