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Attention Business Editors:
Flagship Energy Inc. and Insignia Energy Inc. announce strategic arrangement involving Flagship asset acquisition, reorganization and re-capitalization

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CALGARY, June 3 /CNW/ - Flagship Energy Inc. ("Flagship") (TSXV: FG.A and FG.B) and Insignia Energy Inc. ("Insignia"), a private Alberta based oil and natural gas exploration company, are pleased to announce that Flagship and Insignia have entered into an arrangement agreement dated June 2, 2008 (the "Arrangement Agreement") whereby Flagship has agreed to acquire substantially all of the assets of Insignia and effect a reorganization and re-capitalization pursuant to a plan of arrangement (the "Arrangement") to be approved by the shareholders of each of Flagship and Insignia. The Arrangement is an arm's length transaction and has been unanimously approved by the Board of Directors of both Flagship and Insignia. The Board of Directors of each of Insignia and Flagship have determined that the Arrangement is in the best interest for each of their respective companies and shareholders and agreed to recommend approval of the Arrangement to their respective shareholders. All of the management and directors and certain shareholders of Insignia holding in the aggregate, approximately 23% of the issued and outstanding common shares of Insignia ("Insignia Shares") and all of the management and directors and certain shareholders holding in the aggregate, approximately 21% of the issued and outstanding class A shares ("Flagship Class A Shares") and approximately 3.5% of the issued and outstanding class B shares ("Flagship Class B Shares") of Flagship, have agreed to vote their shares in favour of the Arrangement.

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Overview of Proposed Arrangement

Under the Arrangement:

(a) Flagship will acquire substantially all of the assets of Insignia;

(b) a new class of common shares of Flagship ("New Flagship Shares") will be created;

(c) holders of Flagship Class A Shares will be entitled to receive one New Flagship Share for each 100 Flagship Class A Shares held;

(d) holders of Flagship Class B Shares will be entitled to receive 10 New Flagship Shares for each 100 Flagship Class B Shares held;

(e) holders of Insignia Shares will be entitled to receive 15.85 New Flagship Shares for each 100 Insignia Shares held;

(f) share purchase warrants ("Warrants") will be issued to the previous holders of Flagship Class A Shares and Flagship Class B Shares, on the basis of 1.77 Warrants for each New Flagship Share issued to such holders, which Warrants will each entitle the holder to acquire 1 New Flagship Share at a price of $6.80 per New Flagship Share prior to 4:30 p.m. (Calgary time) on the 35th day following the closing of the Arrangement;

(g) Warrants will be issued to the previous holders of Insignia Shares on the basis of 0.3576 Warrants for each New Flagship Share held;

(h) $27 million of debt owed by Flagship to Tricap Partners Ltd. ("Tricap") will be converted into New Flagship Shares at a deemed price of $6.80 per New Flagship Share;

(i) $15 million of New Flagship Shares will be purchased by Tricap at closing at a price of $6.80 per New Flagship Share and an additional $25 million of New Flagship Shares ("Equity Commitment Shares") will be purchased by Tricap at a price of $6.80 per New Flagship Share, from time to time, within 12 months from the closing of the Arrangement;

(j) Up to $10 million of New Flagship Shares will also be purchased by Tricap at a price of $6.80 per New Flagship Share to the extent the Warrants issued to the holders of Flagship Class A Shares and Flagship Class B Shares are not exercised by these holders prior to their expiry time;

(k) all of the present directors and officers of Flagship will resign and Flagship's management will be replaced with the present Insignia management team and the directors will be replaced by 5 Insignia nominees to the Board of Directors and 2 Tricap nominees to the Board of Directors; and

(l) Flagship's name will be changed to "Insignia Energy Ltd.".

Sample Consideration Received Under the Arrangement

For the purposes of illustrating the consideration to be received pursuant to the Arrangement by holders of Insignia Shares, Flagship Class A Shares and Flagship Class B Shares, see the below examples:

Insignia Shareholder

A holder of 10,000 Insignia Shares will receive(1):

(i) 1,585 New Flagship Shares;

(ii) 567 Warrants,

and will retain their 10,000 Insignia Shares and ownership of Insignia and its tax pools.

Flagship Class A Shareholder

A holder of 10,000 Flagship Class A Shares will receive(1):

(i) 100 New Flagship Shares; and

(ii) 177 Warrants.

Flagship Class B Shareholder

A holder of 10,000 Flagship Class B Shares will receive(1):

(i) 1,000 New Flagship Shares; and

(ii) 1,769 Warrants.

Note:
(1) Subject to rounding for fractions.
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It is also currently contemplated under the Arrangement that odd-lot holders, holding less than 100 New Flagship Shares, will be entitled, at their election (for a specified period following the Arrangement), to receive a cash amount equal to $6.80 per New Flagship Share held.

The existing Insignia options and performance warrants to acquire Insignia Shares will be cancelled in connection with the Arrangement and holders of Insignia options and Insignia performance warrants will be issued new options and performance warrants to acquire New Flagship Shares.

Upon completion of the Arrangement and assuming all Warrants are exercised and all Equity Commitment Shares are issued, the shareholders of Insignia and Tricap will hold approximately 31% and 55% of the issued and outstanding New Flagship Shares, on a non-diluted basis, respectively.

There are 25,943,464 Insignia Shares outstanding. Directors and officers of Insignia hold an aggregate of 6,092,420 Insignia shares (representing approximately 23% of the issued and outstanding Insignia Shares) and the remainder of the Insignia Shares are held by approximately 140 other shareholders. No person or company holds more than 10% of the issued and outstanding Insignia Shares.

In connection with the Arrangement, Flagship will grant Tricap rights relating to board representation, a pre-emptive right to participate in future share issuances and registration rights.

The Arrangement will constitute a reverse take-over and change of control of Flagship within the meaning of Policy 5.2 of the TSX Venture Exchange (the "Exchange").

Highlights of the Arrangement

The Arrangement will create a natural gas levered company with significant positive working capital that will uniquely position it for future growth. Upon closing of the Arrangement, the combined company will have:

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- An experienced, committed and dedicated management team, which will be comprised of the current management team of Insignia. The Insignia management team is predominately comprised of the former management team of Petrofund Energy Trust, which, over a 10 year period, grew Petrofund from 300 BOEs/d to its exit rate of approximately 42,500 BOEs/d when it was sold to Penn West Energy Trust in the summer of 2006;

- Estimated production at closing after giving effect to normal declines and no new production additions in the interim of approximately 850 BOEs/d comprised of 150 Bbls/d of oil and natural gas liquids and 4.2 MMcf/d of natural gas (80% weighted to natural gas);

- Positive working capital of approximately $60 million assuming the Equity Commitment Shares are issued;

- An undeveloped land base of approximately 150,000 net acres;

- A diverse portfolio of medium to low risk drilling and completion opportunities and facility enhancement opportunities designed to improve efficiencies at the operating cost level;

- Tax pool balances of approximately $60 million;

- A production base that is approximately 80% operated; and

- A strong financial partner in Tricap which will be a majority shareholder going forward.

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Management Team and Board of Directors

The proposed management team and board of directors have considerable experience in managing and directing public oil and gas entities and anticipate to be able to generate numerous growth opportunities for the combined company.

Upon completion of the Arrangement, the combined company will be led by an experienced management team and a strong Board as follows:

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Management Team	Position
Jeff Newcommon	President and Chief Executive Officer - Jeff is President and CEO of Insignia. Previously Jeff was Executive Vice President at Petrofund Energy Trust where he headed the land, exploration and A&D divisions.
Glen Fischer	Chief Operating Officer - Glen is a Professional Engineer and the Chief Operating Officer of Insignia. He has 30 years of experience in the upstream oil and gas industry and was most recently Sr. VP Operations with Petrofund Energy Trust.
Steven J. Mackay	Vice President Exploration - Steve is a petroleum geologist and the Vice President, Exploration of Insignia. Prior to Insignia Steve was co-founder and President of Selkirk Energy.
Brenda Hughes	Controller - Brenda is a Chartered Accountant with over 20 years experience in the oil and gas industry and the Controller of Insignia. Ms. Hughes has served as the Controller and CFO for several small oil and gas E&P companies.

Board of Directors	Occupation
David Ambedian	David is currently a Partner with 32 Degrees Capital, a private energy focused investment management company. Previously David was a founder and CFO of several oil and natural gas exploration companies.
Sandra S. Cowan	Sandra is a Partner and General Counsel of Edgestone Capital Partners, an independent private equity firm. Previously, Ms. Cowan practiced law for over 15 years, most recently as senior partner with Goodman and Carr LLP.
Jeffery E. Errico	Jeff is a businessman and Professional Engineer, and is currently Chairman of Insignia. He has over 30 years experience in the oil and gas industry,

	most recently as President and CEO of Petrofund Energy Trust.
Christopher P. Slubicki	Chris is a Professional Engineer. He was a founding member of Waterous & Co., and was instrumental in growing Waterous into a global leader in oil and gas merger and acquisition activities.
Jeff Newcommon	Jeff is President and CEO of Insignia. Previously Jeff was Executive Vice President at Petrofund Energy Trust where he headed the land, exploration and A&D divisions.
Jim Reid	Jim is currently a Managing Partner with Brookfield Asset Management's Energy Group based in Calgary. Jim established Brookfield's Calgary office in 2003 after spending several years as a CFO for two oil and gas exploration companies.
Brian Baker	Brian is a Vice President with Brookfield Asset Management's Energy Group. Previously Brian was a CFO of several oil and natural gas exploration companies and was a Partner in the energy practice of Collins Barrow Chartered Accountants LLP.

Benefits to Shareholders

- The combined company will have a strong balance sheet which will provide added flexibility and sustainability on a go-forward basis;

- Strong capitalization will also allow the combined company to capitalize on a number of low risk development opportunities identified on the existing asset base;

- Eliminating duplication of services and supplies will result in reduced G&A expense;

- Management and the employees of Insignia have a proven track record in both the public markets and in growing oil and gas entities to significant size;

- The transaction will provide Flagship shareholders with the opportunity to participate in an entity with more diversification, a stronger balance sheet and less risk; and

- The transaction will provide Insignia with a liquidity event and also afford the Insignia shareholders the opportunity to participate in an exciting, well capitalized vehicle, with a goal for accretive per share growth.

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Overview of Insignia's Assets

The Insignia assets to be acquired by Flagship are comprised of $16.3 million in cash, over 11,000 net undeveloped acres of petroleum and natural gas rights and a producing natural gas property. The producing property is located approximately 50 kilometers southeast of Edmonton near Tofield, Alberta. There are four (3.75 net) Mannville gas wells on the property, three (2.75 net) of which are currently producing approximately 1.1 MMcf/d net to Insignia. The fourth well is expected to be on production in the third quarter. Additional drilling locations have been identified on Insignia held lands.

Total revenues for Insignia for the year ended December 31, 2007 were approximately $1.5 million (three months ended March 31, 2008 - $757,000).

Lease operating and transportation expenses for the corresponding periods were approximately $299,000 for 2007 and $162,000 for 2008.

Financial Advisors

Sayer Energy Advisors is acting as financial advisor to Flagship and has provided the Board of Directors of Flagship with their oral opinion, subject to review of the final form of documents effecting the Arrangement, that the consideration offered pursuant to the Arrangement is fair, from a financial point of view, to the holders of Flagship Class A Shares and Flagship Class B Shares. In addition, Sayer Energy Advisors will be providing a written fairness opinion for inclusion in the joint management information circular to be mailed to the shareholders of Flagship and Insignia.

GMP Securities L.P. is acting as financial advisor to Insignia with respect to the Arrangement.

Flagship will apply for an exemption from the sponsorship requirements of the Exchange. No guarantee can be provided that such exemption will be granted.

Arrangement Agreement

The Arrangement Agreement contains customary provisions, including non-solicitation covenants by Flagship, right to match by Insignia any superior proposals and a non-completion fee payable in certain circumstances by Flagship.

Subject to certain exceptions, the Board of Directors of Flagship have agreed that they will not solicit or initiate discussions or negotiations with any third party for any business combination involving Flagship, and under defined circumstances, Flagship has agreed to a non-completion fee of up to $750,000.

Conditions Precedent to Closing the Arrangement

The Arrangement is subject to customary closing conditions including: (i) regulatory and Exchange approvals; (ii) requisite court order approving the Arrangement; (iii) approval of 66 2/3% of the votes of holders of Insignia Shares at a meeting of Insignia shareholders; (iv) approval of 66 2/3% of the votes of the holders of Flagship Class A Shares at a meeting of such shareholders and (v) approval of 66 2/3% of the votes of holders of Flagship Class B Shares at a meeting of such shareholders. A joint management information circular for the meetings of the shareholders of Insignia and Flagship is expected to be mailed to such shareholders in late June 2008 with the meeting expected to be scheduled for late July 2008. Closing of the Arrangement is expected to occur on or before July 31, 2008.

Completion of the transaction is subject to a number of conditions, including Exchange acceptance and disinterested shareholder approval. The transaction cannot close until the required shareholder approvals are obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the joint management information circular to be prepared in connection with the transaction, any information released or received with respect to the Arrangement may not be accurate or complete and should not be relied upon. Trading in securities of Flagship should be considered highly speculative.

Cautionary Statements

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in this press release are derived by converting gas to oil according to this 6 Mcf to 1 Bbl ratio.

Certain information set forth in this press release, including without limitation management's assessment of Flagship's, Insignia's and the combined company's future plans and operations and completion of the Arrangement and all related transactions, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond these parties' control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Flagship's and Insignia's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statement will transpire or occur, or if any of them do so, what benefits that work and the combined company will derive therefrom. Flagship and Insignia each disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities within the United States. The New Flagship Shares and Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold in the United States, or to a U.S. person absent registration or an applicable exemption from the registration requirements of such Act or other laws.

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/For further information: Flagship Energy Inc.: Glenn R. Carley, Executive Chairman, Telephone (403) 261-9277; Insignia Energy Inc.: Jeff Newcommon, President and CEO, Telephone (403) 536-8138/
(FG.A. FG.B.)

CO: Flagship Energy Inc.; Insignia Energy Inc.

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