SPYGLASS RESOURCES CORP. ANNOUNCES 2015 FIRST QUARTER RESULTS

All values are in Canadian dollars unless otherwise indicated. Conversion of natural gas volumes to barrels of oil equivalent (boe) are at 6:1.

Calgary, Alberta – May 13, 2015. Spyglass Resources Corp. ("Spyglass", or the "Company") (TSX: SGL, OTCQX: SGLRF) announces unaudited interim financial and operating results for the quarter ended March 31, 2015. Selected financial and operational information is outlined below and should be read in conjunction with Spyglass' interim Consolidated Financial Statements and Management's Discussion and Analysis on www.sedar.com and also available at www.spyglassresources.com.

First Quarter Summary

- Production for the first quarter of 2015 exceeded expectations averaging 11,058 boe/d, a decrease from 14,560 boe/d in the first quarter of 2014 reflecting the Company's successful 2014 asset disposition program, partially offset by the light oil and natural gas drilling and optimization program completed in 2014.
- Capital expenditures for the first quarter of 2015, were $5.6 million, including spending on the final stages of the Dixonville pipeline remediation project, maintenance capital and drilling costs for a 1 (0.1 net) non-operated well in the Herronton area.
- Operating costs for the first quarter of 2015 were $21.58 per boe, as compared to $22.31 per boe in the first quarter of 2014. Operating costs (on an absolute dollar basis) improved in the first quarter of 2015 by $7.8 million (27 percent) as compared to the same period last year, as a result of the Company's asset disposition program coupled with ongoing cost reduction initiatives.
- Cash general and administrative expenses for the first quarter 2015 were $3.00 per boe, as compared to $3.41 per boe in the first quarter of 2014. General and administrative expenses (on an absolute dollar basis) decreased by $1.5 million (33 percent) in the first quarter of 2015 as compared to the same period last year, largely achieved through staff reductions and other cost cutting initiatives undertaken to navigate the current market conditions.
- Crude oil and natural gas prices have experienced a significant decline that began in the fourth quarter of 2014 which continued through the first quarter of 2015; average realized prices are down by 51 percent for crude oil and 43 percent for natural gas as compared to the first quarter of 2014.
- Funds flow from operations for the first quarter of 2015 was $4.8 million ($0.04 per share), reflecting significantly lower commodity pricing during the quarter.
- Net debt at March 31, 2015 was $195.7 million, comprised of $182.1 million in bank debt and a $13.6 million working capital deficit. The annual review of the Company's credit facility has been extended to May 29, 2015. Spyglass will issue a press release once the review has concluded.

- Net loss for the first quarter of 2015 was $80.0 million ($0.63 per basic and diluted share) as compared to a net loss of $11.7 million ($0.09 per basic and diluted share) in the same period of 2014. The increase in net loss is primarily due to non-cash deferred tax expenses recognized in the first quarter of 2015 as a result of the write down of deferred tax assets.

Selected Financial and Operating Information

Operating	**Q1 2015**	**Q1 2014**
Average daily production		
Oil (bbls/d)	4,112	6,784
NGLs (bbls/d)	292	391
Natural Gas (Mcf/d)	39,923	44,312
Total (boe/d)	11,058	14,560
Realized prices		
Oil ($/bbl)	$44.32	$90.02
NGLs ($/bbl)	35.22	76.59
Natural Gas ($/mcf)	2.90	5.08
Total Revenue ($/boe)	$27.87	$59.46
Netback ($/boe)		
Revenue	$27.87	$59.46
Royalties	(1.71)	(10.70)
Operating expense	(21.58)	(22.31)
Transportation expense	(2.21)	(2.35)
Operating Netback[(1)]	2.37	24.10
Cash General & Administrative Expense	(3.00)	(3.41)
Realized hedging gain (loss)	7.75	(5.74)
Interest, Financing & Other	(2.26)	(2.71)
Cash netback[(1)]	$4.86	$12.24

Financial *($000)(except per share figures)*	**Q1 2015**	**Q1 2014**
Funds Flow from Operations[(1)]	$4,838	$16,026
per share	0.04	0.13
Net Income (Loss)	(79,963)	(11,697)
per share	(0.63)	(0.09)
Dividends	-	8,645
per share	-	0.0675
Capital Expenditures	5,576	17,847
Capital Expenditures (net of dispositions)	-	12,519
Net Debt[(1)]	$195,677	$307,150

Share Information (000's)	**Q1 2015**	**Q1 2014**
Common shares outstanding, end of period	127,805	128,077
Weighted average shares outstanding	127,805	128,077

(1) See Non-GAAP measures.

Outlook

Drastically lower commodity prices present a challenging business environment for the Company as 2015 progresses. Spyglass has prudently managed costs through reductions in staffing levels, renegotiating contract rates with business partners, temporary salary reductions and scaling back the capital program.

Management anticipates that the 2015 capital program coupled with the Company's relatively low 21 percent decline rate is expected to result in average production of approximately 9,000 boe/d for the year.

Subsequent to March 31, 2015, the Company and its lenders signed a notice to lenders and consent form to extend its annual review and borrowing base determination to May 29, 2015. The determination of the borrowing base incorporates factors including the Company's reserves and commodity prices which have been significantly impacted by recent global market conditions. Should the annual renewal result in a significant reduction in the borrowing base or should the credit facility or a portion thereof not be renewed on a revolving basis, this could result in significant challenges for the Company. As such, the Company has included disclosure concerning going concern uncertainty within its financial statements. Management is taking steps to manage its liquidity and is investigating alternative financing arrangements, should they be necessary. The Company continues to meet all of its obligations with respect to ongoing operations.

Our attention remains on managing the resources of the Company through a difficult commodity price environment and maintaining the capability to resume development activity as prices improve.

Risk Management Update

Spyglass uses a commodity price risk management program to mitigate the impact of crude oil and natural gas price volatility on cash flow which is intended to support the capital program. Spyglass hedges production up to 24 months forward, using a combination of fixed price and participating products. Please refer to the Company's website at www.spyglassresources.com under Investors for a detailed list of the Company's risk management contracts.

For the period of May to December of 2015, Spyglass has an average of 1,125 bbl/day of crude oil production hedged at an average fixed price of WTI CDN$99.93/bbl. In addition, Spyglass has hedged the Western Canadian Select ("WCS") oil differential at CDN$22.80/bbl for 2015 on 500 bbl/day. The company has hedged an average of 8,620 GJ/day (8,050 Mcf/day) of natural gas production at an average fixed price of $2.96/GJ ($3.17/Mcf).

Power costs are a significant driver of operating costs and as a result, the Company has hedged power usage in order to reduce operating cost volatility. Currently, 40 percent of 2015 power requirements are hedged at $51.33/MWH.

Annual General Meeting of Shareholders

Mr. Randall Findlay has chosen not to stand for re-election to Spyglass' Board of Directors ("Board") at the Company's May 13, 2015 Annual General Meeting ("AGM"). Mr. Findlay has been a valued member of the Board since its formation in March 2013. The Company would like to thank Mr. Findlay for his significant contributions to Spyglass and wish him all the best in the future.

Spyglass will hold its AGM on Wednesday, May 13, 2015 at 2:00 p.m. MT (4:00 p.m. ET). Please note the address of the AGM at the Jamieson Place Conference Centre, Jamieson Place, 3rd Floor, 308 – 4th Avenue SW, Calgary, Alberta.

A live webcast of the presentation can be accessed on Spyglass' website at www.spyglassresources.com, or by following the below link:
http://event.on24.com/r.htm?e=974127&s=1&k=9F6ED0751F708F844417847ED653BEFB.

Non-GAAP Measures

This press release includes terms commonly referred to in the oil and gas industry that are considered non-GAAP measures. These non-GAAP measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies.

"**Funds from operations**" represents cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and decommissioning expenditures.

"**Operating netbacks**" are determined by deducting royalties, operating and transportation expenses from oil and gas revenue, calculated on a per boe basis.

"**Cash netbacks**" are determined by deducting cash general and administrative, realized hedging losses, interest expense and other income from Operating netbacks, calculated on a per boe basis.

"**Net debt**" is calculated as bank debt plus working capital deficiency excluding current portion of risk management contracts.

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Reader Advisory and Note Regarding Forward Looking Information

Certain statements contained within this press release, and in certain documents incorporated by reference into this document constitute forward looking statements. These statements relate to future events or future performance. All

statements, other than statements of historical fact, may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements.

In particular, this press release contains the following forward looking statements pertaining to, without limitation, the following: Spyglass' (i) future production volumes and the timing of when additional production volumes will come on stream; Spyglass' (ii) realized price of commodities in relation to reference prices; (iii) future commodity mix; (iv) future commodity prices; (v) expectations regarding future royalty rates and the realization of royalty incentives; (vi) expectation of future operating costs on a per unit basis; (vii) the relationship of Spyglass' interest expense and the Bank of Canada interest rates; (viii) future general and administrative expenses; future development and exploration activities and the timing thereof; (ix) deferred tax liability; (x) estimated future contractual obligations; (xi) future liquidity and financial capacity of the Company; (xii) ability to raise capital and to add to reserves through exploration and development; (xiii) ability to obtain equipment in a timely manner to carry out exploration and development activities; (xiv) ability to obtain financing on acceptable terms, and (xv) ability to fund working capital and forecasted capital expenditures. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve assessments based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

We believe the expectations reflected in the forward looking statements are reasonable but no assurance can be given that our expectations will prove to be correct and consequently, such forward looking statements included in, or incorporated by reference into, this press release should not be unduly relied upon. These statements speak only as of the date of this press release or as of the date specified in the documents incorporated by reference in this press release. The actual results could differ materially from those anticipated as a result of the risk factors set forth below and elsewhere in this press release which include: (i) volatility in market prices for oil and natural gas; (ii) counterparty credit risk; (iii) access to capital; (iv) changes or fluctuations in production levels; (v) liabilities inherent in oil and natural gas operations; (vi) uncertainties associated with estimating oil and natural gas reserves; (vii) competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; (viii) stock market volatility and market valuation of Spyglass' stock; (ix)geological, technical, drilling and processing capabilities; (x) limitations on insurance; (xi) changes in environmental or legislation applicable to our operations, (xii) our ability to comply with current and future environmental and other laws; (xiii) changes in tax laws and incentive programs relating to the oil and gas industry, and (xiv) the other factors discussed under “Risk Factors” in the Company’s 2014 Annual Information Form.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this press release and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward looking statements contained in this press release speak only as of the date thereof and Spyglass does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: 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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

This press release shall not constitute an offer to sell, nor the solicitation of an offer to buy, any securities in the United States, nor shall there be any sale of securities mentioned in this press release in any State in the United States in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities law of any such State.



Q1 2015 MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") as provided by management of Spyglass Resources Corp. ("Spyglass" or the "Company") should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2015 and 2014 and the audited consolidated financial statements, related notes and Management's Discussion and Analysis for the years ended December 31, 2014 and 2013. This MD&A is dated as of May 12, 2015.

Forward Looking Statements

Certain statements contained within the MD&A, and in certain documents incorporated by reference into this document constitute forward looking statements. These statements relate to future events or future performance. All statements, other than statements of historical fact, may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements.

In particular, this MD&A contains the following forward looking statements pertaining to, without limitation, the following: Spyglass' (i) future production volumes and the timing of when additional production volumes will come on stream; Spyglass' (ii) realized price of commodities in relation to reference prices; (iii) future commodity mix; (iv) future commodity prices; (v) expectations regarding future royalty rates and the realization of royalty incentives; (vi) expectation of future operating costs on a per unit basis; (vii) the relationship of Spyglass' interest expense and the Bank of Canada interest rates; (viii) future general and administrative expenses; future development and exploration activities and the timing thereof; (ix) deferred tax liability or tax asset; (x) estimated future contractual obligations; (xi) future liquidity and financial capacity of the Company; (xii) ability to raise capital and to add to reserves through exploration and development; (xiii) ability to obtain equipment in a timely manner to carry out exploration and development activities; (xiv) ability to obtain financing on acceptable terms, and (xv) ability to fund working capital and forecasted capital expenditures. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve assessments based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

We believe the expectations reflected in the forward looking statements are reasonable but no assurance can be given that our expectations will prove to be correct and consequently, such forward looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference in this MD&A. The actual results could differ materially from those anticipated as a result of the risk factors set forth below and elsewhere in this MD&A which include: (i) volatility in market prices for oil and natural gas; (ii) counterparty credit risk; (iii) access to capital; (iv) changes or fluctuations in production levels; (v) liabilities inherent in oil and natural gas operations; (vi) uncertainties associated with estimating oil and natural gas reserves; (vii) competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; (viii) stock market volatility and market valuation of Spyglass' stock; (ix) geological, technical, drilling and processing capabilities; (x) limitations on insurance; (xi) changes in environmental or legislation applicable to our operations, and (xii) our ability to comply with current and future environmental and other laws; (xiii) changes in tax laws and incentive programs relating to the oil and gas industry, and (xiv) the other factors discussed under "Risk Factors" in the Company's 2014 Annual Information Form.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward looking statements contained in this document speak only as of the date of this document and Spyglass does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

Basis of Presentation

The financial data presented in this MD&A has been prepared in accordance with Part I of Canadian Generally Accepted Accounting Principles ("GAAP") or International Financial Reporting Standards ("IFRS") unless otherwise noted.

The reporting and the measurement currency is in Canadian dollars. For the purpose of calculating unit costs, natural gas is converted to a barrel equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The following MD&A

compares the results of the three months ended March 31, 2015 ("Q1 2015") to the three months ended March 31, 2014 ("Q1 2014") and the three months ended December 31, 2014 ("Q4 2014").

Outlook

Drastically lower commodity prices present a challenging business environment for the Company as 2015 progresses. Spyglass has prudently managed costs through reductions in staffing levels, renegotiating contract rates with business partners, temporary salary reductions and scaling back the capital program.

Management anticipates that the 2015 capital program coupled with the Company's relatively low 21 percent decline rate is expected to result in average production of approximately 9,000 boe/d for the year.

Subsequent to March 31, 2015, the Company and its lenders signed a notice to lenders and consent form to extend its annual review and borrowing base determination to May 29, 2015. The determination of the borrowing base incorporates factors including the Company's reserves and commodity prices which have been significantly impacted by recent global market conditions. Should the annual renewal result in a significant reduction in the borrowing base or should the credit facility or a portion thereof not be renewed on a revolving basis, this could result in significant challenges for the Company. As such, the Company has included disclosure concerning going concern uncertainty within its financial statements. Management is taking steps to manage its liquidity and is investigating alternative financing arrangements, should they be necessary. The Company continues to meet all of its obligations with respect to ongoing operations.

Our attention remains on managing the resources of the Company through a difficult commodity price environment and maintaining the capability to resume development activity as prices improve.

Non-GAAP Measurements

In the MD&A references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share, netbacks, net debt, working capital deficit, basic payout ratio and all-in payout ratio are not defined by GAAP and are referred to as non-GAAP measures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Operating netback equals total revenue net of royalties and operating and transportation expenses calculated on a per boe basis. Cash flow netback equals operating netbacks described above and cash portion of other income, less cash general and administrative expenses, cash interest expenses and realized gain (loss) on financial derivative instruments. Cash flow and cash flow netbacks do not include transaction costs related to the Arrangement. Working capital (deficit) equals current assets less current liabilities. Net debt equals long-term debt and working capital (deficit) excluding the current portion of financial derivative instruments and liabilities associated with assets held for sale. The basic payout ratio equals dividends declared divided by funds from operations. The all-in payout ratio equals dividends declared and capital expenditures (net of property dispositions) divided by funds from operations. Management utilizes these measures to analyze operating performance and leverage. Funds from operations is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations is commonly referred to as cash flow by research analysts and is used to value and compare oil and gas companies and is frequently included in published research when providing investment recommendations. Total boes are calculated by multiplying the average daily production by the number of days in the period.

The following table reconciles cash flow from operating activities to funds from operations which is used in the MD&A:

($000s)	**Q1 2015**	Q1 2014	Q4 2014
Cash flow from operating activities	**$ 9,754**	$ 10,342	$ 8,938
Decommissioning expenditures	**1,092**	2,371	3,146
Change in non-cash working capital	**(6,008)**	3,313	(201)
Funds from operations	**$ 4,838**	$ 16,026	$ 11,883

Production

The Company categorizes and manages its production in three core areas: North, Central and South with a breakdown of production by product and by area provided in the following tables. Total company production for Q1 2015 averaged 11,058 boe/d compared to 14,560 in Q1 2014 and 12,666 in Q4 2014.

Production in Q1 2015 was lower than both Q1 2014 and Q4 2014 as a result of property dispositions throughout 2014, the most significant of which was the 50% working interest disposition of the Dixonville property located in the North core area, effective January 1, 2015, which reduced Q1 2015 production by approximately 1,100 boe/d. Despite significant dispositions in the prior year, the Company was able to maintain production of just over 11,000 boe/d in Q1 2015 incorporating additions from the 2014 drilling program, offset by natural production declines and the impact of wells experiencing production outages that were not brought back on stream given longer payback periods in the current commodity price environment.

Capital expenditures in the quarter were limited to maintenance capital and 1 gross (0.1 net) non-operated oil well drilled in the Herronton area, which is expected to come on production in the second quarter.

Oil and liquids production in Q1 2015 represented 40% of total production at 4,404 bbls/d compared to 7,175 bbls/d or 49% in Q1 2014 and 5,669 bbls/d or 45% in Q4 2014. The majority of the decrease in the oil and liquids weighting is, once again, due to the Dixonville disposition, which was heavily weighted to oil and liquids.

Natural gas production for Q1 2015 averaged 39.9 MMcf/d, a decrease of 4.4 MMcf/d or 10% from 44.3 MMcf/d in Q1 2014 and a decrease of 2.1 MMcf/d or 4% from Q4 2014. The decrease in natural gas production primarily relates to property dispositions in 2014 along with natural production declines.

For 2015, incorporating the Company's low decline rate and the capital budget, which is flexible to changes in commodity pricing, production is anticipated to average approximately 9,000 boe/d.

The following table outlines production volumes for the periods indicated below:

Production	**Q1 2015**	Q1 2014	Q4 2014
Oil (bbls/d)	**4,112**	6,784	5,389
NGLs (bbls/d)	**292**	391	280
Natural Gas (Mcf/d)	**39,923**	44,312	41,981
Total (boe/d)	**11,058**	14,560	12,666
Oil & Liquids weighting	**40%**	49%	45%

The following table sets out production volumes by core area:

	Q1 2015	Q1 2014	Q4 2014
North			
Oil (bbls/d)	**1,598**	3,727	2,589
NGLs (bbls/d)	**100**	176	78
Natural Gas (Mcf/d)	**23,437**	28,125	24,215
Total (boe/d)	**5,604**	8,590	6,703
Central			
Oil (bbls/d)	**515**	580	631
NGLs (bbls/d)	**77**	84	81
Natural Gas (Mcf/d)	**4,266**	4,539	4,502
Total (boe/d)	**1,303**	1,421	1,462
South			
Oil (bbls/d)	**1,999**	2,477	2,169
NGLs (bbls/d)	**115**	131	121
Natural Gas (Mcf/d)	**12,220**	11,648	13,264
Total (boe/d)	**4,151**	4,549	4,501
Total Company			
Oil (bbls/d)	**4,112**	6,784	5,389
NGLs (bbls/d)	**292**	391	280
Natural Gas (Mcf/d)	**39,923**	44,312	41,981
Total (boe/d)	**11,058**	14,560	12,666
Oil & Liquids weighting	**40%**	49%	45%

Commodity Pricing

The principal trading exchange that affects Spyglass' oil price is the US benchmark West Texas Intermediate at Cushing, Oklahoma ("WTI") spot price. The US WTI is the basis for settling of the Edmonton Par benchmark to which most of Spyglass' crude is benchmarked.

The average Q1 2015 US WTI price of $48.64 US/bbl ($60.37 CDN/bbl) was drastically lower than the $98.68 US/bbl ($108.89 CDN/bbl) averaged in Q1 2014 and the $73.15 US/bbl ($83.08 CDN/bbl) averaged in Q4 2014 as a result of global crude oil market conditions. The decline in Q1 2015 CDN WTI pricing from Q1 2014 and Q4 2014 incorporates the favourable exchange rate movement from 0.906 US/CDN in Q1 2014 to 0.881 US/CDN in Q4 2014 and 0.806 US/CDN in Q1 2015.

Spyglass' corporate differential incorporates its portfolio of oil sold through multiple crude oil streams reflecting differentials adjusted for quality and transportation. Differentials can vary widely for all crude oil streams depending on market conditions. For Spyglass' crude oil streams, the realized prices across the quarters were $44.32 CDN/bbl in Q1 2015, compared to $90.02 CDN/bbl in Q1 2014 and $66.21 CDN/bbl in Q4 2014. As a percentage of CDN WTI the corporate differential was 27% in Q1 2015, 17% in Q1 2014 and 20% in Q4 2014.

Canadian natural gas prices remain volatile, with sharp declines from the prior year. The Alberta daily spot natural gas price average in Q1 2015 of $2.75/Mcf has markedly deteriorated from the $5.71/Mcf AECO daily in Q1 2014 and the Q4 2014 price of $3.60/Mcf. Spyglass sells gas on a blend of both the AECO monthly and daily index. In Q1 2015, the Company sold approximately 49% on the AECO daily index, 48% on the monthly index and 3% through aggregators, resulting in a realized natural gas price of $2.90/Mcf. This compares to $5.08/Mcf received in Q1 2014 and $3.82/Mcf in Q4 2014. The heat content of Spyglass' natural gas production is slightly above the industry average used in the benchmark $/Mcf prices and therefore realized prices are expected to be slightly higher than the Spyglass weighted average sales for natural gas on the AECO Alberta daily and Alberta monthly indices.

Spyglass' NGL production represents approximately 3-4 percent of production mix and consists of Ethane, Propane, Butane and Condensate. Pricing of NGL's is sensitive to the specific product produced and can vary from period to period depending on the mix of NGL production. In Q1 2015, overall realized NGL price averaged $35.22/bbl or 58% of CDN$ WTI compared to $76.59/bbl or 70% of CDN$ WTI in Q1 2014 and $50.61/bbl or 61% of CDN$ WTI in Q4 2014.

The following table outlines benchmark prices compared to Spyglass' realized prices:

Prices and Marketing	Q1 2015	Q1 2014	Q4 2014
Benchmark Prices[1]			
WTI Oil ($US/bbl)	**$ 48.64**	$ 98.68	$ 73.15
US/CDN average exchange rate	**0.806**	0.906	0.881
WTI Oil ($CDN/bbl)	**60.37**	108.89	83.08
Edmonton Par ($/bbl)	**51.94**	99.83	75.69
Alberta daily spot ($/Mcf)	**2.75**	5.71	3.60
Alberta monthly ($/Mcf)	**$ 2.95**	$ 4.75	$ 4.01
Spyglass' Realized Prices			
Oil ($/bbl)	**$ 44.32**	$ 90.02	$ 66.21
NGLs ($/bbl)	**35.22**	76.59	50.61
Combined Oil & NGLs ($/bbl)	**43.72**	89.28	65.44
Natural gas ($/Mcf)	**2.90**	5.08	3.82
Total ($/boe)	**$ 27.87**	$ 59.46	$ 41.95

[1] Natural gas benchmark prices are from the Canadian Gas Price Reporter with the price per GJ converted to Mcf at 1.0546. Oil benchmark prices are the volume weighted average of the Net Energy and TMX indexes.

Financial Derivative Instruments

As part of its risk management program, Spyglass has entered into financial derivative contracts for a portion of its oil and natural gas production to assist with managing the volatility of crude oil and natural gas prices. Financial derivative contracts for natural gas are generally structured to reference an AECO monthly index for settlement. This index approximates the realized price received by the Company for the physical natural gas sold. The Company's financial derivative contracts for crude oil are generally structured to reference a WTI Canadian or WTI U.S. dollar price for settlement. The settlement price for these contracts may vary significantly from the realized crude oil price received for the physical sale of the Company's crude oil, as the WTI derivative contracts do not incorporate differentials associated with the Company's multiple crude oil streams where the price received for physical volumes is adjusted for both quality and transportation. Derivative contracts for the differentials between WCS and WTI are entered into for a portion of the Company's physical crude oil sales as WCS provides a stronger correlation to the Company's realized price.

The following table summarizes financial derivatives outstanding as at March 31, 2015 and December 31, 2014 and their estimated fair value:

Commodity risk management contracts					**Fair Value as at**	
Instrument	Period	Price	Reference	Quantity	**March 31, 2015**	December 31, 2014
Crude Oil Contracts						
Swap	Jan 1, 2015 - Mar 31, 2015	$96.20	CDN$ WTI	500 bbl/d	**$ -**	$ 1,504
Swap	Jan 1, 2015 - Mar 31, 2015	$96.50	CDN$ WTI	500 bbl/d	**-**	1,517
Swap	Jan 1, 2015 - Jun 30, 2015	$98.40	CDN$ WTI	500 bbl/d	**1,609**	3,112
Swap	Jan 1, 2015 - Dec 31, 2015	-$22.80	CDN$ WCS [(1)]	500 bbl/d	**(780)**	(739)
Swap	Jan 1, 2015 - Dec 31, 2015	$101.15	CDN$ WTI	500 bbl/d	**4,722**	6,328
Swap	Apr 1, 2015 - Dec 31, 2015	$99.10	CDN$ WTI	500 bbl/d	**4,446**	4,342
					$ 9,997	$ 16,064
Natural Gas Contracts						
Swap	Jan 1, 2015 - Mar 31, 2015	$3.7625	CDN$ GJ	2,000 GJ/d	**$ -**	$ 174
Swap	Jan 1, 2015 - Mar 31, 2015	$4.10	CDN$ GJ	3,000 GJ/d	**-**	352
Swap	Jan 1, 2015 - Mar 31, 2015	$4.14	CDN$ GJ	2,000 GJ/d	**-**	242
Swap	Jan 1, 2015 - Jun 30, 2015	$4.2025	CDN$ GJ	3,000 GJ/d	**458**	836
Swap	Apr 1, 2015 - Dec 31, 2015	$2.9400	CDN$ GJ	3,000 GJ/d	**258**	-
Swap	Apr 1, 2015 - Dec 31, 2015	$2.8450	CDN$ GJ	3,000 GJ/d	**180**	-
					$ 896	$ 1,604
Total					**$ 10,893**	$ 17,668

[(1)] Fixed $ WCS versus WTI

Interest rate risk management contract					**Fair Value as at**	
Instrument	Period	Notional Amount	Reference	Fixed Interest Rate	**March 31, 2015**	December 31, 2014
Swap	Jan 14, 2014 - Jan 14, 2016	$75,000,000	CAD-BA-CDOR	1.281%	**(257)**	34
Total					**$ (257)**	$ -

The following table summarizes the impact on net income (loss) for the financial derivative instrument contracts throughout the periods:

Financial Derivative Instruments	Q1 2015	Q1 2014	Q4 2014
(000s)			
Realized gain (loss)			
Oil	**$ 6,598**	$ (5,321)	$ 2,307
Gas	**1,142**	(2,211)	(463)
Interest	**(26)**	8	6
Total	**$ 7,714**	$ (7,524)	$ 1,850
Unrealized gain (loss)			
Oil	**$ (6,067)**	$ (4,123)	$ 18,912
Gas	**(708)**	(5,161)	2,655
Interest	**(291)**	(16)	28
Total	**$ (7,066)**	$ (9,300)	$ 21,595
Realized gain (loss)			
Oil ($/bbl)	**$ 17.83**	$ (8.72)	$ 4.65
Gas ($/Mcf)	**0.32**	(0.55)	(0.12)
Interest ($/boe)	**(0.03)**	0.01	0.01
Total ($/boe)	**$ 7.75**	$ (5.74)	$ 1.59
Unrealized gain (loss)			
Oil ($/bbl)	**$ (16.39)**	$ (6.75)	$ 38.14
Gas ($/Mcf)	**(0.20)**	(1.29)	0.69
Interest ($/boe)	**(0.29)**	(0.01)	0.02
Total ($/boe)	**$ (7.10)**	$ (7.10)	$ 18.53

Subsequent to March 31, 2015, Spyglass has entered into the following derivative commodity contract:

- An AECO natural gas swap contract for 3,000 GJ/d for the period June 1, 2015 to October 31, 2015 with a fixed price of $2.66 CAD/GJ.

Petroleum and Natural Gas Sales

Petroleum and natural gas sales totalled $27.7 million for Q1 2015 compared to $77.9 million for Q1 2014 and $48.9 million for Q4 2014. Oil and liquids sales decreased $40.3 million from Q1 2014 with $22.3 million due to lower prices and $18.0 million due to lower production volumes. Natural gas sales decreased $9.9 million in Q1 2015 compared to Q1 2014 with $7.9 million due to lower natural gas prices and by $2.0 million related to lower production volumes.

Compared to Q4 2014, petroleum and natural gas sales decreased $21.1 million, with oil and liquids accounting for $16.8 million of the decrease and natural gas sales down $4.3 million. Oil and liquids sales reflect an $8.6 million decrease on account of lower pricing and an $8.2 million decrease due to lower production. Natural gas sales were down $3.3 million as a result of lower pricing and an additional $1.0 million as a result of decreased production.

The following table outlines petroleum and natural gas sales for the periods indicated below:

Petroleum and Natural Gas Sales (000s)	Q1 2015	Q1 2014	Q4 2014
Oil	**$ 16,402**	$ 54,954	$ 32,828
NGLs	**925**	2,698	1,304
Natural Gas	**10,406**	20,265	14,752
Total	**$ 27,733**	$ 77,917	$ 48,884

Royalties

Royalty payments are made by producers of oil and natural gas to the owners of the mineral rights on leases that include provincial governments (Crown) and freehold landowners as well as to other third parties by way of contractual overriding royalties. Royalties are sensitive to both pricing and production and will fluctuate accordingly.

Spyglass' Q1 2015 overall effective royalty rate for all products as a percentage of petroleum and natural gas sales was 6.1%, a significant decrease from the rate of 18.0% in Q1 2014 and 17.8% in Q4 2014. The percentage decrease in royalties compared to Q1 2014 and Q4 2014 is the result of significant reductions in oil and natural gas prices in the quarter, thereby reducing royalty percentages which are paid on a sliding scale. Additional reductions in the royalty rate are due to revenue from natural gas comprising a larger portion of petroleum and natural gas sales, with natural gas royalties, in general, having lower royalty percentages than oil.

Gross overriding and other royalties averaged approximately 3-4% of petroleum and natural gas sales for Q1 2015, consistent with Q1 2014 and Q4 2014. As a percentage of total royalties paid, gross overriding royalties for Q1 2015 accounted for 44% of the total compared to 20% in Q1 2014 and 18% in Q4 2014. Gross overriding and other royalties are generally at a fixed rate versus crown royalties which are based on a sliding scale and therefore, comprise a greater percentage of royalties as prices decrease.

The following tables outline royalties by type:

Royalties by Type (000s)	**Q1 2015**	Q1 2014	Q4 2014
Crown	**$ 962**	$ 11,275	$ 7,140
Gross overriding and other	**742**	2,750	1,580
	$ 1,704	$ 14,025	$ 8,720
$/boe	**$ 1.71**	$ 10.70	$ 7.48
% of Petroleum & natural gas sales	**6.1%**	18.0%	17.8%

Operating Expenses

Operating expenses totalled $21.5 million or $21.58/boe for Q1 2015 compared to $29.2 million or $22.31/boe in Q1 2014 and $22.3 million or $19.11/boe in Q4 2014.

Operating costs for Q1 2015 were lower than Q1 2014 by $7.8 million on an absolute dollar basis and by $0.73 on a per boe basis. The reduction in absolute dollar costs is the result of property dispositions in 2014, along with cost reduction initiatives implemented by the Company in response to the decrease in commodity prices. Cost reduction initiatives include restructuring our field operations, minimizing maintenance costs to bring production back on stream given long payback periods for funds expended and seeking cost savings from service providers. The reduction of operating costs on a per boe basis is less dramatic than the absolute dollar decrease due primarily to the fixed component of operating expenses. Q1 2015 operating costs were lower than Q4 2014 by $0.8 million on an absolute dollar basis, but higher by $2.47 on a per boe basis. The absolute dollar decrease reflects reduced production resulting from 2014 property dispositions and cost reduction initiatives, partially offset by increased operating costs associated with seasonal maintenance work performed in Q1 2015. Seasonal maintenance, incorporating maintenance undertaken in winter access only areas, as well as the fixed component of operating costs account for the increase in operating cost on a per boe basis from Q4 2014.

The following table summarizes the Company's operating expenses:

Operating Expenses	**Q1 2015**	Q1 2014	Q4 2014
(000s)	**$ 21,478**	$ 29,235	$ 22,274
$/boe	**$ 21.58**	$ 22.31	$ 19.11

Transportation Expenses

Transportation expenses totalled $2.2 million or $2.21/boe for Q1 2015 compared to $3.1 million or $2.35/boe for Q1 2014 and $2.2 million or $1.87/boe in Q4 2014. Transportation costs are incurred for clean oil trucking and for oil and gas pipeline tariffs where tolls are paid directly to third parties.

Clean oil trucking charges relate primarily to the Dixonville property since the majority of the Company's other properties are tied into sales pipelines, although the Company does incur some clean oil trucking charges in Matziwin in its South core area. Total oil transportation charges per boe in the current quarter reflect the Dixonville disposition as well as trucking oil to alternative locations due to third party pipeline capacity limitations, which were resolved by the end of the quarter.

Spyglass pays tariffs on its natural gas volumes transported through third party pipelines and has entered into firm transportation commitments for a portion of those volumes; refer to "contractual obligations" section.

The following table details the Company's transportation expenses:

Transportation Expenses	**Q1 2015**	Q1 2014	Q4 2014
(000s)			
Oil	**$ 1,321**	$ 2,124	$ 1,401
Gas	**879**	961	782
Total	**$ 2,200**	$ 3,085	$ 2,183
Oil ($/bbl)	**$ 3.57**	$ 3.48	$ 2.83
Gas ($/Mcf)	**0.24**	0.24	0.20
Total ($/boe)	**$ 2.21**	$ 2.35	$ 1.87

Finance Expenses

Interest expenses include interest on Spyglass' operating line of credit. Interest expenses totalled $2.3 million in Q1 2015, lower than the $3.6 million interest expense in Q1 2014 and the $3.8 million in Q4 2014. The lower interest expense is due to the significant reduction in average bank borrowings throughout the quarter reflecting property dispositions that occurred in Q4 2014.

The effective interest rate for Q1 2015 was 5.0%, compared to 4.8% in Q1 2014 and 5.5% in Q4 2014.

Accretion expense on decommissioning liabilities was $1.4 million in Q1 2015, consistent with Q1 2014 and Q4 2014.

The following table details the Company's finance expenses:

Finance Expenses	**Q1 2015**	Q1 2014	Q4 2014
(000s)			
Interest	**$ 2,257**	$ 3,631	$ 3,844
Accretion	**1,392**	1,420	1,403
Total	**$ 3,649**	$ 5,051	$ 5,247
($/boe)			
Interest	**$ 2.27**	$ 2.77	$ 3.30
Accretion	**1.40**	1.08	1.20
Total ($/boe)	**$ 3.67**	$ 3.85	$ 4.50

General and Administration Expenses

In Q1 2015 general and administration ("G&A") expenses totalled $3.0 million, lower than $4.5 million incurred in Q1 2014 and consistent with the $3.0 million incurred in Q4 2014. Decreases in G&A from Q1 2014 are primarily the result of reductions in staffing levels throughout 2014 and to date in 2015.

The largest portion of G&A is comprised of salaries and benefits and, as such, future G&A will depend on staff levels along with reorganization costs and changes to salaries and bonus incentives. As a response to current oil and natural pricing, the Company has implemented further G&A cost reduction initiatives which included further cuts in staffing, temporary salary reductions, subletting surplus office space, minimizing discretionary expenses and working with vendors to reduce costs. Considering the implementation of these initiatives and changes in staffing related to the 2014 sale of non-core assets, the Company expects a 26% reduction in annual Cash G&A to approximately $12 million from $16.2 million in 2014.

The following table summarizes the Company's G&A expenses:

General and Administration Expenses	**Q1 2015**	Q1 2014	Q4 2014
(000s)	**$ 2,982**	$ 4,464	$ 2,952
$/boe	**$ 3.00**	$ 3.41	$ 2.53

Long-term Incentive Plan

The Company's long-term incentive plan ("LTIP") for employees and management includes a combination of two types of share based awards depending on roles and responsibilities within the organization: restricted share units ("RSUs") and performance share units ("PSUs"). RSUs vest evenly over a three year period. PSUs vest three years from the date of grants and the awards granted are subject to a multiplier ranging from 0 to 2 based on the performance of Spyglass on a total return basis compared to a selected peer group. The Company also grants director restricted share units ("DRSU") to non-management directors of the organization. DRSUs vest three years from the date of grant. RSUs, PSUs and DRSUs are to be settled in cash, based on the share price at the time of vesting. The number of share equivalent units at the time of vesting increases commensurately with each dividend declared by the Company after the grant date. During the three months ended March 31, 2015, the Company granted an additional 10,734 RSUs. As at March 31, 2015, incorporating forfeitures and settlements in the period, 2,276,961 RSUs, 1,963,504 PSUs and 371,110 DRSUs were outstanding.

The Company accounts for its LTIP using the fair value method, which includes revaluing to market value at the end of each period. Under this method, a compensation expense is charged over the vesting period. As such, LTIP expense fluctuates with the number of RSUs, PSUs and DRSUs outstanding and share prices at the end of the period.

The following table summarizes the Company's LTIP expense:

Long-term Incentive Plan Expense	**Q1 2015**	Q1 2014	Q4 2014
(000s)	**$ 48**	$ 487	$ (1,214)
$/boe	**$ 0.05**	$ 0.37	$ (1.04)

Depletion, Depreciation and Impairments

For Q1 2015, depletion, depreciation and impairments ("D&D") was $13.8 million compared to $21.5 million for Q1 2014 and $132.0 million for Q4 2014.

The Q1 2015 D&D rate before impairment of $13.87/boe was lower than the rate of $14.64/boe in Q1 2014 and the rate of $16.20/boe in Q4 2014 mostly due to a decrease in the depletable asset base as a result of impairments recognized in Q4 2014 and the disposition of a 50% working interest of the Dixonville property. Additionally, the pre-impairment D&D rate per boe fluctuates with land expiries, with Q1 2015 including $1.77/boe of lands expiries versus $0.56/boe in Q1 2014 and $1.97/boe in Q4 2014. The pre-impairment D&D rates are subject to change based on reserve updates, the timing of land expiries, depreciation of certain workover projects, and changes in production by area.

The Q4 2014 impairment charge of $113.1 million was triggered by a significant drop in forecasted crude oil and natural gas prices for 2014 and beyond and resulted in the Company recording impairments of property, plant and equipment in the North Gas, Central, North Oil and Dixonville cash generating units. Impairment charges recognized could be reversed in future periods should forward commodity prices recover.

The components of D&D are as follows:

Depletion, depreciation and impairments	**Q1 2015**	Q1 2014	Q4 2014
(000s)			
Depletion & depreciation	**$ 13,801**	$ 19,190	$ 18,879
Impairment	**-**	2,318	113,092
Total	**$ 13,801**	$ 21,508	$ 131,971
($/boe)			
Depletion & depreciation	**$ 13.87**	$ 14.64	$ 16.20
Impairment	**-**	1.77	97.05
Total	**$ 13.87**	$ 16.41	$ 113.25

Environmental Liabilities and Insurance Receivable

Dixonville

On April 30 and May 1, 2014, Spyglass responded to two pipeline leaks in its operations at Dixonville. Containment and cleanup operations commenced within hours of the pipelines being shutoff. Both incidents fall within the Company's insurance coverage subject to a $0.5 million deductible per incident. The Company has chosen to sustain clean-up and remediation costs for one of the incidents which are estimated to be $0.5 million and has filed for insurance coverage for the clean-up and remediation costs for the second incident which are estimated to total $4.5 million. The Company has received $2.0 million of insurance proceeds to March 31, 2015. As of March 31, 2015, $3.6 million of clean-up and remediation costs have been paid with a further $0.2 million recorded in accrued liabilities for work performed to March 31, 2015 and $0.7 million accrued in other liabilities for future costs expected to be incurred.

Rainbow

On May 19, 2012, Spyglass was made aware of a breach in an above-ground section of wellhead piping that resulted in a temporary release of an estimated 800 cubic meters of oil in the Rainbow Lake area of Northern Alberta. This incident falls within the Company's insurance coverage and total estimated clean-up and remediation costs are expected to be $23.9 million. The Company has received $21.1 million of insurance proceeds to March 31, 2015. The Company has paid $22.0 million in clean-up and remediation costs as at March 31, 2015 with a further $1.9 million accrued in other liabilities for future costs expected to be incurred.

Insurance Receivable

Spyglass has recorded $4.7 million in accounts receivable for insurance receivable as at March 31, 2015. Spyglass has evaluated the credit worthiness of its insurance providers and concluded it to be adequate. The receivable balance is attributed to expenditures incurred for which reimbursement is pending and as well as for future costs expected to be incurred.

Other Income

Q1 2015 other income is nil. Q1 2014 and Q4 2014 other income consisted primarily of non-cash gains and losses on property dispositions as well as cash seismic data sales.

The following is a breakdown of other income:

Other Income	Q1 2015	Q1 2014	Q4 2014
(000s)			
Cash other income	**$ -**	$ 73	$ 1,204
Non-cash other income (loss)	**-**	1,118	(21,409)
Total	**$ -**	$ 1,191	$ (20,205)
($/boe)			
Cash other income	**$ -**	$ 0.06	$ 1.03
Non-cash other income (loss)	**-**	0.85	(18.37)
Total	**$ -**	$ 0.91	$ (17.34)

Deferred Taxes

Spyglass recorded deferred taxes of $62.5 million in Q1 2015 compared to a recovery of $3.9 million in Q1 2014 and an expense of $20.7 million in Q4 2014. The difference between the Q1 2015 expected rate of 25.0% and the effective rate relates primarily to the derecognition of $66.8 million of deferred tax assets. As at March 31, 2015, the Company has $883 million of tax pools available for deduction against future taxable income for which no deferred tax asset has been recognized.

Funds from Operations and Net Loss

For Q1 2015, funds from operations totalled $4.8 million, $0.04 per basic and diluted share compared to $16.0 million, $0.13 per basic and diluted share in Q1 2014 and $11.9 million or $0.09 per basic and diluted share in Q4 2014.

For Q1 2015, funds from operations decreased $11.2 million from Q1 2014. Operating netbacks at $2.37 per boe in Q1 2015 were $21.73 per boe lower than $24.10 per boe in Q1 2014. This drop incorporates a $31.59 per boe decline in sales price resulting from the significant decline in commodity prices. This along with a lower percentage of production weighted toward crude oil and liquids contributed to a $31.4 million decrease in field cash flows. Decreased production volumes contributed to a further decrease in field cash flows of $18.7 million. These reductions were offset by lower royalties and operating expenses of $12.3 million and $7.8 million respectively and higher gains on financial derivative instruments of $15.2 million.

Compared to Q4 2014, funds from operations decreased $7.0 million in Q1 2015 reflecting a $21.2 million decrease in revenues due mostly due to reduced commodity pricing, a lower weighting to crude oil and liquids and lower production volumes. This was offset by lower royalties of $7.0 million, lower operating expenses of $0.9 million, lower financing charges of $1.6 million and higher realized gains on financial derivative instruments of $5.9 million.

For Q1 2015, the Company had a net loss of $80.0 million or $0.63 per basic and diluted share compared to a net loss of $11.7 million in Q1 2014 or $0.09 per basic and diluted share and a net loss of $140.8 million in Q4 2014 or $1.10 per basic and diluted share. Compared to Q1 2014, the increase in net loss is primarily due to deferred tax expenses recognized in Q1 2015 as a result of the derecognition of deferred tax assets. The decrease in net loss from $140.8 million in Q4 2014 to $80.0 million in Q1 2015 was largely driven by impairment charges recognized in Q4 2014.

The following table summarizes the net income on a boe basis for the periods indicated:

($/boe)	**Q1 2015**	Q1 2014	Q4 2014
Sales price	**$ 27.87**	$ 59.46	$ 41.95
Royalties	**(1.71)**	(10.70)	(7.48)
Operating expenses	**(21.58)**	(22.31)	(19.11)
Transportation expenses	**(2.21)**	(2.35)	(1.87)
Operating netback	**$ 2.37**	$ 24.10	$ 13.49
Other non-cash expenses	**0.01**	-	(0.07)
Cash other income (expense)	**-**	0.06	1.03
Realized gain (loss) on financial derivative instruments	**7.75**	(5.74)	1.59
G&A	**(3.00)**	(3.41)	(2.53)
Interest	**(2.27)**	(2.77)	(3.30)
Cash flow netback	**$ 4.86**	$ 12.24	$ 10.21
Unrealized gain (loss) on financial derivative instruments	**(7.10)**	(7.10)	18.53
Other non-cash expenses	**(0.01)**	-	0.07
Non-cash other income (expense)	**-**	0.85	(18.37)
Depletion, depreciation and impairment	**(13.87)**	(16.41)	(113.25)
Accretion	**(1.40)**	(1.08)	(1.20)
Transaction costs	**-**	-	-
Long-term incentive compensation	**(0.05)**	(0.37)	1.04
Deferred taxes	**(62.78)**	2.96	(17.80)
Net income (loss)	**$ (80.35)**	$ (8.91)	$ (120.77)

The following table provides reconciliations to the change in funds from operations and net income for Q1 2015 to Q1 2014 and for Q1 2015 to Q4 2014.

Change in Funds from Operations and Net Income (loss) (000s)	Q1 2015 to Q1 2014		Q1 2015 to Q4 2014	
	Funds from Operations	Net income / (loss)	**Funds from Operations**	Net income / (loss)
Comparative period	**$ 16,026**	$ (11,697)	**$ 11,883**	$ (140,753)
Increase (decrease) in revenue:				
Change in production volumes	**(18,743)**	(18,743)	**(7,136)**	(7,136)
Change in prices	**(31,441)**	(31,441)	**(14,015)**	(14,015)
Change in royalties	**12,321**	12,321	**7,016**	7,016
(Increase) decrease in expenses:				
Operating	**7,769**	7,757	**890**	796
Transportation	**885**	885	**(17)**	(17)
Finance charges	**1,374**	1,402	**1,587**	1,598
General and administration	**1,482**	1,482	**(30)**	(30)
Long-term incentive compensation	**-**	439	**-**	(1,262)
Depletion, depreciation and impairment	**-**	7,707	**-**	118,170
Deferred tax	**-**	(66,356)	**-**	(41,738)
Transaction costs	**-**	-	**-**	-
Increase (decrease) in:				
Other income	**(73)**	(1,191)	**(1,204)**	20,205
Gains (losses) on financial derivative instruments	**15,238**	17,472	**5,864**	(22,797)
Current period	**$ 4,838**	$ (79,963)	**$ 4,838**	$ (79,963)

Capital Expenditures

Capital expenditures in Q1 2015 totalled $5.6 million with $2.0 million spent on drilling, completion, maintenance and optimization activities, $2.6 million on facilities, pipelines, equipping and tie-ins including the finalization of pipeline integrity activities in Dixonville, $0.9 million on office costs which was substantially capitalized G&A, and the remaining $0.1 million on land and seismic. The majority of the capital spend focused on maintenance activities as well as the conclusion of pipeline remediation activities at Dixonville which commenced in 2014, the tie-in of 2 gross (2 net) wells that were drilled in Q4 2014 and the drilling and completion of 1 gross (0.1 net) non-operated well in the Herronton area.

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

Capital Expenditures (000s)	Q1 2015	Q1 2014	Q4 2014
Land	**$ 53**	$ 224	$ 153
Geological and geophysical	**11**	111	569
Drilling and completions	**2,048**	13,521	4,653
Facilities and equipment	**2,566**	2,547	8,885
Office and capitalized G&A	**898**	1,444	945
Capital Expenditures	**$ 5,576**	$ 17,847	$ 15,205
Acquisitions	**-**	-	-
Dispositions	**-**	(5,328)	(110,935)
Total capital expenditures and acquistions net of dispostions	**$ 5,576**	$ 12,519	$ (95,730)
Exploration and evaluation expenditures	**$ 145**	$ 196	$ (5)
Property, plant and equipment expenditures	**5,431**	12,323	(95,725)
Total capital expenditures and acquisitions net of dispositions	**$ 5,576**	$ 12,519	$ (95,730)

Spyglass has approximately 414,000 net acres of undeveloped land under lease at March 31, 2015.

Equity

On December 18, 2014, the TSX accepted the Company's notice to make a normal course issuer bid to purchase its outstanding common shares on the open market. The TSX authorized the Company to purchase up to 12,460,689 common shares during the period from December 22, 2014 to December 21, 2015. Shares purchased under the bid will be cancelled. During 2014, there were 272,000 shares purchased at a weighted average cost of $0.36 per share. As the carrying value of the purchased shares was $3.86 per share, the $1.0 million difference between the carrying amount and the purchased amount was recorded as contributed surplus. Spyglass has not repurchased any further common shares up to the date of this MD&A.

The Company has no dilutive instruments outstanding.

Share Information	Q1 2015	Q1 2014	Q4 2014
Shares Outstanding			
Basic	**127,804,720**	128,076,720	127,804,720
Diluted	**127,804,720**	128,076,720	127,804,720
Weighted average shares outstanding			
Basic	**127,804,720**	128,076,720	128,061,742
Diluted	**127,804,720**	128,076,720	128,061,742

Liquidity and Capital Resources

Spyglass is listed on the Toronto Stock Exchange trading under the symbol "SGL" and trades in the over the counter market in the United States under the symbol "SGLRF". The following is a summary of the trading history for Q1 2015, Q1 2014 and Q4 2014.

Trading History on the TSX	Q1 2015	Q1 2014	Q4 2014
Trading price			
High	**$ 0.50**	$ 2.14	$ 1.40
Low	**$ 0.26**	$ 1.71	$ 0.29
Close	**$ 0.30**	$ 1.82	$ 0.33
Volume (000's)	**11,005**	19,788	27,452

On the over the counter market, 4.8 million shares were traded in Q1 2015 compared to 5.2 million shares in Q1 2014.

As at March 31, 2015, Spyglass had a $200 million revolving term credit facility with a syndicate of banks. Subsequent to March 31, 2015, the Company and its lenders signed a notice to lenders and consent form to extend its annual review and borrowing base determination to May 29, 2015. At March 31, 2015, $182.1 million was drawn on the facility and the Company had a working capital deficit of $13.6 million (excluding current portion of financial derivative instruments) for net debt of $195.7 million. The available level of credit is subject to semi-annual review and may be adjusted for changes in reserves, commodity prices and other factors. The Company is subject to certain non-financial covenants in its credit facility agreement. Covenants include reporting requirements, permitted dispositions, permitted financial derivatives, permitted encumbrances and other standard business operating covenants. The Company is not subject to any financial covenants. As at March 31, 2015 the Company is in compliance with all covenants. The facility is available on a revolving basis until May 29, 2015. On May 29, 2015 facility may be extended for a further 364-day period at the request of the Company, subject to approval by the banks. Alternatively, the facility would be available on a non-revolving basis for a period of 366 days from the original renewal date of April 28, 2015, at which time the facility would be due and payable. At March 31, 2015, there were $1.2 million of letters of credit outstanding.

The condensed interim financial statements have been prepared in accordance with IFRS on a going concern basis, which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. Subsequent to March 31, 2015, the Company and its lenders signed a notice to lenders and consent form to extend its annual review and borrowing base determination from April 30, 2015 to May 29, 2015. The determination of the borrowing base incorporates factors including the Company's reserves and forward commodity prices which have been significantly impact by recent global market conditions. Material uncertainty about the Company's ability to continue as a going concern could result should the annual borrowing base renewal result in a significant reduction in the borrowing base or should the credit facility, or a portion thereof, not be renewed on a revolving basis. These circumstances, should they occur, lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Further, should the circumstances described occur, there is no assurance that the Company would be able to access equity or debt financing that would be necessary to meet the Company's commitments. Management is taking steps to manage its liquidity and is investigating alternative financing arrangements, should they be necessary.

The Company continues to meet all of its obligations with respect to ongoing operations. The condensed interim consolidated financial statements do not reflect the adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses and balance sheet classifications would be necessary if the going concern assumption is not appropriate. Such adjustments could be material.

Management recognizes the difficulties of operating in the current commodity price environment and has taken steps to manage spending and leverage. Cost reduction and capital management initiatives have been implemented and as such the Company has been able to maintain positive cash flows from operations. The Company continually monitors its capital structure and makes adjustments as necessary based on business conditions including changes in economic condition, forecasted commodity prices and resulting cash flows, debt levels and the risk and timing of capital investments. The Company maintains the ability to modify its capital program in response to changes in commodity prices and cash flows.

Off Balance Sheet Transactions

There were no off balance sheet transactions entered into during the period, nor are there any outstanding as of the date of this MD&A.

Contractual Obligations

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

Contractual Obligations (000s)	Total	< 1 year	1-3 years	4-5 years	After 5 years
Long-term debt and related interest	**$ 193,480**	$ 9,104	$ 184,376	$ -	$ -
Firm transportation charges	**6,433**	2,123	2,979	630	701
Operating leases	**26,456**	3,525	7,245	7,253	8,433
Total Contractual Obligations	**$ 226,369**	$ 14,752	$ 194,600	$ 7,883	$ 9,134

The Company enters into many contractual obligations in the course of conducting its day to day business. Material contractual obligations consist of long-term debt under its bank facility, firm transportation charges and operating lease arrangements.

The Company estimates it will incur costs of approximately $364.8 million on an undiscounted basis, excluding obligations associated with assets classified as held for sale, to settle its decommissioning liabilities to abandon and reclaim petroleum and natural gas assets including well sites, gathering systems and processing facilities. The present value of these expected costs is $71.0 million and has been recorded on the Company's balance sheet as at March 31, 2015. These costs will be incurred over the operating lives of the assets with the majority being at or after the end of production. The Company may enter into farm-in agreements where it commits to capital expenditures to earn and retain lands. These are considered routine in nature and form part of the normal course of operations for active oil and gas companies and are not included in the table above.

The Company is currently undergoing tax reviews related to issuance of flow through shares and has accrued a provision for reassessments which it is currently reviewing.

Financial Instruments

Financial instruments comprise accounts receivable, financial derivative instruments, accounts payable and accrued liabilities, long-term incentive plan liability and long-term debt. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable approximate their carrying amounts due to their short-term maturities. Spyglass' financial derivative instruments and long-term incentive plan liability have been recorded at their fair value.

The Company's long-term debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The Company is exposed to credit, liquidity and market risk from its use of financial instruments. A description of these risks has been included in the Company's year-end audited consolidated financial statements for December 31, 2014.

Internal Control over Financial Reporting ("ICFR")

Spyglass' Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance on the reliability of Spyglass' financial reporting and preparation of financial statements for external purposes in accordance with GAAP. The control framework to design Spyglass' ICFR is the Internal Control-Integrated Framework (COSO Framework) (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission. The certification of interim filings for the period ended March 31, 2015 requires that the Company disclose in the MD&A and changes in the Company's internal controls that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting during the three months ended March 31, 2015. The Company confirms that there were no changes in the Company's internal controls during Q1 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that while Spyglass' Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure and internal control procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure and internal control 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.

Application of Critical Accounting Estimates

The significant accounting policies used by Spyglass are disclosed in the Company's year-end audited consolidated financial statements for the years ended December 31, 2014 and 2013.

Financial Reporting Update

Pronouncements and amendments for annual periods beginning on or after January 1, 2015 are disclosed in the Company's year end audited consolidated financial statements for the year ended December 31, 2014. Adopting these standards is not expected to impact the consolidated financial statements.

Risk Factors

There are a number of risk factors facing companies that participate in the Canadian oil and gas industry. A summary of certain risk factors relating to our business are disclosed below, a more exhaustive list is provided in the Risk Factors Section of our 2014 Annual Information Form filed on SEDAR at www.sedar.com.

Selected Quarterly Information

Financial (000s, except per share amounts)	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Petroleum and natural gas sales	**$ 27,733**	$ 48,884	$ 61,731	$ 76,326	$ 77,917	$ 65,909	$ 80,859	$ 76,405
Cash flow from (used in) operations	**9,754**	8,938	8,398	27,470	10,342	9,360	14,046	1,329
Funds from operations	**4,838**	11,883	11,902	19,043	16,026	11,426	21,547	20,558
Per share- basic	**0.04**	0.09	0.09	0.15	0.13	0.09	0.17	0.16
Per share- diluted	**0.04**	0.09	0.09	0.15	0.13	0.09	0.17	0.16
Net income (loss)	**$ (79,963)**	$ (140,753)	$ (4,188)	$ 815	$ (11,697)	$ (16,866)	$ (1,402)	$ 246
Per share- basic	**(0.63)**	(1.10)	(0.03)	0.01	(0.09)	(0.13)	(0.01)	0.00
Per share- diluted	**(0.63)**	(1.10)	(0.03)	0.01	(0.09)	(0.13)	(0.01)	0.00
Capital expenditures	**$ 5,576**	$ 15,205	$ 29,078	$ 15,402	$ 17,847	$ 14,991	$ 24,559	$ 8,284
Property acquisitions	**-**	-	-	2,458	-	-	-	-
Dispositions	**-**	(110,935)	(42,836)	(7,344)	(5,328)	(12,515)	(10,199)	-
Total capital expenditures and acquisitions net of dispositions	**5,576**	(95,730)	(13,758)	10,516	12,519	2,476	14,360	8,284
Long term debt	**182,100**	174,700	267,400	290,900	294,900	287,000	277,000	280,400
Net debt	**195,677**	193,819	293,762	270,828	307,150	300,508	291,997	296,853
Total assets	**480,596**	561,545	833,942	881,033	897,155	892,328	921,752	930,843
Dividends Declared	**-**	3,843	6,724	8,645	8,645	8,645	8,645	8,644
Per share- basic	**-**	0.0300	0.0525	0.0675	0.0675	0.0675	0.0675	0.0675
Shares outstanding (000s)								
Basic	**127,805**	127,805	128,077	128,077	128,077	128,077	128,077	128,077
Diluted	**127,805**	127,805	128,077	128,077	128,077	128,077	128,077	128,077
Weighted average shares outstanding (000s)								
Basic	**127,805**	128,062	128,077	128,077	128,077	128,077	128,077	128,077
Diluted	**127,805**	128,062	128,077	128,077	128,077	128,077	128,077	128,077
Operations								
Average daily production								
Oil (bbls/d)	**4,112**	5,389	5,045	6,164	6,784	7,198	7,473	7,434
NGLs (bbls/d)	**292**	280	410	535	391	647	383	490
Natural gas (Mcf/d)	**39,923**	41,981	48,379	46,647	44,312	48,164	51,533	50,626
Combined (boe/d)	**11,058**	12,666	13,518	14,474	14,560	15,873	16,445	16,362
Operating netback ($/boe)	**$ 2.37**	$ 13.49	$ 19.60	$ 27.31	$ 24.10	$ 15.09	$ 22.09	$ 20.81

In 2014, the Company drilled 21 gross (17.3 net) wells, and has drilled 1 gross (0.1 net) wells year to date in 2015.

Production averaged 11,058 in Q1 2015, lower than 2014 annual production average of 13,798, reflecting the impact of property dispositions which closed in 2014. Commodity prices have been volatile over the previous eight trailing quarters which led to an impairment loss in Q4 2014, which contributed to a net loss of $140.8 million in the quarter.

Additional Information

Additional information relating to Spyglass is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained by contacting the Company at Spyglass Resources Corp., 1700, 250- 2nd Street SW, Calgary, Alberta T2P 0C1 or by email to **ir@spyglassresources.com** or by accessing the website at www.spyglassresources.com.



Q1 2015 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

As at

(Thousands of Canadian dollars) (unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Accounts receivable (note 9)	**$ 24,127**	$ 30,793
Prepaid expenses and deposits	**1,847**	2,476
Financial derivative instruments (note 9)	**11,672**	18,434
	37,646	51,703
Financial derivative instruments (note 9)	**-**	7
Exploration and evaluation assets (note 3)	**32,654**	34,392
Property, plant and equipment (note 4)	**410,296**	412,961
Deferred tax assets (note 8)	**-**	62,482
	$ 480,596	$ 561,545
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	**$ 36,639**	$ 48,888
Other liabilities	**2,912**	3,500
Financial derivative instruments (note 9)	**1,036**	739
	40,587	53,127
Long-term debt (note 5)	**182,100**	174,700
Long-term incentive plan liability (note 7)	**387**	347
Decommissioning liabilities (note 6)	**70,969**	66,855
Shareholders' equity:		
Share capital (note 7)	**493,241**	493,241
Contributed surplus (note 7)	**953**	953
Deficit	**(307,641)**	(227,678)
	186,553	266,516
	$ 480,596	$ 561,545

Going Concern (note 2b)

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Three months ended March 31

(Thousands of Canadian dollars except per share amounts) (unaudited)

	2015	2014
Petroleum and natural gas sales	**$ 27,733**	$ 77,917
Royalties	**(1,704)**	(14,025)
Revenues	**26,029**	63,892
Other income	**-**	1,191
Gain (loss) on financial derivative instruments (note 9)	**648**	(16,824)
Expenses		
Operating	**21,478**	29,235
Transportation	**2,200**	3,085
Finance	**3,649**	5,051
Depletion, depreciation and impairments (note 3 & 4)	**13,801**	21,508
General and administration	**2,982**	4,464
Long-term incentive plan (note 7)	**48**	487
	44,158	63,830
Income (loss) before taxes	**(17,481)**	(15,571)
Deferred taxes (recovery) (note 8)	**62,482**	(3,874)
Net income (loss) and comprehensive income (loss)	**$ (79,963)**	$ (11,697)
Net income (loss) per share: (note 7)		
Basic and diluted	**$ (0.63)**	$ (0.09)

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

Three months ended March 31

(Thousands of Canadian dollars except number of common shares) (unaudited)

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, December 31, 2013	**128,076,720**	**$ 494,292**	**$ -**	**$ (43,998)**	**$ 450,294**
Net loss and comprehensive loss during the period	-	-	-	(11,697)	(11,697)
Dividends declared	-	-	-	(8,645)	(8,645)
Balance, March 31, 2014	**128,076,720**	**$ 494,292**	**$ -**	**$ (64,340)**	**$ 429,952**
Normal course issuer bid	(272,000)	(1,051)	953	-	(98)
Net loss and comprehensive loss during the period	-	-	-	(144,126)	(144,126)
Dividends declared	-	-	-	(19,212)	(19,212)
Balance, December 31, 2014	**127,804,720**	**$ 493,241**	**$ 953**	**$ (227,678)**	**$ 266,516**
Net loss and comprehensive loss during the period	-	-	-	(79,963)	(79,963)
Balance, March 31, 2015	**127,804,720**	**$ 493,241**	**$ 953**	**$ (307,641)**	**$ 186,553**

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows

Three months ended March 31

(Thousands of Canadian dollars) (unaudited)

	2015	2014
Cash provided by (used in)		
Operations		
Net loss	**$ (79,963)**	$ (11,697)
Items not involving cash:		
Depletion, depreciation and impairments (notes 3 & 4)	**13,801**	21,508
Accretion of decommissioning liabilities (note 6)	**1,392**	1,420
Long-term incentive (note 7)	**48**	487
Other non-cash items	**12**	-
Gain on property dispositions	**-**	(1,118)
Unrealized loss (gain) on financial derivative instruments (note 9)	**7,066**	9,300
Deferred taxes (recovery) (note 8)	**62,482**	(3,874)
Decommissioning expenditures (note 6)	**(1,092)**	(2,371)
Change in non-cash working capital (note 10)	**6,008**	(3,313)
Cash flow from operating activities	**9,754**	10,342
Financing		
Increase in long-term debt	**7,400**	7,900
Dividends declared	**-**	(8,645)
Cash flow from (used in) financing activities	**7,400**	(745)
Investing		
Capital expenditures	**(5,576)**	(17,847)
Property dispositions	**-**	5,328
Change in non-cash working capital (note 10)	**(11,578)**	2,922
Cash flow used in investing activities	**(17,154)**	(9,597)
Changes in cash	**-**	-
Cash beginning of period	**-**	-
Cash end of period	**$ -**	$ -

Cash is defined as cash and cash equivalents.
See accompanying notes to the interim consolidated financial statements.

Notes to the interim consolidated Financial Statements

For the three months ended March 31, 2015 and 2014
(Tabular amounts are stated in thousands of Canadian dollars except share and per share amounts) (unaudited)

1. Background and general information

Spyglass Resources Corp. ("Spyglass" or the "Company") is an oil and gas exploration and production company that conducts its operations in the Western Canadian Sedimentary Basin. Spyglass' head office is located at 1700, 250 2nd St. SW, Calgary, Alberta T2P 0C1. The Company's common shares are listed on the TSX under the symbol "SGL".

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 12, 2015.

2. Basis of presentation, significant accounting policies & going concern

(a) Statement of compliance & significant accounting policies

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

Recent accounting pronouncements and amendments effective January 1, 2015 have no impact on the Company's consolidated financial statements.

(b) Going concern

The condensed interim financial statements have been prepared in accordance with IFRS on a going concern basis, which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. Subsequent to March 31, 2015, the Company and its lenders signed a notice to lenders and consent form to extend its annual review and borrowing base determination from April 30, 2015 to May 29, 2015. The determination of the borrowing base incorporates factors including the Company's reserves and forward commodity prices which have been significantly impacted by recent global market conditions. Material uncertainty about the Company's ability to continue as a going concern could result should the annual borrowing base renewal result in a significant reduction in the borrowing base or should the credit facility, or a portion thereof, not be renewed on a revolving basis. These circumstances, should they occur, lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Further, should the circumstances described occur, there is no assurance that the Company would be able to access equity or debt financing that would be necessary to meet the Company's commitments. Management is taking steps to manage its liquidity and is investigating alternative financing arrangements, should they be necessary.

The Company continues to meet all of its obligations with respect to ongoing operations. The condensed interim consolidated financial statements do not reflect the adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses and balance sheet classifications that would be necessary if the going concern assumption is not appropriate. Such adjustments could be material.

3. Exploration and evaluation assets

	March 31, 2015	December 31, 2014
Balance, beginning of period	$ **34,392**	$ 58,410
Cash additions	**145**	2,209
Capitalized long-term incentive	**-**	(2)
Dispositions	**-**	(1,201)
Transfers to property, plant and equipment	**(120)**	(889)
Transfers to assets held for sale	**-**	(4,159)
Expiries	**(1,763)**	(8,824)
Impairment	**-**	(11,152)
Balance, end of period	**$ 32,654**	34,392

During 2014, the Company recorded impairment on its exploration and evaluation assets of $11.2 million ($8.4 million net of tax) in the North Oil cash generating unit as a result of changes is management's future development plans. The assets were written down to the estimated recoverable amount based on fair value less costs of disposal. The fair value less costs of disposal was estimated based on recent undeveloped sales in the area. This fair value measurement is non-recurring and is classified as level 2 in the fair value hierarchy (see note 9 for information on the fair value hierarchy).

4. Property, plant and equipment

	Cost	Accumulated depletion and depreciation	Net book Value
Balance, December 31, 2013	$ 1,139,522	$ (430,799)	$ 708,723
Additions	75,323	-	
Non-cash additions	271		
Capitalized long-term incentive	139	-	
Acquisitions	4,639	-	
Disposals	(182,446)	45,433	
Transfers from exploration and evaluation assets	889	-	
Transfers to assets held for sale	(64,866)	21,479	
Decommissioning provision	(9,196)	-	
Depletion and depreciation	-	(72,017)	
Impairment loss	-	(115,410)	
Balance, December 31, 2014	**$** 964,275	$ (551,314)	$ 412,961
Additions	**5,431**	**-**	
Capitalized long-term incentive	**8**	**-**	
Transfers from exploration and evaluation assets	**120**	**-**	
Decommissioning provision	**3,814**	**-**	
Depletion and depreciation	**-**	**(12,038)**	
Balance, March 31, 2015	**$ 973,648**	**$ (563,352)**	**$ 410,296**

Future development costs of the Company's proved plus probable reserves of $208.3 million (December 31, 2014 – $211.3 million) were included in the depletion calculation.

In 2014, an impairment loss of $2.3 million was recorded upon the transfer of property, plant and equipment into assets held for sale to write the carrying amount down to the recoverable amount based on the fair value less costs of disposal. The fair value less costs of disposal was determined using the price per the sales agreement. The Company completed the sale of these assets in 2014. Later in the year, a decline in forecasted oil and natural gas prices caused the Company to record an additional $113.1 million ($84.8 million net of tax) of impairments. This comprised of impairments of $42.7 million ($32.0 million net of tax) in the North Gas CGU, $33.4 million ($25.0 million net of tax) in the Central CGU, $21.2 million ($15.9 million net of tax) in the North Oil

CGU and $15.8 million ($11.9 million net of tax) in the Dixonville CGU. These CGUs were written down to their recoverable amounts of $45.2 million for the North Gas CGU, $71.2 million for the Central CGU, $18.8 million for the North Oil CGU and $102.6 million for the Dixonville CGU based on the fair value less costs of disposal of the CGUs. The estimated fair value less costs of disposal was determined using future cash flows adjusted for risks specific to the assets and discounted using after tax discount rates of 10 to 12 percent, based on consideration of risk of the individual CGU's. Discount rates were derived from the post-tax weighted average cost of capital for Spyglass' peer group. This fair value measurement is non-recurring and is classified as level 3 in the fair value hierarchy (see note 9 for information on the fair value hierarchy).

5. Long-term debt

As at March 31, 2015, Spyglass had a $200 million revolving term credit facility with a syndicate of banks. Subsequent to March 31, 2015, the Company and its lenders signed a notice to lenders and consent form to extend the bank's annual review and borrowing base redetermination to May 29, 2015. Under the current agreement, the $200 million revolving credit facility is available on a revolving basis until May 29, 2015. On May 29, 2015, the facility may be extended for a further 364-day period at the request of the Company, subject to approval by the banks. Alternatively, the facility would be available on a non-revolving basis for a period of 366 days from the original renewal date of April 28, 2015, at which time the facility would be due and payable. The credit facility bears interest at the bank's prime rate or Bankers' Acceptance rates plus stamping fees. The facility is secured by a $1 billion first floating charge debenture and a general security agreement. At March 31, 2015, $182.1 million was drawn on this facility (December 31, 2014 - $174.7 million). The Company is subject to certain non-financial covenants in its credit facility agreement. Covenants include reporting requirements, permitted dispositions, permitted financial derivatives, permitted encumbrances and other standard business operating covenants. The Company is not subject to any financial covenants. As at March 31, 2015 the Company is in compliance with all covenants. The available level of credit is subject to semi-annual review by the syndicate of banks and may be adjusted for changes in reserves, commodity prices and other factors. The Company had $1.2 million in letters of credit outstanding at March 31, 2015.

6. Decommissioning liabilities

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligations is approximately $364.8 million (December 31, 2014 – $348.9 million) which will be incurred over the operating lives of the assets, with the majority of costs to be incurred between 2017 and 2050. An inflation factor of 2% has been applied to the estimated decommissioning cost at March 31, 2015 and December 31, 2014. The Company's credit-adjusted risk-free rate of 8% was used to calculate the fair value of the decommissioning liabilities at March 31, 2015 and December 31, 2014.

A reconciliation of the decommissioning liability is provided below:

	March 31, 2015	December 31, 2014
Balance, beginning of period	**$ 66,855**	$ 83,752
Acquired	**-**	1,337
Change in estimate	**3,812**	(9,955)
Liabilities incurred	**2**	759
Liabilities settled	**(1,092)**	(6,762)
Liabilities transferred on sale of assets	**-**	(5,677)
Liabilities associated with assets held for sale	**-**	(2,323)
Accretion expense	**1,392**	5,724
Balance, end of period	**$ 70,969**	$ 66,855

7. Share Capital

(a) Authorized:

The authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series.

(b) Issued and outstanding:

	Number of Shares		Amount
Common shares:			
Balance, December 31, 2013	128,076,720	$	494,292
Normal course issuer bid	(272,000)		(1,051)
Balance, December 31, 2014	127,804,720	$	493,241
	-		-
Balance, March 31, 2015	**127,804,720**	**$**	**493,241**

On December 18, 2014, the TSX accepted the Company's notice to make a normal course issuer bid to purchase its outstanding common shares on the open market. The TSX authorized the Company to purchase up to 12,460,689 common shares during the period from December 22, 2014 to December 21, 2015. Shares purchased under the bid will be cancelled. During 2014, there were 272,000 shares purchased at a weighted average cost of $0.36 per share. As the carrying value of the purchased shares was $3.86 per share, the $1.0 million difference between the carrying amount and the purchased amount was recorded as contributed surplus. No shares were purchased under the bid in 2015.

(c) Earnings per share:

Basic earnings per share amounts are calculated by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the periods.

The following table shows the calculation of basic and diluted earnings per share for the periods:

Three months ended March 31		**2015**		2014
Net income (loss) for the period	**$**	**(79,963)**	$	(11,697)
Weighted average number of common shares - basic & diluted		**127,804,720**		128,076,720
Basic and diluted net income (loss) per share	**$**	**(0.63)**	$	(0.09)

As of March 31, 2015 and 2014 there were no dilutive instruments outstanding.

(d) Long-term incentive plans

The Company's long-term incentive plan for employees and management includes a blend of two types of share based awards depending on roles and responsibilities within the organization: restricted share units ("RSUs") and performance share units ("PSUs"). RSUs vest evenly over a three year period. PSUs vest three years from the date of grants and the awards granted are subject to a performance multiplier ranging from 0 to 2. The Company also grants director restricted share units ("DRSU") to non-management directors of the organization. DRSUs vest three years from the date of grant. RSUs, PSUs and DRSUs are to be settled in cash, based on the share price at the time of vesting. The number of share equivalent units at the time of vesting increases commensurately with each dividend declared by the Company after the grant date.

A summary of RSU, PSU and DRSU activity is presented below:

	Number of RSUs	Number of PSUs	Number of DRSUs
Balance, December 31, 2013	1,516,494	1,111,043	172,247
Granted	1,700,915	854,366	218,618
Reinvested through notional dividends	304,819	258,462	46,930
Forfeited	(470,942)	(260,367)	-
Settled	(641,584)	-	(21,092)
Balance, December 31, 2014	2,409,702	1,963,504	416,703
Granted	**10,734**	**-**	**-**
Forfeited	**(105,638)**	**-**	**-**
Settled	**(37,837)**	**-**	**(45,593)**
Balance, March 31, 2015	**2,276,961**	**1,963,504**	**371,110**

(e) Long-term incentive plan expense

The Company accounts for its LTIP using the fair value method, which includes revaluing to market value at the end of each period. Under this method, a compensation expense is charged over the vesting period.

8. Deferred taxes

Deferred income tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable income will be available in the future against which the unused tax losses and credits can be utilized. As at March 31, 2015, the Company has $125.3 million of unrecognized deferred tax assets (December 31, 2014 - $58.4 million). Spyglass has approximately $883 million of tax pools available for deduction against future taxable income.

The following is a continuity of the associated temporary differences of the Company's unrecognized deferred tax asset:

	Balance December 31, 2014	Deferred tax recovery (expense)	**Balance March 31, 2015**
Petroleum and natural gas assets	$ 44,786	$ 1,591	$ **46,377**
Decommissioning liabilities	16,714	1,028	**17,742**
Financial derivative instruments	(4,426)	1,767	**(2,659)**
Share issue costs	2,044	(26)	**2,018**
Other	173	(1)	**172**
Non-capital losses	61,607	-	**61,607**
Subtotal	120,898	4,359	**125,257**
Unrecognized deferred tax asset	(58,416)	(66,841)	**(125,257)**
Total deferred tax asset	**$ 62,482**	**$ (62,482)**	**$ -**

9. Financial instruments

Financial instruments comprise accounts receivable, financial derivative instruments, accounts payable and accrued liabilities, long-term incentive plan liability and long-term debt.

There are three levels of the fair value hierarchy by which a financial instrument can be classified:

Level 1- Quoted prices in active markets for identical assets and liabilities such as traded securities on a registered exchange where there are a sufficient frequency and volume of transactions to provide ongoing pricing information.

Level 2- Inputs other than quoted prices that are observable for the asset and liability either directly or indirectly such as quoted forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace; and

Level 3- Inputs that are not based on observable market data

The Company's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the fair value hierarchy levels in the period.

The Company's finance department is responsible for performing the valuation of financial instruments including level 3 fair values. The valuation process and results are reviewed and approved by management at least once every quarter, in line with the Company's quarterly reporting dates.

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities. The Company's long-term debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

The long term incentive plan liability is recorded at fair value at each reporting period based on quoted market prices of the underlying shares and is a level 1 financial instrument.

The Company's financial derivative instruments are carried at fair value on a recurring basis at each reporting date and are considered a Level 2 instrument. The fair value is determined by reference to independent monthly forward settlement prices, currency rates and interest rates.

The following table summarizes Spyglass' financial instruments as at March 31, 2015 and December 31, 2014:

March 31, 2015	Fair value through profit and loss	Fair value through OCI	Loans and receivables	Financial liabilities	**Total carrying value**
Assets					
Accounts receivable	$ -	$ -	$ 24,127	$ -	**$ 24,127**
Derivatives - Commodity contracts	11,672	-	-	-	**11,672**
Investments	-	-	-	-	**-**
	$ 11,672	**$ -**	**$ 24,127**	**$ -**	**$ 35,799**
Liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 36,639	**$ 36,639**
Derivatives - Interest Rate Swap	257	-	-	-	**257**
Derivatives - Commodity contracts	779	-	-	-	**779**
Long-term incentive plan liability	-	-	-	387	**387**
Long-term debt	-	-	-	182,100	**182,100**
	$ **1,036**	**$ -**	**$ -**	**$ 219,126**	**$ 220,162**

December 31, 2014	Fair value through profit and loss	Fair value through OCI	Loans and receivables	Financial liabilities	Total carrying value
Assets					
Accounts receivable	$ -	$ -	$ 30,793	$ -	$ 30,793
Derivatives - Interest Rate Swap	34	-	-	-	34
Derivatives - Commodity contracts	18,407	-	-	-	18,407
	$ 18,441	$ -	$ 30,793	$ -	$ 49,234
Liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 48,888	$ 48,888
Derivatives - Commodity contracts	739	-	-	-	739
Long-term incentive plan liability	-	-	-	347	347
Long-term debt	-	-	-	174,700	174,700
	$ 739	$ -	$ -	$ 223,935	$ 224,674

Financial assets and financial liabilities are only offset if Spyglass has the current legal right to offset and intends to settle on a net basis. Financial derivative instruments are subject to master netting arrangements that create a legally enforceable right to offset financial assets and financial liabilities by counterparty when the commodity, currency and timing of settlement are the same. No financial assets and liabilities were offset in the consolidated balance sheet as at March 31, 2015 and December 31, 2014.

The following table summarizes the financial derivatives Spyglass has outstanding as at March 31, 2015 and December 31, 2014 and their estimated fair value:

Commodity risk management contracts					**Fair Value as at**	
Instrument	Period	Price	Reference	Quantity	**March 31, 2015**	December 31, 2014
Crude Oil Contracts						
Swap	Jan 1, 2015 - Mar 31, 2015	$96.20	CDN$ WTI	500 bbl/d	**$ -**	$ 1,504
Swap	Jan 1, 2015 - Mar 31, 2015	$96.50	CDN$ WTI	500 bbl/d	**-**	1,517
Swap	Jan 1, 2015 - Jun 30, 2015	$98.40	CDN$ WTI	500 bbl/d	**1,609**	3,112
Swap	Jan 1, 2015 - Dec 31, 2015	-$22.80	CDN$ WCS (1)	500 bbl/d	**(780)**	(739)
Swap	Jan 1, 2015 - Dec 31, 2015	$101.15	CDN$ WTI	500 bbl/d	**4,722**	6,328
Swap	Apr 1, 2015 - Dec 31, 2015	$99.10	CDN$ WTI	500 bbl/d	**4,446**	4,342
					$ 9,997	$ 16,064
Natural Gas Contracts						
Swap	Jan 1, 2015 - Mar 31, 2015	$3.7625	CDN$ GJ	2,000 GJ/d	**$ -**	$ 174
Swap	Jan 1, 2015 - Mar 31, 2015	$4.10	CDN$ GJ	3,000 GJ/d	**-**	352
Swap	Jan 1, 2015 - Mar 31, 2015	$4.14	CDN$ GJ	2,000 GJ/d	**-**	242
Swap	Jan 1, 2015 - Jun 30, 2015	$4.2025	CDN$ GJ	3,000 GJ/d	**458**	836
Swap	Apr 1, 2015 - Dec 31, 2015	$2.94	CDN$ GJ	3,000 GJ/d	**258**	-
Swap	Apr 1, 2015 - Dec 31, 2015	$2.8450	CDN$ GJ	3,000 GJ/d	**180**	-
					$ 896	$ 1,604
Total					**$ 10,893**	$ 17,668

(1) Fixed $ WCS versus WTI

Interest rate risk management contract					**Fair Value as at**	
Instrument	Period	Notional Amount	Reference	Fixed Interest Rate	**March 31, 2015**	December 31, 2014
Swap	Jan 14, 2014 - Jan 14, 2016	$75,000,000	CAD-BA-CDOR	1.281%	**$ (257)**	$ 34
Total					**$ (257)**	$ 34

For the three months ended March 31, 2015, Spyglass recorded a realized gain of $7.7 million (three months ended March 31, 2014 – $7.5 million loss) and an unrealized loss of $7.1 million (three months ended March 31, 2014 – $9.3 million).

Subsequent to March 31, 2015, Spyglass entered into the following derivative commodity contract:

- An AECO natural gas swap contract for 3,000 GJ/d for the period June 1, 2015 to October 31, 2015 with a fixed price of $2.66 CAD/GJ.

10. Supplemental Information

(a) Cash flow information:

The following is a reconciliation of the balance sheet changes in working capital items to the balances recorded on the Consolidated Statements of Cash flows as change in non-cash working capital:

Three months ended March 31,		**2015**		2014
Change in non-cash working capital:				
Accounts receivable	**$**	**6,666**	$	(9,023)
Prepaid expenses and deposits		**629**		61
Accounts payable and accrued liabilities		**(12,249)**		8,809
Other liabilities		**(588)**		-
Change in incentive plan liability		**(16)**		(238)
Non-cash portion of of prepaid expenses		**(12)**		-
Change in working capital	**$**	**(5,570)**	$	(391)
Relating to:				
Operating activities		**6,008**		(3,313)
Investing activities		**(11,578)**		2,922
Change in non-cash working capital	**$**	**(5,570)**	$	(391)

(b) Cash interest paid:

The following represents the cash interest paid in each period:

Three months ended March 31,		**2015**		2014
Cash interest paid	**$**	**2,141**	$	4,890