



SOUTHERN PACIFIC
RESOURCE CORP.

**Management's Discussion and Analysis for the
Three Months Ended September 30, 2009
November 27, 2009**

OVERVIEW

Southern Pacific Resource Corp. ("Southern Pacific" or the "Company") is a publicly traded junior oil and gas company engaged in the development, exploration and production of in-situ oil sands in northern Alberta and the development and production of conventional petroleum and natural gas in Western Canada.

The following Management's Discussion and Analysis ("MD&A") is prepared in accordance with National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2009, the MD&A for the year ended June 30, 2009 and the interim consolidated financial statements for the three months ended September 30, 2009. This MD&A is dated November 27, 2009. The financial statements and financial data contained in this MD&A have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") in Canadian currency.

Additional information relating to Southern Pacific can also be found on SEDAR at www.sedar.com.

OVERALL PERFORMANCE

Highlights include the following:

- Closed the acquisition of Senlac Oil Ltd, a heavy oil property that immediately adds over 5,100 barrels per day (bbls/day) of heavy oil produced using steam assisted gravity drainage (SAGD) technology; and
- Continued on track execution of the STP-McKay project including the commencement of the Front End Engineering Design (FEED) study, detailed wellbore design and preliminary investigations into the funding structure options available to the Company.
- The appointment of Sid Dykstra as a director, current CEO of Cinch Energy Corp. and former President and CEO of Opti Canada Inc., at the Company's next annual meeting on December 2, 2009

ACQUISITION OF SENLAC OIL LTD.

On November 3, 2009, Southern Pacific acquired Senlac Oil Ltd., a subsidiary of a major oil and gas company, for an estimated net purchase of approximately \$89.0 million ("the Senlac Acquisition"). The Company financed the Senlac Acquisition via the issuance of 104,000,000 subscription receipts at \$0.50 per unit in a bought deal private placement from a syndicate of underwriters for total gross proceeds of \$52 million which closed on October 23, 2009. Each subscription receipt converted to one common share in the Company upon closing of the acquisition on November 3, 2009 and is subject to a four month hold period.

In conjunction with the Senlac Acquisition the Company entered into a \$45,000,000 demand revolving operating credit facility with a Canadian chartered bank which replaced its existing facility. The proceeds of the credit facility were used to pay the remaining portion of the purchase price for the Senlac Acquisition and the remainder will be available for operating purposes. As security for the credit facility, the Corporation and its subsidiaries, including Senlac Oil Ltd., have granted security over all of their respective properties in favour of the bank. The \$45 million credit facility has now been drawn to approximately \$37.5 million, leaving over \$7.5 million of the facility undrawn at November 27, 2009.

The Senlac assets have produced approximately 5,100 bbls/day of heavy oil since the effective day the Senlac Acquisition of June 1, 2009. The Senlac Thermal Project continues to perform better than forecast by Southern Pacific. Using strip pricing and reasonable estimates for input

costs and royalties, Southern Pacific has budgeted Senlac to generate \$11.5 million in cash flow for the remainder of calendar 2009, and then \$56.0 million in calendar 2010.

With the completion of the Senlac Acquisition, Southern Pacific has been materially transformed with the addition of significant cash flow, immediate steam-assisted gravity drainage (SAGD) production, experience and technical data. Southern Pacific has successfully hired the full complement of field staff that operates the Senlac Thermal Project. In addition to the field staff, Southern Pacific has also recently added three technical managers to its team of professionals in the Calgary office. The new Southern Pacific staff will ensure the continued successful operations of the Senlac Thermal Project, and also retain a wealth of transferable knowledge and experience that will be invaluable as Southern Pacific prepares to construct its first SAGD project in the Athabasca oil sands at STP-McKay. Southern Pacific welcomes the 23 new field and office staff members who have joined our team.

Plans over the next 12 months at Senlac include preparing to drill the next two phases of production, which have been fully engineered and prepared by the previous owner of the property. This will allow Southern Pacific ample time to reinterpret the accompanying 3D seismic data over the project, generate its own interpretation of the geology and ultimately refine the development plan for 2011 and beyond.

OPERATIONS UPDATE

STP-McKAY

The Corporation continues to focus on its 12,000 barrel per day SAGD oil sands project at STP-McKay. The Corporation has recently completed its detailed project execution plan, which completes the engineering and project management requirements needed to move forward with project financing. As part of the execution plan, the estimated capital costs have been reviewed and updated, which has resulted in an overall net reduction in the capital costs required for the development of the 12,000 barrel/day project. The application for the project has been under review by the Alberta regulatory agencies for almost six months, and to date, no serious concerns or deficiencies have been identified. The Corporation is currently in the process of evaluating the various financing options available for the STP-McKay project and expects to be able to make some decisions on the options in early 2010.

Southern Pacific is pleased to announce that it has now formalized the next phase of its ongoing relationship with AMEC-BDR Limited and Drifter Projects Ltd. The next phase of work agreed to with both the aforementioned parties is to complete a front end engineering design (FEED) study for the STP-McKay facilities. This work is expected to take four months to complete and keeps the project on schedule with the timing of the application approval, expected in the third quarter of 2010. Some minor winter activities are ready to go pending freeze up including additional geotechnical evaluation of the proposed access road and drilling of groundwater monitoring wells.

Southern Pacific believes the Senlac Acquisition has greatly enhanced its ability to finance and proceed with the STP-McKay project in a timely manner. Further, the experience gained through the Senlac Acquisition should result in operating efficiencies at STP-McKay once the project is completed

Exploration program

Southern Pacific is preparing for an 30 core hole exploration program at its Hangingstone and McKay south project area, to be conducted this winter. The Hangingstone and McKay South exploration programs are located on two of the six blocks of land held by the Corporation on which seismic and initial core hole drilling was completed in 2008. With the STP-McKay project well underway, the Corporation is ready to continue with the work required in order to have a second project application identified and moving towards commerciality. The total estimated net working interest budget is \$8 million for this program.

CAPITAL EXPENDITURES

Southern Pacific spent approximately \$0.3 million during the current fiscal year primarily on the steam assisted gravity drainage (SAGD) application in the STP-McKay area compared to \$1.5 million in the first quarter 2008. The decrease is a result of lower activity levels as the Company had a summer ERT program in the prior fiscal year.

The following table summarizes the capital expenditures on petroleum and natural gas assets made by Southern Pacific for the three months ended September 30, 2009 and 2008:

	September 30, 2009	September 30, 2008
Conventional property projects	\$ 34,387	\$ -
Drilling, seismic and SAGD project development	228,326	1,507,424
Total	\$ 262,713	\$ 1,507,424

SELECTED FINANCIAL INFORMATION

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			
	Sept. 30 2009	June 30 2009	March 31 2009	Dec. 31 2008
Net revenue	\$343,676	\$472,831	\$170,114	\$128,326
Net (loss)	\$(683,768)	\$(885,417)	\$(427,640)	\$(966,693)
Net loss per share (basic and diluted)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.01)

	For the three month period ended			
	Sept. 30 2008	June 30 2008	March 31 2008	Dec. 31 2007
Revenue	\$251,001	\$243,461	\$429,211	\$200,205
Net loss	\$(952,216)	\$(1,767,457)	\$(40,857)	\$(2,809,399)
Net loss per share (basic and diluted)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.04)

DETAILED FINANCIAL ANALYSIS

Production

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008
Oil and NGLs (bbls/day)	37	-
Natural gas (mcf/day)	735	-
Total (boe/day)	159	-
Total (boe)	14,638	-

Production for the three months ended September 30, 2009 averaged 159 boe/day compared to no production in the prior comparative period. The production was the result of the acquisitions of Rochester and Saxony in the first six months of 2009. Production for the three months ended September 30, 2009 was higher than for the three months ended June 30, 2009 (Q4 2009 – 150 boe/day) due to the current quarter containing a full three months of production, whereas the prior quarter represented three months of Rochester production, and only two months of Saxony production.

Operating Netback

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008
Oil and NGL (\$ per bbl)	61.89	-
Natural gas (\$ per mcf)	3.04	-
Combined average (\$ per boe)	28.25	-
Royalties (\$ per boe)	(4.99)	-
Transportation costs (\$ per boe)	(0.93)	-
Operating costs (\$ per boe)	(12.23)	-
Operating netback (\$ per boe)	10.10	-

Revenue

Southern Pacific had \$0.4 million in revenue from oil and natural gas for the first quarter ended September 30, 2009 compared to no revenue in the same quarter of the previous fiscal period. During the first quarter, the Company received \$61.89 per bbl for its oil and natural gas liquids (NGL) and \$3.04 per million cubic feet (mcf) for its natural gas.

Southern Pacific's revenue for the three months ended September 30, 2009 remained at the same level as the three months ended June 30, 2009, with relatively similar oil and NGL prices (\$60.83 for the three months ended June 30, 2009) and slightly lower natural gas prices (\$3.37 for the three months ended June 30, 2009). The Company anticipates that commodity prices will continue on at approximately the same level for the second quarter of the 2010 fiscal year.

Interest and other revenue for the three months ended September 30, 2009 were \$3,283 compared to \$251,001 for the three months ended September 30, 2008. The decrease in interest revenue between the comparative periods, as well as from the previous three months ended June 30, 2009

of \$0.1 million, was the result of Southern Pacific utilizing excess cash to eliminate the outstanding credit facility balance during the current financial period, so less cash was available for investing.

Royalties

Southern Pacific's royalties were \$73,074 for the three months ended September 30, 2009, compared to a recovery of \$28,998 during the three months ended June 30, 2009, and no royalties paid during the three months ended September 30, 2008. The recovery of royalties in the prior quarter was due to the receipt of annual capital cost and custom processing fees adjustments to Crown royalties. On a per boe basis, the royalty expense is \$4.99, as compared to a recovery of \$2.75 for the quarter ended June 30, 2009.

Transportation costs

Transportation costs were \$13,669 for the quarter ended September 30, 2009, compared to no costs in during the three months ended September 30, 2008. Transportation costs during the current quarter are at a comparable level with the three months ended June 30, 2009 of \$16,788. On a per boe basis, transportation costs are \$0.93 for the three months ended September 30, 2009 and were \$1.15 for the three months ended June 30, 2009.

Operating costs

Operating costs were \$0.2 million for the quarter ended September 30, 2009 compared to no costs in same period in the prior year. This also compares to \$0.2 million for the previous quarter ended June 30, 2009. On a per boe basis, operating costs were \$12.23 for the fourth quarter of fiscal 2009 and were \$14.97 for the year end of fiscal 2009.

General and Administrative Expenses

General and administrative expenses for first quarter were \$0.6 million, compared to \$0.7 million for the fourth quarter of fiscal 2009 and \$0.6 million for the first quarter of fiscal 2008. The Company's general and administrative expenses remained relatively constant due to consistent staffing levels during both years, but slightly less than the fourth quarter of fiscal 2009 due to larger year-end costs from the assimilation of the corporate acquisitions.

Interest

Interest expense was \$1,961 for the three months ended September 30, 2009, compared to \$9,340 for the quarter ended June 30, 2009, and nil for the three months ended September 30, 2008. Southern Pacific's interest expense is less in the current quarter as compared to the previous quarter due to the elimination of the credit facility balance.

Accretion, depreciation and depletion

Accretion, depreciation and depletion expense was \$0.3 million for the first quarter of fiscal 2010, compared to \$0.4 million for the fourth quarter of fiscal 2009 and \$6,685 for the three months ended September 30, 2008. The current quarter's expense is relatively comparable to the prior quarter as production and capital asset levels are approximately the same, but higher than the same period in 2008 because of the acquisitions of Rochester and Saxony.

Stock-based compensation

During the first quarter of fiscal 2010, stock-based compensation expense totaled \$21,998, compared to \$641,848 for first quarter of fiscal 2009. The decrease is a result of fewer new stock options vesting in the current quarter.

Income taxes

Southern Pacific did not pay any cash tax expenses in the three months ended September 30, 2009 or 2008. The Company does not expect to pay any cash income tax for the 2010 fiscal year based on current oil and gas prices, existing tax pools and forecasted taxable income.

The Company recorded a \$94,500 recovery of future taxes for the three months ended September 30, 2009, compared to a \$93,000 recovery in the three months ended September 30, 2008. Tax values of Southern Pacific's petroleum and natural gas assets are in excess of book values as a result of the Rochester and Saxony acquisitions.

Southern Pacific estimates it has approximately \$126.0 million in tax pools and non-capital tax losses at September 30, 2009.

Net loss

The Company recorded a net loss of \$0.7 million, or \$0.01 per share, for the three months ended September 30, 2009, compared to a net loss of \$1.0 million, or \$0.01 per share, for the three months ended September 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2009, Southern Pacific had working capital of \$3.9 million. Included within working capital are cash and cash equivalents of \$3.9 million. The Company's bank line was repaid on July 14, 2009. A new bank line of \$45 million was negotiated in October 2009 and put in place on November 3, 2009 to finance the Senlac Acquisition. The Company believes its working capital balance of \$3.9 million, equity issuance of \$52 million in October 2009, debt facility of \$45 million from November 2009 and budgeted future cash flow are sufficient to fund its current obligations. These obligations include the Senlac Acquisition of approximately \$89.0 million, the 2009 / 2010 future capital spending at Senlac of \$8.7 million, the 2009 / 2010 capital budget for oil sands exploration of \$8.0 million, 2009/2010 capital spending on STP-McKay and general and administrative expenses for the fiscal year ended June 30, 2010. As the Company gains more clarity regarding commodity markets and the performance of its Senlac acquisition, it may adjust its capital budget accordingly.

Southern Pacific will actively manage its capital structure to meet its financial obligations and to finance the Company's future growth.

COMMITMENTS

At September 30, 2009, the Company is committed to annual lease payments under the terms of a lease for its head office space and an office space of a company it acquired of:

	Amount
2009	246,557
2010	345,228
2011	154,312
Total	\$ 746,097

The above commitment includes an estimate of Southern Pacific's share of operating expenses, utilities and taxes during the lease. The Company has sub-leased the Saxony office until December 31, 2009, and rental amounts owing were netted off the above commitment. The lessee of the Saxony space also holds an option to extend the sub-lease to term on June 30, 2012 that must be exercised before December 1, 2009.

OFF BALANCE SHEET ARRANGEMENTS

Southern Pacific has not entered into any off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended September 30, 2009, the Company incurred legal costs of \$18,660 (September 30, 2008 - \$41,096) with a law firm in which the Corporate Secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, \$13,084 were included in accounts payable at September 30, 2009 (September 30, 2008 - \$nil).

OUTSTANDING SECURITIES

Common shares

There were 10,000 common shares issued on July 17, 2009 at \$0.10 per share from the exercise of stock options resulting in a total 121,621,307 shares outstanding at September 30, 2009. On November 3, 2009, 104,000,000 common shares were issued at \$0.50 and on November 9, 2009 6,666 stock options were exercised resulting in 225,627,973 common shares outstanding as at November 27, 2009.

Options and warrants outstanding

The following table summarizes information about the stock options and warrants outstanding at November 27, 2009:

Number of options	Exercise Price	Expiry Date
200,000	\$0.30	03/09/2011
1,581,700	\$0.50	11/22/2011
50,000	\$0.90	12/06/2011
1,125,000	\$3.15	06/08/2012
100,000	\$3.15	16/06/2012
50,000	\$3.80	27/07/2012
25,000	\$3.15	17/09/2012
225,000	\$3.15	09/10/2012
2,665,000	\$1.90	07/01/2013
1,240,000	\$1.05	08/05/2013
250,000	\$1.05	01/06/2013
250,000	\$1.05	19/06/2013
1,890,000	\$0.10	18/12/2013
50,000	\$0.51	27/05/2014
5,715,000	\$0.56	3/11/2014
150,000	\$0.59	5/11/2014
750,000	\$0.77	26/11/2014
16,316,700		

Number of Warrants	Exercise Price	Expiry Date
242,677	\$2.02	18/07/2010
128,505	\$2.02	26/09/2010
1,566,278	\$2.02	23/03/2011
189,347	\$1.01	13/03/2012
2,126,807		

Escrowed securities

Southern Pacific currently has 952,500 common shares under escrow pertaining to an escrow agreement dated November 22, 2006. The Company will release 952,500 common shares on December 11, 2009 under this escrow agreement.

Under a separate escrow agreement from the acquisition of Rochester, 344,110 common shares remain in escrow at September 30, 2009 and they may not be transferred, assigned or otherwise dealt without the consent of the regulatory body having jurisdiction thereon.

Also, 1,434,104 warrants are subject to an escrow agreement from the Rochester acquisition. These warrants are exercisable in accordance with their granting provisions and the shares of Southern Pacific issued on exercise are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt without the consent of the regulatory body having jurisdiction thereon.

ADOPTION OF NEW ACCOUNTING POLICIES

As of July 1, 2009, the Company adopted CICA Section 3064 - Goodwill and Intangible Assets. This section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets other than the initial recognition of goodwill or intangible assets acquired in a business combination. Application of this standard did not have an impact on the financial statements for the first quarter of fiscal 2010.

CRITICAL ACCOUNTING ESTIMATES

Oil and Gas Reserves

The process of estimating reserves and contingent resources 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. Southern Pacific'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.

Withheld Costs

Certain costs related to unproved properties and major project developments related to the Company's oil sands assets may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation and in the ceiling test for impairment for which any write-down would be charged to depletion and depreciation expense.

Asset Retirement Obligations

When Southern Pacific 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. Southern Pacific estimated these costs in accordance with the existing laws, contracts or other policies. The fair value of the liability for the 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 the 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.

Depletion Expense

Depletion and depreciation of petroleum and natural gas properties is calculated using the unit of production method based upon the production volumes, before royalties, in relation to the total proved petroleum and natural gas reserves as estimated by independent engineers. In determining costs subject to depletion, Southern Pacific includes estimated future costs to be incurred in developing proved reserves and excludes salvage value. The cost of undeveloped properties are excluded from the costs subject to depletion until it is determined that proved reserves are attributable to the property or impairment has occurred.

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 Southern Pacific'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.

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.

FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards:

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 changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect Southern Pacific's reported financial position and reported results of operations.

During the next fiscal year ended June 30, 2010, the Company will complete its changeover plan, identify specific Canadian GAAP and IFRS differences, and select ongoing IFRS policies. Key areas addressed will also be reviewed to determine any information technology issues, impact of business activities including the effect, if any, on covenants. External advisors will be retained and will assist management with the project on an as needed basis. The Company will also monitor standards developments as issued by the ISAB and the ASB as well as regulatory developments by the Canadian Securities Administrators (CSA), which may affect the timing, nature or disclosure of the adoption of IFRS. The Company is still assessing the impact of this new standard on its financial statements.

Business combinations:

In January 2009, the CICA issued Section 1582 – Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2011 for the Company. Early adoption is permitted. The Company is still assessing the impact of this new standard on its financial statements.

Financial instruments - Disclosures:

In May 2009, the CICA amended Section 3862 “Financial Instruments – Disclosures” to include additional disclosure requirements about fair value measurement for financial instruments and liquidity disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs in making the fair value measurements. Fair value of assets and liabilities included in Level One are determined by reference to quoted prices in active markets for assets and liabilities. Fair value of assets in Level Two include valuations using inputs other than quoted prices for which all significant outputs are unobservable, either directly or indirectly. Fair values in Level Three are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments will be effective for the Company's interim and annual financial statements beginning in January 1, 2010. The Company is still assessing the impact of this new standard on its financial statements.

OUTLOOK

Southern Pacific believes its undrawn operating facility of \$7.5million and annualized cash flow of \$56 million based on prevailing oil and gas prices is sufficient to fund its future capital spending at Senlac estimated at \$8.7 million for the next 12 months, the 2009 / 2010 capital budget for oil sands lands exploration estimated at \$8.0 million for the next 12 months, and the STP-McKay project spending for the next 12 months, including the FEED study, plus all general and administrative expenses for the next 12 months.

BOE PRESENTATION

The use of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 barrel is based on a energy equivalent conversion method primarily applicable at the burner tip and is not intended to represent a value of equivalency at the wellhead.

NOTE REGARDING NON-GAAP MEASURES

This MD&A includes references to certain financial measures, as described below, which do not have standardized meanings prescribed by GAAP. Because these measures are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors. The Company uses these measures to evaluate its performance. Investors are cautioned that these non-GAAP measures should not be construed as an alternative to the measures calculated in accordance with GAAP as, given their non-standardized meanings, they are unlikely to be comparable to similar measures presented by other issuers. The term “operating netback” is defined as petroleum and natural gas sales less royalties and less production and transportation costs. The term “funds (used in) from operations” is defined as the cash flow from operating activities before the change in non-cash working capital and abandonment expenditures, and should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income (loss) as determined in accordance with GAAP as an indicator of performance. The Company’s determination of funds from operations may not be comparable to that reported by other companies.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or Southern Pacific’s 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", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", “propose”, "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. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. Forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- capital expenditure programs;
- development of resources;
- treatment under governmental regulatory and taxation regimes;
- expectations regarding the Company's ability to raise capital;
- expenditures to be made by the Company to meet certain work commitments; and,
- work plans to be conducted by the Company.

With respect to the forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things:

- the legislative and regulatory environment;
- the impact of increasing competition;
- unpredictable changes to the market prices for oil and natural gas;

- costs related to the development of the Company's oil and gas properties (that they will remain consistent with historical experience);
- the anticipated results of exploration activities; and,
- the Company's ability to obtain additional financing on satisfactory terms.

Southern Pacific's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- volatility in the market prices for oil and natural gas;
- uncertainties associated with estimating resources;
- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- fluctuations in currency and interest rates;
- incorrect assessments of the value of acquisitions;
- unanticipated results of exploration activities;
- competition for, among other things, capital, reserves, undeveloped lands and skilled personnel; and,
- unpredictable weather conditions.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above. These factors include the risks discussed in the Company's Annual Information Form for the year ended June 30, 2009, which include, without limitation, the inherent risks involved in a developmental stage oil sands mining and extraction enterprise.

Southern Pacific 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 these 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 this MD&A and state no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, unless so required by applicable securities laws.

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 28, 2009 at www.sedar.com. Please refer to this document for more information.



**Consolidated Financial Statements for the
Three months ended September 30, 2009 and 2008
(Unaudited)**

SOUTHERN PACIFIC RESOURCE CORP.

Consolidated Balance Sheets

	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 3,864,294	\$ 6,587,696
Accounts receivable	693,611	724,868
Prepaid expenses and deposits	211,886	207,268
	4,769,791	7,519,832
Petroleum and natural gas assets (note 3)	117,874,439	117,911,405
	\$ 122,644,230	\$ 125,431,237
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 850,149	\$ 1,156,779
Bank loan (note 4)	-	1,730,000
	850,149	2,886,779
Asset retirement obligations (note 5)	1,005,692	1,000,799
Future income taxes	2,170,500	2,265,000
	4,026,341	6,152,578
Shareholders' equity		
Share capital (note 6)	120,995,398	120,993,836
Contributed surplus (note 7)	19,783,467	19,762,031
Deficit	(22,160,976)	(21,477,208)
	118,617,889	119,278,659
Commitments (note 11)		
Subsequent events (note 12)		
	\$ 122,644,230	\$ 125,431,237

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Signed "David M. Antony"

Director

Signed "Ward Mallabone"

Director

SOUTHERN PACIFIC RESOURCE CORP.

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

Three months ended September 30,	2009	2008
Revenue		
Petroleum and natural gas	\$ 413,467	\$ -
Royalties	(73,074)	-
Interest and other	3,283	251,001
	343,676	251,001
Expenses		
Interest	1,961	-
Transportation	13,669	-
Operating	178,980	-
General and administrative	599,736	647,684
Accretion, amortization and depletion	305,600	6,685
Stock based compensation	21,998	641,848
	1,121,944	1,296,217
Loss before taxes	(778,268)	(1,045,216)
Recovery of future income taxes	94,500	93,000
Net loss and comprehensive loss	(683,768)	(952,216)
Deficit, beginning of period	(21,477,208)	(18,245,242)
Deficit, end of period	\$ (22,160,976)	\$ (19,197,458)
Loss per share		
Basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding:		
Basic	121,621,307	97,612,377
Diluted	121,617,394 ⁽¹⁾	97,693,770 ⁽¹⁾

(1) The Company excluded 9,751,700 options (2008 – 5,615,589) and 2,608,800 warrants (2008 –nil) 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 ended September 30,	2009	2008
Cash provided by (used in)		
Operations:		
Net loss	\$ (683,768)	\$ (952,216)
Items not effecting cash		
Recovery of future income taxes	(94,500)	(93,000)
Accretion, amortization and depletion	305,600	6,685
Stock based compensation	21,998	641,848
	(450,670)	(396,683)
Net change in non-cash operating working capital	(41,344)	(217,689)
Cash abandonment expenditures	(1,028)	-
	(493,042)	(614,372)
Financing:		
Repayment of bank loan	(1,730,000)	-
Issuance of common shares	1,000	-
	(1,729,000)	-
Investments:		
Additions to petroleum and natural gas assets	(501,360)	(2,108,013)
Net decrease in cash and cash equivalents	(2,723,402)	(2,722,385)
Cash and cash equivalents, beginning of period	6,587,696	21,270,243
Cash and cash equivalents, end of period	\$ 3,864,294	\$ 18,547,858
Cash and cash equivalents are comprised of:		
Balance with banks	\$ 998,163	\$ (952,142)
Term deposits	2,866,131	19,500,000
	\$ 3,864,294	\$ 18,547,858
Cash interest paid	\$ 1,961	-

See accompanying notes to the consolidated financial statements.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

1. Incorporation and nature of operations:

Southern Pacific Resource Corp. and its subsidiary Southern Pacific Energy Ltd. (collectively the "Company") were 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 develops and produces conventional petroleum and natural gas in Western Canada operating via its subsidiary corporation Southern Pacific Energy Ltd. 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 interim consolidated financial statements were prepared using accounting policies consistent with those used in the preparation of the Company's consolidated audited financial statements for the year ended June 30, 2009 except for the adoption of new accounting policies discussed below in note 2. The preparation of consolidated interim 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 interim financial statements and accompanying notes. Actual results could differ from these estimates. In management's opinion, the consolidated interim financial statements have been prepared within reasonable limits of materiality.

These consolidated interim 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, 2009. All dollar amounts are stated in Canadian funds unless otherwise noted and certain comparative figures may have been reclassified to conform to the current year's presentation.

2. Changes in accounting policies:

As of July 1, 2009, the Company adopted CICA Section 3064 - Goodwill and Intangible Assets. This section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Application of this standard did not have an impact on the financial statements.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

3. Petroleum and natural gas assets:

September 30, 2009	Cost	Accumulated Depletion/ Amortization	Net book value
Petroleum and natural gas assets	\$118,434,572	\$ (613,600)	\$117,820,972
Capital assets	121,805	(68,338)	53,467
	\$118,556,377	\$ (681,938)	\$117,874,439

June 30, 2009	Cost	Accumulated Depletion/ Amortization	Net book value
Petroleum and natural gas assets	\$118,185,103	\$ (331,500)	\$117,853,603
Capital assets	121,805	(64,003)	57,802
	\$118,306,908	\$ (395,503)	\$117,911,405

Costs primarily related to development of oilsands properties and undeveloped lands have been excluded from the depletion calculation for they all relate to unproven properties. As at September 30, 2009 the total unproven costs were \$110,252,215 (September 30, 2008 - \$102,243,281). Future development costs on proven undeveloped conventional oil and gas reserves of \$4,011,000 (September 30, 2008 - \$Nil) are included in the depletion calculation.

The ceiling test as at September 30, 2009 excludes \$1,058,293 of undeveloped land and \$110,252,215 of major project development costs, primarily related to the oil sands assets in the pre-production stage which have been separately evaluated by management for impairment. Based on the ceiling test and other assessments, no impairment has been recorded at September 30, 2009.

Included in accounts payable and accrued liabilities at September 30, 2009, were additions to petroleum and natural gas assets of \$167,394 (June 30, 2009 - \$406,041).

4. Bank loan:

As at September 30, 2009, the Company had repaid amounts owing under its demand operating credit facility (June 30, 2009 - \$1,730,000) and had letters of credit totaling \$20,000 (June 30, 2009 - \$20,000). The facility was repaid on July 14, 2009 and remained undrawn until it was replaced on November 3, 2009 with a new facility. See note 12 for further discussion regarding the terms and conditions of the new facility.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

5. 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 including well sites, gathering systems and processing facilities.

	September 30, 2009
Balance, beginning of period	\$1,000,799
Effect of change in estimates	(13,244)
Abandonment costs	(1,028)
Accretion expense	19,165
Balance, end of period	\$ 1,005,692

The total undiscounted amount of estimated cash flows required to settle the obligation is \$1,577,488 (June 30, 2009 - \$1,585,825), which has been discounted using a credit adjusted risk free rate of 8% and an inflation rate of 2.5%. Settlements will be funded from general corporate resources at the time of the properties' retirement and removal during the next 2 to 14 years averaging approximately 6 years.

6. Share capital:

(a) Authorized:

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

(b) Issued:

	Number of shares	Amount
Balance, June 30, 2009	121,611,307	\$120,993,836
Exercise of options	10,000	1,562
Balance, September 30, 2009	121,621,307	\$120,995,398

There were 10,000 options exercised at \$0.10 per share during the three months ended September 30, 2009 for a total cash proceeds of \$1,000 along with a transfer from contributed surplus of \$562.

At September 30, 2009, a total of 952,500 common shares remain in escrow and are scheduled for release on December 11, 2009.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

Under a separate escrow agreement from the acquisition of Rochester, 344,110 common shares remain in escrow at September 30, 2009 and they may not be transferred, assigned or otherwise dealt without the consent of the regulatory body having jurisdiction thereon. During the period, 172,063 were release from escrow under this agreement.

(c) Stock options:

The Company has implemented a stock option plan for Directors, Officers, employees and consultants. The details of this plan are as follows:

	Number of options	Exercise Price
Balance, June 30, 2009	9,761,700	\$1.32
Exercised	(10,000)	\$0.10
Balance, September 30, 2009	9,751,700	\$1.33
Balance exercisable at September 30, 2009	8,831,702	\$1.40

The following table summarizes information about the stock options outstanding at September 30, 2009:

Number of options	Weighted average remaining life (in years)	Weighted Average Exercise Price
200,000	1.44	\$0.30
1,581,700	2.15	\$0.50
50,000	2.18	\$0.90
1,125,000	2.69	\$3.15
100,000	2.71	\$3.15
50,000	2.82	\$3.80
25,000	2.97	\$3.15
225,000	3.03	\$3.15
2,665,000	3.27	\$1.90
50,000	3.30	\$1.90
1,240,000	3.58	\$1.05
250,000	3.67	\$1.05
250,000	3.72	\$1.05
1,890,000	4.22	\$0.10
50,000	4.66	\$0.51
9,751,700	3.22	\$1.33

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

(d) Broker options:

Broker option transactions are summarized as follows:

	Number of Broker Options	Weighted Average Exercise Price
Balance, June 30, 2009	255,182	\$ 4.12
Expired	(255,182)	4.12
Balance, September 30, 2009	-	-

(e) Warrants:

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2009	3,444,164	\$ 2.70
Expired	(835,364)	5.06
Balance, September 30, 2009	2,608,800	\$ 1.95
Balance exercisable at September 30, 2009	2,608,800	\$ 1.95

At September 30, 2009, warrants were outstanding enabling holders to acquire shares as follows:

Number of Shares	Exercise Price	Expiry Date
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
2,608,800	\$ 1.95	

On October 29, 2009, 481,993 warrants expired at an exercise price of \$2.02. Also, 1,434,104 warrants are subject to an escrow agreement from the Rochester acquisition. These warrants are exercisable in accordance with their granting provisions and the shares of the Company issued on exercise are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt without the consent of the regulatory body having jurisdiction thereon.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

7. Contributed surplus:

Balance, June 30, 2009	\$19,762,031
Options exercised	(562)
Stock-based compensation	21,998
<hr/>	
Balance, September 30, 2009	\$19,783,467

The Company recorded stock based compensation expense of \$21,998 (September 30, 2008 – \$641,848) for the period.

8. Related party transactions:

During the three months ended September 30, 2009, the Company incurred legal costs of \$18,660 (September 30, 2008 - \$41,096) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, \$13,084 were included in accounts payable at September 30, 2009 (September 30, 2008 - \$nil).

9. 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, bank debt and working capital 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, however, the bank debt facility is based on petroleum and natural gas reserves and covenants. The Company has not paid or declared dividends since its reorganization.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

10. Financial instruments:

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and bank loan. 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 and cause a financial loss to the Company. The Company is exposed to credit risk from the Company's receivables from purchasers of the Company's natural gas, crude oil and natural gas liquids and from its joint venture partners. Receivable from purchases of the Company's natural gas, oil and natural gas liquids are normally collected the 25th day of the month following the production. The Company's policy to mitigate credit risk is establishing marketing relationships with large and reputable companies. The Company has not experienced any material credit loss in the collection of accounts receivable.

Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Company attempts to mitigate risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the commencement of the project. The Company does not typically obtain collateral from joint venture partners, however, the Company has the ability to withhold future production from joint venture partners in the event of non-payment.

(b) Market risk

Market risk is the risk that results from changes in market prices such as commodity prices of its crude oil and natural gas and natural gas liquids, foreign exchange rates and interest rates will affect the Company's net earnings or the value of its financial instruments will fluctuate because of changes in the market prices. A 10% increase or decrease in the per boe price received for its petroleum would change the net loss by \$41,400.

The Company may utilize petroleum commodity contracts, price swaps and collars to reduce the exposure to price fluctuations associated with the sales of natural gas and crude oil sales volumes. On September 24, 2009, the Company put a natural gas costless collar in place effective for the period from November 1, 2009 to April 30, 2009. The collar had a floor price of \$4.00 and ceiling price of \$5.85 on a volume of 400 gj per day. The intent of this natural gas collar was not to speculate on future natural gas prices, but rather to protect the downside risk of the Company's cash flow. The risk in implementing the collar is that future natural gas prices could escalate beyond the ceiling price, limiting the Company's natural gas revenue.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

The Company is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest. At September 30, 2009, the Company had no exchange rate contracts or interest swap contracts in place.

(c) Liquidity risk

Liquidity risk is that risk that the Company will not have sufficient funds to repay its debts and fulfill its obligations. To manage this risk, the Company follows a conservative financing philosophy, prefunds major development projects, monitors budgets to control costs, monitors its operating cash flow and working capital.

(d) Fair value

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

(e) Interest rate risk

The Company is exposed to interest rate risk to the extent that when it is borrowing funds, it is at a floating short term rate of interest. The Company does not have any financial or interest rate contracts in place at September 30, 2009.

11. Commitments:

At September 30, 2009 the Company is committed to annual lease payments under the terms of a lease for its head office space and an office space of a Company it acquired of:

	Amount
2009	246,557
2010	345,228
2011	154,312
2012	-
2013	-
Thereafter	-
Total	\$ 746,097

The above commitment includes an estimate of the Company's share of operating expenses, utilities and taxes during the lease. The Company has sub-leased the space it acquired until December 31, 2009 and rental amounts owing were netted off the above commitment. On July 24, 2009, the Company subleased out the Saxony office space from August 1 to December 31, 2009. The agreement also provides the lesser an option to extend the sub-lease until June 30, 2012 that must be exercised before December 1, 2009.

SOUTHERN PACIFIC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2009 and 2008

12. Subsequent events:

On November 3, 2009, the Company acquired Senlac Oil Ltd., for an estimated net purchase price of approximately \$88,963,817. The Company financed the acquisition via the issuance of 104,000,000 subscription receipts at \$0.50 per unit in a bought deal private placement from a syndicate of underwriters for total gross proceeds of \$52,000,000 which closed on October 23, 2009. Each subscription receipt converted into one common share in the Company upon closing of the acquisition on November 3, 2009 and is subject to a four month hold period.

In conjunction with the acquisition of Senlac Oil on November 3, 2009, the Company entered into a \$45,000,000 demand revolving operating credit facility with a Canadian chartered bank which replaced its existing facility. The facility is secured by a first ranking floating debenture over all the assets of the Company. The facility bears interest at the bank's prime rate plus an applicable margin. The applicable margin charged by the bank is dependant upon the Company's debt to trailing cash flow ratio. The borrowing base is subject to a semi-annual review by the bank with the next scheduled review to be completed prior to April 30, 2010. The proceeds of the credit facility were used to finance the remaining portion of the purchase price and the remainder of the proceeds will be available for operating purposes.

On November 3, 2009, the Company granted 5,715,000 stock options to employees, officers and directors at an exercise price of \$0.56. On November 5, 2009, the Company granted 150,000 stock options to a consultant at an exercise price of \$0.59. On November 26, 2009, the Company granted 5,715,000 stock options to new employees at an exercise price of \$0.77.

On November 4, 2009, the Company amended its head office lease resulting in an additional total commitment of approximately \$79,500 between January 1, 2010 and July 31, 2011. The above commitment includes an estimate of the Company's share of operating expenses, utilities and taxes during the lease.