



INSIGNIA

INSIGNIA ENERGY LTD. 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") should be read in conjunction with the Financial Statements and accompanying notes for the nine months ended September 30, 2008 and 2007 and the Audited Financial Statements and accompanying notes for the years ended December 31, 2007 and 2006.

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 outstanding debt to common shares and acquired additional common shares, resulting in Tricap owning approximately 60% of the outstanding common shares as at September 30, 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 nine months ended September 30, 2008 ("YTD 2008") to the nine months ended September 30, 2007 ("YTD 2007") and the results of the three months ended September 30, 2008 ("Q3 2008") to the three months ended September 30, 2007 ("Q3 2007") and to the three months ended June 30, 2008 ("Q2 2008").

The discussion and analysis of our oil and natural gas activities with respect to oil and gas volumes, reserves 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 to 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 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:

<i>(000's)</i>	Q3 2008	Q2 2008	Q3 2007	YTD 2008	YTD 2007
	\$	\$	\$	\$	\$
<i>Cash provided by operating activities</i>	700	514	90	1,242	130
<i>Add back:</i>					
<i>Abandonment and reclamation costs</i>	228	-	-	228	-
<i>Change in non-cash working capital</i>	560	(84)	(12)	739	39
<i>Funds from operations</i>	1,488	430	78	2,209	169

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.

This Management Discussion and Analysis is dated as of November 20, 2008.

Executive Summary

Financial and Operational Data

	Q3 2008 \$	Q2 2008 \$	Q3 2007 \$	YTD 2008 \$	YTD 2007 \$
Financial (000's, except for per share amounts)					
Oil and natural gas sales	3,831	1,004	173	5,643	730
Funds from operations ⁽¹⁾	1,488	430	78	2,209	169
Per share - Basic and diluted ⁽²⁾	0.16	0.10	0.02	0.38	0.04
Net loss	(1,425)	(5)	(184)	(1,584)	(2)
Per share - Basic and diluted ⁽²⁾	(0.16)	(0.00)	(0.05)	(0.27)	0.00
Working capital	30,246	15,756	16,780	30,246	16,780
Future proceeds from equity line ⁽²⁾	25,000	-	-	25,000	-
Total capital resources available ⁽³⁾	55,246	15,756	16,780	55,246	16,780
Property and equipment	49,095	4,419	4,143	49,095	4,143
Total assets	87,384	22,230	21,785	87,384	21,785
Operations					
Average daily production					
Natural gas (mcf/d)	3,390	1,129	351	1,873	388
Oil and NGL (bbls/d)	168	-	-	56	-
Total (boe/d)	733	188	59	368	65
Product prices					
Natural gas (\$/mcf)	7.22	9.77	5.36	7.92	6.89
Oil and NGL (\$/bbl)	101.52	-	-	101.52	-
Total (\$/boe)	56.81	58.63	32.13	55.88	41.34
Operating netback (\$/boe) ⁽¹⁾	27.35	33.91	19.33	28.38	22.77

(1) Non-GAAP measure, see special notes in the Management's Discussion and Analysis

(2) See the discussion under "Liquidity and Capital Resources" in the Management's Discussion and Analysis

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

Outstanding Share Data

As at September 30, 2008

Common shares	12,612,521
Special voting shares	3,676,470
Total voting shares	16,288,991
Common share options	
Total issued	864,500
Total exercisable	-
Performance warrants	
Total issued	1,629,500
Total exercisable	-
Total voting shares and dilutive instruments	18,782,991

Selected Quarterly Information

(000's, except for per share amounts)	Q3 08 \$	Q2 08 \$	Q1 08 \$	Q4 07 \$	Q3 07 \$	Q2 07 \$	Q1 07 \$	Q4 06 \$
Oil and natural gas sales	3,831	1,004	808	273	173	254	303	-
Net earnings (loss)	(1,425)	(5)	(154)	(376)	(184)	(190)	372	(62)
Per share - Basic and diluted	(0.16)	(0.00)	(0.04)	(0.09)	(0.05)	(0.05)	0.11	(0.07)
Working capital	30,246	15,756	16,394	16,265	16,780	17,460	18,192	19,079

Outlook

In the past few months we have all witnessed unprecedented volatility in the world markets which has, in turn, created much uncertainty. While no one knows how long this current uncertainty will last, we know that our approach to our business hasn't changed, nor has our focus or determination to build value for Insignia shareholders. Our management team has collectively worked through a number of down cycles, and we know that it is these times of uncertainty that have created the best opportunities and wealth generation for our industry. Further, we also know that our business is centered on a non renewable resource, oil and gas, and this resource will continue to be in great demand for many years to come. Although the short term is highly unpredictable, the long term fundamentals in the oil and gas industry are extremely positive and it is that longer term approach that we intend to take in the building of Insignia.

Insignia is well positioned to not only weather this economic downturn but is also well positioned to capitalize on tremendous opportunities that we anticipate will be presented to us in the coming months. Although our single biggest asset is our approximate \$55 million in positive working capital (includes the \$25 million equity line), we also have a diversified portfolio of medium to low risk drilling and completion opportunities including the future advancement of our high impact Crossfire property, a large undeveloped land base of over 145,000 net undeveloped acres, significant tax pools in excess of \$70 million and, lastly, an experienced team and aligned Board of Directors.

In the coming months, we intend to advance the delineation of the highest return projects within our portfolio including drilling, completion and facility activity on our Beaverhill Lake, Retlaw, Sedalia, La Glace, Redwater, Nig and Crossfire properties. At the same time, we intend to identify and aggressively pursue accretive corporate acquisition opportunities and, to a lesser extent, asset opportunities. And, finally, we intend to more actively participate at future Crown land sales acquiring lands in the deep basin corridor of Western Alberta and NE British Columbia at a time when the industry is capital constrained and pulling back on land sale activity.

In the fourth quarter, we plan to spend between \$5 to \$7 million on capital expenditures with over half of this amount being allocated to land, facilities and seismic. Assuming the Crossfire 9-1 well continues to produce under Good Production Practice, we feel comfortable that we will be on target to meet our previously announced 2008 exit rate of 1,000 to 1,100 boe/d net to Insignia.

Capital Expenditures

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

(000's)	Q3 2008 \$	Q2 2008 \$	Q3 2007 \$	YTD 2008 \$	YTD 2007 \$
Property acquisitions	-	-	-	4	1,730
Land	985	77	39	1,065	44
Geological and geophysical	42	-	1	45	6
Drilling and completions	28	4	561	44	2,400
Equipment, facilities and pipelines	521	297	149	956	149
Capitalized general and administrative	102	-	-	102	-
Other	4	9	-	15	20
Total capital expenditures – cash	1,682	387	750	2,231	4,349
Corporate acquisition	45,399	-	-	45,399	-
Current period ARO capitalized	114	-	10	114	129
Total additions to property and equipment	47,195	387	760	47,744	4,478

During the third quarter of 2008, the Company's primary focus was on the integration of Insignia Inc. and Flagship.

In addition, during Q3 2008, the Company, in partnership with a third party, acquired a 50% interest in four (2.00 net) crown sections in the Nig Creek area of British Columbia. We also acquired one (1.00 net) crown section in the La Glace area of north western Alberta.

Further, the Crossfire discovery well at 9-1-50-6 W5M was tied in and placed on production in September, 2008.

Subsequent to the quarter, the Company purchased a copy of an extensive 3D seismic survey in the Crossfire area at a net cost of approximately \$0.9 million and equalized into the Crossfire battery and related facilities operated by the operator of the 9-1-50-6 W5M well at a net cost of approximately \$1.3 million.

Financial Results

Production

	Q3 2008	Q2 2008	Q3 2007	YTD 2008	YTD 2007
Natural gas (mcf/d)	3,390	1,129	351	1,873	388
Oil and NGL (bbls/d)	168	-	-	56	-
Total (boe/d)	733	188	59	368	65

Our results for Q3 2008 include three months of production on our Beaverhill Lake gas property plus two months of production on our acquired properties. Our production for the August and September period (61 days) totalled 1,005 boe/day, including 4,500 mcf/day of natural gas (75% of production) and 254 bbls/day of oil and natural gas liquids (25% of production).

Our production for the full Q3 2008 was 733 boe/day including 3,390 mcf/day of natural gas and 168 bbls/day of oil and natural gas liquids.

Q2 2008, Q3 2007 and YTD 2007 results presented include gas sales from our Beaverhill Lake properties only. Production on this property for Q3 2008 was consistent with Q2 2008.

Pricing and Marketing

	Q3 2008 \$	Q2 2008 \$	Q3 2007 \$	YTD 2008 \$	YTD 2007 \$
Benchmark Price					
AECO-C Daily Spot (\$/mcf)	7.74	10.21	5.18	8.62	6.55
Edmonton Light (\$/bbl)	121.85	126.07	79.95	115.14	72.99
Insignia's Realized Price					
Natural gas (\$/mcf)	7.22	9.77	5.36	7.92	6.89
Oil and NGL (\$/bbl)	101.52	-	-	101.52	-
Total (\$/boe)	56.81	58.63	32.13	55.88	41.34

Insignia has no commodity hedges in place and we market our natural gas 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 fall, such that September realized gas prices were approximately 55% of the June realized prices. Our spread to the AECO benchmark has increased as a result of the acquired properties having a lower heating content than our Beaverhill Lake properties.

Our oil comprises medium to heavy gravity crude from our properties in the Retlaw area of Alberta and light oil, primarily from our Ferrier, Crossfire and Wood River properties. Our natural gas liquids are primarily derived from production in the Pembina area. Realized blended oil and natural gas liquid prices for the August and September period were \$101.52 per barrel, with September oil prices on our properties retreating by 10 to 15% from August prices.

Oil and Natural Gas Sales

	Q3 2008 \$	Q2 2008 \$	Q3 2007 \$	YTD 2008 \$	YTD 2007 \$
(000's)					
Natural gas	2,252	1,004	173	4,064	730
Oil and NGL	1,579	-	-	1,579	-
Total	3,831	1,004	173	5,643	730

Our sales for Q3 2008 were \$3.8 million, of which \$3.5 million are attributed to the August and September period (61 days). Similarly, YTD 2008 our sales were \$5.6 million, \$2.1 million to July 31, 2008 and \$3.5 million thereafter.

Royalties

	Q3 2008 \$	Q2 2008 \$	Q3 2007 \$	YTD 2008 \$	YTD 2007 \$
Royalties by Type (000's)					
Crown	558	80	-	710	-
Freehold, including freehold mineral tax	144	92	17	308	139
Gross overriding	182	91	8	335	35
Total	884	263	25	1,353	174
\$/boe	13.12	15.34	4.72	13.40	9.87
% of revenue	23%	26%	15%	24%	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.

Crown royalty rates on oil are generally a function of production rates on a per well basis 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.

Q3 2008 royalties averaged 23% of revenue compared to 26% of revenue in Q2 2008, with this change due to a shift in both the type of royalty burdens and our gas/oil production mix.

We expect Crown royalties to increase under Alberta's New Royalty Framework which will take effect on January 1, 2009. The financial impact will be dependent on our gas/oil production mix as well as commodity prices as we move into 2009.

Lease Operating and Transportation Expenses

(000's)	Q3 2008	Q2 2008	Q3 2007	YTD 2008	YTD 2007
	\$	\$	\$	\$	\$
Lease operating expenses	1,019	135	37	1,294	130
Transportation expenses	83	26	7	130	23
Total	1,102	161	44	1,424	153
\$/boe	16.34	9.38	8.08	14.10	8.70

Our operating and transportation costs for the August and September period (61 days) totalled \$1.0 million or \$16.94 per boe, slightly higher than the Q3 average of \$16.34 per boe. Q2 2008, Q3 2007 and YTD 2007 results presented include production costs from our Beaverhill Lake properties only, which have an overall lower cost structure than our acquired properties.

Interest Income

(000's)	Q3 2008	Q2 2008	Q3 2007	YTD 2008	YTD 2007
	\$	\$	\$	\$	\$
Interest income	162	124	195	442	558

For Q3 2008, our cash balance was held in an interest-bearing operating account with the Canadian Imperial Bank of Commerce ("CIBC"). Interest earned was at the CIBC's prime rate less 1.85%. With prime rates moving downward, we have realized a reduction in interest income throughout the periods presented. In October, 2008, we shifted \$10.0 million of our surplus cash balances to the Alberta Treasury Branch where we have invested in a 91 day term deposit at a rate of 2.63%.

General and Administration Expenses (“G&A”) and Stock-based Compensation

(000’s)	Q3 2008 \$	Q2 2008 \$	Q3 2007 \$	YTD 2008 \$	YTD 2007 \$
Direct G&A	621	275	221	1,201	802
Capitalized G&A	(102)	-	-	(102)	-
Total G&A	519	275	221	1,099	802
Direct G&A (\$/boe)	9.20	16.05	41.17	11.90	45.41
Capitalized G&A (\$/boe)	(1.51)	-	-	(1.01)	-
Total G&A (\$/boe)	7.69	16.05	41.17	10.89	45.41
Stock-based compensation	319	97	195	545	536

Our Q3 2008 cash general and administration totalled \$621,000 compared to \$275,000 in Q2 2008 and \$221,000 in Q3 2007. The increase in G&A for these periods is primarily due to increases in staffing levels and technical consulting fees. Since completing our acquisition, we have added six employees in operations, land and accounting and administration, and currently have 11 full time employees and 1 part time employee. Direct G&A is expected to increase for Q4 2008, reflecting a full period of post-acquisition activity.

For Q3 2008 we capitalized \$102,000 in G&A related primarily to costs associated with our team dedicated to reviewing 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 at September 30, 2008, Insignia’s unamortized portion of stock-based compensation is \$2.3 million (June 30, 2008 - \$0.2 million).

Depletion, Depreciation and Accretion (“DD&A”)

(000’s)	Q3 2008 \$	Q2 2008 \$	Q3 2007 \$	YTD 2008 \$	YTD 2007 \$
Depletion, depreciation and accretion	2,594	338	67	3,248	353
Total (\$/boe)	38.47	19.73	12.45	32.17	20.00

For Q3 2008, depletion, depreciation and accretion was \$2.6 million (\$38.47 /boe) compared to \$0.4 million (\$19.73/boe) in Q2 2008. YTD 2008 DD&A totalled \$3.2 million (\$32.17/boe) compared to \$0.4 million (\$20.00/boe) for YTD 2007. These increases are all reflective of our acquisition in Q3 2008. We have excluded \$13.7 million from the depletion base related to unproved properties, and have added \$8.3 million in future development costs to the depletion base.

Funds from Operations and Net Loss

For Q3 2008, funds from operations totalled \$1.5 million, compared to \$0.4 million for Q2 2008.

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

	Q3 2008	Q2 2008	Q3 2007	YTD 2008	YTD 2007
(\$/boe)	\$	\$	\$	\$	\$
Sales price	56.81	58.63	32.13	55.88	41.34
Royalties	(13.12)	(15.34)	(4.72)	(13.40)	(9.87)
Lease operating and transportation expenses	(16.34)	(9.38)	(8.08)	(14.10)	(8.70)
Operating netback	27.35	33.91	19.33	28.38	22.77
Interest income	2.41	7.25	36.25	4.37	31.60
General and administration	(7.69)	(16.05)	(41.17)	(10.89)	(45.41)
Other	-	-	-	-	.62
Funds from operations netback	22.07	25.11	14.41	21.86	9.58

Net loss for Q3 2008 was \$1.4 million (\$0.16 per basic and diluted share) compared to a net loss of \$0.2 million (\$.05 per basic and diluted share) in Q3 2007. The YTD 2008 net loss was \$1.6 million (\$0.27 per basic and diluted share) compared to a net loss of \$nil in YTD 2007.

Liquidity and Capital Resources

Equity

As of September 30, 2008, the Company has 12,612,521 common shares and 3,676,470 special voting shares outstanding, and has issued 864,500 stock options and 1,629,500 performance warrants at a weighted average exercise price of \$6.80.

	Q3 2008	Q3 2007	YTD 2008	YTD 2007
Weighted Average Shares Outstanding				
Basic	9,083,351	4,112,040	5,781,239	3,906,606
Diluted	9,083,351	4,112,040	5,781,239	4,029,696

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.

Subsequent to September 30, 2008, the Company completed the odd-lot purchases under the Plan of Arrangement. As of the date hereof, the Company has 12,611,201 common shares, 3,676,470 special voting shares, 864,500 stock options and 1,629,500 performance warrants outstanding.

Working Capital

	September 30, 2008	December 31, 2007
(000's)	\$	\$
Cash and cash equivalents	31,532	16,516
Accounts receivable	2,479	225
Prepaid expenses	205	53
Accounts payable and accrued liabilities	(3,970)	(529)
Working Capital	30,246	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 \$	Less than 1 Year \$	1 - 5 Years \$	After 5 Years \$
Office lease, excluding operating costs	2,104	170	1,476	458
Asset retirement obligations	10,149	477	1,600	8,072
Total Contractual Obligations	12,253	647	3,076	8,530

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 nine months ended September 30, 2008, the Company paid \$53,000 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 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 CICA Accounting Standards Board (“AcSB”) confirmed the changeover to International Financial Reporting Standards (“IFRS”) from Canadian GAAP will be required for publicly accountable enterprises’ interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents a change due to new accounting standards. 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.

Although, the Company has not completed development of its IFRS changeover plan, when finalized it will include an analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS. The Company anticipates completing its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities by the end of the year.

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.

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, 2007.

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. 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

A summary of certain risk factors relating to our business are provided in the Risk Factors section of the 2007 Annual Management’s Discussion and Analysis.

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 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, 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 activities 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 Energy Ltd. 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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CORPORATE INFORMATION

Board of Directors

Jeff Newcommon
President & Chief Executive Officer

Jeffery E. Errico⁽¹⁾⁽²⁾⁽³⁾
Executive Chairman

Dave Ambedian⁽¹⁾⁽³⁾
Independent Businessman

Brian Baker
Vice President, Energy
Brookfield Asset Management Inc.

Sandra Cowan⁽¹⁾⁽²⁾
General Counsel & Partner
EdgeStone Capital Partners

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

Head Office

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Auditors

Deloitte & Touche LLP
Calgary, Alberta

Bankers

CIBC
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer
Calgary, Alberta

Evaluations Engineers

GLJ Petroleum Consultants
Calgary, Alberta

Registrar and Transfer Agent

Valiant Trust Company
Calgary, Alberta

TSX Symbol: ISN

ABBREVIATIONS

/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
Cdn	Canadian
US	United States