SPYGLASS RESOURCES CORP. ANNOUNCES 2013 THIRD QUARTER RESULTS AND NOVEMBER CASH DIVIDEND

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 – November 13, 2013. Spyglass Resources Corp. ("Spyglass", or the "Company") (TSX: SGL) announces its unaudited interim financial and operating results for the quarter ended September 30, 2013. Selected financial and operational information is outlined below and should be read in conjunction with Spyglass' interim Financial Statements and Management's Discussion and Analysis filed on www.sedar.com and also available at www.spyglassresources.com.

Third Quarter Summary

- Spyglass generated funds flow from operations for the third quarter of 2013 of $21.5 million ($0.17 per share), representing a 4 percent increase over second quarter 2013 funds flow from operations of $20.6 million ($0.16 per share).
- Capital expenditures (prior to dispositions) for the third quarter of 2013 were $24.6 million and $44.7 million year to date. To date, Spyglass has successfully drilled 10 (9 net) horizontal and 2 (2 net) vertical light oil wells in Southern and Central Alberta. Initial production from the 12 (11 net) wells currently on production peaked at 1,300 boe/d and is expected to average 800 boe/d for the fourth quarter of 2013. In addition, two light oil wells in Southern Alberta are being drilled in the fourth quarter and are expected to come on production in December 2013.
- Production for the third quarter of 2013 averaged 16,445 boe/d, 48 percent oil and liquids, consistent with the 16,362 boe/d average production in the second quarter of 2013.
- During the quarter, Spyglass announced $20 million (subject to normal closing adjustments) in non-core property dispositions and a seismic sale, of which $12 million closed in the third quarter of 2013 and $8 million closed October 15, 2013. Excluding the seismic sale, these transactions involve the sale of approximately 275 boe/d of non-core Saskatchewan oil and associated natural gas production, representing aggregate transaction metrics of approximately $67,300 per boe/d.
- Spyglass' continued drive to increase efficiency and lower costs has resulted in decreases in the Company's per barrel metrics for both operating and general and administrative expenses. For the third quarter of 2013 operating costs were $17.86/boe, an improvement from $18.17/boe in the second quarter of 2013 and at the mid-point of our guidance of $17.00/boe to $18.50/boe. Cash general and administrative expenses for the third quarter of 2013 were $2.77/boe, 30 percent lower than the second quarter of 2013.
- Dividends paid to shareholders totaled $0.0675 per share resulting in a basic payout ratio of 40 percent of funds flow from operations for the third quarter of 2013.

- Net debt at the end of the third quarter was $292 million.

Selected Financial and Operating Information

Operating	Q3 2013	Q2 2013	2013 YTD(1)
Average daily production			
Oil (bbls/d)	7,473	7,434	6,933
NGLs (bbls/d)	383	490	384
Natural Gas (Mcf/d)	51,533	50,626	46,057
Total (boe/d)	16,445	16,362	14,993
Realized prices			
Oil ($/bbl)	97.38	83.67	85.31
NGLs ($/bbl)	48.02	57.75	55.21
Natural Gas ($/mcf)	2.58	3.74	3.17
Total Revenue ($/boe)	53.45	51.32	50.60
Netback ($/boe)			
Revenue	53.45	51.32	50.60
Royalties	(11.47)	(10.14)	(10.49)
Operating expense	(17.86)	(18.17)	(19.09)
Transportation expense	(2.03)	(2.20)	(2.17)
Operating Netback(2)	22.09	20.81	18.85
Cash General & Administrative Expense	(2.77)	(3.94)	(3.21)
Realized hedging gain (loss)	(3.50)	(0.98)	(1.68)
Interest & Financing & Other	(1.58)	(2.07)	(1.95)
Cash netback(2)	14.24	13.82	12.01

Financial ($MM)(except per share amounts)	Q3 2013	Q2 2013	2013 YTD(1)
Funds Flow from Operations(2)	21,547	20,558	49,158
per share	0.17	0.16	0.38
Dividends	8,645	8,644	17,289
per share	0.0675	0.0675	0.135
Capital Expenditures (net of dispositions)	14,359	8,284	34,463
Net Debt(2)	291,997	296,853	291,997

Share Information (000's)	Q3 2013	Q2 2013	2013 YTD(1)
Common shares outstanding, end of period	128,077	128,077	128,077
Weighted average shares outstanding	128,077	128,077	106,698

(1) Year to date results for 2013 are presented as Pace standalone 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 September 30, 2013.
(2) See Non-GAAP measures
(3) 2013 YTD dividends are calculated based on 128,076,752 shares outstanding on the initial record date of April 26, 2013.

2013 Outlook and 2014 Capital Program

The capital program is focused on low risk, light oil development opportunities intended to increase overall liquids weighting and improve the Company's netbacks. Management anticipates the 2013 capital program will total approximately $60 million (prior to property dispositions) including drilling 14 gross (13 net) development wells in addition to a cost effective workover and optimization program.

Spyglass' 2013 drilling program began in June and to date, the Company has drilled 10 horizontal and 2 vertical light oil wells in Southern and Central Alberta. Spyglass has also participated in 2 (0.67 net) oil wells in the Glauconite channel play at Enchant with positive results. The Company is currently executing the fourth quarter drilling program which includes 2 Pekisko wells (2 net) at Matziwin. Production from the latest wells is expected in December, 2013.

Spyglass is committed to improving the quality of its asset base and cash flow. The Company continues to focus on netback improvement through a combination of ongoing operating cost initiatives and increasing the weighting of oil and liquids production through drilling. Management anticipates 2013 exit production to be 16,000 boe/d to 16,500 boe/d, with an oil and liquids weighting expected to increase to approximately 50 percent by year end. Average production for 2013 is expected to be 15,000 boe/d to 15,500 boe/d. Spyglass' strategy is to focus on increasing cash netbacks and cash flow through replacement of low netback gas production with high netback light oil drilling additions, improving the cost structure and continuing the non-core asset disposition program.

Management continues to direct available cash flow to capital expenditures, dividends and debt repayment, while focusing on improving cash flow sustainability and enhancing long-term value for shareholders. In the context of the Company's low base decline rate, the board of directors (the "**Board**") has approved a base capital budget of $60 million for 2014, focusing on further development of the Company's low-risk, capital efficient light oil opportunities in Southern and Central Alberta with a target all-in-payout ratio of approximately 100 percent. The 2014 capital program may be expanded upon the successful completion of further non-core asset dispositions. A portion of any disposition proceeds will be directed to capital expenditures with the remainder used to pay down debt. Further details on the 2014 capital program will be released early in 2014.

November Dividend

The Board has approved the November cash dividend of $0.0225 per share payable on December 16, 2013 to shareholders of record on November 28, 2013. The ex-dividend date will be November 26, 2013.

The dividend policy of Spyglass is at the discretion of the Board and is 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.

Non-GAAP Measures

This press release includes terms commonly referred to in the oil and gas industry that are considered non-GAAP measures. These non-GAAP measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies.

"**Funds from operations**" represents cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and decommissioning expenditures.

"**Operating netbacks**" are determined by deducting royalties, operating and transportation expenses from oil and gas revenue, calculated on a per boe basis.

"**Cash netbacks**" are determined by deducting cash general and administrative, realized hedging losses, interest expense and other income from Operating netbacks, calculated on a per boe basis.

"**Cash dividends per share**" represents cash dividends declared per share by Spyglass.

"**Basic Payout ratio**" is calculated as cash dividends declared divided by funds from operations.

"**All-in payout ratio**" is calculated as cash dividends declared plus capital expenditures (net of dispositions) divided by funds from operations.

"**Net debt**" is calculated as bank debt plus working capital deficiency excluding current portion of risk management contracts and liabilities associated with assets held for sale.

For more information, please contact:

Spyglass Resources Corp.		
Tom Buchanan *CEO* IR# 403.930.3524 ir@spyglassresources.com www.spyglassresources.com	**Dan O'Byrne** *President* IR# 403.930.3524 ir@spyglassresources.com www.spyglassresources.com	**Dallas McConnell** *VP Corporate Development & Investor Relations* IR# 403.930.3524 ir@spyglassresources.com www.spyglassresources.com

Reader Advisory and Note Regarding Forward Looking Information

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

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

We believe the expectations reflected in the forward looking statements are reasonable but no assurance can be given that our expectations will prove to be correct and consequently, such forward looking statements included in, or incorporated by reference into, this press release should not be unduly relied upon. These statements speak only as of the date of this press release or as of the date specified in the documents incorporated by reference in this press release. The actual results could differ materially from those anticipated as a result of the risk factors set forth below and elsewhere in this press release which include: (i) volatility in market prices for oil and natural gas; (ii) counterparty credit risk; (iii) access to capital; (iv) changes or fluctuations in production levels; (v) liabilities inherent in oil and natural gas operations; (vi) uncertainties associated with estimating oil and natural gas reserves; (vii) competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; (viii) stock market volatility and market valuation of Spyglass' stock; (ix)geological, technical, drilling and processing capabilities; (x) limitations on insurance; (xi) changes in environmental or legislation applicable to our operations, and (xii) our ability to comply with current and future environmental and other laws; (xiii) changes in tax laws and incentive programs relating to the oil and gas industry, and (xiv) the other factors discussed under "Risk Factors" in the Company's 2012 Annual Information Form.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this press release 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.

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.

NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAW.

SPYGLASS
RESOURCES CORP.

Q3 2013 MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") as provided by management of Spyglass Resources Corp. ("Spyglass" or the "Company") should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 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 November 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 future performance. All statements, other than statements of historical fact, may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements.

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

We believe the expectations reflected in the forward looking statements are reasonable but no assurance can be given that our expectations will prove to be correct and consequently, such forward looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference in this MD&A. The actual results could differ materially from those anticipated as a result of the risk factors set forth below and elsewhere in this MD&A which include: (i) volatility in market prices for oil and natural gas; (ii) counterparty credit risk; (iii) access to capital; (iv) changes or fluctuations in production levels; (v) liabilities inherent in oil and natural gas operations; (vi) uncertainties associated with estimating oil and natural gas reserves; (vii) competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; (viii) stock market volatility and market valuation of Spyglass' stock; (ix) geological, technical, drilling and processing capabilities; (x) limitations on insurance; (xi) changes in environmental or legislation applicable to our operations, and (xii) our ability to comply with current and future environmental and other laws; (xiii) changes in tax laws and incentive programs relating to the oil and gas industry, and (xiv) the other factors discussed under "Risk Factors" in the Company's 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 in Canadian dollars. For the purpose of calculating unit costs, natural gas is converted to a barrel equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The following MD&A compares the results of the nine months ended September 30, 2013 ("YTD 2013") to the nine months ended September 30, 2012

(“YTD 2012”) and the results of the three months ended September 30, 2013 (“Q3 2013”) to the three months ended September 30, 2012 (“Q3 2013”) and the three months ended June 30, 2013 (“Q2 2013”).

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

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

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

2013 Outlook and 2014 Capital Program

The capital program is focused on low risk, light oil development opportunities intended to increase overall liquids weighting and improve the Company’s netbacks. Management anticipates the 2013 capital program will total approximately $60 million (prior to property dispositions) including drilling 14 gross (13 net) development wells in addition to a cost effective workover and optimization program.

Spyglass’ 2013 drilling program began in June and to date, the Company has drilled 10 horizontal and 2 vertical light oil wells in Southern and Central Alberta. Spyglass has also participated in 2 (0.67 net) oil wells in the Glauconite channel play at Enchant with positive results. The Company is currently executing the fourth quarter drilling program which includes 2 Pekisko wells (2 net) at Matziwin. Production from the latest wells is expected in December, 2013.

Spyglass is committed to improving the quality of its asset base and cash flow. The Company continues to focus on netback improvement through a combination of ongoing operating cost initiatives and increasing the weighting of oil and liquids production through drilling. Management anticipates 2013 exit production to be 16,000 boe/d to 16,500 boe/d, with an oil and liquids weighting expected to increase to approximately 50 percent by year end. Average production for 2013 is expected to be 15,000 boe/d to 15,500 boe/d. Spyglass’ strategy is to focus on increasing cash netbacks and cash flow through replacement of low netback gas production with high netback light oil drilling additions, improving the cost structure and continuing the non-core asset disposition program.

Management continues to direct available cash flow to capital expenditures, dividends and debt repayment, while focusing on improving cash flow sustainability and enhancing long-term value for shareholders. In the context of the Company’s low base decline rate, the board of directors (the “Board”) has approved a base capital budget of $60 million for 2014, focusing on further development of the Company’s low-risk, capital efficient light oil opportunities in Southern and Central Alberta with a target all-in-payout ratio of approximately 100 percent. The 2014 capital program may be expanded upon the successful completion of further non-core asset dispositions. A portion of any disposition proceeds will be directed to capital expenditures with the remainder used to pay down debt. Further details on the 2014 capital program will be released early in 2014.

Non-GAAP Measurements

In the MD&A references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share, netbacks, net debt, working capital deficit, basic payout ratio and all-in payout ratio are not defined by GAAP and are referred to as non-GAAP measures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Operating netback equals total revenue net of royalties and operating and transportation expenses calculated on a per boe basis. Cash flow netback equals operating netbacks described above and cash portion of other income, less cash general and administrative expenses, cash interest expenses and realized gain (loss) on financial derivative instruments. Cash flow and cash flow netbacks do not include transaction costs related to the Arrangement. Working capital (deficit) equals current assets less current liabilities. Net debt equals long-term debt and working capital (deficit) excluding current portion of financial derivative instruments and liabilities associated with assets held for sale. The basic payout ratio equals dividends declared divided by funds from operations. The all-in payout ratio equals dividends declared and capital expenditures (net of property dispositions) divided by funds from operations. Management utilizes these measures to analyze operating performance and leverage. Funds from operations is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations is commonly referred to as cash flow by research analysts and is used to value and compare oil and gas companies and is frequently included in published research when providing investment recommendations. Total boes are calculated by multiplying the average daily production by the number of days in the period.

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

($000s)	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Cash flow from (used in) operating activities	**$ 14,046**	$ 1,689	$ 1,329	**$ 12,201**	$ 35,177
Transaction costs	**-**	-	-	**13,451**	-
Decommissioning expenditures	**497**	325	348	**2,549**	378
Change in non-cash working capital	**7,004**	11,992	18,881	**20,957**	9,663
Funds from operations	**$ 21,547**	$ 14,006	$ 20,558	**$ 49,158**	$ 45,218

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.

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 post-closing operations and obligations are backstopped and indemnified by the purchaser during the business transition period.

Production

The Company categorizes and manages its production in three core areas: North, Central and South with a breakdown of production by product and by area provided in the following tables. Total company production for Q3 2013 averaged 16,445 boe/d compared to 12,681 in Q3 2012 and 16,362 in Q2 2013. Oil and liquids production in Q3 2013 represented 48% of total production at 7,856 bbls/d, an increase of 1,860 bbls/d or 31% from 5,996 bbls/d in Q3 2012 and consistent with Q2 2013 oil and liquids production of 7,924 bbls/d. Natural gas production for Q3 2013 averaged 51.5 Mmcf/d an increase of 11.4 Mmcf/d or 28% from 40.1 Mmcf/d in Q3 2012 and consistent with Q2 2013 natural gas production of 50.6 Mmcf/d. The majority of the reported production increase in Q3 2013 over Q3 2012 quarter is due to the production contributed from AvenEx and Charger commencing on March 29, 2013.

Activity in the quarter included initiating a 5 well drilling program in Central targeting Viking and Ellerslie light oil. Production from these wells commenced in late September to early October with virtually no production booked in Q3 2013 and will contribute to Q4 2013 production. In the South, the Company completed a 5 well program in the Matziwin and Enchant areas beginning in June targeting crude oil in the Pekisko and Glauc formations. The Company also participated in the South in an additional 2.0 gross (0.7 net) non op wells in the quarter, also targeting the Glauc zone. The wells in the South came on production in late August to early September and contributed towards offsetting natural production declines in the third quarter. In the North, only optimization capital was spent with the majority focused on the Dixonville horizontal waterflood, the Company’s largest crude oil producing property.

In the fourth quarter of 2013 production averages will reflect additions through the Q3 and Q4 drilling program of approximately 800 boe/d as well as reductions associated with the successful non-core asset dispositions (approximately 275 boe/d), the shut in of uneconomic natural gas production in the North core area that commenced in early October (approximately 200 boe/d) and a four day turn around at Dixonville that will impact fourth quarter production (approximately 140 boe/d).

YTD 2013 production averaged 14,993 boe/d, up 1,329 boe/d or 10% from 13,664 boe/d recorded YTD 2012. Liquids production increased 798 boe/d while gas production increased 3,188 Mcf/d. 2013 YTD comparatives incorporate production acquired from AvenEx and Charger commencing on March 29, 2013.

As the Company continues to focus drilling activities and optimization capital on its light oil opportunities, gas production is expected to decline over time.

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

Production	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Oil (bbls/d)	**7,473**	5,731	7,434	**6,933**	6,182
NGLs (bbls/d)	**383**	265	490	**384**	337
Natural Gas (Mcf/d)	**51,533**	40,109	50,626	**46,057**	42,869
Total (boe/d)	**16,445**	12,681	16,362	**14,993**	13,664
Oil & Liquids weighting	**48%**	47%	48%	**49%**	48%

The following table sets out production volumes by core area:

	Q3 2013	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
North					
Oil (bbls/d)	**4,187**	3,661	4,239	**4,080**	4,090
NGLs (bbls/d)	**197**	137	300	**218**	170
Natural Gas (Mcf/d)	**33,398**	25,753	33,257	**29,785**	27,713
Total (boe/d)	**9,950**	8,090	10,082	**9,262**	8,879
Central					
Oil (bbls/d)	**666**	-	738	**482**	-
NGLs (bbls/d)	**72**	-	68	**48**	-
Natural Gas (Mcf/d)	**4,755**	-	4,389	**3,162**	-
Total (boe/d)	**1,531**	-	1,538	**1,057**	-
South					
Oil (bbls/d)	**2,620**	2,070	2,457	**2,371**	2,092
NGLs (bbls/d)	**114**	128	122	**118**	167
Natural Gas (Mcf/d)	**13,380**	14,356	12,980	**13,110**	15,156
Total (boe/d)	**4,964**	4,591	4,742	**4,674**	4,785
Total Company					
Oil (bbls/d)	**7,473**	5,731	7,434	**6,933**	6,182
NGLs (bbls/d)	**383**	265	490	**384**	337
Natural Gas (Mcf/d)	**51,533**	40,109	50,626	**46,057**	42,869
Total (boe/d)	**16,445**	12,681	16,362	**14,993**	13,664
Oil & Liquids weighting	**48%**	47%	48%	**49%**	48%

Commodity Pricing

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

The average US WTI price during Q3 2013 was $105.83 US/bbl ($109.90 CDN/bbl) compared to $92.22 US/bbl ($91.74 CDN/bbl) in Q3 2012 and $94.22 US/bbl ($96.39 CDN/bbl) in Q2 2013. The average Edmonton par price was $104.93 CDN/bbl compared to $84.28 CDN/bbl in Q3 2012 and $92.68 CDN/bbl in Q2 2013. The Edmonton Par differential to CDN$ WTI experienced large fluctuations over the last two years, diverging as much as $20 CDN/bbl in the mid months of 2012 before narrowing through that second half of 2012 and through 2013. The Edmonton Par differential averaged approximately $5 CDN/bbl in Q3 2013, down from $7 CDN/bbl in Q3 2012 but comparable to $4 CDN/bbl in Q2 2013. Spyglass' corporate differential incorporates its portfolio of oil sold through multiple crude oil streams reflecting differentials adjusted for quality and transportation. The corporate differential to CDN$ WTI was $12.52/bbl in Q3 2013, improved from $16.67/bbl in Q3 2012 and comparable to $12.72/bbl in Q2 2013. Differentials during Q3 2013 have improved as refinery outages in the early part of 2013 came back on stream and the increased use of rail transport for crude oil allowed for volumes produced in both Western Canada and North Dakota to access alternative markets. However, market conditions within the Western Canadian basin continue to drive volatility and large fluctuations in crude oil differentials with significantly wider differentials in the fourth quarter of 2013 are expected to impact the realized crude oil price received by Spyglass and other Western Canadian producers.

Canadian natural gas prices remain volatile. The Alberta daily spot gas price average in Q3 2013 of $2.43/Mcf was marginally improved from the $2.28/Mcf received in Q3 2012 but dramatically lower than the $3.64/Mcf daily AECO average in Q2 2013. Spyglass sells gas on a blend of the AECO monthly and daily index. In Q3 2013, the Company sold approximately 43% on the AECO daily index, 54% on the monthly index and 3% through aggregators, resulting in a realized natural gas price of $2.58/Mcf. This compares to $2.24/Mcf in Q3 2012 and $3.74/Mcf in Q2 2013. The heat content of Spyglass' natural gas production is slightly above the industry average used in the benchmark $/Mcf prices. Therefore realized prices for Spyglass are expected to be slightly higher than the average of AECO Alberta daily and Alberta monthly benchmark prices.

Spyglass' NGL production represents less than 3 percent of production mix and consists of Ethane, Butane, Propane and Condensate. Pricing of NGL's is sensitive to the specific product produced and can vary from period to period depending on the mix of NGL production. In Q3 2013, overall realized NGL price averaged $48.02/bbl or 44% of CDN$ WTI compared to $62.21/bbl or 68% of CDN$ WTI in Q3 2012 and $57.75/bbl or 60% of CDN$ WTI in Q2 2013.

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

Prices and Marketing	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Benchmark Prices[(1)]					
WTI Oil ($US/bbl)	**$ 105.83**	$ 92.22	$ 94.22	**$ 98.18**	$ 96.16
Cdn/US average exchange rate	**0.963**	1.005	0.978	**0.977**	0.998
WTI Oil ($CDN/bbl)	**109.90**	91.74	96.39	**100.48**	96.36
Edmonton Par ($/bbl)	**104.93**	84.28	92.68	**95.29**	86.96
Alberta daily spot ($/Mcf)	**2.43**	2.28	3.64	**3.09**	2.11
Alberta monthly ($/Mcf)	**$ 2.82**	$ 2.19	$ 3.59	**$ 3.16**	$ 2.18
Spyglass' Realized Prices					
Oil ($/bbl)	**$ 97.38**	$ 75.07	$ 83.67	**$ 85.31**	$ 77.69
NGLs ($/bbl)	**48.02**	62.21	57.75	**55.21**	59.37
Combined Oil & NGLs ($/bbl)	**94.98**	74.50	82.07	**83.73**	76.74
Natural gas ($/Mcf)	**2.58**	2.24	3.74	**3.17**	2.20
Total ($/boe)	**$ 53.45**	$ 42.31	$ 51.32	**$ 50.60**	$ 43.50

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

Financial Derivative Instruments

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

The following table summarizes financial derivatives outstanding as at September 30, 2013 and December 31, 2012 and their estimated fair value:

Commodity risk management contracts					**Fair Value as at**	
Instrument	Period	Price	Reference	Quantity	**September 30, 2013**	December 31, 2012
Crude Oil Contracts						
Swap	Jan 1, 2013 - Dec 31, 2013	$97.00	CDN$ WTI	500 bbl/d	**(356)**	680
Swap	Feb 1, 2013 - Dec 31, 2013	$92.97	CDN$ WTI	1,000 bbl/d	**(1,081)**	-
Swap	Feb 1, 2013 - Dec 31, 2013	$93.49	CDN$ WTI	1,000 bbl/d	**(1,034)**	-
Swap	Apr 1, 2013 - Dec 31, 2013	$97.15	CDN$ WTI	250 bbl/d	**(175)**	-
Swap	Jun 1, 2013 - Dec 31, 2013	$91.89	CDN$ WTI	1,000 bbl/d	**(1,181)**	-
Swap	Aug 1, 2013 - Dec 31, 2013	$105.00	CDN$ WTI	500 bbl/d	**12**	-
Swap	Aug 1, 2013 - Jul 31, 2014	$96.12	CDN$ WTI	250 bbl/d	**(430)**	-
Swap	Jan 1, 2014 - Mar 31, 2014	$96.23	CDN$ WTI	500 bbl/d	**(265)**	-
Swap	Jan 1, 2014 - Mar 31, 2014	$93.65	CDN$ WTI	1,700 bbl/d	**(1,292)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$92.20	CDN$ WTI	1,000 bbl/d	**(2,414)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$93.25	CDN$ WTI	500 bbl/d	**(1,018)**	-
Swap	Apr 1, 2014 - Jun 30, 2014	$95.27	CDN$ WTI	1,000 bbl/d	**(398)**	-
Swap	Apr 1, 2014 - Dec 31, 2014	$98.13	CDN$ WTI	600 bbl/d	**50**	-
Swap	Apr 1, 2014 - Dec 31, 2014	$96.90	CDN$ WTI	600 bbl/d	**(148)**	-
Swap	Jul 1, 2014 - Sep 30, 2014	$94.43	CDN$ WTI	500 bbl/d	**(148)**	-
Swap	Oct 1, 2013 - Dec 31, 2014	$93.75	CDN$ WTI	250 bbl/d	**(53)**	-
Call	Jan 1, 2013 - Dec 31, 2013	$105.00	USD$ WTI	200 bbl/d	**(22)**	-
Call	Jan 1, 2013 - Dec 31, 2013	$105.00	CDN$ WTI	100 bbl/d	**3**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$72.50	USD$ WTI	200 bbl/d	**(551)**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$88.25	CDN$ WTI	100 bbl/d	**(152)**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$120.00	USD$ WTI	250 bbl/d	**(1)**	-
Sold Call	Apr 1, 2013 - Dec 31, 2013	$120.00	USD$ WTI	200 bbl/d	**(1)**	-
					$ (10,655)	$ 680
Natural Gas Contracts						
Swap	Jan 1, 2013 - Dec 31, 2013	$3.0625	CDN$ GJ	5,000 GJ/d	**36**	138
Swap	Jan 1, 2013 - Dec 31, 2013	$3.00	CDN$ GJ	1,000 GJ/d	**(13)**	-
Swap	Jan 1, 2013 - Dec 31, 2013	$3.00	CDN$ GJ	1,000 GJ/d	**24**	-
Swap	May 1, 2013 - Dec 31, 2013	$3.44	CDN$ GJ	5,000 GJ/d	**209**	-
Swap	Jun 1, 2013 - Dec 31, 2013	$3.625	CDN$ GJ	4,500 GJ/d	**265**	-
Swap	Jul 1, 2013 - Dec 31, 2013	$3.645	CDN$ GJ	2,000 GJ/d	**121**	-
Swap	Nov 1, 2013 - Dec 31, 2013	$3.835	CDN$ GJ	3,000 GJ/d	**105**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.55	CDN$ GJ	1,500 GJ/d	**96**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.59	CDN$ GJ	5,000 GJ/d	**395**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.575	CDN$ GJ	6,250 GJ/d	**461**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.555	CDN$ GJ	5,000 GJ/d	**333**	-
Collar	Jan 1, 2013 - Dec 31, 2013	$2.75 - $3.375	CDN$ GJ	5,000 GJ/d	**14**	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	**22**	-
Put	Jan 1, 2013 - Dec 31, 2013	$3.10	CDN$ GJ	1,650 GJ/d	**39**	-
Put	April 1, 2013 - Oct 31, 2013	$3.00	CDN$ GJ	3,000 GJ/d	**40**	-
					$ 2,147	$ 155
Total Commodity Contracts					**$ (8,508)**	$ 835

Interest rate risk management contract					Fair Value as at	
Instrument	Period	Notional Amount	Reference	Fixed Interest Rate	**September 30, 2013**	December 31, 2012
Swap	Jul 5, 2012 - Jul 4, 2014	$75,000,000	CAD-BA-CDOR	1.145%	**$ 48**	$ 156
Total					**$ 48**	$ 156

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

Financial Derivative Instruments	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
(000s)					
Realized gain (loss)					
Oil	**$ (6,789)**	$ 1,278	$ (1,017)	**$ (8,017)**	$ 5,182
Gas	**1,476**	76	(458)	**1,082**	121
Interest	**14**	15	14	**42**	15
Total	**$ (5,299)**	$ 1,369	$ (1,461)	**$ (6,893)**	$ 5,318
Unrealized gain (loss)					
Oil	**$ (2,502)**	$ (2,280)	$ (3,260)	**$ (9,674)**	$ 3,667
Gas	**(584)**	(543)	4,216	**2,594**	(758)
Interest	**(52)**	67	55	**(109)**	88
Total	**$ (3,138)**	$ (2,756)	$ 1,011	**$ (7,189)**	$ 2,997
($/boe)					
Realized gain (loss)					
Oil ($/bbl)	**$ (9.88)**	$ 2.42	$ (1.50)	**$ (4.24)**	$ 3.06
Gas ($/Mcf)	**0.31**	0.02	(0.10)	**0.09**	0.01
Interest ($/boe)	**0.01**	0.01	0.01	**0.01**	-
Total ($/boe)	**$ (3.50)**	$ 1.17	$ (0.98)	**$ (1.68)**	$ 1.42
Unrealized gain (loss)					
Oil ($/bbl)	**$ (3.64)**	$ (4.32)	$ (4.82)	**$ (5.11)**	$ 2.16
Gas ($/Mcf)	**(0.12)**	(0.15)	0.92	**0.21**	(0.06)
Interest ($/boe)	**(0.03)**	0.06	0.04	**(0.03)**	0.02
Total ($/boe)	**$ (2.07)**	$ (2.36)	$ 0.68	**$ (1.76)**	$ 0.80

Petroleum and Natural Gas Sales

Petroleum and natural gas sales totalled $80.9 million for Q3 2013 compared to $49.4 million for Q3 2012 and $76.4 million for Q2 2013. Oil and liquids sales increased $27.5 million from Q3 2012 with $14.8 million due to higher Edmonton Par pricing and narrower corporate differentials and $12.7 million due to increased oil and liquids production. Natural gas sales were up $4.0 million with $1.6 million due to higher gas prices and $2.4 million due to increased natural gas production.

Compared to Q2 2013, petroleum and natural gas sales increased $4.5 million, with oil and liquids sales higher by $9.5 million offset by natural gas sales down $5.0 million. Oil and liquids sales have increased mostly on account of improved pricing, while lower natural gas sales reflect the decrease in natural gas prices.

On a YTD 2013 basis, petroleum and natural gas sales have improved to $207.1 million from $162.9 million for the same period in 2012. Oil and liquids sales have improved $30.2 million with increased production contributing to $16.2 million of the increase and improved pricing contributing the remaining $14.0 million. Natural gas sales improved $14.0 million, with $12.2 million due to the improvement in gas price, and $1.8 million to increased production.

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

Petroleum and Natural Gas Sales (000s)	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Oil	**$ 66,947**	$ 39,577	$ 56,600	**$ 161,478**	$ 131,587
NGLs	**1,690**	1,516	2,575	**5,791**	5,489
Natural Gas	**12,222**	8,273	17,230	**39,836**	25,802
Total	**$ 80,859**	$ 49,366	$ 76,405	**$ 207,105**	$ 162,878

Royalties

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

Spyglass' Q3 2013 overall effective royalty rate for all products as a percentage of petroleum and natural gas sales was 21.5%, higher than both the 20.5% in Q3 2012 and the 19.8% in Q2 2013. The oil & NGL royalty rate in Q3 2013 of 25.5% was higher than the 24.7% in Q3 2012 and the 23.0% recorded in Q2 2013 reflecting both improved oil pricing and wells coming off of royalty holiday in the South core area. The Q3 2013 effective natural gas royalty rate was a recovery of 1.4%, compared to a minimal rate in Q3 2012 and 8.5% in Q2 2013. The natural gas royalty rate includes the impact of gas crown allowance credits that reduce the amount of Crown royalty paid on natural gas and natural gas liquids.

Gross overriding and other royalties averaged approximately 3-4% of petroleum and natural gas sales for Q3 2013, consistent with Q3 2012 and Q2 2013. As a percentage of total royalties paid, gross overriding royalties for Q3 2013 account for 14% of the total, comparable to historical rates of 14-16%.

The following tables outline royalties by type and by commodity:

Royalties by Type (000s)	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Crown	**$ 14,869**	$ 8,612	$ 12,775	**$ 36,636**	$ 31,897
Gross overriding and other	**2,485**	1,528	2,322	**6,316**	5,421
	$ 17,354	$ 10,140	$ 15,097	**$ 42,952**	$ 37,318
$/boe	**$ 11.47**	$ 8.69	$ 10.14	**$ 10.49**	$ 9.97
% of Petroleum & natural gas sales	**21.5%**	20.5%	19.8%	**20.7%**	22.9%

Royalties by Commodity	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Oil & NGLs					
(000s)	**$ 17,524**	$ 10,146	$ 13,624	**$ 41,894**	$ 38,000
% of Oil & NGL sales	**25.5%**	24.7%	23.0%	**25.0%**	27.7%
Natural Gas					
(000s)	**$ (170)**	$ (6)	$ 1,473	**$ 1,058**	$ (682)
% of Natural gas sales	**-1.4%**	-0.1%	8.5%	**2.7%**	-2.6%

Operating Expenses

Operating expenses totalled $27.0 million or $17.86/boe for Q3 2013 compared to $17.5 million or $14.99/boe in Q3 2012 and $27.0 million or $18.17/boe in Q2 2013.

Q3 2013 operating costs of $17.86/boe include power costs that have recently trended higher, with September costs peaking to average over $110 per megawatt hour ("MWH") compared to historic averages in the $50 to $70 per MWH range. Operating costs for the quarter fall within Spyglass' guidance of $17.00/boe to $18.50/boe. Comparatively, Q3 2012 operating costs of $14.99/boe relate only to Pace legacy assets.

On a year to date basis, 2013 operating costs of $19.09/boe incorporate the impact from Q1 2013 of extreme weather and remediation projects undertaken in the North core area that totalled approximately $3.21/boe in Q1 2013 or $0.86/boe YTD 2013. YTD 2012 operating costs of $15.51/boe includes only the Pace legacy assets.

The Company continues to focus on operating costs reduction initiatives with an expectation that operating expenses for the fourth quarter of 2013 are expected to be in the range of $17.00/boe to $18.50/boe.

The following table summarizes the Company's operating expenses:

Operating Expenses	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
(000s)	**$ 27,012**	$ 17,491	$ 27,048	**$ 78,135**	$ 58,054
$/boe	**$ 17.86**	$ 14.99	$ 18.17	**$ 19.09**	$ 15.51

Transportation Expenses

Transportation expenses totalled $3.1 million or $2.03/boe for Q3 2013 compared to $2.4 million or $2.08/boe for Q3 2012 and $3.3 million or $2.20/boe in Q2 2013. Transportation costs are incurred for clean oil trucking and for oil and gas pipeline tariffs where tolls are paid directly to third parties.

Oil transportation charges relate primarily to the Dixonville property since the majority of the Company's other properties are tied into sales pipelines. Total oil transportation charges decreased in Q3 2013 as the Company was able to truck up to 1,000 bbls/d of oil to locations with lower tariffs, and did not truck as much volume to rail terminals as in Q2 2013.

Spyglass pays tariffs on its natural gas volumes transported through third party pipelines and has entered into firm transportation commitments for a portion of those volumes; refer to "contractual obligations" section.

The following table details the Company's transportation expenses:

Transportation Expenses	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
(000s)					
Oil	**$ 2,037**	$ 1,616	$ 2,213	**$ 5,999**	$ 5,389
Gas	**1,032**	810	1,064	**2,864**	2,479
Total	**$ 3,069**	$ 2,426	$ 3,277	**$ 8,863**	$ 7,868
Oil ($/bbl)	**$ 2.96**	$ 3.06	$ 3.27	**$ 3.17**	$ 3.18
Gas ($/Mcf)	**0.22**	0.22	0.23	**0.23**	0.21
Total ($/boe)	**$ 2.03**	$ 2.08	$ 2.20	**$ 2.17**	$ 2.10

Finance Expenses

Interest expenses include interest on Spyglass' operating line of credit. Interest expenses totalled $3.6 million in Q3 2013, higher than the $2.1 million interest expense in Q3 2012 and $3.3 million in Q2 2013. The increase in Q3 2013 interest expense compared to Q3 2012 reflect the combined entities' operating bank line post Arrangement and also higher interest rates paid by the Company. The increase in Q3 2013 interest expense compared to Q2 2013 is due to the increase in capital activity in the quarter resulting in higher average levels of bank debt. The effective interest rate for Q3 2013 was 4.7%, comparable to Q2 2013 and higher than the effective interest rate of 4.0% in Q3 2012.

Accretion expense on decommissioning liabilities was $1.5 million in Q3 2013, an increase of $0.7 million from Q3 2012 and consistent with the Q2 2013 expense of $1.5 million. The increase from Q3 2012 reflects additional obligations assumed as a result of the Arrangement.

Finance Expenses	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
(000s)					
Interest	**$ 3,620**	$ 2,137	$ 3,251	**$ 9,397**	$ 5,938
Accretion	**1,493**	842	1,490	**3,820**	2,484
Total	**$ 5,113**	$ 2,979	$ 4,741	**$ 13,217**	$ 8,422
($/boe)					
Interest	**$ 2.39**	$ 1.83	$ 2.18	**$ 2.30**	$ 1.59
Accretion	**0.99**	0.72	1.00	**0.93**	0.66
Total ($/boe)	**$ 3.38**	$ 2.55	$ 3.18	**$ 3.23**	$ 2.25

Transaction Costs

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

General and Administration Expenses

In Q3 2013 cash general and administration ("G&A") expenses totalled $4.2 million compared to $4.4 million in Q3 2012 and $5.9 million in Q2 2013. The decrease in the cash portion of G&A from Q3 2012 reflects organizational changes subsequent to the Arrangement as well as additional operating and capital recoveries associated with increased activity levels and capital spending. The cash portion of G&A in Q3 2013 decreased from Q2 2013 as a result of non-recurring integration costs incurred in Q2 2013 and a reduction of costs related to additional staff employed in Q2 through the transition period.

The largest portion of G&A is comprised of salaries and benefits and, as such, future G&A will depend on staff levels in 2013 along with changes to salaries and bonus incentives. Cash G&A per boe was $2.77/boe in Q3 2013 and is targeted to be approximately $3.00/boe or less in the fourth quarter.

The components of G&A expenses were as follows:

General and Administration Expenses	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
(000s)					
Cash G&A	**$ 4,185**	$ 4,448	$ 5,870	**$ 13,154**	$ 13,915
Non-Cash LTIP expense	**570**	305	-	**1,294**	1,726
Total	**$ 4,755**	$ 4,753	$ 5,870	**$ 14,448**	$ 15,641
($/boe)					
Cash G&A	**$ 2.77**	$ 3.81	$ 3.94	**$ 3.21**	$ 3.72
Non-Cash LTIP expense	**0.38**	0.26	-	**0.32**	0.46
Total	**$ 3.15**	$ 4.07	$ 3.94	**$ 3.53**	$ 4.18

Long-term incentive plans

In Q2 2013, the Company implemented a new long-term incentive plan for employees and management which includes a combination of two types of share based awards depending on roles and responsibilities within the organization: restricted share units ("RSUs") and performance share units ("PSUs"). RSUs vest evenly over a three year period. PSUs vest three years from the date of grants and the awards granted are subject to a multiplier ranging from 0 to 2 based on the performance of Spyglass on a total return basis compared to a selected peer group. The Company also grants director restricted share units ("DRSU") to non-management directors of the organization. DRSUs vest three years from the date of grant. RSUs, PSUs and DRSUs are to be settled in cash, based on the share price at the time of vesting. The number of share equivalent units at the time of vesting increases commensurately with each dividend declared by the Company after the grant date. During the nine months ended September 30, 2013, the Company granted 1,613,929 RSUs, 1,043,398 PSUs, and 157,702 DRSUs. As at September 30, 2013, incorporating the increase in units commensurate with each dividend declared by the Company 1,638,539 RSUs, 1,101,967 PSUs and 165,853 DRSUs were outstanding.

The previous Pace long-term incentive plan included a blend of three types of share based awards depending on roles and responsibilities within the organization: restricted share awards ("RSA"), performance share awards ("PSA") and stock options. RSAs were granted to employees and management of the organization and vested evenly over a three year period with payments to be made to the owner of the award on the deemed anniversary date of the grant. PSAs were granted to management of the organization and vested three years from the date of grant. The number of PSAs granted were subject to a multiplier ranging from 0 to 2 based on a mix of how Pace performed compared to a selected peer group on a total return basis combined with how Pace performed against a set minimum threshold of share performance. Payments of the PSAs were made based on the amount granted subject to the above mentioned multiplier. Stock options had a three year life and one third of each grant vested every nine months. Deferred share awards ("DSA") were granted to non-management directors of the organization. The awards vested immediately but were not settled until the Board member ceased to be a member of the Board. Payment of the awards 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 pre-subdivided award. PSAs were subject to a multiplier of 0.8. A total payout of $2.9 million in cash was made in Q2 2013 to settle the RSAs, PSAs and DSAs.

All outstanding options under the Pace plan were extinguished upon the closing of the Arrangement. 4,501 (3,462 pre-subdivided) options were in the money, and exercised on a cash-less basis for 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 Q3 2013, depletion, depreciation and impairments ("D&D") was $21.4 million compared to $16.4 million for Q3 2012 and $20.1 million for Q2 2013.

The Q3 2013 D&D rate of $14.13/boe was slightly higher than the Q3 2012 rate of $14.08/boe and the Q2 2013 rate of $13.48/boe. The pre-impairment D&D rates are subject to change based on reserve updates, the timing of land expiries, depreciation of certain workover projects, and changes in production by area.

The YTD 2012 D&D impairment charges were related to impairments in the North Gas cash generating unit ("CGU"), the North Oil CGU and the South Gas CGU at the end of Q2 2012, which was caused, at the time, by a weak natural gas pricing environment while declines in forecasted oil prices revised the longer term price outlook downward.

The components of D&D were as follows:

Depletion, depreciation and impairments	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
(000s)					
Depletion & depreciation	**$ 21,378**	$ 16,424	$ 20,076	**$ 55,506**	$ 51,519
Impairment (net of reversals)	**-**	-	-	**-**	80,306
Total	**$ 21,378**	$ 16,424	$ 20,076	**$ 55,506**	$ 131,825
($/boe)					
Depletion & depreciation	**$ 14.13**	$ 14.08	$ 13.48	**$ 13.56**	$ 13.76
Impairment (net of reversals)	**-**	-	-	**-**	21.45
Total	**$ 14.13**	$ 14.08	$ 13.48	**$ 13.56**	$ 35.21

Environmental Liabilities & Insurance Receivable

On May 19, 2012, Pace was made aware of a breach in an above-ground section of wellhead piping that resulted in a temporary release of an estimated 800 cubic meters of oil. The release occurred as a result of a hole caused by internal pit corrosion that was accelerated through stray electrical currents in the surrounding area. Containment and recovery operations began within hours of notification. Following mechanical recovery operations to remove the leaked oil, management worked with Alberta Environment and Sustainable Resources Development (AESRD) to conduct two planned and controlled burns of remaining oil. Spyglass is continuing its surface and ground water sampling, and wildlife monitoring systems and continues to work with AESRD to further refine a site remediation plan. The majority of the site is being bio-remediated and naturally attenuated and an excavation contingency plan for the area surrounding the well head is being developed if the need arises.

The estimated cost of the site clean-up and remediation is $25.0 million. This incident falls within the Company's insurance coverage and $16.9 million of insurance proceeds were received to September 30, 2013, with a further $1.7 million received subsequent to quarter end. Spyglass has paid $21.2 million of clean-up and remediation costs as of September 30, 2013 with a further $0.8 million recorded in accrued liabilities for work performed to September 30, 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 September 30, 2013. Spyglass has evaluated the credit worthiness of its insurance providers and has concluded it to be adequate.

Other Income

Q3 2013 cash other income of $1.2 million consists primarily of a seismic data sale completed in the quarter. Q3 2013 non-cash other income includes $1.9 million in gains on disposition of non-core producing properties. YTD 2013 other income includes $81.9 million in gains recognized as a result of the fair value of assets acquired under the Arrangement exceeding the consideration paid.

Other Income	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
(000s)					
Cash other income	**$ 1,227**	$ (87)	$ 157	**$ 1,447**	$ 115
Non-cash other income	**1,850**	-	-	**83,716**	-
Total	**$ 3,077**	$ (87)	$ 157	**$ 85,163**	$ 115
($/boe)					
Cash other income	**$ 0.81**	$ (0.07)	$ 0.11	**$ 0.35**	$ 0.03
Non-cash other income	**1.22**	-	-	**20.45**	-
Total	**$ 2.03**	$ (0.07)	$ 0.11	**$ 20.80**	$ 0.03

Deferred Taxes

Spyglass recorded a deferred tax recovery of $1.8 million in Q3 2013 compared to a recovery of $1.5 million in Q3 2012 and a recovery of $0.2 million in Q2 2013. The difference between the Q3 2013 expected rate of 25.0% and the effective rate relates primarily to permanent differences as well as deductions for the spending associated with decommissioning expenditures.

During Q4 2010, Canada Revenue Agency ("CRA") issued reassessments against predecessors 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 as management believes that there is a reasonable likelihood that the Notices of Objection will be successful in whole or in part. 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 in status as of the date of this MD&A.

Funds from Operations and Net Income (Loss)

For Q3 2013, funds from operations totalled $21.5 million and $0.17 per basic and diluted share compared to $14.0 million and $0.23 per basic and diluted share in Q3 2012 and $20.6 million and $0.16 per basic and diluted share in Q2 2013. Funds from operations increased in Q3 2013 from Q3 2012 reflecting an increase in production volumes accompanied by an improvement in the per boe cash flow netback.

For Q3 2013, the Company had a net loss of $1.4 million compared to a net loss of $4.9 million in Q3 2012 and net income of $0.2 million in Q2 2013. The per share basic and diluted loss was $0.01 compared to net loss of $0.08 and net income of $nil per basic and diluted share in Q3 2012 and Q2 2013 respectively.

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

($/boe)	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Sales price	**$ 53.45**	$ 42.31	$ 51.32	**$ 50.60**	$ 43.50
Royalties	**(11.47)**	(8.69)	(10.14)	**(10.49)**	(9.97)
Operating expenses	**(17.86)**	(14.99)	(18.17)	**(19.09)**	(15.51)
Transportation expenses	**(2.03)**	(2.08)	(2.20)	**(2.17)**	(2.10)
Operating netback	**$ 22.09**	$ 16.55	$ 20.81	**$ 18.85**	$ 15.92
Cash other income (expense)	**0.81**	(0.07)	0.11	**0.35**	0.03
Realized gain (loss) on financial derivative instruments	**(3.50)**	1.17	(0.98)	**(1.68)**	1.42
Cash G&A	**(2.77)**	(3.81)	(3.94)	**(3.21)**	(3.72)
Interest	**(2.39)**	(1.83)	(2.18)	**(2.30)**	(1.59)
Cash flow netback	**$ 14.24**	$ 12.01	$ 13.82	**$ 12.01**	$ 12.06
Unrealized gain (loss) on financial derivative instruments	**(2.07)**	(2.36)	0.68	**(1.76)**	0.80
Non-cash other income (expense)	**1.22**	-	-	**20.45**	-
Depletion, depreciation and impairment	**(14.13)**	(14.08)	(13.48)	**(13.56)**	(35.21)
Accretion	**(0.99)**	(0.72)	(1.00)	**(0.93)**	(0.66)
Transaction costs	**-**	-	-	**(3.29)**	-
Long-term incentive compensation	**(0.38)**	(0.26)	-	**(0.32)**	(0.46)
Deferred taxes	**1.18**	1.25	0.16	**2.10**	5.71
Net income (loss)	**$ (0.93)**	$ (4.16)	$ 0.18	**$ 14.70**	$ (17.76)

The following table provides reconciliations to the change in funds from operations and net income for Q3 2013 to Q3 2012 and for Q3 2013 to Q2 2013.

Change in Funds from Operations and Net Income (loss) (000s)	**Q3 2013 to Q3 2012**		**Q3 2013 to Q2 2013**	
	Funds from Operations	Net Income	**Funds from Operations**	Net Income
Comparative period	**$ 14,006**	$ (4,859)	**$ 20,558**	$ 246
Increase (decrease) in revenue:				
Change in production volumes	**14,653**	14,653	**1,230**	1,230
Change in prices	**16,840**	16,840	**3,224**	3,224
Change in royalties	**(7,214)**	(7,214)	**(2,257)**	(2,257)
(Increase) decrease in expenses:				
Operating	**(9,521)**	(9,521)	**36**	36
Transportation	**(643)**	(643)	**208**	208
Finance charges	**(1,483)**	(2,134)	**(369)**	(372)
Cash general and administration	**263**	263	**1,685**	1,685
Long-term incentive compensation	**-**	(265)	**-**	(570)
Depletion, depreciation and impairment	**-**	(4,954)	**-**	(1,302)
Deferred tax	**-**	318	**-**	1,537
Transaction costs	**-**	-	**-**	-
Increase (decrease) in:				
Other income	**1,314**	3,164	**1,070**	2,920
Gains (losses) on financial derivative instruments	**(6,668)**	(7,050)	**(3,838)**	(7,987)
Current period	**$ 21,547**	$ (1,402)	**$ 21,547**	$ (1,402)

Capital Expenditures, Acquisitions and Dispositions and Assets Held for Sale

Capital expenditures in Q3 2013 totalled $24.6 million with $19.2 million spent on drilling, completion and optimization activities, $2.9 million on facilities, pipelines, equipping and tie-ins, and $2.5 million on land, seismic and office costs, including capitalized G&A.

In the South core area, the Company spent $10.9 million, with $3.5 million spent drilling 4 gross (2.7 net) wells in the Matziwin and Enchant areas and on concluding drilling operations commenced in June on 3 gross (3.0 net) wells in Matziwin. Completion costs totalled $5.1 million and $0.6 million was spent on the equipping and tie-in of these wells with an additional $1.7 million spent on other optimization work.

In the Central core area, the Company spent $9.6 million. $3.2 million was spent on drilling, $4.3 million on completion and $0.4 million on the equipping and tie-in of 5 gross (5.0 net) wells. An additional $0.9 million was spent on the construction of facilities and $0.8 million was spent on optimization projects.

In the North core area, $2.4 million was spent on various workovers and recompletions to enhance recoverability and maintain base production.

Office and other spend of $1.6 million in the quarter included $1.2 million of capitalized G&A and $0.4 million of office related capital and minor projects.

YTD 2013 capital expenditures totalled $44.7 million with $30.3 million spent on drilling, completion and optimization activities and $7.6 million on facilities, pipelines, equipping and tie-ins. Spyglass focused on its oil opportunities and drilled 12 gross (10.7 net) oil wells in 2013. In addition, YTD 2013 capital expenditure includes $4.4 million of capitalized G&A and office related expenditures, $1.7 million of purchased seismic, and $0.7 million on land.

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.

In Q3 2013, the Company disposed of certain non-core producing properties in the province of Saskatchewan for proceeds of $10.2 million, net of adjustments. The transactions resulted in a gain of $1.9 million which was recognized in the Consolidated Statement of Income (Loss).

At September 30, 2013, non-core producing properties with a net book value of $5.4 million were classified as held for sale for accounting purposes. These properties were subsequently sold in October 2013 for proceeds of $8.0 million prior to adjustments.

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

Capital Expenditures (000s)	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
North	**2,404**	5,135	2,088	**9,947**	34,200
Central	**9,647**	-	371	**10,018**	-
South	**10,915**	5,987	4,027	**20,206**	28,901
Office and other	**1,593**	1,787	1,798	**4,492**	5,192
Total before Acquisitions and Dispositions	**24,559**	12,909	8,284	**44,663**	68,293

Capital Expenditures (000s)	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Land	**$ 403**	$ 1,056	$ 183	**$ 695**	$ 2,746
Geological and geophysical	**456**	472	69	**1,700**	818
Drilling and completions	**19,226**	6,365	4,726	**30,276**	43,401
Facilities and equipment	**2,883**	3,311	1,575	**7,617**	16,184
Office and capitalized G&A	**1,591**	1,705	1,731	**4,375**	5,144
Capital Expenditures	**$ 24,559**	$ 12,909	$ 8,284	**$ 44,663**	$ 68,293
Acquisitions	**-**	-	-	**282,093**	-
Dispositions	**(10,199)**	-	-	**(10,199)**	-
Total capital expenditures and acquisitions net of dispositions	**$ 14,360**	$ 12,909	$ 8,284	**$ 316,557**	$ 68,293
Exploration and evaluation expenditures	**$ 873**	$ 1,676	$ 303	**$ 50,049**	$ 17,412
Property, plant and equipment expenditures	**13,487**	11,233	7,981	**266,508**	50,881
Total capital expenditures and acquisitions net of dispositions	**$ 14,360**	$ 12,909	$ 8,284	**$ 316,557**	$ 68,293

Spyglass has approximately 620,000 net acres of undeveloped land under lease at September 30, 2013.

Equity

On March 28, 2013, pursuant to the Arrangement, 46,916,422 pre-subdivided Spyglass shares were subdivided on a basis of 1.3 to one to total 60,991,388 shares. Further, 12,117,821 shares were issued in exchange for all outstanding Charger shares and 54,967,543 shares were issued in exchange for all outstanding AvenEx shares. Outstanding shares subsequent to the Arrangement totaled 128,076,752 Spyglass shares and to date, no further shares have been issued.

In Q1 2013, a total of 4,501 options were in the money, and exercised on a cashless basis for 159 shares and 340,211 options expired or were forfeited. The remaining 3,873,206 outstanding options were extinguished at $0.001 per option upon closing of the Arrangement. The Company now has no dilutive instruments outstanding.

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

Share Information	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Shares Outstanding					
Basic	**128,076,752**	60,991,190	128,076,752	**128,076,752**	60,991,190
Diluted	**128,076,752**	65,266,958	128,076,752	**128,076,752**	65,266,958
Weighted average shares outstanding					
Basic	**128,076,752**	60,999,715	128,076,752	**106,697,849**	61,212,078
Diluted	**128,076,752**	60,999,715	128,076,752	**106,697,849**	61,212,078

Dividends Declared and Payout Ratio

In April 2013, the Company initiated a monthly dividend of $0.0225 per share. During Q3 2013, the Company declared dividends of $8.6 million or $0.0675 per share. The Q3 basic payout ratio, calculated as dividends declared over funds from operations, was 40% while the all-in payout ratio, calculated using dividends declared and capital expenditures (net of property dispositions) over funds from operations, was 107%. The Q3 2013 all-in payout ratio of 107% reflects a higher level of capital activity in the quarter as the Company completed the majority of its 2013 drilling program in the quarter. The planned capital program for Q4 2013 of approximately $15 million, net of expected property dispositions results in a forecast all-in payout ratio of approximately 100% for 2013.

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

2013 Dividends	**Declaration Date**	**Record Date**	**Payment Date**	**Amount Per Common Share**
April	April 9, 2013	April 26, 2013	May 15, 2013	$ 0.0225
May	May 13, 2013	May 27, 2013	June 17, 2013	0.0225
June	June 17, 2013	June 27, 2013	July 15, 2013	0.0225
July	July 9, 2013	July 26, 2013	August 15, 2013	0.0225
August	August 12, 2013	August 27, 2013	September 16, 2013	0.0225
September	September 13, 2013	September 27, 2013	October 15, 2013	0.0225

On October 13, 2013, the Company declared the October 2013 dividend of $0.0225 per share, payable on November 15, 2013 to shareholders of record on October 27, 2013.

Liquidity and Capital Resources

Spyglass is listed as a senior issuer on the Toronto Stock Exchange trading under the symbol "SGL" and trades in the over the counter market in the United States under the symbol "SGLRF". The following is a summary of the trading history for Q3 2013, Q3 2012, Q2 2013 and YTD 2013 and YTD 2012.

Trading History on the TSX	**Q3 2013**	Q3 2012	Q2 2013	**YTD 2013**	YTD 2012
Trading price					
High	**$ 2.01**	$ 2.58	$ 2.60	**$ 2.71**	$ 4.85
Low	**$ 1.53**	$ 2.07	$ 1.75	**$ 1.53**	$ 1.58
Close	**$ 1.66**	$ 2.18	$ 1.90	**$ 1.66**	$ 2.18
Volume (000's) [1]	**23,514**	4,578	20,600	**51,039**	19,646

[1] Trading volumes for Q2 2012, Q1 2013 and YTD 2012 are stated in pre-subdivided amounts.

On the over the counter market, 13.2 million shares were traded YTD in 2013 compared to 6.2 million pre-subdivided shares YTD in 2012.

Spyglass has a $400 million revolving term credit facility with a syndicate of banks which was renewed on May 22, 2013. The facility is available on a revolving basis until April 29, 2014. The available level of credit is subject to semi-annual review and may be adjusted for changes in reserves, commodity prices and other factors. At September 30, 2013, $277.0 million was drawn on the facility and the Company had a working capital deficit of $15.0 million (excluding current portion of financial derivative instruments and liabilities associated with assets held for sale) for net debt of $292.0 million. At September 30, 2013, there were $0.8 million of letters of credit outstanding.

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

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

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	**$ 300,870**	$ 13,020	$ 287,850	$ -	$ -
Firm transportation charges	**4,838**	2,726	1,705	352	55
Operating leases	**29,915**	2,728	6,908	6,993	13,286
Total Contractual Obligations	**$ 335,623**	$ 18,474	$ 296,463	$ 7,345	$ 13,341

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

The Company estimates it will incur costs of approximately $382.8 million on an undiscounted basis to settle its decommissioning liabilities to abandon and reclaim petroleum and natural gas assets including well sites, gathering systems and processing facilities. The present value of these expected costs is $83.7 million and has been recorded on the Company's balance sheet as at September 30, 2013. These costs will be incurred over the operating lives of the assets with the majority being at or after the end of production. The Company may enter into farm-in agreements where it commits to capital expenditures to earn and retain lands. These are considered routine in nature and form part of the normal course of operations for active oil and gas companies and are not included in the table above.

The Company is currently undergoing tax reviews related to issuance of flow through shares and has accrued a provision for reassessments which it is currently reviewing.

Financial Instruments

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

Spyglass' investment at September 30, 2013 is in common shares of a private oil and gas related business and has been recorded at its estimated fair value.

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

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by Spyglass is accumulated and communicated to management as appropriate to allow timely disclosures. 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 is made known to them by Spyglass employees.

Internal Control over Financial Reporting ("ICFR")

Spyglass' Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance on the reliability of Spyglass' financial reporting and preparation of financial statements for external purposes in accordance with GAAP. The control framework to design Spyglass' ICFR is the Internal Control-Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. As at September 30, 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 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

Application of Critical Accounting Estimates

The significant accounting policies used by Spyglass are disclosed in the Company's year-end audited consolidated financial statements for the years ended December 31, 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)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Petroleum and natural gas sales	**$ 80,859**	$ 76,405	$ 49,841	$ 49,475	$ 49,366	$ 50,162	$ 63,350	$ 69,317
Cash flow from (used in) operations	**14,046**	1,329	(3,174)	28,861	1,689	7,035	26,453	19,618
Funds from operations	**21,547**	20,558	7,053	13,631	14,006	16,485	14,727	26,159
Per share- Basic	**0.17**	0.16	0.11	0.22	0.23	0.27	0.24	0.43
Per share- Diluted	**0.17**	0.16	0.11	0.22	0.23	0.27	0.24	0.43
Net income (loss)	**$ (1,402)**	$ 246	$ 61,353	$ (86,565)	$ (4,859)	$ (56,581)	$ (4,986)	$ 454
Per share- Basic	**(0.01)**	0.00	0.97	(1.42)	(0.08)	(0.92)	(0.08)	0.01
Per share- Diluted	**(0.01)**	0.00	0.97	(1.42)	(0.08)	(0.92)	(0.08)	0.01
Capital expenditures	**$ 24,559**	$ 8,284	$ 11,820	$ 14,924	$ 12,909	$ 13,688	$ 41,696	$ 44,129
Corporate acquisitions	**-**	-	150,271	-	-	-	-	-
Dispositions	**(10,199)**	-	-	-	-	-	-	23
Total capital expenditures and aquistisions net of dispostions	**14,360**	8,284	162,091	14,924	12,909	13,688	41,696	44,152
Long term debt	**277,000**	280,400	271,700	199,810	214,879	200,611	168,020	150,745
Net debt	**291,997**	296,853	300,253	215,817	210,348	210,765	212,873	186,129
Total assets	**921,752**	930,843	944,625	581,521	691,162	697,290	755,655	738,530
Dividends Declared	**8,645**	8,644	-	-	-	-	-	-
Per share- Basic	**0.0675**	0.0675	-	-	-	-	-	-
Basic Payout Ratio	**40%**	42%	-	-	-	-	-	-
All-in Payout Ratio	**107%**	82%	0%	0%	0%	0%	0%	0%
Shares outstanding (000s)								
Basic	**128,077**	128,077	128,077	60,991	60,991	61,046	61,364	61,364
Diluted	**128,077**	128,077	128,077	65,209	65,267	65,725	65,962	66,360
Operations								
Average daily production								
Oil (bbls/d)	**7,473**	7,434	5,876	5,657	5,731	6,015	6,804	6,627
NGLs (bbls/d)	**383**	490	279	285	265	360	388	338
Natural gas (Mcf/d)	**51,533**	50,626	35,840	35,804	40,109	44,340	44,190	43,442
Combined (boe/d)	**16,445**	16,362	12,128	11,909	12,681	13,765	14,557	14,205
Operating netback ($/boe)	**$ 22.09**	$ 20.81	$ 11.67	$ 16.01	$ 16.55	$ 14.13	$ 17.09	$ 24.18

Spyglass spent $172.0 million over the previous eight trailing quarters in capital expenditures with 19 (16.8 net) wells drilled in 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. YTD 2013, the Company has drilled 12 gross (10.7 net) wells.

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

Additional Information

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

Q3 2013 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

As at

(Thousands of Canadian dollars) (unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 35
Accounts receivable	48,309	31,324
Prepaid expenses and deposits	1,640	2,323
Financial derivative instruments (note 10)	2,111	911
Assets held for sale (note 4)	7,233	-
	59,293	34,593
Investment (note 10)	326	326
Financial derivative instruments (note 10)	266	80
Exploration and evaluation assets (note 5)	68,941	30,775
Property, plant and equipment (note 6)	712,598	496,154
Deferred tax assets	80,328	19,593
	$ 921,752	$ 581,521
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 66,049	$ 45,489
Dividends payable (note 9)	2,882	-
Other liabilities (note 11)	3,248	4,200
Financial derivative instruments (note 10)	10,303	-
Liabilities associated with assets held for sale (note 4)	1,822	-
	84,304	49,689
Long-term debt (note 7)	277,000	199,810
Long-term compensation liability (note 9)	443	-
Financial derivative instruments (note 10)	534	-
Decommissioning liabilities (note 8)	83,666	49,541
Shareholders' equity:		
Share capital (note 1 & 9)	494,292	430,037
Contributed surplus (note 1)	-	12,646
Accumulated other comprehensive income (loss) (note 1)	-	(730)
Deficit (note 1)	(18,487)	(159,472)
	475,805	282,481
	$ 921,752	$ 581,521

See accompanying notes to the interim consolidated financial statements.

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

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

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Petroleum and natural gas sales	**$ 80,859**	$ 49,366	**$ 207,105**	$ 162,878
Royalties	**(17,354)**	(10,140)	**(42,952)**	(37,318)
Revenues	**63,505**	39,226	**164,153**	125,560
Gain on business combinations and other income (note 3 & 4)	**3,077**	(87)	**85,163**	115
Gain (loss) on financial derivative instruments (note 10)	**(8,437)**	(1,387)	**(14,082)**	8,315
Expenses				
Operating	**27,012**	17,491	**78,135**	58,054
Transportation	**3,069**	2,426	**8,863**	7,868
Finance	**5,113**	2,979	**13,217**	8,422
Depletion, depreciation and impairments (note 5 & 6)	**21,378**	16,424	**55,506**	131,825
General and administration	**4,755**	4,753	**14,448**	15,641
Transaction costs (note 3)	**-**	-	**13,451**	-
	61,327	44,073	**183,620**	221,810
Income (loss) before taxes	**(3,182)**	(6,321)	**51,614**	(87,820)
Deferred taxes (recovery)	**(1,780)**	(1,462)	**(8,583)**	(21,394)
Net income (loss) and comprehensive income (loss)	**$ (1,402)**	$ (4,859)	**$ 60,197**	$ (66,426)
Income (loss) per share: (note 9)				
Basic and Diluted	**$ (0.01)**	$ (0.08)	**$ 0.56**	$ (1.09)

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

Nine months ended September 30

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

	Number of Common Shares		Share Capital		Contributed Surplus		Accu-mulated Other Compre-hensive Income (loss)		Deficit		Total Equity
Balance, December 31, 2011	**61,363,549**	**$**	**432,668**	**$**	**8,982**	**$**	**(730)**	**$**	**(6,481)**	**$**	**434,439**
Normal course issuer bid	(372,320)		(2,631)		1,738		-		-		(893)
Long-term incentive	-		-		1,418		-		-		1,418
Net income (loss) during the period	-		-		-		-		(66,426)		(66,426)
Balance, September 30, 2012	**60,991,229**	**$**	**430,037**	**$**	**12,138**	**$**	**(730)**	**$**	**(72,907)**	**$**	**368,538**
Normal course issuer bid	-		-		-		-		-		-
Stock based compensation	-		-		508		-		-		508
Net income (loss) during the period	-		-		-		-		(86,565)		(86,565)
Balance, December 31, 2012	**60,991,229**	**$**	**430,037**	**$**	**12,646**	**$**	**(730)**	**$**	**(159,472)**	**$**	**282,481**
Issued per business combination	67,085,364		150,271		-		-		-		150,271
Issued on exercise of options	159		4		(4)		-		-		-
Stock based compensation	-		-		145		-		-		145
Net income (loss) and comprehensive income (loss) during the period	-		-		-		-		60,197		60,197
Dividends declared									(17,289)		(17,289)
Reduction of stated capital (note 1)	-		(86,020)		(12,787)		730		98,077		-
Balance, September 30, 2013	**128,076,752**	**$**	**494,292**	**$**	**-**	**$**	**-**	**$**	**(18,487)**	**$**	**475,805**

(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

(Thousands of Canadian dollars) (unaudited)

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Cash provided by (used in)				
Operations				
Net income (loss)	**$ (1,402)**	$ (4,859)	**$ 60,197**	$ (66,426)
Items not involving cash:				
Depletion and depreciation (notes 5 & 6)	**21,378**	16,424	**55,506**	131,825
Accretion of decommissioning liabilities (note 8)	**1,493**	842	**3,820**	2,484
Non cash long-term incentive (note 9)	**570**	305	**1,294**	1,726
Gain on business combinations (note 3)	**-**	-	**(81,866)**	-
Gain on property dispositions (note 4)	**(1,850)**	-	**(1,850)**	-
Unrealized (gain) loss on financial derivative instruments (note 10)	**3,138**	2,756	**7,189**	(2,997)
Deferred taxes (recovery)	**(1,780)**	(1,462)	**(8,583)**	(21,394)
Decommissioning expenditures (note 8)	**(497)**	(325)	**(2,549)**	(378)
Change in non-cash working capital (note 12)	**(7,004)**	(11,992)	**(20,957)**	(9,663)
Cash flow from operating activities	**14,046**	1,689	**12,201**	35,177
Financing				
Increase in long-term debt	**(3,400)**	14,268	**14,540**	64,134
Dividends declared	**(8,645)**	-	**(17,289)**	-
Purchases of common shares under normal course issuer bid	**-**	(119)	**-**	(893)
Change in non-cash working capital (note 12)	**-**	120	**2,882**	(7)
Cash flow from (used in) financing activities	**(12,045)**	14,269	**133**	63,234
Investing				
Capital expenditures	**(24,559)**	(12,909)	**(44,663)**	(68,293)
Cash acquired on business combination (note 3)	**-**	-	**11,890**	-
Property dispositions (note 4)	**10,199**	-	**10,199**	-
Change in non-cash working capital (note 12)	**12,359**	(3,072)	**10,205**	(30,122)
Cash flow used in investing activities	**(2,001)**	(15,981)	**(12,369)**	(98,415)
Changes in cash	**-**	(23)	**(35)**	(4)
Cash beginning of period	**-**	42	**35**	23
Cash end of period	**$ -**	**$** 19	$ **-**	$ 19

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

Notes to the interim consolidated Financial Statements

For the three and nine months ended September 30, 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 September 30, 2013 reflects the operations of Spyglass from March 28, 2013 to September 30, 2013.

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 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 nine months ended September 30, 2013 would have been approximately $228.0 million and $84.2 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 nine months ended September 30, 2013 includes approximately $42.2 million and $30.3 million respectively, attributable to the acquirees from March 28, 2013 to September 30, 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 were backstopped and indemnified by the purchaser until they were formally assumed. Management 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. Assets sold and held for sale

(a) Assets sold

In Q3 2013 Spyglass disposed of certain non-core producing properties and surrounding undeveloped land in the province of Saskatchewan. The assets sold had a net carrying value of $8.3 million for proceeds of $10.2 million. The transactions resulted in a gain of $1.9 million which was recognized as other income in the Consolidated Statement of Income (Loss).

(b) Assets held for sale

The following assets and liabilities were classified as held for sale as at September 30, 2013:

Assets held for sale		**September 30, 2013**
Property, plant and equipment	$	7,233
Liabilities associated with assets held for sale		
Decommissioning liabilities	$	1,822

In October 2013, the Company completed the sale of these assets for cash proceeds of $8.0 million prior to adjustments.

5. Exploration and evaluation assets

		September 30, 2013		December 31, 2012
Balance, beginning of period	$	**30,775**	$	87,562
Additions		**2,576**		16,751
Capitalized long-term incentive		**11**		91
Acquisitions (note 3)		**47,473**		-
Dispositions		**(1,113)**		-
Decommissioning provision		**-**		132
Transfers to property, plant and equipment		**(7,450)**		(2,343)
Expiries		**(3,331)**		(4,213)
Impairment		**-**		(67,205)
Balance, end of period	**$**	**68,941**		30,775

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 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.

6. 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, net of reversals		-		(123,011)		
Balance, December 31, 2012	**$**	867,580	$	(371,426)	$	496,154
Additions		**42,087**		**-**		
Capitalized long-term incentive		**221**		**-**		
Acquisitions (note 3)		**234,620**		**-**		
Disposals		**(9,752)**		**411**		
Transfers from exploration and evaluation assets		**7,450**		**-**		
Transfers to assets held for sale		**(7,689)**		**456**		
Decommissioning provision		**815**		**-**		
Depletion and depreciation		**-**		**(52,175)**		
Balance, September 30, 2013	**$**	**1,135,332**	**$**	**(422,734)**	**$**	**712,598**

Future development costs of the Company's proved plus probable reserves of $328.4 million (December 31, 2012 – $144.1 million) were included in the depletion calculation.

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.

7. 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, which was subsequently renewed and amended on May 22, 2013. The facility is available on a revolving basis until April 29, 2014. On April 29, 2014 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 September 30, 2013, $277.0 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 $0.8 million in letters of credit outstanding at September 30, 2013.

8. 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 $373.5 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 September 30, 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 September 30, 2013 and December 31, 2012.

A reconciliation of the decommissioning liability is provided below:

	September 30, 2013	December 31, 2012
Balance, beginning of period	**$ 49,541**	$ 46,484
Acquired (note 3)	**35,966**	-
Change in estimate	**389**	494
Liabilities incurred	**426**	500
Liabilities settled	**(2,549)**	(1,264)
Liabilities transferred on sale of assets	**(2,105)**	-
Transferred to liabilities associated with assets held for sale	**(1,822)**	-
Accretion expense	**3,820**	3,327
Balance, end of period	**$ 83,666**	$ 49,541

9. Share Capital

(a) Authorized:

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

(b) Issued and outstanding:

	Number of Shares [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, September 30, 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)

(c) Dividends:

In April 2013, the Company initiated a monthly dividend of $0.0225 per share. Dividends declared during the nine months ended September 30, 2013 totaled $17.3 million (nine months ended September 30, 2012 – nil) in accordance with the table provided below:

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

On October 13, 2013, Spyglass declared the October dividend of $0.0225 per share payable on November 15, 2013 to shareholders of record on October 27, 2013.

(d) 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 September 30,				Nine months ended September 30,			
		2013		2012		**2013**		2012
Net income (loss) for the period	**$**	**(1,402)**	$	(4,859)	**$**	**60,197**	$	(66,426)
Weighted average number of common shares - basic & diluted		**128,076,752**		60,999,715		**106,697,849**		61,212,078
Basic & Diluted net income (loss) per share	**$**	**(0.01)**	$	(0.08)	**$**	**0.56**	$	(1.09)

As of September 30, 2013 the Company has no dilutive instruments outstanding. For the three and nine months ended September 30, 2012 3,289,052 options were anti-dilutive.

(e) Long-term incentive plans

In Q2 2013, the Company implemented a new long-term incentive plan for employees and management which includes a blend of two types of share based awards depending on roles and responsibilities within the organization: restricted share units ("RSUs") and performance share units ("PSUs"). RSUs vest evenly over a three year period. PSUs vest three years from the date of grants and the awards granted are subject to a performance multiplier ranging from 0 to 2. The Company also grants director restricted share units ("DRSU") to non-management directors of the organization. DRSUs vest three years from the date of grant. RSUs, PSUs and DRSUs are to be settled in cash, based on the share price at the time of vesting. The number of share equivalent units at the time of vesting increases commensurately with each dividend declared by the Company after the grant date.

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

	Number of RSUs	Number of PSUs	Number of DRSUs
Balance, December 31, 2012	-	-	-
Granted	1,613,929	1,043,398	157,702
Reinvested through notional dividends	87,333	58,569	8,151
Forfeited	(61,659)	-	-
Settled	(1,064)	-	-
Balance, September 30, 2013	**1,638,539**	**1,101,967**	**165,853**

(f) Long-term incentive plans prior to the Arrangement

The Company's previous long-term incentive plan for employees and management included 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 vested evenly over a three year period. PSA vested three years from the date of grant and the number of awards granted was 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 previously had granted deferred share awards ("DSAs") to non-management directors of the organization. DSAs vested immediately but were not settled until the Board member ceased 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, September 30, 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 in Q2 2013 to settle the RSAs, PSAs and DSAs.

The Company's previous stock option plan allowed common shares to be granted under option to employees, directors and other persons who provided ongoing management or consulting services to the Company. Stock options were granted for a term of three years and vested one third every nine months. The exercise price of each option equaled the market price of the Company's common shares on the date of the grant. The stock option plan was replaced in Q2 2013 with the new LTIP plan.

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, September 30, 2013	**-**	**$**	**-**
Exercisable at September 30, 2013	**-**	**$**	**-**

(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.

(g) Long-term incentive plan expense

The Company accounts for its LTIP using the fair value method, which includes revaluing to market value at the end of each period. Under this method, a compensation expense is charged over the vesting period. During the three and nine months ended September 30, 2013, the Company expensed $0.4 million and $1.3 million of LTIP compensation respectively (three and nine months ended September 30, 2012 - $0.3 million and $1.7 respectively).

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

10. Financial instruments

Financial instruments comprise cash and cash equivalents, accounts receivable, financial derivative instruments, investments, accounts payable and accrued liabilities, dividends payable, long-term compensation liability 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, accounts payable and accrued liabilities and dividends payable 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 long term compensation liability is recorded at fair value at each reporting period based on quoted market prices of the underlying shares and is a level 1 financial instrument.

The Company's 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 September 30, 2013 and December 31, 2012:

September 30, 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	-	-	48,309	-	**48,309**
Derivatives - Interest Rate Swap	48	-	-	-	**48**
Derivatives - Commodity contracts	2,329	-	-	-	**2,329**
Investment	-	326	-	-	**326**
	$ 2,377	**$ 326**	**$ 48,309**	**$ -**	**$ 51,012**
Liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 66,049	**$ 66,049**
Dividends payable	-	-	-	2,882	**2,882**
Derivatives - Commodity contracts	10,837	-	-	-	**10,837**
Long-term compensation liability	-	-	-	443	**443**
Long-term debt	-	-	-	277,000	**277,000**
	$ **10,837**	**$ -**	**$ -**	**$ 346,374**	**$ 357,211**

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	-	-	-	156
Derivatives - Commodity contracts	835	-	-	-	835
Investment	-	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
	$ -	$ -	$ -	$ 245,299	$ 245,299

The following table summarizes the financial derivatives Spyglass has outstanding as at September 30, 2013 and December 31, 2012 and their estimated fair value:

Commodity risk management contracts					**Fair Value as at**	
Instrument	Period	Price	Reference	Quantity	**September 30, 2013**	December 31, 2012
Crude Oil Contracts						
Swap	Jan 1, 2013 - Dec 31, 2013	$97.00	CDN$ WTI	500 bbl/d	**(356)**	680
Swap	Feb 1, 2013 - Dec 31, 2013	$92.97	CDN$ WTI	1,000 bbl/d	**(1,081)**	-
Swap	Feb 1, 2013 - Dec 31, 2013	$93.49	CDN$ WTI	1,000 bbl/d	**(1,034)**	-
Swap	Apr 1, 2013 - Dec 31, 2013	$97.15	CDN$ WTI	250 bbl/d	**(175)**	-
Swap	Jun 1, 2013 - Dec 31, 2013	$91.89	CDN$ WTI	1,000 bbl/d	**(1,181)**	-
Swap	Aug 1, 2013 - Dec 31, 2013	$105.00	CDN$ WTI	500 bbl/d	**12**	-
Swap	Aug 1, 2013 - Jul 31, 2014	$96.12	CDN$ WTI	250 bbl/d	**(430)**	-
Swap	Jan 1, 2014 - Mar 31, 2014	$96.23	CDN$ WTI	500 bbl/d	**(265)**	-
Swap	Jan 1, 2014 - Mar 31, 2014	$93.65	CDN$ WTI	1,700 bbl/d	**(1,292)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$92.20	CDN$ WTI	1,000 bbl/d	**(2,414)**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$93.25	CDN$ WTI	500 bbl/d	**(1,018)**	-
Swap	Apr 1, 2014 - Jun 30, 2014	$95.27	CDN$ WTI	1,000 bbl/d	**(398)**	-
Swap	Apr 1, 2014 - Dec 31, 2014	$98.13	CDN$ WTI	600 bbl/d	**50**	-
Swap	Apr 1, 2014 - Dec 31, 2014	$96.90	CDN$ WTI	600 bbl/d	**(148)**	-
Swap	Jul 1, 2014 - Sep 30, 2014	$94.43	CDN$ WTI	500 bbl/d	**(148)**	-
Swap	Oct 1, 2013 - Dec 31, 2014	$93.75	CDN$ WTI	250 bbl/d	**(53)**	-
Call	Jan 1, 2013 - Dec 31, 2013	$105.00	USD$ WTI	200 bbl/d	**(22)**	-
Call	Jan 1, 2013 - Dec 31, 2013	$105.00	CDN$ WTI	100 bbl/d	**3**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$72.50	USD$ WTI	200 bbl/d	**(551)**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$88.25	CDN$ WTI	100 bbl/d	**(152)**	-
Sold Call	Jan 1, 2013 - Dec 31, 2013	$120.00	USD$ WTI	250 bbl/d	**(1)**	-
Sold Call	Apr 1, 2013 - Dec 31, 2013	$120.00	USD$ WTI	200 bbl/d	**(1)**	-
					$ (10,655)	$ 680
Natural Gas Contracts						
Swap	Jan 1, 2013 - Dec 31, 2013	$3.0625	CDN$ GJ	5,000 GJ/d	**36**	138
Swap	Jan 1, 2013 - Dec 31, 2013	$3.00	CDN$ GJ	1,000 GJ/d	**(13)**	-
Swap	Jan 1, 2013 - Dec 31, 2013	$3.00	CDN$ GJ	1,000 GJ/d	**24**	-
Swap	May 1, 2013 - Dec 31, 2013	$3.44	CDN$ GJ	5,000 GJ/d	**209**	-
Swap	Jun 1, 2013 - Dec 31, 2013	$3.625	CDN$ GJ	4,500 GJ/d	**265**	-
Swap	Jul 1, 2013 - Dec 31, 2013	$3.645	CDN$ GJ	2,000 GJ/d	**121**	-
Swap	Nov 1, 2013 - Dec 31, 2013	$3.835	CDN$ GJ	3,000 GJ/d	**105**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.55	CDN$ GJ	1,500 GJ/d	**96**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.59	CDN$ GJ	5,000 GJ/d	**395**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.575	CDN$ GJ	6,250 GJ/d	**461**	-
Swap	Jan 1, 2014 - Dec 31, 2014	$3.555	CDN$ GJ	5,000 GJ/d	**333**	-
Collar	Jan 1, 2013 - Dec 31, 2013	$2.75 - $3.375	CDN$ GJ	5,000 GJ/d	**14**	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	**22**	-
Put	Jan 1, 2013 - Dec 31, 2013	$3.10	CDN$ GJ	1,650 GJ/d	**39**	-
Put	April 1, 2013 - Oct 31, 2013	$3.00	CDN$ GJ	3,000 GJ/d	**40**	-
					$ 2,147	$ 155
Total					**$ (8,508)**	$ 835

Interest rate risk management contract					**Fair Value as at**	
Instrument	Period	Notional Amount	Reference	Fixed Interest Rate	**September 30, 2013**	December 31, 2012
Swap	Jul 5, 2012 - Jul 4, 2014	$75,000,000	CAD-BA-CDOR	1.145%	**$ 48**	$ 156
Total					**$ 48**	$ 156

For the three months ended September 30, 2013, Spyglass recorded a realized loss of $5.3 million (three months ended September 30, 2012 – $1.4 million gain) and an unrealized loss of $3.1 million (three months ended September 30, 2012 – $2.8 million). For the nine months ended September 30, 2013, Spyglass recorded a realized loss of $6.9 million (nine months ended September 30, 2012 – $5.3 million gain) and an unrealized loss of $7.2 million (nine months ended September 30, 2012 – $3.0 million gain).

11. 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 $21.2 million of clean-up and remediation costs as of September 30, 2013 with a further $0.8 million recorded in accrued liabilities for work performed to September 30, 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 September 30, 2013. Spyglass has evaluated the credit worthiness of its insurance providers and has concluded it to be adequate.

12. Supplemental Information

(a) Cash flow information:

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Change in non-cash working capital:				
Accounts receivable	**$ 2,588**	$ 25	**$ (16,985)**	$ (13,898)
Prepaid expenses and deposits	**478**	395	**683**	362
Accounts payable and accrued liabilities	**2,711**	(9,314)	**20,560**	(33,296)
Dividends payable	**-**	-	**2,882**	-
Other liabilities	**-**	(5,814)	**(952)**	6,913
Non-cash portion of compensation liability	**(422)**	(236)	**(938)**	127
Working capital acquired on acquisition (note 3)	**-**	-	**(13,120)**	-
Change in working capital	**$ 5,355**	$ (14,944)	**$ (7,870)**	$ (39,792)
Relating to:				
Operating activities	**(7,004)**	(11,992)	**(20,957)**	(9,663)
Financing activities	**-**	120	**2,882**	(7)
Investing activities	**12,359**	(3,072)	**10,205**	(30,122)
Change in non-cash working capital	**$ 5,355**	$ (14,944)	**$ (7,870)**	$ (39,792)

(b) Cash interest paid:

The following represents the cash interest paid in each period:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Cash interest paid	**$ 4,038**	$ 2,340	**$ 10,533**	$ 5,983