



## JOINT NEWS RELEASE

### INSIGNIA ENERGY AND GREY WOLF EXPLORATION ANNOUNCE BUSINESS COMBINATION

**Calgary, Alberta**, June 3, 2009 – Insignia Energy Ltd. ("Insignia") (TSX: ISN) and Grey Wolf Exploration Inc. ("Grey Wolf") (TSX: GWE) are pleased to announce that they have entered into an arrangement agreement (the "Arrangement Agreement") providing for the combination of Insignia and Grey Wolf through the acquisition by Insignia of all of the outstanding common shares of Grey Wolf (the "Grey Wolf Shares") in exchange for the issuance of 0.34 of a common share of Insignia ("Insignia Share") for each outstanding Grey Wolf Share.

Based on the 20 day volume weighted average trading price of the Insignia Shares, the exchange ratio equals a price of \$1.14 per Grey Wolf Share and represents a 52% premium to Grey Wolf's closing trading price on June 3, 2009 and a 57% premium to the 20 day volume weighted average trading price of the Grey Wolf Shares. The total transaction value, including the assumption of approximately \$63 million in Grey Wolf's net debt including transaction costs, is approximately \$111 million.

#### Characteristics of the Pro Forma Company

- Current production of approximately 3,400 boe/d (85% natural gas);
- A strong balance sheet with approximately \$15 million in net debt estimated at closing;
- Proved Reserves as of December 31, 2008 of 7,936 mboe<sup>1</sup>;
- Proved plus Probable Reserves as of December 31, 2008 of 15,923 mboe<sup>1</sup>;
- A Proved plus Probable Reserve Life Index (RLI) as of December 31, 2008 of 12.8 years;
- In excess of 240,000 net acres of undeveloped land;
- A market capitalization in excess of \$100 million (based on the current trading price of the Insignia Shares);
- Outstanding shares of approximately 30.5 million;
- A balanced and diversified portfolio of drilling prospects;
- Repeatable play types with significant upside including 30 net sections of Montney/Doig lands in the heart of the prolific Peace River Arch area of northwest Alberta;
- Tax pools of approximately \$200 million; and
- A significant and well capitalized major shareholder in Tricap Partners Ltd. ("Tricap") which will have a 37% pro forma ownership position.

Note:

- (1) Based on the independent reserves reports disclosed in each company's annual information form for the year ended December 31, 2008.

Insignia's President and CEO, Jeff Newcommon stated, "The acquisition of Grey Wolf is consistent with our stated objectives of acquiring quality, long life properties within the deep basin/peace river arch corridor. We believe Grey Wolf has established a significant presence in the high quality, resource rich, Montney/Doig play types and, when combined with Insignia's existing assets and opportunities, and using our financial flexibility, our plan is to capitalize on the drilling upside within the combined company. We continue to see attractive acquisition opportunities and will augment our organic growth with additional accretive acquisitions."

Robert Watson, Chairman and CEO of Grey Wolf stated, "I am proud of the accomplishments of the Grey Wolf team and the high quality, resource base assets that have been established in areas of Alberta including Pouce Coupe/Valhalla, Caroline and Petitot. This transaction is the result of an exhaustive process during which our board and our financial advisors explored a number of different alternatives to maximize shareholder value. The combination of Grey Wolf's high quality asset base with Insignia's clean balance sheet results in a company capable of significant growth even in the current economic environment."

Insignia and Grey Wolf believe that this strategic acquisition offers an exceptional opportunity to create substantial value for their respective companies and shareholders.

### **Management and Directors of the Pro Forma Company**

The combined company will be led by Insignia's existing management team, which will focus on growth by exploring and developing the combined asset base. This team includes Jeff Newcommon as President and CEO and Glen Fischer as Chief Operating Officer. Mr. Newcommon and Mr. Fischer were both instrumental in growing Petrofund Energy Trust from 300 boe/d to over 40,000 boe/d through a combination of acquisition, exploration and exploitation. The team's Vice President of Exploration is Steve Mackay who has established a track record of growing production through the drill bit with such companies as Canadian Hunter, Kaiser Energy and Selkirk Energy. In the combined company, this management team will continue to apply their past methodology of executing value-added acquisitions along with successful exploitation, exploration and development programs, while maintaining prudent financial management and cost controls.

The Board of Directors of Insignia will comprise all the current directors of Insignia augmented by one existing member of the Grey Wolf Board or such other individual as Insignia and Grey Wolf may agree, with such additional director to be appointed at closing.

### **Transaction Terms and Conditions**

It is a condition of the transaction that Insignia issue 3,676,470 Insignia Shares pursuant to Tricap's existing equity commitment.

At closing and after giving effect to such issuance of Insignia Shares to Tricap, Insignia shareholders will own approximately 53% and Grey Wolf shareholders will own approximately 47% of the combined company. It is expected that approximately 18.074 million Insignia Shares (which includes the Insignia Shares to be issued to Tricap) will be issued to effect the transaction.

The transaction is to be effected by way of an arrangement (the "Arrangement") under the Business Corporations Act (Alberta). Completion of the Arrangement, which is anticipated to occur in late July, is subject to, among other things, the approval of at least 66 $\frac{2}{3}$ % of the Grey Wolf shareholders voting on the transaction, the approval of the Court of Queen's Bench of Alberta, the receipt of all necessary regulatory and stock exchange approvals, and certain closing conditions that are customary for a transaction of this nature. The Grey Wolf annual and special meeting of shareholders previously scheduled for June 29, 2009 will be rescheduled to permit the Arrangement to be considered at that meeting.

The Board of Directors of Grey Wolf has unanimously determined that the proposed Arrangement is in the best interests of and fair to Grey Wolf and its shareholders and unanimously recommends that Grey Wolf shareholders vote in favour of the Arrangement at the upcoming meeting. Each of the directors and officers of Grey Wolf as well as Nova Bancorp and certain of its affiliated entities, who collectively hold approximately 11% of the outstanding Grey Wolf Shares, have entered into support agreements pursuant to which each has agreed to vote in favour of the Arrangement.

The Arrangement Agreement prohibits Grey Wolf from soliciting or initiating any discussion regarding any other business combination or sale of material assets, contains provisions for Insignia to match competing, unsolicited proposals and provides for a \$2.5 million termination fee payable by Grey Wolf to Insignia in certain circumstances.

Complete details of the terms of the Arrangement are set out in the Arrangement Agreement, which will be filed by each of Insignia and Grey Wolf on SEDAR and will be available for viewing under each of Insignia and Grey Wolf's profile at [www.sedar.com](http://www.sedar.com).

### **Financial Advisors**

CIBC World Markets Inc. ("CIBC") and Peters & Co. Limited have acted as financial advisors to Grey Wolf in connection with its review of strategic alternatives and CIBC has advised the Board of Directors of Grey Wolf that it is of the opinion, as of the date hereof, that the consideration to be received by the Grey Wolf shareholders pursuant to the proposed Arrangement is fair, from a financial point of view, to Grey Wolf shareholders.

Cormark Securities Inc. and National Bank Financial Inc. are acting as financial advisors to Insignia with respect to the Arrangement.

### **About Insignia and Grey Wolf**

Insignia and Grey Wolf are both independent Canadian oil and natural gas exploration, development and production companies with the Insignia Shares and Grey Wolf Shares trading on the Toronto Stock Exchange under the symbols "ISN" and "GWE", respectively.

### *Forward-Looking Statements*

In the interest of providing Insignia's shareholders, Grey Wolf's shareholders and potential investors with information regarding Insignia and Grey Wolf, including management's assessment of the future plans and operations of Insignia and Grey Wolf, certain statements contained in this document constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In addition, statements relating to "reserves" or "resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future. In particular, this document contains, without limitation, forward-looking statements pertaining to the following: expectations of management regarding the proposed acquisition of Grey Wolf, including the timing of completion of the acquisition, operating and financial metrics of the acquisition, potential synergies resulting from the acquisition and the effect of the acquisition on Insignia's production, cash flow, reserves, undeveloped land position and tax pools.

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things: future capital expenditure levels; future oil and natural gas prices and differentials between light, medium and heavy oil prices; future oil and natural gas production levels; future exchange rates and interest rates; our ability to obtain equipment in a timely manner to carry out development activities; our ability to market our oil and natural gas successfully to current and new customers; the impact of increasing competition; our ability to obtain financing on acceptable terms; and our ability to add production and reserves through our development and exploitation activities. Although Insignia and Grey Wolf believe that the expectations reflected in the forward-

looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Insignia's or Grey Wolf's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the following: that the Arrangement may not close when planned or at all or on the terms and conditions set forth herein; the failure of Insignia and Grey Wolf to obtain the necessary shareholder, Court, regulatory and other third party approvals required in order to proceed with the Arrangement; volatility in market prices for oil and natural gas; incorrect assessment of the value of the acquisition; failure to realize the anticipated benefits and synergies of the acquisition; general economic conditions in Canada, the U.S. and globally; and the other factors described under "Risk Factors" in Insignia's and Grey Wolf's most recently filed Annual Information Form available in Canada at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking statements contained in this document speak only as of the date of this document. Except as expressly required by applicable securities laws, Insignia and Grey Wolf do not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

#### *Barrels of Oil Equivalent*

Barrels of oil equivalent (boe) is calculated using the conversion factor of 6 Mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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