



## NEWS RELEASE

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### **Ithaca Energy Announces Third Quarter 2007 Results**

LONDON, U.K. - CALGARY, ALBERTA, November 28, 2007 -- Ithaca Energy Inc. (the "Company") (LSE-AIM: IAE, TSX-V: IAE), a Canadian independent oil and gas company with exploration and development assets in the UK North Sea, announces its results for the third quarter ended September 30, 2007.

#### **Highlights**

##### **Operations:**

- Secured drilling rig and commenced drilling second successful well on Athena
- Completed site survey in preparation of drilling of Carna well at Blocks 43/21b and 43/22c
- Completed subsurface phase of Barbara/Phyllis joint development feasibility project
- Definition of Jacky field determination area confirmed by UK's DBERR
- Completed 3D seismic evaluation of Triton area to better define prospects and undertook partial relinquishment
- Submitted first draft of Athena Field Development Plan to the UK's DBERR

##### **Financial:**

- Working capital position of US\$30.9 million
- Net loss of US\$421,410 for the quarter and a net profit of US\$42,350 for the nine months ended September 30, 2007
- 84.3 million common shares outstanding at September 30, 2007 (111.7 million common shares outstanding at November 28, 2007)

##### **Events Subsequent to September 30, 2007:**

- US\$60 million senior secured credit facility approved by Royal Bank of Scotland
- CAD\$100 million equity financing successfully closed

##### **Commenting, Lawrie H. Payne, Chief Executive Officer, said:**

"Ithaca has made solid progress during the third quarter of the year and is continuing to build a strong track record. Of greatest significance during the quarter was the commencement of a second successful well on Athena. Testing of this well proved to be in-line with expectations and it has now been suspended as a future producer. The main areas of focus for the remainder of 2007 will be development of the Company's 70% owned Athena prospect and pre-field development plan on its 90% owned Jacky field. In addition to the above activity, Ithaca will also continue its North Sea exploration drilling program on its Manuel prospect in late December 2007".

##### **Brad G. Gunn, Chief Financial Officer, commented:**

"Post the quarter end, the Company raised CAD\$100 million through the equity markets and received credit approval for a US\$60 million senior secured debt facility from the Royal Bank of Scotland. Combined with existing cash resources, Ithaca is well positioned to be able to fund all its activities currently planned for the short to medium term."

##### **Enquiries:**

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**Ithaca Energy Inc.**
**Consolidated Balance Sheets**  
 (unaudited - all amounts are US\$)

	September 30, 2007	December 31, 2006
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 23,268,282	\$ 51,371,607
Accounts receivable	3,414,535	2,942,882
Deposits, prepaid expenses and other (note 4)	10,891,200	20,274,476
	<hr/> 37,574,017	<hr/> 74,588,965
Property, plant and equipment (net) (note 5)	81,506,415	40,345,189
	<hr/> \$ 119,080,432	<hr/> \$ 114,934,154
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,587,350	\$ 7,266,977
Asset retirement obligation	4,092,060	1,513,000
	<hr/> \$ 10,679,410	<hr/> 8,779,977
Shareholders' equity		
Share capital (note 6)	112,008,923	\$ 110,782,103
Contributed surplus	1,861,637	883,962
Deficit	(5,469,538)	(5,511,888)
	<hr/> 108,401,022	<hr/> 106,154,177
	<hr/> \$ 119,080,432	<hr/> \$ 114,934,154

*The accompanying notes to the consolidated financial statements are an integral part of these statements.*

**Ithaca Energy Inc.**
**Consolidated Statements of Net and Comprehensive Profit/(Loss) and Deficit**  
 (unaudited - all amounts are US\$)

	3 months ended September 30		9 months ended September 30	
	2007	2006	2007	2006
<b>REVENUE</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENSES</b>				
General and administrative	989,702	1,339,445	3,239,971	3,070,576
Amortization and accretion	84,211	14,000	194,266	42,000
Interest income	(355,920)	(374,925)	(881,757)	(446,964)
(Gain) Loss on foreign exchange				
Realized	(84,088)	338,879	(194,857)	418,305
Unrealized	(212,495)		(2,399,973)	
<b>NET PROFIT/(LOSS)</b>	\$ (421,410)	\$(1,317,399)	\$42,350	\$(3,083,917)
<b>Deficit, beginning of period</b>	5,048,128	2,972,071	5,511,888	1,205,553
<b>Deficit, end of period</b>	\$ 5,469,538	\$ 4,289,470	\$5,469,538	\$ 4,289,470
<b>Net and comprehensive profit/(loss) per share (basic and diluted)</b>	\$ (0.00)	\$ (0.02)	\$ 0.00	\$ (0.07)

**Consolidated Statements of Shareholders' Equity**  
 (unaudited - all amounts are US\$)

	Share Capital	Contributed Surplus	Deficit	2007 Total	2006 Total
Balance, January 1 2007	\$110,782,103	\$883,962	\$(5,511,888)	\$106,154,177	\$16,920,379
Stock based compensation	-	977,675	-	977,675	712,205
Issued for cash	1,260,000	-	-	1,260,000	55,665,988
Share Issue costs	(33,180)	-	-	(33,180)	(3,933,671)
Profit / (loss) for the period	-	-	42,350	42,350	(3,083,917)
<b>Balance, September 30 2007</b>	<b>\$112,008,923</b>	<b>\$1,861,637</b>	<b>\$(5,469,538)</b>	<b>\$108,401,022</b>	<b>\$66,280,984</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**Ithaca Energy Inc.**
**Consolidated Statements of Cash Flow**  
(unaudited - all amounts are US\$)

	3 months ended September 30		9 months ended September 30	
	2007	2006	2007	2006
<b>OPERATING ACTIVITIES:</b>				
Net profit / (loss)	\$ (421,410)	\$ (1,317,399)	\$ 42,350	\$ (3,083,917)
Items not involving cash:				
Stock based compensation	390,070	669,805	977,675	712,205
Unrealized (gain) on foreign exchange	(212,495)	-	(2,399,973)	-
Amortization and accretion	84,211	14,000	194,266	42,000
	(159,624)	(633,594)	(1,185,682)	(2,329,712)
Changes in non-cash working capital relating to operating activities:	512,495	(591,361)	2,499,972	(19,406,573)
	352,871	(1,224,955)	1,314,290	(21,736,285)
<b>INVESTING ACTIVITIES:</b>				
Oil and natural gas properties	(12,716,236)	(8,863,787)	(41,192,282)	(12,392,666)
Office furniture and equipment	(84,201)	-	(151,051)	(82,611)
Changes in non-cash working capital relating to investing activities:	3,391,615	-	10,728,337	-
	(9,408,822)	(8,863,787)	(30,312,894)	(12,475,277)
<b>FINANCING ACTIVITIES:</b>				
Proceeds from issuance of shares	1,260,000	-	1,260,000	52,070,869
Share issue costs	(33,180)	(338,552)	(33,180)	(338,552)
Changes in non-cash working capital relating to financing activities:	(331,541)	332,703	(331,541)	5,555,917
	895,279	5,849	895,279	57,288,234
<b>Increase / (Decrease) in cash</b>	\$ (8,160,672)	\$ (10,094,591)	\$ (28,103,325)	\$ 23,076,672
<b>Cash and cash equivalents, beginning of period</b>	31,428,954	36,983,590	51,371,607	3,812,327
<b>Cash and cash equivalents, end of period</b>	\$ 23,268,282	\$ 26,888,999	\$ 23,268,282	\$ 26,888,999

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**Ithaca Energy Inc.****Notes to the Consolidated Financial Statements**  
**Three and nine months ended September 30, 2007 (unaudited)****1. Nature of Operations**

Ithaca Energy Inc. (the "Company" or "Ithaca"), incorporated in Alberta on April 27, 2004 and its wholly-owned subsidiary Ithaca Energy (UK) Ltd., incorporated in Scotland are a publicly traded group of companies (the "Corporation") involved in the exploration and development of oil and gas in the North Sea. The Corporation's shares are listed on the TSX Venture Exchange in Canada and the London Stock Exchange's AIM in the United Kingdom.

Since May 2004, the Corporation has been evaluating the resource potential of certain oil and natural gas exploration properties and is considered to be in its development stage of operations. The recoverability of amounts shown for oil and natural gas properties is dependent upon the determination of economically recoverable reserves.

**2. Significant Accounting Policies**

The interim consolidated financial statements of Ithaca Energy Inc. have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2006, except as noted below. These interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. Accordingly, they should be read in conjunction with the consolidated financial statements and the notes thereto in the Corporation's annual report for the year ended December 31, 2006.

**3. Change in Accounting Policies****Financial Instruments**

On January 1, 2007, the Corporation implemented the Canadian Institute of Chartered Accountants ("CICA") new Handbook sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges", 1530 "Comprehensive Income", 3251 "Equity" and 3861 "Financial Instruments – Disclosure and Presentation". These standards have been applied without restatement of prior periods.

Section 3855, "Financial Instruments – Recognition and Measurement" establishes guidance for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments must be classified into a defined category, namely, held-for-trading financial assets or financial liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. The standard requires that financial instruments within scope, including derivatives, be included on the Corporation's balance sheet and measured at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at cost or amortized cost. Gains and losses on held-for-trading financial assets and financial liabilities are recognized in net earnings in the period in which they arise. Unrealized gains and losses, including changes in foreign exchange rates on available-for-sale financial assets are recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time any unrealized gains or losses are recorded in net earnings. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.

As a result of the implementation of this standard, the Corporation has classified cash and cash equivalents and short term investments as held-for-trading. Accounts receivable are classified as loans and receivables; and investments in equity instruments are classified as available-for-sale. Bank indebtedness, accounts payable and certain accrued liabilities, long term debt and capital lease obligations have been classified as other financial liabilities. The Corporation has not classified any financial assets as held-to-maturity. The remeasurement of financial assets classified as loans and receivables and financial liabilities classified as other liabilities at amortized cost was insignificant.

Non-financial derivatives must be recorded at fair value on the consolidated balance sheet unless they are exempt from derivative treatment based upon expected purchase, sale or usage requirements. All changes in their fair value are recorded in net earnings unless cash flow hedge accounting is applied, in which case changes in fair value are recorded in other comprehensive income. The standard requires embedded derivatives to be separated and fair valued if certain criteria are met. The impact of this change related to non-financial and embedded derivatives was not significant.

Section 3865, “Hedges” replaces Accounting Guideline 13, “Hedging Relationships”. The requirements for identification, designation, documentation and assessment of effectiveness of hedging relationships remain substantially unchanged. Section 3865 addresses the accounting treatment of qualifying hedging relationships and the necessary disclosures and also requires all derivatives in hedging relationships to be recorded at fair value. The Corporation does not have any qualifying hedging relationships and therefore the adoption of this change had no impact on the Corporation.

Section 1530, “Comprehensive Income” introduces a statement of comprehensive income, which is comprised of net earnings and other comprehensive income. Other comprehensive income represents the change in shareholders’ equity from transactions and other events from non-owner sources and includes unrealized gains and losses on financial assets that are classified as available-for-sale, and changes in the fair value of the effective portion of cash flow hedging instruments. The Corporation does not have any qualifying hedging relationships or financial assets that are classified as available-for-sale and therefore the adoption of this change had no impact on the Corporation.

Section 3251, “Equity”, which replaced Section 3250, “Surplus”, establishes standards for the presentation of equity and changes in equity during the reporting period and requires the Corporation to present separately equity components and changes in equity arising from i) net earnings; ii) other comprehensive income; iii) other changes in retained earnings; iv) changes in contributed surplus; v) changes in share capital; and vi) changes in reserves. New consolidated statements of changes in shareholders’ equity are included in the unaudited interim period consolidated financial statements.

Section 3861, “Financial Instruments – Disclosure and Presentation”, which replaces Section 3860, of the same name, establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

**4. Deposits, prepaid expenses and other**

A deposit for the hire of a drilling rig amounting to \$9,000,000 is included in deposits, prepaid expenses and other.

**5. Property, plant and equipment**

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Oil and natural gas properties	\$ 81,313,539	\$ 40,165,229

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Office furniture and equipment	347,671	256,251
Less accumulated amortization	(154,795)	(76,291)
	<u>\$ 81,506,415</u>	<u>\$ 40,345,189</u>

All oil and gas properties are in the development phase and are not currently subject to depletion or amortization.

## 6. Share Capital

### (i) Common Shares

Changes to issued common shares were as follows:

	2007		2006	
	Number of Shares	Amount	Number of Shares	Amount
Balance at January 1	82,904,475	\$ 110,782,103	26,798,556	\$ 18,009,562
Issued on exercise of special units	-	-	5,555,555	-
Issued for cash	1,400,000	1,260,000	29,571,929	99,912,774
Share issue costs		\$ (33,180)	-	\$ (7,140,233)
		<u>\$ 112,008,923</u>		<u>\$ 110,782,103</u>
Balance at September 30	84,304,475	\$ 112,008,923	61,926,040	\$ 110,782,103

### (ii) Options

The Corporation has a stock option plan, approved by shareholders April 12, 2006, for directors, officers, employees and consultants which provide for the granting of options to acquire common shares. The following table shows the movement in the number of options outstanding in the period:

Exercise Price of Option	Outstanding at Dec. 31, 2006	Granted or (Cancelled)	Exercised or Expired
US\$0.90	1,300,000	-	1,300,000
US\$0.90	100,000	-	100,000
US\$0.90	100,000	-	-
US\$0.90	400,000	-	-
CAD\$2.32	2,102,500	-	-
CAD\$2.32		400,000	-
CAD\$2.51		1,805,000	460,000
CAD\$3.00		100,000	-

  

Exercise Price of Option	Outstanding at Sept 30, 2007	Vested at Sept. 30, 2007	Expiry Date
US\$0.90	-	-	11-Oct-08
US\$0.90	-	-	18-Nov-08
US\$0.90	100,000	100,000	18-Feb-09
US\$0.90	400,000	400,000	27-Feb-09
CAD\$2.32	2,102,500	1,051,250	18-Aug-09
CAD\$2.32	400,000	200,000	25-Jan-09

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CAD\$2.51	1,345,000	-	17-May-11
CAD\$3.00	100,000	-	26-Sept-11

During the quarter the Corporation issued 100,000 share options, exercisable at CAD\$3.00 per share. One third of these options will vest at the end of each of the first, second and third years from the effective date. The Corporation recorded a stock based compensation charge of \$25,056 relating to these options. In addition the Corporation continued to recognize the expense of previously issued share options over their vesting period. The assumptions used in the calculation of the cost of the new options were as follows:

Exercise Price	\$3.00
Stock Price	\$3.00
Interest rate	4.25%
Dividend yield	0
Volatility	77%

## 7. Subsequent Events

The Corporation has continued with the evaluation and exploration of its portfolio of UK oil and gas properties. In the third quarter, the Corporation commenced the drilling an appraisal well on the Athena project which encountered 426 feet of gross oil-bearing sandstones and a net pay interval of 115 feet (92 feet vertical). Following perforation of a 233 foot (185 feet vertical) interval, the 14/18b-16 well flowed at a peak rate of 1,375 barrels of oil per day (“bopd”) and a stable rate of 1,200 bopd through a 36/64” choke in a test of 36 hours duration. The well has been suspended for future use as a production well.

In November 2007, the Corporation obtained approval from the Royal Bank of Scotland for a \$60 million Senior Secured Credit Facility. The loan facility is subject to satisfactory due diligence, documentation and achievement of all required conditions precedent. Additionally the Corporation entered into an agreement to sell to a syndicate of underwriters, on a bought deal basis, 27,400,000 common shares at a price of CAD\$3.65 per common share for gross proceeds of approximately CAD\$100 million. The Corporation has granted to the underwriters an over-allotment option to purchase up to an additional 4,110,000 common shares on the same terms and conditions, exercisable in whole or in part up to 30 days following closing of the offering.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

The following is management’s discussion and analysis (“MD&A”) of the operating and financial results of Ithaca Energy Inc. (the “Corporation” or “Ithaca”) for the three and nine months ended September 30, 2007. The information is provided as of November 28, 2007. The 2007 results have been compared to the results for the comparative period in 2006. All figures and the comparative figures contained herein are expressed in US dollars unless otherwise stated.

This discussion and analysis should be read in conjunction with the Corporation’s unaudited consolidated financial statements as at September 30, 2007 and 2006 and for each of the three month periods then ended, together with the accompanying notes. These documents and additional information about Ithaca Energy Inc. are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Certain statements contained in this discussion and analysis, including estimates of reserves, estimates of future cash flows and estimates of future production as well as other statements about anticipated future events or results, are forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”,

“expect” “targeting” and “intend” and statements that an event or result “may”, “will”, “should”, “could” or “might” occur or be achieved and other similar expressions. The forward-looking statements that are contained in this discussion and analysis involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

## **BUSINESS OF THE CORPORATION**

Ithaca Energy is an oil and gas exploration and development corporation active in the United Kingdom’s Continental Shelf (“UKCS”). Exploration and development activities are focused on the Inner and Outer Moray Firth, the Central and Southern Gas Basin areas of the UKCS. The goal of Ithaca Energy in the near term is to achieve oil production from the development of existing discoveries on licences held by the Corporation, to originate and participate in exploration on licences held by the Corporation with the potential to make significant contributions to future production, and to consider other opportunities for growth as they are presented to the Corporation. The Corporation is targeting first oil production from its 90% owned Jacky (Basil discovery) field to commence in 2008 and oil production from its 70% owned Athena field to commence in late 2009 and first gas from its 20% (6.7% expected unitization) interest in the Barbara gas field to commence in 2009.

## **OVERALL PERFORMANCE**

The Corporation has continued with the evaluation and exploration of its portfolio of UK oil and gas properties. In the third quarter, the Corporation commenced the drilling of an appraisal well on the Athena project which encountered 426 feet of gross oil-bearing sandstones and a net pay interval of 115 feet (92 feet vertical). Following perforation of a 233 foot (185 feet vertical) interval, the 14/18b-16 well flowed at a peak rate of 1,375 barrels of oil per day (“bopd”) and a stable rate of 1,200 bopd through a 36/64” choke in a test of 36 hours duration. The well has been suspended for future use as a production well. Other activities in the quarter included continued progress on joint development of the Barbara discovery and additional geological and geophysical processing work on 3D seismic shot in 2006 over the Company’s Morpheus and Triton prospects.

In September 2006, Ithaca Energy secured the GSF Galaxy II jack-up drilling rig for two wells to be drilled in 2007 and the Byford Dolphin semi-submersible drilling rig. However, due to a rig delivery delay on the Byford Dolphin, the Stena Spey was contracted to commence drilling the second well at Athena in September 2007. The first well drilled by the GSF Galaxy II was the Basil 12/21c-6 well drilled in April 2007. The second well is scheduled for the fourth quarter.

Ithaca Energy’s primary focus for the remainder of 2007 will be the appraisal and development of its 70% owned Athena oil field and pre-field development plan work on its 90% owned Jacky field (Basil oil discovery). In addition, the Corporation will continue its UK North Sea exploration drilling program on its Manuel prospect in December 2007. Exploration drilling on its Carna and Morpheus prospects will be undertaken after the processing of the recently acquired 3D seismic. To complete its 2007 development, appraisal, and exploration program, the Corporation set a capital budget of 4 wells and \$55 million.

Ithaca Energy has been able to execute its business plan for the UK North Sea in large part due to its ability to access capital through the issuance of equity. Subsequent to the end of the third quarter 2007 the Corporation obtained approval from the Royal Bank of Scotland for a \$60 million Senior Secured Credit Facility. The loan facility is subject to satisfactory due diligence, documentation and achievement of all required conditions precedent. Additionally, the Corporation had entered into an agreement to sell to a syndicate of underwriters, on a bought deal basis, 27,400,000 common shares at a price of CAD\$3.65 per common share for gross proceeds of approximately CAD\$100 million. The Corporation has granted to the underwriters an over-allotment option to purchase up to an additional

4,110,000 common shares on the same terms and conditions, exercisable in whole or in part up to 30 days following closing of the offering. Significant capital, beyond current resources, will be required to further the Corporation's anticipated development activities in 2008 and 2009.

## SUMMARY OF QUARTERLY RESULTS

The consolidated financial statements of the Corporation and the financial data contained in MD&A are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The consolidated financial statements include the accounts of Ithaca Energy Inc. and its wholly-owned subsidiary Ithaca Energy (UK) Limited. All inter-company transactions and balances have been eliminated on consolidation. Part of the Corporation's North Sea oil and gas activities are carried out jointly with others, and the consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

	30-Sep-07	30-Jun-07	31-Mar-07	31-Dec-06	30-Sep-06	30-Jun-06	31-Mar-06	31-Dec-05
<b>REVENUE</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>COSTS AND EXPENSES</b>								
General and administrative	989,702	1,527,583	722,685	1,270,355	1,339,445	967,250	763,876	494,692
Depreciation and accretion	84,211	51,156	58,898	27,769	14,000	14,371	13,629	2,914
Interest income	(355,920)	(177,232)	(348,604)	(729,228)	(374,925)	(59,964)	(12,075)	(23,656)
(Gain) Loss on foreign exchange	(296,583)	(1,988,448)	(309,798)	653,522	338,879	52,369	27,062	(3,661)
<b>NET PROFIT / (LOSS)</b>	(421,410)	586,941	(123,181)	(1,222,418)	(1,317,399)	(974,026)	(792,492)	(470,289)
<b>NET PROFIT / (LOSS) PER SHARE</b>	(0.00)	0.01	0.00	(0.03)	(0.02)	(0.02)	(0.03)	(0.02)

The Corporation's reporting currency is US dollars ("\$\$"); unless indicated otherwise, all amounts are presented in US dollars. The accounting records of the Corporation's foreign subsidiary are maintained in US dollars.

## RESULTS OF OPERATIONS

The Corporation has not had any revenue from operations to date. For the three month period ended September 30, 2007, the Corporation had a net loss of \$421,410 compared to a net loss of \$1,317,399 for the three month period ended September 30, 2006. This loss is due to general and administrative costs mainly offset by interest earned and foreign exchange gains made on unspent funds that the Company raised during 2006. For the nine month period ended September 30, 2007, the Corporation had a net profit of \$42,350 compared to a net loss of \$3,083,917 for the nine month period ended September 30, 2006.

General and administrative expenses for the three month period ended September 30, 2007 were \$989,702 compared to \$1,339,445 for the three month period ended September 30, 2006. General and administrative expenses for nine months ended September 30, 2007 were \$3,239,971 compared to \$3,070,576 for the nine months ended September 30, 2006. The results include the Corporation's increased evaluation, acquisition and exploration activity in the UK North Sea, which is offset by the capitalization of certain costs related to exploration, appraisal and development activities. Costs capitalized in the three months ended September 30, 2007 amounted to \$969,548 (2006 - \$nil). Costs capitalized in the nine months ended September 30, 2007 amounted to \$2,794,427 (2006 - \$nil) The Corporation has been steadily increasing operations, and this has resulted in an increase in payroll and other administration costs.

The charge arising from the vesting of options issued in August 2006, January 2007, May 2007 and September 2007, resulted in a stock based compensation charge for the three months ended September 30, 2007 of \$390,070 and the charge for the three months ended September 30, 2006 was \$669,805, the stock based compensation charge for the nine months ended September 30, 2007 was \$977,675 and for the nine months ended September 30, 2006 was \$712,205. Stock-based compensation expense is not expected to increase as rapidly in 2007 as in prior years.

Interest income in the periods resulted from interest on bank accounts and short-term deposits, as the Corporation had cash balances due to funds raised. The Corporation holds the majority of its cash reserves in currencies other than the US\$, and is therefore exposed to losses arising from exchange rate fluctuations.

Amortization and accretion for the three month period ended September 30, 2007 has increased to \$84,211 (2006 - \$14,000) and amortization and accretion for the nine month period ended September 30, 2007 has increased to \$194,266 (2006 - \$42,000) primarily as a result of accretion charges relating to the asset retirement obligations recognized for the Athena well drilled in October 2006 and the Basil discovery well drilled in May 2007. The Corporation has an ongoing drilling plan for 2007 and therefore the accretion expense is expected to increase over the remainder of the year.

**LIQUIDITY AND CAPITAL RESOURCES**

Total cash inflow from financing activities in the three months ended September 30, 2007 was \$895,279 (2006 - \$5,849) resulting from the exercise of certain stock options. The Corporation has sufficient cash resources available to fund all activities currently planned for the short to medium term.

During the three months ended September 30, 2007 there was a cash outflow from operating, investing and financing activities of \$8,160,672 compared to a cash outflow from operating, investing and financing activities of \$10,094,591 for the corresponding period in 2006.

The Corporation’s prospects are dependent upon the investment of significant capital sums into its development and exploration projects. With the capital raised pursuant to the offerings and the UK Placings, management believes that the Corporation will be able to exploit opportunities within its existing portfolio, and also to pursue new ventures that are consistent with its business plan. The Corporation expects to continue to develop the existing licences held and to acquire new licences through participation in future licensing rounds and farm-ins from third parties.

Additions (net of recharges to partners) to oil and gas properties in the period are summarized as follows:

	Three months ended September 30, 2007	Nine months ended September 30, 2007
Outer Moray Firth	\$11,270,715	\$14,367,149
Inner Moray Firth	510,314	25,076,933
Central North Sea	426,941	858,731
Southern North Sea	508,266	889,469

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Total	\$12,716,236	\$41,192,282
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## **RISKS AND UNCERTAINTIES**

The business of exploring for, developing and producing oil and natural gas reserves is inherently risky. There is substantial risk that the manpower and capital employed will not result in the finding of new reserves in economic quantities. There is a risk that the sale of reserves may be delayed indefinitely due to processing constraints, lack of pipeline capacity or lack of markets. The price the Corporation will receive for its oil and natural gas production may fluctuate continuously and, for the most part, is beyond the Corporation's control.

The Corporation is exposed to financial risks including fluctuation in interest rates and various foreign exchange rates. The Corporation is also subject to the risks associated with owning oil and natural gas properties, including environmental risks associated with air, land and water. In all areas of our business, we compete against entities that may have greater technical and financial resources. The Corporation's growth will be dependent upon external sources of financing which may not be available on acceptable terms. There are numerous uncertainties in estimating the Corporation's reserve base due to the complexities in estimating the magnitude and timing of future production, revenue, expenses and capital.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have no changes in the Corporation's internal control over financial reporting that occurred during the three months ended September 30, 2007 or the nine months ended September, 2007 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## **COMMITMENT UPDATE**

On August 10, 2007 the Corporation contracted the semi submersible drilling rig "Stena Spey" to ensure drilling commenced on the second well at Athena in 3Q 2007. The contract value is \$22 million. The well has been completed and the contract is complete.

There have been no other new material commitments.

## **OUTSTANDING SHARE INFORMATION**

As of November 28, 2007, there are 111,704,475 common shares of the Corporation outstanding and 116,171,975 common shares diluted. There are 4,467,500 options to purchase common shares outstanding.

## **Not for Distribution to U.S. Newswire Services or for Dissemination in the United States**

### *Forward-looking statements*

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

**NEWS RELEASE**

only as of the date of this announcement. Ithaca Energy Inc. expressly disclaims any obligation or undertaking to release publicly any updates, other than as required by the AIM Rules for Companies.

In accordance with AIM Guidelines, Lawrie Payne, BA Economics (Alberta) and MA Marine Geology (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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