SPYGLASS RESOURCES CORP. ANNOUNCES 2013 FIRST QUARTER RESULTS, MAY CASH DIVIDEND, CONSOLIDATED RESERVES AND PROVIDES CAPITAL PROGRAM UPDATE

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

Calgary, Alberta – May 13, 2013. Spyglass Resources Corp. ("Spyglass", or the "Company") (TSX: SGL) announces its unaudited interim financial and operating results for the quarter ended March 31, 2013. Spyglass has filed interim Financial Statements and Management's Discussion and Analysis on www.sedar.com and will also be made available at www.spyglassresources.com.

On March 28, 2013, Spyglass completed a business combination by way of a plan of arrangement (the "**Arrangement**") with Pace Oil & Gas Ltd. ("**Pace**"), AvenEx Energy Corp. ("**AvenEx**") and Charger Energy Corp. ("**Charger**") whereby Pace, AvenEx and Charger exchanged all of their issued and outstanding shares for common shares of Spyglass. With Pace continuing as the reporting issuer, Pace results for the first quarter of 2013 are presented on a standalone basis from January 1 to March 28, 2013 and incorporate the Arrangement and the combined financial and operating results for the three companies from March 29 to March 31, 2013. Additional details concerning the Arrangement are contained in the Joint Information Circular dated January 18, 2013 filed on SEDAR at www.sedar.com.

First Quarter of 2013

- Closed strategic business combination creating an intermediate resource company with a cash dividend, a low decline production base and a balanced commodity profile.
- Production for the first quarter of 2013 was approximately 12,128 boe/d. Pro forma production for the first quarter of 2013 (including Pace, AvenEx and Charger for the entire quarter) was approximately 17,340 boe/d, consisting of 49% oil and liquids.
- Bank debt of $272 million drawn on a $400 million credit facility, net debt of $300 million at quarter end.
- Net income of $61 million, the majority which is due to the $81.9 million gain on business combination as a result of the Arrangement.

The following is selected operating and financial information for the first quarter of 2013 incorporating Pace standalone results from January 1, 2013 to March 28, 2013 and Spyglass results from March 29, 2013 to March 31, 2013. The 2012 figures reflect Pace on a standalone basis.

Operating	Q1 2013	Q1 2012
Production		
Oil (bbls/d)	5,876	6,804
NGLs (bbls/d)	279	388
Natural Gas (Mcf/d)	35,840	44,190
Total (boe/d)	12,128	14,557

Financial ($MM)	Q1 2013	Q1 2012
Fund Flow from Operations[1]	7,053	14,727
Net Debt[2]	300,253	212,873
Net Income	61,353	(4,986)

(1) Funds flow from operations is calculated as cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and decommissioning expenditures.

(2) Net debt is calculated as bank debt plus working capital deficit excluding current portion of financial derivative instruments.

Consolidated Reserves

The following is selected pro forma oil and natural gas reserves information is presented on a combined basis as of December 31, 2012:

Reserves and Net Present Value[1][2]	Oil (Mbbl)	Nat. Gas (MMcf)	NGL (Mbbl)	Total (Mboe)[3]	NPV 10% ($M)[4]
Proved Developed Producing	25,662	103,114	831	**43,679**	**617**
% by Product	*59%*	*39%*	*2%*		
Total Proved	30,725	151,209	1,169	**57,095**	**706**
% by Product	*54%*	*44%*	*2%*		
Total Proved plus Probable	45,182	263,628	2,079	**91,199**	**962**
% by Product	*50%*	*48%*	*2%*		

(1) Reserves for Pace and AvenEx as prepared by McDaniel and Charger reserves as prepared by Sproule, GLJ and Insite as of December 31, 2012.

(2) Company gross reserves, which are working interest (operated and non-operated) share before deduction of royalties and without including royalty interests.

(3) The Company has adopted the standard of 6 Mcf to 1 boe when converting natural gas to barrels of oil equivalent. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf :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.

(4) Calculated on a before-tax basis. Pace and AvenEx reserves as of December 31, 2012 at McDaniel January 1, 2013 price forecast. Charger reserves as of December 31, 2012 at Sproule December 31, 2012 price forecast.

May Dividend

The board of directors (the "**Board**") has approved the May cash dividend of $0.0225 per share payable on June 17, 2013 to shareholders of record on May 27, 2013. The ex-dividend date will be May 23, 2013.

The dividend policy of Spyglass is at the discretion of the Board and will be reviewed monthly in the context of a number of factors including current and forecast commodity prices, foreign exchange rates, an active commodity price risk management program, status of current operations and future investment opportunities. Spyglass dividends paid on common shares will be designated as "**eligible dividends**" for Canadian income tax purposes.

Risk Management Update

Spyglass uses a commodity price risk management program to mitigate the impact of crude oil and natural gas price volatility on cash flow which is intended to support the Spyglass dividend and capital program. Spyglass hedges production 12 to 18 months forward using a combination of fixed price and participating products.

For May to December 2013, Spyglass has approximately 45% of its estimated crude oil production hedged at an average fixed price of WTI C$94.13/bbl (including both Canadian and US dollar denominated contracts) and approximately 47% of its estimated natural gas production hedged at an average fixed price of $3.40/Mcf. Spyglass has protected an additional 12% of its estimated May to December 2013 natural gas production by purchasing put options with an average floor price of $3.12/Mcf.

For calendar 2014, Spyglass has hedged approximately 17% of its estimated crude oil production at an average fixed price of WTI C$92.95/bbl and approximately 35% of its estimated natural gas production at an average fixed price of $3.76/Mcf.

Spyglass has additional call options primarily related to crude oil that were assumed from predecessor companies. These contracts currently expose 300 bbl/d (sold call options) of 2013 crude oil production between WTI C$76.97/bbl and WTI C$105.00/bbl (including both Canadian and US dollar denominated contracts).

For further detail on our risk management program please refer to Spyglass' MD&A or www.spyglassresources.com.

2013 Capital Program and Outlook

Spyglass' mature, low decline producing assets coupled with its capital efficient light oil development opportunities provide the scale, stability and low-risk running room to support a sustainable yield model.

Spyglass' 2013 capital budget is anticipated to be approximately $72 million, including the $12 million spent by Pace in the first quarter of 2013. The capital program will be primarily focused on low risk, light oil development opportunities intended to offset the Company's natural production declines (estimated at 20 percent) and sustain the monthly cash dividend to shareholders. Approximately 67% of the remaining $60 million capital budget will be allocated to development drilling, including approximately 18 to 20 net wells focused primarily on Southern Alberta (Glauconite, Mannville, Pekisko) and the Viking light oil play at Halkirk-Provost. The remainder of the capital budget will be directed towards optimization, workovers, maintenance, land, seismic, integrity, reclamation and corporate items. As expected, spring breakup has resulted in reduced activity levels during the second quarter and as such, the capital program will be substantially weighted towards the second half of 2013.

The following is selected information relating to Spyglass' 2013 capital program:

2013 Capital Program ($MM)	
Drilling	**$40**
Optimization & Maintenance	**14**
Abandonment, Reclamation, Remediation & Pipeline Integrity	**7**
Corporate (Capitalized G & A & Other)	**7**
Land & Seismic	**4**
Total	**$72**
Q1 2013 Capital Expenditures	**(12)**
Capital Budget for Remainder of 2013	**$60**

Consistent with previous guidance, this level of development activity is expected to result in 2013 exit production of approximately 18,000 boe/d (50% – 52% oil and liquids) and full year 2013 average of approximately 16,000 boe/d (which includes Pace results for the first quarter). With minimal activity occurring in the second quarter of 2013 it is expected that production volumes will decline slightly in the quarter and increase in the second half of the year as capital activity increases. Management anticipates 2013 operating expenses of $17.00 to $18.50 per boe.

Spyglass' 2013 budget is expected to result in a basic dividend payout ratio of approximately 30% and an all-in payout ratio of approximately 100%, assuming 2013 average prices of WTI C$94.54 / bbl for oil with a 20% corporate oil differential and AECO $3.57 / Mcf for natural gas. Net debt at year end is expected to be in line with current levels. The company will also be evaluating non-core asset dispositions throughout the remainder of 2013 to enhance financial flexibility. Spyglass continues to focus on the integration of our people, assets and systems, with an emphasis on realizing synergies and cost efficiencies.

Spyglass' low decline, stable asset base and low risk portfolio of capital efficient development opportunities is well-suited to sustaining a monthly cash dividend and delivering a strong total return to shareholders.

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Reader Advisory and Note Regarding Forward Looking Information

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements or information. Forward-looking statements and information are often, but not always, identified by the use of words such as "appear", "seek", "anticipate", "plan", "continue", "estimate", "approximate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. More particularly and without limitation, this news release contains forward-looking statements and information concerning the expected results of the Arrangement; the Company's petroleum and natural gas production and reserves; drilling opportunities; management team; business strategy; future development and growth opportunities; prospects; asset base; anticipated benefits from the Arrangement; value and debt levels; and capital programs. The forward-looking statements and information are based on certain key expectations and assumptions made by the management, including expectations and assumptions concerning prevailing commodity prices and exchange rates, applicable royalty rates and tax laws; future well production rates and reserve volumes; the timing of receipt of regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services. Although management believes that the expectations and assumptions on which such forward looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information since no assurance can be given that they will prove to be correct. Forward-looking information is provided for the purpose of providing information about the current expectations and plans of management relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to reserves, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations, marketing and transportation, loss of markets, environmental risks, competition, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, ability to access sufficient capital from internal and external sources, failure to obtain required regulatory and other approvals and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. There are risks also inherent in the nature of the Arrangement, including failure to realize anticipated synergies or cost savings; risks regarding the integration of the three entities and incorrect assessments of the values of each entity. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements and information contained in this news release are made as of the date hereof and no undertaking is given to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities law.

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

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

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Q1 2013 MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Spyglass Resources Corp. ("Spyglass" or "the Company") should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2013 and 2012 and the audited consolidated financial statements, related notes and Management's Discussion and Analysis for the years ended December 31, 2012 and 2011. This MD&A is dated as of May 13, 2013.

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 our 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' future production volumes and the timing of when additional production volumes will come on stream; Spyglass' realized price of commodities in relation to reference prices; the Company's future commodity mix; future commodity prices; the Company's expectations regarding future royalty rates and the realization of royalty incentives; Spyglass' expectation of future operating costs on a per unit basis; the relationship of Spyglass' interest expense and the Bank of Canada interest rates; future general and administrative expenses; future development and exploration activities and the timing thereof; the deferred tax liability of the Company; the estimated future contractual obligations of the Company; the future liquidity and financial capacity of the Company; the ability to raise capital and to continually add to reserves through exploration and development; the ability to obtain equipment in a timely manner to carry out exploration and development activities; the ability to obtain financing on acceptable terms, and Spyglass' ability to fund its working capital and forecasted capital expenditures. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, 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 those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and 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 into this MD&A, as the case may be. The actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth below and elsewhere in this MD&A which include: volatility in market prices for oil and natural gas; counterparty credit risk; access to capital; changes or fluctuations in production levels; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; stock market volatility and market valuation of Spyglass' stock; geological, technical, drilling and processing problems; limitations on insurance; changes in environmental or legislation applicable to our operations, and our ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry, and the other factors discussed under "Risk Factors" in the Company's 2012 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 & Plan of Arrangement (the "Arrangement")

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

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

compares the results of the three months ended March 31, 2013 (“Q1 2013”) to the three months ended March 31, 2012 (“Q1 2012”) and the results of the three months ended December 31, 2012 (“Q4 2012”).

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

On March 26, 2013, the shareholders of Pace, Charger and AvenEx approved the transaction and on March 28, 2013 the Arrangement was completed whereby Spyglass Resources was formed. Pace subdivided its shares on a basis of 1.3 post-subdivided Pace shares for each 1.0 pre-subdivided Pace share. 12,117,821 Pace shares were issued in exchange for the outstanding Charger shares on a basis of 0.18 Pace share for each Charger share. 54,967,543 Pace shares were issued in exchange for the outstanding AvenEx shares on a basis of 1.0 Pace share for each AvenEx share. Pace was then renamed to Spyglass Resources Corp. and the Company elected to perform a reduction of stated capital, whereby the Company offset its retained deficit, contributed surplus and accumulated other comprehensive loss against share capital. This resulted in 128,076,752 shares outstanding upon closing of the Arrangement, with share capital of $494.3 million. Prior period common share, option, restricted share award, preferred share award and deferred share award information has been adjusted for the share exchange ratio associated with the Arrangement.

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

2013 Capital Program and Outlook

Spyglass’ mature, low decline producing assets coupled with its capital efficient light oil development opportunities provide the scale, stability and low-risk running room to support a sustainable yield model.

Spyglass’ 2013 capital budget is anticipated to be approximately $72 million, including the $12 million spent by Pace in the first quarter of 2013. The capital program will be primarily focused on low risk, light oil development opportunities intended to offset the Company’s natural production declines (estimated at 20 percent) and sustain the monthly cash dividend to shareholders. Approximately 67% of the remaining $60 million capital budget will be allocated to development drilling, including approximately 18 to 20 net wells focused primarily on Southern Alberta (Glauconite, Mannville, Pekisko) and the Viking light oil play at Halkirk-Provost. The remainder of the capital budget will be directed towards optimization, workovers, maintenance, land, seismic, integrity, reclamation and corporate items. As expected, spring breakup has resulted in reduced activity levels during the second quarter and as such, the capital program will be substantially weighted towards the second half of 2013.

The following is selected information relating to Spyglass’ 2013 capital program:

2013 Capital Program ($MM)	
Drilling	**$40**
Optimization & Maintenance	**14**
Abandonment, Reclamation, Remediation & Pipeline Integrity	**7**
Corporate (Capitalized G & A & Other)	**7**
Land & Seismic	**4**
Total	**$72**
Q1 2013 Capital Expenditures	**(12)**
Capital Budget for Remainder of 2013	**$60**

Consistent with previous guidance, this level of development activity is expected to result in 2013 exit production of approximately 18,000 boe/d (50% – 52% oil and liquids) and full year 2013 average of approximately 16,000 boe/d (which reflects Pace results for the first quarter). With minimal activity occurring in the second quarter of 2013 it is expected that production volumes will decline slightly in the quarter and increase in the second half of the year as capital activity increases. Management anticipates 2013 operating expenses of $17.00 to $18.50 per boe.

Spyglass' 2013 budget is expected to result in a basic dividend payout ratio of approximately 30% and an all-in payout ratio of approximately 100%, assuming 2013 average prices of WTI C$94.54 / bbl for oil with a 20% corporate oil differential and AECO $3.57 / Mcf for natural gas. Net debt at year end is expected to be in line with current levels. The company will also be evaluating non-core asset dispositions throughout the remainder of 2013 to enhance financial flexibility. Spyglass continues to focus on the integration of our people, assets and systems, with an emphasis on realizing synergies and cost efficiencies.

Spyglass' low decline, stable asset base and low risk portfolio of capital efficient development opportunities is well-suited to sustaining a monthly cash dividend and delivering a strong total return to shareholders.

Non-GAAP Measurements

Within the MD&A references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share and netbacks 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, net of cash general and administrative expense, cash interest expenses and realized gain (loss) on financial derivative instruments. Cash flow and cash flow netbacks do not include transaction costs related to the Arrangement. Management utilizes these measures to analyze operating performance and leverage. Funds from operations is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations is commonly referred to as cash flow by research analysts and is used to value and compare oil and gas companies and is frequently included in published research when providing investment recommendations. Total boes are calculated by multiplying the average daily production by the number of days in the period.

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

($000s)		**Q1 2013**		Q1 2012		Q4 2012
Cash flow from (used in) operating activities	**$**	**(3,174)**	$	26,453	$	28,861
Transaction costs		**13,451**		-		750
Decommissioning expenditures		**1,704**		194		886
Change in non-cash working capital		**(4,928)**		(11,920)		(16,866)
Funds from operations	**$**	**7,053**	$	14,727	$	13,631

Combination of Pace with AvenEx and Charger

On March 26, 2013, the shareholders of Pace, Charger and AvenEx approved the transaction and on March 28, 2013 the Arrangement was completed whereby Spyglass Resources was formed as a dividend paying corporation. The Transaction resulted in former Pace shareholders holding 48% of the combined outstanding common shares of Spyglass, the former AvenEx shareholders holding 43% and the former Charger shareholders holding 9% with the former management team of Charger becoming the new management team of Spyglass. The transaction was accounted for as an acquisition of AvenEx and Charger by Pace. Consideration was $150.3 million for net assets of $232.1 million resulting in gains on acquisition of $81.9 million. Pursuant to the Arrangement, Spyglass elected to perform a reduction of stated capital whereby the Company offset its deficit, contributed surplus and accumulated other comprehensive loss against share capital upon closing of the arrangement. Deficit at March 31, 2013 of $42 thousand reflects the operations of Spyglass from March 28, 2013 to March 31, 2013.

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.

Production

Production for Q1 2013 averaged 12,128 boe/d compared to 11,909 in Q4 2012 and 14,557 in Q1 2012. Oil and liquids production was 6,155 bbls, down from Q1 2012 by 1,037 bbls or 14% and up from Q4 2012 by 213 bbls or 4%.

Spyglass' largest oil producing property is Dixonville, where oil production averaged 3,041 boe/d compared to 2,697 boe/d in Q4 2012 and 3,202 boe/d in Q1 2012. The Company is observing excellent waterflood response in the phase 4 and phase 5 areas of the Dixonville waterflood project completed in Q4 2012, with decreasing gas to oil ratios.

In Southern Alberta, liquids production declined 188 bbls/d from Q1 2012 and 120 bbls/d from Q4 2012 and total production declined 627 boe/d from Q1 2012 and 302 boe/d from Q4 2012 on account of natural declines.

In Northwest Alberta, gas production recovered by 1,017 Mcf/d compared to Q4 2012 which experienced lost production on account of extreme cold temperatures and third party compressor failures and pipeline distortions. This was offset by liquids production decreasing 140 bbls/d on account of compressor failure and environmental remediation requirements in Spitzee in the quarter. Compared to Q1 2012, production decreased 1,025 boe/d primarily due to flaring restrictions.

Production for the quarter also includes 176 boe/d of production from properties acquired as part of the Arrangement from AvenEx and Charger for the last three days of March.

Pro forma production for the first quarter of 2013, including Pace, AvenEx and Charger for the entire quarter) was approximately 17,340 boe/d consisting of 49% crude oil and liquids.

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

Production	**Q1 2013**	Q1 2012	Q4 2012
Oil (bbls/d)	**5,876**	6,804	5,657
NGLs (bbls/d)	**279**	388	285
Natural Gas (Mcf/d)	**35,840**	44,190	35,804
Total (boe/d)	**12,128**	14,557	11,909
Oil & Liquids weighting	**51%**	49%	50%

The following table breaks out the Company's production volumes by operating area:

	Q1 2013	Q1 2012	Q4 2012
Dixonville			
Oil (bbls/d)	**3,041**	3,202	2,697
NGLs (bbls/d)	**-**	-	-
Natural Gas (Mcf/d)	**1,735**	2,496	1,974
Total (boe/d)	**3,330**	3,618	3,026
Southern Alberta			
Oil (bbls/d)	**1,994**	2,119	2,077
NGLs (bbls/d)	**115**	178	152
Natural Gas (Mcf/d)	**12,671**	15,307	13,766
Total (boe/d)	**4,221**	4,848	4,523
Northwest Alberta			
Oil (bbls/d)	**416**	925	572
NGLs (bbls/d)	**82**	100	66
Natural Gas (Mcf/d)	**13,186**	16,177	12,169
Total (boe/d)	**2,696**	3,721	2,666
Peace River Arch			
Oil (bbls/d)	**350**	551	306
NGLs (bbls/d)	**6**	8	8
Natural Gas (Mcf/d)	**1,580**	2,248	1,611
Total (boe/d)	**619**	934	583
Deep Basin			
Oil (bbls/d)	**3**	7	5
NGLs (bbls/d)	**69**	102	59
Natural Gas (Mcf/d)	**6,081**	7,962	6,284
Total (boe/d)	**1,086**	1,436	1,111
AvenEx and Charger, March 28, 2013 to March 31, 2013			
Oil (bbls/d)	**72**	-	-
NGLs (bbls/d)	**7**	-	-
Natural Gas (Mcf/d)	**587**	-	-
Total (boe/d)	**176**	-	-
Total Company			
Oil (bbls/d)	**5,876**	6,804	5,657
NGLs (bbls/d)	**279**	388	285
Natural Gas (Mcf/d)	**35,840**	44,190	35,804
Total (boe/d)	**12,128**	14,557	11,909
Oil & Liquids weighting	**51%**	49%	50%

Commodity Pricing

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

The average US WTI price during Q1 2013 was $94.37 US/bbl ($95.21 CDN/bbl) compared to $102.93 US/bbl ($103.05 CDN/bbl) in Q1 2012 and $88.18 US/bbl ($87.41 CDN/bbl) in Q4 2012. The average Edmonton par price was $88.06 CDN/bbl compared to $92.57 CDN/bbl in Q1 2012 and $83.98 CDN/bbl in Q4 2012. The Edmonton Par differential to CDN$ WTI experienced large fluctuations in the trailing twelve months, diverging as much as approximately $20 CDN/bbl in the mid months of 2012 and narrowing to $3 CDN/bbl in Q4 2012 and averaging $7/bbl in Q1 2013. Spyglass' corporate differential to CDN$ WTI widened to $23.49/bbl when compared to $19.64/bbl in Q1 2012 and $15.72/bbl in Q4 2012. The wider differentials reflect a heavy maintenance season for refiners in the US Midwest and Gulf Coast which shut-in almost double the average capacity when compared to the past 5 years and depressed demand for oil. In addition, US/Canadian production has been increasing, leading to higher inventory levels negatively impacting price.

Canadian natural gas prices have seen downward pressure over the past two years, recovering some ground over Q4 2012 and during Q1 2013. Spyglass sells gas on a blend of the monthly and daily index. The Company sold approximately 44% of production on the AECO daily index, 54% on the monthly index and 2% through aggregators, resulting in a realized natural gas price of $3.22/Mcf. Spyglass' heat content of its natural gas is slightly above the industry average used in the benchmark $/Mcf prices, therefore Spyglass' realized prices are also slightly higher than the average of Alberta daily and Alberta monthly benchmark prices.

As part of a risk management program, Spyglass has entered into commodity derivative contracts for a portion of its oil and natural gas production to protect against downward pressure on crude oil and natural gas pricing. Refer to "Financial Derivative Instruments" section.

Spyglass' NGL production represents less than 3 percent of Spyglass' production mix and consists of Ethane, Butane, Propane and Condensate. Pricing of NGL's is sensitive to the specific product being produced and can therefore vary from period to period depending on the mix with Spyglass' NGL production. In Q1 2013, Spyglass' overall realized NGL price averaged $60.81/bbl or 64% of CDN$ WTI compared to $62.34/bbl or 60% of CDN$ WTI in Q1 2012 and $54.83/bbl or 63% of CDN$ WTI in Q4 2012.

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

Prices and Marketing	**Q1 2013**	Q1 2012	Q4 2012
Benchmark Prices[(1)]			
WTI Oil ($US/bbl)	**$ 94.37**	$ 102.93	$ 88.18
Cdn/US average exchange rate	**0.991**	0.999	1.009
WTI Oil ($CDN/bbl)	**95.21**	103.05	87.41
Edmonton Par ($/bbl)	**88.06**	92.57	83.98
Alberta daily spot ($/Mcf)	**3.20**	2.15	3.21
Alberta monthly ($/Mcf)	**$ 3.08**	$ 2.52	$ 3.06
Spyglass's Realized Prices			
Oil ($/bbl)	**$ 71.72**	$ 83.41	$ 71.69
NGLs ($/bbl)	**60.81**	62.34	54.83
Combined Oil & NGLs ($/bbl)	**71.23**	82.27	70.88
Natural gas ($/Mcf)	**3.22**	2.36	3.26
Total ($/boe)	**$ 45.66**	$ 47.82	$ 45.16

[(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

The following table summarizes the financial derivatives Spyglass had 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	$3.5900	CDN$ 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	Apr 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

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

Financial Derivative Instruments		**Q1 2013**		Q1 2012		Q4 2012
(000s)						
Realized gain (loss)						
Oil	**$**	**(211)**	$	(818)	$	2,262
Gas		**64**		-		(299)
Interest		**14**		-		14
Total	**$**	**(133)**	$	(818)	$	1,977
Unrealized gain (loss)						
Oil	**$**	**(3,912)**	$	(1,091)	$	(1,544)
Gas		**(1,038)**		-		912
Interest		**(112)**		-		68
Total	**$**	**(5,062)**	$	(1,091)	$	(564)
($/boe)						
Realized gain (loss)						
Oil ($/bbl)	**$**	**(0.40)**	$	(1.32)	$	4.35
Gas ($/Mcf)		**0.02**		-		(0.09)
Interest ($/boe)		**0.01**		-		0.01
Total ($/boe)	**$**	**(0.12)**	$	(0.62)	$	1.80
Unrealized gain (loss)						
Oil ($/bbl)	**$**	**(7.40)**	$	(1.76)	$	(2.97)
Gas ($/Mcf)		**(0.32)**		-		0.28
Interest ($/boe)		**(0.10)**		-		0.06
Total ($/boe)	**$**	**(4.64)**	$	(0.82)	$	(0.51)

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.

Petroleum and Natural Gas Sales

Petroleum and natural gas sales totalled $49.8 million for Q1 2013 compared to $63.4 million for Q1 2012 and $49.5 million in Q4 2012. Oil and liquids revenue decreased $14.4 million from Q1 2012 with $6.1 million due to price decreases resulting from lower WTI CDN prices and wider corporate differentials as well as $8.3 million due to lower liquids production. Gas revenue was up $0.9 million due $2.8 million to higher gas prices offset $1.9 million by lower natural gas production.

Compared to Q4 2012, petroleum and natural gas sales was flat, with oil and liquids sales higher by $0.7 million mostly on higher production offset by lower natural gas sales of $0.3 million driven by both price and volume.

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

Petroleum and Natural Gas Sales (000s)	**Q1 2013**	Q1 2012	Q4 2012
Oil	**$ 37,931**	$ 51,646	$ 37,308
NGLs	**1,526**	2,203	1,440
Natural Gas	**10,384**	9,501	10,727
Total	**$ 49,841**	$ 63,350	$ 49,475

Royalties

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

Spyglass' Q1 2013 overall effective royalty rate for all product as a percentage of petroleum and natural gas sales was 21.1%, lower than Q1 2012 of 26.2% and higher than Q4 2012 of 19.4%. The Q1 2013 crude oil royalty rate of 26.7% is comparable to Q4 2012 of 26.3% and lower than the 29.5% in Q1 2012 due to the lower realized crude oil prices. The effective gas royalty rate was a recovery of 2.4% compared to an expense of 5.2% in Q1 2012 and a recovery of 8.2% in Q4 2012 due to gas crown allowance credits which minimize the amount of crown royalty paid on both natural gas and natural gas liquids. Removing the impact of crown credits, the effective gas royalty rate was approximately 14%, higher than prior quarters due to improving gas prices. NGL royalty increased to 40.1% in Q1 2013 compared to 37.4% in Q1 2012 and decreased from 46.7% in Q4 2012 because of changes in NGL mix and pricing.

Gross overriding and other royalties averaged approximately 3-4% of revenue for Q1 2013, consistent with Q1 2012 and Q4 2012. As a percentage of total royalties paid, gross overriding for Q1 2013 was 14%, comparable to Q1 2012 and comparable to historical rates of 15-16%.

The following tables outline royalties by type and by commodity:

Royalties by Type (000s)	Q1 2013	Q1 2012	Q4 2012
Crown	$ 8,992	$ 14,356	$ 7,646
Gross overriding and other	1,509	2,219	1,957
	$ 10,501	$ 16,575	$ 9,603
$/boe	$ 9.62	$ 12.51	$ 8.76
% of Revenue	21.1%	26.2%	19.4%

Royalties by Commodity	Q1 2013	Q1 2012	Q4 2012
Oil			
(000s)	$ 10,134	$ 15,255	$ 9,808
% of Revenue	26.7%	29.5%	26.3%
NGLs			
(000s)	$ 612	$ 824	$ 672
% of Revenue	40.1%	37.4%	46.7%
Natural Gas			
(000s)	$ (245)	$ 496	$ (877)
% of Revenue	-2.4%	5.2%	-8.2%

Operating Expenses

Operating expenses totalled $24.1 million or $22.06/boe for Q1 2013 compared to $21.3 million or $16.11/boe in Q1 2012 and $20.1 million in Q4 2012 or $18.36/boe.

The majority of the increase in operating costs were incurred in Northwest Alberta, a winter access only area, which incurred $7.9 million of operating costs in Q1 2013 compared to $6.3 million in Q1 2012 and $4.4 million in Q4 2012. Operating costs were higher than expected in Q1 2013 with unusually heavy snowfall at the beginning of the winter season resulting in an extra $0.5 million ($0.46/boe) of winter access costs. This was followed by extreme cold at the beginning of the quarter which resulted in higher power costs, increased seasonal maintenance, chemical and personnel costs of $1.7 million ($1.56/boe). The Company also completed needed repair and remediation projects in the quarter in Rainbow which resulted in an extra $1.3 million ($1.19/boe) of expense. Northwest Alberta is a winter access only area, which completes the majority of its maintenance program in Q1 2013. Operating expenses in the remaining quarters of 2013 are expected to average $17.00/boe to $18.50/boe.

In Dixonville, pipeline repairs and remediation for historic Fiberspar and Flexpipe deficiencies began in late Q4 2012 and continued into Q1 2013 resulting in remediation and repair costs of $1.0 million ($0.92/boe). The majority of Fiberspar and Flexpipe lines were replaced at Dixonville in Q1 2013, with some work to complete in Q2 2013.

The following table summarizes the Company's operating expenses:

Operating Expenses	Q1 2013	Q1 2012	Q4 2012
(000s)	$ 24,075	$ 21,343	$ 20,116
$/boe	$ 22.06	$ 16.11	$ 18.36

Transportation Expenses

Transportation expenses totalled $2.5 million or $2.31/boe for Q1 2013 compared to $2.8 million or $2.11/boe for Q1 2012 and $2.2 million or $2.03/boe in Q4 2012. Transportation costs are incurred for clean oil trucking and for oil and gas pipeline tariffs where the Company pays its tolls directly to a third party.

Oil transportation charges are primarily from the Company's Dixonville property, as the majority of the other properties are tied into sales lines. Total oil transportation charges in Q1 2013 have increased from prior quarters as the Company began trucking to rail terminals that provide access to additional US markets in March.

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. Third party natural gas transportation rates have increased starting in the middle of Q4 2012 and remained consistent through Q1 2013.

The following table details the Company's transportation expenses:

Transportation Expenses		**Q1 2013**		Q1 2012		Q4 2012
(000s)						
Oil	**$**	**1,749**	$	1,959	$	1,484
Gas		**768**		836		744
Total	**$**	**2,517**	$	2,795	$	2,228
Oil ($/bbl)	**$**	**3.31**	$	3.16	$	2.85
Gas ($/Mcf)		**0.24**		0.21		0.23
Total ($/boe)	**$**	**2.31**	$	2.11	$	2.03

Finance Expenses

Interest expense includes interest on Spyglass' operating line. Interest expenses totalled $2.5 million in Q1 2013, higher than the $1.7 million interest expense in Q1 2012 and $2.3 million in Q4 2012. The increase in Q1 2013 compared to Q1 2012 was primarily due to higher debt levels and higher interest rates. The increase in Q1 2013 compared to Q4 2012 is also due to higher borrowing levels and higher interest rates. The effective interest rate was 5.0% compared to 4.2% in Q1 2012 and 4.3% in Q4 2012.

Accretion expense on decommissioning liabilities was $0.8 million in Q1 2013, consistent with Q1 2012 and Q4 2012.

Finance Expenses		**Q1 2013**		Q1 2012		Q4 2012
(000s)						
Interest	**$**	**2,526**	$	1,724	$	2,258
Accretion		**837**		814		843
Total	**$**	**3,363**	$	2,538	$	3,101
($/boe)						
Interest	**$**	**2.31**	$	1.30	$	2.06
Accretion		**0.77**		0.61		0.77
Total ($/boe)	**$**	**3.08**	$	1.91	$	2.83

Transaction Costs

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

General and Administration Expenses

In Q1 2013 general and administration ("G&A") expenses totalled $3.8 million compared to $6.7 million in Q1 2012 and $5.8 million in Q4 2012. The cash G&A portion of $3.1 million decreased from $5.4 million in Q1 2012 and $4.0 million in Q4 2012. The decrease from Q1 2012 was the result of non-recurring restructuring charges and adjustments to the 2011 short term incentive plan incurred in Q1 2012. The decrease from Q4 2012 is the result of downward adjustments to the 2012 short term incentive plan in Q1 2013 and lower staffing levels due to attrition.

In Q1 2013, Spyglass capitalized $1.1 million of cash G&A in addition to $0.1 million of capitalized long term incentive compensation that directly related to exploration and development activities. In Q1 2012, Spyglass capitalized $1.7 million of cash G&A and $0.2 million of long-term incentive compensation. In Q4 2012, Spyglass capitalized $1.5 million of cash G&A and $0.2 million of long-term incentive compensation. The decrease in capitalized G&A from Q1 2012 and Q4 2012 relates to the adjustment to the 2012 short term incentive payment noted above in Q1 2013.

The largest portion of the Company's G&A is comprised of salaries and benefits and, as such, the Company's future G&A will depend on the staff levels in 2013 along with any changes to salaries and bonus incentives. In Q2 2013 the Company is expecting total G&A to increase as costs related to the integration of the three companies are incurred. However, G&A per boe is expected to decrease in Q3 2013 and Q4 2013 towards $3.00/boe due to cost synergies realized and increased production from the Arrangement.

The components of G&A expense were as follows:

General and Administration Expenses		**Q1 2013**		Q1 2012		Q4 2012
(000s)						
Cash G&A	**$**	**3,099**	$	5,415	$	3,958
LTIP expense		**724**		1,272		1,830
Total	**$**	**3,823**	$	6,687	$	5,788
($/boe)						
Cash G&A	**$**	**2.84**	$	4.09	$	3.61
LTIP expense		**0.66**		0.96		1.67
Total	**$**	**3.50**	$	5.05	$	5.28

Long-term incentive plans

Spyglass is currently working towards implementing a comprehensive long term incentive plan that is expected to be finalized by the end of Q2 2013.

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

All RSAs, PSAs and DSAs became vested upon the closing of the Arrangement at a value of $2.77 per per-subdivided 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.

All outstanding options under the old Pace plan were extinguished upon the closing of the Arrangement. 4,501 (3,462 pre-subdivided) options were in the money, and exercised on a cash-less basis for 159 (122 pre-subdivided) shares. In Q1 2013, prior to the closing of the Arrangement, 261,701 pre sub-divided options expired or were forfeited. The remaining 4,213,417 (2,979,389 pre-subdivided) outstanding options were extinguished at $0.001 per pre-sub divided option upon closing of the Arrangement.

Depletion, Depreciation and Impairments

For Q1 2013, depletion, depreciation and impairments ("D&D") was $14.1 million compared to $17.7 million for Q1 2012 and $124.4 million for Q4 2012. Q4 2012 D&D included $109.9 million of impairments.

The Q1 2013 D&D rate prior to impairments of $12.87/boe was lower than the Q1 2012 rate of $13.38/boe and the Q4 2012 rate of 13.23/boe. The pre-impairment D&D rates are subject to change based on the timing of land expiries, depreciation of capitalized maintenance projects, and changes in production by area.

Included in Q4 2012 D&D were impairment charges of $109.9 million is $42.7 million of property, plant and equipment ("PP&E") impairments and $67.2 million of exploration and evaluation ("E&E") impairments. PP&E impairments were the result of declines in forecasted oil and natural gas prices which caused the Company to record impairments on all of its gas CGUs and on its Peach River Arch oil CGU. The Company also reduced the carrying value of its E&E assets by $67.2 million. The Company does not have any immediate plans to continue development at Haro South and has reduced the carrying value accordingly. Should forward commodity prices recover or development plans change, the carrying values of these assets could be increased in future periods.

The components of D&D were as follows:

Depletion, depreciation and impairments	**Q1 2013**	Q1 2012	Q4 2012
(000s)			
Depletion & depreciation	**$ 14,052**	$ 17,728	$ 14,498
Impairment (net of reversals)	**-**	-	109,910
Total	**$ 14,052**	$ 17,728	$ 124,408
($/boe)			
Depletion & depreciation	**$ 12.87**	$ 13.38	$ 13.23
Impairment (net of reversals)	**-**	-	100.31
Total	**$ 12.87**	$ 13.38	$ 113.54

Environmental Liabilities & Insurance Receivable

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.

Other Income

Q1 2013 other income of $81.9 million is comprised of $81.9 million in gains recognized as a result of the fair value of assets acquired per the Arrangement exceeding the consideration paid. Q1 2013 other income also included minor amounts of seismic data sales consistent with Q1 2012 and Q4 2012.

Other Income		**Q1 2013**		Q1 2012		Q4 2012
(000s)						
Cash other income	**$**	**63**	$	47	$	342
Non-cash other income		**81,866**		-		-
Total	**$**	**81,929**	$	47	$	342
($/boe)						
Cash other income	**$**	**0.06**	$	0.04	$	0.31
Non-cash other income		**75.00**		-		-
Total	**$**	**75.06**	$	0.04	$	0.31

Deferred Taxes

Spyglass recorded a deferred tax recovery of $6.6 million in Q1 2013 compared to a recovery of $1.2 million in Q1 2012 and $28.2 million in Q4 2012. The difference between the Q1 2013 expected rate of 25.0% and the effective rate of negative 12.0% relates to permanent differences arising from the gain on corporate acquisitions of $81.9 million recognized (see other income), long-term incentive plan expense as well as deduction for the spending associated with decommissioning expenditures.

During Q4 2010, Canada Revenue Agency ("CRA") issued reassessments against predecessor corporations to Spyglass which denied the deduction of approximately $43 million in tax claims between 2004 and 2007. Spyglass has filed Notices of Objection to CRA's assessments and management believes that it is more likely than not that the Notices of Objection will be successful. The $43 million of tax pool balances have been included in the Company's estimates of its resource tax pools. There has been no change to the status as of the date of this MD&A.

Funds from Operations and Net Income (Loss)

For Q1 2013, funds from operations totalled $7.1 million or $0.11 per basic and diluted share compared to $14.7 million and $0.24 per basic and diluted share in Q1 2012 and $13.6 million and $0.22 per basic and diluted share in Q4 2012. Funds from operations decreased from Q1 2012 primarily as a result of a decrease in production volume and commodity prices as well as an increase in operating expenses.

For Q1 2013, the Company had a net income of $61.4 million compared to a net loss of $5.0 million in Q1 2012 and $86.6 million in Q4 2012. The majority of the Q1 2013 income is due to the $81.9 million gain on business combination as a result of the Arrangement. The per basic and diluted share income was $0.97 compared to net loss of $0.08 and $1.42 per basic and diluted share in Q1 2012 and Q4 2012 respectively.

The following table summarizes the net income on a barrel of oil equivalent basis (boe) for the periods indicated:

($/boe)	**Q1 2013**	Q1 2012	Q4 2012
Sales price	**$ 45.66**	$ 47.82	$ 45.16
Royalties	**(9.62)**	(12.51)	(8.76)
Operating expenses	**(22.06)**	(16.11)	(18.36)
Transportation expenses	**(2.31)**	(2.11)	(2.03)
Operating netback	**$ 11.67**	$ 17.09	$ 16.01
Cash other income (expense)	**0.06**	0.04	0.31
Realized gain (loss) on financial derivative instruments	**(0.12)**	(0.62)	1.80
Cash G&A	**(2.84)**	(4.09)	(3.61)
Interest	**(2.31)**	(1.30)	(2.06)
Cash flow netback	**$ 6.46**	$ 11.12	$ 12.45
Unrealized gain (loss) on financial derivative instruments	**(4.64)**	(0.82)	(0.51)
Non-cash other income (expense)	**75.00**	-	-
Depletion, depreciation and impairment	**(12.87)**	(13.38)	(113.54)
Accretion	**(0.77)**	(0.61)	(0.77)
Transaction costs	**(12.32)**	-	(0.68)
Long-term incentive compensation	**(0.66)**	(0.96)	(1.67)
Deferred taxes	**6.01**	0.90	25.74
Net income (loss)	**$ 56.21**	$ (3.75)	$ (78.98)

The following table provides reconciliations to the change in funds from operations and net income for Q1 2013 to Q1 2012 and for Q1 2013 to Q4 2012.

Change in Funds from Operations and Net Income (loss) (000s)	**Q1 2013 to Q1 2012**		**Q1 2013 to Q4 2012**	
	Funds from Operations	Net Income	**Funds from Operations**	Net Income
Comparative period	**$ 14,727**	$ (4,986)	**$ 13,631**	$ (86,565)
Increase (decrease) in revenue:				
Change in production volumes	**(11,151)**	(11,151)	**(185)**	(185)
Change in prices	**(2,358)**	(2,358)	**551**	551
Change in royalties	**6,074**	6,074	**(898)**	(898)
(Increase) decrease in expenses:				
Operating	**(2,732)**	(2,732)	**(3,959)**	(3,959)
Transportation	**278**	278	**(289)**	(289)
Finance charges	**(802)**	(825)	**(268)**	(262)
Cash general and administration	**2,316**	2,316	**859**	859
Long-term incentive compensation	**-**	548	**-**	1,106
Depletion, depreciation and impairment	**-**	3,676	**-**	110,356
Deferred tax	**-**	5,368	**-**	(21,639)
Transaction costs	**-**	(13,451)	**-**	(12,701)
Increase (decrease) in:				
Other income	**16**	81,882	**(279)**	81,587
Gains (losses) on financial derivative instruments	**685**	(3,286)	**(2,110)**	(6,608)
Current period	**$ 7,053**	$ 61,353	**$ 7,053**	$ 61,353

Capital Expenditures, Acquisitions and Dispositions

Q1 2013 capital expenditures totalled $11.8 million with $6.3 million spent on drilling, completion and optimization activities, $3.2 million on facilities, pipelines, equipping and tie-ins and $1.2 million on seismic. Spyglass focused its capital spend on the completion of 1 gross (1 net) well drilled in Q4 2012 and on capital maintenance projects. The company also capitalized $1.1 million of G&A directly attributable to exploitation activities.

Spyglass spent $5.3 million in Southern Alberta, of which $1.6 million was spent on the completion and tie-in of 1 gross (1 net) wells in Matziwin and an additional $0.8 million on completion and tie-in work started in Q4 2012. Spyglass also spent $1.2 million to shoot seismic in Matziwin and $1.7 million on various workovers and recompletions to enhance recoverability.

In Dixonville $2.3 million was spent including $1.0 million on pipeline replacements and $1.3 million on pump upsizing and downhole equipment replacements. In Northwest Alberta, $2.6 million was spent, including $1.2 million on facility maintenance projects, $0.8 million on pipeline integrity and inspections, and $0.6 million on downhole equipment replacements.

The remaining capital spent in Peace River Arch and Deep Basin was incurred on minor workover and turnaround projects.

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

Capital Expenditures (000s)	**Q1 2013**	Q1 2012	Q4 2012
Dixonville	**2,310**	4,881	1,937
Southern Alberta	**5,264**	15,679	10,539
Northwest Alberta	**2,581**	13,785	1,013
Peace River Arch	**266**	2,814	(126)
Deep Basin	**298**	2,698	(44)
Office and other areas	**1,101**	1,839	1,605
Total before Acquisitions and Dispositions	**11,820**	41,696	14,924

Capital Expenditures (000s)		**Q1 2013**		Q1 2012		Q4 2012
Land	**$**	**109**	$	1,391	$	(92)
Geological and geophysical		**1,175**		313		140
Drilling and completions		**6,324**		28,532		10,654
Facilities and equipment		**3,159**		9,537		2,639
Office, other and capitalized G&A		**1,053**		1,923		1,583
Capital Expenditures	**$**	**11,820**	$	41,696	$	14,924
Acquisitions		**282,093**		-		-
Total capital expenditures and acquisitions	**$**	**293,913**	$	41,696	$	14,924
Exploration and evaluation expenditures	**$**	**48,873**	$	14,909	$	(661)
Property, plant and equipment expenditures		**245,040**		26,787		15,585
Total capital expenditures and acquisitions	**$**	**293,913**	$	41,696	$	14,924

In addition to the capital expenditures discussed above, the Company capitalized $0.1 million of long-term incentive compensation for Q1 2013 consistent with the exploration and development cash G&A that was added to the property base. In Q1 2012, the amount capitalized for long-term incentive compensation was $0.2 million. The amount was $0.2 million in Q4 2012.

On March 28, 2013, the Company acquired all the issued and outstanding shares of Charger and AvenEx for consideration of 67,085,364 shares valued at $150.3 million. The fair value of net assets acquired was $232.1 million. As part of the Arrangement, Spyglass acquired $282.1 million of exploration and expenditure assets and property, plant and equipment assets from AvenEx and Charger which represents the fair value of those assets.

Spyglass has approximately 640,000 net acres of undeveloped land under lease at March 31, 2013.

Equity

On June 28, 2012, the Toronto Stock Exchange (the "TSX") accepted Spyglass' notice to make a normal course issuer bid to purchase its outstanding common shares on the open market. The TSX has authorized Spyglass to purchase up to 3,060,915 (2,354,550 pre-subdivided) common shares (5% of the shares outstanding) with the daily maximum of 38,098 (29,306 pre-subdivided) common shares in accordance with the TSX rules during the period July 3, 2012 to July 2, 2013. Shares purchased under the bid were cancelled. There were 54,860 (42,200 pre-subdivided) shares purchased during the year ended December 31, 2012 at a weighted average cost of $2.17 ($2.82 pre-subdivided) per share for a net cost of $0.1 million under this bid. No shares were repurchased in Q1 2013.

Pursuant to the Arrangement, 46,916,422 pre-subdivided Spyglass shares were subdivided on a basis of 1.3 to 60,991,388 shares. On March 28, 2013, 12,117,821 shares were issued in exchange for all outstanding Charger shares and 54,967,543 shares were issued in exchange for all outstanding AvenEx shares.

During the quarter, all outstanding options were extinguished upon the closing of the Arrangement. 4,501 options were in the money, and exercised on a cashless basis for 159 shares. In Q1 2013, prior to the closing of the Arrangement, 340,211 options expired or were forfeited. The remaining 3,873,206 outstanding options were extinguished at $0.001 per option upon closing of the Arrangement.

Subsequent to quarter end, 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.

Share Information	**Q1 2013**	Q1 2012	Q4 2012
Shares Outstanding			
Basic	**128,076,752**	61,363,549	60,991,229
Diluted	**128,076,752**	65,962,317	65,209,108
Weighted average shares outstanding			
Basic	**63,227,413**	61,363,510	60,991,190
Diluted	**63,227,413**	61,363,946	60,991,190

Liquidity and Capital Resources

Spyglass Resources Corp. is listed as a senior issuer 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 "PACED". The following is a summary of the trading history for Q1 2013, Q1 2012 and Q4 2012.

Trading History on the TSX	**Q1 2013**	Q1 2012	Q4 2012
Trading price			
High	**$ 2.71**	$ 4.85	$ 2.83
Low	**$ 1.98**	$ 3.34	$ 2.07
Close	**$ 2.22**	$ 3.82	$ 2.53
Volume (000's) (1)	**6,924**	8,973	9,147

(1) Trading volumes are stated in pre-subdivided amounts.

On the over the counter market, 2.5 million pre-subdivided shares were traded in Q1 2013 compared to 1.9 million pre-subdivided shares in Q1 2012 and 2.4 million pre-subdivided shares in Q4 2012.

Spyglass has a $400 million revolving term credit facility with a syndicate of banks. At March 31, 2013 $271.7 million was drawn on the facility and the Company had a working capital deficit of $28.6 million (excluding current portion of financial derivative instruments) for net debt of $300.3 million. At March 31, 2013, there were $2.0 million of letters of credit outstanding.

The Company's policy is to maintain a strong capital base in order to maintain financial flexibility which will allow it to execute on its capital investment program, provide creditor and market confidence and sustain the future development of the business.

The Company anticipates that it will have adequate liquidity to fund future working capital and forecasted capital expenditures in the remainder of 2013 through a combination of cash flow and additional use of its existing credit facility. The Company is able to modify its capital program in response to changes in commodity prices and cash flows. Should the Company choose to expand its capital program, actual funding alternatives will be influenced by the then current market environment and the ability to access capital on reasonable terms, balanced with the investment opportunities presented.

Off Balance Sheet Transactions

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

Contractual Obligations

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

Contractual Obligations (000s)	Total	< 1 year	1-3 years	4-5 years	After 5 years
Long-term debt and related interest	**$ 287,581**	$ 13,612	$ 273,969	$ -	$ -
Firm transportation charges	**5,341**	3,001	1,827	447	66
Operating leases	**31,474**	2,947	6,442	7,064	15,021
Total Contractual Obligations	**$ 324,396**	$ 19,560	$ 282,238	$ 7,511	$ 15,087

The Company enters into many contractual obligations in the course of conducting its day to day business. Material contractual obligations consist of long-term debt with a syndicate of major banks, firm transportation charges and operating lease arrangements.

The Company estimates it will incur approximately $365.5 million 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 cashflows is $84.6 million and has been recorded on the Company's balance sheet as at March 31, 2013. These costs will be incurred over the operating lives of the assets with the majority being at or after the end of production. The Company may enter into farmin agreements where it commits to capital expenditures in order to earn and retain certain lands. These are considered routine in nature and form part of the normal course of operations for active oil and gas companies and are not included in the table above.

The Company is currently undergoing tax related reviews related to issuance of flow through shares by predecessor companies acquired through the Arrangement. The Company has received and accrued a provision for reassessments which it is currently reviewing.

Financial Instruments

Financial instruments comprise cash and cash equivalents, accounts receivable, financial derivative instruments, investments, accounts payable and accrued liabilities and long-term 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 have been recorded at their fair value.

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

The Company's long-term debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The Company is exposed to credit, liquidity and market risk from its use of financial instruments. A description of these risks as they relate to Spyglass has been included in the Company's year-end audited consolidated financial statements for December 31, 2012.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Spyglass is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosures. Spyglass' Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to Spyglass, including its consolidated subsidiaries, is made known to them by others within those entities.

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 related to the Company to provide reasonable assurance regarding the reliability of Spyglass' financial reporting and preparation of financial statements for external purposes in accordance with GAAP. The control framework the officers used to design Spyglass' ICFR is the Internal Control-Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. As at March 31, 2013 Spyglass' Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the design of the Company's internal controls over financial reporting and have concluded that these controls are designed properly.

Spyglass' internal controls have been maintained from Pace while the new management team from Charger provides oversight controls. There were no weaknesses noted in controls during Q1 2013 that have materially affected, or are reasonable likely to 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, 2012 and 2011.

Financial Reporting Update

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*.

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 2012 Annual Information Form filed on SEDAR at www.sedar.com.

Selected Quarterly Information

Financial	2013	2012				2011		
(000s, except per share amounts)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Petroleum and natural gas sales	**$ 49,841**	$ 49,475	$ 49,366	$ 50,162	$ 63,350	$ 69,317	$ 58,104	$ 65,307
Cash flow from (used in) operations	**(3,174)**	28,861	1,689	7,035	26,453	19,618	28,110	22,137
Funds from operations	**7,053**	13,631	14,006	16,485	14,727	26,159	21,174	25,920
Per share- Basic	**0.11**	0.22	0.23	0.27	0.24	0.43	0.34	0.42
Per share- Diluted	**0.11**	0.22	0.23	0.27	0.24	0.43	0.34	0.42
Net income (loss)	**$ 61,353**	$ (86,565)	$ (4,859)	$ (56,581)	$ (4,986)	$ 454	$ 5,524	$ 9,042
Per share- Basic	**0.97**	(1.42)	(0.08)	(0.92)	(0.08)	0.01	0.09	0.15
Per share- Diluted	**0.97**	(1.42)	(0.08)	(0.92)	(0.08)	0.01	0.09	0.15
Capital expenditures	**$ 11,820**	$ 14,924	$ 12,909	$ 13,688	$ 41,696	$ 44,129	$ 21,794	$ 15,910
Corporate acquisitions	**150,271**	-	-	-	-	-	-	-
Dispositions	**-**	-	-	-	-	23	-	-
Long term debt	**271,700**	199,810	214,879	200,611	168,020	150,745	152,372	166,210
Net debt	**300,253**	215,817	210,348	210,765	212,873	186,129	166,273	163,459
Total assets	**944,625**	581,521	691,162	697,290	755,655	738,530	703,770	710,589
Shares outstanding (000s)								
Basic	**128,077**	60,991	60,991	61,046	61,364	61,364	61,585	61,901
Diluted	**128,077**	65,209	65,267	65,725	65,962	66,360	65,791	66,656
Operations								
Average daily production								
Oil (bbls/d)	**5,876**	5,657	5,731	6,015	6,804	6,627	5,784	5,670
NGLs (bbls/d)	**279**	285	265	360	388	338	277	407
Natural gas (mcf/d)	**35,840**	35,804	40,109	44,340	44,190	43,442	44,981	49,111
Combined (boe/d)	**12,128**	11,909	12,681	13,765	14,557	14,205	13,558	14,262
Operating netback ($/boe)	**$ 11.67**	$ 16.01	$ 16.55	$ 14.13	$ 17.09	$ 24.18	$ 20.40	$ 24.11

Spyglass spent $176.9 million over the previous eight trailing quarters in capital expenditures with 30 (27.5 net) wells drilled in Q2 to Q4 of 2011 and 15 (14.4 net) wells drilled in 2012. In Q1 2013, the Company completed the Arrangement and acquired AvenEx and Charger for consideration of $150.3 million, which resulted in a gain on acquisition of $81.9 million.

Production reached highs of 14,557 boe/d in Q1 2012 with recent declines in production due mostly to natural declines, unscheduled downtime at third party facilities and pipeline outages. Commodity pricing has been volatile over the previous eight trailing quarters with downward trending on natural gas prices. This has led to impairment losses in Q2 2012 and Q4 2012, which contributed to net losses of $56.6 million and $86.6 million respectively.

Additional Information

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

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