



NEWS RELEASE

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Ithaca Energy Completes First Phase of Transaction with Dyas ahead of schedule

London, UK - Calgary, Canada, December 17, 2008 – Ithaca Energy Inc (“**Ithaca**” or the “**Company**”) (TSX Venture: **IAE**, LSE AIM: **IAE**) and its wholly owned subsidiary Ithaca Energy (UK) Limited, an independent oil & gas company with exploration and development assets in the UK sector of the North Sea, is pleased to announce today that it has completed a major tranche of its transaction with Dyas UK Limited (“**Dyas**”) ahead of the planned date. Dyas is a wholly owned subsidiary of SHV, the largest privately owned conglomerate in the Netherlands.

On October 30, 2008 the Company announced that Dyas had agreed to purchase 25.25% of Ithaca’s interests in all assets then owned by the Company for the consideration of £40 million (approximately US\$60 million) cash effective November 1, 2008. As it was important that these funds be available to Ithaca prior to closing in order to enable it to maintain its capital program, Dyas facilitated this by advancing the consideration amount to Ithaca as a loan until closing of the transaction.

Ithaca and Dyas have brought about an early completion on the majority of the assets and this has involved the transfer of £35 million (approximately US\$52.5) of the £40 million consideration to Ithaca’s account. The remaining £5 million (approximately US\$7.5) shall stand as a loan to Ithaca until the second phase of the transaction is completed and this is anticipated in early 2009. Taking into account all working capital adjustments, Ithaca will receive a total payment of approximately £38.5 million (US\$57.75 million). By entering this sale of assets to Dyas, Ithaca will start 2009 in a strong cash position and with manageable cost exposure.

All other aspects of the agreement and transaction between Ithaca and Dyas remain in place as previously stated.

Iain McKendrick, CEO of Ithaca said:

“The early completion of a very significant part of this strategic transaction enables the Company to fully integrate Dyas as its partner in most of the assets concerned. In the near term, the two companies will work together on projects including the Beatrice oilfield, the Jacky development and a well planned on the Carna exploration prospect in the southern gas basin of the North Sea. We are also already well advanced in completing the second phase of the Dyas transaction in early 2009.

Ithaca will enter 2009 in a strong cash position and we continue to expect additional production from Beatrice, augmented by the reinstatement of production from the Bravo platform, and first oil from Jacky by the end of Q1 2009.”

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

References to boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6Mcf: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.

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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 except as required by applicable securities laws.

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

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