

# **Southern Pacific Elects Not to Make Convertible Debenture Interest Payment During Strategic Review and Capital Restructuring Process**

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CALGARY, Dec 30, 2014 - [Southern Pacific Resource Corp.](#)'s ("Southern Pacific" or the "Company") (TSX:STP) Board of Directors has been engaged in a strategic review process with RBC Capital Markets, its financial advisor, to devise and implement a strategy to address the Company's liquidity and financing requirements and improve its capital structure. Strategic and financial alternatives under consideration are focused on relieving the financial burden of the current debt structure and obtaining additional financing necessary to fund ongoing operations and to drill additional wells at STP-McKay and Senlac. The alternatives under consideration and review include the sale of all or a portion of the Company's assets, a recapitalization, debt and capital restructuring through statutory or other procedures, or a combination of the foregoing.

The Company has elected not to make the cash interest payment (of approximately C\$5.175 million) due on December 31, 2014 in respect of its outstanding 6% convertible unsecured subordinated debentures. The convertible debentures are issued pursuant to an indenture dated January 7, 2011, for an aggregate principal amount of C\$172,500,000 due June 30, 2016 and are listed on the TSX. Under the terms of the governing indenture for the convertible debentures, the Company has a 30 day cure period from the periodic interest payment date in order to make this cash interest payment before an event of default will occur. During this cure period, the Company intends to continue to work with its stakeholders and advisors to consider the next steps for the Company in its strategic review and capital restructuring process.

The recent drop in oil prices and limited growth in production levels have been primary considerations in not making this payment. Production rates at both STP-McKay and STP-Senlac have been near to expected forecasts for November, averaging 2,132 bbl/d at STP-McKay and 1,390 bbl/d at Senlac. However, in December, continued production improvements have not yet materialized at STP-McKay from the workovers completed on some of the well pairs in October.

As previously disclosed in the interim financial statements for the period ended September 30, 2014, material uncertainty exists as to the Company's ability to access additional financing and operate as a going concern under its current debt structure.

It is the Company's current intention not to disclose developments with respect to the strategic review process until the Board of Directors has approved a specific transaction or otherwise determines that disclosure is necessary or appropriate. The Company cautions that there are no assurances that the process will result in a transaction or, if a transaction is undertaken, the terms or timing of such a transaction. Trading in the securities of the Company should be considered highly speculative.

## **About Southern Pacific**

[Southern Pacific Resource Corp.](#) is engaged in the exploration, development and production of in-situ thermal heavy oil and bitumen production in the Athabasca oil sands of Alberta and in Senlac, Saskatchewan. Southern Pacific trades on the TSX under the symbol "STP."

## **Advisory**

*This news release contains certain "forward-looking information" within the meaning of such statements under applicable securities law including estimates as to: production, operations, operating costs, commodity prices, administrative costs, commodity price risk management activity, acquisitions and dispositions, capital spending, access to credit facilities and lending costs, income and oil taxes, regulatory changes, the*

*potential results of the strategic alternative review process and the capital restructuring process, disclosure intentions with respect to the strategic alternative and capital restructuring process or the cure period for the convertible debentures, and general economic outlook.*

*Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions.*

*Forward-looking information is 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, but are not limited to the inherent risks involved in the exploration and development of oil and gas properties and of oil sands properties, strategic alternatives, the capital restructuring process, the benefits of negotiations during the cure period for the convertible debentures, conformance acceleration techniques, delays in ramp-up operations, the uncertainties involved in interpreting drilling results and other geological data, fluctuating oil prices and discounts, the possibility of unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors including unforeseen delays. As an oil sands enterprise in the development stage, Southern Pacific faces risks including those associated with exploration, development, ramp-up, approvals and the continuing ability to access sufficient capital from external sources if required. Actual timelines associated may vary from those anticipated in this news release and such variations may be material. Industry related risks could include, but are not limited to, operational risks in exploration, development and production, delays or changes in plans, risks associated to the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of production, costs and expenses. For a description of the risks and uncertainties facing Southern Pacific and its business and affairs, readers should refer to Southern Pacific's most recent Annual Information Form. Southern Pacific undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law.*

*The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as the factors are interdependent, and the Board's and management's future course of action would depend on its assessment of all information at the time.*

*The reader is cautioned not to place undue reliance on this forward-looking information.*

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