

PACIFIC ENERGY RESOURCES LTD.

Consolidated Financial Statements

June 30, 2005
(U.S. Dollars)

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

PACIFIC ENERGY RESOURCES LTD.
Consolidated Balance Sheets
(Stated in U.S. Dollars)

	June 30, 2005 <i>(unaudited)</i>	December 31, 2004 <i>(audited)</i>
	\$	\$
A S S E T S		
Current Assets		
Cash	712,862	130,559
Cash - restricted	95,306	22,622
Amounts receivable	808,131	210,284
Due from joint venture participants	-	551,509
Prepays and other current assets	266,067	81,723
Short-term investments	-	62,500
	1,882,366	1,059,197
Deferred charges	806,986	80,948
Petroleum and natural gas interests	8,073,648	1,594,963
Performance bonds	350,000	-
	11,113,000	2,735,108
L I A B I L I T I E S		
Current Liabilities		
Accounts payable and accrued liabilities	995,241	526,129
Due to related parties	199,164	229,486
Note payable	1,982,967	197,500
Due to joint venture participant	-	27,943
Other liabilities	-	2,985
	3,177,372	984,043
Convertible debentures	1,326,930	1,039,225
Other liabilities	842,164	-
	5,346,466	2,023,268
S H A R E H O L D E R S ' E Q U I T Y		
Share capital (note 4)	5,482	10,510,883
Paid up capital	14,926,617	-
Convertible debentures	127,941	63,219
Deficit	(9,293,506)	(9,862,262)
	5,766,534	711,840
	11,113,000	2,735,108

See notes to the financial statements

PACIFIC ENERGY RESOURCES LTD.
Consolidated Statements of Operations and Deficit
(Stated in U.S. Dollars)
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2005 \$	2004 \$	2005 \$	2004 \$
Revenues				
Gross oil and gas production revenue	1,964,367	361,599	2,792,491	632,649
Production expenses	(817,508)	(240,467)	(1,136,963)	(403,097)
Depletion	(79,958)	(21,816)	(160,030)	(38,571)
Royalty payments	(32,526)	(12,042)	(58,538)	(12,042)
Net oil and gas income	1,034,375	87,274	1,436,960	178,939
Other revenue	10,912	1,715	13,203	1,715
	<u>1,045,287</u>	<u>88,989</u>	<u>1,450,163</u>	<u>180,654</u>
Expenses				
Administrative staff	225,901	-	336,705	-
Accretion on convertible debentures	10,364	-	21,219	-
Consultants	28,239	14,013	28,239	33,729
Interest	63,295	3,685	152,686	8,407
Legal and accounting	119,990	26,993	137,971	47,986
Office and administration	(6,250)	(153)	6,799	11,127
Operating overhead	-	-	-	10,520
Licenses and permits	-	246	-	2,547
Shareholder communications	(7,236)	693	8,680	1,490
Travel and accommodation	16,473	-	72,548	-
Trust and filing	123,843	400	116,560	2,344
	<u>574,619</u>	<u>45,877</u>	<u>881,407</u>	<u>118,150</u>
Income before other item	470,668	43,112	568,756	62,504
Loss/gain on sale of assets	-	2,087	-	93,750
General exploration	-	-	-	(4,932)
	<u>470,668</u>	<u>45,199</u>	<u>568,756</u>	<u>151,322</u>
Net income for the period	470,668	45,199	568,756	151,322
Deficit - beginning of period	(9,764,174)	(9,752,036)	(9,862,262)	(9,858,159)
Deficit - end of period	<u>(9,293,506)</u>	<u>(9,706,837)</u>	<u>(9,293,506)</u>	<u>(9,706,837)</u>
Basic and dilutive earnings per share	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 0.01</u>

See notes to the financial statements

PACIFIC ENERGY RESOURCES LTD.

Consolidated Statements of Cash Flows

(Stated in U.S. Dollars)

(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash Provided by (Used For):				
Operating Activities				
Net income for the period	470,668	45,199	568,756	151,322
Adjustment for items not involving cash:				
Loss (gain) on sale of assets	-	(2,087)	-	(93,750)
Depletion	79,958	21,816	160,030	38,571
Accretion on convertible debenture	10,364	-	21,219	-
Cash - restricted	(3,115)	19,193	(3,541)	19,193
	<u>557,875</u>	<u>84,121</u>	<u>746,464</u>	<u>115,336</u>
Net changes in non-cash working capital items:				
Amounts receivable	(100,486)	(42,315)	(313,619)	(42,446)
Accounts payable & accrued liabilities	(230,874)	73,486	(331,898)	(68,535)
Prepays and other current assets	18,728	(14,824)	63,172	(30,446)
Due to related parties	69,678	75,400	(30,322)	(28,091)
Note payable	(274,000)	-	84,670	20,971
Reserve for future abandonment	-	20,967	-	-
Due from joint venture	-	(149,080)	(211,594)	(149,080)
	<u>40,921</u>	<u>47,755</u>	<u>6,873</u>	<u>(182,291)</u>
Investing Activities				
Purchase of performance bonds	(99,965)	(14,815)	(100,000)	(14,815)
Proceeds on sale of assets	-	2,087	-	93,750
Petroleum and natural gas properties and deferred charges	(138,801)	22,422	(95,672)	(16,979)
	<u>(238,766)</u>	<u>9,694</u>	<u>(195,672)</u>	<u>61,956</u>
Cash acquired on acquisition of Petrocal (note 3)	-	-	626,526	-
Financing Activities				
Paid up capital	-	-	(348,319)	-
Cash received for shares issued	161,687	-	161,687	197,127
Cash received for convertible debenture issued	-	-	331,208	-
Cash paid for early settlement of convertible debentures	(100,000)	-	-	-
	<u>61,687</u>	<u>-</u>	<u>144,576</u>	<u>197,127</u>
Net cash provided (used) during the period	(136,158)	57,499	582,303	76,792
Cash - beginning of the period	849,020	95,642	130,559	76,299
Cash - end of the period	<u>712,862</u>	<u>153,091</u>	<u>712,862</u>	<u>153,091</u>

PACIFIC ENERGY RESOURCES LTD.
Notes to the Interim Consolidated Financial Statements
For the six month period ended June 30, 2005
(Unaudited)

1. **NATURE OPERATIONS**

The Company re-domesticated to the United States in 2005 and now presents its financial statements in U.S. dollars.

2. **FINANCIAL STATEMENT PREPARATION**

These unaudited interim financial statements 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, 2004. 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 six months ended June 30, 2005 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.

3. **PETROLEUM AND NATURAL GAS INTERESTS**

Pacific Energy Resources Agreement
Los Angeles, California, USA

On February 2, 2005, the Company re-domesticated to the State of Delaware, USA and on March 5, 2005, acquired Petrocal Incorporated ("Petrocal") and continued as Pacific Energy Resources Ltd. The Company issued 39,999,995 shares to acquire all the outstanding share capital of Petrocal, which had a 75% interest in the Pacific Energy Resources Joint Venture.

Petrocal and the Company were both controlled by the same related parties, and accordingly, as there has been no substantive change in ownership of the assets, the transaction has been accounted for as a continuing entity with no recognition of fair value. The share consideration issued has been recorded as the book value of the assets acquired.

Net assets acquired

Current assets	948,618
Petroleum and natural gas interests	6,679,544
Performance bond	250,000
Current liabilities	(1,080,229)
Debentures and notes payable	<u>(2,538,404)</u>
Share consideration	<u><u>4,259,529</u></u>

4. SHARE CAPITAL

Authorized share capital of the Company consists of 100,000,000 common shares with par value of \$0.0001 per share (2004 - no par value).

a) Issued and outstanding

	Common Stock			\$
	Number of Shares	Amount \$	Additional Paid-in Capital	
Balance - December 31, 2003	36,736,966	10,009,526		10,009,526
Private placement	2,000,000	171,593		⁽¹⁾ 171,593
Finder's fee	200,000	28,551		28,551
Consolidation 3:1	(25,957,977)	-		-
Debt settlement	73,333	15,703		15,703
Private placement	666,667	256,959		⁽²⁾ 256,959
Finder's fee	66,667	28,551		28,551
Balance - December 31, 2004	13,785,656	10,510,883		10,510,883
Reclassification of share capital		(10,510,883)	10,510,883	
Issue of shares for acquisition of Petrocal	40,363,457	5,415	4,254,114	4,259,529
Warrants exercised	666,667	67	161,620	161,687
Balance - June 30, 2005	<u>54,815,780</u>	<u>5,482</u>	<u>14,926,617</u>	<u>14,932,099</u>

b) Summary of options outstanding at June 30, 2005: Nil.

c) Summary of share purchase warrants are outstanding at June 30, 2005:

	Exercise Price (Stated in Canadian dollars)	Number Outstanding	Expiry Date
	\$		
Balance December 31, 2002		-	
Granted	0.30	666,667	June 17, 2005
	0.45	888,889	October 3, 2005
Balance December 31, 2003		*1,555,556	
Granted	0.60	*666,667	March 15, 2006
	0.60	666,667	October 19, 2006
Balance December 31, 2004		2,888,890	
Exercised	0.30	(666,667)	June 17, 2005
Balance June 30, 2005		<u>2,222,223</u>	

* During the year ended December 31, 2004, the Company consolidated its common shares and warrants outstanding on a 3:1 basis.