



SOUTHERN PACIFIC
RESOURCE CORP.

Management's Discussion and Analysis for the

Nine Months Ended March 31, 2009

May 28, 2009

OVERVIEW

Southern Pacific Resource Corp. (“Southern” or the “Company” or the “Corporation”) is a junior company engaged in the development, exploration and production of oil sands in Western Canada.

The following Management’s Discussion and Analysis (“MD&A”) is prepared in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. It should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2009 and audited financial statements for the year ended June 30, 2008. This MD&A is dated at May 28, 2009. The financial statements and financial data contained in the MD&A have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) in Canadian currency.

References to “third quarter 2009” in this document refer to the current three month financial period ended March 31, 2009; references to “third quarter 2008” in this document refer to the comparative prior year three month financial period ended March 31, 2008.

Additional information relating to the Corporation including the Company’s Annual Information Form can also be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This report contains certain “forward-looking statements” within the meaning of such statements under applicable securities law. Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur.

Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the risks discussed in the Company’s Annual Information Form for the year ended June 30, 2008 which include without limitation, the inherent risks involved in a development stage oil sands mining and extraction enterprise.

The Company faces uncertainties, including those associated with resource definition, the timeline to production, the possibility of cost overruns or unanticipated costs and expenses, regulatory approvals, changes to royalty regimes, fluctuating commodity prices and currency exchange rates, and the ability to access sufficient capital from external sources to finance future development. As a consequence, actual results may differ, and may differ materially from those anticipated in the forward-looking statements. The reader is cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that such plans, intentions or expectations upon which they are based will occur. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of the MD&A and states no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

SUBSEQUENT EVENT AND PROPOSED TRANSACTIONS

On April 30, 2009, the Company acquired all of the outstanding common shares of Saxony Petroleum Inc. ("Saxony"). The Saxony acquisition was accounted for by the purchase method and the shares were acquired for an aggregate of \$2,380,000 by the issuance of 14,000,000 common shares of Southern at a deemed value of \$0.17 per share. The deemed value was determined based on a weighted average trading price price before and after the announcement date.

Saxony has approximately 145 boes/day (barrels of oil equivalent per day calculated on 6:1 conversion ratio) of conventional production which is approximately 75% natural gas weighted.

ACQUISITION OF ROCHESTER ENERGY

On March 4, 2009, the Company acquired all of the outstanding common shares of Rochester Energy Corp. ("Rochester"). The Rochester acquisition was accounted for by the purchase method and the shares were acquired for an aggregate of \$1,000,000 by the issuance of 9,998,805 common shares of Southern at a deemed value of \$0.10 per share. The deemed value was determined based on a weighted average trading price price before and after the announcement date. The purchase price was allocated to assets and liabilities as follows:

Allocation of Purchase Price

Petroleum and natural gas assets	\$ 8,130,909
Due from former officers	290,119
Working capital assumed including cash of \$33,972	(81,528)
Loan payable to Southern Pacific	(7,000,000)
Payable to Southern Pacific	(177,552)
Asset retirement obligation	(32,000)
	<u>\$ 1,129,948</u>

Calculation of Purchase Price

Fair value of shares issued	\$ 1,000,000
Transaction costs	104,948
Fair value of stock options, broker options and warrants	25,000
	<u>\$ 1,129,948</u>

The Company also issued the following convertible securities at a deemed value of \$25,000 as it assumed Rochester's convertible securities as part of the transaction:

Security Type Issued	Number	Exercise Price	Expiry Date
Stock options	93,908	\$3.79	April 3, 2009
Total stock options	93,908		
Broker options	29,147	\$3.79	July 17, 2009
Broker options	131,259	\$3.79	September 14, 2009
Broker options	65,629	\$5.06	September 14, 2009
Broker options	29,147	\$3.79	September 17, 2009
Total broker options	255,182		
Warrants	835,364	\$5.06	July 17, 2009
Warrants	481,993	\$2.02	October 29, 2009
Warrants	242,677	\$2.02	July 18, 2010
Warrants	128,505	\$2.02	September 26, 2010
Warrants	1,566,278	\$2.02	March 23, 2011
Warrants	189,347	\$1.01	March 13, 2012
Total warrants	3,444,164		

Rochester holds 50 sections of 100% working interest oil sands leases at Long Lake and MacKenzie. The 32 sections at Long Lake are adjoining to the Company's Long Lake leases and the 18 sections at Mackenzie form another exploration block. Also included, are 9 sections of conventional oil & gas leases with an average working interest of 19% that are currently producing approximately about 38 boes/day.

OPERATIONAL SUMMARY

Oil sands lease acquisitions

The Company has acquired 50 sections of 100% of working interest lands at Long Lake and Mackenzie with the Rochester acquisition. The Corporation presently holds an 84% working interest in a total of 269 sections of land (144,128 net acres) in six core areas in Alberta which is detailed in the following table:

Area	Working Interest	Gross Acres	Net Acres
McKay	80%	37,760	30,208
Hangingstone West	80%	42,240	33,792
Kirby	80%	9,600	7,680
Leismer	80%	23,040	18,432
Long Lake	89%	48,000	42,496
McKenzie	100%	11,520	11,520
Total	84%	172,160	144,128

Exploration

The Company continues to review and analyze its oil sands leases from a technical perspective. In August 2008, Southern shot and acquired 50 km of ERT (Electrical Resistivity Tomography) data across its McKay and Long Lake leases. This data has been used to further define the prospectivity of these areas and has assisted in the selection of additional test well locations in the McKay project area.

During the winter 2009 exploration program the Company drilled 21 stratigraphic test holes within the McKay project area. This brings the total number of delineation wells around the six square mile project area to 43, providing excellent control for exploitable bitumen mapping, and for the orientation of the first proposed phase of SAGD well pairs. The exploitable bitumen resource encountered by the 21 new wells came in better than expected, and the areal extent of exploitable bitumen has been extended. This is expected to result in an increase of exploitable bitumen when the independent engineers review the results this spring. Net pays of exploitable bitumen ranged from 12 to 24 meters, with only two wells encountering a thickness of less than 12 meters. As per the previous year's results, no significant steam thief zones or shale barriers were encountered. The information gathered this winter has further delineated the extent of its reservoir and has confirmed the viability of the STP-McKay project.

The entire winter program was completed six days ahead of schedule and approximately 8% under budget, including two additional delineation wells.

McKay SAGD Application Process

The Company has completed an analysis and interpretation of all technical data collected this past winter, prioritizing its potential project areas and is in the process of preparing a SAGD (steam assisted gravity drainage) application for a 12,000 barrels per day (bbls/day) project on the McKay block. In order to facilitate this plan, the Company has engaged a team of consultants specializing in SAGD project development to work with our internal staff to coordinate the overall efforts required to prepare an application for the SAGD project.

Over the past winter, the Company drilled and successfully tested two water source wells. Based on initial results, these wells will be more than sufficient to provide the water requirements for the SAGD project. Southern Pacific has been working over the past several months in a working group organized by the Canadian Association of Petroleum Producers (CAPP) to comment on the newly proposed Energy Resource and Conservation Board's (ERCB) draft directive: Requirements for Water Measurement, Reporting and Use for Thermal In Situ Oil Sands Schemes. After a thorough review of the draft directive, Southern Pacific is confident STP-McKay will meet or exceed all of the proposed guidelines.

Southern Pacific completed a geo-technical analysis of the plant and pad sites. Earth samples of the plant and well pad sites and surrounding samples were extracted to confirm site integrity and sources of fill material. Preliminary results support the sites selected with only minor modifications.

The Company completed additional cap rock integrity analysis. Preliminary analysis of the cap rock program results support sufficient cap rock integrity which will meet all the ERCB requirements for the STP-McKay project.

Concurrent with the field work, Southern Pacific has continued to consult directly with aboriginal organizations, public stakeholders and regulatory agencies. Based on feedback to date, there have been no significant issues brought forth and Southern Pacific expects to complete its consultation in advance of the project application submission. Southern Pacific has developed and received approval from Alberta Environment on its Aboriginal Consultation Plan and has also been exempted under the Environment Protection and Enhancement Act (EPEA) from requiring an environmental impact assessment (EIA) report. The consequence of these approvals is that Southern Pacific now has in place a more definitive time-frame around the application process schedule.

This application is planned to be submitted in the second quarter of 2009. Over the 2008/2009 winter, Southern Pacific will complete the remaining field work necessary to meet the requirements of an application to be submitted jointly to the ERCB and Alberta Environment. Southern has adequate working capital on hand to complete this work. The project team is engaged and work is well underway.

CURRENT YEAR CAPITAL PROGRAM

The Company's has spent approximately \$10.3 million for the current fiscal year which was spent primarily on the SAGD application in the McKay area and the acquisition of Rochester.

The Company anticipates spending another \$1.3 million on capital expenditures in the next quarter excluding the Saxony acquisition of conventional production.

On December 17, 2008 Rochester Energy Corp. ("Rochester") and the Company entered into a farmin agreement whereby Rochester paid \$7.0 million to earn a 3.2% interest in the STP McKay Project lands. In conjunction with this farmin, the companies entered into a loan and security package in regards to \$7 million that was advanced to Rochester. The loan accrued interest at 10% per annum was secured by a general security agreement under which the borrower had granted the lender a security interest over all its present and after acquired property. The loan was assumed and eliminated by Southern during the acquisition which closed on March 4, 2009.

The following table summarizes the capital expenditures on petroleum and natural gas assets made by the Company for the nine months ended March 31, 2009 and 2008:

	March 31, 2009	March 31, 2008
Acquisition of Rochester	\$ 8,130,909	\$ -
Land	1,147	16,453,324
Drilling and seismic	232,567	50,822,944
SAGD project development	1,934,316	124,450
Total	\$ 10,298,939	\$ 67,400,718

SELECTED FINANCIAL INFORMATION

The following table discloses selected financial information from the nine month period ended March 31, 2009, 2008 and 2007:

	2009	2008	2007
Revenue	\$549,441	\$741,343	\$2,798
Net loss and comprehensive loss	\$(2,346,549)	\$(4,420,428)	\$(1,688,114)
Net loss per share basic and fully diluted	\$(0.02)	\$(0.06)	\$(0.07)
Total assets	\$121,879,661	\$140,530,843	\$20,846,264
Working capital	\$8,928,597	\$19,994,369	\$2,329,277
Long term debt	Nil	Nil	Nil
Capital expenditures on petroleum and natural gas assets	\$10,298,939	\$67,400,718	\$15,989,473
Capital expenditures on capital assets	\$6,195	\$115,610	Nil
Weighted average common shares outstanding-basic	98,634,153	76,562,434	22,704,768
Weighted average common shares outstanding-diluted	99,821,605	78,266,930	25,012,520
Common shares outstanding	107,611,182	97,612,377	40,586,742
Stock options outstanding	9,805,608	6,386,700	2,850,000
Warrants outstanding	3,444,164	5,517,500	11,512,273

SUMMARY OF QUARTERLY RESULTS

The following information summarizes the financial results of the Company for each quarter ended during the past two years:

	For the three month period ended			
	March 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008
Revenue	\$170,114	\$128,326	\$251,001	\$243,461
Net loss	\$(427,640)	\$(966,693)	\$(952,216)	\$(1,767,457)
Net loss per share (basic and diluted)	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)

	For the three month period ended			
	March 31 2008	Dec. 31 2007	Sept. 30 2007	June 30 2007
Revenue	\$429,211	\$200,205	\$111,927	\$19,649
Net loss	\$(40,857)	\$(2,809,399)	\$(1,570,172)	\$(2,146,292)
Net loss per share (basic and diluted)	\$(0.00)	\$(0.04)	\$(0.03)	\$(0.07)

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2009

Revenue

Revenue for third quarter 2009 was \$0.2 million compared to \$0.4 million in third quarter 2008. Year to date, revenue was \$0.5 million versus \$0.7 million in the same period last year. Both decreases are from the Company having a smaller amount of cash and short term investments that earn interest income compared to the prior year.

The Company also had \$22,661 in revenue from conventional production from March 4 to March 31, 2009.

General and Administrative Expenses

General and administrative expenses for third quarter 2009 were \$0.4 million which compared to \$0.5 million for third quarter 2008. Year to date, general and administrative expenses were \$1.6 million compared to \$1.5 million in the same period last year. The Company's general and administrative expenses remain constant due to no changes in the number of employees during both periods.

Stock based compensation

The stock based compensation expense totaled \$0.2 million for third quarter 2009 compared to \$1.9 million for third quarter 2008; this was related to the options granted to the consultants, employees, officers and directors for both fiscal periods. The decrease is a result of fewer new stock options being granted in the current quarter, compared to same quarter last year.

Year to date, the stock based compensation expense totaled \$1.5 million compared to \$4.4 million in the same period last year; this was related to the options granted to the consultants, employees, officers and directors for both fiscal years. The decrease is a result of fewer new stock options being granted, compared to same period last year

Future income taxes

For the third quarter ended 2009, the Company had a recovery of future income tax of \$0.1 million compared to \$1.9 million recovery in the third quarter 2008. The recovery is a result of non-capital losses and rate reduction in expected income tax rate for the current period and past year's period.

Net loss

The net loss for the third quarter 2009 was \$0.4 million compared to \$0.1 million in third quarter 2008. Year to date, the net loss was \$2.3 million versus \$4.4 million in the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2009, the Company had working capital of \$8.9 million. Included within working capital is cash and cash equivalents balance of \$9.7 million.

The Company does not currently have any bank lines or other debt instruments at March 31, 2009.

The Company's working capital balance is sufficient to fund its capital budget and general & administrative expenses for the next four quarters. If the Company expands

its capital spending program for this fiscal year, then the Company will require additional equity or debt financing to finance its increased capital program.

COMMITMENTS

The Company signed a lease for its head office space on April 25, 2008 for a three year period. At March 31, 2009, the Company is committed to annual lease payments of:

	Amount
2009	\$ 208,272
2010	208,272
2011	69,424
Total	\$ 485,968

The above commitment includes an estimate of the Company's share of operating expenses, utilities and taxes during the lease. The Company has no other commitments as of March 31, 2009.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company paid no consulting fees (2008 - \$423,023) to companies controlled by current officers of the Company which is included in general and administrative expenses.

The transactions in the past fiscal year occurred in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

FINANCIAL INSTRUMENTS

The Company invests its excess cash in short term bank guaranteed investment certificates (GICs).

OUTSTANDING SECURITIES

Common shares

On March 4, 2009 the Company issued 9,998,805 shares for the Rochester acquisition giving a total number of shares outstanding of 107,611,182 at March 31, 2009. There were 14,000,000 common shares issued on April 30, 2009 for the Saxony acquisition giving a total number of shares outstanding of 121,611,182 at May 28, 2009.

Options and warrants outstanding

The following table details warrants and stock options outstanding as of May 28, 2009:

Security Type	Number	Exercise Price	Expiry Date
Options	200,000	\$0.30	3/9/2011
Options	1,581,700	\$0.50	11/22/2011
Options	50,000	\$0.90	12/6/2011
Options	1,125,000	\$3.15	6/8/2012
Options	100,000	\$3.15	6/16/2012
Options	50,000	\$3.80	27/7/2012
Options	25,000	\$3.15	17/9/2012
Options	225,000	\$3.15	9/10/2012
Options	2,665,000	\$1.90	7/1/2013
Options	50,000	\$1.90	17/1/2013
Options	1,240,000	\$1.05	8/5/2013
Options	250,000	\$1.05	1/06/2013
Options	250,000	\$1.05	19/06/2013
Options	1,900,000	\$0.10	18/12/2013
Total Options	9,711,700		
Broker options	29,147	\$3.79	17/7/2009
Broker options	131,259	\$3.79	14/9/2009
Broker options	65,629	\$5.06	14/9/2009
Broker options	29,147	\$3.79	17/9/2009
Total Broker options	255,182		
Warrants	835,364	\$5.06	17/7/2009
Warrants	481,993	\$2.02	29/10/2009
Warrants	242,677	\$2.02	18/07/2010
Warrants	128,505	\$2.02	26/09/2010
Warrants	1,566,278	\$2.02	23/03/2011
Warrants	189,347	\$1.01	13/03/2012
Total Warrants	3,444,164		

Escrowed securities

The Company currently has 1,905,500 common shares under escrow pertaining to an escrow agreement dated November 22, 2006. The shares were releasable as to 10% on December 11, 2006 (the date of the Final Exchange Bulletin of the TSX Venture for the Leismer Asset Acquisition) and as to 15% on each 6, 12, 18, 24, 30, 36 month anniversaries of December 11, 2006. The Company will release 952,500 common shares on June 11, 2009 and December 11, 2009 under this escrow agreement.

ADOPTION OF NEW ACCOUNTING POLICIES

The Company adopted the following accounting policies during the period:

Principals of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany transactions and balances have been eliminated.

Capital Disclosures

On July 1, 2008, the Company prospectively adopted CICA Section 1535 the new Canadian accounting standard for Capital Disclosures which establishes standards for disclosing information about an entity's objectives, policies and processes for managing its capital structure.

Financial Instruments Disclosures and Presentation

On July 1, 2008 the Company prospectively adopted two new CICA accounting standards for Financial Instruments - Disclosures Section 3862 and Financial Instruments – Presentation Section 3863. The disclosures provide additional information on the risks associated with financial instruments and how to manage those risks. This replaces CICA Section 3861 Financial Instruments – Disclosure and Presentation.

Revenue Recognition

Revenue associated with the production and sale of oil, natural gas and natural gas liquids owned by the Corporation is recognized when title passes to the customer.

Future Accounting Standards

New standards for Goodwill and Intangible Assets and Financial Statement Concepts, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets are effective for fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact that these sections will have on its results of operations and financial position.

In January 2006, the Accounting Standards Board (ASB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the ASB confirmed the effective date of the initial adoption of the IFRS. The impact of the transition to the Company's financial statements is currently being assessed.

CRITICAL ACCOUNTING ESTIMATES

Oil and Gas Reserves Determination

The process of estimating reserves and contingent resource is complex. It requires significant judgements and decisions based on geological, geophysical, engineering and economic data. Reserve and contingent resource estimates are based on current production forecasts, prices and economic conditions. These estimates may change substantially as additional data from ongoing development and production activities becomes available and as economic conditions impact oil and gas prices and costs. The Company's properties are evaluated annually by independent petroleum engineering consultants.

Impairment of Property and Equipment

The Company is required to review the carrying value of all property and equipment, including petroleum and natural gas assets, for potential impairment. Impairment is indicated if the carrying amount of the property and equipment is not recoverable by the future undiscounted cash flows. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the property and equipment is charged to earnings. The assessment of impairment is dependent on estimates of future cash flows, reserves, production rates, prices, future costs and other relevant assumptions.

Asset Retirement Obligations

When the Company has drilled core holes, it has properly abandoned within the drilling program and therefore no asset retirement obligation has been booked on its core hole program.

The Company is required to provide for future removal and restoration costs on its conventional oil and gas assets acquired from Rochester. The Company estimated these costs in accordance with the existing laws, contracts or other policies. The fair value of the liability for the Company's asset retirement obligations is recorded in the period in which it is to be incurred, discounted to its present value using the Company's credit adjusted risk free rate. The offset to the liability is recorded in the carrying amount of property and equipment. The liability amount is increased each reporting period due to the passage of time and amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

Income Tax Accounting

The determination of the Company's income tax and other liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual liability may differ from that estimated and recorded by management.

Stock Based Compensation

The Company uses the fair value method for valuing stock option grants. The fair value of each option is estimated on the date of the grant using the Black-Scholes option pricing model. This model requires the Company's management to make estimates and assumptions for the following: expected volatility and risk free rate. A zero dividend is used as the Company does not issue dividends; the volatility is a calculation based on the past trading history of the Company's shares and the risk free rate is obtained from the Bank of Canada. An increase in dividends would decrease the option expense and an increase in the volatility or risk-free rate would increase the option expense.

OUTLOOK

The Company's working capital balance of \$8.9 million is sufficient to fund its capital budget and general & administrative expenses for the next four quarters. If the Company increases its capital spending program, then the Company will require additional equity or debt financing to finance its capital program.

RISK FACTORS

The Corporation's business consists of the exploration and development of oil and gas properties in Alberta. There are a number of inherent risks associated with the exploration, development and production of oil and gas reserves. Many of these risks are beyond the control of the Corporation. These risk factors are described in the Company's Annual Information Form filed on October 20, 2008 at www.sedar.com. Please refer to this document for more information.



**Consolidated Financial Statements for the
Three and Nine months ended March 31, 2009
(Unaudited)**

SOUTHERN PACIFIC RESOURCE CORP.

Consolidated Balance Sheets

	March 31, 2009 (unaudited)	June 30, 2008 (audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 9,657,726	\$ 21,270,243
Accounts receivable	657,936	631,061
Due from former officers of Rochester (note 5)	290,119	-
Prepaid expenses and deposits	162,677	98,953
	10,768,458	22,000,257
Capital assets (note 6)	76,407	89,253
Petroleum and natural gas assets (note 7)	111,034,796	100,735,857
	\$ 121,879,661	\$ 122,825,367
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,839,861	\$ 2,711,751
Asset retirement obligations (note 8)	32,200	-
Future income tax (note 12)	2,398,000	2,678,000
	4,270,061	5,389,751
Shareholders' equity		
Share capital (note 9)	118,613,836	117,613,836
Contributed surplus (note 10)	19,587,555	18,067,022
Deficit	(20,591,791)	(18,245,242)
	117,609,600	117,435,616
	\$ 121,879,661	\$ 122,825,367

Commitments (note 15)
Subsequent event (note 16)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Signed "David M. Antony"

Director

Signed "Tibor Fekete"

Director

SOUTHERN PACIFIC RESOURCE CORP.

Consolidated Statements of Loss, Comprehensive Loss and Deficit
(Unaudited)

	Three months March 31,		Nine months March 31,	
	2009	2008	2009	2008
Revenue				
Petroleum and natural gas	\$ 22,661	\$ -	\$ 22,661	\$ -
Less: Royalties	(8,500)	-	(8,500)	-
Interest and other (note 11)	155,953	429,211	535,280	741,343
	170,114	429,211	549,441	741,343
Expenses				
Accretion, amortization and depletion	12,507	7,091	25,540	19,383
General and administrative	445,337	494,111	1,641,917	1,479,053
Operating	13,000	-	13,000	-
Stock based compensation	206,910	1,895,866	1,495,533	4,435,335
	677,754	2,397,068	3,175,990	5,933,771
Loss before taxes	(507,640)	(1,967,857)	(2,626,549)	(5,192,428)
Recovery of future income taxes (note 12)	(80,000)	(1,927,000)	(280,000)	(772,000)
Net loss and comprehensive loss	(427,640)	(40,857)	(2,346,549)	(4,420,428)
Deficit, beginning of period	(20,164,151)	(16,436,928)	(18,245,242)	(12,057,357)
Deficit, end of period	\$ (20,591,791)	\$ (16,477,785)	\$ (20,591,791)	\$ (16,477,785)
Loss per share				
Basic and diluted	\$ (0.00)	\$ 0.00	\$ (0.02)	\$ (0.06)
Weighted average number of shares outstanding:				
Basic	100,737,889	97,603,977	98,634,153	76,562,434
Diluted	101,324,329 ⁽¹⁾	98,665,262 ⁽¹⁾	99,821,605 ⁽²⁾	78,266,930 ⁽²⁾

(1) The Company excluded 5,808,941 options (2008 – 4,955,000) and no warrants (2008 – 5,517,500) from the calculation of the weighted average number of shares as they were anti-dilutive.

(2) The Company excluded 5,808,941 options (2008 – 2,035,000) and no warrants (2008 – 5,517,500) from the calculation of the weighted average number of shares as they were anti-dilutive.

See accompanying notes to the consolidated financial statements.

SOUTHERN PACIFIC RESOURCE CORP.

Consolidated Statements of Cash Flows
(Unaudited)

	Three months March 31,		Nine months March 31,	
	2009	2008	2009	2008
Cash provided by (used in)				
Operations:				
Net loss	\$ (427,640)	\$ (40,857)	\$ (2,346,549)	\$ (4,420,428)
Items not effecting cash				
Non-cash interest income	(177,552)	-	(177,552)	-
Recovery of future income taxes	(80,000)	(1,927,000)	(280,000)	(772,000)
Accretion, amortization and depletion	12,507	7,091	25,540	19,383
Stock based compensation	206,910	1,895,866	1,495,533	4,435,335
	(465,775)	(64,900)	(1,283,028)	(737,710)
Net change in non-cash operating working capital	694,116	(578,062)	(387,813)	(1,398,962)
	228,341	(642,962)	(1,670,841)	(2,136,672)
Financing:				
Issuance of common shares (net of share issuance costs)	-	4,200	-	64,743,687
Investments:				
Acquisition of Rochester, net of cash acquired	(70,976)	-	(70,976)	-
Additions to petroleum and natural gas assets	(153,771)	(15,588,209)	(2,864,505)	(47,722,127)
Additions to capital assets	-	(5,402)	(6,195)	(115,610)
Advance of loan receivable	-	-	(7,000,000)	-
Net change in non-cash investing working capital	(6,047,747)	3,032,940	-	23,393
	(6,272,494)	(12,560,671)	(9,941,676)	(47,814,344)
Net increase (decrease) in cash and cash equivalents	(6,044,153)	(13,199,433)	(11,612,517)	14,792,671
Cash and cash equivalents, beginning of period	15,701,879	51,155,108	21,270,243	23,163,004
Cash and cash equivalents, end of period	\$ 9,657,726	\$ 37,955,675	\$ 9,657,726	\$ 37,955,675
Cash and cash equivalents are comprised of:				
Balance with banks			\$ (1,159,002)	\$ 455,675
Term deposits			10,816,728	37,500,000
			\$ 9,657,726	\$ 37,955,675

See accompanying notes to the consolidated financial statements.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
(Unaudited)

Period ended March 31, 2009

1. Incorporation and nature of operations:

Southern Pacific Resource Corp. (the "Company") was incorporated under the Business Corporation Act of Alberta. The Company is involved in the exploration of in-situ oilsands properties located in northern Alberta, Canada and has conventional production located in Western Canada.

Due to long lead times and high capital costs with creating the SAGD (steam assisted gravity drainage) infrastructure necessary to bring oilsands to market, the success of the Company is heavily dependent on its ability to raise additional capital to identify and fund commercially productive resources and ultimately achieve profitable operations.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

2. Significant accounting policies:

These interim consolidated financial statements were prepared using accounting policies consistent with those used in the preparation of the Company's audited financial statements for the year ended June 30, 2008 except for the adoption of new accounting policies discussed below. The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality.

These consolidated financial statements do not include all the note disclosures required for the annual consolidated financial statements and as a result these consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2008. In addition to the accounting policies discussed in the June 30, 2008 audited financial statements, the Company adopted the following accounting policies during the period:

Principals of Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany transactions and balances have been eliminated.

Capital Disclosures:

On July 1, 2008, the Company prospectively adopted CICA Section 1535 the new Canadian accounting standard for Capital Disclosures which establishes standards for disclosing

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
(Unaudited)

Period ended March 31, 2009

2. Significant accounting policies (continued):

information about an entity's objectives, policies and processes for managing its capital structure. The disclosures have been included in Note 13.

Financial Instruments Disclosures and Presentation:

On July 1, 2008 the Company prospectively adopted two new CICA accounting standards for Financial Instruments - Disclosures Section 3862 and Financial Instruments –Presentation Section 3863. The disclosures provide additional information on the risks associated with financial instruments and how to manage those risks. This replaces CICA Section 3861 Financial Instruments – Disclosure and Presentation. The additional disclosures required by these standards are provided in Note 14.

Revenue Recognition

Revenue associated with the production and sale of oil, natural gas and natural gas liquids owned by the Corporation is recognized when title passes to the customer.

3. Future Accounting Standards:

New standards for, Goodwill and Intangible Assets and Financial Statement Concepts, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets are effective for fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact that these sections will have on its results of operations and financial position.

In January 2006, the Accounting Standards Board (ASB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the ASB confirmed the effective date of the initial adoption of the IFRS. The impact of the transition to the Company's financial statements is currently being assessed.

4. Acquisition of Rochester Energy Corp.:

On March 4, 2009, the Company acquired all of the outstanding common shares of Rochester Energy Corp. ("Rochester"). The Rochester acquisition was accounted for by the purchase method and the shares were acquired for \$1,000,000 by the issuance of 9,998,805 common shares of Southern at a deemed value of \$0.10 per share based on a weighted average trading price before and after the announcement date of December 17, 2008. The purchase price was allocated to assets and liabilities as follows:

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

4. Acquisition of Rochester Energy Corp. (continued):

Allocation of Purchase Price

Petroleum and natural gas assets	\$ 8,130,909
Due from former officers	290,119
Working capital assumed including cash of \$33,972	(81,528)
Loan payable to Southern Pacific	(7,000,000)
Interest payable to Southern Pacific	(177,552)
Asset retirement obligation	(32,000)
	<u>\$ 1,129,948</u>

Calculation of Purchase Price

Fair value of shares issued	\$ 1,000,000
Transaction costs	104,948
Fair value of stock options, broker options and warrants	25,000
	<u>\$ 1,129,948</u>

The Company also issued the following convertible securities at a fair value of \$25,000 as it assumed Rochester's convertible securities as part of the transaction:

Security Type Issued	Number	Exercise Price	Expiry Date
Stock options	93,908	\$3.79	April 3, 2009
Total stock options	93,908		
Broker options	29,147	\$3.79	July 17, 2009
Broker options	131,259	\$3.79	September 14, 2009
Broker options	65,629	\$5.06	September 14, 2009
Broker options	29,147	\$3.79	September 17, 2009
Total broker options	255,182		
Warrants	835,364	\$5.06	July 17, 2009
Warrants	481,993	\$2.02	October 29, 2009
Warrants	242,677	\$2.02	July 18, 2010
Warrants	128,505	\$2.02	September 26, 2010
Warrants	1,566,278	\$2.02	March 23, 2011
Warrants	189,347	\$1.01	March 13, 2012
Total warrants	3,444,164		

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
(Unaudited)

Period ended March 31, 2009

5. Due from former officers of Rochester:

Due from former officers of Rochester consists of amounts due from two former officers of Rochester who, without Rochester's board approval, prepaid themselves severance payments. The officers resigned on October 27, 2008 from Rochester. The Company filed a statement of claim against the two former officers of Rochester on April 17, 2009 to recover the amounts owing.

6. Capital assets:

March 31, 2009	Cost	Accumulated Amortization	Net book Value
Computer equipment and software \$	76,380	\$ (29,578)	\$ 46,802
Office equipment	27,675	(9,607)	18,068
Leasehold Improvements	17,750	(6,213)	11,537
	\$ 121,805	\$ (45,398)	\$ 76,407

June 30, 2008	Cost	Accumulated Amortization	Net book Value
Computer equipment and software \$	72,860	\$ (17,661)	\$ 55,199
Office equipment	25,000	(5,146)	19,854
Leasehold Improvements	17,750	(3,550)	14,200
	\$ 115,610	\$ (26,357)	\$ 89,253

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
(Unaudited)

Period ended March 31, 2009

7. Petroleum and natural gas assets:

March 31, 2009	Cost	Accumulated Depletion	Net book Value
Petroleum and natural gas assets	\$111,041,096	\$ 6,300	\$111,034,796

June 30, 2008	Cost	Accumulated Depletion	Net book Value
Petroleum and natural gas assets	\$100,735,857	\$ -	\$100,735,857

All costs to date, except for \$1,000,000 for conventional oil and gas properties have been excluded from the depletion calculation for they all relate to unproven properties. As at March 31, 2009 the total unproven costs were \$110,034,796 (June 30, 2008 - \$100,735,857).

Included in accounts payable and accrued liabilities at March 31, 2009, were additions to petroleum and natural gas assets of \$1,549,111 (June 30, 2008 - \$2,239,288).

8. Asset retirement obligations:

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of petroleum and natural gas properties and equipment.

	March 31, 2009	June 30, 2008
Balance, beginning of period	\$ -	\$ -
Liabilities assumed on acquisition	32,000	-
Effect of change in estimates	-	-
Accretion expense	200	-
Balance, end of period	\$ 32,200	\$ -

The total undiscounted amount of estimated cash flows required to settle the obligation is \$61,525, which has been discounted using a credit adjusted risk free rate of 7% and an inflation rate of 2.5%. Settlements will be funded from general corporate resources at the time of the properties' retirement and removal beginning in the next 2 years.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

9. Share capital:

(a) Authorized:

Unlimited common shares without par value
Unlimited first preferred shares without par value

(b) Issued:

	Number of shares	Amount
Common shares:		
Balance, June 30, 2008	97,612,377	\$117,613,836
Acquisition of Rochester Energy Ltd.	9,998,805	1,000,000
Balance, March 31, 2009	107,611,182	\$118,613,836

On December 11, 2008, 952,500 shares were released from escrow. At March 31, 2009, a total of 1,905,000 common shares remain in escrow and 952,500 common shares are scheduled for release on June 11, 2009 and December 11, 2009.

(c) Stock options:

The Company has implemented a stock option plan for Directors, Officers, employees and consultants. The exercise price of each option approximates the market price for the common shares on the date the option was granted. Options granted under the plan generally vest over an 18 month period and expire five years after the grant date. The maximum number of common shares to be issued upon the exercise of options granted under the plan is not to exceed 10% of the common shares issued. The details of this plan are as follows:

	Number	Weighted average exercise price
Balance, June 30, 2008	8,226,700	\$ 1.69
Granted upon acquisition of Rochester	93,908	3.79
Cancelled	(415,000)	2.91
Granted	1,900,000	0.10
Balance, March 31, 2009	9,805,608	\$ 1.35
Balance exercisable at March 31, 2009	7,708,941	\$ 1.56

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

(c) Stock options (continued):

The following table summarizes information about the stock options outstanding at March 31, 2009:

Number	Weighted average remaining life	Weighted average exercise price
200,000	1.94 years	\$ 0.30
1,581,700	2.64 years	\$ 0.50
50,000	2.68 years	\$ 0.90
1,125,000	3.19 years	\$ 3.15
100,000	3.21 years	\$ 3.15
50,000	3.32 years	\$ 3.80
25,000	3.47 years	\$ 3.15
225,000	3.53 years	\$ 3.15
2,665,000	3.77 years	\$ 1.90
50,000	3.80 years	\$ 1.90
1,240,000	4.11 years	\$ 1.05
250,000	4.17 years	\$ 1.05
250,000	4.22 years	\$ 1.05
1,900,000	4.71 years	\$ 0.10
93,908	0.17 years	\$ 3.79
9,805,608		\$ 1.35

The Company recorded stock based compensation expense of \$1,495,533 (2008 – \$4,435,335) for the period. The Company granted 1,993,908 (2008 – 3,330,000) stock options during the period to Directors, Officers and consultants using the fair value method. The Company cancelled 415,000 (2008 – nil) stock options during the period.

The weighted average fair value of the options granted is estimated at \$0.08 (2008 – \$1.08) on the dates of grant using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Risk free interest rate	2.1%	4.0%
Expected life in years	5.0	5.0
Expected volatility	124%	81% -97%
Dividend yield	0%	0%

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

(d) Broker options:

Broker option transactions are summarized as follows:

	Number of Broker Options	Weighted Average Exercise Price
Balance, June 30, 2008	-	\$ -
Broker options granted upon acquisition of Rochester	255,182	4.12
Broker options expired	-	-
Broker options exercised	-	-
Balance, March 31, 2009	255,182	\$ 4.12
Number of broker options currently exercisable	255,182	\$ 4.12

At March 31, 2009, broker options were outstanding enabling holders to acquire shares as follows:

Number of Shares	Exercise Price	Expiry Date
29,147 (1)	\$ 3.79	July 17, 2009
131,259 (2)	\$ 3.79	September 14, 2009
29,147 (1)	\$ 3.79	September 17, 2009

(1) Broker options entitle the holder to purchase one common share.

(2) Broker options entitle the holder to purchase one broker unit. Each broker unit consists of one common share and one half common share purchase warrant. Each whole warrant is exercisable at \$5.06 per share until September 17, 2009.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

(e) Warrants:

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2008	-	\$ -
Warrants granted upon acquisition of Rochester	3,444,164	\$2.70
Warrants expired	-	-
Warrants exercised	-	-
Balance, March 31, 2009	3,444,164	\$ 2.70
Number of warrants currently exercisable	3,444,164	\$ 2.70

At March 31, 2009, warrants were outstanding enabling holders to acquire shares as follows:

Number of Shares	Exercise Price	Expiry Date
835,364	\$ 5.06	July 17, 2009
481,993	\$ 2.02	October 29, 2009
242,677	\$ 2.02	July 18, 2010
128,505	\$ 2.02	September 26, 2010
1,566,278	\$ 2.02	March 23, 2011
189,347	\$ 1.01	March 13, 2012

10. Contributed surplus:

	2009
Balance, June 30, 2008	\$ 18,067,022
Stock-based compensation	1,495,533
Stock options, broker options and warrants issued on Rochester acquisition	25,000
Balance, March 31, 2009	\$ 19,587,555

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

11. Related party transactions:

Included in interest and other revenue is interest income received from Rochester for \$177,552 on a loan made on December 18, 2008 for \$7,000,000 that bears interest at 10 percent per annum. The loan was assumed by the Company as part of the acquisition of Rochester.

Included in general and administrative expenses for the period ended March 31, 2009 are no consulting fees (2008 - \$423,023) paid to companies controlled by officers of the Company. The transactions in the prior period occurred in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Income taxes:

The income tax provision differs from income taxes which would result from applying the expected tax rate to net loss before income taxes. The differences between the "expected" income tax expense and the actual income tax provision for the nine month period ended March 31 are summarized as follows:

	2009	2008
Net loss before income taxes	\$ (2,626,549)	\$ (5,192,428)
Expected income tax rate	29.25%	30.81%
Expected income tax recovery	(768,000)	(1,600,000)
Differences resulting from:		
Stock-based compensation	437,000	1,367,000
Rate adjustments	48,000	93,000
Other	3,000	2,000
Tax effect of temporary differences	—	44,000
Tax effect on acquisition	(2,400,000)	—
Change in valuation allowance	2,400,000	(678,000)
Recovery of future income taxes	\$ (280,000)	\$ (772,000)

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

12. Income taxes (continued):

The components of the future income liability are as follows:

	March 31, 2009	June 30, 2008
Future income tax assets (liabilities):		
Book value in excess of tax basis of assets	\$(3,984,000)	\$ (4,966,000)
Non-capital losses	2,710,000	1,159,000
Share issue costs	1,276,000	1,129,000
Valuation allowance	(2,400,000)	—
	<hr/>	<hr/>
	\$ (2,398,000)	\$ (2,678,000)

As at March 31, 2009, the Company has Canadian non-capital losses available to carry forward to future years of approximately \$10,845,000 (June 30, 2008 - \$4,517,000) which begin to expire in 2009.

13. Capital Management:

The Company's objective for managing its capital structure is to ensure it has the financial capacity, liquidity and flexibility to fund investment in its in-situ oilsands resources.

The Company considers its capital structure to include shareholders equity at this point. The Company's properties require significant capital investment prior to cash flow generation. At this early stage of its oil sands development the Company's access to debt is limited and it relies on equity issuances to fund capital investments.

The Company monitors capital to maintain sufficient working capital to fund general and administrative expenses and capital investments. The Company prepares monthly rolling twelve month budgets which are updated as varying factors change including internal Company matters and varying external industry conditions.

The Company's share capital is not subject to external restrictions. The Company has not paid or declared dividends since reorganization, nor are any contemplated in the foreseeable future.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

14. Financial Instruments:

Financial instruments consist of cash and cash equivalents, accounts receivable, due from former officers of Rochester and accounts payable and accrued liabilities.

The Company is exposed to the following risks in respect of certain financial instruments held:

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from its joint interest partners.

(b) Fair value

The Company's carrying value of cash and cash equivalents, accounts receivable, due from former officers of Rochester and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

15. Commitments:

At March 31, 2009 the Company is committed to annual lease payments under the terms of a lease for its office space of:

	Amount
2009	208,272
2010	208,272
2011	69,424
2012	-
2013	-
Thereafter	-
Total	\$ 485,968

The above commitment includes an estimate of the Company's share of operating expenses, utilities and taxes during the lease.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements
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Period ended March 31, 2009

16. Subsequent event:

On April 30, 2009, the Company acquired all of the outstanding common shares of Saxony Petroleum Inc. (“Saxony”). The Saxony acquisition was accounted for by the purchase method and the shares were acquired for an aggregate of \$2,380,000 by the issuance of 14,000,000 common shares of Southern at a deemed value of \$0.17 per share based on a weighted average trading price before and after the announcement date of March 19, 2009.