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Ithaca Energy Inc.

December Production and Operational Update

LONDON, U.K. – CALGARY, ALBERTA, January 12th, 2010 – Ithaca Energy Inc. (LSE-AIM: **IAE**, TSX-V: **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, announces that combined production from Jacky and Beatrice averaged 10,116 barrels of oil per day (“**bopd**”) gross (4,864 bopd net to Ithaca) over the month of December as measured at the Nigg storage facility.

During December, daily ex-platform production exceeded 14,300 bopd (approximately 6,840 bopd net to Ithaca) on several days but average production rates for the Beatrice Complex were lower due to scheduled shut ins for rig movements relating to the Bravo workover plan. In addition, Jacky production was temporarily reduced due a fault in air conditioning capacity at the unmanned platform. This issue has been rectified and daily metered ex-platform Jacky production rates are now in excess of 11,000 bopd gross (5,225 bopd net to Ithaca).

On 28th December, the Beatrice Complex was shut in due to a power failure and mechanical issues affecting the processing plant located on the Beatrice Alpha platform. Jacky production across the Beatrice platform has now been restored but Beatrice field production is currently restricted due to water handling constraints while the issues with the plant are resolved. Beatrice field production will therefore be reduced by around 2,000 bopd gross (1,000 bopd net to Ithaca) until mid February.

During the shutdown the Beatrice Bravo workover programme has continued without interruption and is now close to completion. Three successful well interventions have been carried out; one well is now on production with two further wells expected to be on production by the end of January. An update on initial results will be provided when production rates have stabilized.

Management has set a target for average 2010 production of 5,100 bopd net to Ithaca. Sustaining this level of production will be subject to further successful well interventions from the Beatrice Alpha platform and takes into account the management’s view of anticipated production decline at Jacky.

Regular production updates will from now on be provided by the Company on a quarterly basis only or as appropriate when circumstances require.

Partners in the Jacky field are Ithaca (47.5%), Dyas UK Ltd (42.5%) and North Sea Energy (UK) Ltd (10%)

Joint Venture Partners in the Beatrice Field, including Beatrice Bravo are Ithaca (50%) and Dyas UK Ltd (50%).

As previously stated, preparations are being made to mobilize a rig that will drill to appraise the Stella discovery and contractual negotiations are ongoing to enable an early re-launch of the Athena development project. In addition to this, an independent evaluation of the Company’s end 2009 reserves is currently being finalised by Sproule International Limited.

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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.

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.

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

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