SPYGLASS
RESOURCES CORP.

Q3 2015 MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") as provided by management of Spyglass Resources Corp. ("Spyglass" or the "Company") should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2015 and 2014 and the audited consolidated financial statements, related notes and Management's Discussion and Analysis for the years ended December 31, 2014 and 2013. This MD&A is dated as of November 10, 2015.

Forward Looking Statements

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

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

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

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

Basis of Presentation

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

The reporting and the measurement currency is in Canadian dollars. For the purpose of calculating unit costs, natural gas is converted to a barrel equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The following MD&A compares the results of the nine months ended September 30, 2015 ("YTD 2015") to the nine months ended September 30, 2014

(“YTD 2014”) and the three months ended September 30, 2015 (“Q3 2015”) to the three months ended September 30, 2014 (“Q3 2014”) and the three months ended June 30, 2015 (“Q2 2015”).

Outlook

During 2015, drastically lower commodity prices have presented a challenging business environment for the Company. Spyglass continues to prudently manage costs and debt levels through reductions in staffing levels, renegotiating contract rates with business partners, compensation reductions and running a minimal capital program.

Management anticipates that the 2015 capital program will be $11 million primarily focused on maintenance capital expenditures. The capital program coupled with the Company’s relatively low 21 percent decline rate is expected to result in average production of approximately 9,000 boe/d for the year. Spyglass is developing its 2016 capital program in the context of continued weakness in forward commodity prices, the Company’s ongoing asset disposition program and need to reduce leverage.

As previously announced, in an effort to further further reduce debt, Spyglass is currently marketing a broad disposition package incorporating both core and non-core assets. The Company continues to work with its lenders, however there is no guarantee that the Company will meet the covenants contained in its credit agreement. As such, the Company continues to include a note on going concern uncertainty in its financial statements. Management’s attention remains focused on managing the resources of the Company through a difficult commodity price environment by conducting property dispositions while seeking to identify other suitable opportunities to improve the financial position of the Company.

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 and working capital deficit 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. Working capital (deficit) equals current assets less current liabilities. Net debt equals bank debt and working capital (deficit) excluding the current portion of financial derivative instruments and liabilities associated with assets held for sale. 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:

($000s)	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Cash flow from operating activities	**$ 3,669**	$ 8,398	$ 6,760	**$ 20,183**	$ 46,210
Decommissioning expenditures	**312**	516	370	**1,774**	3,616
Change in non-cash working capital	**941**	2,988	4,293	**(774)**	(2,855)
Funds from operations	**$ 4,922**	$ 11,902	$ 11,423	**$ 21,183**	$ 46,971

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 Q3 2015 averaged 9,293 boe/d compared to 13,518 boe/d in Q3 2014 and 9,849 boe/d in Q2 2015.

Production in Q3 2015 was lower than Q3 2014 as a result of property dispositions totaling $120.1 million from Q4 2014 through to Q3 2015, the most significant of which was the disposition of a 50% working interest in the Dixonville property, effective January 1, 2015, located in the North core area. Despite significant dispositions and a reduced capital program, the Company was able to maintain production of just under 9,300 boe/d in Q3 2015, with a stable, low decline asset base.

Lower production in Q3 2015 as compared to Q2 2015 reflect natural production declines as well as property dispositions and the shut-in of uneconomic wells in the North core area that occurred late in the second quarter, which reduced Q3 2015 production by approximately 400 boe/d. The Company continues to counterbalance these impacts with targeted maintenance capital to assist in managing production declines. A portion of the wells shut-in in Q2 2015 in the North core area were brought back on production late in the third quarter due operating cost reductions in the area and are expected to increase Q4 2015 production by approximately 200 boe/d. Additional property dispositions closed in late Q3 2015, primarily in the Company's Central core area, which will decrease Q4 2015 production by approximately 100 boe/d.

Oil and liquids production in Q3 2015 represented 40% of total production at 3,715 bbls/d compared to 5,455 bbls/d or 40% in Q3 2014 and 4,084 bbls/d or 41% in Q2 2015. On a YTD basis in 2015, the oil and liquids weighting decreased to 40% from 45% YTD 2014. The majority of the decrease in the oil and liquids weighting when comparing YTD 2015 to YTD 2014 is due to the Dixonville disposition, which was heavily weighted to oil and liquids. The oil and liquids weighting for Q3 2015 is comparable to the weighting for Q2 2015 and Q3 2014. The Q3 2014 oil and liquids weighting was impacted by shut-ins at Dixonville to allow for pipeline remediation work.

On an YTD basis, YTD 2015 production was 10,060 boe/d compared to YTD 2014 of 14,180 boe/d. The decrease incorporates $163.9 million of property dispositions net of acquisitions throughout 2014, $9.2 million of additional property dispositions in 2015 as well as natural declines and the shut-in of uneconomic wells, partially offset by production adds attributed to the 2014 drilling program.

For 2015, incorporating the Company's low decline rate, property dispositions and a capital budget of $11 million production is anticipated to average approximately 9,000 boe/d.

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

Production	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Oil (bbls/d)	**3,431**	5,045	3,809	**3,781**	5,991
NGLs (bbls/d)	**284**	410	275	**284**	446
Natural Gas (Mcf/d)	**33,468**	48,379	34,589	**35,970**	46,460
Total (boe/d)	**9,293**	13,518	9,849	**10,060**	14,180
Oil & Liquids weighting	**40%**	40%	41%	**40%**	45%

The following table sets out production volumes by core area:

	Q3 2015	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
North					
Oil (bbls/d)	**1,336**	1,984	1,531	**1,488**	2,880
NGLs (bbls/d)	**81**	145	97	**93**	192
Natural Gas (Mcf/d)	**18,238**	30,272	19,280	**20,299**	29,237
Total (boe/d)	**4,457**	7,174	4,841	**4,964**	7,945
Central					
Oil (bbls/d)	**382**	603	411	**435**	595
NGLs (bbls/d)	**80**	104	66	**74**	106
Natural Gas (Mcf/d)	**3,759**	4,108	3,985	**4,002**	4,520
Total (boe/d)	**1,088**	1,392	1,142	**1,176**	1,454
South					
Oil (bbls/d)	**1,713**	2,458	1,867	**1,858**	2,516
NGLs (bbls/d)	**123**	161	112	**117**	148
Natural Gas (Mcf/d)	**11,471**	13,999	11,324	**11,669**	12,703
Total (boe/d)	**3,748**	4,952	3,866	**3,920**	4,781
Total Company					
Oil (bbls/d)	**3,431**	5,045	3,809	**3,781**	5,991
NGLs (bbls/d)	**284**	410	275	**284**	446
Natural Gas (Mcf/d)	**33,468**	48,379	34,589	**35,970**	46,460
Total (boe/d)	**9,293**	13,518	9,849	**10,060**	14,180
Oil & Liquids weighting	**40%**	40%	41%	**40%**	45%

Commodity Pricing

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

The average Q3 2015 US WTI price of $46.43 US/bbl ($60.80 CDN/bbl) was drastically lower than the $97.17 US/bbl ($105.85 CDN/bbl) averaged in Q3 2014 and lower than the $57.94 US/bbl ($71.23 CDN/bbl) averaged in Q2 2015 as a result of global crude oil market conditions. The decline in Q3 2015 CDN WTI pricing from Q3 2014 incorporates the favourable exchange rate movement from 0.813 US/CDN in Q3 2014 to 0.764 US/CDN in Q3 2015.

Spyglass' corporate differential incorporates its portfolio of oil sold through multiple crude oil streams reflecting differentials adjusted for quality and transportation. Differentials can vary widely for all crude oil streams depending on market conditions. For Spyglass' crude oil streams, the realized prices across the quarters were $44.30 CDN/bbl in Q3 2015, compared to $87.58 CDN/bbl in Q3 2014 and $58.57 CDN/bbl in Q2 2015. As a percentage of CDN WTI the corporate differential was 27% in Q3 2015, 17% in Q3 2014 and 18% in Q2 2015.

Canadian natural gas prices remain volatile, with sharp declines from the prior year. The Alberta daily spot natural gas price average in Q3 2015 of $2.90/Mcf has markedly deteriorated from the $4.02/Mcf AECO daily in Q3 2014 and has increased slightly from the Q2 2015 price of $2.65/Mcf. Spyglass sells gas on a blend of both the AECO monthly and daily index. In Q3 2015, the Company sold approximately 37% on the AECO daily index, 60% on the monthly index and 3% through aggregators, resulting in a realized natural gas price of $2.84/Mcf. This compares to $4.25/Mcf received in Q3 2014 and $2.73/Mcf in Q2 2015. The heat content of Spyglass' natural gas production is slightly above the industry average used in the benchmark $/Mcf prices and therefore realized prices are expected to be slightly higher than the Spyglass weighted average sales for natural gas on the AECO Alberta daily and Alberta monthly indices.

Spyglass' NGL production represents approximately 3-4 percent of the production mix and consists of Ethane, Propane, Butane and Condensate. Pricing of NGL's is sensitive to the specific product produced and can vary from period to period depending on the mix of

NGL production. In Q3 2015, overall realized NGL price averaged $33.80/bbl or 56% of CDN$ WTI compared to $57.46/bbl or 54% of CDN$ WTI in Q3 2014 and $39.42/bbl or 55% of CDN$ WTI in Q2 2015.

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

Prices and Marketing	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Benchmark Prices[1]					
WTI Oil ($US/bbl)	**$ 46.43**	$ 97.17	$ 57.94	**$ 51.00**	$ 99.61
US/CDN average exchange rate	**0.764**	0.918	0.813	**0.794**	0.914
WTI Oil ($CDN/bbl)	**60.80**	105.85	71.23	**64.22**	109.01
Edmonton Par ($/bbl)	**55.91**	97.16	67.71	**58.53**	100.86
Alberta daily spot ($/Mcf)	**2.90**	4.02	2.65	**2.77**	4.80
Alberta monthly ($/Mcf)	**$ 2.80**	$ 4.15	$ 2.67	**$ 2.80**	$ 4.52
Spyglass' Realized Prices					
Oil ($/bbl)	**$ 44.30**	$ 87.58	$ 58.57	**$ 49.10**	$ 91.13
NGLs ($/bbl)	**33.80**	57.46	39.42	**36.10**	62.27
Combined Oil & NGLs ($/bbl)	**43.50**	85.31	57.28	**48.19**	89.13
Natural gas ($/Mcf)	**2.84**	4.25	2.73	**2.83**	4.68
Total ($/boe)	**$ 27.62**	$ 49.64	$ 33.35	**$ 29.58**	$ 55.79

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

Financial Derivative Instruments

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

Currently, all of the Company's financial derivative instrument contracts expire by January 14, 2016 or earlier. The table below provides the period covered by each contract.

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

Commodity risk management contracts					**Fair Value as at**	
Instrument	Period	Price	Reference	Quantity	**September 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	**(121)**	(739)
Swap	Jan 1, 2015 - Dec 31, 2015	$101.15	CDN$ WTI	500 bbl/d	**1,839**	6,328
Swap	Apr 1, 2015 - Dec 31, 2015	$99.10	CDN$ WTI	500 bbl/d	**1,747**	4,342
					$ 3,465	$ 16,064
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	$4.20	CDN$ GJ	3,000 GJ/d	**-**	836
Swap	Apr 1, 2015 - Dec 31, 2015	$2.9400	CDN$ GJ	3,000 GJ/d	**80**	-
Swap	Apr 1, 2015 - Dec 31, 2015	$2.8450	CDN$ GJ	3,000 GJ/d	**54**	-
Swap	Jun 1, 2015 - Oct 31, 2015	$2.6600	CDN$ GJ	3,000 GJ/d	**(4)**	-
					$ 130	$ 1,604
Total					**$ 3,595**	$ 17,668

(1) Fixed $ WCS versus WTI

Interest rate risk management contract					**Fair Value as at**	
Instrument	Period	Notional Amount	Reference	Fixed Interest Rate	**September 30, 2015**	December 31, 2014
Swap	Jan 14, 2014 - Jan 14, 2016	$75,000,000	CAD-BA-CDOR	1.281%	**$ (117)**	$ 34
Total					**$ (117)**	$ 34

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

Financial Derivative Instruments (000s)	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Realized gain (loss)					
Oil	**$ 3,375**	$ (3,468)	$ 3,483	**$ 13,456**	$ (15,162)
Gas	**137**	(947)	658	**1,937**	(5,094)
Interest	**(82)**	(3)	(54)	**(162)**	6
Total	**$ 3,430**	$ (4,418)	$ 4,087	**$ 15,231**	$ (20,250)
Unrealized gain (loss)					
Oil	**$ (406)**	$ 8,949	$ (6,127)	**$ (12,600)**	$ 7,492
Gas	**(209)**	2,320	(556)	**(1,473)**	(52)
Interest	**52**	(20)	88	**(151)**	(17)
Total	**$ (563)**	$ 11,249	$ (6,595)	**$ (14,224)**	$ 7,423
Realized gain (loss)					
Oil ($/bbl)	**$ 10.69**	$ (7.47)	$ 10.05	**$ 13.03**	$ (9.27)
Gas ($/Mcf)	**0.04**	(0.21)	0.21	**0.20**	(0.40)
Interest ($/boe)	**(0.10)**	-	(0.06)	**(0.06)**	-
Total ($/boe)	**$ 4.01**	$ (3.55)	$ 4.56	**$ 5.55**	$ (5.23)
Unrealized gain (loss)					
Oil ($/bbl)	**$ (1.29)**	$ 19.28	$ (17.68)	**$ (12.21)**	$ 4.58
Gas ($/Mcf)	**(0.07)**	0.52	(0.18)	**(0.15)**	-
Interest ($/boe)	**0.06**	(0.02)	0.10	**(0.05)**	-
Total ($/boe)	**$ (0.66)**	$ 9.05	$ (7.36)	**$ (5.18)**	$ 1.92

Petroleum and Natural Gas Sales

Petroleum and natural gas sales totalled $23.6 million for Q3 2015 compared to $61.7 million for Q3 2014 and $29.9 million for Q2 2015. Oil and liquids sales decreased $27.9 million from Q3 2014 with $14.3 million due to lower prices and $13.6 million due to lower production volumes. Natural gas sales decreased $10.2 million in Q3 2015 compared to Q3 2014 with $5.8 million due to lower production volumes and $4.4 million related to lower natural gas prices.

Compared to Q2 2015, petroleum and natural gas sales decreased $6.3 million, with oil and liquids accounting for a decrease of $6.4 million offset by an increase in natural gas sales of $0.1 million. Oil and liquids sales reflect a $4.7 million decrease on account of lower pricing and an $1.7 million decrease due to lower production. Natural gas sales increased by $0.3 million as a result of higher pricing offset by a $0.2 million decrease as a result of decreased production.

On a YTD basis, petroleum and natural gas sales have decreased by $134.7 million to $81.2 million in 2015 compared to $216.0 million for the same period in 2014. Oil and liquids sales decreased by $103.1 million with $57.7 million due to lower production volumes and $45.4 million due to lower prices. Natural gas sales have decreased by $31.6 million with $18.2 million due to decreased prices and $13.4 million due to lower production volumes.

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

Petroleum and Natural Gas Sales (000s)	Q3 2015	Q3 2014	Q2 2015	YTD 2015	YTD 2014
Oil	**$ 13,982**	$ 40,642	$ 20,302	**$ 50,686**	$ 149,040
NGLs	**883**	2,170	988	**2,796**	7,576
Natural Gas	**8,745**	18,919	8,598	**27,749**	59,358
Total	**$ 23,610**	$ 61,731	$ 29,888	**$ 81,231**	$ 215,974

Royalties

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

Spyglass' Q3 2015 overall effective royalty rate for all products as a percentage of petroleum and natural gas sales was 8.7%, a significant decrease from the rate of 17.5% in Q3 2014 and an increase from 2.4% in Q2 2015. The percentage decrease in royalties compared to Q3 2014 is largely the result of significant reductions in oil and natural gas prices in the quarter, thereby reducing royalty percentages which reflect a sliding scale for both oil and natural gas wells. The Q3 2015 increase from Q2 2015 incorporates a $1.2 million credit recorded in Q2 2015 related to the Alberta Crown 2014 natural gas cost allowance that resulted in natural gas crown royalties being in a credit position for that quarter. Removing the impact of the 2014 gas cost allowance credits, the Q2 2015 effective royalty rate would have been 6.4%.

Gross overriding and other royalties averaged approximately 3-4% of petroleum and natural gas sales for Q3 2015, consistent with Q3 2014 and Q2 2015. Gross overriding and other royalties are generally at a fixed rate versus crown royalties which are based on a sliding scale and therefore, comprise a greater percentage of royalties as prices decrease.

For YTD 2015, the effective royalty rate was 5.5% compared to 17.8% for the same period in 2014. The decrease again is largely the result of significant reductions in oil and natural gas prices in 2015, thereby reducing royalty percentages which are paid on a sliding scale, as discussed above. In particular, prices have declined past floors where certain of the Company's wells have reached a nil% royalty rate.

The following tables outline royalties by type:

Royalties by Type (000s)	Q3 2015	Q3 2014	Q2 2015	YTD 2015	YTD 2014
Crown	**$ 1,043**	$ 8,665	$ (202)	**$ 1,803**	$ 31,498
Gross overriding and other	**1,014**	2,135	909	**2,665**	6,856
	$ 2,057	$ 10,800	$ 707	**$ 4,468**	$ 38,354
$/boe	**$ 2.41**	$ 8.68	$ 0.79	**$ 1.63**	$ 9.91
% of Petroleum & natural gas sales	**8.7%**	17.5%	2.4%	**5.5%**	17.8%

Operating Expenses

Operating expenses totalled $12.0 million or $13.98/boe for Q3 2015 compared to $24.2 million or $19.49/boe in Q3 2014 and $15.3 million or $17.04/boe in Q2 2015.

Operating costs for Q3 2015 were lower than Q3 2014 by $12.3 million on an absolute dollar basis and by $5.51 on a per boe basis. The reduction in absolute dollar costs is the result of property dispositions, along with ongoing cost reduction initiatives implemented by the Company in response to the decrease in commodity prices. Cost reduction initiatives include restructuring our field operations, minimizing maintenance costs to bring production back on stream given longer payback periods for funds expended, seeking cost savings from service providers and the shut-in of uneconomic wells. Q3 2015 operating costs were lower than Q2 2015 by $3.3 million on an absolute dollar basis and by $3.06 on a per boe basis. The absolute dollar and per boe decrease include favourable adjustments from prior quarters as a result of operating expenses decreasing more rapidly than anticipated as the result of the successful cost reduction initiatives.

On a YTD basis, operating expenses were $48.7 million or $17.74/boe compared to $77.5 million or $20.03/boe for the same period in 2014. As discussed above, the decrease in the absolute dollar basis is primarily the result of property dispositions in 2014 and 2015 enhanced by cost reduction initiatives. The reduction on a per boe basis is the result of cost reduction initiatives partially offset by the fixed component of operating expenses and the decrease in production volumes.

The following table summarizes the Company's operating expenses:

Operating Expenses	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
(000s)	**$ 11,953**	$ 24,242	$ 15,277	**$ 48,708**	$ 77,537
$/boe	**$ 13.98**	$ 19.49	$ 17.04	**$ 17.74**	$ 20.03

Transportation Expenses

Transportation expenses totalled $1.6 million or $1.91/boe for Q3 2015 compared to $2.3 million or $1.87/boe for Q3 2014 and $1.7 million or $1.95/boe in Q2 2015. Transportation costs are incurred for clean oil trucking and for oil and gas pipeline tariffs where tolls are paid directly to third parties.

Clean oil trucking charges relate primarily to the Dixonville property in the North core area and Matziwin in the South core area since the majority of the Company's other properties are tied into sales pipelines. Total oil transportation charges per barrel in the current quarter of $2.77 reflect the disposition of a 50% working interest in Dixonville in Q4 2014. Additionally, negotiations with vendors on pricing contributed to the decrease in per barrel oil trucking charges in Q3 2015 compared to Q3 2014. Oil transportation charges in Q3 2015 are relatively consistent with Q2 2015. The decrease in oil transportation charges on a YTD basis from $5.3 million for YTD 2014 to $3.1 million YTD 2015 includes the impact of the Dixonville disposition in Q4 2014 as well as the impact of negotiations with vendors on pricing partially offset by Q1 2015 third party pipeline capacity limitations, resolved in Q2 2015, that temporarily resulted in the Company trucking oil to alternative locations.

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 (000s)	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Oil	**$ 873**	$ 1,310	$ 941	**$ 3,135**	$ 5,308
Gas	**758**	1,012	811	**2,448**	2,863
Total	**$ 1,631**	$ 2,322	$ 1,752	**$ 5,583**	$ 8,171
Oil ($/bbl)	**$ 2.77**	$ 2.82	$ 2.71	**$ 3.04**	$ 3.25
Gas ($/Mcf)	**0.25**	0.23	0.26	**0.25**	0.23
Total ($/boe)	**$ 1.91**	$ 1.87	$ 1.95	**$ 2.03**	$ 2.11

Finance Expenses

Interest expenses include interest on Spyglass' operating line of credit as well as commitment, renewal and administration fees, standby charges and other costs not directly related to outstanding borrowings. Interest expenses totalled $3.6 million in Q3 2015 compared to $2.4 million in Q2 2015 reflecting changes in borrowing rates as a result of the amendment to the credit facility agreement on June 30, 2015. The Q3 2015 interest expense is lower than the Q3 2014 interest expense of $4.0 million due to the significant reduction in average bank debt throughout the respective quarters partially offset by increases in borrowing rates. On a YTD basis, interest expense of $8.2 million for 2015 was lower than the YTD 2014 interest expense of $11.9 million reflecting the decrease in amounts drawn on the credit facility due to significant property dispositions that occurred in the last half of 2014.

The effective interest rate for Q3 2015 was 7.4%, compared to 4.9% in Q2 2015 and 5.4% in Q3 2014. With the amendment of the credit facility completed on June 30, 2015, the Company expects its 2015 effective interest rate to average approximately 7.25%.

Accretion expense on decommissioning liabilities was $1.2 million in Q3 2015, a decrease from $1.5 million in Q3 2014 and $1.4 million in Q2 2015 as a result of the changes in the discount rate for the decommissioning liability and therefore the related accretion rate from 8% to 10% at June 30, 2015, which resulted in a decrease in decommissioning liabilities of $17.5 million. Q3 2015 accretion expense was recorded at the increased rate of 10%, however, the decrease in the decommissioning liabilities balance more than compensated for the increase in the rate.

The following table details the Company's finance expenses:

Finance Expenses (000s)	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Interest	**$ 3,601**	$ 4,036	$ 2,381	**$ 8,239**	$ 11,943
Accretion	**1,220**	1,453	1,412	**4,024**	4,321
Total	**$ 4,821**	$ 5,489	$ 3,793	**$ 12,263**	$ 16,264
($/boe)					
Interest	**$ 4.21**	$ 3.25	$ 2.66	**$ 3.00**	$ 3.09
Accretion	**1.43**	1.17	1.58	**1.47**	1.12
Total ($/boe)	**$ 5.64**	$ 4.42	$ 4.24	**$ 4.47**	$ 4.21

General and Administration Expenses

In Q3 2015 general and administration ("G&A") expenses totalled $2.8 million, lower than the $4.4 million incurred in Q3 2014. Decreases in G&A from Q3 2014 are primarily the result of reductions in staffing levels in late 2014 and to date in 2015, along with G&A cost reduction initiatives implemented in 2015 which included further cuts in staffing, temporary salary and benefit reductions, subletting surplus office space, minimizing discretionary expenses and working with vendors to reduce costs. G&A expenses of $2.8 million in Q3 2015 remained relatively consistent from Q2 2015 G&A expenses of $2.6 million.

On a YTD 2015 basis, G&A of $8.4 million is lower than YTD 2014 G&A of $13.3 million by $4.9 million or 37%. The significant decrease is the result of reductions in staffing levels throughout 2014 and in 2015 accompanied by other cost saving initiatives that have been implemented in response to current oil and natural gas pricing.

The largest portion of G&A is comprised of salaries and benefits and, as such, future G&A will depend on staff levels along with reorganization costs and changes to salaries and bonus incentives. With the persistence of depressed commodity pricing, the Company has sustained cost savings initiatives previously implemented, including temporary salary reductions and will continue to pursue further cost savings initiatives. Considering the implementation of cost saving initiatives and changes in staffing related to the 2014 sale of assets, the Company expects a 32% reduction in annual Cash G&A to approximately $11 million from $16.2 million in 2014.

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

General and Administration Expenses	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
(000s)	**$ 2,778**	$ 4,395	$ 2,614	**$ 8,374**	$ 13,267
$/boe	**$ 3.25**	$ 3.53	$ 2.92	**$ 3.05**	$ 3.43

Long-term Incentive Plan

The Company's long-term incentive plan ("LTIP") for employees and management includes a combination of two types of share based awards depending on roles and responsibilities within the organization: restricted share units ("RSUs") and performance share units ("PSUs"). RSUs vest evenly over a three year period. PSUs vest three years from the date of grants and the awards granted are subject to a multiplier ranging from 0 to 2 based on the performance of Spyglass on a total return basis compared to a selected peer group. The Company also grants director restricted share units ("DRSU") to non-management directors of the organization. DRSUs vest three years from the date of grant. RSUs, PSUs and DRSUs are to be settled in cash, based on the share price at the time of vesting. The number of share equivalent units at the time of vesting increases commensurately with each dividend declared by the Company after the grant date. During the nine months ended September 30, 2015, the Company granted an additional 1,806,398 RSUs, 1,331,755 PSUs and 199,997 DRSUs. As at September 30, 2015, incorporating forfeitures and settlements in the period, 3,149,985 RSUs, 3,295,259 PSUs and 548,885 DRSUs were outstanding.

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

The following table summarizes the Company's LTIP expense (recovery):

Long-term Incentive Plan Expense (Recovery)	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
(000s)	**$ (71)**	$ 244	$ (108)	**$ (131)**	$ 1,442
$/boe	**$ (0.08)**	$ 0.20	$ (0.12)	**$ (0.05)**	$ 0.37

Depletion, Depreciation and Impairments

For Q3 2015, depletion, depreciation and impairments ("D&D") was $44.2 million compared to $30.1 million for Q3 2014 and $103.9 million for Q2 2015.

The Q3 2015 D&D rate before impairment of $10.71/boe was lower than the rate of $15.21/boe in Q3 2014 and $14.17/boe in Q2 2015. The $4.50/boe decrease from the Q3 2014 D&D rate before impairment is mostly due to a decrease in the depletable asset base as a result of impairments recognized in both Q4 2014 and Q2 2015 and the disposition of a 50% working interest of the Dixonville property. The Q3 2015 $3.46/boe decrease before impairment from the Q2 2015 D&D rate is mostly due to a decrease in the depletable asset base as a result of impairments recognized in Q2 2015. 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.

In Q3 2015, the Company recognized $35.0 million of property, plant and equipment ("PP&E") impairment charges in the South Oil and Dixonville CGUs which were triggered by continued declines in forecasted oil and natural gas commodity prices. Additionally, in Q2 2015 the Company recognized $91.2 million of impairment charges allocated $77.6 million to PP&E impairments and $13.6 to exploration and evaluation ("E&E") impairments. PP&E impairments in Q2 2015 were recorded in the South Oil, Central, Dixonville, North Gas and North Oil CGUs and were triggered by the continued and prolonged decline in forecasted oil and natural gas prices. Additionally, in Q2 2015, significant and prolonged decreases in forecasted oil and natural gas commodity prices triggered the re-evaluation of E&E assets in the Haro South CGU, which were previously impaired in 2012 as a result of management indefinitely delaying future development plans in the area. E&E assets in the Central CGU were also impaired in Q2 2015 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. Impairment charges recognized could be reversed in future periods should forward commodity prices recover or should development plans change.

The Q3 2014 impairment charge of $11.2 million related to the write down of E&E assets in the North Oil CGU to fair value as a result of changes in management's future development plans. The YTD 2014 impairment charge also includes a $2.3 million related to the write down required on assets classified as held for sale as at March 31, 2014 to fair value. The assets were held in the Peace River Arch CGU and were sold to a third party in Q2 2014.

The components of D&D are as follows:

Depletion, depreciation and impairments	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
(000s)					
Depletion & depreciation	**$ 9,157**	$ 18,914	$ 12,703	**$ 35,661**	$ 61,962
Impairment	**35,004**	11,152	91,223	**126,227**	13,470
Total	**$ 44,161**	$ 30,066	$ 103,926	**$ 161,888**	$ 75,432
($/boe)					
Depletion & depreciation	**$ 10.71**	$ 15.21	$ 14.17	**$ 12.98**	$ 16.01
Impairment	**40.95**	8.97	101.78	**45.96**	3.48
Total	**$ 51.66**	$ 24.18	$ 115.95	**$ 58.94**	$ 19.49

Environmental Liabilities and Insurance Receivable

Dixonville

On April 30 and May 1, 2014, Spyglass responded to two pipeline leaks in its operations at Dixonville. Containment and cleanup operations commenced within hours of the pipelines being shutoff. Both incidents fell within the Company's insurance coverage subject to a $0.5 million deductible per incident. The Company chose to sustain clean-up and remediation costs for one of the incidents which are estimated to be $0.5 million and has filed for insurance coverage for the clean-up and remediation costs for the second incident which are estimated to total $4.5 million. The Company has received $3.0 million of insurance proceeds to September 30, 2015. As of September 30, 2015, $3.9 million of clean-up and remediation costs have been paid and a further $0.6 million has been accrued in other liabilities for future costs expected to be incurred.

Rainbow

On May 19, 2012, Spyglass was made aware of a breach in an above-ground section of wellhead piping that resulted in a temporary release of an estimated 800 cubic meters of oil in the Rainbow Lake area of Northern Alberta. This incident falls within the Company's insurance coverage and total estimated clean-up and remediation costs are expected to be $23.9 million. The Company has received $21.1 million of insurance proceeds to September 30, 2015. The Company has paid $22.2 million in clean-up and remediation costs as at September 30, 2015 with a further $1.7 million accrued in other liabilities for future costs expected to be incurred.

Insurance Receivable

Spyglass has recorded $3.6 million in accounts receivable for insurance receivable as at September 30, 2015. Spyglass has evaluated the credit worthiness of its insurance providers and concluded it to be adequate. The receivable balance is attributed to expenditures incurred for which reimbursement is pending and as well as for future costs expected to be incurred.

Other Income

Q3 2015 other income of $2.0 million includes $2.1 million of non-cash gains on the disposition of producing properties and undeveloped land. Q3 2015 cash other loss of $0.1 million includes an additional provision to bad debt expense of $0.2 million from the review of working capital balances in response to the depressed economic environment offset by $0.1 million of marketing income. YTD 2015 cash other income includes provisions for bad debt totaling $1.4 million resulting from the review of working capital balances in response to the deteriorated economic environment as well as the de-recognition of $1.2 million of provisions related to a predecessor company that was recorded upon the amalgamation of Pace Oil & Gas Ltd., Charger Energy Corp., and AvenEx Energy Corp., to form Spyglass in 2013. YTD 2015 non-cash other income of $3.8 million is comprised of non-cash gains on dispositions of producing properties. Q3 2014 and YTD 2014 other income of $2.9 million and $8.5 million respectively also consisted primarily of non-cash gains on the disposition of producing properties as well as gains on the sale of investments.

The following is a breakdown of other income:

Other Income	Q3 2015	Q3 2014	Q2 2015	YTD 2015	YTD 2014
(000s)					
Cash other income (loss)	**$ (124)**	$ 295	$ 161	**$ 37**	$ 430
Non-cash other income	**2,131**	2,595	1,667	**3,798**	8,082
Total	**$ 2,007**	$ 2,890	$ 1,828	**$ 3,835**	$ 8,512
($/boe)					
Cash other income (loss)	**$ (0.15)**	$ 0.24	$ 0.18	**$ 0.01**	$ 0.11
Non-cash other income	**2.49**	2.09	1.86	**1.38**	2.09
Total	**$ 2.34**	$ 2.33	$ 2.04	**$ 1.39**	$ 2.20

Deferred Taxes

Spyglass recorded deferred taxes of nil in Q3 2015 compared to a recovery of $1.9 million in Q3 2014 and nil in Q2 2015. On a YTD basis, 2015 deferred tax expense was $62.5 million versus a deferred tax recovery of $3.7 million for the same period in 2014. During Q1 2015 $66.8 million of deferred tax assets were derecognized. The YTD 2015 deferred tax reconciliation incorporates an increase in the Alberta corporate tax rate from 10% to 12% which was substantially enacted in the second quarter. As at September 30, 2015, the Company has approximately $831 million of tax pools available for deduction against future taxable income for which no deferred tax asset has been recognized.

Funds from Operations and Net Loss

For Q3 2015, funds from operations totalled $4.9 million, $0.04 per basic and diluted share compared to $11.9 million, $0.09 per basic and diluted share in Q3 2014 and $11.4 million or $0.09 per basic and diluted share in Q2 2015.

For Q3 2015, funds from operations decreased $7.0 million from Q3 2014. Operating netbacks at $9.32 per boe in Q3 2015 were $10.28 per boe lower than $19.60 per boe in Q3 2014. This drop incorporates a $22.02 per boe decline in sales price due to the significant decline in commodity prices, resulting in a $18.8 million decrease in field operating netbacks. Decreased production volumes contributed to a further decrease in field operating netbacks of $19.3 million. The reductions to field operating netbacks were offset by lower royalties and operating expenses of $8.7 million and $12.2 million respectively and funds from operations includes higher gains on financial derivative instruments of $7.8 million.

Compared to Q2 2015, funds from operations decreased $6.5 million in Q3 2015 reflecting a $4.9 million decrease in revenues due to decreased commodity pricing, a $1.4 million decrease due to lower production volumes, a $1.4 million decrease due to higher royalties and a $1.2 million increase due to higher cash financial charges. This was partially offset by a $3.3 million decrease in operating expenses.

For Q3 2015, the Company had a net loss of $38.8 million or $0.30 per basic and diluted share compared to a net loss of $4.2 million in Q3 2014 or $0.03 per basic and diluted share and a net loss of $98.8 million in Q2 2015 or $0.77 per basic and diluted share. Compared to Q3 2014, the increase in net loss is primarily due to impairment charges recognized in Q3 2015 as well as the significant reduction in petroleum and natural gas revenues reflecting decreased commodity prices. The decrease in net loss to $38.8 million in Q3 2015 from $98.8 million in Q2 2015 was largely driven by lower impairment charges recognized in Q3 2015.

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

($/boe)	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Sales price	**$ 27.62**	$ 49.64	$ 33.35	**$ 29.58**	$ 55.79
Royalties	**(2.41)**	(8.68)	(0.79)	**(1.63)**	(9.91)
Operating expenses	**(13.98)**	(19.49)	(17.04)	**(17.74)**	(20.03)
Transportation expenses	**(1.91)**	(1.87)	(1.95)	**(2.03)**	(2.11)
Operating netback	**$ 9.32**	$ 19.60	$ 13.57	**$ 8.18**	$ 23.74
Other non-cash expenses	**0.03**	0.07	0.02	**0.02**	0.02
Cash other income (expense)	**(0.15)**	0.24	0.18	**0.01**	0.11
Realized gain (loss) on financial derivative instruments	**4.01**	(3.55)	4.56	**5.55**	(5.23)
G&A	**(3.25)**	(3.53)	(2.92)	**(3.05)**	(3.43)
Interest	**(4.21)**	(3.25)	(2.66)	**(3.00)**	(3.09)
Cash flow netback	**$ 5.75**	$ 9.58	$ 12.75	**$ 7.71**	$ 12.12
Unrealized gain (loss) on financial derivative instruments	**(0.66)**	9.05	(7.36)	**(5.18)**	1.92
Other non-cash expenses	**(0.03)**	(0.07)	(0.02)	**(0.02)**	(0.02)
Non-cash other income (expense)	**2.49**	2.09	1.86	**1.38**	2.09
Depletion, depreciation and impairment	**(51.66)**	(24.18)	(115.95)	**(58.94)**	(19.49)
Accretion	**(1.43)**	(1.17)	(1.58)	**(1.47)**	(1.12)
Transaction costs	**-**	-	-	**-**	-
Long-term incentive compensation	**0.08**	(0.20)	0.12	**0.05**	(0.37)
Deferred taxes	**-**	1.54	-	**(22.75)**	0.97
Net loss	**$ (45.46)**	$ (3.36)	$ (110.18)	**$ (79.22)**	$ (3.90)

The following table provides reconciliations to the change in funds from operations and net loss for Q3 2015 to Q3 2014 and for Q3 2015 to Q2 2015.

Change in Funds from Operations and Net Loss (000s)	**Q3 2015 to Q3 2014**		**Q3 2015 to Q2 2015**	
	Funds from Operations	Net loss	**Funds from Operations**	Net loss
Comparative period	**$ 11,902**	$ (4,188)	**$ 11,423**	$ (98,753)
Increase (decrease) in revenue:				
Change in production volumes	**(19,296)**	(19,296)	**(1,380)**	(1,380)
Change in prices	**(18,825)**	(18,825)	**(4,898)**	(4,898)
Change in royalties	**8,743**	8,743	**(1,350)**	(1,350)
(Increase) decrease in expenses:				
Operating	**12,226**	12,289	**3,332**	3,324
Transportation	**691**	691	**121**	121
Finance charges	**435**	668	**(1,220)**	(1,028)
General and administration	**1,617**	1,617	**(164)**	(164)
Long-term incentive compensation	**-**	315	**-**	(37)
Depletion, depreciation and impairment	**-**	(14,095)	**-**	59,765
Deferred tax	**-**	(1,918)	**-**	-
Transaction costs	**-**	-	**-**	-
Increase (decrease) in:				
Other income	**(419)**	(883)	**(285)**	179
Gains (losses) on financial derivative instruments	**7,848**	(3,964)	**(657)**	5,375
Current period	**$ 4,922**	$ (38,846)	**$ 4,922**	$ (38,846)

Capital Expenditures and Dispositions

Capital expenditures in Q3 2015 were limited to $1.3 million with $0.5 million spent on workover, maintenance and optimization activities, $0.1 million on facilities and turnarounds, $0.6 million on office costs which was substantially capitalized G&A, and the remaining $0.1 million on land. The majority of the capital spent focused on maintenance and optimization activities.

In Q3 2015, the Company closed the sale of certain producing properties in the province of Alberta for proceeds of $6.5 million, net of adjustments. The impact on the Consolidated Statement of Loss of these transactions was a non-cash gain of $2.1 million.

YTD 2015 capital expenditures totalled $9.2 million with $3.6 million spent on drilling, completion, maintenance and optimization activities, $3.1 million on facilities, pipelines, equipping and tie-ins, $2.1 million on office costs which was substantially capitalized G&A, and the remaining $0.4 million on land and seismic. The majority of the capital spend focused on maintenance activities as well as the final pipeline remediation activities at Dixonville which commenced in 2014, the drilling, completion and tie-in of one gross (0.1 net) non-operated in the South core area at Herronton and on the tie-in of two gross (2 net) wells that were drilled in Q4 2014.

YTD 2015, the Company closed the sale of certain producing properties in the province of Alberta for proceeds of $9.2 million, net of adjustments. The net impact of these transactions was a non-cash gain of $3.8 million recognized in the Consolidated Statement of Loss.

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

Capital Expenditures (000s)	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Land	**$ 94**	$ 61	$ 228	**$ 375**	$ 691
Geological and geophysical	**-**	428	-	**11**	723
Drilling and completions	**494**	15,821	1,046	**3,588**	41,429
Facilities and equipment	**123**	11,615	416	**3,105**	15,565
Office and capitalized G&A	**593**	1,153	653	**2,144**	3,919
Capital Expenditures	**$ 1,304**	$ 29,078	$ 2,343	**$ 9,223**	$ 62,327
Acquisitions	**-**	-	-	**-**	2,458
Dispositions	**(6,493)**	(42,836)	(2,710)	**(9,203)**	(55,508)
Total capital expenditures and acquistions net of dispostions	**$ (5,189)**	$ (13,758)	$ (367)	**$ 20**	$ 9,277
Exploration and evaluation expenditures	**$ (136)**	$ (3,607)	$ 124	**$ 133**	$ (2,798)
Property, plant and equipment expenditures	**(5,055)**	(10,151)	(491)	**(115)**	12,075
Total capital expenditures and acquisitions net of dispositions	**$ (5,191)**	$ (13,758)	$ (367)	**$ 18**	$ 9,277

Spyglass has approximately 348,000 net acres of undeveloped land under lease at September 30, 2015.

Equity

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

The Company has no dilutive instruments outstanding.

Share Information	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Shares Outstanding					
Basic	**127,804,720**	128,076,720	127,804,720	**127,804,720**	128,076,720
Diluted	**127,804,720**	128,076,720	127,804,720	**127,804,720**	128,076,720
Weighted average shares outstanding					
Basic	**127,804,720**	128,076,720	127,804,720	**127,804,720**	128,076,720
Diluted	**127,804,720**	128,076,720	127,804,720	**127,804,720**	128,076,720

Liquidity and Capital Resources

Spyglass is listed on the Toronto Stock Exchange trading under the symbol "SGL" and trades in the over the counter market in the United States under the symbol "SGLRF". The following is a summary of the trading history for the periods indicated:

Trading History on the TSX	**Q3 2015**	Q3 2014	Q2 2015	**YTD 2015**	YTD 2014
Trading price					
High	**$ 0.22**	$ 1.77	$ 0.37	**$ 0.50**	$ 2.14
Low	**$ 0.105**	$ 1.37	$ 0.19	**$ 0.105**	$ 1.37
Close	**$ 0.105**	$ 1.38	$ 0.20	**$ 0.105**	$ 1.38
Volume (000's)	**10,809**	16,159	6,880	**28,694**	58,792

On the over the counter market, 11.8 million shares were traded YTD 2015 compared to 20.4 million shares in YTD 2014.

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 borrowing base revolving term facility and a $100 million reducing term facility. Both facilities have a maturity date of May 29, 2016. The credit facility was further amended on September 3, 2015, and under the amended terms, the facility consists of a $100 million borrowing base revolving term facility and a $97.1 million reducing term facility. The reducing term facility is required to be reduced to $62.1 million by November 30, 2015 and further reduced to $25 million by January 31, 2016. The reducing term facility 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. As at September 30, 2015, the total available under the Company's credit facilities was $197.1 million incorporating $2.9 million of permanent repayments to the reducing term facility since June 30, 2015. At September 30, 2015, $173.6 million was drawn on the facilities (December 31, 2014 - $174.7 million) including $97.1 million drawn on the reducing term facility and $76.5 million drawn on the borrowing base revolving facility. On October 1, 2015 the Company applied a further payment of $5.4 million to the reducing term facility for property disposition proceeds received on September 30, 2015. The Company had a working capital deficit and net debt of $174.9 (excluding the current portion of financial derivative instruments) as at September 30, 2015, a decrease of $9.6 million from the balance at June 30, 2015 of $184.5 million. The available level of credit under the borrowing base revolving term facility is subject to semi-annual review and may be adjusted for changes in reserves, commodity prices and other factors. The Company is subject to certain non-financial covenants in its credit facility agreement. Covenants include reporting requirements, permitted and expected dispositions, permitted financial derivatives, permitted encumbrances and other standard business operating covenants. The Company is also required to maintain minimum liquidity of $7.5 million on its borrowing base revolving term facility while the reducing term facility is outstanding. As at September 30, 2015 the Company is in compliance with all covenants. The Company had $2.3 million in letters of credit outstanding at September 30, 2015.

Management recognizes the difficulties of operating in the current commodity price environment and has taken steps to manage spending and leverage. The Company plans to remedy its working capital deficit through asset divestiture and other suitable opportunities to enhance the financial position of the Company. Additionally, cost reduction and capital management initiatives have been implemented and as such the Company has currently been able to maintain positive funds from operations. The Company continually monitors its capital structure and capital program in response to changes in business conditions including changes in economic condition, forecasted commodity prices and resulting cash flows, debt levels and the risk and timing of capital investments.

The 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. The reducing term facility is required to be reduced to $62.1 million by November 30, 2015 and further reduced to $25 million by January 31, 2016. The Company continues to identify and pursue divestiture opportunities and is taking further steps to manage its spending and leverage including further cost reduction and capital management initiatives. There is no assurance that the Company will be able to access divestiture or other suitable opportunities in order to repay the reducing term facility in accordance with the timing required under the credit facility agreement, which includes a $35 million repayment requirement by November 30, 2015. The banking syndicate continues to work with the Company and is engaged in ongoing reviews and discussions. 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 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.

Subsequent event

On November 3, 2015, the Company's syndicated credit facility was amended effective October 30, 2015. Under the amended terms, the $100 million borrowing base facility has been replaced with a $100 million revolving credit facility. The revolving facility is comprised of a production facility and an operating facility, that both contain limitations on availability. Amounts to be drawn under the production facility are not to exceed $72.9 million and the principal amount allowed under the operating facility is not to exceed approximately $7.5 million. The revolving facility is not a reserve based facility and is no longer subject to semi-annual review. There were no changes to the terms of the reducing term facility, which is required to be reduced to $62.1 million by November 30, 2015 and to $25 million by January 31, 2016. The maturity date of May 29, 2016 for both the revolving credit facility and the reducing term facility remains unchanged.

Off Balance Sheet Transactions

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

Contractual Obligations

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

Contractual Obligations (000s)	**Total**	< 1 year	1-3 years	4-5 years	After 5 years
Bank debt and related interest	**$ 176,812**	$ 176,812	$ -	$ -	$ -
Firm transportation charges	**7,723**	2,192	4,200	794	537
Operating leases	**24,693**	3,559	7,262	7,287	6,585
Total Contractual Obligations	**$ 209,228**	$ 182,563	$ 11,462	$ 8,081	$ 7,122

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

The Company estimates it will incur costs of approximately $357.0 million on an undiscounted basis to settle its decommissioning liabilities to abandon and reclaim petroleum and natural gas assets including well sites, gathering systems and processing facilities. The present value of these expected costs is $49.8 million and has been recorded on the Company's balance sheet as at September 30, 2015. These costs will be incurred over the operating lives of the assets with the majority being at or after the end of production. The Company may enter into farm-in agreements where it commits to capital expenditures to earn and retain lands. These are considered routine in nature and form part of the normal course of operations for active oil and gas companies and are not included in the table above.

Financial Instruments

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

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

Internal Control over Financial Reporting ("ICFR")

Spyglass' Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance on the reliability of Spyglass' financial reporting and preparation of financial statements for external purposes in accordance with GAAP. The control framework to design Spyglass' ICFR is the Internal Control-Integrated Framework (COSO Framework) (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission. The certification of interim filings for the period ended September 30, 2015 requires that the Company disclose in the MD&A and changes in the Company's internal controls that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting during the three months ended September 30, 2015. The Company confirms that there were no changes in the Company's internal controls during Q3 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that while Spyglass' Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure and internal control procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure and internal control procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Application of Critical Accounting Estimates

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

Financial Reporting Update

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

Risk Factors

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

Selected Quarterly Information

Financial	2015			2014				2013
(000s, except per share amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Petroleum and natural gas sales	**$ 23,610**	$ 29,888	$ 27,733	$ 48,884	$ 61,731	$ 76,326	$ 77,917	$ 65,909
Cash flow from (used in) operations	**3,669**	6,760	9,754	8,938	8,398	27,470	10,342	9,360
Funds from operations	**4,922**	11,423	4,838	11,883	11,902	19,043	16,026	11,426
Per share- basic	**0.04**	0.09	0.04	0.09	0.09	0.15	0.13	0.09
Per share- diluted	**0.04**	0.09	0.04	0.09	0.09	0.15	0.13	0.09
Net income (loss)	**$ (38,846)**	$ (98,753)	$ (79,963)	$ (140,753)	$ (4,188)	$ 815	$ (11,697)	$ (16,866)
Per share- basic	**(0.30)**	(0.77)	(0.63)	(1.10)	(0.03)	0.01	(0.09)	(0.13)
Per share- diluted	**(0.30)**	(0.77)	(0.63)	(1.10)	(0.03)	0.01	(0.09)	(0.13)
Capital expenditures	**$ 1,304**	$ 2,343	$ 5,576	$ 15,205	$ 29,078	$ 15,402	$ 17,847	$ 14,991
Property acquisitions	**-**	-	-	-	-	2,458	-	-
Dispositions	**(6,493)**	(2,710)	-	(110,935)	(42,836)	(7,344)	(5,328)	(12,515)
Total capital expenditures and acquisitions net of dispositions	**(5,189)**	(367)	5,576	(95,730)	(13,758)	10,516	12,519	2,476
Bank debt	**168,500**	176,400	182,100	174,700	267,400	290,900	294,900	287,000
Net debt	**174,860**	184,478	195,677	193,819	293,762	270,828	307,150	300,508
Total assets	**292,382**	345,708	480,596	561,545	833,942	881,033	897,155	892,328
Dividends Declared	**-**	-	-	3,843	6,724	8,645	8,645	8,645
Per share- basic	**-**	-	-	0.0300	0.0525	0.0675	0.0675	0.0675
Shares outstanding (000s)								
Basic	**127,805**	127,805	127,805	127,805	128,077	128,077	128,077	128,077
Diluted	**127,805**	127,805	127,805	127,805	128,077	128,077	128,077	128,077
Weighted average shares outstanding (000s)								
Basic	**127,805**	127,805	127,805	128,062	128,077	128,077	128,077	128,077
Diluted	**127,805**	127,805	127,805	128,062	128,077	128,077	128,077	128,077
Operations								
Average daily production								
Oil (bbls/d)	**3,431**	3,809	4,112	5,389	5,045	6,164	6,784	7,198
NGLs (bbls/d)	**284**	275	292	280	410	535	391	647
Natural gas (Mcf/d)	**33,468**	34,589	39,923	41,981	48,379	46,647	44,312	48,164
Combined (boe/d)	**9,293**	9,849	11,058	12,666	13,518	14,474	14,560	15,873
Operating netback ($/boe)	**$ 9.32**	$ 13.57	$ 2.37	$ 13.49	$ 19.60	$ 27.31	$ 24.10	$ 15.09

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

Production averaged 9,293 boe/d in Q3 2015, lower than Q2 2015 production of 9,849 boe/d and 2014 annual production average of 13,798, reflecting the impact of property dispositions which closed in 2014 of $166 million and year to date in 2015 of $9.2 million. Commodity prices have been volatile over the previous eight trailing quarters which led to impairment losses of $35.0 in Q3 2015, $91.2 million in Q2 2015 and $126.6 million Q4 2014, which contributed to net losses of $38.8, $98.8 million and $140.8 million in the respective quarters. The net loss of $80.0 million in Q1 2015 includes deferred tax expense of $62.5 million that was incurred upon the derecognition of deferred tax assets in that quarter. Oil and natural gas prices started to decline in Q3 2014, continuing to decline through Q1 2015. This, along with asset dispositions occurring throughout 2014 resulted in continued declines in petroleum and natural gas sales from Q2 2014, with sales of $76.3 million, to $23.6 million in Q3 2015, with a slight uptick in Q2 2015.

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.