

2013 MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 audited consolidated financial statements, related notes and Management's Discussion and Analysis for the years ended December 31, 2013 and 2012. This MD&A is dated as of March 11, 2014. Additional information relating to Spyglass, including a detailed reserve analysis, will be included in our annual information form, which may be found on Sedar at www.sedar.com.

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 following annual MD&A.

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 & Plan of Arrangement (the "Arrangement")

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 year ended December 31, 2013 ("2013") to the year ended December 31, 2012 ("2012") and the results of

the three months ended December 31, 2013 ("Q4 2013") to the three months ended December 31, 2012 ("Q4 2012") and the three months ended September 30, 2013 ("Q3 2013").

On December 20, 2012, Pace Oil & Gas Ltd. ("Pace") entered into an arrangement agreement with Charger Energy Corp. ("Charger") and AvenEx Energy Corp. ("AvenEx"), pursuant to which Pace, Charger and AvenEx agreed to amalgamate by way of a plan of arrangement (the "Arrangement") to form Spyglass Resources Corp., an intermediate, dividend paying oil and gas producer.

On March 26, 2013, the shareholders of Pace, Charger and AvenEx approved the transaction and on March 28, 2013 the Arrangement was completed. Pace subdivided its shares on a basis of 1.3 post-subdivided Pace shares for each 1.0 pre-subdivided Pace share. 12,117,821 Pace shares were issued in exchange for the outstanding Charger shares on a basis of 0.18 Pace share for each Charger share. 54,967,543 Pace shares were issued in exchange for the outstanding AvenEx shares on a basis of 1.0 Pace share for each AvenEx share. Pace was then renamed Spyglass Resources Corp. which elected to perform a reduction of stated capital, whereby the Company offset its retained deficit, contributed surplus and accumulated other comprehensive loss against share capital. This resulted in 128,076,720 shares outstanding upon closing of the Arrangement, with share capital of $494.3 million. Prior period common share, option, restricted share award, preferred share award and deferred share award information has been adjusted for the share exchange ratio associated with the Arrangement.

The financial statements and MD&A present the historical financial positions, results of operations and cash flows of Pace for all prior periods up to and including March 28, 2013. The results of operations after March 28, 2013 include Pace, AvenEx and Charger.

2014 Capital Program and Outlook

The capital program continues to focus on low risk development opportunities intended to increase overall liquids weighting and improve netbacks. Management anticipates the 2014 capital program will total approximately $60 million (prior to property dispositions) and will include approximately $40 million for drilling 21 gross (19.6 net) development wells, primarily in Southern and Central Alberta. In 2014, Spyglass plans to direct additional capital towards the Viking play at Halkirk-Provost while also following up on its successful southern Alberta drilling program targeting the Pekisko and Glauconite zones at Matziwin, Cessford and Retlaw/Enchant. Capital activity will be weighted towards the first and third quarters of 2014.

Further detail on the 2014 capital program is presented in the below table:

2014 Drilling Locations	Gross	Net
Halkirk-Provost Viking	10	10.0
Southern Alberta Pekisko	5	4.3
Southern Alberta Glauconite	6	5.3
Total	**21**	**19.6**

The drilling program for the year is underway with 2 (1.3 net) vertical wells targeting the Glauconite zone at Retlaw/Enchant, 1 (1 net) horizontal Glauconite oil well in Enchant/Retlaw, 1 (1 net) horizontal Glauconite oil well in Cessford and 1 (1 net) horizontal Pekisko oil well at Matziwin drilled to date in 2014 in southern Alberta. These new wells are expected to be put on production late in the first quarter of 2014.

With continued improvement and stability in forward natural gas prices, Spyglass' Cadomin resource play at Noel has become economically competitive with the Company's light oil opportunities. Should natural gas pricing remain strong, the Company may add one or more Noel locations to the 2014 drilling program. Spyglass has an extensive drilling inventory at Noel, with over 90 Cadomin horizontal locations identified.

Management anticipates that the planned level of development activity coupled with the Company's 20 percent base decline rate is expected to result in 2014 average production of approximately 15,000 boe/d. Management continues to anticipate operating expenses of $17.00 to $18.50 per boe and cash general and administrative expenses of approximately $3.00 per boe.

Spyglass' capital program is expected to result in a target all-in payout ratio of approximately 100 percent.

The Company will continue to pursue non-core asset dispositions throughout 2014 to reduce debt, accelerate capital spending and further focus operations. To date in 2014, Spyglass has completed dispositions totaling approximately $3.9 million (prior to closing adjustments).

Management continues to evaluate opportunities that would improve financial flexibility and allow the Company to accelerate the development of its large inventory of low risk light oil and natural gas drilling locations.

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 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:

($000s)	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
Cash flow from (used in) operating activities	**$ 9,360**	$ 28,861	$ 14,046	**$ 21,561**	$ 64,038
Transaction costs	**-**	750	-	**13,451**	750
Decommissioning expenditures	**1,025**	886	497	**3,574**	1,264
Change in non-cash working capital	**1,041**	(16,866)	7,004	**21,998**	(7,203)
Funds from operations	**$ 11,426**	$ 13,631	$ 21,547	**$ 60,584**	$ 58,849

Combination of Pace with AvenEx and Charger

On March 26, 2013, the shareholders of Pace, Charger and AvenEx approved the transaction and on March 28, 2013 the Arrangement was completed whereby Spyglass Resources was formed as a dividend paying corporation. The Transaction resulted in former Pace shareholders holding 48% of the combined outstanding common shares of Spyglass, the former AvenEx shareholders holding 43% and the former Charger shareholders holding 9% with the former management team of Charger becoming the new management team of Spyglass. The transaction was accounted for as an acquisition of AvenEx and Charger by Pace. Consideration was $150.3 million for net assets of $234.5 million resulting in gains on acquisition of $84.2 million. Pursuant to the Arrangement, Spyglass elected to perform a reduction of stated capital whereby the Company offset its deficit, contributed surplus and accumulated other comprehensive loss against share capital upon closing of the arrangement.

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 2013 averaged 15,215 boe/d compared to 13,223 boe/d in 2012. The 2013 production average fell in the range of 15,000 to 15,500 boe/d guidance that was adjusted by the Company with its Q3 release to account for reduced capital spending and property dispositions.

Oil and liquids production in 2013 represented 49% of total production at 7,450 bbls/d, an increase of 1,076 bbls/d or 17% from 6,374 bbls/d in 2012. Natural gas production for 2013 averaged 46.6 Mmcf/d, an increase of 5.5 Mmcf/d or 13% from 41.1 Mmcf/d in 2012. The majority of the reported production increase in 2013 over 2012 is due to the production contributed from AvenEx and Charger commencing on March 29, 2013, as well as 16 wells (12.9 net) drilled as part of Spyglass' 2013 drilling program. Capital spending activity concentrated mostly in Q3 2013 and Q4 2013 with operated capital spent on drilling 5 wells (5.0 net) targeting Viking and Ellerslie medium oil at Provost/Halkirk and a 7 well (7.0 net) program at Matziwin and Enchant targeting crude oil in the Pekisko and Glauconite formations. Non-operated drills totalled 1.0 (0.1 net) in our Central core area and participation in an additional 3 (0.8 net)

also targeting the Glauconite zone in our South core area. Production added through the success of the 2013 wells assisted in reducing the Company's natural production declines.

Production in Q4 2013 averaged 15,873 boe/d, compared to 11,909 boe/d in Q4 2012, and 16,445 boe/d in Q3 2013, an increase of 33% and a decrease of 3% respectively. Oil and Liquids averaged 7,845 bbls/d compared to 5,942 bbls/d in Q4 2012, an increase of 32% and flat against Q3 2013 at 7,856 bbls/d. The Q4 2013 production reflects the Q3 and Q4 drilling programs adding an average of approximately 800 boe/d through the quarter. The quarter also incorporates the impact of reductions associated with successful non-core asset dispositions (approximately 275 boe/d), the shut in of uneconomic natural gas production in the North core area that commenced in early October (approximately 200 boe/d) and a four day turn around at Dixonville impacting fourth quarter production (approximately 140 boe/d).

As the Company continues to focus drilling activities and optimization capital on its light oil opportunities, natural gas production is expected to decline over time. Should natural gas prices improve, the Company is well positioned to develop natural gas opportunities including a significant Cadomin resource play at Noel in the Company's North core area.

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

Production	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
Oil (bbls/d)	**7,198**	5,657	7,473	**7,000**	6,050
NGLs (bbls/d)	**647**	285	383	**450**	324
Natural Gas (Mcf/d)	**48,164**	35,804	51,533	**46,588**	41,093
Total (boe/d)	**15,873**	11,909	16,445	**15,215**	13,223
Oil & Liquids weighting	**49%**	50%	48%	**49%**	48%

The following table sets out production volumes by core area:

	Q4 2013	Q4 2012	Q3 2013	**2013**	2012
North					
Oil (bbls/d)	**3,738**	3,580	4,187	**3,994**	3,962
NGLs (bbls/d)	**393**	133	197	**262**	161
Natural Gas (Mcf/d)	**30,777**	22,038	33,398	**30,035**	26,282
Total (boe/d)	**9,261**	7,386	9,950	**9,262**	8,503
Central					
Oil (bbls/d)	**787**	-	666	**559**	-
NGLs (bbls/d)	**105**	-	72	**62**	-
Natural Gas (Mcf/d)	**4,958**	-	4,755	**3,615**	-
Total (boe/d)	**1,718**	-	1,531	**1,224**	-
South					
Oil (bbls/d)	**2,673**	2,077	2,620	**2,447**	2,088
NGLs (bbls/d)	**149**	152	114	**126**	163
Natural Gas (Mcf/d)	**12,429**	13,766	13,380	**12,938**	14,811
Total (boe/d)	**4,894**	4,523	4,964	**4,729**	4,720
Total Company					
Oil (bbls/d)	**7,198**	5,657	7,473	**7,000**	6,050
NGLs (bbls/d)	**647**	285	383	**450**	324
Natural Gas (Mcf/d)	**48,164**	35,804	51,533	**46,588**	41,093
Total (boe/d)	**15,873**	11,909	16,445	**15,215**	13,223
Oil & Liquids weighting	**49%**	50%	48%	**49%**	48%

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 marked.

The average US$ WTI price during 2013 was $98.00 US/bbl ($100.94 CDN/bbl) compared to $94.16 US/bbl ($94.09 CDN/bbl) in 2012. The average Edmonton par price was $93.08 CDN/bbl compared to $86.21 CDN/bbl in 2012. The Edmonton Par differential to CDN$ WTI experienced large fluctuations over the last two years, diverging as much as $20 CDN/bbl in the mid months of 2012 before narrowing through the second half of 2012 and through the first three quarters of 2013 to lows under $4 CDN/bbl before widening again in Q4 2013 to over $20 CDN/bbl in December. Ultimately, the Edmonton Par differential averaged approximately $8 CDN/bbl in 2013, consistent with the comparable 2012 differential.

Spyglass' corporate differential incorporates its portfolio of oil sold through multiple crude oil streams reflecting differentials adjusted for quality and transportation. The corporate differential to CDN$ WTI averaged $18.85/bbl in 2013, $1.04 wider than the 2012 corporate differential to CDN$ WTI of $17.81/bbl. Differentials during Q4 2013 widened significantly compared to Q4 2012 and Q3 2013, with the Spyglass corporate differential to CDN$ WTI settling at $29.42/bbl in Q4 2013 compared to $15.72/bbl in Q4 2012 and $12.52/bbl in Q3 2013. Wide differentials in mid-November through to the end of December at $37/bbl for Western Canadian Select ("WCS") impacted the entire sector and reflect regional bottlenecks caused by key pipeline issues and refinery downtime persisting into January 2014.

Canadian natural gas prices remain volatile. The Alberta daily spot gas price average in 2013 of $3.20/Mcf was improved from the $2.39/Mcf daily spot gas price received in 2012. Spyglass sells gas on a blend of the AECO monthly and daily index. In 2013, the Company sold approximately 37% on the AECO daily index, 61% on the monthly index and 2% through aggregators, resulting in a realized natural gas price of $3.23/Mcf. This compares to $2.43/Mcf in 2012. The heat content of Spyglass' natural gas production is slightly above the industry average used in the benchmark $/Mcf prices. Therefore realized prices for Spyglass are expected to be slightly higher than the average of AECO Alberta daily and Alberta monthly benchmark prices.

Spyglass' NGL production represents less than 3 percent of production mix and consists of Ethane, Butane, Propane 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 2013, overall realized NGL price averaged $50.96/bbl or 50% of CDN$ WTI compared to $58.36/bbl or 62% of CDN$ WTI in 2012.

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

Prices and Marketing	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
Benchmark Prices[1]					
WTI Oil ($US/bbl)	**$ 97.46**	$ 88.18	$ 105.83	**$ 98.00**	$ 94.16
Cdn/US average exchange rate	**0.953**	1.009	0.963	**0.971**	1.001
WTI Oil ($CDN/bbl)	**102.31**	87.41	109.90	**100.94**	94.09
Edmonton Par ($/bbl)	**86.55**	83.98	104.93	**93.08**	86.21
Alberta daily spot ($/Mcf)	**3.53**	3.21	2.43	**3.20**	2.39
Alberta monthly ($/Mcf)	**$ 3.15**	$ 3.06	$ 2.82	**$ 3.16**	$ 2.40
Spyglass' Realized Prices					
Oil ($/bbl)	**$ 72.89**	$ 71.69	$ 97.38	**$ 82.09**	$ 76.28
NGLs ($/bbl)	**43.46**	54.83	48.02	**50.96**	58.36
Combined Oil & NGLs ($/bbl)	**70.46**	70.88	94.98	**80.21**	75.37
Natural gas ($/Mcf)	**3.40**	3.26	2.58	**3.23**	2.43
Total ($/boe)	**$ 45.13**	$ 45.16	$ 53.45	**$ 49.16**	$ 43.88

[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 portion of its natural gas production sold on the monthly index. 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 WTI derivative 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. The Company also enters into derivative contracts for the differential between WCS and WTI. For a portion of the Company's physical crude oil sales, WCS provides a more closely aligned approximation of the Company's realized price.

The following table summarizes financial derivatives outstanding as at December 31, 2013 and December 31, 2012 and their estimated fair value:

Commodity risk management contracts					**Fair Value as at**	
Instrument	Period	Price	Reference	Quantity	**December 31, 2013**	December 31, 2012
Crude Oil Contracts						
Swap	Jan 1, 2013 - Dec 31, 2013	$97.00	CDN$ WTI	500 bbl/d	**$ -**	$ 680
Swap	Aug 1, 2013 - Jul 31, 2014	$96.12	CDN$ WTI	250 bbl/d	**(406)**	-
Swap	Jan 1, 2014 - Mar 31, 2014	$93.65	CDN$ WTI	1,700 bbl/d	**(1,680)**	-
Swap	Jan 1, 2014 - Mar 31, 2014	$96.23	CDN$ WTI	500 bbl/d	**(384)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	-$24.99	CDN$ WCS [1]	500 bbl/d	**(320)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$92.20	CDN$ WTI	1,000 bbl/d	**(3,547)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$93.25	CDN$ WTI	500 bbl/d	**(1,583)**	-
Swap	Apr 1, 2014 - Jun 30, 2014	$95.27	CDN$ WTI	1,000 bbl/d	**(745)**	-
Swap	Apr 1, 2014 - Dec 31, 2014	$98.13	CDN$ WTI	600 bbl/d	**(508)**	-
Swap	Apr 1, 2014 - Dec 31, 2014	$96.90	CDN$ WTI	600 bbl/d	**(688)**	-
Swap	Jul 1, 2014 - Sep 30, 2014	$94.43	CDN$ WTI	500 bbl/d	**(305)**	-
Swap	Oct 1, 2014 - Dec 31, 2014	$93.75	CDN$ WTI	250 bbl/d	**(121)**	-
Swap	Jan 1, 2015 - Mar 31, 2015	$96.20	CDN$ WTI	500 bbl/d	**(32)**	-
Swap	Jan 1, 2015 - Mar 31, 2015	$96.50	CDN$ WTI	500 bbl/d	**(19)**	-
					$(10,338)	$ 680
Natural Gas Contracts						
Collar	Jan 1, 2013 - Dec 31, 2013	$2.75 - $3.375	CDN$ GJ	5,000 GJ/d	**$ -**	$ 17
Swap	Jan 1, 2013 - Dec 31, 2013	$3.0625	CDN$ GJ	5,000 GJ/d	**-**	138
Swap	Jan 1, 2014 - Dec 31, 2014	$3.55	CDN$ GJ	1,500 GJ/d	**(86)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.555	CDN$ GJ	5,000 GJ/d	**(264)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.575	CDN$ GJ	6,250 GJ/d	**(284)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.59	CDN$ GJ	5,000 GJ/d	**(177)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.6075	CDN$ GJ	3,000 GJ/d	**(87)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.64	CDN$ GJ	2,000 GJ/d	**(34)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.71	CDN$ GJ	2,000 GJ/d	**7**	-
Swap	Jan 1, 2015 - Mar 31, 2015	$3.7625	CDN$ GJ	2,000 GJ/d	**(17)**	-
Put	Jan 1, 2014 - Dec 31, 2014	$3.40	CDN$ GJ	2,000 GJ/d	**(58)**	-
					$ (1,000)	$ 155
Total					**$(11,338)**	$ 835

[1] Fixed $ WCS versus WTI

Interest rate risk management contract					Fair Value as at	
Instrument	Period	Notional Amount	Reference	Fixed Interest Rate	**December 31, 2013**	December 31, 2012
Swap	Jul 5, 2012 - Jul 4, 2014	$75,000,000	CAD-BA-CDOR	1.145%	**$ 22**	$ 156
Total					**$ 22**	$ 156

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

Financial Derivative Instruments	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
(000s)					
Realized gain (loss)					
Oil	**$ (3,776)**	$ 2,262	$ (6,789)	**$ (11,793)**	$ 7,444
Gas	**823**	(299)	1,476	**1,905**	(178)
Interest	**15**	14	14	**57**	29
Total	**$ (2,938)**	$ 1,977	$ (5,299)	**$ (9,831)**	$ 7,295
Unrealized gain (loss)					
Oil	**$ 316**	$ (1,544)	$ (2,502)	**$ (9,358)**	$ 2,123
Gas	**(3,146)**	912	(584)	**(552)**	154
Interest	**(26)**	68	(52)	**(135)**	156
Total	**$ (2,856)**	$ (564)	$ (3,138)	**$ (10,045)**	$ 2,433
($/boe)					
Realized gain (loss)					
Oil ($/bbl)	**$ (5.70)**	$ 4.35	$ (9.88)	**$ (4.62)**	$ 3.36
Gas ($/Mcf)	**0.19**	(0.09)	0.31	**0.11**	(0.01)
Interest ($/boe)	**0.01**	0.01	0.01	**0.01**	0.01
Total ($/boe)	**$ (2.01)**	$ 1.80	$ (3.50)	**$ (1.77)**	$ 1.51
Unrealized gain (loss)					
Oil ($/bbl)	**$ 0.48**	$ (2.97)	$ (3.64)	**$ (3.66)**	$ 0.96
Gas ($/Mcf)	**(0.71)**	0.28	(0.12)	**(0.03)**	0.01
Interest ($/boe)	**(0.02)**	0.06	(0.03)	**(0.02)**	0.03
Total ($/boe)	**$ (1.96)**	$ (0.51)	$ (2.07)	**$ (1.81)**	$ 0.50

Subsequent to December 31, 2013, Spyglass entered into an interest rate swap contract with a fixed rate of 1.281% and a notional amount of $75,000,000 for the period from January 14, 2014 to January 14, 2016. The contract is to be settled monthly with reference to CAD-BA-CDOR. Additionally, the following commodity derivative contracts were entered into subsequent to December 31, 2013:

- A WCS crude oil swap for 500 bbls/d for the period from Feb 1, 2014 to December 31, 2014 with a fixed price of -$21.70 CDN/bbl versus WTI.
- A WCS crude oil swap for 500 bbls/d for the period from January 1, 2015 to December 31, 2015 with a fixed price of -22.80 CDN/bbl versus WTI.
- A WTI crude oil swap for 500 bbls/d for the period from January 1, 2015 to June 30, 2015 with a fixed price of $98.40 CDN/bbl.
- A WTI crude oil swap for 500 bbls/d for the period from April 1, 2015 to December 31, 2015 with a fixed price of $99.10 CDN/bbl.
- An AECO natural gas swap contract for 3,000 GJ/d for the period from January 1, 2015 to March 31, 2015 with a fixed price of $4.10 CAD/GJ.

- An AECO natural gas swap contract for 2,000 GJ/d for the period from January 1, 2015 to March 31, 2015 with a fixed price of $4.14 CAD/GJ.

Petroleum and Natural Gas Sales

Petroleum and natural gas sales totalled $273.0 million for 2013 compared to $212.4 million for 2012. Crude oil and liquids revenue increased $42.3 million with $29.1 million due to additional crude oil production and $13.2 million due to an increase in the realized Spyglass crude oil price to $82.09/bbl for 2013, up from the $76.28/bbl received in 2012. Natural gas sales were up $18.4 million with $13.6 million of the increase due to an improved Spyglass realized natural gas price of $3.23/Mcf in 2013 versus $2.43/Mcf in 2012, and $4.8 million due to an increase in natural gas production.

In Q4 2013, petroleum and natural gas sales totalled $65.9 million, above the $49.5 million in Q4 2012 and below the $80.9 million in Q3 2013. The Q4 2013 increase over Q4 2012 was primarily driven by production, as realized pricing for both quarters averaged approximately $45.00/boe. The comparison from Q4 2013 to Q3 2013, shows petroleum and natural gas sales decreasing by $15.0 million, with crude oil and liquids sales reducing from $68.6 million in Q3 2013 down by $17.7 million to $50.9 million in Q4 2013. The significant drop in the fourth quarter crude oil sales incorporates both a $7.59/bbl decrease in CDN$ WTI further compounded by a significant widening of crude oil differentials. The Spyglass corporate differential to CDN$ WTI in Q4 2013 averaged $29.42/bbl compared to $12.52/bbl in Q3 2013. Natural gas revenues in Q4 2013 increased by $2.8 million compared to Q3 2013 with price increasing $0.82/Mcf to average $3.40/Mcf in Q4 compared to $2.58/Mcf in Q3 2013.

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

Petroleum and Natural Gas Sales (000s)	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
Oil	**$ 48,270**	$ 37,308	$ 66,947	**$ 209,748**	$ 168,895
NGLs	**2,587**	1,440	1,690	**8,378**	6,929
Natural Gas	**15,052**	10,727	12,222	**54,888**	36,529
Total	**$ 65,909**	$ 49,475	$ 80,859	**$ 273,014**	$ 212,353

Royalties

Royalty payments are made by producers of oil and natural gas to owners of 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' 2013 overall effective royalty rate at 20.8%, is lower than the 2012 rate of 22.1% reflecting the change in the assets acquired through the Arrangement, where in general, acquired wells had lower average effective royalty rates relative to the Pace wells. The oil & NGL royalty rate in 2013 of 25.6% is lower than the 27.6% rate in 2012 despite a 6% improvement in realized oil and liquids pricing. As noted above, an increased portion of crude oil production comes from properties with lower royalty rates and newly drilled wells still on royalty holiday in 2013 compared to 2012.

The 2013 effective natural gas royalty rate was 1.4%, compared to a recovery of 4.3% in 2012. The natural gas royalty rate includes the impact of gas crown allowance credits that reduce the amount of Crown royalty paid on natural gas and natural gas liquids. The increase in the gas royalty rate from a recovery position in 2012 reflects the improvement in natural gas prices from under $2.50/Mcf in 2012 to over $3.20/Mcf in 2013.

Gross overriding and other royalties averaged approximately 3-4% of petroleum and natural gas sales for 2013, consistent with 2012. As a percentage of total royalties paid, gross overriding royalties for 2013 account for 16% of the total, comparable to historical rates of 14-16%.

The following tables outline royalties by type and by commodity:

Royalties by Type (000s)	Q4 2013	Q4 2012	Q3 2013	2013	2012
Crown	**$ 10,940**	$ 7,646	$ 14,869	**$ 47,576**	$ 39,543
Gross overriding and other	**2,819**	1,957	2,485	**9,135**	7,378
	$ 13,759	$ 9,603	$ 17,354	**$ 56,711**	$ 46,921
$/boe	**$ 9.42**	$ 8.76	$ 11.47	**$ 10.21**	$ 9.70
% of Petroleum & natural gas sales	**20.9%**	19.4%	21.5%	**20.8%**	22.1%

Royalties by Commodity	Q4 2013	Q4 2012	Q3 2013	2013	2012
Oil & NGLs					
(000s)	**$ 14,037**	$ 10,480	$ 17,524	**$ 55,931**	$ 48,480
% of Oil & NGL sales	**27.6%**	27.0%	25.5%	**25.6%**	27.6%
Natural Gas					
(000s)	**$ (278)**	$ (877)	$ (170)	**$ 780**	$ (1,559)
% of Natural gas sales	**-1.8%**	-8.2%	-1.4%	**1.4%**	-4.3%

Operating Expenses

Operating expenses totalled $104.9 million or $18.89/boe for 2013 compared to $78.2 million or $16.15/boe in 2012. Operating expenses in 2013 from the Arrangement onward incorporate the assets of Pace, Avenex and Charger driving the $26.7 million increase in operating costs. The 2013 operating expenses include the impact in Q1 2013 due to extreme weather and remediation projects undertaken in the North core area totalling approximately $3.21/boe in Q1 2013 or $0.63/boe for the year. The Company also saw high power costs in 2013 spiking over $100 per megawatt hour ("MWH") for a four month period and averaging approximately $77 per MWH for 2013 compared to $66 per MWH in 2012. The Company has taken steps to mitigate the impact of volatile power prices by fixing a price on approximately 45% of its expected power consumption at an average price of $54 per MWH for calendar 2014 and $51 per MWH for 2015.

Q4 2013 operating costs of $26.8 million or $18.33/boe are comparable to Q4 2012 on a boe basis, and comparable to Q3 2013 on an absolute dollar basis. The Company continues to focus on operating costs reduction initiatives, with Q3 2013 and Q4 2013 operating expenses averaging $17.86/boe and $18.33/boe respectively, falling within Spyglass' guidance of $17.00/boe to $18.50/boe. Q1 2014 operating expenses on a per boe basis are expected to trend higher, as the Company incurs additional operating expenses to complete maintenance related projects in winter-access only areas and also experiences production downtime and higher expenses associated with cold weather. However, the cost impact per boe/d is not expected to be as significant as was the case in Q1 of 2013.

The following table summarizes the Company's operating expenses:

Operating Expenses	Q4 2013	Q4 2012	Q3 2013	2013	2012
(000s)	**$ 26,766**	$ 20,116	$ 27,012	**$ 104,901**	$ 78,170
$/boe	**$ 18.33**	$ 18.36	$ 17.86	**$ 18.89**	$ 16.15

Transportation Expenses

Transportation expenses totalled $12.2 million or $2.20/boe for 2013 compared to $10.1 million or $2.09/boe for 2012. Transportation costs are incurred for clean oil trucking and for oil and gas pipeline tariffs where tolls are paid directly to third parties.

Oil transportation charges relate primarily to the Dixonville property since the majority of the Company's other properties are tied into sales pipelines. Total oil transportation charges increased in 2013 as the Company started trucking to rail terminals that provide access to additional US markets during the year.

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	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
(000s)					
Oil	**$ 2,256**	$ 1,484	$ 2,037	**$ 8,255**	$ 6,873
Gas	**1,089**	744	1,032	**3,953**	3,223
Total	**$ 3,345**	$ 2,228	$ 3,069	**$ 12,208**	$ 10,096
Oil ($/bbl)	**$ 3.41**	$ 2.85	$ 2.96	**$ 3.23**	$ 3.10
Gas ($/Mcf)	**0.25**	0.23	0.22	**0.23**	0.21
Total ($/boe)	**$ 2.29**	$ 2.03	$ 2.03	**$ 2.20**	$ 2.09

Finance Expenses

Interest expenses include interest on Spyglass' operating line of credit. Interest expenses totalled $13.4 million in 2013 compared to $8.2 million in 2012. The increase in 2013 interest expense compared to 2012 reflects the combined entities' operating bank line post Arrangement and higher interest rates. The effective interest rate for Spyglass in 2013 was 4.9% compared to 4.1% in 2012.

Accretion expense on decommissioning liabilities was $5.3 million in 2013 as compared to $3.3 million in 2012. The increase from 2012 reflects additional obligations assumed as a result of the Arrangement.

Finance Expenses	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
(000s)					
Interest	**$ 4,051**	$ 2,258	$ 3,620	**$ 13,448**	$ 8,196
Accretion	**1,450**	843	1,493	**5,270**	3,327
Total	**$ 5,501**	$ 3,101	$ 5,113	**$ 18,718**	$ 11,523
($/boe)					
Interest	**$ 2.77**	$ 2.06	$ 2.39	**$ 2.42**	$ 1.69
Accretion	**0.99**	0.77	0.99	**0.95**	0.69
Total ($/boe)	**$ 3.76**	$ 2.83	$ 3.38	**$ 3.37**	$ 2.38

Transaction Costs

In Q1 2013, Spyglass incurred $13.5 million of transaction costs related to the Arrangement. In Q4 2012, $0.8 million of transaction costs were incurred. Costs include amounts for financial advisors, legal, other professional fees and change of control settlements.

General and Administration Expenses

In 2013 cash general and administration ("G&A") expenses totalled $16.7 million compared to $17.9 million in 2012. The decrease in the cash portion of G&A from 2012 reflects lower direct and indirect personnel costs as a result of organizational changes subsequent to the Arrangement. As well, non-recurring restructuring charges incurred in 2012 partially offset non-recurring integration costs incurred in 2013.

The largest portion of G&A is comprised of salaries and benefits such that future G&A will depend on staff levels in 2014 along with changes to salaries and bonus incentives. Cash G&A per boe was $2.45 in Q4 2013 and $3.01 in 2013. The Cash G&A per boe of $2.61 for combined Q3 2013 and Q4 2013 met guidance provided by the Company of less than $3.00/boe.

The components of G&A expenses were as follows:

General and Administration Expenses	Q4 2013	Q4 2012	Q3 2013	2013	2012
(000s)					
Cash G&A	**$ 3,583**	$ 3,958	$ 4,185	**$ 16,737**	$ 17,873
Non-Cash LTIP expense	**710**	1,830	570	**2,004**	3,556
Total	**$ 4,293**	$ 5,788	$ 4,755	**$ 18,741**	$ 21,429
($/boe)					
Cash G&A	**$ 2.45**	$ 3.61	$ 2.77	**$ 3.01**	$ 3.69
Non-Cash LTIP expense	**0.49**	1.67	0.38	**0.36**	0.73
Total	**$ 2.94**	$ 5.28	$ 3.15	**$ 3.37**	$ 4.42

Long-term incentive plans

In Q2 2013, the Company implemented a new long-term incentive plan for employees and management which 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 year ended December 31, 2013, the Company granted 1,647,706 RSUs, 1,043,398 PSUs, and 157,702 DRSUs. As at December 31, 2013, incorporating the increase in units commensurate with each dividend declared by the Company, as well as forfeitures and settlements in the period, 1,516,494 RSUs, 1,111,043 PSUs and 172,247 DRSUs were outstanding.

The previous Pace long-term incentive plan included a blend of three types of share based awards depending on roles and responsibilities within the organization: restricted share awards ("RSA"), performance share awards ("PSA") and stock options. RSAs were granted to employees and management of the organization and vested evenly over a three year period with payments to be made to the owner of the award on the deemed anniversary date of the grant. PSAs were granted to management of the organization and vested three years from the date of grant. The number of PSAs granted were subject to a multiplier ranging from 0 to 2 based on a mix of how Pace performed compared to a selected peer group on a total return basis combined with how Pace performed against a set minimum threshold of share performance. Payments of the PSAs were made based on the amount granted subject to the above mentioned multiplier. Stock options had a three year life and one third of each grant vested every nine months. Deferred share awards ("DSA") were granted to non-management directors of the organization. The awards vested immediately but were not settled until the Board member ceased to be a member of the Board. Payment of the awards was valued based on the granted number of awards using the share price at and around the date the Board member ceases to be a Board member.

All RSAs, PSAs and DSAs became vested upon the closing of the Arrangement at a value of $2.77 per pre-subdivided award. PSAs were subject to a multiplier of 0.8. A total payout of $2.9 million in cash was made in Q2 2013 to settle the RSAs, PSAs and DSAs.

All outstanding options under the Pace plan were extinguished upon the closing of the Arrangement. 4,501 (3,462 pre-subdivided) options were in the money, and exercised on a cash-less basis for 127 (98 pre-subdivided) shares. In Q1 2013, prior to the closing of the Arrangement, 261,701 pre sub-divided options expired or were forfeited. The remaining 4,213,417 (2,979,389 pre-subdivided) outstanding options were extinguished at $0.001 per pre-sub divided option upon closing of the Arrangement.

Depletion, Depreciation and Impairments

For 2013, depletion, depreciation and impairments ("D&D") was $77.9 million compared to $256.2 million for 2012.

The 2013 D&D rate of $14.03/boe was slightly higher than the 2012 pre-impairment D&D rate of $13.64/boe. 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 2012 D&D impairment charges related to impairments in the North Gas cash generating unit ("CGU"), the North Oil CGU and the South Gas CGU at the end of Q2 2012 and Q4 2012, which was caused, at the time, by a weak natural gas pricing environment while declines in forecasted oil prices revised the longer term price outlook downward.

The components of D&D were as follows:

Depletion, depreciation and impairments	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
(000s)					
Depletion & depreciation	**$ 22,406**	$ 14,498	$ 21,378	**$ 77,912**	$ 66,017
Impairment (net of reversals)	**-**	109,910	-	**-**	190,216
Total	**$ 22,406**	$ 124,408	$ 21,378	**$ 77,912**	$ 256,233
($/boe)					
Depletion & depreciation	**$ 15.34**	$ 13.23	$ 14.13	**$ 14.03**	$ 13.64
Impairment (net of reversals)	**-**	100.31	-	**-**	39.30
Total	**$ 15.34**	$ 113.54	$ 14.13	**$ 14.03**	$ 52.94

Environmental Liabilities & Insurance Receivable

On May 19, 2012, Pace 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. The release occurred as a result of a hole caused by internal pit corrosion that was accelerated through stray electrical currents in the surrounding area. Containment and recovery operations began within hours of notification. Following mechanical recovery operations to remove the leaked oil, management worked with Alberta Environment and Sustainable Resources Development (AESRD) to conduct two planned and controlled burns of remaining oil. Spyglass is continuing its surface and ground water sampling, and wildlife monitoring systems and continues to work with AESRD to further refine a site remediation plan. The majority of the site is being bio-remediated and naturally attenuated and an excavation contingency plan for the area surrounding the well head is being developed if the need arises.

The estimated cost of the site clean-up and remediation is $25.0 million. This incident falls within the Company's insurance coverage and $20.5 million of insurance proceeds were received to December 31, 2013. Spyglass has paid $21.6 million of clean-up and remediation costs as of December 31, 2013 with a further $0.4 million recorded in accrued liabilities for work performed to December 31, 2013 and $3.0 million accrued in other liabilities for future costs expected to be incurred. Spyglass has recorded $4.4 million in accounts receivable for insurance receivable as at December 31, 2013. Spyglass has evaluated the credit worthiness of its insurance providers and has concluded it to be adequate.

Other Income

Cash other income in 2013 of $1.4 million consists primarily of a seismic data sale completed in the year while 2012 cash other income consists of marketing revenue and seismic sales. Non-cash other income in 2013 of $89.3 million includes $84.2 million in gains recognized as a result of the fair value of assets acquired under the Arrangement exceeding the consideration paid and $5.2 million of gains on the disposition of non-core producing properties and undeveloped land.

The components of Other Income were as follows:

Other Income	Q4 2013	Q4 2012	Q3 2013	2013	2012
(000s)					
Cash other income	**$ (41)**	$ 342	$ 1,227	**$ 1,406**	$ 457
Non-cash other income	**5,628**	-	1,850	**89,344**	-
Total	**$ 5,587**	$ 342	$ 3,077	**$ 90,750**	$ 457
($/boe)					
Cash other income	**$ (0.03)**	$ 0.31	$ 0.81	**$ 0.25**	$ 0.09
Non-cash other income	**3.85**	-	1.22	**16.09**	-
Total	**$ 3.82**	$ 0.31	$ 2.03	**$ 16.34**	$ 0.09

Deferred Taxes

Spyglass recorded a deferred tax recovery of $2.1 million in 2013 compared to a recovery of $49.6 in 2012. The difference between the 2013 expected rate of 25.0% and the effective rate relates primarily to permanent differences as well as a valuation allowance on certain successored tax pools from predecessor companies that are unlikely to be utilized. The following table shows a reconciliation of the Company's income before taxes at the combined federal and provisional rate compared to the deferred tax expense (recovery) recorded:

	Year ended December 31, 2013	Year ended December 31, 2012
Income (loss) before taxes	**$ 41,246**	$ (202,584)
Combined federal and provincial tax rate	**25.0%**	25.0%
Computed "expected" tax expense (recovery)	**10,312**	(50,646)
Increase (decrease) in taxes resulting from:		
Permanent items	**(20,909)**	995
Derecognition of previously recognized deferred tax asset	**9,088**	-
Change in rates	**595**	(159)
Other	**(1,171)**	217
Deferred tax expense (recovery)	**$ (2,085)**	$ (49,593)

The following is a breakdown of the Company's approximate tax pools by type. These tax pool balances are subject to change as tax returns are completed and annual claims are made and reclassification of items between categories may occur.

Tax Pools (000s)	December 31, 2013
Canadian exploration expense	**$** 136,300
Canadian development expense	259,400
Canadian oil and gas property expense	161,400
Undepreciated capital cost	253,200
Share issue costs	2,300
Non-Capital losses	215,900
Other	400
Total	**$** 1,028,900

Funds from Operations and Net Income (Loss)

For 2013, funds from operations totalled $60.6 million and $0.54 per basic and diluted share compared to $58.8 million and $0.96 per basic and diluted share in 2012. Funds from operations increased in 2013 from 2012 reflecting the Arrangement with production in 2013

increasing to average 15,215 boe/d compared to 13,223 boe/d in 2012. The operating netback year over year improved to $17.86 per boe from $15.94 per boe while the cash flow netback, which reflects funds from operations on a per boe basis, decreased to $10.91 per boe in 2013 from $12.16 per boe in 2012. The increase in production volumes, improved sales prices and a decrease in general and administrative expense were close to being offset by increases to royalty , operating , and transportation expenses, increased financing charges and higher realized losses on financial instruments.

For Q4 2013, funds from operations totalled $11.4 million and $0.09 per basic and diluted share compared to $21.5 million and $0.17 per basic and diluted share in Q3 2013 and $13.6 million or $0.22 per basic and diluted share in Q4 2012. While the decrease in funds flow from operations in Q4 2013 compared to Q3 2013 reflects a decrease in production of 572/boed, the major driver for the reduction in funds flow is due to decreases in realized crude oil prices relating to a decrease in CDN$ WTI further compounded by significantly wider crude oil differentials. This impact on funds flow was partially offset by an improvement in prices received for natural gas in the fourth quarter. On a boe basis the Q4 2013 operating net back decreased to $15.09/boe from $22.09/boe in Q3 2013 and the cash flow netbacks decreased to $7.83 per boe in Q4 2013 from $14.24/boe in Q3 2013.

The $2.2 million decrease in funds flow in Q4 2013 compared to Q4 2012 incorporates approximately a 4,000 boe/d increase in Q4 2013 production compared to Q4 2012 production that on an operating netback basis generated an additional $4.5 million of funds flow. This was more than offset by a $4.9 million quarter over quarter swing in the settlement of financial derivative contracts as well as an increase of $1.8 million increase in interest expense.

For 2013, the Company had a net income of $43.3 million compared to a net loss of $153.0 million in 2012. The per share basic and diluted net income was $0.39 compared to a net loss of $2.50 per basic and diluted share in 2012. The 2013 increase in net income is due mostly to non-cash factors, including the gains on the acquisitions of Charger and AvenEx of $84.2 million, as well as gain on property dispositions of $5.2 million. The significant non-cash factor in 2012 reflected in the $153 million net loss was impairment losses of $190.2 million.

The following table summarizes operating netbck, cash flow netback and net income (loss) on a boe basis for the periods indicated:

($/boe)	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
Sales price	**$ 45.13**	$ 45.16	$ 53.45	**$ 49.16**	$ 43.88
Royalties	**(9.42)**	(8.76)	(11.47)	**(10.21)**	(9.70)
Operating expenses	**(18.33)**	(18.36)	(17.86)	**(18.89)**	(16.15)
Transportation expenses	**(2.29)**	(2.03)	(2.03)	**(2.20)**	(2.09)
Operating netback	**$ 15.09**	$ 16.01	$ 22.09	**$ 17.86**	$ 15.94
Cash other income (expense)	**(0.03)**	0.31	0.81	**0.25**	0.09
Realized gain (loss) on financial derivative instruments	**(2.01)**	1.80	(3.50)	**(1.77)**	1.51
Cash G&A	**(2.45)**	(3.61)	(2.77)	**(3.01)**	(3.69)
Interest	**(2.77)**	(2.06)	(2.39)	**(2.42)**	(1.69)
Cash flow netback	**$ 7.83**	$ 12.45	$ 14.24	**$ 10.91**	$ 12.16
Unrealized gain (loss) on financial derivative instruments	**(1.96)**	(0.51)	(2.07)	**(1.81)**	0.50
Non-cash other income (expense)	**3.85**	-	1.22	**16.09**	-
Depletion, depreciation and impairment	**(15.34)**	(113.54)	(14.13)	**(14.03)**	(52.94)
Accretion	**(0.99)**	(0.77)	(0.99)	**(0.95)**	(0.69)
Transaction costs	**-**	(0.68)	-	**(2.42)**	(0.15)
Long-term incentive compensation	**(0.49)**	(1.67)	(0.38)	**(0.36)**	(0.73)
Deferred taxes	**(4.45)**	25.74	1.18	**0.38**	10.25
Net income (loss)	**$ (11.55)**	$ (78.98)	$ (0.93)	**$ 7.81**	$ (31.60)

The following table provides reconciliations to the change in funds from operations and net income for Q4 2013 to Q4 2012 and for the year ended 2013 to 2013:

Change in Funds from Operations and Net Income (loss) (000s)	Q4 2013 to Q4 2012		Q4 2013 to Q3 2013	
	Funds from Operations	Net loss	**Funds from Operations**	Net loss
Comparative period	**$ 13,631**	$ (86,565)	**$ 21,547**	$ (1,402)
Increase (decrease) in revenue:				
Change in production volumes	**16,465**	16,465	**(2,809)**	(2,809)
Change in prices	**(31)**	(31)	**(12,141)**	(12,141)
Change in royalties	**(4,156)**	(4,156)	**3,595**	3,595
(Increase) decrease in expenses:				
Operating	**(6,650)**	(6,650)	**246**	246
Transportation	**(1,117)**	(1,117)	**(276)**	(276)
Finance charges	**(1,793)**	(2,400)	**(431)**	(388)
Cash general and administration	**375**	375	**602**	602
Long-term incentive compensation	**-**	1,120	**-**	(140)
Depletion, depreciation and impairment	**-**	102,002	**-**	(1,028)
Deferred tax	**-**	(34,697)	**-**	(8,278)
Transaction costs	**-**	750	**-**	-
Increase (decrease) in:				
Other income	**(383)**	5,245	**(1,268)**	2,510
Gains (losses) on financial derivative instruments	**(4,915)**	(7,207)	**2,361**	2,643
Current period	**$ 11,426**	$ (16,866)	**$ 11,426**	$ (16,866)

Capital Expenditures, Acquisitions and Dispositions and Assets Held for Sale

Capital expenditures in 2013 prior to acquisition and disposition activity totalled $59.7 million, consistent with guidance provided by the Company with its Q3 release. A total of $40.3 million was spent on drilling, completion and optimization activities, $10.8 million on facilities, pipelines, equipping and tie-ins, and $8.6 million on land, seismic and office costs, including capitalized G&A. A total of 16 wells (12.9 net) were drilled as part of Spyglass' 2013 capital program with spending activity concentrated mostly in Q3 2013 and Q4 2013. Operated capital spent on drilling included 5 wells (5.0 net) in our Central core area targeting Viking and Ellerslie medium oil at Provost/Halkirk and a 7 well (7.0 net) program in the South core area at Matziwin and Enchant targeting crude oil in the Pekisko and Glauconite formations. Non-operated drills totalled 1.0 (0.1 net) in our Central core area and participation in an additional 3 (0.8 net) also targeting the Glauconite formation in our South core area. Office and other spend of $5.6 million in the year included $5.2 million of capitalized G&A and $0.4 million of office related capital and system infrastructure projects.

The acquisitions completed by Spyglass and referred to in its disclosures as "the Arrangement" closed on March 28, 2013, when the Company acquired all the issued and outstanding shares of Charger and AvenEx for consideration of 67,085,364 shares valued at $150.3 million. The fair value of net assets acquired was $234.5 million. As part of the Arrangement, Spyglass acquired $282.1 million of exploration and expenditure assets and property, plant and equipment assets from AvenEx and Charger which represents the fair value of those assets.

In 2013, the Company disposed of certain non-core producing properties in the provinces of Saskatchewan and Alberta for proceeds of $22.7 million, net of adjustments. The transactions resulted in a gain of $5.2 million which was recognized in the Consolidated Statement of Income (Loss).

At December 31, 2013, non-core producing properties with a net book value of $2.9 million were classified as held for sale. These properties were subsequently sold in January 2014 for proceeds of $3.0 million prior to adjustments.

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

Capital Expenditures (000s)	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
Land	**$ 487**	$ (92)	$ 403	**$ 1,182**	$ 2,654
Geological and geophysical	**142**	140	456	**1,842**	958
Drilling and completions	**10,045**	10,654	19,226	**40,321**	54,055
Facilities and equipment	**3,135**	2,639	2,883	**10,752**	18,823
Office and capitalized G&A	**1,182**	1,583	1,591	**5,557**	6,727
Capital Expenditures	**$ 14,991**	$ 14,924	$ 24,559	**$ 59,654**	$ 83,217
Acquisitions	**-**	-	-	**282,093**	-
Dispositions	**(12,515)**	-	(10,199)	**(22,714)**	-
Total capital expenditures and acquisitions net of dispositions	**$ 2,476**	$ 14,924	$ 14,360	**$ 319,033**	$ 83,217
Exploration and evaluation expenditures	**$ 170**	$ (661)	$ 873	**$ 50,219**	$ 16,751
Property, plant and equipment expenditures	**2,306**	15,585	13,487	**268,814**	66,466
Total capital expenditures and acquisitions net of dispositions	**$ 2,476**	$ 14,924	$ 14,360	**$ 319,033**	$ 83,217

Spyglass has approximately 583,000 net acres of undeveloped land under lease at December 31, 2013.

Equity

On March 28, 2013, pursuant to the Arrangement, 46,916,422 pre-subdivided Spyglass shares were subdivided on a basis of 1.3 to one to total 60,991,388 shares. Further, 12,117,821 shares were issued in exchange for all outstanding Charger shares and 54,967,543 shares were issued in exchange for all outstanding AvenEx shares. Outstanding shares subsequent to the Arrangement totaled 128,076,720 Spyglass shares and to date, no further shares have been issued.

In Q1 2013, a total of 4,501 options were in the money, and exercised on a cashless basis for 127 shares and 340,211 options expired or were forfeited. The remaining 3,873,206 outstanding options were extinguished at $0.001 per option upon closing of the Arrangement. The Company now has no dilutive instruments outstanding.

On June 28, 2012, the Toronto Stock Exchange (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 3,060,915 (2,354,550 pre-subdivided) common shares (5% of the shares outstanding) with the daily maximum of 38,098 (29,306 pre-subdivided) common shares in accordance with the TSX rules during the period July 3, 2012 to July 2, 2013. Shares purchased under the bid were cancelled. There were 54,860 (42,200 pre-subdivided) shares purchased during the year ended December 31, 2012 at a weighted average cost of $2.17 ($2.82 pre-subdivided) per share for a net cost of $0.1 million under this bid. No shares were repurchased in 2013.

Share Information	**Q4 2013**	Q4 2012	Q3 2013	**2013**	2012
Shares Outstanding					
Basic	**128,076,720**	60,991,229	128,076,720	**128,076,720**	60,991,229
Diluted	**128,076,720**	65,209,108	128,076,720	**128,076,720**	65,209,108
Weighted average shares outstanding					
Basic	**128,076,720**	60,991,190	128,076,720	**112,086,499**	61,156,554
Diluted	**128,076,720**	60,991,190	128,076,720	**112,086,499**	61,156,554

Dividends Declared and Payout Ratio

In April 2013, the Company initiated a monthly dividend of $0.0225 per share. During 2013, the Company declared dividends of $25.9 million or $0.2025 per share. The 2013 basic payout ratio, calculated as dividends declared over funds from operations, was 43% while the all-in payout ratio, calculated as dividends declared and capital expenditures (net of property dispositions) over funds from operations, was 104%. The Company continues to target an all-in payout ratio of 100% for 2014.

Dividends declared per common share and outstanding for the period are as follows:

2013 Dividends	Declaration Date	Record Date	Payment Date	Amount Per Common Share
April	April 9, 2013	April 26, 2013	May 15, 2013	$ 0.0225
May	May 13, 2013	May 27, 2013	June 17, 2013	0.0225
June	June 17, 2013	June 27, 2013	July 15, 2013	0.0225
July	July 9, 2013	July 26, 2013	August 15, 2013	0.0225
August	August 12, 2013	August 27, 2013	September 16, 2013	0.0225
September	September 13, 2013	September 27, 2013	October 15, 2013	0.0225
October	October 13, 2013	October 27, 2013	November 15, 2013	0.0225
November	November 13, 2013	November 28, 2013	December 16, 2013	0.0225
December	December 6, 2013	December 24, 2013	January 15, 2014	0.0225

Subsequent to December 31, 2013, the following dividends were declared:

2014 Dividends	Declaration Date	Record Date	Payment Date	Amount Per Common Share
January	January 15, 2014	January 28, 2014	February 17, 2014	$ 0.0225
February	February 11, 2014	February 27, 2014	March 17, 2014	0.0225

Liquidity and Capital Resources

Spyglass is listed as a senior issuer on the Toronto Stock Exchange trading under the symbol "SGL" and trades in the over the counter market (OTCQX) in the United States under the symbol "SGLRF". The following is a summary of the TSX trading history.

Trading History on the TSX	Q4 2013	Q4 2012	Q3 2013	2013	2012
Trading price					
High	**$ 2.15**	$ 2.83	$ 2.01	**$ 2.71**	$ 4.85
Low	**$ 1.58**	$ 2.07	$ 1.53	**$ 1.53**	$ 1.58
Close	**$ 1.82**	$ 2.53	$ 1.66	**$ 1.82**	$ 2.53
Volume (000's) [(1)]	**25,028**	9,147	23,514	**76,067**	28,792

[(1)] Trading volumes for Q4 2012, Q1 2013 and 2012 are stated in pre-subdivided amounts.

On the over the counter market, 19.5 million shares were traded in 2013 compared to 8.6 million shares in 2012 reflecting trading volumes in pre-subdivided amounts for periods prior to the Arrangement.

Spyglass has a $400 million revolving term credit facility with a syndicate of banks which was renewed on May 22, 2013. The facility is available on a revolving basis until April 29, 2014. The available level of credit is subject to semi-annual review and may be adjusted for changes in reserves, commodity prices and other factors. At December 31, 2013, $287.0 million was drawn on the facility and the Company had a working capital deficit of $13.5 million (excluding current portion of financial derivative instruments and liabilities associated with assets held for sale) for net debt of $300.5 million. At December 31, 2013, there were $0.9 million of letters of credit outstanding.

The Company's policy is to maintain a strong capital base to maintain financial flexibility and allow for execution of its capital investment program, provide creditor and market confidence and sustain the future development of the business.

The Company anticipates adequate liquidity to fund future working capital and forecasted capital expenditures in 2014 through a combination of cash flow and additional use of its bank facility. The Company is able to modify its capital program in response to changes in commodity prices and cash flows. Should the Company choose to expand its capital program, actual funding alternatives will be influenced by the then current market environment and the ability to access capital on reasonable terms, balanced with the investment opportunities presented.

At December 31, 2013, the management of capital includes share capital of $494.3 million (2012 - $430.0 million) and long-term debt of $287.0 million (2012 - $199.8 million). The Company manages its capital structure and makes adjustments by continually monitoring its business conditions including: changes in economic conditions, the risk profile of its drilling inventory, the efficiencies of past investments, the efficiencies of forecasted investments and the timing of such investments, the forecasted commodity prices and resulting cash flows and debt levels. The Company monitors non-GAAP metrics including a calculation of its long-term debt to its trailing four quarters EBITDA as defined in its credit facility which allows for pro forma adjustments related to acquisitions and dispositions. At December 31, 2013, this ratio was 3.6 (2012 – 3.0). Further, the Company monitors both its basic and all-in payout ratios with a target of approximately 100% for its all-in payout ratio. The basic payout ratio equals dividends declared divided by funds from operations. The all-in payout ratio equals dividends declared plus capital expenditures (net of property dispositions) divided by funds from operations. The 2013 basic payout ratio was 43% while the 2013 all-in payout ratio was 104%.

In order to maintain or adjust the capital structure, the Company may from time to time issue shares, if available on reasonable terms, sell assets, farm out properties and adjust its capital spending to manage current and projected debt levels. The Company may also review the level of bank credit obtainable based on the evaluation of its reserves.

Off Balance Sheet Transactions

There were no off balance sheet transactions entered into during the year, 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	**$ 301,633**	$ 13,436	$ 288,197	$ -	$ -
Firm transportation charges	**4,054**	2,328	1,398	281	47
Operating leases	**29,430**	2,473	7,275	7,058	12,624
Total Contractual Obligations	**$ 335,117**	$ 18,237	$ 296,870	$ 7,339	$ 12,671

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.

Spyglass enters into fixed price contracts for the purchase of power. These contracts are in the normal course of business and are not intended to be settled for net cash payment. As such, these contracts are not recognized in the financial statements and future revenues or costs are recognized as earned over the term of the contract.

As at December 31, 2013, the following contracts were outstanding with respect to the purchase of power:

- A fixed price purchase of electrical power for the period January 1, 2013 to December 31, 2014 of 1.0 megawatt per month at a price of $56.30/megawatt hour.
- A fixed price purchase of electrical power for the period January 1, 2014 to December 31, 2014 of 2.0 megawatts per month at a price of $54.74/megawatt hour.
- A fixed price purchase of electrical power for the period January 1, 2014 to December 31, 2015 of 2.0 megawatts per month at a price of $52.40/megawatt hour.

- A fixed price purchase of electrical power for the period January 1, 2015 to December 31, 2015 of 2.0 megawatts per month at a price of $50.25/megawatt hour.

The Company estimates it will incur costs of approximately $370.8 million on an undiscounted basis to settle its decommissioning liabilities to abandon and reclaim petroleum and natural gas assets including well sites and processing facilities. The present value of these expected costs is $83.8 million and has been recorded on the Company's balance sheet as at December 31, 2013. 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 cash and cash equivalents, accounts receivable, financial derivative instruments, investment, accounts payable and accrued liabilities, dividends payable, long-term compensation 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 compensation liability have been recorded at their fair value.

Spyglass' investment at December 31, 2013 is in common shares of a private oil and gas related business and has been recorded at its estimated 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, 2013.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to ensure that information required to be disclosed by Spyglass is accumulated and communicated to management as appropriate to allow timely disclosures. Internal controls over financial reporting have been designed by management, under the supervision of, and with the participation of Spyglass' CEO and CFO, to provide reasonable assurance regarding the reliability of Spyglass' financial reporting and its preparation of financial statements for external purposes in accordance with GAAP. Spyglass' Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to Spyglass is made known to them by Spyglass employees.

Management's Report on Disclosure Controls and Procedures

Management, under the supervision of and with the participation of Spyglass' Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as at December 31, 2013, that such disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting ("ICFR")

Management, under the supervision of and with the participation of Spyglass' Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under National Instrument 52-109). In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commissions ("COSO") in Internal Control - Integrated Framework (1992). Based on that evaluation, management and the Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2013, Spyglass' internal controls over financial reporting were effective.

There were no weaknesses noted in controls during 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Internal controls have largely been maintained from Pace.

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, 2013 and 2012. Certain accounting policies required that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The emergence of new information and changes in circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. The following discussion identifies the critical accounting policies and practices of the Company and helps assess the likelihood of materially different results being reported.

(a) Depletion, depreciation and reserves

Depletion is based on the proved plus probable reserves as evaluated in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH"). The process of determining reserves is complex. Significant judgments are based on available geological, geophysical, engineering, and economic data. These judgements are based on estimates and assumptions that may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices and economic conditions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative.

Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs of disposal of property, plant and equipment for impairment calculations (see note 9 to the consolidated financial statements).

(b) CGU definition

The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

(c) Impairment and business combinations

Judgments include determining whether indicators of impairment exist, as well as the discount rate used in discounted cash flow models. Estimates and assumptions include those used in the determination of the recoverable amounts of CGUs and individual assets which are based on the higher of their value-in-use and fair values less costs of disposal. Unless indicated otherwise, the recoverable amount used in assessing impairment charges is fair value less costs of disposal. For PP&E, including PP&E acquired through business combinations, the Company generally estimates fair value less costs of disposal using a discounted cash flow model which has a significant number of assumptions including proved and probable reserves, forecasted commodity prices, future costs required to develop and produce reserves, discount rates and other relevant assumptions. Reserve estimates and expected future cash flows from production of reserves are subject to measurement uncertainty as discussed above and subject to variability to changes in forecasted commodity prices. Commodity price changes impact the expected future cash flows which may require a material adjustment to the carrying value of tangible and intangible assets. See note 9 to the consolidated financial statements for further discussion.

For E&E, including E&E acquired through business combinations, estimates and assumptions include those used in the calculation of recoverable amounts for E&E CGUs and individual assets, which are based on the higher of value-in-use and fair value less costs of disposal. See note 8 to the consolidated financial statements for further discussion.

(d) Exploration and evaluation assets

The decision to transfer assets from exploration and evaluation to property, plant and equipment is based on the estimated proved or probable reserves which are in part used to determine a project's technical feasibility and commercial viability. Judgments include when a project has reached technical feasibility and commercial viability.

(e) Decommissioning and restoration costs

Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of its assets. Judgments include the most appropriate discount rate to use. Estimates and assumptions include decommissioning costs, credit-adjusted risk free rate, and expected timing of expenditure. In the Company's judgment, the most appropriate discount rate to use is the Company's credit adjusted rate. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

(f) Deferred taxes

The Company follows the liability method for calculating deferred taxes. Judgments include assessment whether valuation allowances are required based on expectations of future cashflows from operations and the application of existing tax laws. Estimates and assumptions are used in the calculation of deferred taxes. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

(g) Long-term incentive plans

The Company uses the fair value method of valuing its LTIP. Judgments include which valuation model is most appropriate for the grant of the award to estimate its fair value. Estimates and assumptions are then used in the valuation model to determine fair value. For stock options granted by Pace prior to the Arrangement, the Black-Scholes pricing model was used which required the determination of the most appropriate inputs including the expected life of the option, volatility, expected forfeitures and future dividends. The assumptions and models are discussed in note 12 of the audited consolidated financial statements. For RSAs, PSAs and DSAs granted by Pace prior to the arrangement and for RSUs, PSUs and DRSUs granted by Spyglass, subsequent to the arrangement, the fair value model was used and was based on the Company's trading value at each reporting period. PSUs (and formerly PSAs under the LTIP plan prior to the arrangement) are subject to a performance multiplier that is subject to management estimation, the relative share performance of the Company compared to a set peer group and the absolute shareholder return during the period the awards are outstanding. The multiplier may change based on the future performance of the Company relative to its peers and absolute share performance which would result in changes to the estimates.

(h) Financial Derivatives

The estimated fair value of financial derivatives is reliant upon a number of estimated variables including forward commodity prices, interest rates and volatility curves. A change in any one of these factors could result in a change to the overall estimated valuation of the instrument.

Financial Reporting Update

There were several recent accounting pronouncement and amendments adopted effective January 1, 2013 including IFRS 10 – *Consolidation*, IFRS 11 – *Joint Arrangements*, IFRS 12 – *Disclosure of Interest in Other Entities*, IFRS 13 – *Fair Value Measurement*, IAS 17 – *Separate Financial statements*, IAS 28 – *Investments in Associates and Joint Ventures*, IAS 1 – P*resentation of Financial Statements,* IAS 32 – *Financial Instruments: Presentation* and IAS 36 – *Impairment of Assets*. The adoption of the above

pronouncements and amendments had no impact on the consolidated financial statements other than disclosure requirements which have been incorporated.

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2014 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the consolidated financial statements.

(a) IFRS 2 – *Share-based Payments* has been amended to clarify the definition of vesting conditions for share-based payment transactions for which the grant date is on or after July 1, 2014.

(b) IFRS 3 – *Business Combinations* amendments provide clarification related to contingent consideration in a business combination effective for business combinations where the effective date is on or after July 1, 2014. Further amendments to IFRS 3 include clarifications to the scope exception for joint arrangements and are effective for annual periods beginning on or after July 1, 2014.

(c) IAS 24 – *Related Party Transactions* has been amended to revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent and clarifies related disclosure requirements. The amendments are effective for annual periods beginning on or after July 1, 2014.

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 2013 Annual Information Form filed on SEDAR at www.sedar.com.

i) Risks to Spyglass' Revenues

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of the Company's oil and gas reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company are in part determined by the borrowing base of the Company. A sustained material decline in prices from historical average prices could limit or reduce the Company's borrowing base, therefore reducing the bank credit available to the Company, and could require that a portion of any existing bank debt of the Company be repaid.

In addition to establishing markets for its oil and natural gas, the Company must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by the Company. The ability of the Company to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Company will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Company has limited direct experience in the marketing of oil and natural gas.

Cash Dividends to Shareholders are Dependent on the Performance of Spyglass

Spyglass is entirely dependent upon its operations and assets to make cash dividends to shareholders. There is no assurance regarding the amounts of cash to be distributed by Spyglass or generated by Spyglass and therefore, the funds available for distribution to shareholders. The actual amount distributed will depend on a variety of factors, including without limitation, changes in oil and gas commodity prices, the performance of the business, the effect of acquisitions or dispositions on Spyglass and other factors that may be beyond the control of Spyglass. In the event significant sustaining capital expenditures are required or the profitability of spyglass declines, there would be a decrease in the amount of cash available for shareholder dividends and such decrease could be material.

Spyglass' dividend policy is subject to change at the discretion of the Board of Directors of Spyglass. The actual amount of future monthly dividends is proposed by management and is subject to the approval and discretion of the Board of Directors and subject to applicable laws. The Board of Directors reviews future dividends in conjunction with their review of quarterly financial and operating results but dividend decisions are made monthly.

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by Spyglass is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or the prevailing perception of the potential for conflicts, arising in the Middle East and other areas of the world have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of Spyglass' net production revenue.

In addition, Spyglass' oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of Spyglass' properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on the Spyglass' business, financial condition, results of operations and prospects. Spyglass does not have insurance to protect against the risk from terrorism.

Delay in Cash Receipts and Credit Worthiness of Counterparties

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of Spyglass' properties, and by the operator to Spyglass, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of Spyglass' properties or the establishment by the operator of reserves for such expenses. In addition, the insolvency or financial impairment of any counterparty owing money to Spyglass, including industry partners and marketing agents, could prevent Spyglass from collecting such debts.

Substantial Capital Requirements, Liquidity

Spyglass may have to make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If revenues or reserves decline, Spyglass may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require Spyglass to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for the Common Shares will be subject to market trends generally, notwithstanding the financial and operational performance of Spyglass.

ii) Operational Risks

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Spyglass depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified,

management of Spyglass may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Company.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, producing facilities, other property and the environment or in personal injury. In accordance with industry practice, Spyglass is not fully insured against all of these risks, nor are all such risks insurable. Although Spyglass maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Spyglass could incur significant costs that could have a materially adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Project Risks

The Company manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Company's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Company's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Spyglass could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Reserve Replacement

Spyglass' future oil and natural gas reserves and production and the cash flows to be derived therefrom are highly dependent on successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Spyglass may

have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in reserves will depend not only on Spyglass' ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Spyglass' future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Operational Dependence

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Spyglass and may delay exploration and development activities.

To the extent Spyglass will not be the operator of its oil and natural gas properties, it will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent.

In addition, the success of Spyglass will be largely dependent upon the performance of its management and key employees. Spyglass does not have any key man insurance policies and, therefore, there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Company.

Spyglass' ability to market oil and natural gas from its wells also depends upon numerous other factors beyond its control, including, among other things, the availability of natural gas processing and storage capacity, the availability of pipeline capacity, the price of oilfield services and the effects of inclement weather. Because of these factors, Spyglass may be unable to market some or all of the oil and natural gas it produces or to obtain favorable prices for the oil and natural gas it produces.

Reserve Estimates

There are numerous uncertainties inherent in evaluating quantities of reserves and the net present value of future net revenue to be derived therefrom, including many factors beyond the control of Spyglass. The reserves information contained in the McDaniel Report and set forth herein, including information respecting the net present value of future net revenue from reserves, represents an estimate only. This estimate is based on a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the McDaniel Report was prepared and many of these assumptions are subject to change and are beyond the control of Spyglass. Ultimately, the actual reserves attributable to Spyglass' properties will vary from the estimates contained in the McDaniel Report and those variations may be material and affect the market price of the Common Shares. See "Notes on Reserves Data and Other Oil and Gas Information" and "Additional Information Relating to Reserves Data – Significant Factors or Uncertainties Affecting Reserves Data" in the Company's 2013 Annual Information Form.

Insurance

Spyglass' involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although Spyglass maintains insurance consistent with prudent industry practice, it is not fully insured against certain environmental risks, either because such insurance is not available or because of high premium costs. In particular, insurance against risks from environmental pollution occurring over time (as opposed to sudden and catastrophic damages) is not available on economically reasonable terms. Accordingly, Spyglass' properties may be subject to liability due to hazards that cannot be insured against, or that have not been insured against due to prohibitive premium costs or for other reasons. It is also possible that changing regulatory requirements or emerging jurisprudence could render such insurance of less benefit to Spyglass. The payment of any uninsured liabilities would reduce the funds available to Spyglass. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Competition

There is strong competition relating to all aspects of the oil and natural gas industry. Spyglass will actively compete for capital, skilled personnel, undeveloped land, reserve acquisitions, access to drilling rigs, service rigs and other equipment, access to processing facilities and pipeline and refining capacity, and in all other aspects of its operations with a substantial number of other organizations, many of which may have greater technical and financial resources than Spyglass. Some of those organizations not only explore for, develop and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a world-wide basis and as such have greater and more diverse resources on which to draw. Spyglass' ability to increase reserves and production in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling.

Possible Failure to Realize Anticipated Benefits of Future Acquisitions and Dispositions

Spyglass may complete acquisitions to strengthen its position in the oil and natural gas industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Spyglass' ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Spyglass' ability to achieve the anticipated benefits of these and future acquisitions.

Net Asset Value

Spyglass' net asset value will vary depending upon a number of factors beyond the control of Spyglass' management, including oil and natural gas prices. The trading price of the Common Shares is also determined by a number of factors which are beyond the control of management and such trading price may be greater than or less than the net asset value of Spyglass.

Reliance on Management

Shareholders will be dependent on the management of Spyglass in respect of the administration and management of all matters relating to Spyglass and its properties and operations. Investors who are not willing to rely on the management of Spyglass should not invest in Common Shares.

iii) Risks Associated with Government Regulation

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing, transportation and royalty rates) are subject to extensive controls and regulations imposed by various levels of government, including those described above under the heading "Industry Conditions", which may be amended from time to time. Spyglass' oil and natural gas operations may also be subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, Spyglass will require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Changes to the regulation of the oil and gas industry in jurisdictions in which Spyglass operates may adversely impact Spyglass' ability to economically develop existing reserves and add new reserves.

Environmental Concerns

Many aspects of the oil and natural gas business present environmental risks and hazards, including the risk that Spyglass may be in noncompliance with an environmental law, regulation, permit, licence, or other regulatory approval, possibly unintentionally or without knowledge. Such risks may expose Spyglass to fines or penalties, third party liabilities or to the requirement to remediate, which could be material.

The operational hazards associated with possible blowouts, accidents, oil spills, gas leaks, fires, or other damage to a well or a pipeline may require Spyglass to incur costs and delays to undertake corrective actions, could result in environmental damage or contamination or could result in serious injury or death to employees, consultants, contractors or members of the public, creating the potential for significant liability to Spyglass. Also, the occurrence of any such incident could damage Spyglass' reputation in the surrounding communities and make it more difficult for Spyglass to pursue its operations in those areas.

Compliance with environmental laws and regulations could materially increase Spyglass' costs. Spyglass may incur substantial capital and operating costs to comply with increasingly complex laws and regulations covering the protection of the environment and human health and safety. In particular, Spyglass may be required to incur significant costs to comply with future federal or provincial greenhouse gas emissions reduction requirements or other regulations, if enacted.

Climate Change

Spyglass' exploration and production facilities and other operations and activities emit greenhouse gases and require it to comply with Alberta's greenhouse gas emissions legislation contained in the Climate Change and Emissions Management Act and the Specified Gas Emitters Regulation. Spyglass will also be required to comply with any regulatory scheme for greenhouse gas emissions ultimately adopted by the federal government. The direct or indirect costs of these regulations may have a material adverse effect on Spyglass' business, financial condition, results of operations and prospects. The future implementation or modification of greenhouse gases regulations could have a material impact on the nature of oil and natural gas operations, including those of Spyglass. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on Spyglass and its operations and financial condition.

Abandonment and Reclamation Costs

Spyglass will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding abandonment and reclamation in respect of its properties, which abandonment and reclamation costs may be substantial. A breach of such legislation or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made.

Permits and Licenses

The operations of Spyglass may require licenses and permits from various governmental authorities. There can be no assurance that Spyglass will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects. Further, if the Company or the holder of the license or lease fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of the Company's licenses or leases or the working interests relating to a license or lease may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Title to Properties

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells as determined appropriate by management, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat a claim of Spyglass which could result in a reduction of the revenue received by Spyglass.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to resources and various properties in western Canada. Such claims, in relation to any of Spyglass' lands, if successful, could have an adverse effect on its operations.

Select Annual Information

Set out below is select annual information for the company for the last three years:

Financial			
(000s, except per share amounts)	**2013 [1]**	2012 [1]	2011 [1]
Petroleum and natural gas sales	**$ 273,014**	$ 212,353	$ 250,279
Royalties	**56,711**	46,921	56,034
Operating Expenses	**104,901**	78,170	69,089
Transportation	**12,208**	10,096	10,372
Netback	**$ 99,194**	$ 77,166	$ 114,784
Realized gain / (loss) on financial instruments	**(9,831)**	7,295	880
G&A - cash charge	**16,737**	17,873	15,902
Interest	**13,448**	8,196	7,537
Other income	**1,406**	457	5,627
Funds from operations	**$ 60,584**	$ 58,849	$ 97,852
Per share- Basic	**0.54**	0.96	1.58
Per share- Diluted	**0.54**	0.96	1.58
Net income (loss)	**$ 43,331**	$ (152,991)	$ 16,707
Per share- Basic	**0.39**	(2.50)	0.27
Per share- Diluted	**0.39**	(2.50)	0.27
Capital expenditures	**$ 59,654**	$ 83,217	$ 127,565
Acquisitions	**282,093**	-	-
Dispositions	**(22,714)**	-	(1,977)
Net debt	**300,508**	215,817	186,129
Total assets	**$ 892,328**	$ 581,521	$ 738,530
Dividends Declared	**$ 25,934**	-	-
Per share- Basic	**$ 0.20**	-	-
Basic Payout Ratio	**43%**	-	-
All-in Payout Ratio	**104%**	0%	0%
Weighted Average Shares outstanding (000s)			
Basic	**112,086**	61,157	61,763
Diluted	**112,086**	61,157	61,780
Operations			
Average daily production			
Oil (bbls/d)	**7,000**	6,050	5,917
NGLs (bbls/d)	**450**	324	328
Natural gas (mcf/d)	**46,588**	41,093	46,772
Combined (boe/d)	**15,215**	13,223	14,040
Average prices received			
Oil ($/bbl)	**$ 82.09**	$ 76.28	$ 82.91
NGLs ($/bbl)	**50.96**	58.36	64.79
Natural gas ($/mcf)	**3.23**	2.43	3.72
Combined ($/boe)	**$ 49.16**	$ 43.88	$ 48.84
Royalties	**10.21**	9.70	10.93
Operating expense	**18.89**	16.15	13.48
Transportation expense	**2.20**	2.09	2.02
Operating netback ($/boe)	**$ 17.86**	$ 15.94	$ 22.41

[1] On March 28, 2013, Pace, AvenEx and Charger completed a plan of arrangement whereby Pace acquired AvenEx and Charger and was then renamed Spyglass Resources Corp. The selected information presented includes only the results of Pace up until the date of the plan of arrangement on March 28, 2013.

Selected Quarterly Information

Financial (000s, except per share amounts)	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1
Petroleum and natural gas sales	**$ 65,909**	$ 80,859	$ 76,405	$ 49,841	$ 49,475	$ 49,366	$ 50,162	$ 63,350
Cash flow from (used in) operations	**9,360**	14,046	1,329	(3,174)	28,861	1,689	7,035	26,453
Funds from operations	**11,426**	21,547	20,558	7,053	13,631	14,006	16,485	14,727
Per share- Basic	**0.09**	0.17	0.16	0.11	0.22	0.23	0.27	0.24
Per share- Diluted	**0.09**	0.17	0.16	0.11	0.22	0.23	0.27	0.24
Net income (loss)	**$(16,866)**	$ (1,402)	$ 246	$ 61,353	$ (86,565)	$ (4,859)	$ (56,581)	$ (4,986)
Per share- Basic	**(0.13)**	(0.01)	0.00	0.97	(1.42)	(0.08)	(0.92)	(0.08)
Per share- Diluted	**(0.13)**	(0.01)	0.00	0.97	(1.42)	(0.08)	(0.92)	(0.08)
Capital expenditures	**$ 14,991**	$ 24,559	$ 8,284	$ 11,820	$ 14,924	$ 12,909	$ 13,688	$ 41,696
Corporate acquisitions	**-**	-	-	150,271	-	-	-	-
Dispositions	**(12,515)**	(10,199)	-	-	-	-	-	-
Total capital expenditures and acquisitions net of dispositions	**2,476**	14,360	8,284	162,091	14,924	12,909	13,688	41,696
Long term debt	**287,000**	277,000	280,400	271,700	199,810	214,879	200,611	168,020
Net debt	**300,508**	291,997	296,853	300,253	215,817	210,348	210,765	212,873
Total assets	**892,328**	921,752	930,843	944,625	581,521	691,162	697,290	755,655
Dividends Declared	**8,645**	8,645	8,644	-	-	-	-	-
Per share- Basic	**0.0675**	0.0675	0.0675	-	-	-	-	-
Basic Payout Ratio	**76%**	40%	42%	-	-	-	-	-
All-in Payout Ratio	**97%**	107%	82%	-	-	-	-	-
Shares outstanding (000s)								
Basic	**128,077**	128,077	128,077	128,077	60,991	60,991	61,046	61,364
Diluted	**128,077**	128,077	128,077	128,077	65,209	65,267	65,725	65,962
Operations								
Average daily production								
Oil (bbls/d)	**7,198**	7,473	7,434	5,876	5,657	5,731	6,015	6,804
NGLs (bbls/d)	**647**	383	490	279	285	265	360	388
Natural gas (Mcf/d)	**48,164**	51,533	50,626	35,840	35,804	40,109	44,340	44,190
Combined (boe/d)	**15,873**	16,445	16,362	12,128	11,909	12,681	13,765	14,557

Spyglass spent $142.9 million over the previous eight trailing quarters in capital expenditures with 16 (12.9 net) wells drilled in 2013 and 15 (14.4 net) wells drilled in 2012. In Q1 2013, the Company completed the Arrangement and acquired AvenEx and Charger for consideration of $150.3 million, which resulted in a gain on acquisition of $84.2 million.

Production averaged approximately 15,900 boe/d in Q4 2013 and 16,400 boe/d in both Q3 2013 and Q2 2013, reflecting the completion of the Arrangement late in Q1 2013. Commodity prices have been volatile over the previous eight trailing quarters which led to impairment losses in Q2 2012 and Q4 2012. This contributed to net losses of $56.6 million and $86.6 million in those periods respectively.

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.