

**PACIFIC ENERGY RESOURCES LTD.**

Financial Statements

September 30, 2004

These financial statements have not been  
reviewed by the Company's auditors.

**D E V I S S E R G R A Y**  
**CHARTERED ACCOUNTANTS**

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**NOTICE TO READER**

We have compiled the consolidated balance sheet of Pacific Energy Resources Ltd. as at September 30, 2004 and the consolidated statements of operations and deficit, cash flows and petroleum and natural gas interests for the six-month period ended September 30, 2004 from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

"De Visser Gray"

**CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
November 26, 2004

**PACIFIC ENERGY RESOURCES LTD.**

## Consolidated Balance Sheets

As at

*(Unaudited- see Notice to Reader)*

	September 30, 2004	December 31, 2003 <i>(audited)</i>
	\$	\$
<b>A S S E T S</b>		
<b>Current Assets</b>		
Cash	204,684	102,025
Cash - restricted	-	25,664
Amounts receivable	196,183	139,426
Due from related parties	13,136	-
Due from joint venture participants	428,334	156,479
Prepays and other current assets	25,963	6,001
Short-term investments	45,740	25,930
	<u>914,040</u>	<u>455,525</u>
Capital assets	103	121
Deferred changes (note 4)	103,305	94,796
Reclamation deposit	1,000	1,000
Petroleum and natural gas interests (note 3)	2,428,084	2,454,485
	<u>3,446,532</u>	<u>3,005,927</u>
<b>L I A B I L I T I E S</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	543,878	540,556
Due to related parties (note 5)	292,686	345,659
Due to joint venture participants	-	427,496
Share subscriptions received	400,000	56,810
	<u>1,236,564</u>	<u>1,370,521</u>
Due to related party (notes 3 and 5)	1,337,964	1,337,964
Other liabilities	-	25,664
Reserve for future abandonment	28,037	-
	<u>2,602,565</u>	<u>2,734,149</u>
<b>S H A R E H O L D E R S ' E Q U I T Y</b>		
Share capital (note 6)	13,796,180	13,453,778
Deficit	(12,952,213)	(13,182,000)
	<u>843,967</u>	<u>271,778</u>
	<u>3,446,532</u>	<u>3,005,927</u>

See notes to the consolidated financial statements

**PACIFIC ENERGY RESOURCES LTD.**  
Consolidated Statements of Operations and Deficit  
(Unaudited - see Notice to Reader)

	For the three months ended September 30,		For the nine months ended September 30,	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>Revenues</b>				
Gross oil and gas production revenue	476,389	148,148	1,322,346	1,587,154
Production expenses	(285,793)	(58,235)	(824,801)	(1,186,876)
Depletion	(25,062)	(38,593)	(76,638)	(250,216)
Net oil and gas income	<u>165,534</u>	<u>51,320</u>	<u>420,907</u>	<u>150,062</u>
<b>Expenses</b>				
Amortization	6	2,022	18	3,568
Automobile and truck	-	3,257	-	28,337
Consultants	47,210	17,655	92,311	101,070
Insurance	15,155	2,319	15,155	20,174
Interest and bank charges	11,196	-	22,438	-
Legal and accounting	92,742	58,908	156,908	185,900
Meals and entertainment	-	231	-	5,388
Office and administration	8,072	8,679	22,709	68,657
Operating overhead	-	-	14,068	-
Rent	-	910	-	11,917
Royalty	9,137	110	25,240	954
Shareholder communications	4,583	-	6,575	423
Telephone	-	1,701	-	12,550
Travel and accommodation	-	78	-	20,877
Trust and filing	2,266	9,186	5,401	28,921
Utilities	-	9,611	-	83,616
Wages and salaries	-	32,691	-	100,315
	<u>190,367</u>	<u>147,358</u>	<u>360,823</u>	<u>672,667</u>
Income (loss) before other item	(24,833)	(96,038)	60,084	(522,605)
Gain on sale of assets	5,875	-	131,235	-
Other income	1,758	-	4,051	-
General exploration	(2,618)	-	(9,439)	(10,000)
Foreign exchange gain (loss)	47,262	32,154	43,856	(4,163)
Net income (loss) for the period	27,444	(63,884)	229,787	(536,768)
Deficit - beginning of period	<u>(12,979,657)</u>	<u>(12,028,643)</u>	<u>(13,182,000)</u>	<u>(11,555,759)</u>
Deficit - end of period	<u>(12,952,213)</u>	<u>(12,092,527)</u>	<u>(12,952,213)</u>	<u>(12,092,527)</u>
Weighted average number of shares	<u>12,352,444</u>	<u>34,259,371</u>	<u>12,352,444</u>	<u>34,259,371</u>
Net income (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ (0.02)</u>

See notes to the consolidated financial statements

**PACIFIC ENERGY RESOURCES LTD.**

Consolidated Statements of Cash Flows

*(Unaudited - see Notice to Reader)*

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Cash Provided by (Used For):</b>				
<b>Operating Activities</b>				
Net income (loss) for the period	27,444	(63,884)	229,787	(536,768)
Adjustment for items not involving cash:				
Gain on sale of assets	(5,875)	-	(131,235)	-
Depletion	25,062	-	76,638	192,853
Amortization	6	8	18	22
Net (gain) loss in joint venture	-	(39,823)	-	62,673
	<u>46,637</u>	<u>(103,699)</u>	<u>175,208</u>	<u>(281,220)</u>
Net changes in non-cash working capital items:				
Cash-restricted	-	-	25,664	-
Amounts receivable	-	147	(56,757)	(6,027)
Accounts payable and accrued liabilities	69,301	48,028	(22,342)	89,500
Prepays and other current assets	20,750	-	(19,962)	-
Due to related parties	(6,546)	32,692	(66,109)	1,193,498
Due to joint venture participant	(500,006)	-	(699,351)	-
Reserve for future abandonment	-	-	28,037	-
	<u>(369,864)</u>	<u>(22,832)</u>	<u>(635,576)</u>	<u>995,751</u>
<b>Investing Activities</b>				
Proceeds on sale of assets	5,875	-	131,235	-
Petroleum and natural gas	(36,042)	(136,443)	(50,237)	(1,338,810)
Deferred charges	-	-	(8,509)	-
Short-term investments	-	-	(19,810)	-
	<u>(30,167)</u>	<u>(136,443)</u>	<u>52,679</u>	<u>(1,338,810)</u>
<b>Financing Activities</b>				
Issuance of share capital for cash	-	-	285,592	200,000
Proceeds received for subsequent issuance of share capital	400,000	-	400,000	-
Cash acquired in joint venture	-	38,588	-	38,588
	<u>400,000</u>	<u>38,588</u>	<u>685,592</u>	<u>238,588</u>
Net cash provided (used) during the period	(31)	(120,687)	102,659	(104,471)
Cash - beginning of the period	204,715	23,856	102,025	7,640
Cash (bank indebtedness) - end of the period	<u>204,684</u>	<u>(96,831)</u>	<u>204,684</u>	<u>(96,831)</u>

**Supplemental disclosure of non-cash Investing and Financing Activities:**

- During the period ended September 30, 2003, the Company completed the acquisition of a 25% interest in the assets of Pacific Energy Resources Inc. Refer to notes 3 and 7. The Company issued 400,000 common shares to settle \$40,000 of debt. Refer to note 6.
- During the period ended September 30, 2004 the Company issued 73,333 common shares to settle \$22,000 of debt. Refer to notes 5 and 6.

See notes to the consolidated financial statements

**PACIFIC ENERGY RESOURCES LTD.**

Consolidated Statement of Petroleum and Natural Gas Interests

For the Nine Month Period Ended September 30, 2004

*(Unaudited - see Notice to Reader)*

	December 31, 2003	Net Additions	Depletion	September 30, 2004
	\$	\$	\$	\$
<b>Pacific Energy Resources Joint Venture</b>				
Acquisition costs and other	<u>2,454,484</u>	<u>19,928</u>	<u>(76,638)</u>	<u>2,397,774</u>
<b>Russian Projects</b>				
Acquisition costs	<u>-</u>	<u>30,309</u>	<u>-</u>	<u>30,309</u>
<b>Rincon Creek Project</b>				
Acquisition costs	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Total petroleum and natural gas interests</b>	<u><u>2,454,485</u></u>	<u><u>50,237</u></u>	<u><u>(76,638)</u></u>	<u><u>2,428,084</u></u>

**PACIFIC ENERGY RESOURCES LTD.**

Notes to the Interim Consolidated Financial Statements  
For the Nine Month Period Ended September 30, 2004  
(Unaudited - see Notice to Reader)

**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company's major activity is the acquisition and exploration of petroleum and natural gas properties. The recoverability of amounts shown for these properties is dependent upon the discovery of economically recoverable reserves. The Company does not generate sufficient cash flow from operations to adequately fund its exploration activities and has therefore relied principally upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent that such instruments are issuable under terms acceptable to the Company. Accordingly, the Company's interim financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

**2. METHODOLOGY OF FINANCIAL STATEMENT PREPARATION AND USE OF ESTIMATES**

The unaudited interim financial statements of Shamrock Resources Inc. are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly should be read in conjunction with the Company's annual audited financial statements dated December 31, 2003. All material adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods, have been reflected. The results of the nine and three month periods ended September 30, 2004 are stated utilizing the same accounting policies as those applicable to the most recent annual financial statements, but will not necessarily be indicative of the results to be expected for a full year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. PETROLEUM AND NATURAL GAS INTERESTS**

**Pacific Energy Resources Agreement  
Los Angeles, California, USA**

The Company entered into an agreement with Scanner Investments Ltd. ("Scanner"), a private company controlled by the president of the Company, whereby Scanner would transfer at its cost a 25% interest in the assets of the Pacific Energy Resources ("Joint Venture") for US\$1,250,000 (the payment was initially to include US\$1,000,000 cash and a \$250,000 promissory note due to Scanner, which will bear interest at 7.5% per annum payable to Scanner quarterly on each of October 1, January 1, April 1 and July 1, plus 25% of all ancillary expenses.) As partial payment of the US\$1,000,000 described above, the Company subsequently issued two convertible debentures to Scanner, one for \$670,864 (US\$425,000) and one for \$667,100 (US\$500,000), both have a three year term, bearing interest at a rate of 10% per annum, payable semi-annually and convertible into common shares of the Company at CDN\$0.25 per share. At December 31, 2003, the Company obtained regulatory consent for the acquisition of the assets and the issuance of the convertible debentures.

**4. DEFERRED CHARGES**

To September 30, 2004, the Company has incurred \$103,305 (December 31, 2003 - \$94,059) in deferred property development costs for three different off-shore properties, which the Company proposes to acquire, located in California.

## 5. RELATED PARTY TRANSACTIONS

Transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. The period end balances referred to below are non-interest bearing, unsecured, receivable or payable on demand and have arisen from the provision of services and expense reimbursements or advances described.

- a) At December 31, 2003, the Company accrued and incurred \$1,765,460 in net property acquisition costs with a private company (Scanner) owned by the President of the Company, which is inclusive of convertible debentures of \$670,864 (US\$425,000) and \$667,100 (US\$500,000). During the nine months ended September 30, 2004, the Company repaid a net amount of \$427,496 in debt owing to Scanner, and at September 30, 2004 the balance owing to Scanner is \$1,337,964.
- b) During the nine months ended September 30, 2004, the Company repaid and advanced a net amount of \$699,351 in debt relating to the Joint Venture and at September 30, 2004 the balance owing to the other participants in the joint venture was \$428,334.
- c) During the year ended December 31, 2003, the Company incurred an aggregate of \$16,297 in deferred charges to a director and owed this individual \$16,297 at September 30, 2004.
- d) During the nine months ended September 30, 2004, the Company repaid \$30,973 in debt owing to its President and owed this individual \$192,309 at September 30, 2004.
- e) During the year ended December 31, 2003, the Company accrued \$48,000 in salary and expense reimbursements to a director. During the nine month period ended September 30, 2004, the Company settled \$22,000 in debt owing to this director through the issuance of 73,333 shares at a deemed value of \$0.30 per share. The deemed share issuance price was based on a \$0.10 per share pre-consolidation basis. At September 30, 2004, the balance owing to this director was \$84,080. Refer to note 6.
- f) During the nine months ended September 30, 2004, the Company advanced \$13,136 in expense reimbursements to a director of the Company and owed this individual \$13,136 at September 30, 2004.

## 6. SHARE CAPITAL

Authorized share capital of the Company consists of 33,333,333 common shares without par value.

- a) Issued and outstanding

	Price per Share	Number of Shares	\$
Balance - December 31, 2002		31,403,633	12,813,778
Debt settlement	0.10	400,000	40,000
Private placement	0.10	2,000,000	200,000
Private placement	0.15	2,933,333	400,000
Balance - December 31, 2003		36,736,966	<sup>(1)</sup> 13,453,778
Private placement and finder's fee	0.20	2,200,000	<sup>(2)</sup> 320,402
Share consolidation of 3:1		(25,957,977)	-
Debt settlement	0.30	73,333	22,000
Balance - September 30, 2004		<u>13,052,322</u>	<u>13,796,180</u>

<sup>(1)</sup> net of share issue costs of \$40,000 for issuance of 26,667 agent's warrants

<sup>(2)</sup> net of share issue costs of \$119,598, inclusive of a finder's fee of 200,000 common shares valued at \$40,000

6. **SHARE CAPITAL** (continued)

- b) Summary of stock options outstanding at September 30, 2004: no options are outstanding
- c) Summary of share purchase warrants are outstanding at September 30, 2004:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Expiry Date</u>
\$		
0.30	66,667	June 17, 2005
0.45	888,889	October 3, 2005
	<u>* 955,556</u>	

*\* During the nine month period ended September 30, 2004, the Company consolidated their common shares outstanding on a 3:1 bases.*

7. **JOINT VENTURE**

The Company's proportionate interests in the accounts of the PER Joint Venture are as follows:

	September 30, 2004	December 31, 2003
<b>Balance Sheet</b>	\$	\$
Cash	135,769	94,550
Cash - restricted	-	25,664
Amounts receivable	193,016	121,992
Prepays - other current assets	25,922	6,001
Short-term investment	43,780	25,930
Due from joint venture participants	283,956	53,472
Accounts payable and accrued liabilities	(291,228)	(444,026)
Other liabilities	-	(25,664)
Petroleum and natural gas interests	2,397,774	2,454,484
Reserve for future abandonments	(28,037)	-
Net identifiable assets.	<u>2,760,952</u>	<u>2,312,403</u>

7. **JOINT VENTURE** *(continued)*

Supplementary financial information in respect to the results of operations and cash flows of the PER Joint Venture is presented below.

<b>Statements of Operations and Deficit</b>	For the nine months ended September 30, 2004	For the year ended December 31, 2003
	\$	\$
<b>Revenue</b>		
Gain on sale of assets	130,391	-
Gross oil and gas production revenue	1,316,654	1,207,895
Other income	4,036	-
Production expenses	(821,173)	(794,130)
Royalty payments	-	(22,101)
Depletion	(76,291)	(84,276)
Net oil and gas revenues	<u>553,617</u>	<u>307,388</u>
<b>Expenses</b>		
Office administration	<u>(48,358)</u>	<u>(510)</u>
<b>Net income for the year</b>	<u><u>505,259</u></u>	<u><u>306,878</u></u>
<b>Statements of Cash Flows:</b>		
<b>Cash Provided by (Used for):</b>		
Net earnings for the period/year	505,259	307,898
Add: Loss on foreign exchange translation	-	(35,215)
	<u>505,259</u>	<u>272,683</u>
Net changes in non-cash working capital items:		
Cash - restricted	25,664	(3,574)
Amounts receivable	(71,024)	(67,198)
Prepays and other current assets	(19,921)	(6,484)
Due to (from) joint venture partners	(230,484)	(679,585)
Accounts payable	(152,798)	339,052
Other liabilities	(25,664)	5,412
Reserve for future abandonments	28,037	-
	<u>59,069</u>	<u>(139,694)</u>
<b>Investing Activities</b>		
Short-term investments	<u>(17,850)</u>	<u>(12,259)</u>
<b>Net cash provided (used) during the period/year</b>	41,219	(151,953)
<b>Cash - beginning of the period/year</b>	94,550	246,503
<b>Cash - end of the period/year</b>	<u><u>135,769</u></u>	<u><u>94,550</u></u>

## 8. SUBSEQUENT EVENTS

The following transactions have occurred subsequent to September 30, 2004.

- The Company closed a private placement issuing 666,667 units at a price of \$0.60 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable to acquire an additional common share at \$0.60 for a period of two years, expiring October 19, 2004. In addition to this transaction, the Company issued 66,667 units as a finder's fee.