UNIQUELY POSITIONED

INSIGNIA

Annual Report 2008

CORPORATE PROFILE

INSIGNIA ENERGY LTD. IS A **UNIQUELY POSITIONED** OIL AND NATURAL GAS COMPANY ENGAGED IN THE EXPLORATION FOR AND THE ACQUISITION, DEVELOPMENT AND PRODUCTION OF NATURAL GAS AND CRUDE OIL IN WESTERN CANADA. THE PRIMARY OBJECTIVE OF THE COMPANY IS TO, OVER TIME, INCREASE IT'S NAV PER SHARE AND TO CREATE SUSTAINABLE AND PROFITABLE PER SHARE GROWTH IN RESERVES, PRODUCTION AND CASH FLOW THROUGH FOCUSED ACQUISITIONS AND DEVELOPMENT AND EXPLORATORY DRILLING.

WE ARE **UNIQUELY POSITIONED** TO ACHIEVE THIS OBJECTIVE WITH A STRONG BALANCE SHEET WITH NO DEBT, EXISTING CASH FLOW AND RESERVES TO BUILD FROM AND A TEAM AND BOARD THAT HAS A TRACK RECORD OF SUCCESSFULLY GROWING COMPANIES.

TABLE OF CONTENTS

ANNUAL GENERAL MEETING

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS of Insignia Energy Ltd. will be held at the Calgary Petroleum Club, 319 – 5th Avenue SW Calgary, Alberta, on May 26, 2009 at 10:00 am (Calgary Time).All shareholders and interested parties are invited to attend.

CORPORATE HIGHLIGHTS

	Year Ended	
	December 31, 2008 $	December 31, 2007 $
Financial ($ thousands, except per share amounts)		
Oil and natural gas sales	10,778	1,003
Funds from operations[1]	3,760	111
Per share - Basic and diluted[1]	0.50	0.03
Net loss	(24,477)	(378)
Per share - Basic and diluted	(3.26)	(0.10)
Working capital	27,658	16,265
Future proceeds from equity line[2]	25,000	-
Total capital resources available[3]	52,658	16,265
Property and equipment	32,137	4,520
Total assets	65,701	21,333
Weighted average common shares outstanding (thousands): Basic and diluted[4]	7,497	3,958
Operating (boe conversion - 6:1 basis)		
Average daily production		
Natural gas (mcf/d)	2,367	414
Oil and NGL (bbls/d)	167	-
Total (boe/d)	561	69
Product prices		
Natural gas ($/mcf)	7.46	6.64
Oil and NGL ($/bbl)	70.33	-
Total ($/boe)	52.46	39.85
Operating netback ($/boe)[1]	24.03	18.65

(1) Funds from operations, funds from operations per share and operating netback are not defined by GAAP in Canada and are referred to as non-GAAP measures. Funds from operations is cash provided by operating activities before changes in non-cash working capital and before abandonment and reclamation costs. Funds from operations per share is calculated by dividing funds from operations by the weighted average number of shares outstanding, consistent with the calculation of net loss per share. Operating netback per boe is calculated as total oil and natural gas revenue less royalties, operating costs and transportation costs calculated on a boe basis.

(2) Insignia has a $25 million unused equity line whereby Tricap Partners Ltd. are committed, prior to July 31, 2009, to subscribe for an additional 3,676,470 common shares of the Company at a price of $6.80 per share.

(3) Total capital resources available includes working capital plus future proceeds from the equity line with Tricap Partners Ltd.

(4) Excludes shares to be issued pursuant to the Tricap Partners Ltd. equity line.

The discussion of our oil and natural gas production and related performance measures is presented on a working interest, before royalties basis. For the purpose of calculating unit information, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil. Readers are cautioned that boe's may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this annual report: boe/d means boe per day; mcf/d means thousand cubic feet per day, bbl means barrel, mbbl means thousand barrels, mmcf means million cubic feet and mboe means thousand boe's.

"…THIS IS AN **OPPORTUNISTIC TIME** TO CREATE SHAREHOLDER VALUE AND WE INTEND TO DO JUST THAT WITHIN THIS FOCUS AREA."

PRESIDENT'S MESSAGE

I am pleased to provide our 2008 Annual Report to all shareholders of record, including those existing shareholders from the former entities of Insignia Energy Inc. ("Insignia Inc.") and Flagship Energy Inc. ("Flagship").

The 2008 year was tumultuous for the world economy including the oil and gas industry and Insignia was not immune to the impact of the year's events. A great many changes took place; many of which we had anticipated and some of which we did not. Fortunately, our activities during the year have strongly positioned us to not only survive the current downturn but, I believe, to take advantage of available opportunities and prosper.

As you know, Insignia Energy Ltd. ("Insignia" or the "Company") was formed on July 31, 2008, through a business combination of Insignia Inc., a private oil and gas exploration and production company, and Flagship, a public oil and gas exploration and production company. The business combination was effected through a Plan of Arrangement which also provided for a recapitalization of the Company through a cash injection by Tricap Partners Ltd. ("Tricap").

To the extent that the business combination was accounted for as a reverse takeover with Insignia Inc., as the acquirer, the financial and operational results for 2008 include the results of Insignia Inc. from January 1, 2008 to July 31, 2008 and the results of Insignia from July 31, 2008 to December 31, 2008. This is reflected in the numbers shown on the previous page under "Corporate Highlights".

UNIQUELY POSITIONED

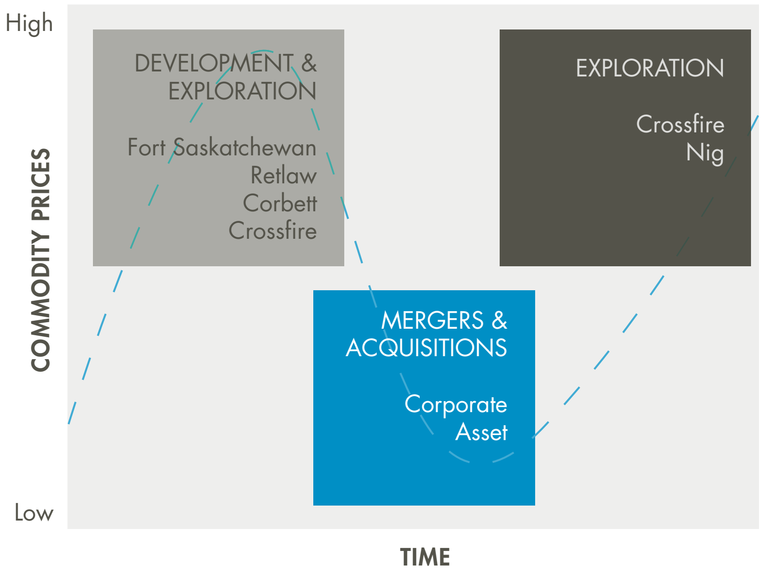
The business combination of Insignia Inc. and Flagship, along with the concurrent recapitalization, has positioned the Company with a number of strategic operational and financial advantages including:

- At year end and including the $25 million Tricap equity line, the Company had in excess of $52 million of capital resources with no debt and this, in turn, has provided the Company added flexibility and sustainability;
- The Company exited 2008 with production volumes of approximately 1,000 boe/d with a net undeveloped land base in excess of 140,000 acres;
- The Company is positioned to capitalize on a number of low risk development opportunities identified on its existing asset base;
- The Company is also uniquely positioned to opportunistically capitalize on accretive corporate and asset oil and gas acquisitions using a combination of its share capital and its cash resources. At the time of writing we are actively pursuing several opportunities that would take advantage of this strength.

CORPORATE OBJECTIVE AND STRATEGY

It is our intention to utilize the strengths of our Company to advance our goal of increasing the net asset value per share of the Company and create year over year sustainable and profitable per share growth in reserves, production and cash flow. We intend to accomplish this goal using all of the collective experience of our team while guided by an experienced, seasoned and diverse Board of Directors. As illustrated below, we also intend to deploy our drilling and acquisition strategy based on market cycle timing.

Cycle Timing



It is our belief that successful oil and gas companies are not only skilled at all facets of the oil and gas business but are also mindful of the long term upside created by timing the market cycles. As we enter 2009, we are experiencing bearish commodity and capital markets and this, in turn, is depressing valuations for oil and gas companies and asset acquisitions. It is these times when our strategy will be weighted toward acquisitions. By contrast, when commodities improve and capital starts flowing back into the industry and acquisitions become more expensive we intend to be more focused on the drill bit as a means to maximize shareholder value.

FOCUS AREA

Our focus is to grow Insignia with a preference for assets in what is commonly referred in the Canadian oilpatch as the "Deep Basin Corridor". This is a significant area trending from the US/Canada border into central Alberta and progressing northwest into British Columbia. This focus capitalizes on our experience and skill sets plus the area has numerous operational benefits including:

- High quality, long life asset characteristics;
- Resource play types;
- Low risk of water;
- Multi- zone stacked horizons;
- Reasonable depth;
- Year round drilling;
- Significant infrastructure;

And the best part is that, as we head into 2009, the opportunities within this area have never been more attractive. Crown land sale prices have retreated from the historic highs set in the bull markets of previous years, many junior oil and gas companies are available for sale at attractive prices, costs are trending downward and capital budgets have been reduced or eliminated. This has significantly reduced competition in the area. For well capitalized companies like Insignia, this is an opportunistic time to create shareholder value and we intend to do just that within this focus area.

THE FUTURE

As I said at the outset, we are currently living and operating in a world with much uncertainty. Global financial and commodity markets are undergoing significant change and this will likely continue for much of 2009 and perhaps into 2010. Although the short term outlook is cloudy, the long term fundamentals in the oil and gas sector remain promising. We are in a business to find, develop and produce a source of energy that is not only non-renewable but is the present fuel of choice throughout the world. And this is expected to continue for the foreseeable future. As the world economy recovers, it is expected that the demand for this resource will increase and, since it is limited in supply, fundamental economics dictate that the price of this resource should increase.

Operating in this environment of uncertainty is not easy but, at Insignia, we remain disciplined and focused to execute our strategy of acquiring and developing quality oil and gas reserves. We will exercise patience when required and protect our strong balance sheet but not at the expense of failing to execute on our business plan. Our 2009 capital program will be reviewed throughout the year in the context of commodity prices, cost environment and financial markets.

We look at 2009 as a year that will present as many opportunities as it does challenges. We believe our counter-cyclical strategy of acquiring assets at attractive prices will serve us well when the inevitable recovery arrives.

And finally, I want to thank all of our employees for their efforts and contributions throughout the year. The merger of two companies and the recapitalization of the go forward company combined with the volatile and uncertain markets have made for a challenging experience. Meeting these various challenges would also not be possible without the support, direction and commitment from an experienced and seasoned Board of Directors and I wish to thank our Board for their support.

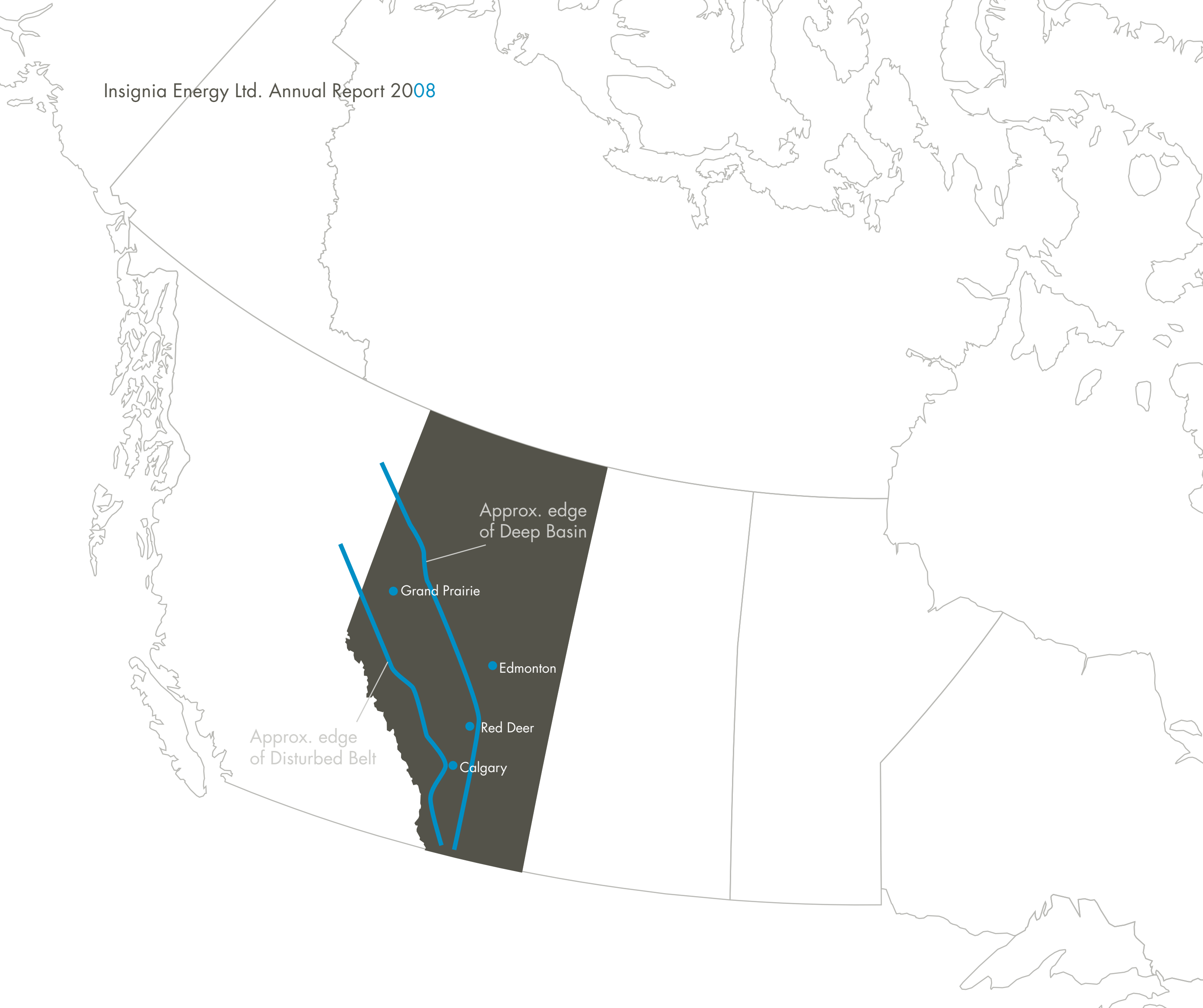
Signed

"Jeff D. Newcommon"

President and Chief Executive Officer

March 27, 2009
Calgary, Alberta

"WE REMAIN DISCIPLINED AND FOCUSED TO EXECUTE OUR STRATEGY OF ACQUIRING AND DEVELOPING QUALITY OIL AND GAS RESERVES."



OPERATIONS REVIEW

PRODUCTION

Production for the first seven months of 2008 averaged 1.1 mmcf/d (185 boe/d), all from the Beaverhill Lake property. In August, production increased to 925 boe/d as a result of the RTO transaction with Flagship Energy Inc. and at year end production was approximately 1,000 boe/d of which approximately 60% was natural gas and 40% was crude oil and NGLs.

At the end of December 2008, the Crossfire 9-1-50-6W5 well (Insignia 15% working interest) was shut in for a reservoir pressure survey. Insignia's share of production from this well was approximately 350 boe/d. The well remains shut in at this time with expectations it will be brought back on production in mid 2009.

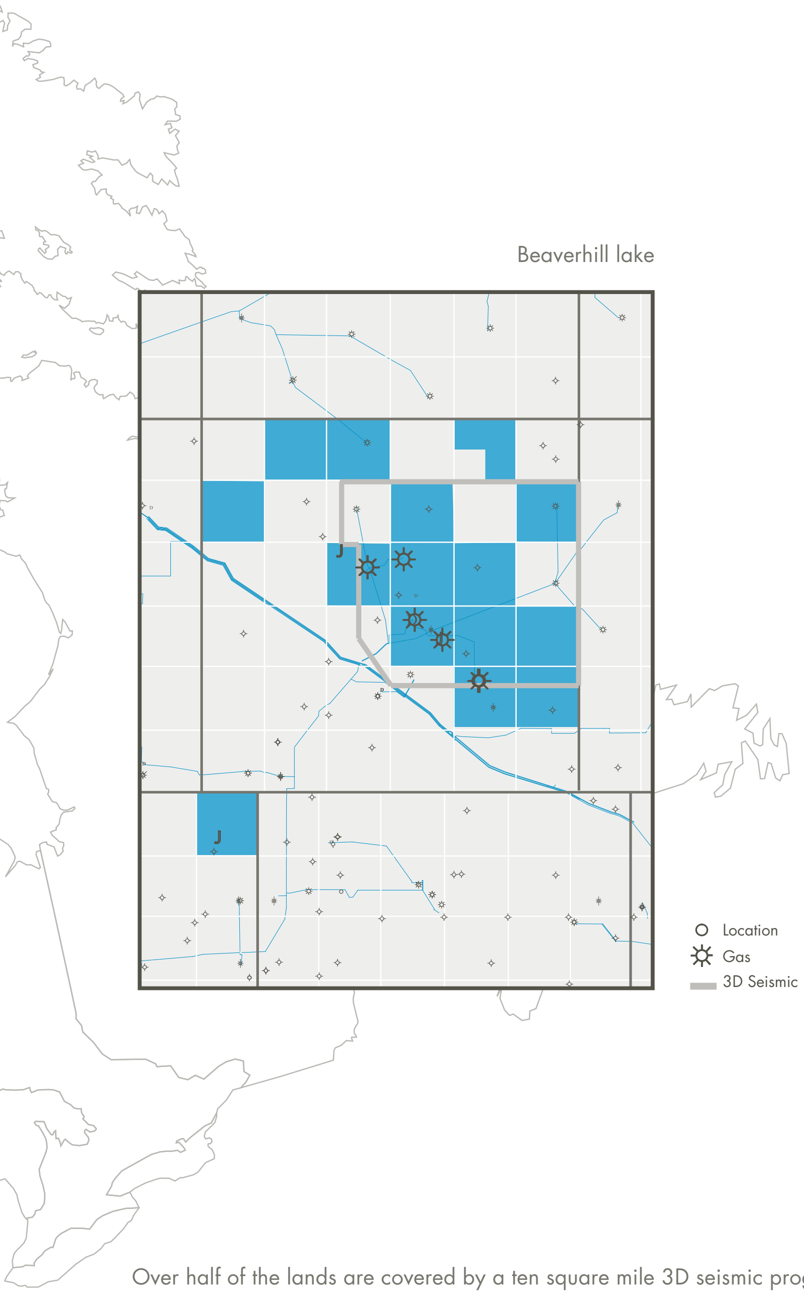
DRILLING

In 2008, Insignia participated in the drilling of three successful gas wells (2.75 net gas wells).

PROPERTIES

Beaverhill Lake, Alberta

Insignia holds an average 94% working interest in just under 13,000 acres of land in the Beaverhill Lake area located 30 miles southeast of Edmonton. The property was acquired in early 2007, at which time it had one producing gas well. The exploration and development target at Beaverhill Lake is natural gas in the Mannville group which includes Colony, Sparky, Ellerslie and Upper and Lower Mannville sands.



Over half of the lands are covered by a ten square mile 3D seismic program owned by Insignia. Based on this seismic as well as geological mapping, Insignia drilled three successful wells in 2007 and one successful well in 2008. Additional drilling locations have been identified and will be pursued as the economic environment allows.

Insignia's share of production from Beaverhill Lake in December, 2008 averaged 115 boe/d. The Insignia wells produce to a facility operated by Penn West Petroleum Ltd. where the natural gas is compressed and dehydrated before being delivered into the ATCO system for sale on the spot market.

Edam, Saskatchewan

The Edam property is located approximately 25 miles northwest of North Battleford, Saskatchewan. Insignia has an average 98% working interest in 42,000 acres of land of which over half is undeveloped. Over most of this land, Insignia holds only the rights for natural gas.

Natural gas production from the ten producing wells is handled through a compression facility owned by Insignia. Production averaged approximately 100 boe/d in December 2008.

No drilling activity occurred in 2008, but Insignia has completed several well workovers to optimize gas production and minimize produced water volumes. Further development of the property will depend on higher natural gas prices.

Doris, Alberta

Doris is located approximately 75 miles northwest of Edmonton. Insignia holds an average 55% working interest in 21,760 acres of land.

The target formation in this area is the Ellerslie sand with secondary potential in the Glauconitic and Ostrocod sands. Insignia is the operator of five producing gas wells and Insignia's share of production was approximately 50 boe/d in December.

In late 2008 Insignia acquired a 50% working interest in five sections of land adjacent to existing Insignia lands. Insignia and the industry partner on the lands completed a seismic program over several undeveloped sections. The seismic will be interpreted in 2009 in preparation for the 2009-2010 winter drilling season.

Retlaw, Alberta

Insignia holds an average 85% working interest in over 11,000 acres in the Retlaw area about 15 miles northwest of Lethbridge, Alberta.

The property includes a heavy oil pool in the Rundle formation and several gas wells that produce from the Bow Island, Glauconitic or Sunburst formations. Insignia's working interest production averaged 105 boe/d in December.

Late in December 2008, Insignia temporarily shut in four producing oil wells due to poor economics at current oil prices. The Company has initiated a reservoir study of the Retlaw Rundle C pool to determine whether horizontal drilling in this pool could economically increase the recovery of oil from the pool.

Crossfire

Crossfire, Alberta

The Crossfire property is located approximately 60 miles southwest of Edmonton, Alberta. Insignia holds an average 96% working interest in 13,760 acres of land.

The petroleum and natural gas rights held on the lands in this area are mainly deeper rights with the primary target being oil in the Nisku formation with secondary targets in the Nordegg, Shunda and Pekisko zones. Drilling depths range from 2,000 to 2,400 metres. The area generally has year round access for drilling and operational activities.

In 2008, a successful Nisku oil well was drilled on Insignia lands with Insignia retaining a 15% working interest in the well. The well was placed on production in late August and produced at rates up to 2,300 boe/d (350 boe/d net to Insignia) until the end of December when it was shut in for a pressure survey mandated by the Energy Resources Conservation Board production approval. The well is currently shut in, but production is expected to resume at former rates in 2009. Insignia has acquired 3D seismic over undeveloped Insignia owned lands and is evaluating potential additional drilling locations.

Nig, British Columbia

In 2008, Insignia and an industry partner acquired approximately 3,500 acres of undeveloped land at Nig, approximately 90 miles northwest of Fort St. John, British Columbia. Insignia holds 50% working interest in the property.

Subsequent to year end, one well (0.5 net) was drilled on the property and is currently being evaluated.

LAND

At the end of 2008, Insignia holds in excess of 140,000 net acres of undeveloped petroleum and natural gas rights.

In 2008, Insignia invested $1.3 million acquiring petroleum and natural gas leases acquiring, in total, approximately 4,600 net acres at an average price of $288 per acre. These rights were purchased based on prospects generated prior to the acquisition of the lands and Insignia expects to drill wells on these lands over the next two years.

ENVIRONMENT, HEALTH & SAFETY

Insignia Energy Ltd, is committed to ensuring the health and safety of our employees and all others involved in or impacted by our operations, while, at the same time, protecting the environment in which we work and conduct our activities.

Insignia Energy Ltd. takes responsibility for seeking every reasonable means to provide a safe work environment for all workers. We do this by employing competent personnel who are equipped to complete their jobs in a safe manner and by using those practices and procedures that meet or exceed regulatory or recognized industry standards. As well, the Company encourages the active participation and support of its employees in promoting and implementing an effective safety program. Insignia Energy Ltd.'s management and supervisory personnel have direct responsibility for ensuring that these objectives are met.

SUMMARY OF OIL AND GAS RESERVES

As of December 31, 2008

Forecast Prices and Costs

	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS		TOTAL OIL EQUIVALENT	
RESERVES CATEGORY	Gross (mbbl)	Net (mbbl)	Gross (mbbl)	Net (mbbl)	Gross (mmcf)	Net (mmcf)	Gross (mbbl)	Net (mbbl)	Gross (mbbl)	Net (mbbl)
PROVED										
Developed Producing	61	44	20	24	3,393	2,889	18	12	664	561
Developed Non-Producing	40	24	6	5	362	286	2	1	108	78
Undeveloped	0	0	0	0	0	0	0	0	0	0
TOTAL PROVED	101	67	26	29	3,755	3,175	20	13	773	639
PROBABLE	98	69	175	150	4,526	3,634	18	12	1,046	836
TOTAL PROVED PLUS PROBABLE	199	136	201	179	8,281	6,809	37	25	1,818	1,475

Note: Columns may not add due to rounding.

NET PRESENT VALUES OF FUTURE NET REVENUE

As of December 31, 2008

Forecast Prices and Costs

	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)				
RESERVES CATEGORY	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)
PROVED										
Producing	17,086	15,145	13,662	12,490	11,540	17,086	15,145	13,662	12,490	11,540
Developed Non-Producing	1,204	1,040	919	826	753	1,204	1,040	919	826	753
Undeveloped	30	26	23	20	18	30	26	23	20	18
TOTAL PROVED	18,319	16,211	14,604	13,337	12,311	18,319	16,211	14,604	13,337	12,311
TOTAL PROBABLE	20,640	15,647	12,208	9,736	7,899	20,640	15,647	12,208	9,736	7,899
TOTAL PROVED PLUS PROBABLE	38,959	31,859	26,812	23,073	20,209	38,959	31,859	26,812	23,073	20,209

Note: Columns may not add due to rounding.

TOTAL FUTURE NET REVENUE (Undiscounted)

As of December 31, 2008

Forecast Prices And Costs

RESERVES CATEGORY	REVENUE (M$)	ROYALTIES (M$)	OPERATING COSTS (M$)	DEVELOPMENT COSTS (M$)	ABANDONMENT AND RECLAMATION COSTS (M$)	FUTURE NET REVENUE BEFORE INCOME TAXES (M$)	INCOME TAXES (M$)	FUTURE NET REVENUE AFTER INCOME TAXES (M$)
Proved Reserves	42,477	7,570	13,850	1,502	1,236	18,319	0	18,319
Proved Plus Probable Reserves	103,894	18,913	32,854	11,352	1,816	38,959	0	38,959

NET PRESENT VALUE OF FUTURE NET REVENUE BY PRODUCTION GROUP

As of December 31, 2008

Forecast Prices and Costs

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M$)	UNIT VALUE ($/mcf) ($/bbl)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	2,586	$37.54/bbl
	Heavy Oil (including solution gas and other by-products)	356	$11.88/bbl
	Associated and Non-Associated Gas (including by-products)	11,662	$3.60/mcf
	Total	14,604	$22.87/boe
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	4,963	$30.86/bbl
	Heavy Oil (including solution gas and other by-products)	735	$3.80/bbl
	Associated and Non-Associated Gas (including by-products)	21,114	$3.14/mcf
	Total	26,812	$18.18/boe

Note: Columns may not add due to rounding.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS

As of December 31, 2008

Forecast Prices and Costs

	OIL		NATURAL GAS				
Year	WTI at Cushing Oklahoma ($US/bbl)	Edmonton City Gate ($Cdn/bbl)	Natural Gas AECO Average Price ($Cdn/mcf)	Pentanes Plus Edmonton Par ($Cdn/bbl)	Butanes Edmonton Par ($Cdn/bbl)	Inflation Rates[1] %/Year	Exchange Rate[2] ($US/$Cdn)
Forecast							
2009	57.50	68.61	7.58	69.98	52.14	2.0	0.825
2010	68.00	78.94	7.94	80.52	61.57	2.0	0.850
2011	74.00	83.54	8.34	85.21	65.16	2.0	0.875
2012	85.00	90.92	8.70	92.74	70.92	2.0	0.925
2013	92.01	95.91	8.95	97.82	74.81	2.0	0.950
2014	93.85	97.84	9.14	99.80	76.32	2.0	0.950
2015	95.73	99.82	9.34	101.81	77.86	2.0	0.950
2016	97.64	101.83	9.54	103.87	79.43	2.0	0.950
2017	99.59	103.89	9.75	105.97	81.03	2.0	0.950
2018	101.59	105.99	9.95	108.10	82.67	2.0	0.950
2019+	Escalated oil, gas and product prices at 2% per year thereafter						

RECONCILIATION OF GROSS RESERVES

By Principal Product Type

As of December 31, 2008

Forecast Prices and Costs

	LIGHT AND MEDIUM OIL			HEAVY OIL			CONVENTIONAL GAS			NGL		
FACTORS	Proved (mbbl)	Probable (mbbl)	Proved Plus Probable (mbbl)	Proved (mbbl)	Probable (mbbl)	Proved Plus Probable (mbbl)	Proved (mmcf)	Probable (mmcf)	Proved Plus Probable (mmcf)	Proved (mbbl)	Probable (mbbl)	Proved Plus Probable (mbbl)
December 31, 2007	0	0	0	0	0	0	1,503	1,885	3,388	0	0	0
Extensions	0	0	0	0	0	0	123	90	213	1	1	2
Improved Recovery	0	0	0	0	0	0	0	0	0	0	0	0
Technical Revisions	0	0	0	0	0	0	(174)	(169)	(343)	0	0	0
Discoveries	65	36	101	0	0	0	48	24	72	1	1	2
Acquisitions	87	62	149	31	175	207	3,110	2,685	5,795	21	16	37
Dispositions	0	0	0	0	0	0	0	0	0	0	0	0
Production	(51)	0	(51)	(6)	0	(6)	(865)	0	(865)	(4)	0	(4)
Economic Factors	0	0	0	0	0	0	10	11	21	0	0	0
December 31, 2008	101	98	199	26	176	201	3,755	4,526	8,281	20	18	37

Note: The Corporation has no unconventional reserves (Bitumen, Synthetic Crude Oil, Natural Gas from Coal, etc.).

(1) Gross Reserves in the tables above are the Corporation's interest share before deduction of royalties and without including any royalty interests of the Corporation.

(2) Improved recovery values presented above include total proved infill drilling additions of 0 mmcf of natural gas and total proved plus probable infill drilling additions of 0 mmcf of natural gas in accordance with CSA Notice 51-313 issued April 18, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Insignia Energy Ltd. ("Insignia" or the "Company") is dated as of March 25, 2009 and should be read in conjunction with the Audited Financial Statements and accompanying notes as at and for the years ended December 31, 2008 and 2007.

SIGNIFICANT TRANSACTION AND BASIS OF PRESENTATION

Insignia Energy Ltd. resulted from the combination of the businesses of Insignia Energy Inc. ("Insignia Inc.") and Flagship Energy Inc. ("Flagship").

The business combination was effected through a Plan of Arrangement (the "Plan of Arrangement" or "Arrangement") effective July 31, 2008 involving Insignia Inc., Flagship, Tricap Partners Ltd. ("Tricap"), the shareholders of Insignia Inc. and the shareholders of Flagship. Under the Plan of Arrangement, among other matters, Flagship acquired substantially all of the assets and liabilities of Insignia Inc. and in exchange, the Insignia Inc. shareholders received Flagship common shares. Following the exchange, all of the outstanding common shares were consolidated on a hundred-for-one basis and the combined entity changed its name to "Insignia Energy Ltd."

The Plan of Arrangement also provided for a recapitalization of the Company. Tricap converted its outstanding debt to common shares and acquired additional common shares, resulting in Tricap owning approximately 60% of the outstanding common shares as at December 31, 2008. Insignia also has a $25 million unused equity line whereby Tricap is committed, prior to July 31, 2009, to subscribe for an additional 3,676,470 common shares of Insignia at a price of $6.80 per share.

Subsequent to the Arrangement, the Management team and Board of Directors consists of the former Management and Board of Directors of Insignia Inc., supplemented by two additional board nominees of Tricap.

The business combination has been accounted for as a reverse takeover with Insignia Inc. as the acquirer. Accordingly, the financial statements include the historical accounts of Insignia Inc. and do not include the operations of Flagship for any period prior to July 31, 2008.

The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The reporting and measurement currency is the Canadian dollar. The following Management's Discussion and Analysis compares the results of the year ended December 31, 2008 ("YEAR 2008") to the year ended December 31, 2007 ("YEAR 2007") and the results of the three months ended December 31, 2008 ("Q4 2008") to the three months ended December 31, 2007 ("Q4 2007") and to the three months ended September 30, 2008 ("Q3 2008").

The discussion and analysis of our oil and natural gas production and related performance measures is presented on a working-interest, before royalties basis. For the purpose of calculating unit information, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil. Readers are cautioned that boe's may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

We make estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and our revenues and expenses during the reporting period. Our management reviews these estimates, including those related to accruals, environmental and asset retirement obligations, income taxes, and the determination of proved reserves on an ongoing basis. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

NON-GAAP MEASUREMENTS

Certain financial measures referenced in this MD&A are not prescribed by Canadian GAAP. These non-GAAP financial measures do not have any standardized meaning and, therefore, are unlikely to be comparable to similar measures presented by other companies. We include these measures because management utilizes them to analyze operating and financial performance. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

We use funds from operations which is reconciled to cash provided by operating activities as per our Statement of Cash Flows below:

(000's)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Cash provided by operating activities	913	700	87	2,155	217
Add back:					
Abandonment and reclamation costs	450	228	-	678	-
Change in non-cash working capital	188	560	(145)	927	(106)
Funds from operations	1,551	1,488	(58)	3,760	111

Funds from operations per share is calculated by dividing funds from operations by the weighted average number of shares outstanding, consistent with the calculation of net loss per share. Funds from operations netback per boe is calculated as funds from operations divided by our total boe produced. We also use operating netback per boe. This is calculated as total oil and natural gas revenue less royalties, operating costs and transportation costs calculated on a boe basis.

EXECUTIVE SUMMARY

FINANCIAL AND OPERATIONAL DATA

	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $	YEAR 2006 $
Financial (000's, except for per share amounts)						
Oil and natural gas sales	5,135	3,831	273	10,778	1,003	-
Funds from operations[1]	1,551	1,488	(58)	3,760	111	(45)
Per share - Basic and diluted[2]	0.12	0.16	(0.01)	0.50	0.03	(0.05)
Net loss	(22,893)	(1,425)	(376)	(24,477)	(378)	(62)
Per share - Basic and diluted[2]	(1.82)	(0.16)	(0.09)	(3.26)	(0.10)	(0.07)
Working capital	27,658	30,246	16,265	27,658	16,265	19,079
Future proceeds from equity line[2]	25,000	25,000	-	25,000	-	-
Total capital resources available[3]	52,658	55,246	16,265	52,658	16,265	19,079
Property and equipment	32,137	49,095	4,520	32,137	4,520	14
Total assets	65,701	87,384	21,333	65,701	21,333	19,494
Operations						
Average daily production						
Natural gas (mcf/d)	3,842	3,390	490	2,367	414	-
Oil and NGL (bbls/d)	495	168	-	167	-	-
Total (boe/d)	1,135	733	82	561	69	-
Product prices						
Natural gas ($/mcf)	6.78	7.22	6.06	7.46	6.64	-
Oil and NGL ($/bbl)	59.75	101.52	-	70.33	-	-
Total ($/boe)	49.16	56.81	36.35	52.46	39.85	-
Operating netback ($/boe)[1]	19.82	27.35	8.96	24.03	18.65	-

(1) See the discussion under "Non-GAAP Measurements".

(2) See the discussion under "Liquidity and Capital Resources".

(3) Total capital resources available includes working capital plus future proceeds from the equity line with Tricap Partners Ltd.

OUTSTANDING SHARE DATA

As at December 31, 2008	
Common shares	12,596,801
Special voting shares	3,676,470
Total voting shares	16,273,271
Common share options	
Total issued	963,500
Total exercisable	-
Performance warrants	
Total issued	1,629,500
Total exercisable	-
Total voting shares and dilutive instruments	18,866,271

SELECTED QUARTERLY INFORMATION

(000's, except for per share amounts)	Q4 2008 $	Q3 2008 $	Q2 2008 $	Q1 2008 $	Q4 2007 $	Q3 2007 $	Q2 2007 $	Q1 2007 $
Oil and natural gas sales	5,135	3,831	1,004	808	273	173	254	303
Net earnings (loss)	(22,893)	(1,425)	(5)	(154)	(376)	(184)	(190)	372
Per share - Basic and diluted	(1.82)	(0.16)	(0.00)	(0.04)	(0.09)	(0.05)	(0.05)	0.11
Working capital	27,658	30,246	15,756	16,394	16,265	16,780	17,460	18,192

OUTLOOK

We are currently living and operating in a world with much uncertainty. Global financial and commodity markets are undergoing significant change and this will likely continue for much of 2009 and perhaps into 2010. Although the short term outlook remains cloudy, the long term fundamentals in the oil and gas sector remain promising. We are in the business to find, develop and produce a source of energy that is not only non-renewable but is the present fuel of choice throughout the world. And this is expected to continue for the foreseeable future. As the world economy recovers it is expected that the demand for this resource will increase and, since it is limited in supply, fundamental economics dictate that the price of this resource should go up.

Operating in this environment of uncertainly is not easy but, at Insignia, we remain disciplined and focused to execute our strategy of acquiring and developing quality oil and gas reserves. We will exercise patience when required and protect our strong balance sheet but not at the expense of failing to execute on our business plan. Our 2009 capital program will be reviewed quarterly throughout the year in the context of commodity prices, cost environment and financial markets. We look at 2009 as a year that will present as many opportunities as challenges.

Insignia is uniquely positioned with a strong balance sheet with over $52 million in capital resources (which includes the $25 million Tricap equity line) and no debt. Given the current market cycle where we believe that acquisitions are more attractive than drilling, we are targeting accretive corporate and asset acquisitions with these resources. To date, the acquisition market has generally been fairly quiet stemming from both the market volatility and the speed at which the market has changed. We do believe, however, that, as this recession continues, the opportunities will not only become more abundant but that there will be better quality assets presented to those that, like Insignia, have the resources to pursue them.

Although our focus is on accretive acquisitions, our Board has approved a conservative 2009 operating budget of between $5 to $8 million with the allocation of this capital being split approximately 60% drilling, 20% equipping and 20% land and seismic. The risked production additions from this program are expected to result in an average 2009 production rate of 800-900 boe/d and a year-end exit rate of 1,000-1,100 boe/d. Both estimates assume the Crossfire 9-01 well comes back on production towards the end of the first half of the year. Any acquisitions completed throughout 2009 would be additive to these estimates.

Although we believe over the long term that supply and demand fundamentals will result in significant upside for both oil and natural gas prices, we will remain disciplined and patient to enable us to weather an extended period of low prices should this occur before the recovery begins. We believe our counter-cyclical strategy of acquiring quality assets at attractive prices will serve us well when the inevitable recovery arrives.

CAPITAL EXPENDITURES

The following table highlights expenditures by category for the periods indicated:

(000's)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Property acquisitions (dispositions), net	(90)	-	-	(86)	1,730
Land	271	985	33	1,336	77
Geological and geophysical	1,337	42	-	1,382	6
Drilling and completions	1,210	28	325	1,254	2,725
Equipment, facilities and pipelines	671	521	147	1,627	296
Capitalized general and administrative and other	150	106	-	267	20
Total capital expenditures – cash	3,549	1,682	505	5,780	4,854
Corporate acquisition(1)	-	45,399	-	45,399	-
Current period ARO capitalized	695	114	17	809	146
Total additions to property and equipment	4,244	47,195	522	51,988	5,000

(1) Corporate acquisition includes the amount allocated to property and equipment in the purchase accounting, which differs from the purchase price where there are allocations made to other assets and liabilities, including asset retirement obligations.

During the fourth quarter of 2008, the Company was active developing and expanding its existing assets, namely:

The Company acquired a 50% working interest in five sections of land directly offsetting the Company's current land holdings in the Doris area.

Insignia acquired approximately 50 square miles of 3D seismic in the Crossfire area. This seismic completes the coverage of all Company lands in the Crossfire area as well as other prospective lands. The Company also participated for its 50% working interest in a 14 mile 2D seismic shoot in the Doris area.

Three gas wells (2.75 net) were drilled during the year, all in the fourth quarter, and one was completed in the quarter. The Crossfire battery equalization described in the third quarter report was cancelled when the operator of the property withdrew the AFE. Our Q4 2008 capital expenditures were lower than previous guidance as declining product prices reduced the economic potential of planned expenditures.

Subsequent to year end, two wells drilled in the fourth quarter were completed and the remaining fourth quarter well was equipped and tied in for production.

Equipment, facilities and pipeline costs for the full year include costs associated with the equipping of 6.0 (4.9 net) additional wells, including the Crossfire discovery well at 9-1-50-6 W5M. This well was subsequently shut in for a bottom-hole pressure survey required under the Good Production Practice (GPP) approval issued by the ERCB for the well. Production is expected to resume in mid 2009.

FINANCIAL RESULTS

PRODUCTION

	Q4 2008	Q3 2008	Q4 2007	YEAR 2008	YEAR 2007
Natural gas (mcf/d)	3,842	3,390	490	2,367	414
Oil and NGL (bbls/d)	495	168	-	167	-
Total (boe/d)	1,135	733	82	561	69

Prior to July 31, 2008, our production comprised 100% gas production from our Beaverhill Lake property. Results for the period August 1, 2008 to December 31, 2008 include production on our acquired properties. On a boe per day basis, our production averaged 186 boe/d to July 31, 2008 and 1,083 boe/d thereafter. As of December 31, 2008, the Company has 3.7 net oil wells and 42.9 net natural gas wells on production.

Our production for the full year totalled 561 boe/day, including 2,367 mcf/day of natural gas (70% of production) and 167 bbls/day of oil and natural gas liquids (30% of production).

Production for Q4 2008 was as follows:

Area	Natural gas mcf/d	Oil and NGL bbls/d	Total boe/d	%
Alberta	3,137	492	1015	89%
Saskatchewan	705	3	120	11%
Total	3,842	495	1,135	100%
Percentage of total	56%	44%	100%	

Q4 2007 and YEAR 2007 results presented include gas sales from our Beaverhill Lake properties only.

PRICING AND MARKETING

	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Benchmark Price					
AECO-C Daily Spot ($/mcf)	6.69	7.74	6.14	8.13	6.44
Edmonton Light ($/bbl)	63.21	121.85	86.42	102.16	76.35
Insignia's Realized Price					
Natural gas ($/mcf)	6.78	7.22	6.06	7.46	6.64
Oil and NGL ($/bbl)	59.75	101.52	-	70.33	-
Total ($/boe)	49.16	56.81	36.35	52.46	39.85

Insignia has no commodity hedges in place and we market our products on a daily spot market basis at various delivery points in Alberta and Saskatchewan.

Natural gas prices peaked in June, 2008 and then commenced a downward trend, such that realized gas prices in the last half of the year were approximately 22% lower than in the first half of the year. Our spread to the AECO benchmark is dependent on the heat content of gas from wells on production during the period, and can vary across periods.

Our oil comprises medium to heavy gravity crude from our properties in the Retlaw/Little Bow area of Alberta and light oil, primarily from our Crossfire property. Realized blended oil and natural gas liquid prices for the Q4 2008 were $59.75 per barrel, representing a 41% decrease from Q3 2008. Our spread to the Edmonton light benchmark is dependent on the production mix between our Retlaw/Little Bow properties and other properties during the period, and can vary across periods.

OIL AND NATURAL GAS SALES

(000's)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Natural gas	2,397	2,252	273	6,461	1,003
Oil and NGL	2,738	1,579	-	4,317	-
Total	5,135	3,831	273	10,778	1,003

YTD 2008 sales were $10.8 million, $2.1 million to July 31, 2008 and $8.7 million thereafter. Q1 2009 sales will be significantly lower than Q4 2008 due to a production loss of approximately 350 boe/d with the Crossfire 9-1 well remaining shut in, and a further decline in commodity prices.

ROYALTIES

Royalties by Type (000's)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Crown	857	558	63	1,567	63
Freehold, including freehold mineral tax	131	144	(16)	439	123
Gross overriding	150	182	13	485	48
Total	1,138	884	60	2,491	234
$/boe	10.89	13.12	8.00	12.12	9.31
% of revenue	22%	23%	22%	23%	23%

Our acquired properties are predominantly subject to Crown royalties. In Alberta, crown royalties on natural gas and natural gas liquids are charged by the provincial government based on an established monthly Reference Price that is meant to reflect the average price for gas and NGL's in Alberta. The appropriate Crown royalty rate is then applied, less established deductions, to calculate the Crown royalties. Gas cost allowance, custom processing credits, and other incentive programs reduce the effective royalty rate.

In 2008, royalty rates on natural gas production in Alberta were capped at 30% for discoveries in 1974 or later and 35% for gas discovered prior to 1974. The New Royalty Framework, effective from January 1, 2009 on our existing production, is a single sliding scale formula ranging from 5% to 50% with a rate cap once the price of natural gas reaches $16.50/GJ. The sliding scale formula includes in its calculation well production, depth of the well, and the price of gas.

Crown royalty rates on oil are generally a function of production rates on a per well basis, the vintage of the oil and market prices. Oil royalty rates may also be subject to certain reductions and incentives. Crown royalties in Alberta are generally satisfied by allowing the Crown to own and sell directly its share of the production.

In 2008, royalty rates on oil production were capped at 25% for discoveries in 1992 or later, 30% for discoveries between 1974 and 1992, and 35% for oil discovered prior to 1974. The New Royalty Framework, effective from January 1, 2009 on our existing production, is also a single sliding scale formula with a rate cap once the price of oil reaches $120/barrel. The sliding scale formula includes in its calculation well production, density of the oil, and the price of oil.

Future changes in natural gas and oil pricing, production volumes, capital and operating costs, and further changes to applicable royalty regimes by the Government of Alberta all have the potential to impact future royalties payable to the Crown.

We also make royalty payments to freehold owners of the mineral rights on certain of our leases, pay freehold mineral tax to the Crown, and in some instances, make royalty payments to third parties by way of contractual overriding royalties.

LEASE OPERATING AND TRANSPORTATION EXPENSES

(000's)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Lease operating expenses	1,813	1,019	137	3,108	267
Transportation expenses	114	83	9	243	32
Total	1,927	1,102	146	3,351	299
$/boe	18.45	16.34	19.39	16.31	11.89

Our operating and transportation costs for Q4 2008 totalled $1.9 million or $18.45 per boe. During the period, we completed a turnaround at our Edam compressor station, and several workovers which, in total, added approximately $2.50 per boe to our operating costs for the quarter. Q4 2007 and YTD 2007 results presented include lease operating costs from our Beaverhill Lake properties only, which have an overall lower cost structure than our acquired properties.

INTEREST INCOME

(000's)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Interest income	175	162	184	617	742

As at December 31, 2008, $20.0 million of cash was held in an interest-bearing operating account with the Canadian Imperial Bank of Commerce ("CIBC"), which earns interest at the CIBC's prime rate less 1.85%. We also had $10.0 million of our surplus cash balance invested in an Alberta Treasury Branch 91 day term deposit at a rate of 2.63%.

With prime rates moving downward, we have realized a reduction in interest income throughout the periods presented.

GENERAL AND ADMINISTRATION EXPENSES ("G&A") AND STOCK-BASED COMPENSATION

(000's)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Direct G&A	814	621	260	2,015	1,062
Capitalized G&A	(135)	(102)	-	(237)	-
Net G&A	679	519	260	1,778	1,062
Direct G&A ($/boe)	7.78	9.20	34.72	9.80	42.22
Capitalized G&A ($/boe)	(1.29)	(1.51)	-	(1.15)	-
Net G&A ($/boe)	6.49	7.69	34.72	8.65	42.22
Stock-based compensation	442	319	189	987	725

Our Q4 2008 direct general and administration totalled $814 thousand compared to $621 thousand in Q3 2008, reflecting a full period of post-acquisition activity. Subsequent to completing our acquisition, we added 6 employees in operations, land, accounting and administration, and had 11 full time employees and 9 consultants as of December 31, 2008.

Our capitalized G&A relates primarily to costs associated with activities in respect of purchase, farm-in and other property and corporate opportunities.

As a result of the Plan of Arrangement, our stock based compensation arrangements were cancelled and replaced. We apply the fair value method for valuing stock option and performance warrant grants and expense the value over the vesting period with a corresponding increase to contributed surplus. As a result, Insignia expensed $0.4 million leaving an unamortized portion of stock-based compensation of $2.0 million at December 31, 2008.

DEPLETION, DEPRECIATION AND ACCRETION ("DD&A")

(000's)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Depletion, depreciation and accretion	21,305	2,594	147	24,553	500
Total ($/boe)	203.96	38.47	19.60	119.52	19.88

Effective December 31, 2008, we completed our annual impairment review of our unproved properties. In evaluating undeveloped land, we considered our future plans for our properties, the remaining terms of the leases, and current land prices. As a result of this assessment, $8.4 million has been excluded from the depletion and depreciation base. We completed our ceiling test, utilizing published independent price forecasts as at December 31, 2008 and current forward strip prices and concluded that given the collapse in commodity prices, a valuation adjustment of $16.3 million was required. The ceiling test write-down of $16.3 million is included in Q4 2008 and Year 2008 DD&A expense.

TAXES

Current taxes for 2008 of $15 thousand include Saskatchewan Capital Tax and Resource Surcharge.

Future income taxes for 2008 of $2.7 million reflects a write-down of the tax asset recorded in the purchase price equation pursuant to the 2008 corporate acquisition.

Income taxes recovered in 2007 relates to the tax effect of renouncing expenditures pursuant to the Company's flow through share financings in 2006 and 2007.

As at December 31, 2008, the Company has tax deductions of approximately $77.7 million available to shelter future taxable income.

FUNDS FROM OPERATIONS AND NET LOSS

For Q4 2008, funds from operations totalled $1.6 million, compared to $1.5 million for Q3 2008. Year over year, funds from operations increased from $0.1 million in 2007 to $3.8 million in 2008.

The following table summarizes funds from operations on a barrel of oil equivalent basis.

($/boe)	Q4 2008 $	Q3 2008 $	Q4 2007 $	YEAR 2008 $	YEAR 2007 $
Sales price	49.16	56.81	36.35	52.46	39.85
Royalties	(10.89)	(13.12)	(8.00)	(12.12)	(9.31)
Lease operating and transportation expenses	(18.45)	(16.34)	(19.39)	(16.31)	(11.89)
Operating netback	19.82	27.35	8.96	24.03	18.65
Interest income	1.68	2.41	24.59	3.00	29.51
General and administration	(6.49)	(7.69)	(34.72)	(8.65)	(42.22)
Other	(0.16)	-	(6.59)	(0.08)	(1.53)
Funds from operations netback	14.85	22.07	(7.76)	18.30	4.41

Net loss for Q4 2008 was $22.9 million ($1.82 per share) compared to a net loss of $0.4 million ($0.09 per share) in Q4 2007. The YTD 2008 net loss was $24.5 million ($3.26 per share) compared to a net loss of $0.4 million ($0.10 per share) in YTD 2007. Due to the anti-dilutive effect of the Company's net loss for these periods, the diluted per share amounts for net loss are equivalent to basic per share amounts.

LIQUIDITY AND CAPITAL RESOURCES

EQUITY

As of December 31, 2008, the Company has 12,596,801 common shares and 3,676,470 special voting shares outstanding, and has issued 963,500 stock options and 1,629,500 performance warrants at a weighted average exercise price of $6.80.

Weighted Average Shares Outstanding	Q4 2008	Q4 2007	YEAR 2008	YEAR 2007
Basic and diluted	12,609,010	4,112,040	7,497,290	3,958,386

Outstanding stock options are not included in the diluted weighted average shares outstanding as the impact of exercising these options would be anti-dilutive. Outstanding performance warrants are not included in the diluted weighted average shares outstanding as the market price conditions have not yet been satisfied.

In December, 2008 the Company received approval from the Toronto Stock Exchange ("TSX") for a Normal Course Issuer Bid. The Company can repurchase up to 2,244 Common Shares per day from December 10, 2008 to March 31, 2009 and 1,122 Common Shares per day from April 1, 2009 to December 9, 2009, subject to certain conditions. Under the TSX authorization the Company has repurchased, for cancellation, 19,000 Common Shares at an average price of $3.08 per Common Share. Security holders may obtain a copy of the Notice of Intention to make a Normal Course Issuer Bid filed with the TSX without charge, by contacting the Company at (403) 536-8132.

As of the date hereof, the Company has 12,592,201 common shares, 3,676,470 special voting shares, 1,028,500 stock options and 1,629,500 performance warrants outstanding.

WORKING CAPITAL

(000's)	December 31, 2008 $	December 31, 2007 $
Cash and cash equivalents	29,972	16,516
Accounts receivable	2,001	225
Prepaid expenses	118	53
Accounts payable and accrued liabilities	(4,433)	(529)
Working capital	27,658	16,265

The increase in working capital from year end 2007 reflects the impact of cash transactions under the Plan of Arrangement, and higher activity levels from the associated properties acquired.

EQUITY LINE

Insignia has a $25 million unused equity line whereby Tricap Partners Ltd. are committed, prior to July 31, 2009, to subscribe for an additional 3,676,470 common shares of the Company at a price of $6.80 per share. The special voting shares will be cancelled without consideration concurrent with the common share subscriptions on a one-for-one basis.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The contractual obligations for which the Company is responsible are as follows:

(000's)	Total $	2009 $	2010 - 2011 $	2012 - 2013 $	After 2013 $
Office lease, excluding operating costs	2,062	170	693	846	353
Asset retirement obligations	9,510	535	1,638	1,499	5,838
Total contractual obligations	11,572	705	2,331	2,345	6,191

The Company enters into contractual obligations in the course of conducting its day to day business. Our material obligations are as detailed above. The payment terms on the asset retirement obligation is based on an estimated timing of expenditures to be made in future periods and amounts have been escalated at 2.0%; the actual amount and timing of expenditures may differ materially from that presented above.

FINANCIAL INSTRUMENTS

Financial instruments comprise cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short-term maturities. We have not identified any embedded derivatives in any of our contracts.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements in the current or prior period.

RELATED PARTY TRANSACTION

Until June 30, 2008, the Company utilized office premises under lease by a senior officer of the Company (the "Lessor"). During the year ended December 31, 2008, the Company paid $53 thousand (December 31, 2007 - $111 thousand) to the Lessor as a reimbursement, at cost, of rent and administrative services.

NEW ACCOUNTING STANDARDS

On January 1, 2008, the Company adopted CICA Handbook sections 3862 "Financial Instruments - Disclosures" and 3863 "Financial Instruments - Presentation", which enhance existing disclosures for financial instruments. In particular, section 3862 focuses on the identification of risk exposures and the Company's approach to management of these risks. There is no financial impact to previously reported financial statements as a result of the implementation of this new standard.

On January 1, 2008, the Company adopted CICA Handbook section 1535 "Capital Disclosures". This section establishes disclosure requirements for management's objectives, policies and processes in defining and managing its capital. There is no financial impact to previously reported financial statements as a result of the implementation of this new standard.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The IFRS conversion project has five key components or impacts - financial statement preparation, training, information systems, control environment, and external communications. With the assistance of an external advisor, the Company has completed a high level review of the major differences between Canadian GAAP and IFRS as they relate to 2008 accounting policies and practices. The next project phase will be a more in-depth analysis of the business issues and accounting policy choices.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

We make estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and our revenues and expenses during the reporting period. Our management reviews these estimates, including those related to accruals, environmental and asset retirement obligations, income taxes, and the determination of proved reserves on an ongoing basis. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Our critical accounting estimates are discussed below.

Reserves Determination

The process of estimating reserves is complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable oil and natural gas reserves and related future net cash flows, many factors and assumptions are incorporated such as expected reservoir characteristics based on geological, geophysical and engineering assessments, future production rates based on historical performance and expected future operating and investment activities, future oil and gas prices and quality differentials, future development and operating costs and assumed effects of regulation by government agencies.

Properties will, over a period of time, actually deliver oil and gas in quantities different than originally estimated due to changes in reservoir performance. The timing of future capital expenditures are subject to uncertainty. Projected future commodity prices and the operating and capital cost structure are subject to significant management judgement and currently, highly volatile. Actions by provincial governments with respect to the royalty regime have a significant and unpredictable impact.

Management is responsible for estimating the quantities of oil and natural gas reserves. Estimates are prepared in accordance with National Instrument 51-101, generally accepted industry practices and the standards of the Canadian Oil and Gas Evaluation Handbook.

On an annual basis, we have an independent reserves evaluation completed. GLJ Petroleum Consultants were engaged to perform the evaluation effective December 31, 2008.

The Board of Directors has established a Reserves Audit Committee to assist them in overseeing the annual review of our oil and gas reserves. The Reserves Audit Committee comprises three independent Directors. The Reserves Audit Committee meets with management periodically to review the reserves process and results. The Reserves Audit Committee appoints and meets with the independent reserve evaluator, independent of management, to review the scope of their work, whether they have had access to sufficient information, the nature and satisfactory resolution of any material differences of opinion, and their independence.

Reserves estimates are critical to many of our accounting estimates, including the following:

1. Calculating our unit-of-production depletion and depreciation rate.
2. Applying a “ceiling test” to the net book value of oil and natural gas properties to ensure that such carrying value does not exceed the estimated fair value of the properties.
3. Assessing the cost of our unproved properties excluded from costs subject to depletion and depreciation for impairment.

Asset Retirement Obligations (“ARO”)

We are required to remove or remedy the effect of our activities on the environment at our oil and gas wells and facilities. Estimating our future asset retirement obligations requires us to make estimates and judgments with respect to activities that will occur many years into the future. We record asset retirement obligations in our Financial Statements by discounting the estimated future obligations. In arriving at the amount recorded, numerous assumptions and judgments are made with respect to ultimate settlement amounts, inflation factors, credit-adjusted discount rates, and the timing of settlement. These individual assumptions can be subject to change based on experience. The ARO we have recorded results in an increase to the carrying costs of our property and equipment, and the obligations accrete with the passage of time. A change in any one of our assumptions could impact our ARO, the carrying value of our property and equipment, and our net income or loss.

Future Income Taxes

We follow the liability method of accounting for income taxes whereby future income tax assets and liabilities are recognized based on temporary differences in reported amounts for financial statement and tax purposes. We have recorded a valuation allowance against our future income tax asset based on an analysis of the likelihood of realization of those assets. Changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Other Estimates

The accrual method of accounting requires management to incorporate certain estimates including estimates of revenue, royalties, lease operating and transportation costs at a specific report date, but for which actual revenues and costs have not yet been received. In addition, estimates are made on capital projects which are in process or recently completed where actual costs have not been received by the reporting date. The Company obtains the estimates from the individuals with the most knowledge of the activity and from all project documentation received. The estimates are reviewed for reasonableness and compared to past performance to assess the reliability of the estimates. Past estimates are compared to actual results in order to make informed decisions on future estimates.

Stock-based Compensation

We determine the fair value of stock options and performance warrants at the date of grant and expense the compensation cost over the vesting period. In determining fair value, we utilize binomial lattice option pricing models developed for us by a third party expert. In arriving at the amounts recorded, numerous assumptions and judgments are made with respect to exercise expectations, volatility, risk-free interest rates and dividend yield.

RISK FACTORS

There are a number of risk factors that we face as participants in the Canadian oil and gas industry. A detailed discussion of our risk factors and industry conditions is presented in our most recent Annual Information Form, filed with securities regulatory authorities and available on www.sedar.com. Certain key risk factors are discussed below:

Volatility of Commodity Prices

Natural gas is a commodity primarily influenced by factors within North America. A tight supply demand balance for natural gas causes significant elasticity in pricing, whereas higher than average storage levels tend to depress natural gas pricing. Drilling activity, weather, fuel switching and demand for electrical generation are all factors that affect the supply-demand balance. Recently, liquefied natural gas shipments to North America have also resulted in natural gas supply and natural gas pricing being based more on factors other than supply and demand in North America. Changes to any of these or other factors create price volatility.

Crude oil prices are influenced by the world economy, the Organization of the Petroleum Exporting Countries' ("OPEC") ability to adjust supply to world demand and weather. Political events also trigger large fluctuations in price levels. The current global financial crisis has reduced liquidity in financial markets thereby restricting access to financing and has caused significant volatility to commodity prices. Petroleum prices are expected to remain volatile for the remainder of 2009 as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is, therefore, affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. Material increases in the value of the Canadian dollar may negatively impact production revenues. Such increases may also negatively impact the future value of reserves as determined by independent evaluators. In recent years, the Canadian dollar has increased materially in value against the United States dollar although the Canadian dollar has recently decreased from such levels.

The impact on the oil and gas industry, in general, from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increases in cost during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline.

For Insignia, this volatility causes significant variation in our net production revenue from period to period. In an environment of low prices, certain wells or other projects may become uneconomic and we may elect not to produce from certain wells, leading to a reduction in development opportunities and the volume and value of our reserves.

Insignia continually monitors the movement of commodity prices and will apply appropriate financial risk management instruments if we believe that these are warranted to maintain a given revenue profile. Insignia has no such instruments in place at this time.

Volatile oil and gas prices make it difficult to estimate the acquisition value of producing properties and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices and an increase to the cost of capital. These conditions deteriorated in 2008 and are continuing in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to worsen and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

The impact on capital markets caused by investor uncertainty in the global economy has a significant impact on our business model. We anticipate making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. There can be no assurance that debt or equity financing will be available or that our existing cash balances and cash generated by operations will be sufficient to make these expenditures. If debt or equity financing is available, it may not be on terms acceptable to us. Failure to obtain such financing on a timely basis could cause us to miss certain acquisition opportunities.

Third Party Credit Risk

We must successfully market our natural gas to prospective buyers. The Company may be exposed to third party credit risk through its contractual arrangements with its current or future marketers of its oil and natural gas production. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material impact on the Company's business, financial condition, results of operations and prospects.

In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner.

Exploration, Development and Production

The long-term commercial success of Insignia will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Insignia will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisition or participations are identified, Insignia may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, the invasion of water into producing formations, blow-outs, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Insignia attempts to minimize exploration, development and production risk by utilizing a high-end technical team with extensive experience and multidisciplinary skill sets to assure the highest probability of success. We augment our management team by contracting certain supervisory activities to consulting firms with specialized expertise.

Environment, Health and Safety

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and my require Insignia to incur costs to remedy such discharge.

There are potential risks to the environment inherent in the business activities of the Company. Insignia has developed and implemented policies and procedures to mitigate environment, health and safety ("EH&S") risks. These policies and procedures include the emergency response plans and the EH&S program. These policies and procedures are designed to protect and maintain the environment and to ensure that the employees, contractors, subcontractors and the public at large are kept safe at all times.

Insurance

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Company maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

FORWARD LOOKING STATEMENTS

Statements throughout this MD&A that are not historical facts may be considered to be "forward looking statements". These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals, or future plans, including, without limitation, management's assessment of future plans and operations, anticipated commodity prices and their impact, timing of expenditures, budgeted capital expenditures and the method of funding thereof, timing of drilling and wells to be brought on production, completion and tie-in of wells, expected royalty rates and changes to the Alberta royalty regime and the possible effect thereof on the Company and its allocation of capital, expected royalty rates, operating costs and general and administrative expenses and the expected levels of production rates and anticipated acquisition and benefits derived therefrom may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, volatility of commodity prices, imprecision of reserve estimates, environmental risks, competition from other producers, incorrect assessment of the value of acquisitions, failure to complete and/or realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and changes in the regulatory and taxation environment. As a consequence, the Company's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the ability of the Company to obtain equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manor; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through development of exploration; future oil and natural gas prices; interest rates; the regulatory framework regarding royalties, and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included elsewhere herein and in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at the Company's website (www.insigniaenergy.ca). Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

ADDITIONAL INFORMATION

Additional information relating to Insignia, including Insignia's Annual Information Form is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained by contacting the Company at:

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Calgary, Alberta
T2P 2V6
Attention: Jeff Newcommon, President and CEO
(403) 536-8138
www.insigniaenergy.ca
info@insigniaenergy.ca

MANAGEMENT'S REPORT

The financial statements of Insignia Energy Ltd. are the responsibility of Management and have been approved by the Board of Directors. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Financial information contained elsewhere in the Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Where necessary, the financial statements include estimates which are based on management's informed judgements.

Management has established systems of internal controls, which are designed to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Deloitte & Touche LLP, an independent firm of chartered accountants, has been engaged to examine the financial statements and provide their auditor's report. The report is presented with the financial statements.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control. It exercises its responsibilities primarily through the Audit Committee, all of whose members are independent directors. The Audit Committee reviewed the financial statements and recommends their approval to the Board of Directors.

Signed

"Jeff Newcommon"

President and Chief Executive Officer
March 25, 2009

Signed

"Brenda Hughes"

Interim Chief Financial Officer
March 25, 2009

AUDITORS' REPORT

To the Shareholders of Insignia Energy Ltd.:

We have audited the balance sheets of Insignia Energy Ltd. (the "Company") as at December 31, 2008 and 2007 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
March 25, 2009

"Deloitte & Touche LLP"
Chartered Accountants

BALANCE SHEETS

AS AT DECEMBER 31

(000's)	2008 $	2007 $
ASSETS		
Current		
Cash and cash equivalents [note 10]	29,972	16,516
Accounts receivable	2,001	225
Prepaid expenses	118	53
	32,091	16,794
Deposits and other	373	-
Future income taxes [note 7]	1,100	19
Property and equipment [note 4]	32,137	4,520
	65,701	21,333
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	4,433	529
Asset retirement obligation [note 5]	6,366	152
Commitment [note 11]		
Shareholders' equity		
Share capital [note 6]	77,421	20,354
Contributed surplus [note 6]	1,769	738
Deficit	(24,288)	(440)
	54,902	20,652
	65,701	21,333

See accompanying notes

APPROVED ON BEHALF OF THE BOARD

Signed

"D. Ambedian"

Director

Signed

"J.E. Errico"

Director

STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDING DECEMBER 31, 2008 AND 2007

(000's)	2008 $	2007 $
Revenues		
Oil and natural gas sales	10,778	1,003
Royalties	(2,491)	(234)
Interest income	617	742
	8,904	1,511
Expenses		
Lease operating	3,108	267
Transportation	243	32
General and administrative	1,778	1,062
Interest and related amortization	-	22
Stock-based compensation [note 6]	987	725
Depletion, depreciation and accretion [note 4]	24,553	500
	30,669	2,608
Loss before income taxes	(21,765)	(1,097)
Income taxes [note 7]		
Current taxes	15	50
Future income taxes (recovered)	2,697	(769)
	2,712	(719)
Loss and comprehensive loss for the year	(24,477)	(378)
Deficit, beginning of year	(440)	(62)
Elimination of deficit [note 6]	629	-
Deficit, end of year	(24,288)	(440)
Loss per share, basic and diluted [note 6]	(3.26)	(0.10)

See accompanying notes

STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2008 AND 2007

(000's)	2008 $	2007 $
Cash was provided by (used in)		
OPERATING ACTIVITIES		
Loss for the year	(24,477)	(378)
Items not involving cash		
Stock-based compensation	987	725
Depletion, depreciation and accretion	24,553	500
Future income taxes (recovered)	2,697	(769)
Interest and amortization on convertible debentures	-	33
Abandonment and reclamation costs [note 5]	(678)	-
	3,082	111
Change in non-cash operating working capital [note 10]	(927)	106
	2,155	217
FINANCING ACTIVITIES		
Issuance of share capital, net of share issue expenses [note 6]	24,761	1,931
Repayment of promissory notes	-	(130)
Change in non-cash financing working capital [note 10]	-	(91)
	24,761	1,710
INVESTING ACTIVITIES		
Property and equipment expenditures	(5,780)	(4,854)
Corporate acquisition [note 3]	(9,405)	-
Increase in deposits	(9)	-
Change in non-cash investing working capital [note 10]	1,734	21
	(13,460)	(4,833)
Increase (decrease) in cash and cash equivalents	13,456	(2,906)
Cash and cash equivalents, beginning of year	16,516	19,422
Cash and cash equivalents, end of year	29,972	16,516

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(Tabular amounts are stated in thousands of dollars except share and per share amounts)

1. BUSINESS OF THE COMPANY

Insignia Energy Ltd. ("Insignia" or the "Company") resulted from the combination of the businesses of Insignia Energy Inc. ("Insignia Inc.") and Flagship Energy Inc. ("Flagship").

The business combination was effected through a Plan of Arrangement (the "Arrangement") effective July 31, 2008 involving Insignia Inc., Flagship, Tricap Partners Ltd. ("Tricap"), the shareholders of Insignia Inc. and the shareholders of Flagship. Under the Plan of Arrangement, among other matters, Flagship acquired substantially all of the assets and liabilities of Insignia Inc. and in exchange, Insignia Inc. shareholders received Flagship common shares. Following the exchange, all of the outstanding common shares were consolidated on a hundred-for-one basis, and the combined entity changed its name to Insignia Energy Ltd.

The Plan of Arrangement also provided for a recapitalization of the Company whereby Tricap converted outstanding debt to common shares, acquired additional common shares pursuant to a private placement, and committed to future private placements, as more fully described in Note 6. These transactions resulted in Tricap owning approximately 60% of the outstanding common shares as at December 31, 2008.

The business combination has been accounted for as a reverse takeover with Insignia Inc. as the acquirer, as more fully described in Note 3. Accordingly, the financial statements include the historical accounts of Insignia Inc. and do not include the operations of Flagship for any period prior to July 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and assumptions. Accordingly, actual results could differ from those estimates and any such differences could be material. The financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

Cash and cash equivalents include short-term, highly liquid investments with an original maturity of 90 days or less. These investments are recorded at cost, which approximates fair value.

b) Deposits and other

Deposits and other includes deposits required under Natural Gas Royalty Regulations and the Company's office premises lease.

c) Oil and natural gas operations

The Company follows the full cost method of accounting whereby all costs relating to the exploration for and development of oil and natural gas reserves are capitalized in one Canadian cost centre.

Capitalized costs of oil and natural gas properties and related equipment are depleted and depreciated using the unit-of-production method based on estimated proved oil and natural gas reserves before royalties as determined by independent consulting engineers. For the purpose of this calculation, production and reserves of natural gas are converted to equivalent units of oil based on relative energy content using a ratio of 6:1.

The Company applies a "ceiling test" to the net book value of oil and natural gas properties to ensure that such carrying value does not exceed the estimated fair value of the properties. The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves and the cost less any impairment of unproved properties exceeds the carrying value. If the carrying value is assessed to not be recoverable, the calculation compares the carrying value to the sum of the discounted cash flows expected from the production of proved and probable reserves and the cost less any impairment of unproved properties. Should the carrying value exceed this sum, the Company expenses the excess carrying value to depletion and depreciation. The cash flows are estimated using projected future product prices and costs and are discounted using a risk-free interest rate. The cash flow estimates require assumptions about future commodity prices, ultimate recoverability of oil and natural gas reserves, operating costs and other factors. Actual results can differ from these estimates.

Costs of acquiring and evaluating unproved properties are excluded from costs subject to depletion and depreciation until it is determined whether or not proved reserves are attributable to the properties or impairment occurs. All capitalized costs are reviewed annually and any impairment is transferred to the costs being depleted. In assessing the carrying value of unproved properties, the Company takes into account the future plans for these properties, the remaining terms of the leases and any other factors that may be indicators of potential impairment.

Gains or losses on sales of properties are recognized only when crediting the proceeds to the cost pool would result in a change of 20% or more in the depletion and depreciation rate.

d) Office equipment

Office equipment is recorded at cost. Depreciation has been provided for on a declining balance basis at a rate of 30%.

e) Revenue recognition

Revenue from the sale of oil and natural gas is recognized when title to the product transfers to the purchasers, based on volumes delivered and contractual delivery points and prices.

f) Transportation

Costs paid to transport oil and natural gas are recognized when the product is delivered.

g) Joint venture operations

Substantially all of the Company's activities are conducted with others, and these financial statements reflect only the Company's proportionate interest in such activities.

h) Financial instruments

All financial assets and liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument and are initially recognized at fair value. Subsequent measurement of the financial instruments is based on their classification. The Company classifies financial instruments into one of the following categories: financial assets and financial liabilities held for trading; loans or receivables; financial assets held to maturity; financial assets available for sale; and other financial liabilities. The classification depends on the characteristics and purpose for which the financial instruments were acquired. Except in very limited circumstances, the classification of financial instruments is not subsequently changed.

Financial instruments carried at fair value on the balance sheet include cash and cash equivalents. Realized and unrealized gains and losses from financial assets and liabilities carried at fair value are recognized in earnings in the periods such gains and losses arise.

Financial instruments carried at cost or amortized cost include accounts receivable and accounts payable and accrued liabilities. Gains and losses on financial assets and liabilities carried at cost or amortized cost are recognized in earnings when these assets or liabilities settle.

Transaction costs related to these financial assets and liabilities are included in earnings when incurred.

i) Asset retirement obligations

The Company recognizes as a liability the estimated fair value of the future retirement obligations associated with oil and natural gas properties in the period in which it's incurred. The fair value is capitalized and amortized over the same period as the underlying asset. The Company estimates the liability based on the estimated costs to abandon and reclaim its net ownership interest in all wells and facilities and the estimated timing of the costs to be incurred in future periods. This estimate is reviewed on a periodic basis and any changes are prospectively applied as an increase or decrease to the liability. As time passes, the change in net present value of the future retirement liability is recorded as accretion and is charged to earnings in the period. Actual costs incurred upon settlement of the liability are charged against the liability to the extent of the liability recorded.

j) Future income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated tax consequences attributable to temporary differences between the amounts reported in the financial statements and their respective tax bases, using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded to the extent that it is more likely than not that some portion or all of the future income tax assets will not be realized.

k) Stock-based compensation

The Company determines the fair value of stock options and performance warrants at the date of grant and expenses the compensation over the vesting period. Stock-based compensation expense is included in the statement of operations and is credited to contributed surplus. Upon exercise of the options or warrants, the exercise proceeds, together with amounts credited to contributed surplus, will be added to share capital. Forfeitures of stock options and performance warrants are recognized in the period in which they occur.

l) Per share amounts

Basic per share amounts are computed by dividing income or loss by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that would occur if dilutive instruments were exercised and common shares issued. The treasury stock method is used to determine the effect of dilutive instruments.

m) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Share capital is reduced and the future income tax asset is decreased by the tax benefits related to the expenditures at the time they are renounced.

n) Measurement uncertainty

The timely preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

The Company reviews estimates on a regular basis, including those related to accruals, environmental and asset retirement obligations, recoverability of assets, income taxes, and the determination of proved reserves. Changes in facts and circumstances may result in revised estimates, and actual results may differ from these estimates.

o) Changes in accounting principles

Financial instruments disclosures and presentation

As of January 1, 2008, the Company adopted two new CICA Handbook requirements, Section 3862, "Financial Instruments - Disclosures" and Section 3863, "Financial Instruments - Presentation" which replaced Section 3861, "Financial Instruments – Disclosure and Presentation". The new standards require disclosure of the significance of financial instruments to an entity's financial statements, the risks associated with the financial instruments and how those risks are managed. The additional disclosures required by these standards are provided in Note 8.

Capital disclosures

As of January 1, 2008, the Company adopted CICA Handbook Section 1535 "Capital Disclosures" which requires entities to disclose their objectives, policies and processes for managing capital and, in addition, whether the entity has complied with any externally imposed capital requirements. The additional disclosures required by this standard are provided in Note 9.

New accounting pronouncements

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets" and amended Section 1000, "Financial Statement Concepts" clarifying the criteria for recognizing assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for fiscal years beginning on or after October 1, 2008 and early adoption is permitted. The Company does to expect the adoption of this section to have a material impact on its results of operations or financial position.

In January 2009, the CICA issued Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted. The Company does not expect the adoption of this statement to have a material impact on its results of operations or financial position.

In January 2009, the CICA issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective for fiscal years beginning on or after January 1, 2011 with earlier application permitted. The Company does not expect the adoption will have a material impact on its results of operations or financial position.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

3. CORPORATE ACQUISITION

On July 31, 2008, Insignia Inc. completed a reverse takeover of Flagship whereby Flagship acquired substantially all of the net assets of Insignia Inc. by the issuance of common shares of Flagship. Following the business combination, but prior to the issue of additional common shares under the Plan of Arrangement, the former shareholders of Insignia Inc.

held approximately 83% of the issued and outstanding common shares, and the former shareholders of Flagship held approximately 17%. The management team and Board of Directors consists of the former management and Board of Directors of Insignia Inc., supplemented by two additional board nominees of Tricap. Accordingly, the acquisition is accounted for as a reverse takeover of Flagship by Insignia Inc., whereby Insignia Inc. is considered to be the acquirer for accounting purposes.

The acquisition has been accounted for using the purchase method of accounting. The fair value of the acquisition has been determined based on the fair value of the consideration given, being Insignia Inc.'s net assets. The majority of the fair value of Insignia Inc.'s net assets was cash and cash equivalents.

The purchase price allocation is as follows:

Net assets received, at estimated fair value	$
Property and equipment	45,399
Working capital deficiency	(8,989)
Tricap debt	(27,000)
Asset retirement obligation	(5,900)
Future income tax asset	3,700
	7,210

Consideration	
Common Shares issued	5,600
Cash in respect of Odd-Lot Provisions	51
Fair value of Arrangement Warrants	300
Transaction costs	1,259
	7,210

The attributed value of the common shares issued have been excluded from the statement of cash flows as a non-cash transaction. The working capital deficiency includes $8.1 million of outstanding bank indebtedness under a demand credit facility. This amount was repaid on closing of the transaction, and the credit facility cancelled. This amount has been included in the statement of cash flows.

4. PROPERTY AND EQUIPMENT

	December 31, 2008 $	December 31, 2007 $
Oil and natural gas properties	56,849	4,981
Office equipment	154	34
	57,003	5,015
Less accumulated depletion and depreciation	24,866	495
	32,137	4,520

The cost of unproved properties at December 31, 2008 of $8.4 million (December 31, 2007 - $0.5 million) has been excluded from the depletion and depreciation calculation. Future development costs of proved reserves of $1.5 million (December 31, 2007 - $0.8 million) have been included in the depletion and depreciation calculation. For the year ended December 31, 2008, the Company capitalized $0.2 million of general and administrative expenditures (December 31, 2007 - $nil).

At December 31, 2008, the Company applied a ceiling test to its oil and natural gas properties using the following base price assumptions after adjusting for the Company's product quality differentials:

Year	AECO Spot Gas (CDN$/mcf)	Edmonton Light Oil (CDN$/bbl)
2009	5.53	58.99
2010	6.70	58.65
2011	7.35	61.15
2012	7.60	64.09
2013	7.75	67.15
Thereafter	+2.0%	+2.0%

Based on the results of this test, the Company was required to take a ceiling test write-down at December 31, 2008 of $16.3 million. This amount has been included in depletion, depreciation and accretion expense.

5. ASSET RETIREMENT OBLIGATION ("ARO")

The total future asset retirement obligation was estimated by management based upon the Company's net share of estimated costs to reclaim and abandon its wells and facilities and the estimated timing of the costs to be incurred in future periods.

At December 31, 2008 the estimated total future amount required to settle the ARO, escalated annually at 2.0%, was $9.5 million (December 31, 2007 - $0.2 million). Approximately $3.7 million of this obligation will be settled over the next 5 years.

The total future amount has been discounted using the Company's credit-adjusted risk-free interest rate of 7.2% (2007 - 6.7%).

A reconciliation of the asset retirement obligation is provided below:

	December 31, 2008 $	December 31, 2007 $
Balance, beginning of year	152	-
Liabilities acquired in the business combination [note 3]	5,900	-
Liabilities incurred	809	146
Accretion expense	183	6
Liabilities settled	(678)	-
Balance, end of year	6,366	152

6. SHARE CAPITAL

(a) Authorized

Unlimited number of Voting Common Shares

Unlimited number of Special Voting Shares, no dividend or distribution rights

(b) Issued

Issued Common Shares	Number of Shares	Amount $
Balance, December 31, 2006	20,529,245	17,668
Issued for cash by private placement	1,758,900	1,935
Issue on conversion of non-voting common shares	3,655,319	1,505
Share issue costs	-	(4)
Tax effect of expenditures renounced	-	(750)
Balance, December 31, 2007	25,943,464	20,354
Tax effect of expenditures renounced	-	(19)
Shares exchanged under the Plan of Arrangement	(25,943,464)	-
Shares issued under the Plan of Arrangement, on a .1585 post- consolidation basis	4,112,040	20,335
Acquisition of Flagship [note 3]	823,585	5,600
Issued to Tricap pursuant to the Debt Conversion and		
Subscription Agreement [note 6(b)(ii)]		
Private Placement, for cash	2,205,882	15,000
Debt Conversion	3,970,589	27,000
Issued for cash pursuant to the exercise of Arrangement Warrants [note 6(b)(i)]	58,918	401
Fair Value of Arrangement Warrants	-	300
Issued for cash to Tricap pursuant to Back Stop Agreement [note 6(b)(ii)]	1,440,187	9,793
Share issue expenses, net of tax effect [note 6(b)(ii)]	-	(291)
Elimination of deficit against stated capital, under the Plan of Arrangement [note 6(b)(iii)]	-	(629)
Repurchased under Normal Course Issuer Bid [note 6(b)(iv)]	(14,400)	(88)
Balance, December 31, 2008	12,596,801	77,421

Issued Special Voting Shares	Number of Shares	Amount $
Balance, December 31, 2007 and 2006	-	-
Issued to Tricap pursuant to the Debt Conversion and		
Subscription Agreement [note 6(b)(ii)]	3,676,470	-
Balance, December 31, 2008	3,676,470	-

(i) Arrangement Warrants

Under the Plan of Arrangement, the former shareholders of Insignia Inc. and Flagship were granted a right to acquire Common Shares for cash consideration of $6.80 per share prior to September 4, 2008. As a result of Arrangement Warrants exercised, the Company issued 58,918 Common Shares and received cash proceeds of $0.4 million.

(ii) The Tricap Agreement

In connection with the Plan of Arrangement, Insignia Inc., Flagship and Tricap entered into the Tricap Debt Conversion and Subscription Agreement which set forth the terms and conditions under which Tricap agreed to participate in the Plan of Arrangement. Under this agreement:

(a) Tricap converted $27.0 million of outstanding debt in exchange for 3,970,589 Common Shares.

(b) Tricap subscribed for 735,294 units for cash consideration of $15.0 million, each unit comprising of 3 Common

Shares and 5 Special Voting Shares, and Tricap and Insignia entered into an Equity Commitment Agreement. Under this agreement, for a period of 12 months ending July 31, 2009, the Company has the right from time to time to require Tricap to subscribe for and purchase up to 3,676,470 Common Shares for cash consideration of $6.80 per Common Share. Tricap also has the right to put the subscription to the Company on the same terms.

The Special Voting Shares carry voting rights. The Special Voting Shares will be cancelled without consideration concurrent with the subscriptions for Voting Common Shares on a one-for-one basis, or on July 31, 2009 in the event that no such subscriptions are made.

(c) Tricap and Insignia entered into a Backstop Agreement whereby Tricap agreed to subscribe for up to $10.0 million of common shares at a price of $6.80 per Common Share, to the extent that certain Arrangement Warrants were not exercised. Under this agreement, the Company issued 1,440,187 Common Shares and received cash proceeds of $9.8 million. In connection with the Backstop Agreement, the Company paid Tricap a fee of $0.3 million on July 31, 2008. This amount has been included in share issue expenses.

(iii) Deficit

Pursuant to the Plan of Arrangement, the stated capital of the Company's Common Shares was reduced by $629 thousand, being the amount of the deficit as of July 31, 2008.

(iv) Normal Course Issuer Bid

In December, 2008 the Company received approval from the Toronto Stock Exchange ("TSX") for a Normal Course Issuer Bid. The Company can repurchase up to 2,244 Common Shares per day from December 10, 2008 to March 31, 2009 and 1,122 Common Shares per day from April 1, 2009 to December 9, 2009, subject to certain conditions. Under the TSX authorization the Company repurchased, for cancellation, 14,400 Common shares at an average price of $3.07 per Common Share. The excess of the book value over the purchase price in the amount of $44 thousand was added to Contributed Surplus.

(c) Per share amounts

The weighted average number of Common Shares issued and outstanding, adjusted for the share exchange ratio and consolidation under the Plan of Arrangement, are as follows:

	December 31, 2008	December 31, 2007
Weighted average common shares outstanding - basic	7,497,290	3,958,386
Dilutive effect of conversion of debentures	-	92,064
Weighted average common shares outstanding - diluted	7,497,290	4,050,450

(d) Stock options and performance warrants

Stock options

The Company has a stock option plan, administered by the Board of Directors, under which up to 10% of the issued and outstanding Common Shares may be reserved for issuance. Unless otherwise determined by the Board of Directors, options shall vest as to one-third on each of the first, second and third anniversary dates of the option grant and expire five years from the option grant date. This stock option plan was approved by the shareholders on July 31, 2008.

Pursuant to the Plan of Arrangement, all outstanding stock options as at July 31, 2008, issued under the Company's previous stock option plan, were cancelled for no consideration. On the same date, stock options were issued under the new stock option plan.

Performance warrants

Pursuant to the Plan of Arrangement, all outstanding performance warrants as at July 31, 2008 were cancelled for no consideration. On July 31, 2008, the Company issued 1,629,500 performance warrants to directors, officers and employees of the Company, entitling the holders to purchase one common share for each performance warrant held at a price of $6.80 per common share. Performance warrants were issued for a five-year term. The performance warrants vest (subject to accelerated vesting on a change of control) as to: (1) one-third on each of the dates that are 12 months, 18 months and 24 months following the issue date, and (2) at the following vesting price which is defined in the performance warrant certificates to be effectively the current market price of the Common Shares on a recognized exchange or the price of the securities of another issuer exchanged for Common Shares or other consideration received pursuant to a business combination:

	Vesting price $	Percent of Issued Warrants
	10.20	10%
	11.90	10%
	13.60	15%
	15.30	15%
	17.00	15%
	18.70	15%
	20.40	20%
		100%

A summary of the Company's outstanding stock options and performance warrants are as follows:

	Stock Options		Performance Warrants	
	Options	Weighted Average Exercise Price ($/option)	Warrants	Weighted Average Exercise Price ($/warrant)
Granted July 31, 2008	864,500	6.80	1,629,500	6.80
Granted December 12, 2008	99,000	4.25	-	-
Outstanding December 31, 2008	963,500	6.54	1,629,500	6.80
Weighted Average Years to Expiry	4.6		4.6	
Exercisable December 31, 2008	-		-	

Stock-based compensation

The Company utilizes a binomial lattice option-pricing model to estimate the fair value of stock options and performance warrants. The following significant weighted average assumptions were utilized.

	Stock Options	Performance Warrants
Risk-free rate of return	3.1%	3.2%
Expected volatility	44.0%	40.0%
Dividend yield	nil	nil
Weighted average fair value of grants issued during the year ($/option and $/warrant)		
Granted July 31, 2008	$2.09	$0.97
Granted December 12, 2008	$1.18	-

The binomial lattice model assumes that performance warrants and stock options will be exercised when the share price equals or exceeds a multiple of the exercise price. The Company has assumed that holders will exercise vested instruments when the share price is 125% of the exercise price.

The cancellation and re-issuance of performance warrants and stock options pursuant to the Plan of Arrangement has been accounted for as a modification of the original compensation plans. The incremental fair value of the modifications was nominal.

The Company amortizes the fair value of stock options and performance warrants over the vesting period.

Non-cash expense has been recorded as follows:

	December 31, 2008 $	December 31, 2007 $
Stock options	497	230
Performance warrants	490	495
Total	987	725

(e) Contributed surplus

The following table reconciles the Company's contributed surplus:

	December 31, 2008 $	December 31, 2007 $
Balance, beginning of year	738	13
Stock-based compensation	987	725
Fair value of Arrangement Warrants	300	-
Reclassified to share capital on exercise of the Arrangement Warrants	(300)	-
Repurchase of Common Shares for cancellation [note 6(iv)]	44	-
Balance, end of year	1,769	738

7. INCOME TAXES

The Company's current taxes for the year ended December 31, 2008 are on account of provincial income and capital taxes (December 31, 2007 - represents charges related to our flow through share obligation).

(a) The following table reconciles income taxes calculated at the statutory rate with recorded income taxes:

	December 31, 2008 $	December 31, 2007 $
Loss before income taxes	(21,765)	(1,097)
Combined effective Canadian federal and provincial tax rate	29.5%	32.00%
Expected income taxes recoverable	(6,421)	(351)
Non deductible stock-based compensation	291	232
Other	292	44
Effect of change in tax rate	935	1,384
Valuation allowance	7,615	(2,028)
Income taxes (recovered)	2,712	(719)

(b) Although the Company has tax pools which exceed the book value of its net assets by approximately $52.0 million, the reorganized value (at an effective tax rate of 25%) has been reduced to $1.1 million to reflect only that portion of the excess that is more likely than not to be realized over the next five years. The details of these differences along with the corresponding valuation allowance are detailed as follows:

	December 31, 2008 $	December 31, 2007 $
Property and equipment	10,167	(604)
Asset retirement obligation	1,592	38
Non-capital losses	410	5,980
Share issue costs	434	242
SR & ED expenditures	378	1,229
	12,981	6,885
Valuation allowance	(11,881)	(6,866)
	1,100	19

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

(a) Fair values of financial assets and liabilities

Financial instruments of the Company consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. As at December 31, 2008 there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values due to the short term nature of these financial instruments.

(b) Financial risk factors

The Company is exposed to a number of different financial risks arising from normal course business exposures, including market, liquidity and credit risks.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect expected future cash flows include commodity prices, foreign exchange rates and interest rates.

The Company's financial performance is closely linked to commodity prices. The Company monitors the risks associated with these prices and may utilize financial instruments to manage its exposure, if appropriate. The Company has no such instruments in place currently.

All of the Company's sales are denominated in Canadian dollars and, as such, the Company is not directly exposed to foreign currency exchange rate risk. However, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. The Company currently has no forward exchange contracts in place.

For the year ended December 31, 2008, 7% of the Company's net revenue was generated from interest earned on its cash and cash equivalents. The Company holds its cash in an interest-bearing operating account with a Canadian chartered bank. The interest rate earned on this account fluctuates with changes to the prime business rate, making the Company's cash flows sensitive to changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. As the Company currently has a significant cash balance and no financial liabilities other than accounts payable, liquidity risk is considered nominal.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from Insignia's cash and cash equivalents and accounts receivable from joint venture partners and oil and natural gas purchasers.

As at December 31, 2008, the Company holds $30.0 million of cash and cash equivalents with Canadian chartered banks. Management has assessed the associated credit risk as relatively low. As at December 31, 2008 the Company's receivables consisted of $1.1 million from oil and natural gas marketers, $0.7 million from joint venture partners and $0.3 million of other trade and taxes receivable.

The Company markets its oil and natural gas products to several purchasers, but our product is predominantly delivered to Nexen Marketing. This purchaser was selected from a number of available competitors based on management's previous experience with, and risk assessment of, the purchaser. We normally receive payment from purchasers on the 25th day of the month following production, and as such amounts due from purchasers and included in accounts receivable at December 31, 2008 have been substantially received.

Joint venture receivables are typically collected within two to three months of the joint venture billing being issued to the partner. We attempt to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to the actual expenditure. Our partners are subject to the risks and conditions of the industry, and significant changes in industry conditions will increase the risk of Insignia not collecting receivables. As of December 31, 2008, the Company had $0.2 million of receivables that were considered past due and were greater than 150 days old. Management establishes an allowance for doubtful accounts based on their assessment of collection, and this allowance was $0.1 million at December 31, 2008.

9. CAPITAL MANAGEMENT

The Company's capital structure includes working capital and shareholders' equity. The Company's policy is to maintain a strong balance sheet for its objectives of maintaining financial flexibility and creditor and investor confidence to sustain future growth and access to capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. In order to maintain or adjust the capital structure, the Company may, from time to time, issue shares, adjust its capital spending or issue debt instruments. The Company is not subject to any externally imposed capital requirements.

10. SUPPLEMENTARY CASH FLOW INFORMATION

	December 31, 2008 $	December 31, 2007 $
Cash and cash equivalents includes:		
Bank balance, bearing interest at prime less 1.85%	19,920	16,516
Term deposit bearing interest at 2.63%, due January 19, 2009	10,052	-
	29,972	16,516
Net change in non-cash working capital:		
Decrease (increase) in accounts receivable	226	(193)
Decrease (increase) in prepaid expenses	(6)	(28)
Increase (decrease) in accounts payable and accrued liabilities	587	257
Total	807	36
Summary of working capital changes:		
Operating	(927)	106
Financing	-	(91)
Investing	1,734	21
Total	807	36
Supplementary cash flow information:		
Income taxes paid	185	-

11. COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Company's annual commitments under its office premises lease, excluding operating costs, are as follows: 2009 - $170 thousand; 2010 - $270 thousand; 2011 to 2013 - $423 thousand; 2014 - $352 thousand.

Until June 30, 2008 the Company utilized office premises under lease by a senior officer of the Company (the "Lessor"). During the year ended December 31, 2008, the Company paid $53 thousand (December 31, 2007 - $111 thousand) to the Lessor as a reimbursement, at cost, of rent and administrative services.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Jeff Newcommon
President & Chief Executive Officer

Jeffery E. Errico[(1)(2)(3)]
Chairman

Dave Ambedian[(1)(3)]
Independent Businessman

Brian Baker
Vice President, Energy
Brookfield Asset Management Inc.

Sandra Cowan[(1)(2)]
Independent Businesswoman

Jim Reid[(2)]
Managing Partner, Energy
Brookfield Asset Management Inc.

Christopher Slubicki[(2)(3)]
Independent Businessman

(1) Audit Committee
(2) Governance & HR Committee
(3) Reserves and EH&S Committee

OFFICERS

Jeffrey Newcommon
President & Chief Executive Officer

Glen Fischer
Chief Operating Officer

Steven Mackay
Vice President, Exploration

Brenda Hughes
Controller and Interim CFO

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CIBC
Calgary, Alberta

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

EVALUATIONS ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Valiant Trust Company
Calgary, Alberta

TSX SYMBOL: ISN

ABBREVIATIONS

boe/d	per day
bbl(s)	barrel(s)
mbbl	thousand barrels
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
boe	barrels of oil equivalent
mboe	thousand barrels of oil equivalent
mmbtu	millions of British thermal units
NGLs	natural gas liquids
WTI	West Texas Intermediate
Cdn	Canadian
US	United States

Designed by Bryan Mills Iradesso

INSIGNIA
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