SPYGLASS RESOURCES CORP.

Q1 2013 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets
As at

(Thousands of Canadian dollars) (unaudited)

	March 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 35
Accounts receivable	54,308	31,324
Prepaid expenses and deposits	4,393	2,323
Financial derivative instruments (note 9)	347	911
	59,048	34,593
Investments (note 9)	326	326
Financial derivative instruments (note 9)	101	80
Exploration and evaluation assets (note 4)	79,042	30,775
Property, plant and equipment (note 5)	727,803	496,154
Deferred tax assets	78,305	19,593
	$ 944,625	$ 581,521
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 83,954	$ 45,489
Other liabilities (note 10)	3,300	4,200
Financial derivative instruments (note 9)	6,781	-
	94,035	49,689
Long-term debt (note 6)	271,700	199,810
Decommissioning liabilities (note 7)	84,640	49,541
Shareholders' equity:		
Share capital (note 1 & 8)	494,292	430,037
Contributed surplus (note 1)	-	12,646
Accumulated other comprehensive income (loss) (note 1)	-	(730)
Deficit (note 1)	(42)	(159,472)
	494,250	282,481
	$ 944,625	$ 581,521

See accompanying notes to the interim consolidated financial statements.

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

Three months ended March 31

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

		2013		2012
Petroleum and natural gas sales (note 11)	**$**	**49,841**	$	63,350
Royalties (note 11)		**(10,501)**		(16,575)
Revenues		**39,340**		46,775
Gain on business combinations and other income (note 3)		**81,929**		47
Gain (loss) on financial derivative instruments (note 9)		**(5,195)**		(1,909)
Expenses				
Operating		**24,075**		21,343
Transportation		**2,517**		2,795
Finance		**3,363**		2,538
Depletion, depreciation and impairments (note 4 & 5)		**14,052**		17,728
General and administration		**3,823**		6,687
Transaction costs (note 3)		**13,451**		-
		61,281		51,091
Income (loss) before taxes		**54,793**		(6,178)
Deferred taxes (recovery)		**(6,560)**		(1,192)
Net income (loss) and comprehensive income (loss)	**$**	**61,353**	$	(4,986)
Net income (loss) per share: (note 8)				
Basic and diluted	**$**	**0.97**	$	(0.08)

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

Three months ended March 31

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

	Number of Common Shares [(1)]	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total Equity
Balance, December 31, 2011	**61,363,549**	**$ 432,668**	**$ 8,982**	**$ (730)**	**$ (6,481)**	**$ 434,439**
Stock based compensation	-	-	693	-	-	693
Net income (loss) during the period	-	-	-	-	(4,986)	(4,986)
Balance, March 31, 2012	**61,363,549**	**$ 432,668**	**$ 9,675**	**$ (730)**	**$ (11,467)**	**$ 430,146**
Normal course issuer bid	(372,320)	(2,631)	1,738	-	-	(893)
Stock based compensation	-	-	1,233	-	-	1,233
Net income (loss) during the period	-	-	-	-	(148,005)	(148,005)
Balance, December 31, 2012	**60,991,229**	**$ 430,037**	**$ 12,646**	**$ (730)**	**$ (159,472)**	**$ 282,481**
Issued per business combination	67,085,364	150,271	-	-	-	150,271
Issued on exercise of options	159	4	(4)	-	-	-
Stock based compensation	-	-	145	-	-	145
Net income (loss) and comprehensive income (loss) during the period	-	-	-	-	61,353	61,353
Reduction of stated capital (note 1)	-	(86,020)	(12,787)	730	98,077	-
Balance, March 31, 2013	**128,076,752**	**$ 494,292**	**$ -**	**$ -**	**$ (42)**	**$ 494,250**

[(1)] The number of common shares has been adjusted to reflect Pace's share exchange ratio of 1.3 to 1 pursuant to the Arrangement (note 1 & 3)

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows

Three months ended March 31

(Thousands of Canadian dollars) (unaudited)

	2013	2012
Cash provided by (used in)		
Operations		
Net income (loss)	$ 61,353	$ (4,986)
Items not involving cash:		
Depletion and depreciation (notes 4 & 5)	14,052	17,728
Accretion of decommissioning liabilities (note 7)	837	814
Long-term incentive (note 8)	724	1,272
Gain on business combinations (note 3)	(81,866)	-
Unrealized loss (gain) on financial derivative instruments (note 9)	5,062	1,091
Deferred taxes (recovery)	(6,560)	(1,192)
Decommissioning expenditures (note 7)	(1,704)	(194)
Change in non-cash working capital (note 11)	4,928	11,920
Cash flow from (used in) operating activities	(3,174)	26,453
Financing		
Increase in long-term debt	9,240	17,275
Cash flow from financing activities	9,240	17,275
Investing		
Capital expenditures	(11,820)	(41,696)
Cash acquired on business combination (note 3)	11,890	-
Change in non-cash working capital (note 11)	(6,171)	(1,965)
Cash flow used in investing activities	(6,101)	(43,661)
Changes in cash	(35)	67
Cash beginning of period	35	23
Cash end of period	$ -	$ 90

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

Notes to the interim consolidated Financial Statements

For the three months ended March 31, 2013 and 2012
(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".

On March 28, 2013, Pace Oil & Gas Ltd. ("Pace"), Charger Energy Corp. ("Charger") and AvenEx Energy Corp ("AvenEx") completed a Plan of Arrangement (the "Arrangement") whereby Spyglass Resources Corp. was formed through the amalgamation of Pace, Charger and AvenEx. Pace subdivided its shares on a basis of 1.3 post-subdivided Pace shares for each 1.0 pre-subdivided Pace share. Pace shares were issued in exchange for the outstanding Charger shares on a basis of 0.18 Pace share for each Charger share and Pace shares were then issued in exchange for the outstanding AvenEx shares on a basis of 1.0 Pace share for each AvenEx share. Pace was then renamed to Spyglass Resources Corp. The Arrangement is accounted for as a business combination (note 3) whereby Pace is deemed to be the acquirer and as such comparative amounts reflect the history of Pace. Prior period common share, option, restricted share award, preferred share award and deferred share award information has been adjusted for the share exchange ratio associated with the Arrangement. Pursuant to the Arrangement, Spyglass elected to perform a reduction of stated capital whereby the Company offset its deficit, contributed surplus and accumulated other comprehensive loss against share capital upon closing of the arrangement. The deficit at March 31, 2013 reflects the operations of Spyglass from March 28, 2013 to March 31, 2013.

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 13, 2013.

2. Basis of presentation & 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, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

Recent accounting pronouncements and amendments adopted effective January 1, 2013 as disclosed in the annual consolidated financial statements for the year ended December 31, 2012 have no impact on the Company's consolidated financial statements other than disclosure requirements which have been incorporated. The new IFRS pronouncements and amendments adopted include IFRS 10 – *Consolidation*, IFRS 11 – *Joint Arrangements*, IFRS 12 – *Disclosure of Interest in Other Entities*, IFRS 13 – *Fair Value Measurement*, IAS 17 – *Separate Financial Statements*, IAS 28 – *Investments in Associates and Joint Ventures,* IAS 1 – *Presentation of Financial Statements* and IAS 32 – *Financial Instruments: Presentation*.

3. Strategic business combination and reorganization

On March 28, 2013 the plan of Arrangement was completed whereby Spyglass was formed through the amalgamation of Pace, Charger and AvenEx. In accordance with IFRS, the Arrangement is accounted for as a business combination whereby Pace is deemed to be the acquirer. Had the Arrangement closed on January 1, 2013, Spyglass' oil and gas sales and oil and gas sales less royalties, transportation and operating expenses for the three months ended March 31, 2013 would have been approximately $70.7 million and $19.8 million respectively. This is not necessarily representative of future revenues and operations. The effect on net income is not determinable. Spyglass' oil and gas sales and oil and gas sales less royalties, transportation and operating expenses for the three months ended March 31, 2013 includes approximately $0.7 million and $0.3 million respectively, attributable to the acquirees from March 28, 2013 to March 31, 2013.

(a) Charger Energy Corp.

On March 28, 2013 the acquisition of all issued and outstanding shares of Charger was completed by way of plan of arrangement. Charger was a public oil and gas company, listed on the TSX Venture Exchange, with properties primarily in Alberta. Total consideration of $27.1 million included the issuance of 12,117,821 shares as valued on closing. A gain on acquisition arises when the cost of an acquisition is less than the fair value of the assets acquired. The acquisition of Charger resulted in an excess of net assets acquired over consideration transferred of $35.2 million. This gain was recognized and is included in gain on business combination and other income.

The following are the estimated fair values of Charger:

Charger Energy Corp.		
Net assets acquired		
Property, plant and equipment	$	103,923
Exploration & evaluation assets		16,029
Deferred income tax assets		23,480
Working capital surplus (deficiency)		(5,301)
Bank indebtedness		(62,650)
Derivative liability		(2,047)
Decommissioning liabilities		(11,118)
	$	62,316
Consideration		
Shares issued (12,117,821 common shares)	$	27,144
Excess of net assets acquired over consideration transferred	$	35,172

The recognized amounts of identifiable assets and liabilities assumed are preliminary estimates by Spyglass' management and are subject to change. Preliminary fair values are calculated using discounted cash flow models considering reserve estimates.

(b) AvenEx Energy Corp.

On March 28, 2013 the acquisition of all issued and outstanding shares of AvenEx was completed by way of plan of arrangement. AvenEx was a public oil and gas company, listed on the TSX, with properties primarily in Alberta. Total consideration of $123.1 million included the issuance of 54,967,543 shares as valued on closing. A gain on acquisition arises when the cost of an acquisition is less than the fair value of the assets acquired. The acquisition of AvenEx resulted in an excess of net assets acquired over consideration transferred of $46.7 million. This gain was recognized and is included in gain on business combination and other income.

The following are the estimated fair values of AvenEx:

AvenEx Energy Corp.		
Net assets acquired		
Property, plant and equipment	$	130,697
Exploration & evaluation assets		31,444
Deferred income tax assets		28,672
Working capital surplus (deficiency)		(7,819)
Cash		11,890
Derivative liability		(215)
Decommissioning liabilities		(24,848)
	$	169,821
Consideration		
Shares issued (54,967,543 common shares)	$	123,127
Excess of net assets acquired over consideration transferred	$	46,694

On February 15, 2013, AvenEx sold the assets of Elbow River Marketing Limited Partnership ("Elbow River"). As part of the terms of sale, the purchaser of the assets have continued operations under the Elbow River Marketing name. All operations and obligations are backstopped and indemnified by the purchaser until they are formally assumed. Management has performed credit analysis on the purchaser and noted no concerns.

The recognized amounts of identifiable assets and liabilities assumed are preliminary estimates by Spyglass' management and are subject to change. Preliminary fair values are calculated using discounted cash flow models considering reserve estimates.

4. Exploration and evaluation assets

		March 31, 2013		December 31, 2012
Balance, beginning of period	$	**30,775**	$	87,562
Additions		**1,400**		16,751
Capitalized long-term incentive		**6**		91
Acquisitions (note 3)		**47,473**		-
Decommissioning provision		**-**		132
Transfers to property, plant and equipment		**(261)**		(2,343)
Expiries		**(351)**		(4,213)
Impairment		**-**		(67,205)
Balance, end of period	**$**	**79,042**		30,775

During the three months ended March 31, 2013, the Company capitalized $0.1 million (year ended 2012 – $1.0 million) of general and administration expenses directly attributable to exploration activities. Included in this amount is the non-cash related long-term incentive compensation of $6 thousand (year ended 2012 – $0.1 million).

During 2012, the Company recorded E&E impairment of $67.2 million ($50.4 million net of tax) in the Haro South area as a result of changes in management's future development plans and from operational performance to date. The asset was written down to its estimated recoverable amount based on the fair value less cost to sell. The fair value less cost to sell was based on estimates of proceeds from the sale of the Company's infrastructure, facilities and land in the area.

5. Property, plant and equipment

		Cost		Accumulated depletion and depreciation		Net book Value
Balance, December 31, 2011	$	797,284	$	(186,611)	$	610,673
Additions		66,466		-		
Capitalized long-term incentive		625		-		
Transfers from exploration and evaluation assets		2,343		-		
Decommissioning provision		862		-		
Depletion and depreciation		-		(61,804)		
Impairment loss		-		(123,011)		
Balance, December 31, 2012	**$**	867,580	$	(371,426)	$	496,154
Additions		**10,420**		**-**		
Capitalized long-term incentive		**49**		**-**		
Acquisitions (note 3)		**234,620**				
Transfers from exploration and evaluation assets		**261**		**-**		
Decommissioning provision		**-**		**-**		
Depletion and depreciation		**-**		**(13,701)**		
Balance, March 31, 2013	**$**	**1,112,930**	**$**	**(385,127)**	**$**	**727,803**

During the three months ended March 31, 2013, the Company capitalized $1.0 million (year ended 2012 – $6.1 million) of general and administration expenses related to development activities. Included in this amount is the non-cash related long-term incentive compensation of $49 thousand (year ended 2012 – $0.6 million).

Future development costs of the Company's proved plus probable reserves of $144.0 million (December 31, 2012 – $144.1 million) were included in the depletion calculation. Future development costs associated with the Company's proved plus probable reserves totaled $362.0 million subsequent to the business combination on March 28, 2013 (note 1 & 3).

During 2012, a decline in forecasted oil and natural gas prices caused the Company to record a total of $123.0 million ($92.3 million net of tax) of impairments.

6. Long-term debt

On March 28, 2013, Spyglass extinguished its $300 million revolving term credit facility with a syndicate of banks and repaid in full the balance outstanding on this facility. As at December 31, 2012 $199.8 million was drawn on this facility and $1.1 million in letters of credit were outstanding. On March 28, 2013, Spyglass entered into a $400 million revolving term credit facility with a syndicate of banks. The facility is available on a revolving basis until May 31, 2013. On May 31, 2013 at the Company's discretion, the facility is available on a non-revolving basis for a period of 366 days, at which time the facility would be due and payable. Alternatively, the facility may be extended for a further 364-day period at the request of the Company, subject to approval by the banks. The credit facility bears interest at the bank's prime rate or Bankers' Acceptance rates plus stamping fees. The facility is secured by a $1 billion first floating charge debenture and a general security agreement. At March 31, 2013, $271.7 million was drawn on this facility. The available level of credit is subject to semi-annual review by the syndicate of banks and may be adjusted for changes in reserves, commodity prices and other factors. The Company had $2.0 million in letters of credit outstanding at March 31, 2013.

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 $365.5 million (December 31, 2012 – $258.3 million) which will be incurred over the operating lives of the assets, with the majority of costs to be incurred between 2017 and 2050. An inflation factor of 2% has been applied to the estimated decommissioning cost at March 31, 2013 and December 31, 2012. The Company's credit-adjusted risk-free rate of 7% was used to calculate the fair value of the decommissioning liabilities at March 31, 2013 and December 31, 2012.

A reconciliation of the decommissioning liability is provided below:

		March 31, 2013		December 31, 2012
Balance, beginning of period	**$**	**49,541**	$	46,484
Acquired (note 3)		**35,966**		-
Change in estimate		**-**		494
Liabilities incurred		**-**		500
Liabilities settled		**(1,704)**		(1,264)
Accretion expense		**837**		3,327
Balance, end of period	**$**	**84,640**	$	49,541

8. Share Capital

(a) Authorized:

The authorized share capital consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of Shares (1)		**Amount**
Common shares:			
Balance, December 31, 2011	61,363,549	$	432,668
Normal course issuer bid	(372,320)		(2,631)
Balance, December 31, 2012	60,991,229	$	430,037
Issued on exercise of options	159		4
Issued per business combination - Charger (note 1 & 3)	12,117,821		27,144
Issued per business combination - Avenex (note 1 & 3)	54,967,543		123,127
Reduction of stated capital (note 1 & 3)	-		(86,020)
Balance, March 31, 2013	**128,076,752**	**$**	**494,292**

(1) The number of common shares has been adjusted to reflect Pace's share exchange ratio of 1.3 to 1 pursuant to the Arragement (note 1 & 3)

Subsequent to March 31, 2013, Spyglass declared a dividend of $0.0225 per share payable on May 15, 2013 to be paid to shareholders of record on April 26, 2013.

(c) Earnings per share:

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

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

Three months ended March 31		**2013**		2012
Net income (loss) for the period	**$**	**61,353**	$	(4,986)
Weighted average number of common shares [1]				
Weighted average number of common shares - basic		**63,227,413**		61,363,510
Dilutive effect of outstanding options		**-**		436
Weighted average number of common shares - diluted		**63,227,413**		61,363,946
Basic and diluted net income (loss) per share	**$**	**0.97**	$	(0.08)

[1] Weighted average number of common shares has been adjusted to reflect Pace's share exchange ratio of 1.3 to 1 pursuant to the Arrangement (note 1 & 3)

For the three months ended March 31, 2013, nil options (three months ended March 31, 2012 – 4,585,807) were anti-dilutive.

(d) Long-term incentive plans

The Company's long-term incentive plan for employees and management includes a blend of three types of share based awards depending on roles and responsibilities within the organization: restricted share awards ("RSAs"), performance share awards ("PSAs") and stock options. RSA vest evenly over a three year period. PSA vest three years from the date of grant and the number of awards granted is subject to a multiplier ranging from 0 to 2. As a result of the Arrangement (see note 3), vesting of RSAs, PSAs and options was accelerated to the Arrangement closing date of March 28, 2013 for the calculation of LTIP expense resulting in an additional $1.3 million of expense recorded in Q4 2012 and $0.7 million of expense recorded in Q1 2013.

The Company also grants deferred share awards ("DSAs") to non-management directors of the organization. DSAs vest immediately but are not settled until the Board member ceases to be a member of the Board or if "change in control" provisions are triggered in accordance with the award terms and conditions.

A summary of RSA, PSA and DSA activity is presented below:

	Number of RSAs [1]	**Number of PSAs [1]**	**Number of DSAs [1]**
Balance, December 31, 2011	586,689	406,380	68,250
Granted	759,178	-	-
Forfeited or expired	(95,043)	(20,540)	-
Settled	(192,299)	-	-
Balance, December 31, 2012	1,058,525	385,840	68,250
Forfeited or expired	(86,109)	-	-
Settled	(972,416)	(385,840)	(68,250)
Balance, March 31, 2013	**-**	**-**	**-**

[1] The number of RSAs, PSAs and DSAs has been adjusted to reflect Pace's share exchange ratio of 1.3 to 1 pursuant to the Arrangement (note 1 & 3)

All outstanding RSAs, PSAs and DSAs vested upon closing of the Arrangement at a value of $2.77 per award. PSAs were subject to a multiplier of 0.8. A total payout of $2.9 million was made subsequent to March 31, 2013 to settle the RSAs, PSAs and DSAs.

The Company's stock option plan allows common shares to be granted under option to employees, directors and other persons who provide ongoing management or consulting services to the Company. Stock options are granted for a term of three years and vest one third every nine months. The exercise price of each option equals the market price of the Company's common shares on the date of the grant.

The summary of stock option activity is presented below:

	Number of options [(1)]	Weighted average exercise price [(1)]	
Balance, December 31, 2011	4,996,809	$	5.56
Granted	257,898		3.42
Forfeited or expired	(1,036,789)		5.96
Balance, December 31, 2012	4,217,918	$	5.33
Exercised	(4,501)		1.92
Forfeited or expired	(4,213,417)		5.33
Balance, March 31, 2013	**-**	**$**	**-**
Exercisable at March 31, 2013	**-**	**$**	**-**

(1) Number of options and weigted average exercise prices have been adjusted to reflect Pace's share exchange ratio of 1.3 to 1 pursuant to the Arrangement (note 1 & 3)

Pursuant to the Arrangement all outstanding unexercised options were cancelled immediately prior to closing for consideration of $0.001 per pre subdivided option. 2,979,389 pre-subdivided options were cancelled upon closing of the arrangement.

(e) Long-term incentive plan expense

The Company accounts for its LTIP using the fair value method. Under this method, a compensation expense is charged over the vesting period. During the three months ended March 31, 2013, the Company expensed $0.7 million of LTIP compensation (three months ended March 31, 2012 - $1.3 million).

The fair value of options granted were estimated on the date of grant using the Black-Scholes option-pricing model.

9. Financial instruments

Financial instruments comprise cash and cash equivalents, accounts receivable, financial derivative instruments, investments, accounts payable and accrued liabilities and long-term debt.

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

The Company's investment is classified as fair value through profit and loss and is an investment in a private company that is not quoted in an active market. This investment is carried at fair value as a level 3 instrument. The determination of the fair value of the investment is a recurring measurement. As the investment is in a privately held oil and natural gas service company, the fair value is estimated using the most reliable data available. This information includes earnings, cashflows and equity offerings. Spyglass used this information and has recorded the investment at its estimated fair value of $0.3 million. In 2011, a temporary reduction in value of $0.8 million was recorded as a $0.7 million loss in other comprehensive income net of $0.1 million deferred tax recovery.

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

The following table summarizes Spyglass' financial instruments as at March 31, 2013 and December 31, 2012:

March 31, 2013	Fair value through profit and loss	Fair value through OCI	Loans and receivables	Financial liabilities	**Total carrying value**
Assets					
Cash and cash equivalents	$ -	$ -	$ -	$ -	**$ -**
Accounts receivable	-	-	54,308	-	**54,308**
Derivatives - Interest Rate Swap	46	-	-	-	**46**
Derivatives - Commodity contracts	402	-	-	-	**402**
Investments	-	326	-	-	**326**
	$ 448	**$ 326**	**$ 54,308**	**$ -**	**$ 55,082**
Liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 83,954	**$ 83,954**
Derivatives - Commodity contracts	6,781	-	-	-	**6,781**
Long-term debt	-	-	-	271,700	**271,700**
	$ **6,781**	**$ -**	**$ -**	**$ 355,654**	**$ 362,435**

December 31, 2012	Fair value through profit and loss	Fair value through OCI	Loans and receivables	Financial liabilities	Total carrying value
Assets					
Cash and cash equivalents	$ -	$ -	$ 35	$ -	$ 35
Accounts receivable	-	-	31,324	-	31,324
Derivatives - Interest Rate Swap	156				
Derivatives - Commodity contracts	835	-	-	-	835
Investments	-	326	-	-	326
	$ 991	$ 326	$ 31,359	$ -	$ 32,676
Liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 45,489	$ 45,489
Long-term debt	-	-	-	199,810	199,810

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

Commodity risk management contracts					**Fair Value as at**	
Instrument	Period	Price	Reference	Quantity	**March 31, 2013**	December 31, 2012
Crude Oil Contracts						
Swap	Aug 1, 2012 - Jul 31, 2013	$101.05	USD$ WTI	150 bbl/d	**$ 66**	$ -
Swap	Aug 1, 2012 - Jul 31, 2013	$105.75	USD$ WTI	200 bbl/d	**205**	-
Swap	Jan 1, 2013 - Dec 31, 2013	$97.00	CDN$ WTI	500 bbl/d	**(234)**	680
Swap	Feb 1, 2013 - Dec 31, 2013	$92.97	CDN$ WTI	1,000 bbl/d	**(1,571)**	-
Swap	Feb 1, 2013 - Dec 31, 2013	$93.49	CDN$ WTI	1,000 bbl/d	**(1,428)**	-
Swap	Apr 1, 2013 - Dec 31, 2013	$97.15	CDN$ WTI	250 bbl/d	**(107)**	-
Swap	Aug 1, 2013 - Jul 31, 2014	$96.12	CDN$ WTI	250 bbl/d	**(75)**	-
Call	Jan 1, 2013 - Dec 31, 2013	$105.00	USD$ WTI	200 bbl/d	**(71)**	-
Call	Jan 1, 2013 - Dec 31, 2013	$105.00	CDN$ WTI	100 bbl/d	**(26)**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$72.50	USD$ WTI	200 bbl/d	**(1,322)**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$88.25	CDN$ WTI	100 bbl/d	**(314)**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$120.00	USD$ WTI	250 bbl/d	**(6)**	-
Sold Call	Apr 1, 2013 - Dec 31, 2013	$120.00	USD$ WTI	200 bbl/d	**(9)**	-
					$ (4,892)	$ 680
Natural Gas Contracts						
Swap	May 1, 2012 - Apr 30, 2013	$2.055	CDN$ GJ	5,000 GJ/d	**(184)**	-
Swap	Jan 1, 2013 - Dec 31, 2013	$3.0625	CDN$ GJ	5,000 GJ/d	**(576)**	138
Swap	Jan 1, 2013 - Dec 31, 2013	$3.00	CDN$ GJ	1,000 GJ/d	**(144)**	-
Swap	Jan 1, 2013 - Dec 31, 2013	$3.00	CDN$ GJ	1,000 GJ/d	**(144)**	-
Swap	Apr 1, 2013 - Jun 30, 2013	$3.29	CDN$ GJ	2,000 GJ/d	**(23)**	-
Swap	May 1, 2013 - Dec 31, 2013	$3.44	CDN$ GJ	5,000 GJ/d	**(83)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.55	CDN$ GJ	1,500 GJ/d	**(16)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.59	CDN$ GJ	5,000 GJ/d	**31**	-
Collar	Jan 1, 2013 - Dec 31, 2013	$2.75 - $3.375	CDN$ GJ	5,000 GJ/d	**(340)**	17
Sold Call	Jan 1, 2013 - Dec 31, 2013	$7.40	CDN$ GJ	3,000 GJ/d	**-**	-
Put	Jan 1, 2013 - Dec 31, 2013	$2.80	CDN$ GJ	1,850 GJ/d	**11**	-
Put	Jan 1, 2013 - Dec 31, 2013	$3.10	CDN$ GJ	1,650 GJ/d	**28**	-
Put	April 1, 2013 - Oct 31, 2013	$3.00	CDN$ GJ	3,000 GJ/d	**(47)**	-
					$ (1,487)	$ 155
Total					**$ (6,379)**	$ 835

Interest rate risk management contract					**Fair Value as at**	
Instrument	Period	Notional Amount	Reference	Fixed Interest Rate	**March 31, 2012**	December 31, 2012
Swap	Jul 5, 2012 - Jul 4, 2014	$75,000,000	CAD-BA-CDOR	1.145%	**$ 46**	$ 156
Total					**$ 46**	$ 156

For the three months ended March 31, 2013, Spyglass recorded a realized loss of $0.1 million (three months ended March 31, 2012 – $0.8) and an unrealized loss of $5.1 million (three months ended March 31, 2012 – $1.1 million)).

Subsequent to March 31, 2013 Spyglass entered into the following derivative commodity contracts:

- A WTI crude oil swap contract for 1,000 bbls/d for the period June 1, 2013 to December 31, 2013 with a fixed price of $91.89 CDN/bbl.
- A WTI crude oil swap contract for 1,700 bbls/d for the period January 1, 2014 to March 31, 2014 with a fixed price of $93.65 CDN/bbl.
- A WTI crude oil swap contract for 1,000 bbls/d for the period January 1, 2014 to December 31, 2014 with a fixed price of $92.20 CDN/bbl.
- An AECO natural gas swap contract for 4,500 GJ/d for the period June 1, 2013 to December 31, 2013 with a fixed price of $3.625 CAD/GJ.
- An AECO natural gas swap contract for 2,000 GJ/d for the period July 1, 2013 to December 31, 2013 with a fixed price of $3.645 CAD/GJ.
- An AECO natural gas swap contract for 3,000 GJ/d for the period November 1, 2013 to December 31, 2013 with a fixed price of $3.835 CAD/GJ.
- An AECO natural gas swap contract for 5,000 GJ/d for the period January 1, 2014 to December 31, 2014 with a fixed price of $3.555 CAD/GJ.
- An AECO natural gas swap contract for 6,250 GJ/d for the period January 1, 2014 to December 31, 2014 with a fixed price of $3.575 CAD/GJ.

10. Rainbow Lake oil leak

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

The estimated cost of the site clean-up and remediation is $25.0 million. This incident falls within the Company's insurance coverage and the Company has received confirmation of coverage from all its insurance providers and received $16.9 million of insurance proceeds during 2012. Spyglass has paid $20.0 million of clean-up and remediation costs as of March 31, 2013 with a further $2.0 million recorded in accrued liabilities for work performed to March 31, 2013 and $3.0 million accrued in other liabilities for future costs expected to be incurred. Spyglass has recorded $8.0 million in accounts receivable for insurance receivable as at March 31, 2013. Spyglass has evaluated the credit worthiness of its insurance providers and has concluded it to be adequate.

11. Supplemental Information

(a) Revenue by product:

For the three months ended March 31, 2013 and 2012, revenue can be broken down into the following products:

March 31, 2013		Oil		Liquids		Natural gas		Total
Petroleum and natural gas sales	$	37,931	$	1,526	$	10,384	$	49,841
Royalties		(10,134)		(612)		245		(10,501)
Revenues	**$**	**27,797**	**$**	**914**	**$**	**10,629**	**$**	**39,340**

March 31, 2012		Oil		Liquids		Natural gas		Total
Petroleum and natural gas sales	$	51,646	$	2,203	$	9,501	$	63,350
Royalties		(15,255)		(824)		(496)		(16,575)
Revenues	$	36,391	$	1,379	$	9,005	$	46,775

(b) Cash flow information:

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

Three months ended March 31,		**2013**		2012
Change in non-cash working capital:				
Accounts receivable	**$**	**(22,984)**	$	7,011
Prepaid expenses and deposits		**(2,070)**		307
Accounts payable and accrued liabilities		**38,465**		2,218
Other liabilities		**(900)**		-
Non-cash portion of compensation liability		**(634)**		419
Working capital acquired on acquisition (note 3)		**(13,120)**		-
Change in working capital	**$**	**(1,243)**	$	9,955
Relating to:				
Operating activities		**4,928**		11,920
Investing activities		**(6,171)**		(1,965)
Change in non-cash working capital	**$**	**(1,243)**	$	9,955

(c) Cash interest paid:

The following represents the cash interest paid in each period:

Three months ended March 31,		**2013**		2012
Cash interest paid	**$**	**2,065**	$	1,940