

A stylized flame logo composed of several curved, overlapping lines that form a circular shape, resembling a flame or a stylized 'S' or 'G'.

INSIGNIA ENERGY LTD.

March 31, 2010
(unaudited)

INSIGNIA

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 May 12, 2010 and should be read in conjunction with the unaudited Financial Statements and accompanying notes for the three months ended March 31, 2010 and 2009 and the audited Financial Statements, accompanying notes and MD&A as at and for the years ended December 31, 2009 and 2008.

Basis of Presentation

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 MD&A compares the results of the three months ended March 31, 2010 ("Q1 2010") to the three months ended December 31, 2009 ("Q4 2009") and the three months ended March 31, 2009 ("Q1 2009").

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.

Throughout this MD&A, references to the Grey Wolf Plan of Arrangement ("GW Arrangement") refer to the corporate acquisition of Grey Wolf Exploration Inc. ("Grey Wolf") effective July 24, 2009 as more fully described in the notes to the Financial Statements referred to above. The results of operations from the Grey Wolf assets have been included effective July 24, 2009.

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 and financial performance. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with the 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)	<u>Q1</u> <u>2010</u>	<u>Q4</u> 2009	<u>Q1</u> 2009
Cash provided by operating activities	4,163	1,614	176
Add back:			
Abandonment and reclamation costs	148	164	4
Change in non-cash working capital	(820)	1,970	(171)
Funds from operations	3,491	3,748	9

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, transportation costs and net of any realized financial instrument income, calculated on a boe basis.

Working capital surplus (deficiency) is the sum of bank indebtedness and working capital but excludes financial derivative contracts.

Executive Summary

Financial and Operational Data

	Q1 2010	Q4 2009	Q1 2009
Financial (\$000's, except for per share amounts)			
Oil and natural gas sales	9,788	7,120	2,104
Funds from operations ⁽¹⁾	3,491	3,748	9
Per share - Basic and diluted ⁽²⁾	0.11	0.12	0.00
Net loss	(2,631)	(2,554)	(2,522)
Per share - Basic and diluted ⁽²⁾	(0.09)	(0.08)	(0.20)
Working capital surplus (deficiency) ⁽¹⁾	(22,124)	(17,405)	26,049
Future proceeds from equity line ⁽³⁾	-	-	25,000
Total capital resources available ⁽⁴⁾	32,576	37,295	51,049
Property and equipment	142,038	140,200	31,718
Total assets	153,296	150,714	61,970
Operations			
Average daily production			
Natural gas (mcf/d)	13,155	10,709	3,354
Oil and NGL (bbls/d)	541	458	141
Total (boe/d)	2,733	2,243	700
Product prices ⁽⁵⁾			
Natural gas (\$/mcf)	5.31	4.56	4.99
Oil and NGL (\$/bbl)	71.93	62.25	46.35
Total (\$/boe)	39.79	34.50	33.37
Operating netback (\$/boe) ⁽¹⁾	17.88	22.14	10.67

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

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

(3) Insignia had a \$25 million equity line whereby Brookfield Special Situations II ("BSS"), formerly Tricap Partners Ltd. 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, which shares were issued on July 20, 2009.

(4) Total capital resources available includes working capital plus proceeds from the equity line with BSS, which was drawn on in the third quarter of 2009, plus the unused portion of Insignia's line of credit but excludes the Company's outstanding letters of credit of \$0.3 million.

(5) The average selling prices reported are before realized derivatives and transportation charges.

Outstanding Share Data

As at March 31, 2010

Common shares	30,660,223
Stock options	2,253,500
Performance warrants	1,574,500
Total voting shares and dilutive instruments	34,488,223

Selected Quarterly Information

(\$000's, except for per share amounts)	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Oil and natural gas sales	9,788	7,120	5,057	1,983	2,104	5,135	3,831	1,004
Net earnings (loss)	(2,631)	(2,554)	(4,335)	(2,245)	(2,522)	(22,893)	(1,425)	(4)
Per share – Basic and diluted	(0.09)	(0.08)	(0.17)	(0.18)	(0.20)	(1.82)	(0.16)	(0.00)
Working capital surplus (deficit)	(22,124)	(17,405)	(15,193)	26,863	26,419	28,031	30,246	15,756

OUTLOOK

We are pleased with Insignia's financial and operating results achieved in the first quarter 2010, achieving a Company best production average of 2,733 boe/d for the first quarter. Although the industry will be facing several challenges with weak current natural gas prices, we believe we are well positioned to achieve our goals of continued growth in reserves, production and cash flow per share. Our focused multi-disciplined team possesses individually and collectively, many years of experience in the Deep Basin area and we are actively expanding our drilling inventory of repeatable, low risk exploitation, resource play projects.

We are encouraged with the initial results from our first half drilling program which focused on two of our main properties; Pouce Coupe and Caroline. Both areas are providing Insignia with the resource rich, long life, repeatable drilling plays which are expected to sustain the Company for many years. Based on the success of our first half capital program our Board of Directors has approved a \$20 million capital program for the second half of 2010. We are gearing up for an active drilling program at Pembina where we anticipate the drilling of 2.42 net Cardium wells in the second half of 2010 with additional locations to follow in 2011 and 1.5 net Caroline wells in the second half of 2010.

As we go forward into 2010 and beyond, we expect that exploration and development will become equal in materiality to our acquisition program as value adding growth mechanisms for Insignia. The Company is well positioned with an extensive drilling inventory of both oil and gas opportunities in long life multi-zone areas. We have the financial flexibility and capital resources to pursue our objectives and we have a capable and dedicated team of professionals who are excited to continue to build on the base we have created.

Capital Expenditures

(\$000's)	Q1 2010	Q4 2009	Q1 2009
Land	153	268	33
Geological and geophysical	229	141	78
Drilling and completions	6,849	4,166	1,103
Equipment, facilities and pipelines	758	581	134
Capitalized general and administrative and other	190	224	254
Total capital expenditures – cash	8,179	5,380	1,602
Property dispositions	(117)	-	-
Corporate acquisitions	-	415	-
Non-cash capitalized amounts	6	248	54
Total additions to property and equipment	8,068	6,043	1,656

The Board of Directors of Insignia approved a first half 2010 capital budget of \$17 - \$20 million, prior to consideration of any acquisitions. Of this amount, \$8.2 million was expended to March 31, 2010, comprising \$0.6 million in land, seismic and capitalized general and administrative, and \$7.6 million in drilling, completions and equipping.

During the first quarter of 2010, Insignia participated in the drilling of six (3.21 net) wells. At Caroline, the Company drilled two 100% Mannville wells expected to be completed as gas wells in the second quarter of 2010.

At Pouce Coupe the Company drilled one 100% horizontal well into the Lower Doig formation. This well will be completed early in the second half of 2010. Insignia participated for its 7.09% working interest in three Lloydminster oil wells drilled and completed in the Wildmere area. Insignia also brought on production two wells drilled in 2009.

Financial Results

Production

	Q1 2010	Q4 2009	Q1 2009
Natural gas (mcf/d)	13,155	10,709	3,354
Oil and NGL (bbls/d)	541	458	141
Total (boe/d)	2,733	2,243	700
% of Total			
Natural gas	80%	80%	80%
Oil & NGL	20%	20%	20%

Production in Q1 2010 increased as a result of two wells put on production in the quarter, offset by natural declines. Q1 2009 results presented do not include production from the Grey Wolf properties as they were purchased July 24, 2009.

Pricing and Marketing

(\$)	Q1 2010	Q4 2009	Q1 2009
Benchmark Price			
AECO-5A Daily Spot (\$/mcf)	4.94	4.49	4.92
Edmonton Light (\$/bbl)	80.08	76.56	50.09
Insignia's Realized Price			
Natural gas (\$/mcf)	5.31	4.56	4.99
Oil and NGL (\$/bbl)	71.93	62.25	46.35
Total (\$/boe)	39.79	34.50	33.37

Natural gas prices increased by approximately 10% from Q4 2009 and are slightly higher than a year ago. Oil prices have increased 5% from Q4 2009 and 60% from a year ago. Realized prices have increased due to the increase in benchmark prices and high liquid content gas from the Caroline area.

The Company assumed derivative contracts from the Grey Wolf acquisition. The contracts that are remaining were entered into with a fixed price contract that expired in 2009. The following remain outstanding at March 31, 2010:

Period	Volume	Type	Pricing Terms	Fair Value Current asset (liability) (\$000's)
Natural Gas				
April 1, 2010 – Dec 31, 2010	2,000 GJ/day	Cap	\$7.95(AECO CDN\$/GJ)	(3)
April 1, 2010 – Dec 31, 2011	4,000 GJ/day	Cap	\$8.455(AECO CDN\$/GJ)	(55)
				(58)

Oil and Natural Gas Sales

(\$000's)	Q1 2010	Q4 2009	Q1 2009
Natural gas	6,288	4,495	1,507
Oil and NGL	3,500	2,625	597
Total	9,788	7,120	2,104

Sales for Q1 2010 increased by approximately \$2.7 million from Q4 2009 as a result of higher realized prices and higher production in the quarter. Sales increased over Q1 2009 as a result of the Grey Wolf acquisition.

Royalties

(S000's)	Q1 2010	Q4 2009	Q1 2009
Crown	1,319	276	127
Freehold, including freehold mineral tax	109	88	100
Gross overriding	276	116	113
Total	1,704	480	340
\$/boe	6.93	2.32	5.39
% of revenue	17%	7%	16%

Royalties by Commodity	Q1 2010	Q4 2009	Q1 2009
Natural gas (S000's)	848	(60)	159
<i>% of natural gas revenue</i>	13%	(1%)	11%
Oil and NGL (S000's)	856	540	181
<i>% of oil and ngl revenue</i>	24%	21%	30%

Insignia's royalties increased in the quarter as a result of a decrease in the monthly Gas Cost Allowance ("GCA") deduction estimate for 2010. The 2010 estimate will be adjusted in Q2 2010 when the 2009 GCA is finalized. Royalties in Q4 2009 were low as a result of prior period crown adjustments realized in Q4 2009. We are currently forecasting royalties to be in the range of 13% to 16% for 2010.

Lease Operating / Transportation Expenses

	Q1 2010	Q4 2009	Q1 2009
Lease operating expenses (S000's)	3,342	2,808	998
\$/boe	13.59	13.61	15.82
Transportation expenses (S000's)	341	309	94
\$/boe	1.39	1.49	1.49

Total operating expense and transportation expense have increased as a result of higher production volumes in the quarter but have remained relatively consistent on a per boe basis. The increase from Q1 2009 is primarily a result of the acquired Grey Wolf properties. The Company expects its operating costs to average approximately \$13.60 per boe in 2010, and transportation expenses to remain in the range of \$1.30 - \$1.50 per boe.

Interest

(S000's)	Q1 2010	Q4 2009	Q1 2009
Interest income	-	-	65
Interest expense	(140)	(87)	-

In Q3 2009, Insignia's cash balance was used to pay down the line of credit assumed in the Grey Wolf acquisition. Interest expense of \$140 thousand in the quarter is a result of the interest charged on the funds drawn on the credit facility over the quarter.

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

(\$000’s)	Q1 2010	Q4 2009	Q1 2009
G&A	1,078	999	996
Overhead recoveries	(135)	(76)	(22)
Capitalized G&A	(173)	(190)	(246)
Net G&A	770	733	728
Net G&A (\$/boe)	3.13	3.55	11.56
Stock-based compensation	282	217	335

The Q1 2010 G&A is up slightly from Q4 2009. G&A decreased from 2009 to 2010, on a per boe basis, as a result of higher production in Q1 2010. Insignia expects its G&A to remain in the range of \$3.00 - \$3.50 per boe in 2010.

Insignia expenses the value of its stock options and performance warrants over the vesting period, which currently results in approximately 60% of the total stock-based compensation expense being reflected in earnings in the first 12 months following the grant.

Insignia currently capitalizes G&A relating to exploration activities and reviewing purchase, farm-in and other property and corporate acquisitions. Insignia also capitalizes the related stock-based compensation associated with employee salaries that are capitalized. For Q1 2010, Insignia recognized stock-based compensation expense of \$362 thousand (Q1 2009 - \$426 thousand) of which \$80 thousand (Q1 2009 - \$91 thousand) was capitalized. Q4 2009 expense is lower due to the forfeiture of 84,000 stock options and 40,000 warrants in the quarter.

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

(\$000’s)	Q1 2010	Q4 2009	Q1 2009
Depletion, depreciation and accretion	6,428	5,560	2,196
Total (\$/boe)	26.13	26.95	34.84

Depletion, depreciation and accretion has increased due to higher production in the quarter but has remained consistent on a per boe basis. On a boe basis, DD&A decreased in the second half of 2009 as a result of the low acquisition cost per proved reserve for the Grey Wolf acquisition. In Q1 2010 we have excluded \$21.0 million from the depletion base related to unproved properties, and have added \$22.5 million in future development.

Funds from Operations and Net Loss

Funds from operations for Q1 2010 totalled \$3.5 million, compared to \$3.7 million for Q4 2009. Cash flows decreased as a result of the expiry of derivative instruments at the end of 2009 that were realizing gains and was offset by an increase in realized prices and production in Q1 2010. The Company retains a strong balance sheet and \$32.6 million in unused capacity under the existing credit facility. Insignia expects to finance its 2010 capital program with cash flows from operations and existing credit capacity.

Net loss for Q1 2010 was \$2.6 million (\$0.09 per basic and diluted share) compared to a net loss of \$2.6 million (\$0.08 per basic and diluted share) in Q4 2009.

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

(\$/boe)	Q1 2010	Q4 2009	Q1 2009
Sales price	39.79	34.50	33.37
Royalties	(6.93)	(2.32)	(5.39)
Lease operating expenses	(13.59)	(13.61)	(15.82)
Transportation expenses	(1.39)	(1.49)	(1.49)
Operating netback prior to financial derivative contracts	17.88	17.08	10.67
Realized gain on financial derivative contracts	-	5.06	-
Operating netback after financial derivative contracts	17.88	22.14	10.67
General and administration	(3.13)	(3.55)	(11.56)
Interest income (expense)	(0.57)	(0.42)	1.03
Funds from operations netback	14.18	18.17	0.14

Liquidity and Capital Resources

Equity

As at March 31, 2010, the Company has 30,660,223 common shares outstanding and has issued 2,253,500 stock options at a weighted average exercise price of \$3.77 and 1,574,500 performance warrants at an exercise price of \$6.80.

	Q1 2010	Q4 2009	Q1 2009
Weighted Average Shares Outstanding			
Basic and Diluted	30,660,223	30,660,223	12,592,201

Stock options and performance warrants are not included in diluted share computations as they are anti-dilutive.

As at March 31, 2010, the Company has a \$55.0 million demand revolving operating credit facility with a Canadian chartered bank. The credit facility provides that advances may be made by way of direct advances, banker's acceptance or standby letters of credit/guarantee. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. The borrowing base is subject to a semi-annual review by the bank with the next scheduled review to be completed in September 2010.

Brookfield Special Situations II Limited ("BSS") holds approximately 54% of Insignia's outstanding common shares at March 31, 2010.

Working Capital

(\$000's)	March 31, 2010	December 31, 2009	March 31, 2009
Cash and cash equivalents	-	218	26,666
Accounts receivable	5,691	4,466	1,927
Prepays and deposits	1,567	1,830	189
Bank indebtedness	(14,543)	(11,431)	-
Accounts payable and accrued liabilities	(14,839)	(12,488)	(2,733)
Working capital surplus (deficiency)	(22,124)	(17,405)	26,049

The decrease in working capital from year end 2009 reflects expenditures incurred on exploration and development in the current year, offset by cashflow from operations and proceeds received on property dispositions.

Contractual Obligations and Commitments

The Company enters into contractual obligations in the course of conducting its daily business. The contractual obligations for which the Company is responsible are as follows:

Years ending December 31, (\$000's)	Total	2010	2011 - 2012	2013 - 2014	After 2014
Office lease, excluding operating costs	3,010	455	1,452	1,103	-
Gathering and processing agreement	1,649	1,401	248	-	-
Asset retirement obligations	28,618	3,485	2,361	2,902	19,870
Total Contractual Obligations	33,277	5,341	4,061	4,005	19,870

The Company's future commitments under its office premises includes an operating lease for another office premise that the Company does not use and has sublet to an arm's length party. The present value of the "out of the money" office lease commitment was accrued as part of the purchase price allocation of Grey Wolf. At March 31, 2010, \$692 thousand remains outstanding.

The present value of a gathering and processing agreement assumed in the Grey Wolf acquisition was accrued as part of the purchase price allocation of Grey Wolf. The contract expires in February 2011. At March 31, 2010, \$1.4 million remains outstanding.

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.

Subsequent to March 31, 2010 the Company entered into a gathering and processing agreement that is effective May 1, 2010 and expires April 30, 2013 for a total commitment of \$8.8 million.

Financial Instruments

Financial instruments of the Company consist of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities and bank indebtedness. As at March 31, 2010 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. 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.

Control Environment

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Insignia is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

Internal controls over financial reporting ("ICFR") have been designed by the Company to provide reasonable assurance regarding the reliability of Insignia's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The control framework used to design the Company's ICFR is the Internal Control-Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. We utilized the Guidance for Smaller Public Companies.

No changes in the Company's internal controls were identified in Q1 2010 that have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

It should be noted that while Insignia's Chief Executive Officer and Chief Financial Officer believe that the Company's control procedures provide a reasonable level of assurance that controls are effective, they do not expect that the procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

New Accounting Standards

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 section 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.

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 sections are effective for fiscal years beginning on or after January 1, 2011 with earlier application permitted.

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 accounting policies and practices. Internal staff have been appointed to lead the conversion project. Resource requirements are currently being identified and it is anticipated the requirements will be met with internal employees, supplemented with consultants as required. Staff have begun drafting accounting research and policy papers, focusing on high priority areas as determined through the initial high level review which include:

- Accounting for capital assets including impairment
- Asset retirement obligations
- Business Combinations
- First-Time Adoption of IFRS

Insignia will prepare a draft 2010 opening balance sheet in the second quarter of 2010 and draft both IFRS and Canadian GAAP financial statements in 2010 providing for comparative financial statements after the official changeover in 2011. Final comparatives will be completed after final determination of all differences and pending changes to IFRS prior to the adoption date.

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 substantially unchanged from our 2009 year end.

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.

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, anticipated demand for commodity prices, 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 operating costs and general and administrative expenses, the expected levels of production rates, and anticipated acquisitions and timing thereof 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 manner; 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 expressly 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:

Suite 2300, 500 - 4th Avenue SW
Calgary, Alberta
T2P 2V6

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

Insignia Energy Ltd.
Balance Sheets

(\$000's) (unaudited)	March 31, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents <i>[note 8]</i>	-	218
Accounts receivable <i>[note 6]</i>	5,691	4,466
Prepays and deposits	1,567	1,830
	7,258	6,514
Future income taxes	4,000	4,000
Property and equipment <i>[note 2]</i>	142,038	140,200
	153,296	150,714
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness <i>[note 3]</i>	14,543	11,431
Accounts payable and accrued liabilities	14,839	12,488
Financial derivative contracts <i>[note 6]</i>	58	646
	29,440	24,565
Asset retirement obligation <i>[note 4]</i>	11,819	11,843
Commitments <i>[note 9]</i>		
Shareholders' equity		
Share capital <i>[note 5]</i>	146,989	146,989
Contributed surplus <i>[note 5]</i>	3,623	3,261
Deficit	(38,575)	(35,944)
	112,037	114,306
	153,296	150,714

See accompanying notes

APPROVED ON BEHALF OF THE BOARD

(Signed) "D. Ambedian", Director

(Signed) "J.E. Errico", Director

Insignia Energy Ltd.
Statements of Operations and Deficit

For the three months ended March 31,

(\$000's) (unaudited)	2010	2009
Revenues		
Oil and natural gas sales	9,788	2,104
Royalties	(1,704)	(340)
Interest income	-	65
	8,084	1,829
Expenses		
Lease operating	3,342	998
Transportation	341	94
General and administrative <i>[note 2]</i>	770	728
Interest	140	-
Stock-based compensation <i>[notes 2 and 5]</i>	282	335
Gain on financial derivative contracts <i>[note 6]</i>	(588)	-
Depletion, depreciation and accretion <i>[notes 2 and 4]</i>	6,428	2,196
	10,715	4,351
Loss and comprehensive loss for the period	(2,631)	(2,522)
Deficit, beginning of period	(35,944)	(24,288)
Deficit, end of period	(38,575)	(26,810)
Loss per share, basic and diluted <i>[note 5]</i>	(0.09)	(0.20)

See accompanying notes

Insignia Energy Ltd.
Statements of Cash Flows
For the three months ended March 31,

(\$000's) (unaudited)	2010	2009
Cash was provided by (used in)		
OPERATING ACTIVITIES		
Loss for the period	(2,631)	(2,522)
Items not involving cash		
Stock-based compensation <i>[note 5]</i>	282	335
Unrealized financial derivative contracts gain <i>[note 6]</i>	(588)	-
Depletion, depreciation and accretion	6,428	2,196
	3,491	9
Change in non-cash operating working capital <i>[note 8]</i>	820	171
Abandonment and reclamation costs <i>[note 4]</i>	(148)	(4)
	4,163	176
FINANCING ACTIVITIES		
Increase in bank indebtedness	3,112	-
Repurchase of common shares	-	(14)
	3,112	(14)
INVESTING ACTIVITIES		
Proceeds on disposal of property and equipment	117	-
Property and equipment expenditures	(8,179)	(1,602)
Change in non-cash investing working capital <i>[note 8]</i>	569	(1,866)
	(7,493)	(3,468)
Increase (decrease) in cash and cash equivalents	(218)	(3,306)
Cash and cash equivalents, beginning of period	218	29,972
Cash and cash equivalents, end of period <i>[note 8]</i>	-	26,666

See accompanying notes

Insignia Energy Ltd.

Notes to Financial Statements

For the three months ended March 31, 2010 and 2009

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

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”) on July 31, 2008. The Company’s activities are comprised of the exploration for and development of oil and natural gas properties in Western Canada. Insignia trades on the Toronto Stock Exchange under the symbol “ISN”.

The interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada, using the same accounting policies and methods of computations as set out in Note 2 to the audited financial statements of the Company for the year ended December 31, 2009. The disclosures provided below are incremental to those included with the audited financial statements for the year ended December 31, 2009. The interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2009.

2. PROPERTY AND EQUIPMENT

(\$)	March 31, 2010	December 31, 2009
Oil and natural gas properties	186,881	178,831
Office equipment	214	197
	187,095	179,028
Less accumulated depletion and depreciation	(45,057)	(38,828)
	142,038	140,200

The cost of unproved properties at March 31, 2010 of \$21.0 million (March 31, 2009 - \$8.4 million) has been excluded from the depletion and depreciation calculation. Future development costs on proved reserves of \$22.5 million (March 31, 2009 - \$1.3 million) have been included in the depletion and depreciation calculation. For the three months ended March 31, 2010, the Company capitalized \$253 thousand of general and administrative expenditures and related stock-based compensation (March 31, 2009 - \$337 thousand).

3. BANK INDEBTEDNESS

The Company has a \$55.0 million demand revolving operating credit facility with a Canadian chartered bank. The credit facility provides that advances may be made by way of direct advances, banker’s acceptances, or standby letters of credit/guarantees. Direct advances bear interest at the bank’s prime lending rate plus an applicable margin for Canadian dollar advances. The applicable margin charged by the bank is dependent upon the Company’s debt to trailing cash flow ratio. The banker’s acceptances bear interest at the applicable banker’s acceptance rate plus an explicit stamping fee based upon the Company’s debt to trailing cash flow ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. The borrowing base is subject to a semi-annual review by the bank with the next scheduled review to be completed in September of 2010. In addition, the Company has issued a letter of guarantee in the amount of \$0.3 million which is a reduction to the balance available from the credit facility.

4. 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 March 31, 2010 the estimated total future amount required to settle the ARO, escalated at 2.0%, was \$28.6 million (December 31, 2009 - \$28.8 million). Approximately \$8.7 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% (2009 - 7.0%).

A reconciliation of the asset retirement obligation is provided below:

(\$)	Three months ended March 31, 2010	Year ended December 31, 2009
Balance, beginning of period	11,843	6,366
Liabilities incurred	61	248
Revisions in estimated future cash flows	(136)	(179)
Accretion expense	199	614
Liabilities settled	(148)	(619)
Disposal of properties	-	(781)
Liabilities acquired	-	6,194
Balance, end of period	11,819	11,843

5. SHARE CAPITAL

(a) Authorized

Unlimited number of Voting Common Shares

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

(b) Issued

Common Shares	Number of Shares	Amount \$
Balance, December 31, 2009	30,660,223	146,989
Issued	-	-
Balance, March 31, 2010	30,660,223	146,989

(c) Per share amounts

The weighted average number of Common Shares issued and outstanding are as follows:

	Three months ended March 31, 2010	2009
Weighted average common shares outstanding – basic and diluted	30,660,223	12,592,823

Stock options and Performance Warrants are not included in the diluted share computations as they are anti-dilutive.

(d) Stock options and performance warrants

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

	<u>Stock Options</u>	<u>Performance Warrants</u>
	Weighted Average Exercise Price (\$/option)	Weighted Average Exercise Price (\$/warrant)
	Options	Warrants
Outstanding December 31, 2009	2,241,500	1,574,500
Granted	12,000	-
Forfeited	-	-
Outstanding, March 31, 2010	2,253,500	1,574,500
Weighted Average Years to Expiry	4.0	3.3
Exercisable March 31, 2010	304,833	1,049,667

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	Three months ended March 31, 2010
Risk-free rate of return	2.9%
Expected volatility	75.0%
Dividend yield	-
Weighted average fair value of grants issued (\$/option)	
Options	1.05

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

Non-cash expense has been recorded as follows:

	Three months ended March 31,	
(\$)	2010	2009
Stock options	297	249
Performance warrants	65	177
Less capitalized portion	(80)	(91)
Total	282	335

(e) Contributed surplus

The following table reconciles the movement in the Company's contributed surplus:

	March 31, 2010	December 31, 2009
(\$)		
Balance, beginning of year	3,261	1,769
Stock-based compensation	362	1,460
Repurchase of Common Shares for cancellation	-	32
Balance, end of year	3,623	3,261

6. 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, deposits, accounts payable and accrued liabilities and bank indebtedness. As at March 31, 2010 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.

Insignia classifies the fair value of the financial instruments according to a hierarchy based on the amount of observable inputs used to value the instrument. There has been no change in the methodology of valuing instruments carried at fair value and there has not been any movements amongst the levels during the period.

(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. The Company's financial risks are substantially unchanged from the 2009 year end.

Market risk

The Company assumed derivative contracts from the Grey Wolf acquisition. The contracts that are remaining were entered into with a fixed price contract that expired in 2009. The terms of the outstanding contracts are summarized below:

Period	Volume	Type	Pricing Terms	Fair Value
				Current asset (liability)
Natural Gas				
April 1, 2010 – Dec 31, 2010	2,000 GJ/day	Cap	\$7.95(AECO CDN\$/GJ)	\$ (3)
April 1, 2010 – Dec 31, 2011	4,000 GJ/day	Cap	\$8.455(AECO CDN\$/GJ)	\$ (55)
				\$ (58)

The unrealized gain for the period was \$588 thousand and arises from the change in the fair value of the contracts from December 31, 2009 to March 31, 2010. Assuming all other variables remain constant, a 10% increase in the forward curve would have resulted in a financial derivative gain of approximately \$519 thousand and a 10% decrease in the forward curve would have resulted in a financial derivative gain of approximately \$624 thousand for the Company during the period ended March 31, 2010.

The Company is exposed to interest rate risk as it borrows funds at floating interest rates. Assuming all other variables remain constant, a 1% increase or decrease in interest rates would have impacted the cash flows of the Company during the three months ended March 31, 2010 by approximately \$32 thousand.

Credit risk

As at March 31, 2010, the Company's receivables consisted of \$3.2 million due from oil and natural gas marketers, \$0.8 million due from joint venture partners and \$1.7 million of other trade and tax receivables.

As of March 31, 2010, the Company had \$509 thousand 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 \$141 thousand at March 31, 2010.

7. CAPITAL MANAGEMENT

There has been no change in the Company's policy for managing its capital structure. The Company is not subject to any externally imposed capital requirements other than covenants on its operating credit facility with its lender to maintain an adjusted working capital ratio of not less than 1 to 1 at all times. At March 31, 2010 the Company's adjusted working capital ratio was 3.2 to 1.

8. SUPPLEMENTARY CASH FLOW INFORMATION

(\$)	As at	
	March 31, 2010	December 31, 2009
Cash and cash equivalents include:		
Bank balance, bearing interest at prime less 1.85%, subject to market rate caps	-	218
	-	218
	Three months ended March 31,	
	2010	2009
Net change in non-cash working capital:		
Decrease (increase) in accounts receivable	(1,225)	74
Decrease (increase) in prepaid expenses	263	(69)
Increase (decrease) in accounts payable and accrued liabilities	2,351	(1,700)
Total	1,389	(1,695)
Summary of working capital changes:		
Operating	820	171
Financing	-	-
Investing	569	(1,866)
Total	1,389	(1,695)

9. COMMITMENTS

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

Years ending December 31, (\$)	Total	2010	2011 - 2012	2013 - 2014	After 2014
Office lease, excluding operating costs	3,010	455	1,452	1,103	-
Gathering and processing agreement	1,649	1,401	248	-	-
Asset retirement obligations	28,618	3,485	2,361	2,902	19,870
Total Contractual Obligations	33,277	5,341	4,061	4,005	19,870

The Company's future commitments under its office premises includes an operating lease for another office premise that the Company does not use and has sublet to an arm's length party. The present value of the "out of the money" office lease commitment was accrued as part of the purchase price allocation of Grey Wolf. At March 31, 2010, \$692 thousand remains outstanding.

The present value of a gathering and processing agreement assumed in the Grey Wolf acquisition was accrued as part of the purchase price allocation of Grey Wolf. The contract expires in February 2011. At March 31, 2010 \$1.4 million remains outstanding.

10. RELATED PARTY TRANSACTIONS

During the period Insignia incurred \$36 thousand per month for rental of office space to Brookfield Properties Management Corp. a company that is under the same common control and significant influence as Insignia's major shareholder, Brookfield Special Situations II. At March 31, 2010 there were no outstanding amounts payable, and a deposit is being held in the amount of \$31 thousand.

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2010 the Company entered into a gathering and processing agreement that is effective May 1, 2010 and expires April 30, 2013 for a total commitment of \$8.8 million.

CORPORATE INFORMATION

Board of Directors

Jeff Newcommon
President & Chief Executive Officer

Jeffery E. Errico⁽¹⁾⁽²⁾
Chairman

Dave Ambedian⁽¹⁾⁽³⁾
Partner, 32^o Energy Management

Brian Baker
Senior 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⁾
President & Chief Executive Officer
OPTI Canada Inc.

Vincent Tkachyk⁽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

Danny Geremia
Vice President, Finance & Chief Financial Officer

Steven Mackay
Vice President, Exploration

Head Office

Suite 2300, 500 – 4th Avenue SW
Calgary, Alberta T2P 2V6
Phone: (403) 536-8132
Fax: (403) 514-6940
Email: info@insignianenergy.ca
Website: www.insigniaenergy.ca

Auditors

Deloitte & Touche LLP
Calgary, Alberta

Bankers

National Bank of Canada
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

/d	per day
bbl(s)	barrel(s)
mdbl	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