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## **Ithaca Energy Commences Drilling on Athena Project**

LONDON, U.K. - CALGARY, ALBERTA, September 5, 2006 -- Ithaca Energy Inc. (LSE-AIM: IAE, TSX-V: IAE), a Canadian independent oil & gas company with exploration and development assets in the UK North Sea, is pleased to announce today that it has commenced drilling operations on its Athena project on block 14/18b in the Outer Moray Firth area of the United Kingdom's continental shelf.

Ithaca has entered into a farmout agreement with EWE Aktiengesellschaft (EWE), a major German energy utility, under which EWE will earn a 20% interest in License 1293 which covers Block 14/18b. As such, the beneficial interests of the participating companies will be Ithaca 70%, EWE 20% and Wimbledon 10%.

Two previous oil discoveries drilled on block 14/18b tested oil from two different sands of Early Cretaceous age. The 14/18-7 well, drilled in 1991, tested 847 barrels of oil per day (bopd) from approximately 289 feet of oil-bearing sand above water in a 570 foot sand and the 14/18-12 well drilled in 1996 tested 1302 bopd from approximately 100 feet of sand with no water encountered.

Utilizing the Bredford Dolphin semi-submersible drilling rig, the well is expected to penetrate the reservoir approximately 1350 feet from the bottom hole location of the 14/18-7 well. It will be drilled at a 60 degree angle to vertical through the prospective zones and will be drilled to a total depth of 10,943 feet below sea level. The well is expected to take approximately 30 days to drill and, should the well be successful, up to 14 days to test.

Through the use of modern drilling techniques, the objective of the new well is to establish higher rates of production than were previously tested, which will be commercial under current economic conditions. Should the well be successful, it will be suspended for future completion with further development in 2007 and first production anticipated in 2008.

### **Lawrie Payne, Ithaca's CEO said:**

"We are delighted that we have been able to obtain the services of a drilling rig earlier than previously thought and to have brought this project to a drill-ready state in a very short period of time."

"While Athena is of great significance to us, this occasion marks the start of a very busy and exciting stage of development on several of the company's projects this year and next; having also secured, in a difficult market, the services of a rig for additional drilling on two projects commencing in March 2007,"

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Some of the statements in this announcement are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of Ithaca Energy Inc. or its officers with respect to various matters. When used in this announcement, the words “expects,” “believes,” “anticipates,” “plans,” “may,” “will,” “should” and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcome to differ materially from those suggested by any such statements. These forward-looking statements speak only as of the date of this announcement. Ithaca Energy Inc. expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

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

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

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