

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

Ithaca Energy Inc.

Stella Development

(1) Ithaca acquires Maersk Oil's interest and becomes Operator

2) Challenger Minerals Earns In

3) Ithaca HP/HT Farm-out Option granted to Maersk

London, UK - Calgary, Canada, 28th October, 2009 – Ithaca Energy Inc. (TSX Venture: **IAE**, LSE AIM: **IAE**) and its wholly owned subsidiary Ithaca Energy (UK) Limited (“**Ithaca**” or the “**Company**”), an independent oil & gas company with exploration, development and production assets in the UK sector of the North Sea, is pleased to announce today that it has 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 undeveloped satellite discoveries Harrier and Hurricane. Ithaca will assume operatorship of all assets involved in the transaction. Ithaca has also signed an Earn In agreement with Challenger Minerals (North Sea) Limited (“**CMI**”) and agreed terms with Applied Drilling Technology International (“**ADTI**”) (a subsidiary of Transocean Inc.) to drill the Stella discovery. CMI will pay 27% of gross Stella appraisal well costs in exchange for an 18% equity interest in the Stella and Harrier discoveries, thereby carrying a part of Ithaca's share of drilling costs. Upon successful appraisal, CMI will also disproportionately fund a further Stella or Harrier development well.

Ithaca has also signed a Letter of Intent providing Maersk Oil with a stand-alone option to access the prolific High pressure/High Temperature (“**HP/HT**”) play in the Company's Blocks 29/4b and 29/5e awarded in the 25th Licensing Round to Ithaca.

In summary the key benefits to Ithaca are:

- Operatorship and control of Stella and all surrounding Ithaca held acreage;
- Final working interest of 50.33% in Stella and Harrier and 100% in Hurricane;
- Substantially reduced exposure to Stella appraisal well costs (c.US\$35 million gross);
- 41.33% paying interest in Stella well, retaining a 50.33% working interest in the licence;
- Additional proved plus probable 2.21 million barrels of oil equivalent (“**MMboe**”) in Stella on a pro rata basis of gross reserves as assigned by Sproule International Limited in the Ithaca 2008 year end independent reserves report (“**Sproule Report**”);
- Agreement on attractive terms with major drilling contractor ADTI to appraise Stella; and
- Full carry on HPHT exploration drilling in each of Blocks 29/4b and 29/5e, subject to option being exercised by Maersk Oil.

The transactions are summarized as follows:

- Ithaca shall pay Maersk Oil US\$10 million on completion of the transaction, US\$3 million at Field Development approval and US\$5 million at first oil. There is **no** royalty agreement associated with this transaction;
- CMI will earn in and pay 27% of all gross well costs including any sidetracking and/or testing to earn 18% equity interest in block 30/6 (Stella and Harrier);
- Ithaca shall also be carried on the lesser of 9% of gross costs or US\$3.2 million when a second well is drilled on the licence;
- Ithaca's second and third payments to Maersk Oil will be shared with CMI in proportion to CMI's earned equity share;
- Ithaca has agreed terms to secure an exclusive option with ADTI to use a Transocean rig to drill an appraisal well on Stella on a fixed price, "turnkey" basis;
- Ithaca is carried on 5% of all costs up to the end of the first well at Maersk Oil's option to explore the HP/HT play in each of blocks 29/4b and 29/5e, in return and subject to drilling, Maersk Oil will be granted a 95% equity interest in the drilled block(s) in the deep horizons below the Base Chalk horizon; and
- Ithaca retains 100% equity interest in the shallow section of blocks 29/4b and 29/5e down to the Base Chalk horizon.

By agreeing with these transactions, Ithaca gains a further working interest in the Stella discovery which contains independently audited gross proved plus probable reserves of 14.4 MMboe (gas plus condensate) as per the Sproule Report, 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. The option for Maersk Oil to fully carry Ithaca through appraisal of the HP/HT play gives the Company valuable exposure to a significant exploration upside at no cost (www.ithacaenergy.com/GSA-Explo.asp).

The increased costs reflected in the additional interest in the fields are largely offset in the short term by the CMI Earn In transaction. Gross drilling costs including sidetracking and testing are estimated to be \$35 million of which 27% will be carried by CMI. The gross drilling costs are now some 35% lower than previously estimated.

The drilling of the Stella appraisal well will utilise a drilling solution provided by Transocean which helps to materially reduce the appraisal costs for the field. The drilling contract is for a 'turnkey' fixed price to reduce the risk of drilling cost escalation. The well is planned to determine the hydrocarbon/water contact and fluid composition within the field. This downflank appraisal could substantially increase the proven reserves. Drilling is anticipated in December 2009.

Once these transactions are completed Ithaca's final equity positions in the blocks will be:

<u>Block 30/6 & 29/10NE</u> (Stella, Harrier)	<u>Block 29/10b</u> (Hurricane)
Ithaca 50.33%	Ithaca 100%

Iain McKendrick, Chief Executive Officer of Ithaca Energy, said: "Ithaca will assume operatorship of Stella and the upside in this area allowing the Company to accelerate the development of these assets. The successful appraisal of Stella and subsequent development sanction will secure a hub for further undeveloped discoveries to be exploited.

NEWS RELEASE

Furthermore I am delighted with the possibility to work with Maersk Oil to explore the HP/HT play in our 25th Round acreage. These significant transactions are entirely consistent with Ithaca's strategy to pursue near term developments which can be fast-tracked to first production without creating funding shortfalls while providing upside potential. The Company will continue to very actively pursue further such acquisition opportunities"

Enquiries:**Ithaca Energy Inc:**

Iain McKendrick, CEO	imckendrick@ithacaenergy.com	+44 (0) 1224 650 261
Nick Muir, CXO	nmuir@ithacaenergy.com	+44 (0) 1224 650 267
Steven Turner, CFO	sturner@ithacaenergy.com	+44 (0) 1224 652 151

Pelham Public Relations:

Charles Vivian	charles.vivian@pelhampr.com	+44 (0) 207 743 6672
Philip Dennis	philip.dennis@pelhampr.com	+44 (0) 207 743 6363

Enkos Securities plc:

Jon Fitzpatrick	jfitzpatrick@enkos.com	+44 (0) 131 220 9773
Ken Fleming	kfleming@enkos.com	+44 (0) 131 220 9772

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.

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



NEWS RELEASE

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

-ENDS-