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Ithaca Energy Enters into Strategic Asset Transaction

London, UK - Calgary, Canada, October 30, 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 entered into a Sale and Purchase Agreement (“**Agreement**”) with Dyas UK Limited (“**Dyas**”) for the sale of a portion of its interests in all of its oil and gas licences and the provision of a convertible loan facility. Dyas, with production of 24,000 barrels of oil equivalent per day, is a wholly owned subsidiary of SHV, the largest privately owned conglomerate in the Netherlands. The transaction is subject to the approval of the UK Department for Business, Enterprise and Regulatory Reform (“**DBERR**”) and Talisman Energy (“**Talisman**”). The TSX Venture Exchange has approved the transaction subject to the usual post closing filing conditions.

Notwithstanding difficult financial markets, this transaction provides the Company with the resources to complete the leasing of the Beatrice oilfield, the restoration of production from Beatrice Bravo and completion of the development of Jacky, which are anticipated to provide the Company in the first quarter of 2009 with an aggregate production of up to 7,500 bopd after giving effect to this transaction as well as provide funding for additional projects. Ithaca and Dyas will acquire a lease for a 100% interest in Beatrice from Talisman for a minimum of 3 years, extendable at Ithaca’s election for the duration of production, in consideration for the sum of £10 million (approximately US\$16.5 million), to be paid following commencement of production from Jacky. Beatrice currently produces approximately 2,000 bopd. A second platform, Beatrice Bravo is shut-in and Ithaca intends to restore production by connecting it to a pipeline to be constructed to Jacky. Bravo was producing approximately 800 bopd when it was shut in. Jacky is an Ithaca discovery immediately north of the Beatrice field.

The Agreement provides that Dyas will purchase 25.25% of Ithaca’s interests in all assets currently owned by the Company for the consideration of £40 million (approximately US\$65.6 million) cash effective November 1, 2008. As it is important that these funds be available to Ithaca prior to closing in order to enable it to maintain its capital program, Dyas has facilitated this by advancing forthwith the consideration amount to Ithaca as a loan until closing of the transaction at which time the loan will form the consideration for the acquisition.

In addition, Dyas will forthwith provide Ithaca with a senior secured loan with which to redeem in full the fully drawn Royal Bank of Scotland US\$60 million Predevelopment Facility. This facility replaces and obviates the need for a previously announced arrangement of a US\$290 million debt facility with six other banks. The new facility provided by Dyas will have a margin over US Dollar Libor of 4.5% and an initial term of two years. Dyas will have the option after two years to convert the loan into consideration for the purchase of an additional 15.15% of Ithaca’s current interest in the same properties. This option is extendable by Dyas in two one-year tranches should the oil price average less than US\$60 per barrel in the previous year, giving Ithaca an extended credit facility. Should the transaction not close, Dyas has agreed to leave the loans in place for a period of two years.

Should the option be exercised, the total aggregate consideration for the transaction will be approximately US\$126.8 million. Based on the Company’s latest evaluation of proven and probable

reserves, Ithaca is selling 10 million barrels of oil equivalent (“MM boe”) before the option at a price of US\$6.56 per boe and should the option be exercised, 16MM boe at a price of US\$7.93 per boe.

The assets to be sold include:

- A 25.25% interest in the lease and use of the Talisman 100% owned Beatrice oilfield. Beatrice is an oilfield located in the Inner Moray Firth which Ithaca is in the process of leasing from Talisman. It will provide a production and export facility for the Jacky discovery.
- A 22.7% interest in the Jacky oil discovery. Jacky (90%) is an oil discovery being developed for first production in early 2009.
- A 17.7% interest in the Athena oil accumulation. Athena (70%) is an oil discovery on which Ithaca and partners have drilled three wells for future production. A Field Development Plan (“FDP”) has been lodged with the DBERR and approval is anticipated early in 2009. The timing of the development of Athena is subject to partner determination and the Company’s interest will be financed by cash flow and available debt facilities.
- A 16.8% interest in the Stella gas/condensate discovery. Stella (66.67%) is a gas/condensate accumulation scheduled to be appraised by drilling in the first half of 2009.

Under the agreement it is proposed that Mr. Alexander Berger, the Managing Director of Dyas, will join Ithaca’s Board of Directors.

Lawrie Payne, CEO of Ithaca said:

“This is a very favourable, strategic and constructive transaction enabling the Company to retain a significant interest in each prospect, to secure the Beatrice oilfield, to finance its share of the cost of bringing production from the Beatrice Bravo platform on stream, the development costs of the Jacky oil discovery, to appraise the Stella gas/condensate discovery, to explore the Carna prospect and to provide the Company with the capital resources to source new prospects.

The transaction is consistent with our philosophy of establishing high initial interests in projects from which to obtain financial leverage by farming out and/or selling down at various stages of development. It provides a well respected strategic partner and leaves the Company strongly capitalised in an otherwise difficult market. We look forward to the Managing Director of Dyas joining the Board of Directors and contributing his knowledge to the growth of Ithaca.”

Enquiries:

Ithaca Energy Inc:

Lawrie Payne, CEO	lpayne@ithacaenergy.com	+44 (0) 207 590 3027
Iain McKendrick, COO	imckendrick@ithacaenergy.com	+44 (0) 1224 650 261
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

Ambrian Partners Limited:

Marc Cramsie	marc.cramsie@ambrian.com	+44 (0) 207 634 4858
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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.

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

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