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Ithaca Energy Inc.

2016 Financial Results

23 March 2017

Ithaca Energy Inc. (TSX: IAE, LSE AIM: IAE) ("Ithaca" or the "Company") announces its financial results for the twelve months ended 31 December 2016, together with the results of its independent year-end reserves assessment and an operations update.

Financial and operating highlights

- Average production of 9,310 barrels of oil equivalent per day ("boepd"), ahead of full year guidance of 9,000 boepd (2015: 12,066 boepd)
- Unit operating expenditure reduced to $23/boe in 2016 (2015: $31/boe)
- 2016 cashflow from operations of $147 million, down from $261 million in 2015
- Loss after tax of $54 million, impacted by the reduction in UK tax rates during the year (2015: $121 million)
- Downside commodity price hedging in place to mid-2018 – 7,600 boepd at an average floor of $50/boe
- Net debt reduced to $598 million at year-end 2016, down from $665 million at the start of 2016
- Refinancing of the Company's debt facilities anticipated during 2017
- Proved and probable reserves, as independently evaluated by Sproule[1], increased to 76 MMboe, primarily as a result of the Vorlich and Austen licence acquisitions and updated portfolio work programmes

Greater Stella Area development activities

- Stella field started up in February 2017 – production to date approximately 1,700 barrels of oil per day net to Ithaca
- FPF-1 dynamic commissioning programme on-going – producing at reduced rates to minimise flaring until the gas processing systems are fully commissioned
- Harrier field development programme underway - development drilling to be completed in 2017, with start-up of production expected in the second half of 2018

Recommended Delek cash takeover offer – opportunity created for shareholders to crystallise the full value of their investments at a premium cash price

- Takeover offer by DLK Investments Limited, a wholly owned subsidiary of Delek Group Limited ("Delek"), announced on 6 February 2017 for a cash consideration of C$1.95 per share, which equates to approximately £1.19 per share[2]
- Acceptance of the offer is unanimously recommended by the Board of Directors (excluding the Delek related party directors) based on an evaluation of the fullness of the offer relative to the future upsides and execution risks of the business
- Shareholder circulars distributed and closing of initial deposit period set as 17.00 (Toronto time) on 20 April 2017 – the offer is conditional upon, amongst other things, more than 50% of the shares outstanding that are not currently owned by the Offeror and its affiliates being deposited by that time

Les Thomas, Chief Executive Officer, commented:
Our 2016 financial results reflect a year of good progress for the Company culminating in first oil from the Stella field in February 2017. This progress has been reflected in the near four-fold increase in our share price since the start of last year. Stella first oil was an important milestone for the Company and production is forecast to ramp-up upon completion of on-going dynamic commissioning of the gas processing facilities. Having reached this important milestone and after weighing up the potential risks and opportunities that lie ahead, the Board considers the takeover offer tabled by Delek as providing full value to shareholders and wholeheartedly recommends its acceptance."

Production & Operations

Average production in 2016 was 9,310 boepd (92% oil). The asset portfolio performed well over the course of the year, with production running ahead of the 9,000 boepd guidance as a result of solid performance from the Cook field.

As previously guided, average production in 2017 is anticipated to be in the range of 19,000 to 22,000 boepd (approximately 75% oil). This range reflects the Stella start-up schedule, the programme of planned maintenance shutdowns during the year and sensitivities associated with the performance of those operational programmes.

Production in the first quarter of 2017 is forecast to average approximately 9,200 boepd, including the initial contribution from the Stella field since mid-February 2017.

While the on-going dynamic commissioning operations are continuing on the FPF-1, the Stella field is being produced at reduced rates from two of the five wells on the field in order to limit gas flaring. As a consequence, average Stella production to date has been approximately 1,700 barrels of oil per day net to Ithaca.

Greater Stella Area Development

Stella

Following completion of the necessary offshore preparatory works on the FPF-1 floating production facility, first hydrocarbons from the Stella field was achieved in mid-February 2017. Production was initially started from one well on the field in order to commission and stabilise the liquid processing systems on the FPF-1 and commence oil exports to the shuttle tanker.

Continued progress is being made with the FPF-1 dynamic commissioning programme. The key outstanding tasks involve commissioning of the fuel gas system and the two gas export compressors, in order to commence gas exports to the CATS pipeline.

Initial load testing on the first of the two gas export compressors identified the requirement for modifications to the instrumentation on the machine in order to complete the commissioning scope. This work is in the process of being completed and it is expected that the planned commissioning programme will shortly recommence. Once load testing of the compressor has been satisfactorily proven, this will enable gas to be routed to the fuel gas system and initial pipeline exports to begin. Following this, testing of the second gas export compressor will commence.

Once both export compressors are operational the ramp-up to full production rates will commence, followed by optimisation of production across the wells on the field. While it was anticipated that the dynamic commissioning and ramp-up programme would take up to eight weeks to complete, it is likely that these activities will take longer, with the ramp-up phase of operations now expected to commence in April 2017.

GSA Oil Export Pipeline
The work programme that is underway for installation of the oil export pipeline from the FPF-1 to the Norpipe system remains scheduled for completion in the second half of 2017. The main outstanding activities to be completed are the installation and tie-in of the pipeline export pumps on the FPF-1 and installation of the final subsea connections that are required to be undertaken immediately prior to the switchover from shuttle tanker to pipeline export.

Harrier Development
As previously announced, activities on the Harrier field development programme are scheduled to commence in April 2017, with the arrival on location of the ENSCO 122 heavy duty jack-up drilling rig. The rig programme involves a multilateral well being drilled into the two reservoir formations on the field and is scheduled to be completed in the second half of 2017.

The Harrier well is to be tied back via a 7.5 kilometre pipeline to an existing slot on the Stella main drill centre manifold for onward export and processing of production on the FPF-1. The subsea infrastructure installation activities are scheduled for summer 2018, resulting in the anticipated start-up of Harrier production in the second half of 2018.

Financials

Hedging
The Company's commodity hedging position remains unchanged since the start of 2017. As of the start of this year the Company has 7,600 boepd (85% oil) hedged at an average floor price of $50/boe for the 18 months to 30 June 2018. Full commodity price upside exposure has been retained on 60% of the volumes hedged and upside exposure to $60/boe has been retained on a further 25% of the hedged volumes.

Operating Expenditure
Unit operating costs were reduced from $31/boe in 2015 to $23/boe in 2016, a year-on-year reduction of 26%. This reduction was achieved through supply chain cost saving initiatives, removing overheads and resetting the cost base to reflect the requirements of the current commodity price environment, combined with the cessation of operations at the Company's legacy high cost fields.

Forecast 2017 unit operating expenditure is anticipated to be approximately $18/boe, reflecting the anticipated positive impact on unit costs of Stella field production.

Capital Expenditure
Total capital expenditure in 2016 was $63 million, in line with the revised guidance issued during the year to reflect inclusion of the expenditure associated with acceleration of the GSA oil pipeline installation operations.

The planned capital expenditure programme for 2017 is forecast to total approximately $70 million. The majority of this expenditure relates to the GSA, primarily being Harrier development activities plus completion of the GSA oil export pipeline investment programme and Vorlich field development planning activities.

Tax
The Company had a UK tax allowances pool of over $1,700 million at 31 December 2016. At current commodity prices, the pool is forecast to shelter the Company from the payment of corporation tax over the medium term.

During the year the UK government reduced Corporation Tax rates levied on E&P companies by 10% and effectively abolished Petroleum Revenue Tax charges. As a result of these changes, a non-cash deferred tax charge of $58 million is reflected in the 2016 Income Statement.

Net Debt & Credit Facilities
The Company's net debt at 31 December 2016 was $598 million, down $67 million since the start of the year.

It is anticipated that net debt at the end of the first quarter of 2017 will be approximately $615 million. The increase on the year-end figure is due to anticipated movements in working capital. Net debt is forecast to resume its downward trend over the course of the year as a result of increased cashflow generation from the Stella field.

Ithaca's existing bank debt facilities and senior notes have maturities in late 2018 and mid-2019, respectively. During 2017 the Company will assess the options to refinance these credit facilities and the associated debt maturity profiles.

Year-End Reserves
Total proved and probable ("2P") reserves as at 31 December 2016 have been independently estimated by Sproule[1], a qualified reserves evaluator, as 76 million barrels of oil equivalent ("MMboe"). These reserves reflect the addition of the Vorlich and Austen licence acquisitions completed during 2016 and updated portfolio work programmes. Further details of the Sproule evaluation are set out in the Management Discussion and Analysis for the 2016 financial results.

The results of the Sproule reserves assessment do not result in a change in information that would reasonably be expected to alter the conclusions of the independent valuation prepared by GMP FirstEnergy for the purposes of Company's evaluation of the Delek takeover offer, which was completed in accordance with the requirements of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. As such, the Company does not believe that the Sproule reserves assessment would reasonably be considered new information for the purposes of National Instrument 61-104 – *Takeover Bids and Issuer Bids*, that would reasonably be expected to affect the decision of the shareholders of the Company to accept or reject the Delek takeover offer.

Recommended Delek Takeover Offer
On 6 February 2017 the Company announced that it had entered into a definitive support agreement with Delek Group Ltd on the terms of a cash takeover bid for all of the issued and to be issued common shares of Ithaca not currently owned by Delek or any of its affiliates for C$1.95 per share (the "Offer").

The Offer is being made by DKL Investments Limited (the "Offeror"), an affiliate of Delek, which is currently Ithaca's largest shareholder and holds approximately 19.7% of the currently issued and outstanding common shares of the Company.

The Board of Directors excluding the Delek related party directors (the "Directors"), after consulting with its financial and legal advisers, considers the terms of the Offer to be in the best interests of Ithaca and its shareholders and have accordingly unanimously recommended that shareholders accept the Offer and deposit their shares. The principal reasons for this recommendation are centred on an evaluation of the fullness of the Offer relative to the future upsides and execution risks of the business.

A full explanation of the reasons underlying the recommendation to shareholders and the multiple factors evaluated by Directors is contained in the Directors' Circular that was issued to shareholders on 14 March 2017. The evaluation and its conclusion was made in light of the Directors' own knowledge of the business, the industry and the financial condition and prospects of the Company and based upon the recommendation of a special committee of independent directors ("the Special Committee"), which has been advised by RBC Capital Markets in its capacity as financial advisor to the Company.

The Offer will be open for acceptance until 17.00 (Toronto time) on 20 April 2017 (the "Expiry Time"). Shareholders wishing to accept the Offer must take action to deposit their shares.

Successful completion of the Offer is conditional upon, amongst other things, more than 50% of the common shares outstanding (excluding the shares already owned by the Offeror and its affiliates) being validly deposited under the Offer prior to the Expiry Time (the "Minimum Tender Condition"). No deposited shares will be purchased by the Offeror if the Minimum Tender Condition is not satisfied.

Full details of the Offer are contained in Takeover Bid Circular issued by Delek to shareholders of the Company on 14 March 2017 and the associated Ithaca Directors' Circular that was issued on the same date. Copies of both documents are available on the Company's website (www.ithacaenergy.com) and on SEDAR (www.sedar.com).

2016 Financial Results Conference Call

A conference call and webcast for investors and analysts will be held today at 12.00 GMT (08.00 EDT), with a playback facility being made available on the Company's website later that day. Listen to the call live via the Company's website (www.ithacaenergy.com) or alternatively dial-in on one of the following telephone numbers and request access to the Ithaca Energy conference call: UK +44 (0)203 059 8125 ; Canada +1 855 287 9927; US +1 724 928 9460. A short presentation to accompany the results will be available on the Company's website prior to the call.

Notes

1. The year-end independent reserves evaluation has been performed by Sproule International Limited ("Sproule"), a qualified reserves evaluator, in accordance with the Canadian Oil and Gas Evaluation Handbook pursuant to NI 51-101 – Standards of Reserves Disclosure for Oil and Gas Activities.
2. Based on the closing exchange rate on 10 March 2017, as noted in the Takeover Bid Circular issued by Delek.

The audited consolidated financial statements of the Company for the year ended 31 December 2016 and the related Management Discussion and Analysis are available on the Company's website (www.ithacaenergy.com) and on SEDAR (www.sedar.com). All values in this release and the Company's financial disclosures are in US dollars, unless otherwise stated.

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Notes
In accordance with AIM Guidelines, John Horsburgh, BSc (Hons) Geophysics (Edinburgh), MSc Petroleum Geology (Aberdeen) and Subsurface Manager at Ithaca is the qualified person that has reviewed the technical information contained in this press release. Mr Horsburgh has over 15 years operating experience in the upstream oil and gas industry.

References herein to barrels of oil equivalent ("boe") are derived by converting gas to oil in the ratio of six thousand cubic feet ("Mcf") of gas to one barrel ("bbl") of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 bbl, utilising a conversion ratio at 6 Mcf: 1 bbl may be misleading as an indication of value.

All references to dollars ($) in this press release refer to the United States dollar (USD), unless otherwise stated.

About Ithaca Energy
Ithaca Energy Inc. (TSX: IAE, LSE AIM: IAE) is a North Sea oil and gas operator focused on the delivery of lower risk growth through the appraisal and development of UK undeveloped discoveries and the exploitation of its existing UK producing asset portfolio. Ithaca's strategy is centred on generating sustainable long term shareholder value by building a highly profitable 25kboe/d North Sea oil and gas company. For further information please consult the Company's website www.ithacaenergy.com.

Forward-looking Statements
Some of the statements and information in this press release are forward-looking. Forward-looking statements and forward-looking information (collectively, "forward-looking statements") are based on the Company's internal expectations, estimates, projections, assumptions and beliefs as at the date of such statements or information, including, among other things, assumptions with respect to production, drilling, construction and maintenance times, well completion times, risks associated with operations, future capital expenditures, continued availability of financing for future capital expenditures, future acquisitions and dispositions and cash flow. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. When used in this press release, the words and phrases like "anticipate", "continue", "estimate", "expect", "may", "will", "project", "plan", "should", "believe", "could", "target", "in the process of", "on track" and similar expressions, and the negatives thereof, whether used in connection with the Offer, operational activities, drilling plans, future GSA field development programmes, Stella production ramp-up timing, production forecasts, budgetary figures, future operating costs, anticipated net debt, anticipated funding requirements, planned maintenance shutdowns, potential developments including the timing and anticipated benefits of acquisitions and dispositions or otherwise, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these

expectations, or the assumptions underlying these expectations, will prove to be correct and such forward-looking statements included in this press release should not be unduly relied upon. These forward-looking statements speak only as of the date of this press release. 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.

Additional information on these and other factors that could affect Ithaca's operations and financial results are included in the Company's Management Discussion and Analysis and Annual Information Form for the year ended 31 December 2016 and in reports which are on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).