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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS STIPULATED UNDER THE MARKET ABUSE REGULATION (EU NO. 596/2014).

Ithaca Energy Inc.
Recommended Takeover by Delek
6 February 2017

Ithaca Energy Inc. (TSX: IAE, LSE AIM: IAE) ("Ithaca" or the "Company") is pleased to announce that it has entered into a definitive support agreement (the "Agreement") with Delek Group Ltd ("Delek") 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").

Highlights

- The Offer is for a cash consideration of C\$1.95 per share – this equates to £1.20 per share based on the exchange rate on 3 February 2017¹
- The Offer is unanimously recommended by the Board of Directors of Ithaca (excluding the Delek related party Directors) and values the entire issued and to be issued share capital of the Company at C\$841 million (US\$646 million)
- The Offer provides shareholders with the opportunity to crystallise the value of their holdings in cash and represents a 12% premium to the TSX closing price of C\$1.74 per share on 3 February 2017 and a 16% and 27% premium to the 30 day and 60 day volume weighted average prices respectively
- The Offer price represents a substantial premium to the average analyst consensus target price of C\$1.60 per share²
- The Offer implies a total enterprise value of approximately US\$1.24 billion
- Delek is an Israeli listed conglomerate with significant natural gas exploration and production activities in the Eastern Mediterranean and an existing 19.7% shareholder in Ithaca

Brad Hurtubise, Non-Executive Chairman, commented:

"We are very pleased to announce the Offer, which provides an attractive opportunity for all shareholders to secure a premium cash value for their investment following a sustained period of share price growth and at a favourable point in the Company's evolution."

"A Special Committee of independent Directors has fully assessed the Offer, with input from the Company's financial advisor and an independent valuator, and believes the Offer is fair and in the best interest of the Company and its shareholders and unanimously recommends that the shareholders tender their shares to the Offer."

Further Information

The Offer is to be completed by way of a takeover bid under applicable Canadian securities laws pursuant to which Delek or an affiliate of Delek will offer to purchase all the issued and

to be issued common shares that the Delek group currently does not own for a cash consideration of C\$1.95 per share. Delek owns approximately 19.7% of the issued and outstanding common shares as at the date of this announcement through its affiliate DKL Investments Ltd.

Board of Directors Recommendation

The Board of Directors excluding the Delek related party Directors (the "Directors") considers the terms of the Offer to be fair and reasonable and in the best interests of Ithaca and its shareholders and accordingly unanimously recommends that common shareholders accept the Offer in respect of their common shares.

The determination of the Directors was made upon the recommendation of a special committee of independent directors (the "Committee"), which has been advised by RBC Capital Markets ("RBC") in its capacity as financial advisor. The Committee received a verbal fairness opinion from RBC, to the effect that as at 5 February 2017 and subject to the assumptions, limitations and qualifications set out in the opinion, the consideration under the Offer is fair, from a financial point of view, to Ithaca shareholders (other than Delek). RBC has confirmed that it will provide a written opinion to that effect on or before the date of the Directors' circular.

Given Delek's existing shareholding in the Company, in accordance with the requirements of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"), FirstEnergy Capital LLP ("GMP FirstEnergy") has prepared and delivered a draft formal valuation of the common shares under the supervision of the Committee and determined that the Offer is in the range of such valuation. GMP FirstEnergy concluded that, subject to the assumptions, qualifications and limitations provided in the draft formal valuation as at 5 February 2017, the fair market value of an Ithaca common share is in the range of C\$1.60 to C\$2.10 per common share. Details of the formal valuation will be included in the takeover bid circular that will be mailed to shareholders.

In view of Delek's existing shareholding in the Company, the Agreement constitutes a related party transaction for the purpose of Rule 13 of the AIM Rules for Companies (the "AIM Rules"). Accordingly, the Directors (excluding the Delek related party Directors) consider, having consulted with Cenkos, the Company's Nominated Adviser for the purposes of the AIM Rules, that the terms of the Agreement are fair and reasonable insofar as Ithaca shareholders are concerned.

All the Directors and officers of Ithaca have entered into lock-up agreements under which they have irrevocably undertaken to tender their own beneficial shareholdings in the Company, which amount in aggregate to 11,275,940 common shares, representing approximately 2.6% of the entire issued and to be issued common shares of Ithaca. The lock-up agreements are subject to customary termination provisions and can be terminated if, for instance, the take-over circular is not mailed within the timescales set out in the Agreement and will terminate automatically if the Agreement is terminated. In the event that Delek does not take up its right to match a Superior Proposal (as defined in the Appendix below) and Ithaca terminates the Agreement in accordance with its terms, the lock-up agreements will automatically terminate.

Transaction Process & Timeline

Further details regarding the terms and conditions of the Offer, as provided for in the Agreement, and the process for tendering shares will be set out in a takeover bid circular, which is to be mailed to shareholders prior to 31 March 2017. The tendering process will remain open for a period of at least 35 days following commencement of the Offer.

Take up and payment for the shares is subject to a minimum tender condition that requires more than 50% of the common shares being deposited pursuant to the Offer (excluding common shares already owned by the Delek group) (the "Minimum Tender Condition"). There is no obligation on Delek to undertake any form of subsequent acquisition transaction to acquire the remaining common shares of Ithaca. The transaction is subject to customary closing conditions, including all necessary regulatory approvals.

The Offer is not subject to any financing condition. As is customary, Delek has confirmed that it has sufficient resources available to fund the cash consideration for all of the shares acquired pursuant to the Offer and for all payments that may become payable as a result of Delek and its affiliates owning more than 50% of the shares.

The Agreement provides for, amongst other things, a customary Board of Directors support condition, a non-solicitation covenant in respect of any competing offers from third parties, a "right to match" provision for Delek and a provision which provides for the payment by Ithaca to Delek of a break fee in the event that the Agreement terminates in certain circumstances. Further details on the Agreement are set out in the Appendix to this announcement.

Copies of the Agreement, the lock-up agreements, the takeover bid circular, the directors' circular and certain other related documents will be filed with Canadian securities regulators and will be available on SEDAR at www.sedar.com.

Stella Update

Good progress has been made on completing the remedial work on the FPF-1 electrical junction boxes, with the start-up of production from the Stella field still anticipated later this month.

Conference Call

A conference call and webcast for investors and analysts will be held today at 08.30 GMT. 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 +44 203 059 8125; Canada +1 855 442 0877; US +1 855 287 9927.

Glossary

C\$	Canadian dollar
US\$	United States dollar
TSX	Toronto Stock Exchange

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Notes

1. Closing exchange rate source: Capital IQ
2. The average analyst consensus target price is calculated based on the targets produced by the institutions that cover the Company, being: Barclays, BMO, Canaccord Genuity, Cenkos, FinnCap, GMP FirstEnergy, Investec, Mackie Research Capital Corporation, Macquarie, Peel Hunt, RBC. Price targets quoted in pounds sterling have been converted to Canadian dollars using the exchange rate on 3 February 2017.

Advisors

RBC is acting as financial advisor to the Committee and GMP FirstEnergy is acting as the formal valuator under the terms of MI 61-101. Pinsent Masons LLP and Burstall Winger Zammit LLP are acting as legal counsel to Ithaca. The Company also received strategic advice from Geopoint Advisory Limited.

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.

About Delek

The Delek Group, Israel's dominant integrated energy company, is the pioneering leader of the natural gas exploration and production activities that are transforming the Eastern Mediterranean's Levant Basin into one of the energy industry's most promising emerging regions. Having discovered Tamar and Leviathan, two of the world's largest natural gas finds since 2000, Delek and its partners are now developing a balanced, world-class portfolio of exploration, development and production assets. Delek's headoffice is located at 19 Abba Eban Blvd., P.O.B. 2054, Herzeliya 4612001, Israel.

Forward-Looking Statements

This announcement may contain, in addition to historical information, certain forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "expected", "scheduled", "estimates", "intends", "anticipates", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of Ithaca to differ materially from any future results, performance or achievements expressed or implied by such forward looking statements, including the risk that all conditions of the offer will not be satisfied. Many of these risks and uncertainties relate to factors that are beyond Ithaca's ability to control or estimate precisely, such as future market conditions, changes in regulatory environment, the behaviour of other market participants and the failure to satisfy the conditions to the mailing or completion of the Offer (including the Minimum Tender Condition and receiving any required regulatory approvals), the risk of unexpected costs or liabilities relating to the Offer. Ithaca cannot give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement. Ithaca disclaims any intention or obligation to update or revise any forward-

looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. Such an offer may only be made pursuant to an offer and takeover bid circular filed with the securities regulatory authorities in Canada and pursuant to registration or qualification under the securities laws of any other applicable jurisdiction. The distribution of this press release in or into certain jurisdictions may be restricted by law and therefore persons into whose possession this press release comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

This material is not a substitute for the offer and takeover bid circular or the Directors' circular which will be filed with the securities regulatory authorities in Canada regarding the proposed transaction or for any other document which Ithaca or Delek may file with securities regulators and send to Ithaca shareholders in connection with the proposed transaction. SECURITY HOLDERS OF ITHACA ARE URGED TO READ ANY SUCH DOCUMENTS CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. If and when they become available to eligible viewers, the offer and takeover bid circular and the Directors' circular, along with any related documents, will be available free of charge under the profile of Ithaca on the website maintained by the Canadian securities regulators at www.sedar.com.

Appendix

Summary Terms of the Agreement

In addition to the provisions set out above the Agreement also contains the following key provisions:

- (a) certain conditions to the takeover circular being published by Delek including *inter alia* no material adverse change having occurred in respect of Ithaca and its subsidiaries, taken as a whole;
- (b) conditions to Delek being obliged to take up the Offer following posting of the Offer Documents (as defined in the Agreement) including *inter alia* satisfaction of the Minimum Tender Condition, no notice having been received from the UK Oil and Gas Authority requiring a revocation of the licences held by the Ithaca group or a further change of control of such licences as a result of the Offer and no material adverse change having occurred in respect of Ithaca and its subsidiaries, taken as a whole;
- (c) customary representations and warranties from Delek in respect of its authority to enter into and ability to consummate the Offer;
- (d) customary representations and warranties from Ithaca in respect of the business and assets of the Ithaca group together with positive and negative interim period covenants being provided by Ithaca in respect of the conduct of the Ithaca group from the date of the Agreement;
- (e) mutual covenants from Ithaca and Delek to use all commercially reasonable efforts to make the Offer effective including co-operation to satisfy all conditions to the Offer;
- (f) in the event that, following the date of the Agreement, Ithaca receives an unsolicited superior proposal, being a proposal to acquire, *inter alia*, all of the Common Shares or substantially all of the assets of the Ithaca group which is not subject to a finance condition or (unless it is at a material premium to the Offer Price) a due diligence condition and is, in the opinion of the Board of Directors (excluding the Delek related party Directors), reasonably capable of completion without delay and is more favourable to the shareholders of Ithaca than the Offer (a "Superior Proposal"), Ithaca is obliged to notify Delek of such Superior Proposal and Delek will have right to match such superior proposal for a period of five business days from the date of notice and in the event that Delek does not exercise its right to match, Ithaca will have the right to proceed with such Superior Proposal subject to satisfaction of certain other criteria set out in the Agreement;
- (g) termination rights for both Delek and Ithaca including, for Delek, a right to terminate the Agreement in circumstances where:
 - i) Ithaca breaches its non-solicitation covenant;
 - ii) Ithaca accepts a Superior Proposal; or
 - iii) where the Minimum Tender Condition is not satisfied and Ithaca completes an alternative acquisition proposal with any person other than Delek or a subsidiary of Delek within eight months following the termination of the Agreement,

and in such circumstances Ithaca shall pay a break fee to Delek of C\$17,059,465.

A copy of the Agreement will be filed with Canadian securities regulators and will be available at www.sedar.com.