SPYGLASS RESOURCES CORP.

Q2 2015 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

As at June 30, 2015

(Thousands of Canadian dollars) (unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Accounts receivable (note 10)	**$ 21,524**	$ 30,793
Prepaid expenses and deposits	**1,653**	2,476
Financial derivative instruments (note 10)	**4,858**	18,434
	28,035	51,703
Financial derivative instruments (note 10)	**-**	7
Exploration and evaluation assets (note 4)	**17,141**	34,392
Property, plant and equipment (note 5)	**300,532**	412,961
Deferred tax assets (note 9)	**-**	62,482
	$ 345,708	$ 561,545
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	**$ 28,447**	$ 48,888
Other liabilities	**2,808**	3,500
Financial derivative instruments (note 10)	**817**	739
Bank debt (note 6)	**176,400**	-
	208,472	53,127
Long-term debt (note 6)	**-**	174,700
Long-term incentive plan liability (note 8)	**321**	347
Decommissioning liabilities (note 7)	**49,115**	66,855
Shareholders' equity:		
Share capital (note 8)	**493,241**	493,241
Contributed surplus (note 8)	**953**	953
Deficit	**(406,394)**	(227,678)
	87,800	266,516
	$ 345,708	$ 561,545

Going Concern (note 2b)

See accompanying notes to the interim consolidated financial statements.

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

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Petroleum and natural gas sales	**$ 29,888**	$ 76,326	**$ 57,621**	$ 154,243
Royalties	**(707)**	(13,529)	**(2,411)**	(27,554)
Revenues	**29,181**	62,797	**55,210**	126,689
Other income	**1,828**	4,431	**1,828**	5,622
Gain (loss) on financial derivative instruments (note 10)	**(2,508)**	(2,834)	**(1,860)**	(19,658)
Expenses				
Operating	**15,277**	24,060	**36,755**	53,295
Transportation	**1,752**	2,764	**3,952**	5,849
Finance	**3,793**	5,724	**7,442**	10,775
Depletion, depreciation and impairments (note 4 & 5)	**103,926**	23,858	**117,727**	45,366
General and administration	**2,614**	4,408	**5,596**	8,872
Long-term incentive plan (note 8)	**(108)**	711	**(60)**	1,198
	127,254	61,525	**171,412**	125,355
Income (loss) before taxes	**(98,753)**	2,869	**(116,234)**	(12,702)
Deferred taxes (recovery) (note 9)	**-**	2,054	**62,482**	(1,820)
Net income (loss) and comprehensive income (loss)	**$ (98,753)**	$ 815	**$ (178,716)**	$ (10,882)
Income (loss) per share: (note 8)				
Basic and Diluted	**$ (0.77)**	$ 0.01	**$ (1.40)**	$ (0.08)

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

Six months ended June 30

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

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, December 31, 2013	**128,076,720**	**$ 494,292**	**$ -**	**$ (43,998)**	**$ 450,294**
Net loss and comprehensive loss during the period	-	-	-	(10,882)	(10,882)
Dividends declared	-	-	-	(17,290)	(17,290)
Balance, June 30, 2014	**128,076,720**	**$ 494,292**	**$ -**	**$ (72,170)**	**$ 422,122**
Normal course issuer bid	(272,000)	(1,051)	953	-	(98)
Net loss and comprehensive loss during the period	-	-	-	(144,941)	(144,941)
Dividends declared	-	-	-	(10,567)	(10,567)
Balance, December 31, 2014	**127,804,720**	**$ 493,241**	**$ 953**	**$ (227,678)**	**$ 266,516**
Net loss and comprehensive loss during the period	-	-	-	(178,716)	(178,716)
Balance, June 30, 2015	**127,804,720**	**$ 493,241**	**$ 953**	**$ (406,394)**	**$ 87,800**

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows

(Thousands of Canadian dollars) (unaudited)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash provided by (used in)				
Operations				
Net income (loss)	**$ (98,753)**	**$** 815	$ **(178,716)**	$ (10,882)
Items not involving cash:				
Depletion, depreciation and impairments (notes 4 & 5)	**103,926**	23,858	**117,727**	45,366
Accretion of decommissioning liabilities (note 7)	**1,412**	1,448	**2,804**	2,868
Long-term incentive (note 8)	**(108)**	711	**(60)**	1,198
Other non-cash items	**18**	(215)	**30**	(215)
Gain on property dispositions	**(1,667)**	(4,154)	**(1,667)**	(5,272)
Unrealized (gain) loss on financial derivative instruments (note 10)	**6,595**	(5,474)	**13,661**	3,826
Deferred taxes (recovery) (note 9)	**-**	2,054	**62,482**	(1,820)
Decommissioning expenditures (note 7)	**(370)**	(729)	**(1,462)**	(3,100)
Change in non-cash working capital (note 11)	**(4,293)**	9,156	**1,715**	5,843
Cash flow from operating activities	**6,760**	27,470	**16,514**	37,812
Financing				
Increase (decrease) in long-term debt	**(5,700)**	(4,000)	**1,700**	3,900
Dividends declared	**-**	(8,645)	**-**	(17,290)
Cash flow from (used in) financing activities	**(5,700)**	(12,645)	**1,700**	(13,390)
Investing				
Capital expenditures	**(2,343)**	(15,402)	**(7,919)**	(33,249)
Property dispositions net of acquisitions (note 3)	**2,710**	4,824	**2,710**	10,152
Change in non-cash working capital (note 11)	**(1,427)**	(4,247)	**(13,005)**	(1,325)
Cash flow used in investing activities	**(1,060)**	(14,825)	**(18,214)**	(24,422)
Changes in cash	**-**	-	**-**	-
Cash beginning of period	**-**	-	**-**	-
Cash end of period	**$ -**	**$** -	$ **-**	$ -

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

Notes to the interim consolidated Financial Statements

For the three and six months ended June 30, 2015 and 2014
(Tabular amounts are stated in thousands of Canadian dollars except share and per share amounts) (unaudited)

1. Background and general information

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

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 11, 2015.

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

(a) Statement of compliance & significant accounting policies

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

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

(b) Going concern

The condensed interim financial statements have been prepared in accordance with IFRS on a going concern basis, which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. On June 30, 2015 Spyglass amended its $200 million credit facility with a syndicate of banks (see note 6 – Bank debt). Upon amendment, the facility consists of a $100 million syndicated borrowing base revolving term facility and a $100 million syndicated reducing term facility, both of which have a maturity date of May 29, 2016. The reducing term facility is required to be reduced to $25 million by January 31, 2016. The terms of the amended credit facility has resulted in a working capital deficit (current assets less current liabilities) of $180.4 million as at June 30, 2015. The Company is in the process of identifying and pursuing recapitalization and divestiture opportunities and is taking steps to manage its spending and leverage including the implementation of cost reduction and capital management initiatives. There is no assurance that the Company will be able to access recapitalization and divestiture opportunities in order to repay the reducing term facility in accordance with the timing required under the credit facility agreement. Should the Company fail to make repayments of the reducing term facility in accordance with the requirements of the credit facility agreement, outstanding borrowings may become due and payable immediately. These circumstances result in material uncertainty surrounding the Company's ability to continue as a going concern and lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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

3. Assets sold

In the three and six months ended June 30, 2015, Spyglass disposed of certain non-core producing properties, undeveloped land and related working capital in the province of Alberta. The assets disposed of had a carrying value of $1.0 million and were sold for proceeds of $2.7 million. The transactions resulted in gains of $1.7 million which were recognized in other income in the Consolidated Statement of Income (Loss) during the six months ended June 30, 2015.

4. Exploration and evaluation assets

	June 30, 2015	December 31, 2014
Balance, beginning of period	$ **34,392**	$ 58,410
Cash additions	**364**	2,209
Capitalized long-term incentive	**-**	(2)
Dispositions (note 3)	**(96)**	(1,201)
Transfers to property, plant and equipment	**(150)**	(889)
Transfers to assets held for sale	**-**	(4,159)
Expiries	**(3,757)**	(8,824)
Impairment	**(13,612)**	(11,152)
Balance, end of period	**$ 17,141**	34,392

During the three and six months ended June 30, 2015, the Company recorded impairment on its exploration and evaluation ("E&E") assets of $9.2 million in the Haro South cash generating unit ("CGU"). Impairment was previously recorded in the Haro South CGU in 2012 to write down the assets to the recoverable amount based on estimates of proceeds from the sale of the Company's infrastructure, facilities and land in the area for salvage value. As a result of the significant and prolonged decreases in commodity prices, the Company reevaluated the estimated recoverable amount of the Haro South CGU under current industry conditions and the assets were written down to their recoverable amount of nil based on the fair value less costs of disposal. The fair value less cost of disposal was based on estimates of proceeds from the sale of the Company's infrastructure, facilities and land in the area. Key assumptions used in estimating the fair value less cost of disposal include estimated purchase prices for infrastructure, facilities and land in an area with a similar risk profile. This fair value measurement is non-recurring and is classified as level 3 in the fair value hierarchy (see note 10 for information on the fair value hierarchy).

Additionally, during the three and six months ended June 30, 2015, the Company recorded impairment on its E&E assets of $4.4 million in the Central CGU as a result of changes in management's future development plans to realize the value of E&E assets in the CGU primarily through its sale rather than through future development. The assets were written down to the estimated recoverable amount of $3.0 million based on fair value less costs of disposal. The fair value less costs of disposal was estimated based on sales of undeveloped land within the last year in the Central geographic region and recent seismic sales metrics which provided a price per kilometer of seismic data multiplied by the kilometers of proprietary seismic owned by the Company in the CGU. Key assumptions used in estimating the fair value less costs of disposal include the time period of land sales considered and the geographic area of land sales included in the determination as well as seismic pricing per kilometer used. This fair value measurement is non-recurring and is classified as level 3 in the fair value hierarchy (see note 10 for information on the fair value hierarchy).

At September 30, 2014, the Company recorded impairment on its exploration and evaluation assets of $11.2 million ($8.4 million net of tax) in the North Oil CGU as a result of changes is management's future development plans to realize the value of undeveloped land in the area primarily through the sale of land rather than through future development. The assets were written down to the estimated recoverable amount of $0.4 million based on fair value less costs of disposal. The fair value less costs of disposal was estimated based on sales of undeveloped land within the last two years in the North Oil geographic region. Key assumptions used in estimating the fair value less costs of disposal include the time period of land sales considered and the geographic area of land sales included in the determination. This fair value measurement is non-recurring and is classified as level 2 in the fair value hierarchy (see note 10 for information on the fair value hierarchy).

5. Property, plant and equipment

	Cost	Accumulated depletion and depreciation	Net book Value
Balance, December 31, 2013	$ 1,139,522	$ (430,799)	$ 708,723
Additions	75,323	-	
Non-cash additions	271	-	
Capitalized long-term incentive	139	-	
Acquisitions (note 1)	4,639	-	
Disposals	(182,446)	45,433	
Transfers from exploration and evaluation assets	889	-	
Transfers to assets held for sale	(64,866)	21,479	
Decommissioning provision	(9,196)	-	
Depletion and depreciation	-	(72,017)	
Impairment loss	-	(115,410)	
Balance, December 31, 2014	$ 964,275	$ (551,314)	$ 412,961
Additions	**7,555**	**-**	
Capitalized long-term incentive	**(9)**	**-**	
Disposals (note 3)	**(11,802)**	**9,574**	
Transfers from exploration and evaluation assets	**150**	**-**	
Decommissioning provision	**(17,539)**	**-**	
Depletion and depreciation	**-**	**(22,746)**	
Impairment loss	**-**	**(77,612)**	
Balance, June 30, 2015	**$ 942,630**	**$ (642,098)**	**$ 300,532**

Future development costs of the Company's proved plus probable reserves of $201.2 million (December 31, 2014 – $211.3 million) were included in the depletion calculation.

During the three and six months ended June 30, 2015, a continued and prolonged decline in forecasted oil and natural gas prices caused the Company to record a total of $77.6 million of impairments. This comprised of impairments of $34.5 million in the South Oil CGU, $18.7 million in the Central CGU, $15.7 million in the Dixonville CGU, $6.5 million in the North Gas CGU and $2.2 million in the North Oil CGU. These CGUs were written down to their recoverable amounts of $117.0 million for the South Oil CGU, $50.1 million for the Central CGU, $84.6 million for the Dixonville CGU, $30.6 million for the North Gas CGU and $13.1 million for the North Oil CGU based on the fair value less costs of disposal of the CGUs. The estimated fair value less costs of disposal was determined using future cash flows adjusted for risks specific to the assets and discounted using after tax discount rates of 11 to 15 percent, based on consideration of risk of the individual CGU's. Discount rates were derived from the post-tax weighted average cost of capital for Spyglass' peer group. This fair value measurement is non-recurring and is classified as level 3 in the fair value hierarchy (see note 10 for information on the fair value hierarchy).

The following forward commodity price estimates were used in the Company's impairment calculation at June 30, 2015:

Year	WTI Oil ($US/bbl)	AECO Gas (CDN $/MMbtu)	US$/Cdn $ Exchange rates
2015 (1)	60.00	3.00	0.800
2016	66.30	3.40	0.825
2017	72.80	3.70	0.850
2018	76.90	3.90	0.850
2019	81.20	4.10	0.850
2020	85.60	4.35	0.850
2021	90.10	4.70	0.850
2022	91.90	5.00	0.850
2023	93.70	5.20	0.850
2024	95.60	5.30	0.850
2025	97.50	5.40	0.850
2026	99.50	5.50	0.850
2027	101.50	5.60	0.850
2028	103.50	5.70	0.850
2029	105.60	5.85	0.850
Thereafter (2)	2%	2%	0.850

(1) Represents six months remaining in 2015

(2) Approximate percentage change in each year after 2029 to the end of the reserve life

In Q1 2014, an impairment loss of $2.3 million was recorded upon the transfer of property, plant and equipment into assets held for sale to write the carrying amount down to the recoverable amount based on the fair value less costs of disposal. The fair value less costs of disposal was determined using the price per the sales agreement. The Company completed the sale of these assets in Q2 2014. Later in the year, a decline in forecasted oil and natural gas prices caused the Company to record an additional $113.1 million ($84.8 million net of tax) of impairments. This comprised of impairments of $42.7 million ($32.0 million net of tax) in the North Gas CGU, $33.4 million ($25.0 million net of tax) in the Central CGU, $21.2 million ($15.9 million net of tax) in the North Oil CGU and $15.8 million ($11.9 million net of tax) in the Dixonville CGU. These CGUs were written down to their recoverable amounts of $45.2 million for the North Gas CGU, $71.2 million for the Central CGU, $18.8 million for the North Oil CGU and $102.6 million for the Dixonville CGU based on the fair value less costs of disposal of the CGUs. The estimated fair value less costs of disposal was determined using future cash flows adjusted for risks specific to the assets and discounted using after tax discount rates of 10 to 12 percent, based on consideration of risk of the individual CGU's. Discount rates were derived from the post-tax weighted average cost of capital for Spyglass' peer group. This fair value measurement is non-recurring and is classified as level 3 in the fair value hierarchy (see note 10 for information on the fair value hierarchy).

6. Bank debt

On June 30, 2015 Spyglass amended its $200 million credit facility with a syndicate of banks. Upon amendment, the facility consists of a $100 million syndicated borrowing base revolving term facility and a $100 million syndicated reducing term facility. Both facilities have a maturity date of May 29, 2016. The reducing term facility is required to be reduced to $25 million by January 31, 2016 and is to be permanently reduced by repayments of the facility which include, but are not limited to, proceeds from property dispositions, issuance of equity securities, proceeds from early termination of derivative financial instruments, insurance proceeds and proceeds from the issuance of new debt. The facility is secured by a $1 billion first floating charge debenture and a general security agreement. At June 30, 2015, $176.4 million was drawn on the facilities (December 31, 2014 - $174.7 million). The Company is subject to certain non-financial covenants in its credit facility agreement. Covenants include reporting requirements, permitted and expected dispositions, permitted and required financial derivatives, permitted encumbrances and other standard business operating covenants. The Company is also subject to minimum liquidity requirements. As at June 30, 2015 the Company is in compliance with all covenants. The available level of credit under the borrowing base revolving term facility is subject to semi-annual review by the syndicate of banks and may be adjusted for changes in reserves, commodity prices and other factors. The Company had $2.2 million in letters of credit outstanding at June 30, 2015. Subsequent to June 30, 2015, the Company made $2.5 million of repayments to the reducing term facility.

7. Decommissioning liabilities

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligations is approximately $358.9 million (December 31, 2014 – $348.9 million) which will be incurred over the operating lives of the assets, with the majority of costs to be incurred between 2017 and 2050. An inflation factor of 2% has been applied to the estimated decommissioning cost at June 30, 2015 and December 31, 2014. The Company's credit-adjusted risk-free rate of 10% was used to calculate the fair value of the decommissioning liabilities at June 30, 2015 (December 31, 2014 – 8%). Changes in estimates in 2015 resulted in a decrease in decommissioning liabilities of $17.5 million, of which a decrease of $21.3 million related to the change in the discount rate from 8% to 10% offset by an increase of $3.8 million related to other changes in estimates.

A reconciliation of the decommissioning liability is provided below:

	June 30, 2015	December 31, 2014
Balance, beginning of period	**$ 66,855**	$ 83,752
Acquired	**-**	1,337
Change in estimate	**(17,541)**	(9,955)
Liabilities incurred	**2**	759
Liabilities settled	**(1,462)**	(6,762)
Liabilities transferred on sale of assets (note 3)	**(1,543)**	(5,677)
Transferred to liabilities associated with assets held for sale	**-**	(2,323)
Accretion expense	**2,804**	5,724
Balance, end of period	**$ 49,115**	$ 66,855

8. Share Capital

(a) Authorized:

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

(b) Issued and outstanding:

	Number of Shares	**Amount**
Common shares:		
Balance, December 31, 2013	128,076,720	$ 494,292
Normal course issuer bid	(272,000)	(1,051)
Balance, December 31, 2014	127,804,720	$ 493,241
	-	-
Balance, June 30, 2015	**127,804,720**	**$ 493,241**

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

(c) Earnings per share:

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Net income (loss) for the period	**$ (98,753)**	$ 815	**$ (178,716)**	$ (10,882)
Weighted average number of common shares - basic & diluted	**127,804,720**	128,076,720	**127,804,720**	128,076,720
Basic & Diluted net income (loss) per share	**$ (0.77)**	$ 0.01	**$ (1.40)**	$ (0.08)

As of June 30, 2015 and 2014 there were no dilutive instruments outstanding.

(d) Long-term incentive plans

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

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

	Number of RSUs	Number of PSUs	Number of DRSUs
Balance, December 31, 2013	1,516,494	1,111,043	172,247
Granted	1,700,915	854,366	218,618
Reinvested through notional dividends	304,819	258,462	46,930
Forfeited	(470,942)	(260,367)	-
Settled	(641,584)	-	(21,092)
Balance, December 31, 2014	2,409,702	1,963,504	416,703
Granted	**10,734**	**-**	**-**
Forfeited	**(105,638)**	**-**	**-**
Settled	**(37,837)**	**-**	**(67,815)**
Balance, June 30, 2015	**2,276,961**	**1,963,504**	**348,888**

(e) Long-term incentive plan expense

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

9. Deferred taxes

Deferred income tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable income will be available in the future against which the unused tax losses and credits can be utilized. As at June 30, 2015, the Company has $155.5 million of unrecognized deferred tax assets (December 31, 2014 - $58.4 million). Spyglass has approximately $848 million of tax pools available for deduction against future taxable income.

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

	Balance December 31, 2014	Deferred tax recovery (expense)	**Balance June 30, 2015**
Petroleum and natural gas assets	$ 44,786	$ 27,639	$ **72,425**
Decommissioning liabilities	16,714	(3,453)	**13,261**
Financial derivative instruments	(4,426)	3,375	**(1,051)**
Share issue costs	2,044	(1,901)	**143**
Other	173	(154)	**19**
Non-capital losses	61,607	9,134	**70,741**
Subtotal	120,898	34,640	**155,538**
Unrecognized deferred tax asset	(58,416)	(97,122)	**(155,538)**
Total deferred tax asset	**$ 62,482**	**$ (62,482)**	**$ -**

10. Financial instruments

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

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

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

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

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

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

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

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

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

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

The following table summarizes Spyglass' financial instruments as at June 30, 2015 and December 31, 2014:

June 30, 2015		Fair value through profit and loss		Loans and receivables		Financial liabilities		**Total carrying value**
Assets								
Accounts receivable	$	-	$	21,524	$	-	**$**	**21,524**
Derivatives - Commodity contracts		4,858		-		-		**4,858**
	$	**4,858**	**$**	**21,524**	**$**	**-**	**$**	**26,382**
Liabilities								
Accounts payable and accrued liabilities	$	-	$	-	$	28,447	**$**	**28,447**
Derivatives - Interest Rate Swap		169		-		-		**169**
Derivatives - Commodity contracts		648		-		-		**648**
Long-term incentive plan liability		-		-		321		**321**
Debt		-		-		176,400		**176,400**
	$	**817**	**$**	**-**	**$**	**205,168**	**$**	**205,985**

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

Financial assets and financial liabilities are only offset if Spyglass has the current legal right to offset and intends to settle on a net basis. Financial derivative instruments are subject to master netting arrangements that create a legally enforceable right to offset financial assets and financial liabilities by counterparty when the commodity, currency and timing of settlement are the same. No financial assets and liabilities were offset in the consolidated balance sheet as at June 30, 2015 and December 31, 2014.

The following table summarizes the financial derivatives Spyglass has outstanding as at June 30, 2015 and December 31, 2014 and their estimated fair value:

Commodity risk management contracts					**Fair Value as at**	
Instrument	Period	Price	Reference	Quantity	**June 30, 2015**	December 31, 2014
Crude Oil Contracts						
Swap	Jan 1, 2015 - Mar 31, 2015	$96.20	CDN$ WTI	500 bbl/d	**$ -**	$ 1,504
Swap	Jan 1, 2015 - Mar 31, 2015	$96.50	CDN$ WTI	500 bbl/d	**-**	1,517
Swap	Jan 1, 2015 - Jun 30, 2015	$98.40	CDN$ WTI	500 bbl/d	**-**	3,112
Swap	Jan 1, 2015 - Dec 31, 2015	-$22.80	CDN$ WCS [1]	500 bbl/d	**(648)**	(739)
Swap	Jan 1, 2015 - Dec 31, 2015	$101.15	CDN$ WTI	500 bbl/d	**2,352**	6,328
Swap	Apr 1, 2015 - Dec 31, 2015	$99.10	CDN$ WTI	500 bbl/d	**2,167**	4,342
					$ 3,871	$ 16,064
Natural Gas Contracts						
Swap	Jan 1, 2015 - Mar 31, 2015	$3.7625	CDN$ GJ	2,000 GJ/d	**$ -**	$ 174
Swap	Jan 1, 2015 - Mar 31, 2015	$4.10	CDN$ GJ	3,000 GJ/d	**-**	352
Swap	Jan 1, 2015 - Mar 31, 2015	$4.14	CDN$ GJ	2,000 GJ/d	**-**	242
Swap	Jan 1, 2015 - Jun 30, 2015	$4.2025	CDN$ GJ	3,000 GJ/d	**-**	836
Swap	Apr 1, 2015 - Dec 31, 2015	$2.94	CDN$ GJ	3,000 GJ/d	**171**	-
Swap	Apr 1, 2015 - Dec 31, 2015	$2.8450	CDN$ GJ	3,000 GJ/d	**118**	-
Swap	Jun 1, 2015 - Oct 31, 2015	$2.66	CDN$ GJ	3,000 GJ/d	**50**	-
					$ 339	$ 1,604
Total					**$ 4,210**	$ 17,668

[1] Fixed $ WCS versus WTI

Interest rate risk management contract					**Fair Value as at**	
Instrument	Period	Notional Amount	Reference	Fixed Interest Rate	**June 30, 2015**	December 31, 2014
Swap	Jan 14, 2014 - Jan 14, 2016	$75,000,000	CAD-BA-CDOR	1.281%	**(169)**	34
Total					**$ (169)**	$ 34

For the three months ended June 30, 2015, Spyglass recorded a realized gain of $4.1 million (three months ended June 30, 2014 – $8.3 million loss) and an unrealized loss of $6.6 million (three months ended June 30, 2014 – $5.5 million gain). For the six months ended June 30, 2015, Spyglass recorded a realized gain of $11.8 million (six months ended June 30, 2014 – $15.8 million loss) and an unrealized loss of $13.7 million (six months ended June 30, 2014 – $3.8 million).

11. Supplemental Information

(a) Cash flow information:

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Change in non-cash working capital:				
Accounts receivable	**$ 2,603**	$ 6,135	**$ 9,269**	$ (2,888)
Prepaid expenses and deposits	**194**	(188)	**823**	(127)
Accounts payable and accrued liabilities	**(8,192)**	(2,410)	**(20,441)**	6,399
Other liabilities	**(104)**	1,776	**(692)**	1,776
Change in incentive plan liability	**59**	(612)	**43**	(850)
Non-cash portion of prepaid expenses	**(18)**	208	**(30)**	208
Disposition of working capital (note 3)	**(262)**	-	**(262)**	-
Change in working capital	**$ (5,720)**	$ 4,909	**$ (11,290)**	$ 4,518
Relating to:				
Operating activities	**(4,293)**	9,156	**1,715**	5,843
Investing activities	**(1,427)**	(4,247)	**(13,005)**	(1,325)
Change in non-cash working capital	**$ (5,720)**	$ 4,909	**$ (11,290)**	$ 4,518

(b) Cash interest paid:

The following represents the cash interest paid in each period:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Cash interest paid	**$ 3,369**	$ 3,070	**$ 5,510**	$ 7,960